

BELGIAN SCANDALS • SNOW A LA CARTE • EUROPE'S AUTO MAKERS

EUROPE

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INTERNET

The European Connection



THE BELGIAN HEART OF EUROPE'S GOLDEN TRIANGLE

The Bermuda triangle is known around the world for making objects vanish without a trace. Europe's golden triangle, on the other hand, has an international reputation for doing just the opposite. Within the area outlined by its three points—London, Frankfurt and Paris—companies are appearing like magic, attracted by the tremendous economic potential of a location with rapid access to 350 million consumers.

THE IDETA REGION

At the very heart of this fertile triangle lies a dynamic group of 20 Belgian communes who have joined forces and created IDETA, an intermunicipal agency for promoting and developing the region. Situated between the bustling French metropolis of Lille and Belgium's capital city Brussels, the IDETA

region is one of open spaces and open minds, with wide horizons that stretch beyond its borders and offer possibilities as seemingly infinite as its sky.

TRADITION AND MODERNITY

Textiles, quarrying, printing, publishing, the cement industry, construction, agriculture and food have been part of the economic fabric of the region for centuries. But grounded in tradition as it is, the area also knows how to adapt to the winds of change and has diversified into leading technologies such as chemicals, data processing and paramedical equipment. Several major multi-national companies have set up operations in the region, drawn as much by its pioneering spirit as by a host of practical advantages including a qualified, multi-lingual workforce and exceptional financial incentives.

DOLLARS AND SENSE

The medical products giant Baxter of Chicago is just one example of some 80 international companies who have established themselves in the IDETA region. Known for manufacturing the sterile drip pouches used in hospitals, Baxter set up its first manufacturing site in the area 25 years ago. Last year, when

it came to choosing a European distribution center, it hesitated between its Belgian location and one in northern France. What won the day for Belgium were the generous financial aids made available by the European Commission to companies expanding or establishing themselves in the area. With their help, the IDETA region can offer international investors some of the most attractive financial rates within Europe.

AN INTERNATIONAL OUTLOOK

Investing in the region not only makes excellent economic sense—dollars and cents. The private rewards of living here are immeasurable. This is a region where a united, border-free Europe is not

just a goal but a reality. Within a couple of hour's drive through the peaceful, open countryside lie several countries, several cultures. It is possible to have breakfast in Belgium, drive to the Netherlands for lunch and finish the day in France. Lille, France's most booming northern city, is literally next-door. It shares the IDETA region's international outlook and optimistic vision of the future. Lille is France's candidate city for the 2004 Summer Olympics. It was chosen mainly because of the tremendous wave of popular support which has swept its Olympic bid along from the very start. The city believes in its Olympic dream, and everyone, from the mayor Pierre Mauroy, down to an army of volunteers, is wholeheartedly in favor of playing host to the world's athletes. This is the spirit which unites the IDETA region and its neighbors:

open-hearted and outward-looking, with the will, the means and the energy to welcome newcomers into their heart.

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IDETA:
INVESTING
DECIDING
PRODUCING
BUILDING

POPULATION	
Brussels	1,000,000
IDETA Region	240,000
Greater Lille	1,200,000
TOTAL	2,440,000

EUROPE

MAGAZINE OF THE EUROPEAN UNION



19

INTERNET

Around the EU On-line. A country-by-country look at what the Internet offers from Europe. *Christina Barron* 6

Internet Rights and Wrongs. The Net has provoked widespread legal controversy. *Christina Barron* 10

EU AFFAIRS

Interview. President of the European Commission Jacques Santer speaks out on the four 'e's: the euro, employment, enlargement, and EU-US relations. 12

The Euro Unveiled. EU officials recently displayed designs for the new currency. 15

BELGIUM

Belgians Face Confidence Crisis. After a string of national scandals, Belgians are asking some hard questions. *Dick Leonard* 16

Preparing for EMU. Belgium appears ready to join EMU. *Dick Leonard* 18

AUTO INDUSTRY

Europe's Car Makers. Where they've come from and where they're going. *Peter Gwin* 19

The Boxster. Porsche's hopes ride with the company's new model. *Peter Gwin* 24

Detroit's Big Three Thrive in Europe. Chrysler, Ford, and GM all are finding success in Europe. *Larry Reynolds* 25

Mercedes' Alabama Experiment. The luxury German car maker shifts gears as it prepares to build a new product in a new factory. *Larry Reynolds* 26

Interview. Governor Fob James discusses Mercedes' arrival in Alabama. 28

TRAVEL

Ski Europe. It's fun from top to bottom. *David Lennon* 30

Snow a la Carte. Fun winter alternatives to skiing. *Ester Laushway* 33

The Belgian Coast. Belgium's little-known treasure. *Dick Leonard* 35

DEPARTMENTS

3 Letter from the Editor

4 Eye on the EU

37 Letter from Vienna & Capitals

42 Newsmakers

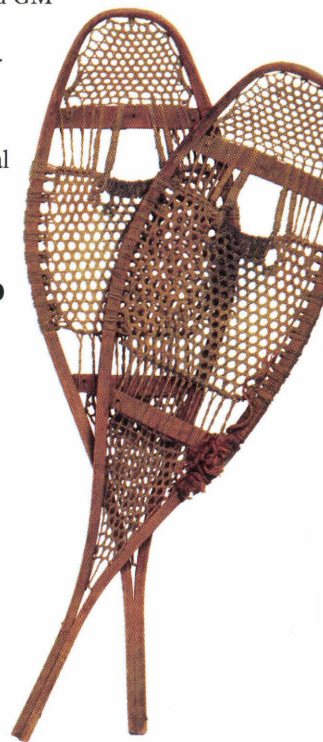
48 Arts & Leisure



35



12



Letter from the Editor

Europe is well connected to the Internet and the World Wide Web. This is especially true in the Scandinavian countries, where the use of the Internet ranks right behind that of the United States.

While many people might think the World Wide Web is only in English, this is definitely not the case as our on-line correspondent, Christina Barron, points out in her article, "Around the EU On-Line," that Web sites can be found in every language across the European Union.

Web surfers can learn the Italian national anthem on the Italian embassy Web site; discover French schools in the United States on the French embassy site; and hear about the plans for the Dutch presidency of the EU in Dutch or English on various Dutch Web sites. The opportunities are endless for finding out almost everything you want to know from language to culture to politics about any EU country on the Internet.

In an exclusive interview with *EUROPE*, Jacques Santer, the president of the European Commission, speaks out on the euro, the new European single currency. Mr. Santer also discusses the European Union's relations with the United States, EU-Russian relations, Bosnia, NATO expansion, and EU enlargement to include the Central and Eastern European countries in the near future.

Dick Leonard, writing from Brussels, states that "as 1997 begins, the Belgian people are facing the biggest crisis of confidence since World War II and, arguably, since they won their independence in 1830." He details a long list of scandals that are shaking the nation and says Belgium faces "a radical overhaul of the whole system" before confidence can be restored.

EUROPE profiles the key car manufacturers across Europe. Peter Gwin, our managing editor, has just returned from Germany and tours of BMW and Mercedes plants and informs our readers about the present state of the European auto industry. He also looks at Porsche's hot new model, the Boxster. Closer to home, the governor of Alabama discusses the advantages for his state that will come from having the new Mercedes plant located outside of Mobile. Larry Reynolds, a native of Alabama, discusses how Mercedes management will work in Alabama. It is quite a revolutionary change for this very traditional German luxury car maker.

Finally, we present a travel guide along the coast of Belgium and look at everything from eating oysters to sand yachting. David Lennon, our London correspondent, is an avid skier who takes us on a ski trip across the French Alps and tells us the best places to go downhill in a fun way!



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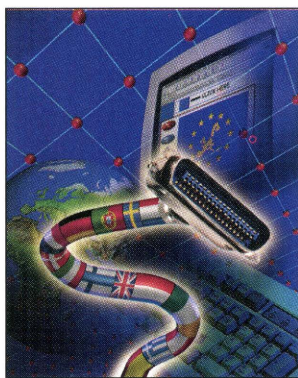
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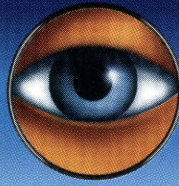
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Reuters has contributed to news reports in this issue of *EUROPE*.



**Internet:
The European
Connection**

EYE



ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

Foreign employers and governments who send people to work in Brussels often complain that they “go native.” An extreme example would appear to be Bernard Rudolf Bot, the permanent representative to the European Union of the Netherlands, which took over the presidency of the EU Council of Ministers for six months on January 1.

Bot, 59, has already spent more than 14 years in the Belgian capital in three different postings and recently told a reporter that he would like nothing better than to spend all the remaining six years before his retirement in his present post. “When the chance came for me to come back to Brussels, I grabbed it with both hands,” he said, “my heart is here in the EU work.”

Bot was born in 1937, half a world away from Brussels, in Jakarta, in the former Dutch East Indies, where his father, Theo, was a colonial civil servant. He spent the war years in a Japanese prison camp, while his father was sent for forced labor on the railway line that the Japanese were building in Burma. Reunited with his family in 1945, Bot, the eldest of seven children, was educated at a Catholic school in the Hague, before studying law at Leyden University and Harvard Law School.

His first posting was to the Dutch EC mission in Brussels, where he stayed for six years, working mainly on Eu-

ratom affairs and on the association councils with Turkey, Greece, the Maghreb countries, and Israel. He was then sent to the Dutch embassy in Buenos Aires, where he witnessed the final days of the presidencies of Juan Peron and his second wife, Isabelita, and the subsequent military takeover. This he described as “a terrible time,” and he was not especially put out when one Friday afternoon a telegram arrived saying he had been appointed chargé d'affaires in East Berlin and to take up his post the following Tuesday. He arrived on a

“When the chance came for me to come back to Brussels I grabbed it with both hands,” he said, “my heart is here in the EU work.”

bleak wintry day in 1973, the first Western diplomat to appear in East Germany, following its recognition by the Western powers.

He left Berlin after three years, to serve in the Hague for six years, and then another four in Brussels as deputy ambassador to NATO. In 1986 he became ambassador to Turkey, a posting he thoroughly enjoyed, partly because of the great warmth of the Turkish people, but also because he was able to follow his hobby as an amateur archeologist. He would set out in shorts, carrying a rucksack and hammer and visit remote places hardly changed since biblical times. Indeed he was offered in eastern Turkey some delicious wild honey, which he was warned was dangerously poisonous except when taken in

small doses, and identified it as the very same which Xenophon had described as decimating a Greek army operating in the area 2,400 years ago. His prize archaeological find is a piece of frozen redwood, with its rings clearly visible and complete with bark, which is mounted on his desk. Bot returned to the Hague in 1989, as head of the diplomatic service, but had no hesitation in relinquishing this position when the opportunity came to take up his present post in 1992. Despite his heavy responsibilities, he still somehow finds

time to follow his leisure pursuits as a cyclist (60 miles each weekend), art collector (with some 50 pictures, mostly modern), skier, and wine enthusiast. He is also a voracious reader, recently completing Roy Jenkins' biography of Gladstone, Mandela's biography, and *Primary Colors*, the fictionalized account of the first Clinton presidential campaign.

It is doubtful if he will have much time for leisure reading before the end of June. The Dutch program for their presidency is an exhaustive one, which, according to Bot, will have three main thrusts. First, the routine activities of the Union: “keeping things moving” on such dossiers as transport, the environment, telecoms, and the internal market. This, he estimates, will comprise some 70

percent of the workload, but will be largely invisible.

Much more in the limelight will be the second element, the completion of the work of the intergovernmental conference, with the objective of finishing in time for the Amsterdam summit in mid-June. Three phases are planned. In January and February the hard issues left on one side by the Irish presidency will be tackled—institutional questions (including the size of the Commission and voting in the Council of Ministers), the projected “flexibility” clause, the third pillar (Justice and Internal Security Affairs), and the legal personality of the euro.

In March and April legal texts will be tabled, and in May and early June the final frantic horse-trading before the summit begins. Bot agrees that the timing of the British election (expected in early May) will not make things easier, but he eloquently sets out the disadvantages of any further delay.

The third priority area for the Dutch presidency is international relations, in particular a new effort to improve transatlantic relations, and to create an improved structure for dialogue with the candidate countries of Central and Eastern Europe.

It will be a tall order for the Dutch to achieve all the objectives of their presidency. But, in Brussels at least, they can rely on a “safe pair of hands” with the vastly experienced Ambassador Bot.

—Dick Leonard

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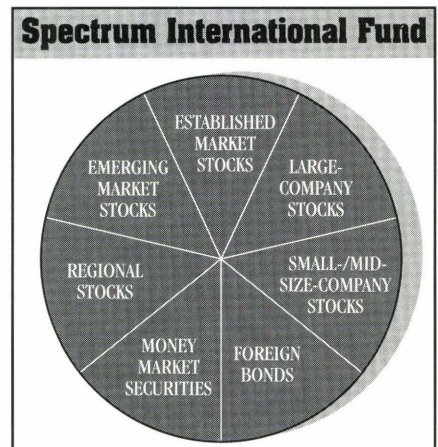
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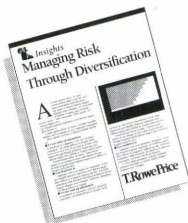
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I N T E

It's not surprising that the Internet has had the feel of an American export. It grew out of a US military project and later the desire of a small group of American universities to share research. The English language dominated. But all that is changing. Internet service and content providers have popped up all over Europe, and nearly 9 million plugged-in Europeans are finding their own languages and content—their own identity—on the Net.

Back in the early 1960s the US military commissioned a think tank to come up with a means of communication in the aftermath of a nuclear holocaust. The solution researchers came up with was a decentralized computer network that would not break down if one portion of the network did. A group of four US universities picked up the then-abandoned project in the late 1960s as a means of sharing academic research. Their efforts turned into what became known as the Internet and included 10,000 hosts by 1987.

The technology that brought the Internet into millions of homes and offices has a European connection. While working in Switzerland, British researcher Tim Berners-Lee created a way to connect text, pictures, and sound in a single format. His Hypertext Markup Language, or HTML, was the basis for the World Wide Web. And with it has come virtual reams of Web pages on current events, art, science, and rock star fan clubs.

The United States still has the highest number of Net users, at 29.4 million last year, according to International Data Corp., a Massachusetts-based information technology

research firm. But the 8.9 million Europeans connected to the Internet in 1996 is expected to double in 1997 and hit 35 million by 2000, according to IDC's London office.

Kathy Burrows, IDC's London-based program manager for European telecoms, says the telecommunications infrastructure and high telephone costs to access the Net are among the reasons fewer Europeans than Americans log on.

"Another reason was the English language. What's happening now is you're getting much more local content," Burrows said, adding that this will become more widespread. In December, two French organizations forced the issue by filing a lawsuit against an American university's program in France that did not offer its Web site in French. At press time, the case was pending in the French courts.

For those Europeans who are on-line, two-thirds are connected at work. Kathey Hale, a principal analyst for the re-

THE



EUROPEAN

R N E T

search firm Dataquest of San Jose, California, cites living space as one reason fewer Europeans are hooking up to the Internet from home.

"In Japan and in Europe, homes are smaller and [people are] less inclined to devote a room for the office," she said.

But Hale says on-line services such as CompuServe and America Online, which provide their own content in addition to an Internet connection, are aggressively marketing their products for home-computing use.

Some name companies involvement in the Internet has led to the boom in countries such as Germany, according to Burrows. Deutsche Telekom's decision to add

the Internet to its longstanding on-line service caused a marked increase in Germany connections, which comprised 29.6 percent of European Internet use in 1996, she said. In France, where users accounted for only 5.7 percent of European Internet connections, many more people are expected to surf the Net in the next few years because of last year's introduction of France Telecom's Internet service.

The bustling on-line industry, which spawned some 2,000 Internet service providers vying for European customers last year, is likely to consolidate, according to Burrows, but consumer demand will make Europe a hot market into the 21st century.

GUIDE TO EUROPEAN WEB SITES

A search for information on the Internet these days can mean culling through hundreds of search engine listings, many of which have little to do with the topic at hand. Those interested in Europe—be it for current events or an upcoming trip—might try some of the sites detailed below before diving into Magellan or Infoseek searches. The listings are broad in scope but are springboards to many other country-specific sites. When available, the Web site of a country's embassy in the United States is included as is a site in the country's native language.

AUSTRIA. Austria may be small, but its Web site presence belies its size. The Austrian embassy Web site, more useful than colorful, is a solid jumping off point for general information on the country. The site (www.austria.org/) outlines the history, government, and statistics of Austria without much visual interest. But a link to Austria Culture Net (www.austriaculture.net:80/index.html) at the Cultural Institute in New York holds a wealth of data on news, science, Austria-related events in the United States, and a virtual art gallery. The Austrian National Tourist Office (www.austria-info.com/) fills in the details, both in English

and German, on happenings in Austria and focuses on the history and events of the nation's six regions.

BELGIUM. From the moment you pull up the Web site for Belgium's embassy in the United States (205.177.10.11/usa/) you realize it's going to be substantial. That's not good news for Web surfers low on memory, but the wait is worth it. The home page offers a photo collage for aesthetics and then outlines business and educational issues in addition to typical tourist information. Students can find links to universities and language courses.

BY CHRISTINA BARRON

CONNECTION

PLUG-IN
BELGIUM

WELCOME TO THE INTERNATIONAL CONTENT MAGAZINE

Special: What does the editor, Belgium consist of? (Photo: ...)

Belgian Legal Matters: Labor Law, Working Hours, Social Security (Photo: ...)

Tour of Belgium: The 33 provinces of Belgium (Photo: ...)

Monuments of Belgium: A King of Belgium with (Photo: ...)

Honor of Belgium: More than 1500 Belgians in Belgium (Photo: ...)

Learn: (Comments: ...)

Favorite Belgium: (Photo: ...)

Organization: (Photo: ...)

Classified Ads: (Photo: ...)

Practical Guide to Belgium: (Photo: ...)

Play with us: (Photo: ...)

Outlets of Belgium: (Photo: ...)

Useful Contacts: (Photo: ...)

SINCE MARCH 1996
YOUR FUTURE STAY IN BELGIUM STARTS HERE

Entrepreneurs might benefit from a page on starting a business in Belgium. And expatriates can connect with a page that tracks other Belgians living abroad. For a lively look at arts, entertainment, and accommodation, try *Plug-In Magazine's* site (www.plugin.be/plugin/). The creators take visitors on a tour of the country, region by region, and offer a search function for hotels. Dutch speakers can call up MSR Belgian News (www.elis.rug.ac.be:80/ELISgroups/speech/msr/) for the nation's latest headlines.

DENMARK. Those hoping to explore Denmark can find a Web site by the same name to help them navigate the southernmost Scandinavian nation. Explore Denmark (www.geocities.com/The_Tropics/4597/) is a photo-intensive site created by Lars Sondergaard, a Danish student studying at Georgetown University. There are pages on Denmark's history, its culture, government, and everyday life. It also features vast links to other Danish sites. The Royal Danish Embassy in Washington (www.globescan.com/denmark/), although less graphically pleasing, has some interesting background on the Vikings, an extensive profile on Queen Margrethe II and hints for tracing Danish ancestry. It also provides weather reports and links to sites about the capital, Copenhagen. Those hoping for a site in Danish can find transcripts of radio broadcasts on the site of the Danish Broadcasting Corp. (www.dr.dk/dronline/htm). The site promises to have real audio in the near future.

FINLAND. The Finnish foreign affairs ministry amasses an eclectic

bunch of articles on its Virtual Finland site (www.vn.fi/vn/um). A visitor might expect the recent political year in review for 1996, but perhaps to lighten things up the site's creators threw in a piece on Christmas traditions in Finland. The site, which is in English, with some Finnish, has background on government institutions that would be helpful for researchers. WebTravel's site (www.webtravel.fi/), by contrast, caters to the country's tourists. Although it has few photos, travelers may be interested in lists of hotels broken down by region, transportation options, and suggested attractions, such as the Finnish National Opera or the Valkea and Musta Ratsu Puppethouse.

FRANCE. If you are hoping to send your child to a French school in the United States or would like to practice speaking the language at a nearby Alliance Française, the French embassy site (www.info-france-usa.org/) is the place to look. The site also offers a standard profile of the French government

The French Embassy in Washington

France and America | Profile of France

News & Statements | Culture, Language, Studies & Travel

Trade & Technology | France on the Internet

Lapis Rouge

Did you know ?

© Monthly Newsletter (L'Asie) from the Honorary attaché of the French Embassy
© 1996 - French Technology From Office (Chicago) celebrates 10th year of supporting American trade press with High Tech news from France.

and culture, and it allows visitors to select a region of France on a map and narrow their searches to information specific to Provence or Normandy. College students planning to study at a French university should call up AdmiNet (www.adminet.com/world/fr/). In addition to providing school locations, the site details the kinds of programs the schools offer. AdmiNet also is a good source for data on the French government and politics. One of the best places to find Web sites in France is the California-based Yahoo search engine. Yahoo introduced its French

site (www.yahoo.fr) last fall as a catalog of some 7,000 Web sites primarily in French, in categories such as sports and leisure, science, geography, and entertainment. Some of the sites are in English as well as French.

GERMANY. Sports enthusiasts can find 1,200 German sites on soccer, basketball, and even windsurfing with the Yahoo Germany (www.yahoo.de) search engine. In addition to several thousand German sites on a wide array of topics, Yahoo has included Reuters wire service general news, sports, and business stories translated into German. The "What's New" and "What's Cool" features of Yahoo are also on the site and focus solely on sites in Germany. Germany's embassy in the United States is also a solid resource for basic tourist and business information. The site (www.germany-info.org/) also provides calendars for events going on in Germany and related US happenings.

GREECE. The Greek embassy (www.greekembassy.org/) has current events in both Greek and English, cultural, and tourist information, history, and many links to Greek ministries and US-Greek organizations. But the Hellenic Resources Network tops that with a personalized newspaper on its site (www.hri.org/). Registered users can pick topics of interest and have the information on the site packaged to center on those topics. The links to other Greek-related sites—on businesses, science, religion, sports, and several other areas—are impressive.

IRELAND. Two non-government sites are among the best places to look for information on the Irish Republic. All Things Irish (www.ireland.com/) has hundreds of links to politics, cultural happenings, lodging, and entertainment. The Irish dance group Riverdance, singer Enya, and rock-and-roll musicians U2 are among the entertainment links. All the major political parties have sites as do individuals and groups promoting peace between the Republic and Northern Ireland. Eire (www.wdc.net/~smd/eire.htm) has some overlapping links but also includes several genealogical, historical, scientific, and cultural sites, including one on Irish jokes.



ITALY. Learn the Italian national anthem on the Italian embassy's Web site (www.italyemb.nw.dc.us/italy/). The words, sheet music, and even sound of "Fratelli d'Italia" are among the highlights of the English and Italian site, which also chronicles the long list of Italy's prime ministers since World War II and includes a "Virtual Newsstand" section connecting to radio stations, newspapers, and news services on the Web. Windows on Italy (www.mi.cenr.it/WOI) delves deeper into Italian history with details on the Roman empire, the country's 19th century unification, and the post-World War II republic. The site also includes pages on some 100 Italian cities and towns, many of which are off the beaten tourist path.

LUXEMBOURG. The tiny nation of Luxembourg doesn't miss the opportunity to gain a little ground on its larger neighbors by promoting itself on the Internet. A Survey of Luxembourg (www.restena.lu/luxembourg/) outlines the history of the grand duchy as well as its geography, culture, language, and cuisine. Unfortunately, most of the links are brief explanations, and the site could use better graphics. Forum Luxembourg (www.forumlux.lu/) adds news and cultural information and is available in either French or English.

NETHERLANDS. Creators of the Netherlands Board of Tourism site (www.NBT.nl/) have a sense of humor while touting the country's natural beauty and cultural attractions. The capital, Amsterdam, is dubbed a "cuckoo in the Dutch nest" but likened in vitality to New York. Visitors will find a listing of upcoming events and help on transportation options, such as touring the country by bicycle. The nation's

castles—including the 14th century Muider slot—and some 400 botanical gardens also feature prominently. Holland City Guide offers details on several hundred Dutch cities. The site (www.xxlink.nl/cities/), which includes some pages in Dutch as well as English, features lodging, events, attractions, and related links.

For information about the six-month Dutch presidency of the European Union (January through June), check out the official Dutch presidency home page (<http://Hermes.BZ.MINBUZA.NL.europe97>).

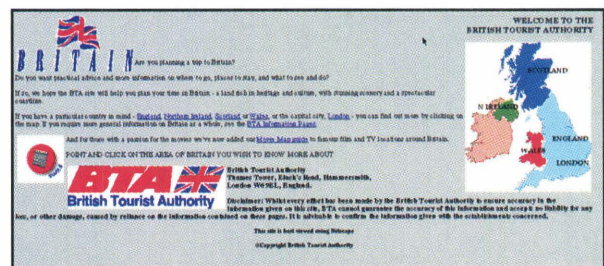
PORTUGAL. A virtual trip to the UK will reveal one of the best English sites on Portugal: Portugal Traveler's Notebook. The site (www.demon.co.uk/peth) incorporates feedback from visitors in its post-it notes and travelogues. The notes might include such inquiries about renting a seaside villa or details of a recent scuba trip. Several travelogues are expanded accounts, such as one from a Canadian honeymooning in the country. One drawback of the site was a search function for accommodation, which on a recent visit included only youth hostels. Portuguese speakers should investigate Portugalnet (www.portugalnet.pt/), a general-interest site on some of the country's current issues and events, but none of it is available in other languages.

SPAIN. Canada claims the only North American official Spanish government Web site (www.DocuWeb.ca/SiSpain/). The site, available in English, German, French, or Spanish, suggests itineraries for visiting certain parts of the country. If Spanish soccer teams or flamenco dancing are of interest, visitors to this site will not be let down. For Web sites in Spain, check out Spain Internet Resources (www.uji.es/spain_www.html), but only if se habla espanol.

SWEDEN. Those curious about last year's Nobel Prize winners can consult the Swedish Page (www.it-kompetens.se/swedish.html) for a list and explanation. The site, in both Swedish and English, covers much more territory than the coveted award. Visitors can jump to

all the major media in Sweden that have Web sites and can plug into the Swedish site of the day. The embassy site (www.sweden.nw.dc.us/sweden) allows visitors to examine maps of the country, connect to Swedish publications, and search for tours, lodging, and events in Swedish cities or regions. The site's creators also linked the home page with another Web page helping travelers learn foreign languages, including Swedish. A recent visit, however, found the link pulling up a page teaching the basics of Hungarian.

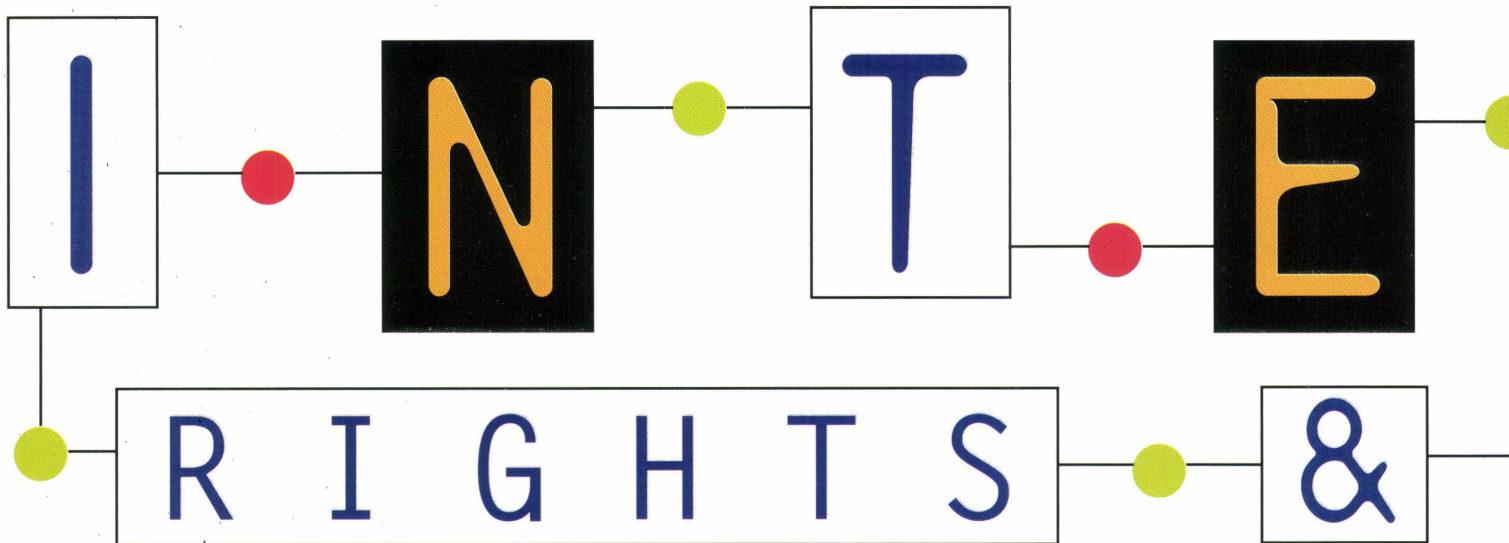
UNITED KINGDOM. The top stories of the British press are among the highlights of the British Information Service's Web site (britain.nyc.ny.us/). The site also has information about



study opportunities in the UK and genealogical research. The British Tourist Authority (www.bta.org.uk/) points the tourist to hotels, trains, and even famous film and television locations throughout England, Scotland, Wales, and Northern Ireland. Once again, Yahoo has a regional site that aids in finding sites based in the UK. Yahoo! UK & Ireland (www.yahoo.co.uk) also provides the latest news out of the UK courtesy of Reuters.

ODDS AND ENDS. For some European-wide sites try the European Union (at either www.eurunion.org or www.europa.eu.int/en/index.html) for political, economic, and general information on the European Union itself and its 15 member states. If searching for data on Europe's big cities, two sites can be useful: Citynet and TimeOut. Citynet (www.city.net/) offers some European cities, while TimeOut (www.timeout.co.uk) focuses on what is happening in 11 European cities during a two-week time period. ☺

Christina Barron regularly writes EUROPE's EU On-line column.



Collective euphoria about the Internet has moderated a bit as the free flow of information and access has created its own share of problems: The spread of pornography, credit card fraud, theft of intellectual property, and violations of privacy. Governments around the world are scrambling to understand the new technology and reassess old laws in light of crimes in cyberspace.

Three issues are at the fore of the debate on how to regulate this evolving medium. One is protecting freedom of expression while keeping users safe. Two, defining the responsible party or parties is also a problem. And third, nations or coalitions must determine how to enforce legislation in a medium without boundaries. Some countries are moving cautiously to resolve these issues and others, most notably the United States, are plunging headlong into a fury of legislation and legal battles that may continue for years.

Free Speech in Question. A few countries, such as China and Singapore, have attempted complete control over on-line communication as a means of quashing freedom of expression. But most nations hope to find a balance between that freedom and other societal rights and freedoms.

The most hotly debated area of the Internet involving free speech is adult material and children's access to it. No one questions that there is information available through the Internet that is not acceptable for children. Senator James Exon told his Senate colleagues in June 1995, "It is not an exaggeration to say that the worst, most vile, most perverse pornography is only a few 'click, click, clicks' away from any child on the Internet." To limit the spread of pornography, Exon sponsored the Communications Decency Act, a portion of a telecommunications bill that made it a crime to engage in "indecent" or "patently offensive" speech on the Internet if that speech could be viewed by a minor.

Thousands of Internet users, or Netizens, protested by turning Web pages black when President Clinton signed the bill into law in February 1996. The American Civil Liberties Union, the Citizens Internet Empowerment Coalition, several on-line services and free-speech groups challenged the law, which they said was vague and violated the First Amendment.

"It would be the most sweeping censorship of any medium in US history.... It keeps adults from speaking to each other and communicating in ways they have always been able to," said Alan

Davidson, staff counsel for the Center for Democracy and Technology, a Washington, DC-based non-profit civil liberties group and coalition member.

Lower courts agreed with that view, and next month the US Supreme Court is scheduled to hear arguments in the case, which many say will have global reverberations.

Discussion and some legislative action have been brewing in Europe as well. France amended its telecommunications law last summer to allow the government to regulate the kinds of content Internet access providers could accept. Weeks later the Constitutional Council rejected the provision by saying it was too restrictive of free speech.

The European Commission, in a communication issued last October, noted US and French legal problems and cautioned its member states that "any regulatory action intended to protect minors should not take the form of an unconditional prohibition of using the Internet to distribute certain content that is available freely in other media." The Commission did, however, say that cultural differences were allowable among member states in forbidding certain kinds of "harmful" Internet material.

Who's to Blame? Exactly who is responsible for either illegal or harmful content on the Internet is not as clearly defined as it is in other media. A person who posts a page featuring child pornography on the World Wide Web is an obvious target for law enforcement officials. Governments are debating whether they can target companies that agree to post or provide access to such pages generally without much information on the content.

Stanton McCandlish of the San Francisco-based Electronic Frontiers Foundation says holding the intermediary responsible creates undo burdens on providers and additional restrictions on free expression. "When you impose a liability on service providers, it gives them an incentive to spy on information," he said.

The German cabinet approved a multimedia bill in December that would hold content providers liable for illegal or harmful ma-

The title 'RIGHTS WRONGS' is presented in a stylized, graphic format. The word 'RIGHTS' is positioned at the top, with each letter contained within a separate box: 'R' in a white box with a blue letter, 'N' in a black box with an orange letter, 'E' in a white box with a blue letter, and 'T' in a black box with an orange letter. The word 'WRONGS' is positioned below it, with each letter in a black box with an orange letter. The letters are connected by a horizontal line with colored dots (red, green, red, green) between them. The word 'WRONGS' is partially cut off on the left side of the page.

BY CHRISTINA BARRON

terial that is accessible through their products once the providers are made aware of the material. Jürgen Ruetters, science and technology minister, said, "With this law, Germany leads the way worldwide in the future development of the multimedia industry." The bill is expected to be debated in both houses of Parliament by this summer.

A Medium Without Borders. Regulating the Internet is further complicated by its decentralized nature. In its present incarnation, no single nation or legal system can control content. "There's a problem in that there's not really any way to effectively legislate in the global environment," McCandlish said. "This censorship mania going on is sort of pointless. Posting or reading from a foreign host is easy."

Germany has proved to be a good example of how legal systems can clash with those of neighboring nations. Last year the government ordered German Internet service providers (ISPs) to block a Dutch provider because it hosted a home page that allegedly included neo-Nazi propaganda. The material was illegal in Germany but not in the Netherlands. The German ISPs blocked the Dutch provider, removing subscribers' access to the site in question along with the thousands of harmless Dutch sites. The government also ordered US-based CompuServe to block about 100 Usenet groups, or bulletin boards, because they violated German pornography laws. CompuServe temporarily cutoff the sites to all its clients while it developed the technology to block only German users.

McCandlish and others say they are skeptical international cooperation could resolve the disparity among legal systems. "Countries today cannot even agree on the definition of murder. That's where it all kind of breaks down. Every country has its own standards. There's no way to satisfy everyone," he said.

Even barriers used in the two German cases make it difficult to ensure that the information cannot find another means of getting to the same end users. Very little cost and time are involved in setting up sites in other countries or re-channeling the information. Enforcement, by all accounts, is troublesome.

Regulatory differences among countries also could cause Internet service providers to relocate if the costs are too high. The European Commission's communication warned that such differences could lead to "re-fragmentation of the Internal Market" and that the Commission might have to intervene to help remedy such a situation.

European Union-level policy making might be welcomed by some in the industry, according to Russ Kennedy, manager of government and industry relations for CompuServe. "We would like to see the issue...addressed at the pan-European level at the EU rather than on a country-by-country issue—not a patchwork of differing or perhaps conflicting laws."

Technical Solutions. Several companies in the on-line industry say current laws against illegal activities in other media are sufficient to deal with similar crimes on the Internet. They say the solution to keeping adult material away from children also exists: parental controls. "We believe that what makes sense is providing users with user control technology to block information offensive to them," Kennedy said.

Software such as Net Nanny and Cyber Patrol promise to block access to inappropriate Web sites, Usenet bulletin boards, chat rooms, and e-mail. On-line services such as America Online and CompuServe offer similar features as part of their standard service. A system that rates Web sites, called Platform Internet Content Selection, or PICS, also has been developed and is being used by Web browsers such as Microsoft's Internet Explorer.

Kennedy says the devices are not a cure-all to harmful content. "Nothing can replace an informed and actively involved parent."

CompuServe, America Online, Microsoft, and Prodigy also have joined with the Interactive Services Association and the National Consumers League to increase public awareness of on-line dangers and solutions. On-line Public Education Network, or Project OPEN, includes information about parental controls, privacy, intellectual property, and fraud. A brochure is available through the Interactive Services Association's Web site (www.isa.net/project-open) or by calling the association at 301-495-4955.

So far it is unclear whether private or public-sector solutions will prevail in protecting users rights. Civil liberties proponents say they are confident of victory at the Supreme Court but that it may be one round in a long fight. A recent development for those favoring government involvement and international cooperation was an Internet copyright treaty signed in December in Geneva. Some 160 nations agreed to a set of rules governing the reproduction of art, literature, and computer software via the Internet. The true test of global solidarity, however, will be in the enforcement. ☺

President of the European Commission

Jacques Santer

After his meeting with President Clinton last December 16 in Washington, DC, Jacques Santer, president of the European Commission, spoke to *EUROPE* Editor-in-Chief Robert J. Guttman.

How would you describe EU-US relations today?

American-European relations are on a good track at this moment. Since the New Transatlantic Agenda was signed one year ago, we have done a good deal of work together. We work together at different levels, at the senior level group and also through the Transatlantic Business Dialogue. We have reached many mutual agreements, including the customs cooperation agreement. We have worked together in different areas in the world, such as Bosnia and the Middle East. We will commemorate the fiftieth anniversary of the Marshall Plan this year.

Our relations are improving because the European Union and the United States of America are partners and allies in many organizations. Therefore it's very important and, as I've said, we are working together. Sometimes we have had some difficulties, of course. As the European Union, we sometimes have some difficulties with our own members. But, nevertheless, it's very important in what spirit we solve these difficulties. Difficulties cannot overshadow the overall good relationship that we have with the United States.



way that companies are able to exploit all the potentialities of the single market if there is not a single currency. And that is the aim of the euro, to unite in the monetary field this single currency, united on the economic level. That's our target, of course. That could create many problems ahead, but since the issue of the European Council of Dublin, I can say that all the preparative work has been done so that the euro can enter into force on the first of January 1999. From now on it is on track, and the best signal for this confidence is that the markets are also reacting positively in this respect.

EUROPE INTERVIEW

How would you explain Europe's new single currency, the euro, to an American audience? Is it on track? Is it going to happen?

The best idea for explaining the euro to Americans is perhaps to make reference to their own single currency, the dollar. At the beginning as a federation, there were also many currencies available in the United States. It lasted, I must say, 70 years before the United States had a single currency, the dollar. In Europe, we have created a very big single market with 370 million inhabitants but with 14 different currencies. These markets cannot function in such a



Irish Prime Minister John Bruton, President Clinton, and European Commission President Jacques Santer met in Washington, DC in December as part of the twice yearly Transatlantic Dialogue agreement.

What about for American businesspeople? Should they be getting ready for the euro? Is it going to rival the dollar?

It's not a rival, but it is in the interests of businessmen to deal with strong currencies. That's good for the competitiveness of international business, and therefore, I think a single European currency can also benefit American businessmen. But on the other hand, of course, a strong European single currency has to play a major role in the international exchange rate mechanism between the yen and the dollar.

Is there a political aspect to having a single currency?

Of course, there's a political aspect in that Europe is united not only through the market but also through the monetary policy, and that is also a boost to the political integration of Europe.

Do you see enlargement of the European Union happening before the turn of the century?

We decided that we would start with enlargement procedures for the 11 candidate countries after the conclusion of the intergovernmental conference, which is expected to finish its work by the middle of this year. The negotiations with the countries have to start six months after the conclusions, let's say at the beginning of 1998.

At this moment, the European Commission is examin-

ing all the different countries that are applying to the European Union on their economic and political performances during their transition period to the market economy. We will put forward to the European Council—to the Council of Ministers—our opinions about the merits of each of the member states as candidates. It's up to the Council to decide with which candidates we would start the negotiations for enlargement. I could not speculate about the end of the negotiation, but at the beginning of the next century, there could be several new members in the European Union, without stating any date.

Doesn't the Union have to reorganize now? Isn't that what the intergovernmental conference is trying to achieve?

Yes, that's important. We cannot add 11 new countries with the institutions we have now, which were conceived for a European Community of six member states at the beginning. We still have these same institutions. But we have to safeguard the efficiency of those institutions, and therefore we have to make a fundamental reform of our institutions.... Also, the size of the Commission must be addressed. The European Commission cannot function in an efficient way if we further enlarge the Commission to a huge governmental body. That's not possible if we are to be efficient.

Back to the euro: How are you trying to convince the European

We are now launching a very large information campaign to make clear that the single currency, the euro, is not only in the interest of the financial community, for bankers or for businessmen, but it is also in the interest of the average citizen in their daily life.

people that the euro is going to be a strong, hard currency?

That's very difficult because the normal reflex of any citizen is to want to stay with what he or she has at the present, of course. And it is very difficult to convince him or her to change. Therefore, we are now launching a very large information campaign to make clear that the single currency, the euro, is not only in the interest of the financial community, for bankers or for businessmen, but it is also in the interest of the average citizen in his or her daily life. For instance, when Europeans are traveling around Europe and changing their money back and forth into different currencies, they are losing about 50 percent of their money. They have to be aware that with a single currency they will not experience these losses.



tors, economic and also social partners, to see how we can in our modern information society create new jobs. We do need to restructure some economic sectors, liberalize telecommunications and energy, and strengthen competitiveness through the functioning of the bigger market, and increase the competitiveness of our companies. We also especially need to urge the social partners, employers,

and unions to negotiate the flexibility of the labor market. It's in this direction we are moving.

How would you describe Russia today? Is Russia an ally or an adversary?

The European Union has finalized an agreement of partnership and cooperation with Russia. We think that we have an important interest in stabilizing the situation in Russia, from an economic and a political point of view, because we have to be aware that our own stability in the European Union depends on the stability and security in Russia. Therefore, we have to make certain not to isolate Russia, but on the contrary, we have to establish very close relations with Russia and to assist her in developing her economy and stabilizing her currency, the ruble. It's in our own interest that we have to have new links, a new quality of relations with Russia.

There's been talk that France and Germany are not getting along. Do you see a unified French-German relationship now?

The Franco-German pillar is stable and is working well and remains important. It is important because I cannot imagine a strong European Union without very close cooperation between France and Germany. We have to be aware that the starting point of European unification was a reconciliation between France and Germany, and therefore we always have to strengthen this relationship and to make this pillar solid and stable.

Are you enjoying being president of the European Commission? Is it what you thought it would be like?

It is a fascinating job. It is a very difficult one but nevertheless fascinating. ☺

**EUROPE
INTERVIEW**

You're going to be coming back to the US in June for the G7 economic summit in Denver. What do you think are going to be the main issues that you'll be focusing on at that summit?

It's up to the American presidency now, of course as host country, to establish the agenda for the G7. One of the

items will be international development policy for the less developed countries in relation to international organizations, like the Bretton Woods institutions, World Bank, IMF, and WTO. We will also deal with crime, international organized crime, as we decided in Lyon, and with the employment situation.

What is the employment situation? Is it getting any better in Europe?

I must say that unemployment is one of our nightmares. In many countries, unemployment is higher than 10 percent, and that is simply unacceptable for the development of our countries. Therefore, at the European Council in Dublin in December of last year, we put forward a comprehensive action plan for employment to mobilize all the ac-

EURO UNVEILED



Designs for the new euro bills created by Robert Kalina, artist of the Austria National Bank, were presented in Vienna in December. Kalina won a competition of the European Monetary Institute. When Europeans reach into their wallets for the new euro bills in the future, what they will retrieve most probably will be designed by Kalina. The bills all carry a stylized map of the European continent on one side and renderings of famous European architectural designs on the other side.

As 1997 begins, the Belgian people are facing the biggest crisis of confidence since World War II and, arguably, since they won their independence in 1830. The immediate cause was the Marc Dutroux affair, involving the kidnapping and murder of at least four young girls, and a hideous saga of judicial shortcomings and suspected political complicity allowed him to escape apprehension long after much incriminating evidence had been built up against him.

Yet the Dutroux affair, however horrible, was only one of a long series of scandals, most of them with political connections, which have shaken Belgian complacency to the core in the recent past. The following is by no means an exhaustive list:

The Brabant killings. A series of apparently random attacks on supermarkets in the greater Brussels area left more than 20 people (most of them customers) dead. A dozen years after the events nobody has been brought to trial, though the suspicion is widespread that the murderers were former, or even serving, gendarmes belonging to an extreme right-wing terrorist group. Lawyers representing the victims have recently publicly named the alleged killers in the hope of precipitating legal action.

The murder of André Cools. The former vice-premier and leader of the Socialist Party was shot dead in a car park in Liege in 1991. The police received a tip-off within a few weeks implicating another former Socialist minister, Alain van der Biest, and several of his associates, but no attempt was made to interrogate them. It was only in September 1996, in the wake of the public outcry over the Dutroux case, that they were arrested and charged with plotting the murder, while two alleged hired hit men were arrested in Tunis and confessed to the crime.

The Agusta and Dassault affairs. These involve allegations that the Italian company, Agusta, and the French firm, Dassault, offered bribes to obtain contracts for military and aviation supplies in 1988–90. Five ministers or former ministers, all Socialists, have resigned over the affair, and three of them, including former NATO secretary-general Willy Claes, are facing trial on corruption charges.

The Inusop affair. Inusop is a public opinion research institute, affiliated with Brussels University, which carried out a series of surveys on behalf of government departments at the behest of the ministers concerned. Inusop's director and deputy director were arrested in 1989, but only came to trial in 1996, when it was established that the institute had overcharged the departments for the surveys, some of which were wholly fictitious, and had then passed on the proceeds to the Socialist Party's election fund. Among those convicted was the former Socialist vice-premier Guy Coëme, who re-

By Dick Leonard



BELGIANS FACE

ceived a suspended sentence and was forced to resign his parliamentary seat.

Underage sex. In November 1996 it was alleged that two serving ministers had had underage sex with male prostitutes. Vice-Premier Elio Di Rupo was cleared of the charges, but the Supreme Court asked for the indictment of Education Minister Jean-Pierre Grafé, who promptly resigned.

What all these scandals, apart from the last, have in common is that they remain unsolved or have taken an enormously long time to come to trial, they have led to widespread suspicions of a cover up, and in most cases, senior politicians have been involved. Given the many examples of corruption at local government level, involving all political parties, the reputation of politicians as a species could hardly be lower.

This has been reflected in a catastrophic fall in support for the left-center coalition government of Jean-Luc Dehaene, triumphantly re-elected in May 1995, but by December 1996 receiving the support of only 19 percent of the voters, according to a respected opinion poll. The same poll revealed a deep disillusionment,



Last fall in Brussels, nearly 3 percent of the Belgian population turned out for the "White March," held in commemoration of four young murder victims.

CONFIDENCE

reflecting a basic lack of confidence in the political, judicial, and administrative institutions of the country.

Only 15 percent thought that these institutions were working well, compared to 83 percent who said that they were working badly. Some 77 percent said that they had no confidence in the ability "of the political world to make an adequate response to the various mal-functionings observed in the judicial system and other levels of administration," while 64 percent asserted that "democracy is in danger in Belgium."

The depth of public concern was already evident in October when an enormous crowd—estimated at 3 percent of the national population—gathered in Brussels for the "white march" commemorating the paedophile victims and to express anger at the institutions and politicians who had failed them. The effect of this massive demonstration was to galvanize Belgium's previously acquiescent leaders into action. King Albert spent long hours meeting the parents of the victims in private sessions, listening carefully to their complaints, and conveying to the government his view that root-and-branch reforms were necessary.

Prime Minister Jean-Luc Dehaene also met the parents and made four specific pledges—that the parliamentary investigation into the conduct of the Dutroux inquiries would go "all the way;" that all adults identified in the pornographic videos found in Dutroux's house will be prosecuted; that new laws would be introduced to improve the rights of victims in criminal investigations; that the government would propose a constitutional amendment ending political appointments to the legal system; and that Belgium would set up an independent center for missing children based on a similar institution in Washington, DC.

However, many Belgians say that these measures, even if implemented to the fullest, are insufficient to cure the sickness in the Belgian state. They have called for a radical overhaul of the whole system and a fundamental change of the attitudes and conduct of government officials and politicians before public confidence can be restored. Such an undertaking would not be easy. ☹

Dick Leonard is EUROPE's Brussels correspondent.

BELGIUM Hot Favorite for EMU

While Belgium's political and judicial systems have been falling into disrepute, its economic performance has greatly improved in recent years. So much so that it is now a hot favorite to be included in the first group of countries to join Economic and Monetary Union (EMU), leading to a single currency, in 1999.

J.P. Morgan Bank, which publishes a weekly calculator estimating the chances of countries joining EMU on the first day, puts Belgium up at 100 percent, the same level as Germany and France. By comparison Italy's current rating is 64 percent, Sweden and Spain are 62 percent, Denmark at 52 percent, and the UK at 40 percent.

It has been a hard struggle for Belgium to reach this point. Gross overspending by successive governments in the 1960s and 1970s left the country with an appalling level of debt, and it has taken more than a decade of belt-tightening to bring Belgium back to its present relatively healthy but still precarious position. The belt-tightening will have to continue well into the next millennium before the greater part of this debt can be paid off.

It is still the case that more than 9 percent of the annual budget is absorbed by debt repayments and interest, which means that a primary surplus of 10 percent has to be earned before the budget is in overall surplus. In recent years, the primary surplus has climbed to 5.5 percent—the largest in the EU—but Belgium has still had great difficulty in getting its overall budget deficit down to the Maastricht Treaty target figure, at or below 3 percent of GDP.

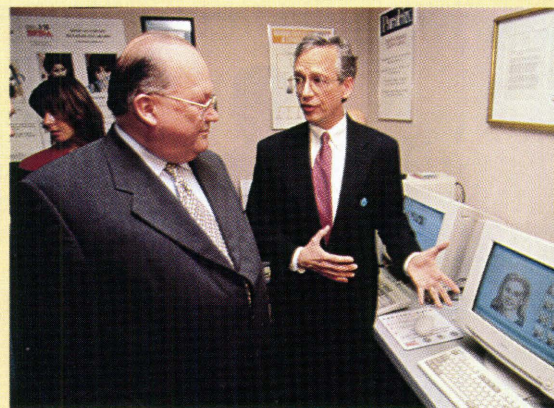
Even in 1996, despite Herculean efforts, the deficit turned out at 3.3 percent, but the current forecast for 1997 is 2.9 percent, just within the target. The government has been granted emergency powers to adjust taxes and public spending without prior parliamentary approval in case unexpected difficulties should threaten to drive it off course.

On two of the other Maastricht criteria—low inflation and a steady exchange rate—Belgium has been among the best performers in the EU. The lingering doubt about its ability to qualify for EMU was caused by the size of its gross public debt, which, according to Maastricht, should be no more than 60 percent of GDP or "must be sufficiently diminishing and approaching the reference value at a satisfactory pace."

The gross debt of Belgium in 1993 stood at 137 percent of GDP, much the largest of any EU country. In 1997 this should be down to 127 percent, and Finance Minister Phillippe Maystadt (whose careful stewardship has been largely responsible for the recent improvement) says it will not fall below 120 percent before 2000, and may not reach the 60 percent target until 2020.

Nevertheless, Belgium seems to have persuaded the Commission and the European Monetary Institute that its recent progress can be sustained, and the government is confident that it will get an approving nod early next year when the decision is made about which nations will qualify.

The fact that it is overperforming on the other criteria will greatly strengthen its case, and there is one other trump card that Belgium has to play: its 70-year old currency union with Luxembourg. Nobody doubts that Luxembourg will be a founder member of EMU, and it would be extraordinarily difficult to separate its currency from that of Belgium. Commission President Jacques Santer, himself a Luxembourgier, is well aware of this, and observers speculate that he will exert his influence to ensure that the Belgian franc is included in the single currency. —Dick Leonard



Prime Minister Jean-Luc Dehaene is preparing Belgium to be among the first countries to join EMU.

Europe's CARMAKERS



Anne Asencio, a Renault designer in Paris, ponders the shape of the company's new model, the Scenic.

• B Y P E T E R G W I N •

Since Gottlieb Daimler built the first small, powerful combustion engine in 1883 and Karl Benz patented the first "motor carriage" in 1886, Europe's car industry has undergone continuous changes. Two world wars destroyed factories and slowed development, and companies have been built, rebuilt, merged, nationalized, diversified, spun-off, privatized, streamlined, and reorganized. The most recent major change came in 1993, when Europe's car makers suffered the worst decline in sales since World War II. Sales have since recovered but not before forcing the companies to reexamine their operations from top to bottom and adopting strategies to carry them into the 21st century.

Any conversation with a European car executive regarding strategies will likely include several mentions of the industry's current mantra: improve competitiveness. It has become the catch-all phrase to describe the process of cutting costs, increasing productivity, improving quality, and becoming more adaptable to the consumer's desires. European car makers have relied for too long on their home markets for growth, as shown on their balance sheets after the 1993 recession. Many of the companies have responded by streamlining their operations and aggressively seeking new markets.

Even more pressing is the fact that Europe's car makers will likely face increased competition on their own turf. The year 2000 has been set as the target date when the EU is scheduled to open fully to Japanese car makers. The current arrangement allows the Japanese to bring in a mutually agreed number of cars in addition to those they produce in European factories.

Car makers have fully acknowledged that theirs has become a global market (another favorite phrase), and analysts predict the most rapid car market growth will occur in the developing economies of Latin America and Asia. Most of Europe's auto makers are either building or already have plants up and running in both regions.

This globalization poses the question: What now constitutes a European car maker, or for that matter, an American or a Japanese car maker? Honda builds cars in Britain for the European market, using European suppliers and European labor. BMW and Mercedes both have US plants. And of course the US has a big presence in Europe. Last year, General Motors ranked as Europe's second largest car maker with 12.5 percent of the market, selling its brands Opel/Vauxhall and Saab Automobile (of which it is a 50-50 partner with the Swedish owned firm Saab Scania). Ford Europe ranked fourth, controlling 11.6 percent of the European market on sales that included its British-produced Jaguar line.

The following describes the origins and current direction of the companies that now make up the heart of the European-owned car industry.

Bayerische Motoren Werke (BMW)

Headquarters: Munich, Germany

Chairman of the Board of Management:

Bernd Pischetsrieder

BMW, the Bavarian maker of nimble sport sedans and now roadsters, may wish to be known for its precision engineering, but perhaps the company's greatest accomplishment is the way it has captured young car buyers' imaginations. While luxury makers like Mercedes focused their marketing on older more affluent car buyers, BMW positioned itself at the fore of the yuppie market with the goal of building brand loyalty and gradually moving customers up to bigger more expensive models.

BMW's logo, a spinning propeller in blue and white (the colors of Bavaria), reflects its heritage as an aircraft engine maker. In 1913, Karl Rapp began designing and building aircraft engines near Munich, but after World War I, the Allies prevented German aircraft production.

In the 1920s, BMW began making motorcycles and in 1928 bought a small company building cars from British designs. In the 1930s, the company introduced its own series of cars and established a reputation for making affordable sports cars. The Nazis, however, forced BMW to convert its production to military purposes. When company head Josef Popp protested, he was forced to resign.

The war destroyed the company's factories, and immediately afterward, the Allied occupiers prohibited car production. To survive, BMW built kitchen and garden equipment until 1948. But cheap transportation was hard to come by, and BMW returned to vehicle production with a one-cylinder engine motorcycle. In the 1950s, the company produced a tiny two-seater "bubble



BMW's Z3, James Bond's ride of choice

car," called the Iseta, which appealed to postwar Europe's need for cheap transportation.

In 1959, Herbert Quandt bought the company and focused BMW on building sport sedans. Seven years later the company acquired auto maker Hans Glas, further strengthening BMW's position. By the 1970s, the car maker had established a US distribution network, and exports grew. The introduction of the larger 5 Series firmly established BMW as a major luxury car maker and a direct competitor to Mercedes-Benz. The 1980s brought more export sales and the new 7 Series became BMW's largest model.

By 1992, the company's US sales had declined significantly from their peak in the mid-1980s as Japanese car makers had made strong inroads into the luxury market. That year the company announced plans to build a plant in Spartanburg, South Carolina. In 1994, the company doubled its European market share with the takeover of Britain's Rover Group, whose line includes the popular sport utility Range Rover. In 1995, the company's new roadster the Z3 debuted to rave reviews and was featured as James Bond's ride of choice in the movie *Goldeneye*.

Daimler-Benz

Headquarters: Stuttgart, Germany

Chairman of the Board: Jürgen E. Schrepp

Much of the history of Daimler-Benz coincides with the history of the invention of the automobile. Gottlieb Daimler and Karl Benz were two rival automotive pioneers. In the 1880s, Daimler and engineer Wilhelm Maybach built the world's first motorcycle and began making engines for French car makers. In 1900, a wealthy Austro-Hungarian named Emil Jellinek ordered 36 racing cars from Daimler with the stipulation that they would be named after Jellinek's daughter Mercedes. The cars were a success, and Daimler trademarked the name Mercedes in 1902.



Mercedes new E Class, also called "Round Eyes"

Karl Benz meanwhile had established Benz and Companies in Mannheim during the 1880s and had patented a three-wheel car. By the turn of the cen-

tury, he was the leading car maker in Europe.

The aftermath of World War I and the rise of the mass-produced Ford Model T prompted Daimler and Benz to merge in 1926, forming a larger, more competitive company. The construction of the first autobahns increased the ease of car travel and spurred car buying during the 1930s. When World War II erupted, Daimler-Benz switched to military production, and at the war's end, its factories lay in ruins. During the first year of occupation, the company manufactured a pick-up truck before returning to car production in 1947.

By the 1950s, West Germany's economic status had improved dramatically, and Daimler-Benz was busily trying to meet the country's need for transportation. During that decade, the company acquired other companies, such as Auto Union (Audi) in 1958, to further bolster its position in the car, truck, and engine markets.

Twenty years later, Daimler-Benz was selling cars worldwide, and the Mercedes name became synonymous with precision engineering and luxury. As the 1980s began, the company diversified, buying consumer and industrial electrical companies. In 1992, Daimler formed DASA, an aerospace company. In 1993, Daimler-Benz listed on the New York Stock Exchange, and soon afterward announced plans to build a factory in Alabama.

Currently, the company is undergoing a reorganization. Daimler chairman Jürgen Schrempp, pushing to streamline the corporate structure, proposed moving the company's most profitable unit, Mercedes, under direct control of the parent company's board. The head of the Mercedes unit, Helmut Werner, resigned after opposing the plan. The move came as something of a surprise. *Business Week* had selected Werner as one of the top 25 senior managers of 1996. He had succeeded in expanding Mercedes' product line to attract younger customers and in building the unit, which accounts for about 70 percent of Daimler-Benz sales, into Europe's most profitable car company. Financial analysts, however, say that, although losing Werner hurts Mercedes, the overall Schrempp plan bodes well for Daimler-Benz stockholders.

Fiat

Headquarters: Turin, Italy

Chairman: Cesare Romiti

There is a certain fitting irony that Italy's largest auto maker was built by a man who established his reputation on the back of a horse. In 1899, Giovanni Agnelli, a former cavalry officer, was part of a group that formed *Fabbrica Italiana di Automobili Torino*, best known by its acronym, Fiat. Agnelli soon emerged as the company's leader and expanded its product lines to include trucks, rail cars, airplanes, and farm equipment. Early on the company imported many of its parts, which kept



Fiat's new Bravo

costs high, but high import duties on foreign cars protected Fiat's position at the top of the Italian market. After World War I, the company reduced its dependence on foreign suppliers and began manufacturing more of its own parts.

Just as the German car makers suffered heavy damage during World War II, Allied bombing also ravaged Fiat's plants. After the war, US support helped keep the company afloat as it rebuilt its business through exporting inexpensive cars and building plants abroad. During the 1950s, the company further diversified, producing steel and construction equipment.

During the 1960s, the Common Market forced a reduction in Italian tariffs, opening the way for foreign makers to compete on Fiat's home territory. Fiat again pursued exports to shore up the company's flagging market share at home. In 1966, Giovanni Agnelli II, the founder's grandson, took the company's reigns. He further diversified Fiat, buying into a wide array of industries, including biotechnology and telecommunications, and took over Italian car makers, Ferrari and Lancia.

During the 1970s, Fiat was plagued by the oil crisis, attacks on its executives by the Red Brigade terrorist organization, and a severe cash shortage that forced the car maker to sell a 10 percent interest to Libya in 1979 (which Libya eventually sold).

In 1980 Cesare Romiti was named managing partner and set to work trimming 23,000 jobs. A month-long strike ensued, but a large number of workers returned to the job, substantially reducing union influence at the company.

During the 1980s, Fiat modernized its operation. Its compact car, the Uno, became a bestseller in 1983. But designing innovative and attractive new models was never a problem, rather Fiat models were plagued by poor quality, which in large part led to the company's retreat from the US market. Merger talks with Ford in 1985 yielded only a joining of the companies' European truck businesses. Fiat then acquired Alfa Romeo and later made a deal with Chrysler to sell Alfas in the US.

During the 1990s, Fiat has continued to grow and expand its worldwide network of businesses, which accounted for more than \$47 billion in sales in 1995, roughly 3 percent of Italy's GNP. The car business, which includes the Lancia, Alfa Romeo, Innocenti, Ferrari, and Maserati makes, remains the industrial giant's crown jewel, and it is positioning itself to become Europe's low-cost producer and the preeminent car maker in the developing world. In April, Fiat unveiled its new "world car," the Palio in Brazil. Palio's marketing campaign describes the car, with an \$8,000 starting price, as the first car designed specifically for the Asian, African, and Latin American car markets, which analysts predict will experience the highest growth rate in the next eight years.

Last year, Romiti finally succeeded Agnelli, 75, as Fiat's chairman. The Agnelli family, however, controls more than 30 percent of the company's stock, and Giovanni Alberto Agnelli, Gianni's nephew and head of the family's Piaggio motor scooter group, is widely tipped to eventually lead Fiat.

PSA Peugeot Citroen

Headquarters: Paris, France

Chairman and CEO: Jacques Calvet

In 1976 the French government fostered Peugeot's takeover of Citroen to create a French auto maker that would be large enough to compete globally. The deal joined two companies that trace their origins to the earliest days of car production.

In 1885, Armand Peugeot led his family's company into producing bicycles. Soon his interest turned to automobiles, and in 1894, a Peugeot car won what was billed as the world's first auto race, the Paris Rouen Trials.

The company built various factories in France, including the one at Sochaux that remains Peugeot's main factory today. During the early days of car making Peu-

geot introduced several new innovations, including the first diesel powered car. World War II inflicted heavy damage on Peugeot's operation, but after the war the company moved quickly to expand.

Andre Citroen did not begin building cars until 20 years after the Peugeots, but by 1919 Citroen had become the first to mass produce cars in Europe. However, financial problems brought on by the Depression forced the company to give a large portion of equity to Michelin as payment for tires.

The Citroen takeover in 1976 along with the purchase in 1978 of Chrysler's aging European units, including the Rootes and Simca nameplates, made Peugeot the biggest European auto maker. However, the strategy to become the "GM of Europe" failed, and the company lost \$1.2 billion from 1979 to 1984.

At the end of this slide, Jacques Calvet became CEO and immediately began a modernization program that cut 30,000 jobs and moved Peugeot back into the black in 1985. The company formed partnerships with Renault and Fiat and also agreed to market Suzukis, Austin Rovers, and Mazdas.

The beginning of the 1990s saw the company pull out of the US market after 34 years. In 1993, citing the European economic slump, Peugeot reported that it would lose \$239 million, its first loss since 1984. Since then, Calvet has tenaciously cut costs and pushed Peugeot to challenge Fiat for the title of Europe's lowest-cost car maker. Last year the company posted a respectable 1.5 percent profit margin.

Like Fiat, Peugeot sees its future growth in building low-cost cars in the developing world. The company plans to open a new plant in India, which follows new facilities in Maylasia, Argentina, Brazil, and China.

A global strategy and new factories notwithstanding, the automotive rumor mill continues to generate merger speculation. Fiat is considered a possible suitor, if only for its current venture with Peugeot to build minivans. Merger or not a Peugeot return to the US market persists as a frequent industry rumor. Calvet has discussed the idea, but with only a year left before his expected retirement,

it probably will be his successor's decision. Jean-Martin Folz, described as a pragmatic manager, is rumored to be the chairman in waiting.

Regie Nationale des Usines Renault

Headquarters: Boulogne-Billancourt, France

Chairman and CEO: Louis Schweitzer

This fall French car maker Renault announced that it would post its first year-end loss in a decade, bringing to an end the "Renault miracle," at least for now. After nearly collapsing in the 1980s, the company improved quality, cut costs, and became one of Europe's success stories in the 1990s. But last year's loss highlights the company's dependence on the European market, which accounts for around 80 percent of its car sales, and analysts see more troubles ahead as deregulation of the European car market approaches in 2000, 101 years after Renault was founded.

The company began in 1899 in the Paris suburb of Billancourt, where the three Renault brothers' had a workshop. The brothers, Marcel, Fernand, and Louis named their company Renault Freres, but Marcel's tragic death in a racing accident in 1903 and Fernand's departure in 1908 left Louis the lone Renault to build the company. He quickly established a niche as a taxi builder, and during World War I a fleet of Renault taxis shuttled French troops to fight at the Battle of the Marne. But the war effort did more than immortalize the company's taxis. Renault also built tanks and airplane engines for the war effort. Between the World Wars, Renault continued to grow, manufacturing cars, trucks, farm equipment, and airplane engines.

In 1944 after the liberation of France, Louis Renault was accused of collaborating with the Nazis during the occupation. He died the same year while awaiting trial in prison. After the war, the De Gaulle government nationalized Renault, and it rebounded as a high-volume, low-cost manufacturer. Its 4 CV model was a top seller in the 1940s and 1950s. It continued its success with the Renault 4 in the 1960s and 1970s and the Renault 5 in the 1970s and 1980s.

The beginning of the 1980s saw the company trying to gain US market share. It bought 46 percent of American Motor Corporation (AMC), but the move backfired as AMC withered. Furthermore, Japanese car makers were winning market share, and sales slumped for Renault's aging product line. In 1984, the company reported losses of \$1.5 billion.

In 1985, new chairman Georges Besse cut 20,000 jobs and began revamping the state-owned firm's management strategy. A year later, he was assassinated by terrorists. His successor, Raymond Levy, picked up where Besse had left off. He cut a further 30,000 jobs and sold AMC to Chrysler. By the late 1980s, Renault had returned to profitability, boosted by a rejuvenated car market and high import duties on Japanese cars in the company's three prime markets, France, Italy, and Spain.

The 1990s began with Renault joining Volvo in a series of joint international truck and auto operations. The two companies appeared headed for merger until

Volvo stockholders, nervous about the French government's 46 percent stake in the company, quashed the plan.

In November, Renault and Peugeot entered talks

with the government to discuss cutting 40,000 jobs. A joint press release from the two companies described the cuts as "a matter of survival."

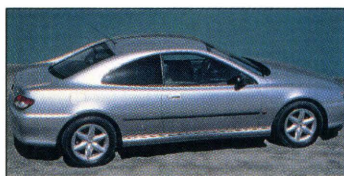
Volkswagen

Headquarters: Wolfsburg, Germany

Chairman of the Board of Management: Ferdinand Piech

Ferdinand Porsche had long dreamed of building a car for the common man—efficient, reliable, and most of all affordable. In 1937, the Nazi government backed Porsche's idea and founded the Gesellschaft zur Vorbereitung des Volkswagens (or the company for the development of people's cars) in Wolfsburg. The company made no "people's cars" during World War II. Instead, it produced military vehicles.

After the war, the British occupiers allowed the reconstruction of the shattered Wolfsburg factory and oversaw pro-



Peugeot's 406 Coupe



Renault's Spider, a concept design unveiled last fall

duction of the company's first people's car. In 1948, the British selected Heinz Nordhoff to run the venture, and the following year turned it over to the German government.

By the end of the 1950s, the unassuming styling of the VW Beetle and Microbus, propelled by a wave of innovative advertising, had caught the US imagination.

In 1966, VW increased its product line with the purchase of Auto Union (Audi) from Daimler-Benz, and in 1968, boosted by its popularity among young car buyers, the Beetle became the world's best-selling automobile.

The early 1970s proved less euphoric as VW discontinued the Beetle everywhere except Mexico. During this time the company's Brazilian operation was the only profitable sector. By the end of the decade, however, VW's new models had caught on, and the company opened the first foreign-owned car factory in the US.

VW made several international deals during the 1980s, most notably buying the Spanish car maker Sociedad Espanola de Automoviles de Turismo (SEAT). The company also allied its Brazilian unit with Ford's Argentinian operation to form Autolatina. The two companies also made a deal to produce minivans in Portugal. VW ended the decade announcing plans to build China's largest automobile factory and acquiring Czech car maker Skoda.

In 1993, Volkswagen's board brought the company's history full circle when its choice for the new CEO was none other than Ferdinand Piech—grandson of VW founder Ferdinand Porsche. Certainly there was no one more steeped in the lore of Europe's auto industry than Piech, whose grandfather and uncle went on to form sports car maker Porsche after World War II. Piech began his career as an engineer at Porsche, where he built a reputation as an intense and extremely determined manager. From there he moved to VW subsidiary Audi, where he enhanced his reputation as a demanding taskmaster.

From his first days as VW's CEO, Piech promised to shake up the moribund auto maker. Three years later the company had gone from a more than \$1.3

billion loss to a respectable \$320 million profit.

One move that backfired, however, was Piech's hiring of purchasing executive Jose Ignacio Lopez away from General Motors. GM filed suit charging that when Lopez left he stole vital trade secrets. Lopez resigned from VW last November, and the company agreed to pay GM a \$100 million cash settlement and promised to buy \$1 billion worth of GM parts over the next seven years.

With the Lopez affair behind him, Piech still faces a huge challenge in trying to keep Europe's biggest auto maker on track. The company has suffered from especially difficult union relations that have prevented the type of major restructuring that many other European car makers have instituted.

Volvo

Headquarters: Göteborg, Sweden

Chairman: Bert Olof Svanholm

Volvo, the Swedish company with the Latin name (which means "I roll") began in 1915 as a subsidiary of a ball bearing company. By 1932 the company was assembling cars, trucks, and buses, and three years later, Volvo became an independent company headed by the team of Gustaf Larson and Assar Gabriellsson. From the firm's beginning the severe driving conditions during Sweden's long winters forced the company to pay especially close attention to engineering and safety details.

During World War II, the company benefited from Sweden's neutrality and the lack of imports and expanded into tractor production. After the war, Volvo continued to grow, further expanding its farm machinery business and producing diesel engines. However, by the end of the 1950s the company centered on car production and exported roughly half of its cars to Europe and North America.

In 1971, a young and dynamic new CEO, Pehr Gyllenhammar, took control of Volvo and moved to diversify and enlarge the company in order to give it the weight to compete globally. By the 1980s, Volvo had invested in energy production,



A VW concept mini convertible

1996 EUROPEAN CAR SALES

Make	Units
Volkswagen	2,203,670
General Motors	1,602,222
PSA Peugeot Citroen	1,528,534
Ford	1,484,870
Fiat group	1,438,765
Renault	1,289,677
BMW group	804,907
Mercedes-Benz	461,939
Volvo	206,111

Source: European Automobile Manufacturers Association, based on new car registrations. Volkswagen includes Audi, SEAT, and Skoda. GM includes Opel/Vauxhall and Saab. Ford includes Jaguar. Fiat includes Lancia, Alfa Romeo. BMW includes Rover.

industrial products, food production, drugs and biotechnology development, and financial services. Sales peaked, however, in 1987 and decreased steadily for the next five years.

As global competition increased, Volvo, like many other big conglomerates, found it difficult to compete with smaller more focused companies. In 1994, the company restructured, concentrating on car, bus, truck, and aircraft production and spent more than \$2 billion to modernize its manufacturing operations and introduce the new 800 series of family sedans. Volvo also joined the Japanese firm Mitsubishi Motors and the Dutch government in a partnership to manufacture cars in the Netherlands. However, a proposed merger with state-owned French car maker Renault proved extremely unpopular with Volvo's stockholders and led to Gyllenhammar's resignation in 1994. The company continued to divest from its non-core businesses

and to improve its financial position.

Overall, Volvo remains a relatively small player when compared to its larger competitors. Its size and production volume leave it with less

room for error, since design costs are spread over fewer units than larger makers. But the Swedish car maker appears ready for the challenge and is rolling the dice in a bid to spruce up its boxy image with the sleek new C70 coupe, which goes on sale this spring. A C70 convertible (gasp) is set for delivery in 1998. ☺

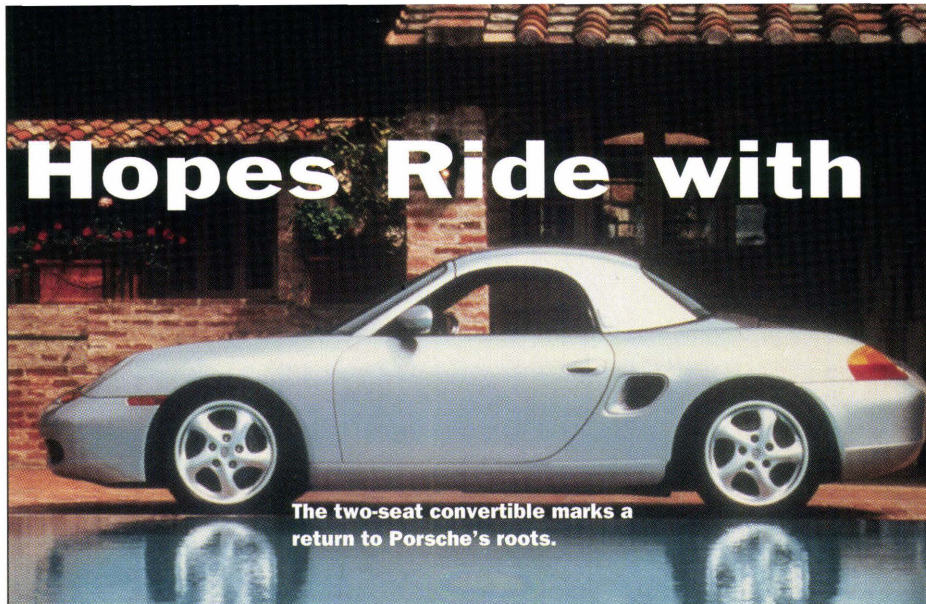


Volvo's 1998 C70 Convertible

Peter Gwin is EUROPE's managing editor.

Porsche's Hopes Ride with BOXSTER

BY PETER GWIN



The two-seat convertible marks a return to Porsche's roots.

"No other car sounds like a Porsche,"

says Alex Bachner, a German engineering student and sports car lover. "It sounds like a big, angry dog." If such is the case, residents of Scottsdale, Arizona, were subjected to much growling this past September as sports car aficionados gathered to test drive Porsche's newest model, the Boxster.

The first all-new Porsche design to roll off the company's Zuffenhausen assembly lines in 20 years, the Boxster and the fanfare surrounding its arrival should not be confused with the typical automotive hype for the new flavor of the year. The Boxster represents what Porsche officials hope will be a new era for the company whose name first appeared on a car 96 years ago.

The first Porsche design debuted at the 1900 Paris Exposition. Ferdinand Porsche, a 25 year old Austrian, designed the motors for the Lohner-Porsche, an electric car. In 1906, the Daimler Motor Co. hired him to be its technical director. Over the next 20 years he designed cars that expanded the limits of automotive engineering. One of his most famous cars was the Mercedes-Benz S series, which were coveted by wealthy car enthusiasts the world over.

Porsche, however, became interested in building cars for more than just the rich and famous. He proposed that Daimler mass produce cars that the common man could afford. The company's board thought the idea too radical. Porsche left to start his own design business, which produced a number of famous cars including the Volkswagen.

World War II soon overtook the company. At the end of the war, questions arose over Porsche's wartime activities, although he was later cleared by an Allied commission of any wrongdoing. The French, however, accused him of misconduct and held him in prison for almost two years before his family paid the French government for his release. He then joined his son Ferry, who had begun building sports cars.

They started with the principle that their cars would be the best examples of automotive engineering on the road—any road. The company remained true to that principle after Porsche's death in 1951 and over the course of the next 20 years built sports cars that enchanted racing drivers and enthusiasts alike. Its success and popularity notwithstanding, Porsche's management did not exhibit the same imagination in running its business as it did in crafting its sports cars. Although Porsches remained dominant on racetracks worldwide, the company's directors made several miscues during the 1970s and 80s, and Porsche relied heavily on its 911 model, first introduced in 1965, to make money.

In 1992, Wendelin Wiedeking became Porsche's new CEO. The company faced grave financial problems, and Wiedeking quickly determined he had to address two major issues. First,

the manufacturing process had to become more efficient. Porsches were increasingly expensive to produce because, by modern standards, the assembly lines were inefficient. As the cars came off the lines, dozens of mechanics were required to go over each one fixing production glitches. Second, the company had to broaden its product line without sacrificing its reputation for excellence. With a 911 starting at around \$60,000, only a small segment of the sports car market could afford to buy a new Porsche. "We wanted an entry level Porsche which would complement the incomparable and legendary Porsche 911," says Fred Schwab, president of Porsche Cars North America.

Meanwhile, Porsche's chief designer Harm Lagaay had already begun looking for the design that would take the company back to its roots. He found it in a sketch by Grant Ward, a young American designer working at the company's Zuffenhausen headquarters. Ward had drawn a Porsche that harkened back to the 1950s era racer, the Porsche 550 Spyder. The design was dubbed the "Boxster," a name that alludes to the car's "boxer" six-cylinder engine and its roadster (open, two-seater) body. "We knew this was the car we needed," says Lagaay.

To help the company become more efficient, Wiedeking brought in Shin-Gijutsu, a renowned Japanese consulting firm. The number one message the Japanese brought was: In the modern car market, a company couldn't remain profitable by just building great cars. A successful company had to build great cars in a cost-effective manner.

With the Boxster, the company considered the manufacturing process from the earliest stages of the car's development to ensure that it could be built efficiently.

Even with Porsche's new eye for cost efficient production, the new model won't come cheap. It has a projected starting price slightly less than \$40,000. Porsche officials, however, are quick to point out that the price is competitive with BMW's new Z3 roadster and is \$5,000 cheaper than a Nissan 300 ZX convertible.

Its price notwithstanding, in 1997 a Boxster will be hard to come by. The company plans to produce 15,000 this year, and most of the 7,500 earmarked for the North American market have been pre-sold. The interest to be among the first to test drive the car was so great that Porsche charged around \$1,200 per person to attend the sneak preview in Scottsdale. One enthusiast put it in perspective, "The thing you've got to understand about Porsche is that they're not just selling cars; they're selling a mystical experience."

Perhaps, but it is a mystical experience that sounds like a big, angry dog. ☺

Inside EUROPE

FEBRUARY 1997

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EU NEWS

FROM DUBLIN TO AMSTERDAM

The European Union is playing for the highest stakes in its 40 year existence as it prepares to sign a new treaty at the Amsterdam summit in June.

The EU is walking a tightrope as it struggles to balance the conflicting interests of its 15 member states and produce a new rule book that will ease its enlargement to include Central and Eastern European countries at the turn of the century.

The tension was palpable at the EU's Dublin summit last December when a simmering row between its two power brokers, Germany and France, came close to scuttling plans for a single currency.

A tense 18 hour negotiating marathon in Dublin Castle forged a compromise that partly met Bonn's call for cast iron rules and fines to punish excessive budget deficits in the monetary union and Paris's insistence on a measure of political oversight.

The highly technical agreement, in effect, amounted to a German climbdown that could yet boomerang in Bonn as Chancellor Helmut Kohl seeks to win over the 60 percent of Germans who are against trading in their cherished D-mark for the untested single currency, the euro, in 1999.

The messy Dublin compromise is also likely to exacerbate tensions between Bonn and Paris throughout 1997, the benchmark year for deciding which countries will qualify for the euro.

It is still touch and go which countries will make the grade with the biggest question mark hanging over the ability of the key players, not least Germany, to meet the toughest target of all: a budget deficit below 3 percent of gross domestic product.

While monetary union is all over bar the shouting, the fate of the EU's attempt to rewrite the political chapters of its landmark 1991 Maastricht Treaty is still hanging in the balance.

The Dublin summit was so preoccupied with resolving the Franco-German monetary spat that very little time was devoted to the equally pressing problems of reforming the EU's constitution and overhauling its deci-

sion-making machinery.

The EU is publicly committed to completing negotiations on these issues, in the so-called intergovernmental conference (IGC), by the Amsterdam summit. But no one is minimizing the task facing the diplomats and some officials are now saying the final deal won't be cut until the following summit, in Luxembourg, in December.

The current Dutch presidency of the EU has the unenviable task of trying to fashion a compromise on issues that inflame passions in most member states from the ardent federalists like the Belgians and Germans to the skeptical Britons and Danes.

The most controversial issue is the extension of majority voting into new areas and the dilution of national veto rights. The IGC must also address the vexed question of rebalancing power between the larger and smaller countries. Germany with a population of 80 million has 12 votes in the decision-making Council of Ministers while minnow Luxembourg with a population of less than 400,000 has one vote. Greater powers for the European Parliament and slimming the European Commission, the EU's executive wing, are also on the crowded agenda.

The senior diplomats who meet regularly in Brussels urgently need a "steer" from their political masters in the EU's national capitals to unblock the IGC. "Over the next six months we are going to need the sort of inspiration of those who framed the (US) Declaration of Independence—a large sense of vision," said John Bruton, the Irish prime minister and host of the successful Dublin summit.

All EU leaders concede there must be a radical change in the way the bloc conducts its business to avoid policy gridlock when the membership swells from 20 to 25 countries by, say, 2010. And the Central and East European countries want a deal as soon as possible—preferably in Amsterdam—as the EU has publicly pledged to start accession negotiations with them six months after it has inked "Maastricht Two."

In a bid to break the deadlock, France and Germany have proposed a "flexibility clause" in the new treaty that would allow some countries to press ahead with deeper integration even if their partners do not want to

participate. This "two speed" Europe is at odds with the philosophy of the EU's founding fathers, but it may be the only way to ensure its survival after enlargement.

The IGC negotiations have slowed to a snail's pace because British Prime Minister John Major is blocking almost every proposal to bolster his anti-EU credentials in the run up to the general election, which must be held at the latest by May 1—just six weeks before the Amsterdam summit.

The UK's partners, acknowledging they will make little headway while Mr. Major is in power, are looking to his odds-on successor, opposition leader Tony Blair, to break the logjam after the election. But Mr. Blair too has been trimming his European sails and is unlikely to countenance a substantial shift of power from London to Brussels. He has already ruled out the Franco-German flexibility proposal. "The important thing is that Europe moves ahead together."

Unless the UK backs down the IGC faces stalemate. And signing a new treaty isn't the end of the affair because it must face the hurdle of a problematic Danish referendum.

It's a worrying prospect for the East Europeans queuing outside the EU's door. But if the past is any guide, the EU will pull off a deal at the last moment. It always does.

—Bruce Barnard

KLIMA NAMED NEW AUSTRIAN CHANCELLOR

Austria's finance minister, Viktor Klima, became the new chancellor of Austria following the resignation of Franz Vranitzky, who served more than 10 years as chancellor. Vranitzky, who led Austria into the European Union, was Europe's longest serving leader of government after German Chancellor Helmut Kohl. Vranitzky said 10 and a half years in power was "a sufficient spell."

Klima, 49, had previously served as Austria's minister for public economy and transport from 1992 until early last year, before becoming finance minister. Before that, he had worked for the Austrian state-owned oil company OMV, where he had served as head of finance on the management board. He is credited with pushing through the privatization of Creditanstalt, the country's best-known bank and helping to pass a strict budget last year to make certain that Austria will meet the criteria for joining the first round of EMU. He is considered popular with the business community and is known as someone who gets things done.

In one of his first acts as chancellor-designate, Klima named Vienna city finance councilor Rudolf Edlinger as his government's finance minister.

COLD WEATHER DISRUPTS EUROPE

European television screens showed once in a generation scenes at the turn of the year as the continent was hit by the coldest weather in more than 30 years.

The Venice lagoon was frozen as were some parts of the river Thames in London for the first time since World War II. French President Jacques Chirac's presidential guard couldn't play the *Marseillaise* as he delivered a speech in Paris because their instruments were frozen. Even the Mediterranean

islands of Corsica, Sardinia, and Sicily were covered with snow, and shipping ground to a halt on some of Europe's biggest rivers, including the Elbe and the Danube.

The Netherlands rediscovered its national identity on January 4 when for the first time since 1986 the ice was thick enough for the staging of the 15th *Elfsetdentocht*, a grueling 120 mile skating race over the canals that crisscross the country. More than a million of the nation's 15 million population lined the route.

The darker side of the Siberian blast was that homeless people made up a large proportion of the more than 200 deaths mostly by freezing.

NTA OFF TO GOOD START

European Commission Vice President Sir Leon Brittan explained that the New Transatlantic Agenda is "off to a cracking start" after meeting with Secretary of State Madeleine Albright on January 28 in Washington.

Brittan and Hans van Mierlo, deputy prime minister and foreign minister of the Netherlands, which currently holds the EU presidency, met with Albright to discuss EU-US relations, the New Transatlantic Agenda, China, Bosnia, the Middle East, and Cuba.

The meeting was the first of the regular twice-yearly EU-US ministerial meetings. It was followed by a press conference at the European Commission Delegation, where Foreign Minister van Mierlo stated that the New Transatlantic Agenda has "intensified cooperation with the US producing new, concrete results."

EP ELECTS LEADERS

The European Parliament recently elected its new leaders. The following is a list of the European Parliament's new leaders.

President:	Jose Maria Gil Robles Gil Delgado (Spanish, EPP)
Vice President:	Nicole Fontaine (French, EPP) Nicole Pery (French, PES) David Martin (British, PES) Giorgios Anastassopoulos (Greek, EPP) Antoni Gutierrez Diaz (Spanish, GUE) Ursula Schleicher (German, EPP) Renzo Imbeni (Italian, PES) Magadelene Hoff (German, PES) Josep Verde I. Aldea (Spanish, PES) Paraskevas Averginos (Greek, PES) Luis Marinho (Portuguese, ELDR) Antonio Capucho (Portuguese, ELDR) Bertel Haarder (Danish, ELDR) Guido Podesta (Italian, UPE/EPP)

UPCOMING EVENT

May 28–29—President Clinton will make an official visit to the Netherlands where he will meet with Dutch and EU leaders to discuss various issues, including European security, and to attend ceremonies commemorating the fiftieth anniversary of the Marshall Plan.

Airbus, the European aircraft manufacturer, vowed to proceed with a plan to build a "super jumbo" after **Boeing** scrapped a rival project for a 550 seat jet. Airbus says it is still talking with 19 airlines about the planned jet.

Meanwhile, Airbus plans to change its status to a free-standing company in 1999 in a long-delayed move spurred by the recent \$13 billion merger of arch rivals Boeing and **McDonnell Douglas**.

At present, Airbus the world's second-largest aircraft manufacturer after Boeing, is an "economic interest group," which shares its profits and losses and subcontracts work to its four partners—British Aerospace, Daimler-Benz Aerospace of Germany, Aerospatiale of France, and CASA of Spain.

Establishing a corporation will be the first step to a share offering that would help raise capital for new projects, notably the super jumbo.

Airbus, based in Toulouse, France, booked 309 orders in 1996, nearly three times 1995's total of 106 and its biggest intake since 1990 when it clinched 404 orders.

Meanwhile **Fokker** the bankrupt Dutch aircraft manufacturer is likely to be broken up and sold after its last potential suitor, **Samsung Aerospace** of South Korea, abandoned its plans for a takeover.

Samsung walked away after it failed to get financial support from other Korean aerospace companies who balked at the \$850 million investment needed to revive Fokker.

The last remaining hope for Fokker, which has been kept alive with a skeleton staff since it was declared bankrupt last March, is **Yakovlev**, the Russian aerospace company.

It hopes to capture 25 percent of the Russian market by 2000, but industry analysts question its ability to finance a rescue.

European governments will raise \$53 billion from sales of state-owned companies in 1997 overtaking last year's record receipts of \$43 billion and taking total privatization proceeds to \$230 billion, according to **J.P. Morgan**.

Italy will top the privatization rankings with \$20 billion of sales planned, followed by France with \$11 billion, Spain \$8.6 billion, and Germany with \$5 billion.

Most sales will be concentrated in telecommunications and utilities, which are expected to account for around 56 percent of proceeds.

BASF, the German chemicals group, plans to invest around \$635 million in India over the next four years in the latest stage of its program of increasing sales in Asia, which currently accounts for only 10 percent of its global revenues.

BASF's announcement confirms the accelerating move by German companies abroad, prompted partly by the need to break into emerging markets, and partly by the need to escape high domestic costs.

Even as Germany's jobless rate scales a postwar high of more than 4 million, German companies are expected to create at least 300,000 jobs abroad, most of them in low-cost sites in Central and Eastern Europe.

But **Volkswagen**, the car manufacturer, helped to lift the gloom by confirming it will build two new models, the Lupo and the Lupino, to be launched later this year, at its German plants.

Dutch companies increased their commitment to the US financial services market with two takeover deals worth more than \$5.5 billion.

Aegon, the insurance group, is acquiring the insurance activities of **Providian**, a Kentucky-based financial services firm, in a \$3.5 billion deal that will make it the biggest insurer in the Netherlands and the eleventh-biggest in the US and lift it from seventeenth to twelfth in the world rankings.

Meanwhile, **ABN-Amro** became the biggest foreign bank in the US after its \$1.95 billion takeover of Detroit-based **Standard Federal Bancorp**.

The deal will add 182 branches and \$15.5 billion in assets to ABN Amro's existing US network of 231 branches and \$112 billion in assets. It follows 11 other acquisitions valued at \$22.2 billion since 1990 that have made the bank a major player in the Midwest market, which it entered in the 1970s with the purchase of Chicago-based **La Salle National**.

The British film industry is on a roll with a string of domestic hits and a favorable exchange rate encouraging Hollywood to shoot several blockbusters at local studios.

British producers invested in 114 feature length movies in 1996, the highest number for 15 years, and foreign productions also rose, led by the current box office hits *101 Dalmatians* and *Evita*.

The country's top two studios, Shepperton and Pinewood, are expanding their facilities and George Town Holdings, a Malaysian group, is transforming into a new studio an airport where *Goldeneye*, the last James Bond movie was filmed.

Gaumont, the French film production company, also recently announced plans to make movies in the UK.

—Bruce Barnard

INSIDE EUROPE

Correspondent
Bruce Barnard

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

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WHAT THEY SAID

"It is a central lesson of this century that America must remain a European power. European stability depends in large measure on continued American engagement and leadership. And, as history attests, European stability is also vital to our national interests."

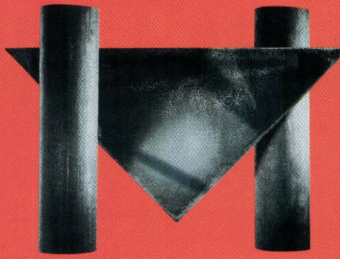
—Madeleine Albright, secretary of state, at her confirmation hearings before the Senate Foreign Relations Committee

"I hope that the agreement is a good omen for 1997 and will carry with it further settlements on the issues in Israeli-Palestinian relations that are still open."

—Klaus Kinkel, German foreign minister, commenting on the Hebron Agreement

"There's no question of Britain leaving the European Union. We wish to play a constructive part in the European Union."

—John Major, British prime minister



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Ask just about any American auto maker operating in Europe what they think will be the next hot car craze among EU consumers and the most likely answer will be either minivans or the off-road sport utility vehicles, which have been setting new sales records in the States over the past several years.

"Demand for minivans and four-wheel drives hasn't yet skyrocketed like in the US, but sales are growing and many people feel the numbers will start taking off soon," predicts Chris Mattingly, a spokesperson for General Motors Europe.

In response, GM has been trying to meet the immediate sport utility demand by shipping Chevy Blazers from Detroit to sell in Europe while developing a new European designed and produced series of vans and four-wheel drives.

Specifically, Opel—the name under which GM operates in Europe—has created the Sintra, a new minivan created by a joint European-US design and engineering team. GM will also soon be selling its new Chevrolet Venture van series under the Opel name in Europe.

Station wagons are another strong selling car for GM in Europe.

"The European and American markets are more similar than different when it comes to station wagons," says Mattingly. Indeed, Opel station wagon sales have been steadily growing for 10 years—and look to keep growing in the near future, observes GM Europe spokesperson Stefan Weinmann.

Opel's best-selling wagon is the mid-size Astra, popular among couples with young children. "This is a bread-and-butter product for us since it constantly ranks among our top selling cars," says Weinmann.

While minivans, four-wheel drives, and station wagons are extremely popular in both Europe and the United States, the prototype American pick-up truck does not seem to have caught the imagination of European car buyers. "There is just no demand for American style pick-up trucks in Europe," agrees Weinmann.

Confirming the coming four-wheel drive craze, the off-road Explorer is Ford's second best-selling vehicle in Europe. "And I think the numbers are poised to jump significantly over the next couple of years," says Steve Woolmington, coordinator of product strategy for Ford Europe.

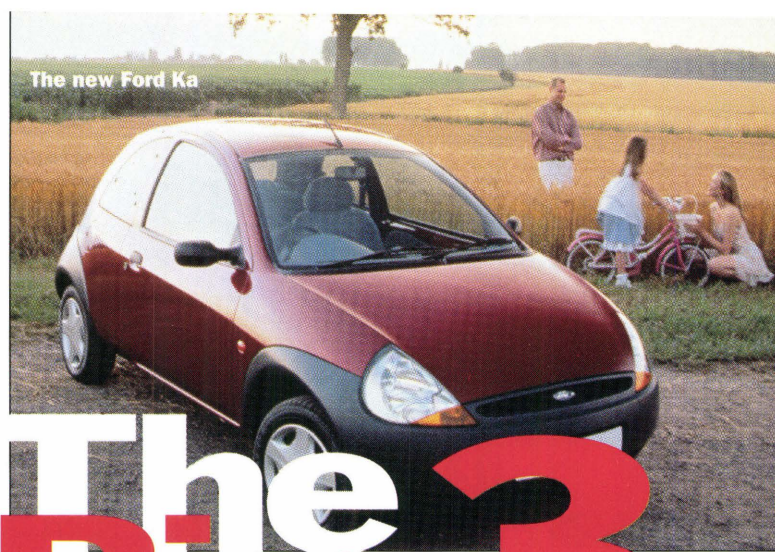
"A major factor in our confidence is we have just introduced a right-hand drive Explorer into the United Kingdom, which is one of the strongest markets for off-road vehicles in Europe," notes Woolmington.

Ford's other top selling imports are the Probe, a sports coupe, and the multi-purpose Winstar minivan.

Chrysler, the smallest of Detroit's Big Three, also feels much of its future European success depends on the demand for minivans and four-wheel drive vehicles—two categories where it excels.

"Following our experience in the US, the Voyager minivan series is also Chrysler's best-selling product in Europe," notes Han Tjan, Chrysler Europe's Brussels-based vice president for public relations.

Some reasons for Voyager's popularity are "our unique styling plus a slightly roomier cabin and longer wheelbase than our European competitors," Tjan claims.



The new Ford Ka

The Big 3 Thrive in Europe

BY LARRY REYNOLDS

Like other auto makers, Chrysler forecasts a coming bull market for off-road sport utility vehicles and minivans.

"I predict steady growth in the minivan, or multi-purpose vehicle sector. As to the four-by-four market, sales have been steady. And we forecast there is going to be a significant jump in demand—particularly in the upper luxury end of the sport utility market," notes Tjan.

Like Ford, Chrysler has rushed to introduce a right-hand drive version of its popular four-wheel drive Jeep Grand Cherokee into England.

"We're very happy about this move. We feel the Jeep name will give us a huge edge in brand name recognition and customer loyalty," says one Chrysler official.

Many observers agree that most American cars either imported for sale or built in Europe by the subsidiaries of Detroit's auto makers no longer carry the mystique of the so-called American "muscle car" of the past that combined a high performance engine with a rebellious attitude—like the 1957 Chevy convertible, the Dodge Charger, or the Ford Mustang.

Tjan claims Chrysler, however, is keeping the candle of this tradition lit in Europe. "I consider our souped-up, top-of-the-line 5.2 liter V-8 Jeep Cherokee to be the muscle car of the sports utility market," he argues. "In fact, rumor has it that Mercedes recently commissioned Porsche to design a special four-by-four capable of competing with it."

Not overlooking the rest of the car market, Chrysler also just introduced the Neon, a small two liter car manufactured in Europe.

"Within two weeks we sold what our marketing department had projected would be a year's worth of Neons," notes Tjan. "Since this is the size car the typical European auto buyer prefers, it could just turn out to be one of our best European success stories." ☺

MERCEDES PROJECTS



In April 1993, Mercedes-Benz AG executives gave then 38 year old Andreas Renschler, a fast-rising company executive with a taste for argyle socks and rock-and-roll music, a figurative blank sheet of paper and a \$300 million budget and told him to go to America. There he would recruit a management team to conceive, design, and build from scratch a world-class manufacturing facility to construct and globally market Mercedes' new entry into the growing and lucrative four-wheel drive sport utility vehicle category.

Within a month, the project was formally incorporated into a new company, Mercedes Benz United States International, Inc. (MBUSI), with a mandate to be ready to produce and deliver 60,000 to 70,000 of these new all-activity vehicles for sale, annually, by fall 1997.

BY LARRY REYNOLDS

Alabama Experiment



After an extensive search for the right site, in September 1993 the Mercedes team decided the future home for this new venture would be Vance, Alabama, a tiny hamlet tucked into the red clay hills running through the northern part of the state 12 miles east of Tuscaloosa and 32 miles west of Birmingham, the state's largest city.

Just about everything about this activity is new—the management corporate culture, location, manufacturing facility, and production workers—making it not only a potentially risky operation but a bold experiment other corporate CEOs across the world are closely

watching for ideas to copy in their own companies.

But this is a risk Mercedes feels it must take to stay on the cutting edge and to stay competitive in today's world economy. Corporate-wide, MBUSI is another part of the company's "active search for new techniques and processes which can be adapted for use throughout the worldwide Mercedes-Benz organization," notes Linda Paulmeno, MBUSI's director of communications.

Additionally, this move "is a key part of our global strategy to get closer to our customer base. The fact we're building our first passenger vehicle

manufacturing plant outside Germany in America underscores our desire to get even closer to the markets we serve," stresses Paulmeno.

MBUSI is the result of several years of intensive discussion and doodling on the blank sheet of paper Mercedes gave Renschler and his hand-picked management and engineering team recruited from every US and Japanese auto maker with facilities in the States, as well as Mercedes' own German experts.

"We were given a free hand to create our own vision, organizational charts, culture, and methods for how we think things should be done," says Andreas

Southern hospitality and a generous package of state-funded inducements helped Alabamans convince Mercedes-Benz to build the company's new factory in their state.



Renschler, MBUSI's president and CEO.

"We are a multicultural team of Germans, Americans, and Canadians. From the start, our attitude has been there is no one optimum way of operating," Renschler recalls. "Rather, there are different optimums. "By culling the experience and expertise we have gathered here we hope to define the best of all the different bests then design this knowledge into how Mercedes-Benz US International does business."

One sign that there is something different about this venture is "in the past you would have expected Mercedes to pick a well-known technical, slide rule type to lead this project without giving that much thought to their so-called touchy-feely management skills," notes David Cole, director of the University of Michigan's office of Automotive Transportation. However, "the Germans instead chose someone based on their human skills first and their technical expertise second," says Cole.

"I wouldn't go as far as calling this a revolution. I'd say it's more of an evolution," notes Reischler. While the Vance, Alabama team is looking for new ways to build cars and manage

ideas: People are more important to success than machinery; and simple is better than complicated.

"If you want to build the best-of-the-best manufacturing plant, you first get

The entire plant is designed to encourage everyone to constantly talk with and interact with one another to find new ways to make a better vehicle.

people, "the foundation for all this activity is still the Mercedes-Benz tradition of producing a superior, quality product," Renschler emphasizes.

The basic concept behind the management and manufacturing philosophy the MBUSI team has created for itself seems to boil down to two basic

the best people and set the goals you want to achieve then let them loose in what I call an empowerment zone that encourages free discussion, debate, disagreement, and consensus building while staying firmly fixed on how to achieve your agreed goals," says Andreas Renschler.

FOB JAMES

GOVERNOR OF ALABAMA

Alabama Governor Fob James spoke to EUROPE about the impact of the Mercedes plant for the state and the growing importance of international business in local economic development. He was interviewed by contributing editor, Larry Reynolds.

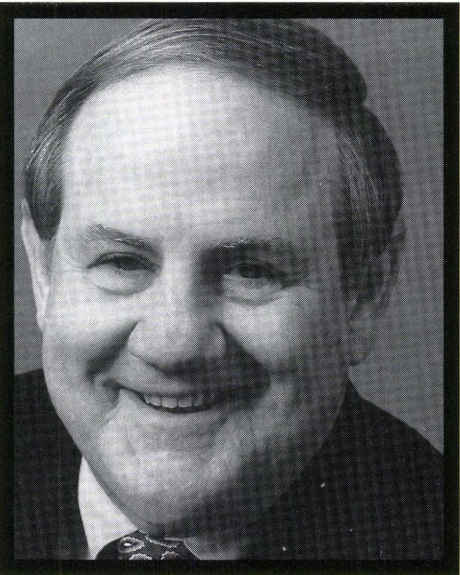
There was intense competition among several different states to get Mercedes to locate this new plant in their jurisdiction. Frankly, more than a few experts were surprised when the company decided to build in Alabama.

While the general public might not realize it, historically, Alabama has had a long and excellent reputation as a place to operate a manufacturing business. Steel, chemicals, agribusiness,



rubber, textiles are just some of the major industries which have had significant facilities here for some time. Another advantage we have is a well-developed infrastructure of both interstate highway and rail systems plus the port of Mobile from which you can export or import goods.

These things are important, but many other states have similar assets to offer.



One distinct advantage we had was a long history of German involvement in the state going back to professor Werner von Braun and the scientists he recruited to work for the National Aeronautics and Space Administration (NASA) in Huntsville, home of the Saturn and other major missile projects. Plus there is Degussa Chemicals, another large German company, which has operated a highly successful plant down in Mobile for nearly 25 years.

As part of its participative management philosophy, traditional executive perks like designated management parking areas, executive dining rooms, and private offices don't exist at MBUSI's Vance facility. Instead of suits and ties, managers—like all other employees—wear the same Mercedes teamwork uniform.

"Our production methods are not only new to Mercedes, but no one else is doing anything like them," claims Renschler.

The Vance plant, for instance, employs a next generation modular construction technique that relies on a limited number of suppliers to deliver entire sections of the vehicle already assembled just in time and sequence to match the plant's production schedule. In turn, this technique reduces the need for a larger, costlier plant while controlling inventory and warehousing costs.

The facility's unique physical design, which places the assembly line, administration offices, plus body and

paint shops all under the same roof rather than separate buildings also reflects the company's management philosophy.

In fact, the administrative section where managers and company executives have their open plan offices is located in the middle of the manufacturing area, encouraging constant communication and easy access between production team members and all levels of management.

"We want managers to turn off their computers, leave their office, and go out to the factory floor to talk and see firsthand how things are going as much as possible. In turn, the entire plant is designed to encourage everyone to constantly talk with and interact with one another to find new ways to make this a better vehicle," emphasizes Renschler. ☺

Larry Reynolds' article "US Firms Create Jobs in Europe" appeared in the September issue.

With a history and attributes like this I guess it was a smart move by Mercedes to locate here.

I think it was absolutely brilliant. I have never worked with a better bunch of people.

Still, some critics say the reported \$250 million in financial assistance and tax breaks the state gave Mercedes were too expensive—and could end up costing the state more than it is worth to lure the company here.

We don't see it that way. We feel whatever incentives we gave Mercedes are already more than paying for themselves by moving Alabama to the top of the list of many other companies looking to locate a new facility.

Then there's the ripple effect of 1,500 potential new jobs and paychecks at the Vance plant, alone, plus the other new businesses and jobs created by local suppliers and firms that serve Mercedes, its workers, and contractors. Add it all up and we expect the net positive economic impact in the state over the near future is going to be both tangible and deep.

Just how important has attracting foreign companies to locate in their backyard become to local politicians and economic development agencies?

Foreign investment has become a very important and integral part of the local economic development strategy. We're hiring more development specialists with international backgrounds and recruiting overseas companies on a daily basis just like we do domestic firms.

What does this say about the role being played by international trade in local commerce?

It underscores and reflects the growing importance of international commerce in just about every aspect of business life.

Just like we want to attract overseas companies to improve our local economy, foreign firms—particularly those with mature markets—know they must find new outlets for their goods and services in places like the United States if they are to continue to grow and stay competitive both back home and globally.

THE PRODUCT

While prototype details are still being finalized, key features of this \$35,000-and-up sports utility vehicle include: an unusual three valve-per-cylinder V6 engine with a 5-speed automatic transmission (look for a V-8 version in 1998), rack-and-pinion steering, electronically controlled full-time four-wheel drive, plus dual front and side air bags.

Size-wise, Mercedes says it's AAV's wheelbase is no longer than the Jeep Grand Cherokee's and wider than Ford's Explorer.

THE COMPANY

Mercedes Benz United States International

Location. Vance, Alabama.

Site Size. 966 acres.

Plant Size. 200 acres.

Building Size. 1 million square feet.

Initial Investment. More than \$300 million.

Local Content from North American Suppliers. Approximately 65 percent.

Value Added. Approximately 20 percent.

Employees. Up to 1,500 within three years.

Annual Production. 60,000-70,000 all-activity vehicles, half of which are destined for US market.

Production Begins. 1997

Official US Vehicle Sales Launch. Fall 1997.

THE ECONOMIC IMPACT

According to an economic analysis done by Troy State University and Fluor Daniel Siting & Consulting Services, the Mercedes plant will produce:

\$500 million in new investment and 10,000 new direct and indirect jobs in Alabama over the next five years.

\$154-\$162 million annually in new direct payroll and related employee benefits.

\$140 million annually in new indirect payroll and benefits by firms servicing the Mercedes facility.

\$50 million in new annual retail sales to Mercedes, its employees, and suppliers.

BY DAVID LENNON

SKI

Skiing in Europe is big and it's fun. Europeans go for vacation rather than recreation, and

skiing is as much a social as a sporting activity. "Americans ski vertical, while Europeans ski between bars," quipped one skier trying to explain the difference between skiing in Europe and North America.

Europe is hard to beat for wonderful scenery, high altitude slopes with guaranteed snow and great après-ski. You can choose between sophisticated ski resorts, where royalty, the rich, and the famous rub furs, or rustic alpine villages where the smell of burning wood perfumes the air.

Reports of the demise of European skiing are exaggerated. Heavy investment in high speed lifts and snow machines have shortened queues and enhanced the consistency of snow conditions. But spiraling costs have had an impact. Some have stayed away; some have opted for lower cost destinations; and some have headed for the US.

Europeans generally have longer vacations than Americans, so they don't just go skiing for the thrill of the downhill and the tranquillity of the cross-country. They are also there to eat, socialize, and party. Resorts have to offer good shops, restaurants, and lively après-ski.

In European resorts people will stop in mid-morning for a hot chocolate or hot wine, enjoy sitting in the sun, and just relaxing. Lunch can be prolonged, and a visit to the bar at the end of the day is the rule.

But it's not all party time. "Europe has the greatest ski resorts in the world and France in particular," explains one holiday operator. "The terrain is larger and more varied and the skiing more challenging than anywhere else in the world."

To substantiate this claim, the operator points out that a premier American resort like Vail has 26 lifts. The big French resorts such as Les Trois Vallées, the linked three

Skier's Notebook

Bien Ski in Meribel Les Allues (tel. 011 33 479 08 53 52)

Club Mediterranee in Avoriaz, Chamonix and elsewhere (tel. 011 44 171 581 1161)

Crystal in Les Trois Vallées and elsewhere (tel. 011 44 181 399 5144)

French Impressions in Avoriaz (tel. 011 44 181 342 4042)

Mark Warner in Les Trois Vallées, Val d'Isere and Tignes (tel. 011 44 171 393 3131)

Simply Ski in Courchevel (tel. 011 44 181 742 2541)

Ski Thomson is one of the largest operators and is virtually everywhere (tel. 011 44 121 252 3677).



Opposite: Testing the powder on Les Grands Montets near Chamonix. Above: Après-ski at a lodge near Courchevel

EUROPE

valleys of Meribel, Courchevel, and Val Thorens, as well as the Val d'Isère-Tignes complex all number more than 100 lifts each and offer hundreds of miles of groomed skiing.

Having skied extensively in Europe and the US, I can confirm that the Les Trois Vallées claim to be "the most extensive skiing area in the world" is justified. Meribel, which is my favorite destination, offers 9 black runs, 21 red, 32 blue, and 11 green—plus 2 Olympic runs, a slalom stadium, and 2 snowboard areas.

Allied to this sort of choice, European resorts also allow you the complete freedom to explore the whole mountain, both on and off piste, without any fear of lawsuits or other legal retribution.

Another surprise awaiting Americans skiing in

Queen of them all is Gstaad where skiing is only a decorative accessory. The real business of Gstaad is hosting beautiful people.

snow-sure, which makes it definitely a skiers' destination. There are 39 hotels and lots of deluxe chalets operated by Simply Ski among others.

Neighboring Tignes, the architecturally brutalistic, 1960s-built resort has fabulous, year-round skiing. If you can ignore the lack of charm, then this is the place to ski, ski, ski. Big-name operators in Val d'Isère and Tignes include Ski Thomson and Mark Warner.

With the explosion in the popularity of snowboarding, it was inevitable that some resorts would develop a strong attraction for boarders. In France it is Avoriaz, which is the unofficial European snowboarding capital. Because it's a ski-in, ski-out resort, it is also well suited to families with small children. Club Mediterranean operates

here, as does French Impression, which offers the Pierre et Vacances apartments.

Switzerland is regarded as a playground for the rich. You can almost see the furs, catch a glint of diamonds just when you mention names like St. Moritz, Davos, and Klosters.

Queen of them all is Gstaad where skiing is only a decorative accessory. The real business of Gstaad is hosting beautiful people. No village of comparable size could boast so

many designer dress

shops, jewelers, and beauty salons. Residents include Roger Moore and Elizabeth Taylor. Julie Andrews pays for the Christmas lights. The Palace and Park hotels are *the* places to be.

But not all of Switzerland is the haunt of movie stars. Chamonix in the shadow of the wonderful Mont Blanc is the uncrowned king of European ski towns. It's the sort of place that ski operators and their staffs go at the close of the season to have some fun skiing. The town has vibrant night life and a good selection of restaurants. Club Méditerranée and all the big operators have a presence.

There is so much variety in Europe that I have no space to mention Italy with its combination of good skiing, wonderful food, and reasonable prices, I hope to report on it another time. Picturesque Austria has its many devotees, as *EUROPE* reported last season.

At the other end of the scale you have the fringe destinations where people go less for style than for ski bargains. Andorra in the French Pyrenees, provides low-cost skiing and a vibrant night life. Eastern Europe is also building up its resorts.

In Europe, the choice for skiers is endless. ☺

David Lennon is EUROPE's London correspondent.



Les Trois Vallées comprises the Meribel, Courchevel, and Val Thorens valleys, which are linked together by an extensive network of lifts and offer skiers hundreds of miles of groomed runs.

Europe is the lack of organization at lift lines. The operator of the Meribel lift company says that the European lack of discipline makes it impossible to achieve the American level of order. In reality pushing in the lines gives everyone the opportunity to good naturedly express their national prejudices about the appalling behavior of the Germans, the French, or even the Brits.

I go regularly to Meribel for both downhill and cross-country. I always stay at the chalets of Bien Ski in Les Allues, a traditional French alpine village just below the main town. It combines true mountain village charm with easy access to the center. Bien Ski provides memorable hospitality and terrific food at modest prices.

Meribel is linked to the Courchevel valley on one side and Val Thorens on the other. Courchevel's elegance attracts the posh set, while Val Thorens, with its rather stark functionality but guaranteed snow, is a Mecca for those who want to be really tested. Crystal operates hotels and chalets in all three valleys.

Only a few miles away is Val d'Isère, which has probably the best night life in France. Oddly enough this is despite uninspired architecture and disappointing shopping. It is

Are you a reluctant skier? Does the idea of strapping one or two boards to your feet and hurtling down a snowy slope terrorize instead of thrill you? Have you let yourself be brow-beaten by family and friends into sweating through ski lessons, just because you do not want to be left behind while everyone else is off enjoying themselves in the snow?

I have good news. You no longer have to be a martyr in the mountains. There is no need anymore to put on a brave face and spend agonizing hours with an instructor who would far rather be showing off his technique to Picabo Street than watching you inch down the baby slope in a knock-kneed snowplow.

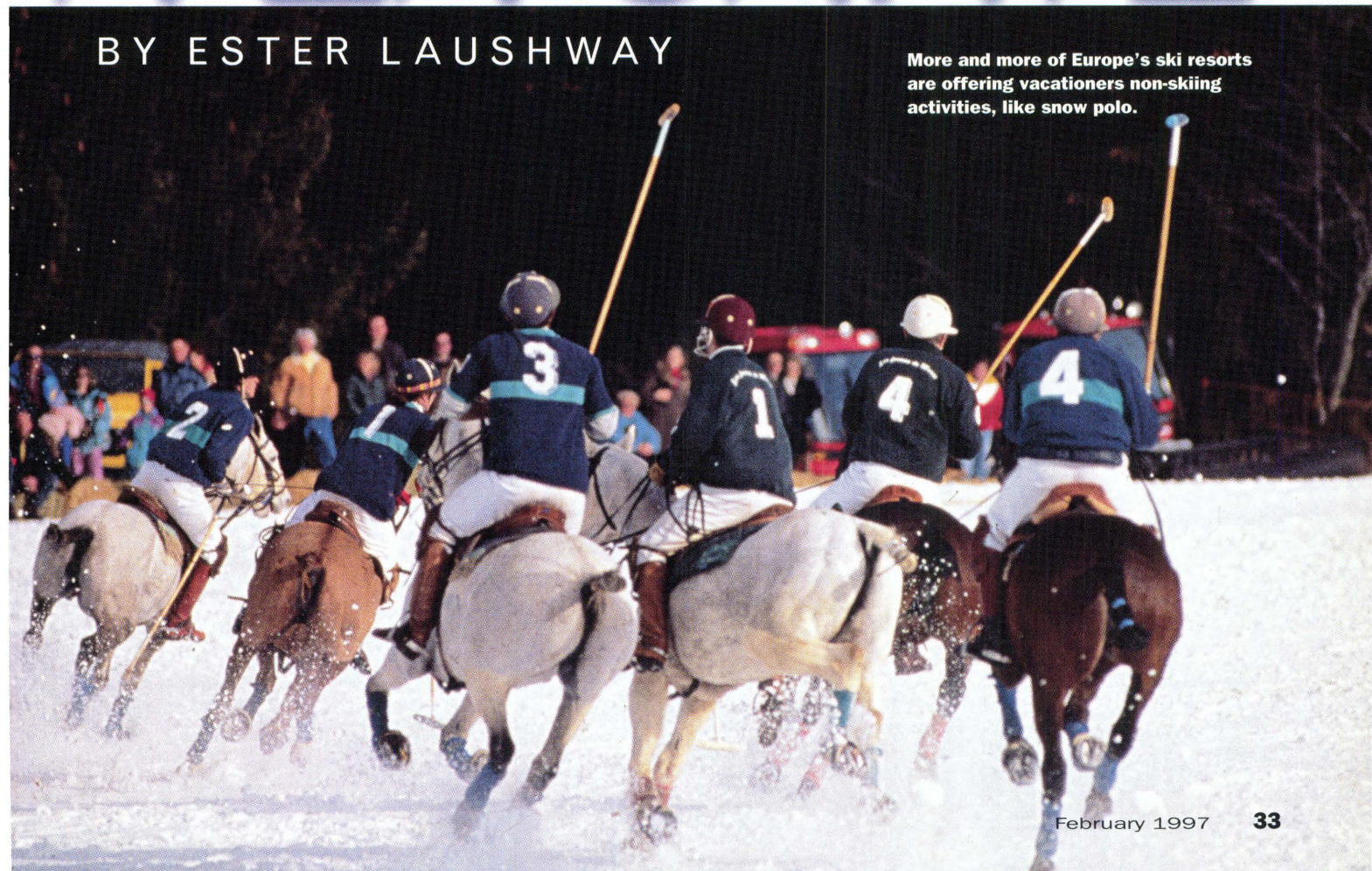
Ski resorts have stopped catering just to skiers. They have finally understood that for every winter with superb snow

cover there are several with unappetizing slush, and that for every fanatic out on the slopes from dawn to dusk there are several miserable souls counting the hours until the lifts close.

SNOW A LA CARTE

BY ESTER LAUSHWAY

More and more of Europe's ski resorts are offering vacationers non-skiing activities, like snow polo.



In France, which is the largest ski area in the world, you are no longer a social outcast if you go to the mountains without any intention of skiing. Ski France, the 50 year old association that includes the country's 100 biggest winter sports resorts, conducted an extensive survey last year on French winter vacation habits. They found that nowadays, out of every 100 people who head for the hills, only 25 go just to ski. The 75 others like to try a variety of activities, which range from pure sloth, such as steaming in a sauna or being driven around in a horse-drawn sleigh, to more energetic pastimes, like going on a snowshoe hike.

As recently as 10 years ago, there was not much to do in the mountains in winter if you were not a keen skier. But several snowless winters in the late 1980s, plus a clientele with an increasingly short attention span forced winter resorts to diversify. By offering a whole range of fun-in-the-snow activities, French resorts, which saw their clientele nosedive to only 7.9

For gluttony without guilt, one can take a snowshoe hike to the Alpine chalet of Notre-Dame de Bellecombe, which offers a hearty fondue that provides welcome inner warmth for the walk back.

percent of the population during the disastrous 1988–89 season, are attracting more than 10 percent of the French again, like they did a decade ago. Ski resorts are now billing themselves as winter playgrounds, where everyone—whether young, athletic, and fearless or middle-aged, unfit, and cowardly—can enjoy the fresh air and snowy landscapes.

Perhaps the ultimate in luxurious outdoor idleness is to be a spectator at the International Snow Polo tournament in the elegant resort of Megeve, an enchanting 13th century village near the Mont Blanc, first discovered by Baroness Rothschild in 1921. You can admire both the horses and their owners and decide which are better-bred and better-looking and are wearing a glossier fur coat. Last January was the first time the resort hosted snow polo, which is played with an orange ball, pursued by ponies wearing special rubber-soled horseshoes with crampons. It proved to be so popular that it has become an annual event, and this year was expanded to include the world's first on-snow pony jumping championship as well as a sleigh driving competition.

Along with St. Moritz in Switzerland, Megeve is the only resort with a snow polo tournament. Another horse-powered activity, which is not so unique but delightful, is being driven around in a sleigh, its bells tinkling in the crystal air. Megeve is not alone in letting you spend time outdoors so romantically. Valmorel, much newer and more family-oriented, is another Savoie village that lets visitors see the sights from behind a horse, harnessed to a carriage instead of a sleigh.

Closer to the ground and faster are dog-sled rides, which

are now offered by more and more of France's winter resorts. The huge, youthful, and lively center of Serre-Chevalier in the upper Alps of Provence, which is actually three villages strung together by ski runs, has husky-sleigh rides as a relaxing alternative to skiing night and day on its 120 miles of trails. Tignes in the Savoie, where the experts like to ski and can, 365 days a year, lets the rest of us choose from just being taken for a husky-ride or learning how to drive a dog team in true Jack London style.


Tignes has also given a North American twist to its snowshoe outings, which almost every resort in France provides as a healthy, satisfying sport easily practiced by anyone capable of walking. Instead of the usual model of snowshoes—small, brightly colored, plastic—which are child's play to use but look, frankly, tacky, they will equip you with Canadian snowshoes—the large, webbed contraptions, which make for a rustic wall decoration and on which I remember padding through the Quebec countryside.

For gluttony without guilt, it is possible to combine snowshoe hikes with a rewardingly large meal at the end. Notre-Dame de Bellecombe, a friendly, traditional little Savoie resort, organizes evening snowshoe walks to an Alpine chalet, where everyone helps to prepare a hearty, all-you-can-eat cheese fondue that provides welcome inner warmth for the midnight walk back to the village. The resort of Mont-Dore in the Auvergne region in central France offers four or seven-day snowshoeing-plus-gastronomy holidays where visitors set up their base camp in a choice of one to three-star hotels and snowshoe off each day to explore the surroundings. You are provided with a choice of 10 different circuit maps, which provide information on what you will see along the way and will help you find your way back to the hotel for a nightly feast of regional specialties.

If, at all costs, you really want to stand out in the crowd for originality, then Tignes, again, is the place for you. As the only resort in Europe with a lake at such a high altitude (6,900 feet), it lets you take the plunge with a qualified instructor and try scuba diving under the ice. No experience is necessary to relive the mystical blue underwater world that Luc Besson captured in his film *Le Grand Bleu* and for which he shot the under-ice diving scenes in the lake at Tignes. (It is probably best, though, not to be prone to claustrophobia.)

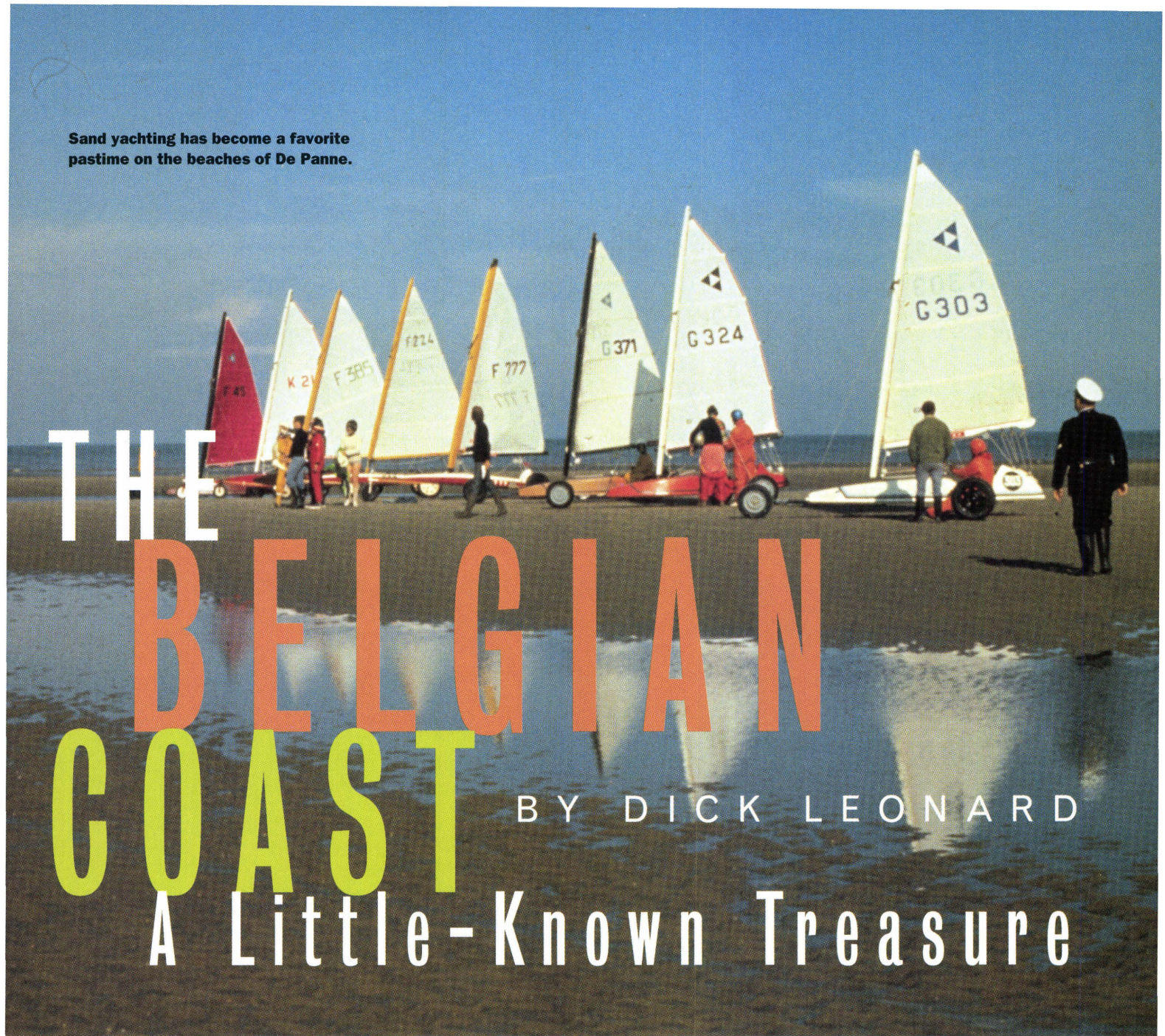
Ice-climbing is another winter sport available for intrepid souls. Mont-Dore offers it, as does the ultra chic Savoyard resort of Courchevel and les Deux Alpes, not far from Grenoble. But scaling frozen waterfalls is not really an option for anyone who is not in extremely good shape.

Ranging from sedentary to strenuous, the activities cited above will give you something fun and original to do while your loved ones are risking life and limb on the slopes. They will also let you match exciting anecdotes with anyone at the end of the day when you meet for apres-ski, which, as we all know, is the best part of any ski holiday.

For more information on any of the resorts above, from activities to hotels to reservations, visit the Worldwide Web site of Ski France: <http://www.skifrance.fr> 



Ester Laushway is EUROPE's Paris correspondent.



Sand yachting has become a favorite pastime on the beaches of De Panne.

THE BELGIAN COAST

BY DICK LEONARD

A Little-Known Treasure

THE BELGIAN COASTLINE IS SHORT— no more than 45 miles long, stretching from the French border near De Panne to that with the Netherlands, which slices through the Zwin wildlife reserve, one of the finest places for bird-watching in Europe. Within this narrow compass, there is much to beguile the visitor. One of the oldest tramlines in the world, now fitted with modern comfortable coaches, rattles along almost the entire length of the coast, connecting 13 different resorts, and making it easy for the tourist to sample everything the area has to offer.

Everywhere there are long sandy beaches, backing on to mile after mile of dunes, behind which runs the coastal road, much used by cyclists. Bicycles may be hired by the hour, day, week, or month at any of 100 shops, and at four railway stations along the way.

In the late 19th century, the whole area became a magnet for holidaymakers, a kind of Florida of the North, except that the lush climate is missing. What you get on the Belgian coast are bracing North Sea breezes, though you soon acquire a healthy tan when the sun is out, which is much of the time.

Tourists still flock to the Belgian coast, not only in the summer but, in smaller numbers, in other seasons as well. Many Belgians retain permanent second homes, and there are large numbers of sea front apartments and villas to let at all times, as well as a number of hotels, from grand establishments like the art deco style Hotel du Parc in Ostend or the Fairway abutting the golf course at Knokke, to dozens of more modest establishment at each of the resorts. The local



Ostend is the largest of Belgium's coastal towns and features an historic fishing harbor. In a stroll around the Quai des Pêcheurs visitors are offered a variety of seafood delicacies.

language is Flemish rather than French, but English is almost universally understood.

Ostend is more than an hour's drive from Brussels on the E40 motorway, but the most comfortable way to get there is by train, with cheap, comfortable, and frequent service from Brussels to stations at Ostend, Knokke, Blankenberghe, and De Panne.

De Panne is where the sport of sand yachting was invented, and sand yachts can still readily be rented for a thrilling sweep across miles of firm, flat, open beaches. Sailboats can also be hired at most of the resorts, and horses are available for a bracing gallop across the sands. At Oostduinkerke (East Dunkirk) the ancient custom of shrimp fishing on horseback can be observed at low tide, when a dwindling number of fishermen trawl the shallow waters with enormous nets strung from wooden poles.

The largest town is Ostend (70,000), which includes a spa, a royal residence, and an historic fishing harbor. It is also the main port for ferries from England. Ostend boasts a handsome casino (built in 1906), a sea aquarium, a spectacular racetrack, and the home of the Anglo-Belgian painter James Ensor (1860–1949). His house, at 27 Vlaanderenstraat, has been left virtually untouched. Open to visitors, it is full of the clutter of the carnival masks and seashells that he loved to paint, as well as some of his pictures, though the most famous, *Christ's Entry into Brussels*, is now at the Getty museum in Malibu.

Ostend is famous for its oysters, and in a stroll round the Quai des Pêcheurs the visitor is offered every conceivable variety of seafood delicacy. All along the coast there are good fish restaurants and, apart from Ostend, the best place to buy fish directly is the Vissershaven at Zeebrugge.

At Raversijde, near Ostend, is a surviving section of the formidable Atlantic Wall built to repel the Allied invaders in 1944. Converted into a museum, the gaunt concrete block

houses are connected by deep subterranean passages, which children explore with great delight. The entire coastline is a paradise for kids: It is bucket-and-spade country writ large.

The little town of De Haan is the most attractive of the resorts. At all the others the seafront is dominated by endless apartment blocks, but De Haan consists mostly of picturesque 19th century villas, decorated with wooden balconies and painted tile pictures.

The ritziest resort is the twin town of Knokke-Heist, which has elegant shopping streets, a casino, art galleries, and an exhibition center that stages the annual World Cartoon Festival. Nearby Blankenberghe features one of the world's most exciting aquariums, and one may walk under the water along glass-sided corridors, while vast numbers of sea life, including the occasional shark, swim past only a few inches away. If you get bored with the coast or want something to do when it rains, you can visit the ancient Flemish towns of Bruges, Damme, Veurne, and Ypres, all of which are readily accessible by bus or train.

The tram service (Kustram) terminates at Knokke, but a local bus will carry you on to the Zwin nature reserve, where more than 100 varieties of resident birds (mainly ducks) may be seen, together with a host of seasonal visitors, many of which will have traveled much farther than their human observers—from Siberia, Barbados, North Africa, and even Australia. The undoubted star is the white stork, which disappeared from the area 10 years ago, but has recently been successfully reintroduced from Morocco and Portugal. In 1996, there were 23 breeding pairs.

Brochures and full details of hotels, restaurants, and museums can be obtained from the Flemish Tourist Office, 63 rue du Marché aux Herbes, 1000 Brussels, tel: 011 32 2 504 03 90, fax 011 32 2 504 02 70. ☎

Dick Leonard is EUROPE's Brussels correspondent.

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

DANCING THE NIGHT AWAY

The thrill and excitement of the world famous Vienna Opera Ball will be experienced by all of our friends in the United States on March 14," exclaims Martin Eichtinger, the press counselor at the Austrian embassy in Washington.

Vienna is coming to Washington this winter and Washingtonians are excited. So excited, in fact, that more than 600 Washingtonians are taking waltz lessons from various instructors once a week at the Austrian embassy to get ready for the big night in March. The Austrians are offering these waltz lessons from January through the end of February. They seemed to have captured the attention of many previous non-waltzers who are intrigued by this upcoming ball.

Ingeborg Wagner Kolodney, the executive director of the Viennese Opera Ball, says this will be "a unique and enjoyable and a once in a lifetime event." She points out that the ball is a lengthy affair and will include not only dancing, but dinner, a casino, a silent auction, a musical interlude, a Viennese ballet, and an opening grand march of dignitaries and "young ladies and gentlemen performing a formal opening cotillion."

Mrs. Kolodney states that in Vienna the ball goes through the night and people stay for breakfast but that the ball in Washington probably won't last that long. She does expect that the "guests will waltz long into the night." The music will be performed by the Vienna Opera Ball Orchestra, which will be flown in specially for this affair. Scenery and costumes from the Vienna State Opera will also be sent over for the ball.

More than 800 guests will attend the

Letter from Vienna

gala. Most of the leading political figures in the nation's capital, including the president, vice-president, members of Congress and the Supreme Court have been invited.



Washingtonians will waltz the night away at the Vienna Opera Ball hosted by the Austrian embassy.

Federal President of the Republic of Austria Thomas Kestil is the honorary chairman, and many other Austrian political and business leaders will attend the Ball.

Don't even think about wearing your best suit or dress to the ball. This is strictly first class all the way. Men will wear white ties and tails, and women are to wear formal floor length dresses that flow, in order to be able to waltz in the

proper manner. The event will cost \$250 per person. However, the money is going to a very good charity, the SOS Children's Villages-USA, Inc.

The Austrian-American Alliance for the Children is a non-profit organization whose sole purpose is to provide assistance to children in need. SOS Children's International was begun by Herman Gmeiner, an Austrian, in 1949 to help children who were either orphaned or abandoned as a result of World War II. He opened his first children's home in Innsbruck, Austria.

According to Jatrice Martel Gaiter, the national executive director of Children's Villages-USA, Inc., based in Washington, DC, "Today, SOS has 326 villages in more than 124 countries. Two villages are in the States. They are in Lockport, Illinois, and Coconut Creek, Florida. And we are planning a new village to be located in Madison, Wisconsin. Our mission and goal is to be a loving family and a resilient and stable form of care for children who are orphaned, abused, or abandoned."

So, while Washingtonians, Austrians, and other guests are dancing the night away they can

know that their money is going for a very worthwhile cause.

—Robert J. Guttman

LISBON

COUNTDOWN TO EXPO 1998

Driving into Lisbon from the airport, it's hard to miss the "Expo clock." The giant digital board counts down the days, minutes, and seconds before the city's Expo '98 world exhibition begins in May next year. The exhibition's organizers have more than a year to get ready but the task is Herculean. They aim to

ROME

AN OLYMPIC RETURN?

Are the Olympics really good business for a city? And, even if the answer is “yes,” even if the games bring a mountain of money into the host city’s coffers, do the poor city dwellers pay too high a price in terms of congested traffic, confusion, and inconvenience?

These days Francesco Rutelli, the young and aggressive mayor of Rome elected from a coalition of left-wing parties and environmentalist Greens, is finding his sleep disturbed by these questions. Making the Italian capital a candidate to host the games in 2004 has lit a firestorm of controversy. What has made the mayor’s battle even harder is the coverage his campaign has received from Italy’s biggest and most respected daily newspaper, the *Corriere della Sera*.



Rome’s mayor, Francesco Rutelli, is gathering support for his city to host the Olympics in 2004.

Normally cautious and balanced, the paper entered the fray on the “nay” side by printing a front-page article attacking the idea of a Rome Olympiad.

The newspaper’s arguments are simple, based on everyday experience.

put on an international fair that will attract 8 million visitors, revitalize a large chunk of Lisbon’s rundown eastern riverside and save the world’s oceans—all without raiding government coffers.

With such grand ambitions, Expo has inevitably become the butt of jokes from skeptical Lisboetans forced to make daily diversions to avoid great swathes of construction work. The latest jibe goes: What will happen in Lisbon in the year 2000? Answer: Expo ’98. But despite reports that the project is behind schedule and over budget, there is no time for such pessimism at Expo’s bustling headquarters. The organizers say they will finish on deadline and that the event will transform the sleepy capital into a dynamic metropolis.

It is clear that Expo ’98 has learned from the mistakes of Seville’s Expo ’92 in Spain where the successful event left behind a desert of purpose-built pavilions that were too expensive to convert or dismantle. Expo will finance and build its own permanent structures in which the visiting countries will lay out their displays. After the fair is over the state-of-the-art buildings will be converted into exhibition centers, sports facilities, and performance venues.

Expo’s theme is the oceans, and there will be a strong emphasis on preservation of marine life. The centerpiece will be a six-story oceanarium, designed by Peter Chermayeff, with tanks of sharks, sea otters, and penguins, representing the different ocean habitats.

But the fair itself is only a small part of a much grander urban regeneration program aimed at rescuing the city’s eastern riverside, which for decades was a dumping ground for polluting industries.

When the exhibition ends in October, an area more than five times the Expo’s 150 acres will provide residential and commercial property in a city with acute shortages of both. The sale of plots of land, which should be fully developed by around 2001, is expected to recoup a large part of the \$1.5 billion that Expo will cost. Other revenue will come from tickets and merchandising. The government provided the land and a tiny fraction of the venture’s start-up capital.

But the success of the property project could depend on how well the fair is received, and that will depend on what gets done between now and May next year. The Expo clock is ticking.

—Samantha McArthur

Rome may be the Eternal City, but it certainly isn’t a model of efficient transportation and services. For example, it has two small and over-crowded subway lines, which wouldn’t be capable of hosting the millions of people who would be pouring into its streets and stadiums. Rutelli replied indignantly, with three arguments. First, Rome proved in 1960 that it could host an Olympiad. Second, the city, in agreement with the Vatican, is working on preparation for the grand events of the Holy Year in 2000. Therefore, further preparation for the Olympics four years later would find construction companies already in place and ready to do other work. Third, Rome needs the momentum and capital that come with organizing a major event like the Olympics in order to help it modernize itself.

Among the various companies of the Fiat Group, there are many that generally would participate in this kind of big undertaking. And yet the *Corriere della Sera*, which is partially controlled by Fiat, didn’t backtrack a bit. In fact, it returned to the attack, answering the mayor’s reasoning point by point. The 1960 Olympics were held in a less chaotic time, concerning both the number of participants—athletes, journalists, and spectators—and city traffic. The works for the Holy Year are progressing slower than planned, bogged down by numerous controversies and, in the end, will result almost entirely in a simple external renovation of the most important *palazzi*. There is no time left for more complex restorations and urban planning. As for the argument that hosting the Olympics will help to quickly solve many of the city’s major problems, the newspaper replied that a modern administration should be making solid, far-sighted plans instead of looking for quick solutions.

The controversy continues and is probably destined to increase, in view of the upcoming expiration of Rutelli’s mandate. But, at least for the moment, the young, visionary mayor shouldn’t have any trouble getting re-elected. He is already achieving some-

thing that was thought an impossible dream: parking cars in crowded downtown.

—Niccolo d'Aquino

LUXEMBOURG

EUROPE'S TIRE CAPITAL

There's a strong case for arguing that some of the world's best brains in tire research and technology work in Luxembourg. Thank Goodyear. Of all the American brand names that have imprinted across the globe, none has a greater resonance in Luxembourg than that of the Akron, Ohio, company.

You won't find the famous blimps in Europe, but you will find Goodyear tires on just about everything with wheels, from golf carts to earthmovers. Chances are that they were dreamed up, developed, and in large part produced at Goodyear's huge technical and manufacturing center at Colmar-Berg in Luxembourg.

Since opening its first continental operation in Luxembourg in 1949, Goodyear has developed into a major player in the European motor market with 10 manufacturing plants in eight countries. A recent acquisition of the leading Polish tire manufacturer, Debica, will extend its grip into the "new Europe"—the former communist countries to the East and beyond.

Colmar-Berg is more than the nerve center for this operation. It is already Europe's largest factory for manufacturing truck tires. It is the location of three plants for intermediate goods—fabrics, wire, and molds—of which most of the output goes to other Goodyear units in Europe. And it is the site of the Goodyear Technical Center, including a test track, where nearly 1,000 engineers, scientists, and technicians are employed in the largest research facility of its kind outside America.

"We have people from all over the world here, including Asia and South America, because if you're a specialist in the field of tires, there aren't that many places in the world you can work," says Mr. Luc Scheer, Goodyear communications manager. The main objective at the center is customizing the products to meet the complex individual needs of European car makers, and the priority for the 1990s is to halve the lead time between developing the concept and delivering the tires.

In all, Goodyear's Luxembourg pay-

roll totals some 3,650, making it the country's second largest private employer after the steel company Arbed. Like most big concerns in the Grand Duchy, its work force is cosmopolitan; barely half are Luxembourg nationals; and altogether a remarkable 33 different nationalities are represented. But if Colmar-Berg stands as the biggest US investment ever in Luxembourg, remarkably few of its employees are American.

Goodyear sets great store by maintaining good relations with the Luxembourg authorities. When the company wanted to introduce seven-day working last year, it did so only after several months of consultation with government and civic repre-

sentatives. The move, part of a \$60 million investment program to expand output by 50 percent, has created 200 new jobs for Luxembourg, mostly from formerly unemployed people drawn from the state's employment administration.

The company has also shown itself sensitive to the European Union's environmental concerns. Last summer it joined with the European Commission and the Luxembourg government in a project for the recycling of used tires. By 1999, Goodyear expects to use recycled material for 10 percent of its tire production.

This solicitude for its European operations has paid dividends for sharehold-

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ers. Last year Europe was Goodyear's best performing sector, providing the bulk of the 56 percent of group operating income contributed by non-US assets.

You can see why Luxembourg has done well out of Goodyear. What does the company get out of it? A senior American executive explains:

"We've been here more than 40 years now, and we've always had extremely good labor relations—there's never been a strike," he said. There is, moreover, "a very favorable business climate in Luxembourg—you can talk to ministers quite easily." Like other multinationals, Goodyear has found in Luxembourg a powerful work ethic—partly perhaps a reflection of the large number of migrant workers and partly an outgrowth of agricultural traditions in this pocket of Europe.

There is a further factor that applies with particular force to a company like Goodyear that makes massive road shipments. From the Colmar-Berg car park, you are not more than 30 minutes away from the French, German, or Belgian trunk road systems criss-crossing the golden triangle of industry that lies at the heart of Europe. "You wouldn't get a better location for road distribution if you sat down and designed it from scratch," said the executive.

—Alan Osborn

LONDON

CHANNEL PRICE WAR

The Channel Tunnel is a hit. Everyone who uses it falls in love with its convenience and comfort. Even a three-week closure late last year because of a fire failed to dim the growing enthusiasm.

The Chunnel has been so successful that the two largest cross-channel ferry companies, P&O and Stena, have joined forces in an effort to survive the competition from the undersea rail services.

In just two years of operation, the tunnel has snatched more than 40 percent of all traffic on the fiercely competitive \$2 billion Dover-Calais market.

The battle for customers over the past

two years has led to super bargains for the user. Both the ferries and Le Shuttle, the auto-carrying train, that runs through the Chunnel, offered fares as low as \$100 for a car and four passengers. Eurostar, the Chunnel's passenger train, advertised advance purchase specials as low as \$90 for return trips to Paris and Brussels.

Cheapest of all were the ferries super-saver day excursion fares of \$1.50 for a foot passenger, or \$8 for a car and four passengers. These loss-leader fares were possible because ferries make one-third of their revenue from on-board duty-free purchases.

But even with duty-free sales, these bargain basement fares are not economi-



Even the recent fire in the Chunnel has not dimmed the new route's growing enthusiasm.

cal and, with the ferry merger, may never be repeated.

Sir Alastair Morton, first CEO of the joint Anglo-French concessionaire Eurotunnel, said that from the outset the ferries had responded irrationally to the creation of the tunnel by doubling the number of sailings and increasing the size of the ships.

He contrasted this with the response of the airlines, which introduced smaller planes and cut the number of flights on the London-Paris and London-Brussels routes. So, even though traffic is down 15 percent, losses have been avoided.

More than a year ago Morton told the Association of European Journalists, "The Dover-Calais ferry should be one company or a single managed consor-

tium." They finally heard him, and this spring the two largest will be operating a single joint company, controlling 70 percent of the ferry market in the Straits of Dover, the world's busiest waterway.

Ships will be taken out of service, 20 percent or more of their 5,500 staff will lose their jobs as duplication of back-office functions is eliminated. The amalgamation of services will mean less competition and reduced capacity.

The Consumers Association is worried: "With monopolies above and below the water, consumers will face reduced choice and the danger of higher fares as the cozy duopoly tightens its grip on the market."

Not so, says Bill Dix, Eurotunnel's chief operating officer. "There will still be significant overcapacity in the Channel. Until that changes further, we are going to see the consumer winning out."

As a frequent user of both the Chunnel and the ferries, I do hope he is right.

—David Lennon

ATHENS

NEW SUBWAY HITS SNAG

Greece's simmering north-south feud be-

tween Thessaloniki and Athens has boiled over again. This time the dispute arose over building a subway through the center of the northern seaport. Northern Greek deputies from every political party are protesting vociferously at the Socialist government's decision not to sign a contract with a Greek-German consortium led by Mechaniki, a Thessaloniki based construction company.

The subway was among a group of Build-Operate-Transfer (BOT) projects in Greece being financed through a mix of private and public funds. Under the BOT system, the contractor would be responsible for constructing the five and a half mile subway and would operate it for 30 years before handing it over to the Greek state. The new Athens airport and a planned toll bridge across the Corinth Gulf are also BOT projects.

Mechaniki and its partners, ADTranz of Germany and Fidel, the Italian con-

PARIS

RAP FLAP

struction group, won the \$730 million contract almost four years ago in an international tender. They unexpectedly beat a consortium led by Bouygues, the French engineering group, both on financial and technical grounds. But negotiations over the contract's fine print dragged on and on. In December, the government rolled back its decision and said it would start talking to Bouygues.

At the time the project was tendered in 1992, the Thessalonikans were hoping their subway would be completed this year. It was to be a showcase project for visitors who will flood in during the city's 12 month tenure as Europe's 1997 Cultural Capital. Now, however, residents feel they will be lucky to see the subway operating by the year 2000. Some politicians are voicing doubts that it will be built at all.

Mechaniki has taken legal action in Athens and Brussels to prevent the government from opening negotiations with Bouygues and its partners, Bombardier of Canada, and two leading Greek contractors, Alte and Avax. The negotiations cannot start until the Council of State, the highest Greek legal authority, announces its ruling. That is not likely to happen before May.

The Thessalonikans fear that if the Council of State rules in favor of Mechaniki, the project is likely to be dropped altogether. Going through the whole bidding process over again would take at least two years, and serious international contenders would be unlikely to participate, given the muddle this time round.

Moreover, Greece's environmental lobby is bitterly opposed to the subway project on the grounds that it could damage buried archeological remains from the days when Thessaloniki was the second city of the Byzantine empire and would shake the fragile foundations of medieval churches to a dangerous extent.

The environmentalists favor an alternative plan for a light railway above ground. The railway would not just reduce traffic jams in the city center but could extend for some 12 miles from the western industrial suburbs to seaside residential areas and the airport east of the city.

People in Thessaloniki complain that Athens already gets more than its fair share of projects and financing, while Greece's northern regions are often left with short shrift.

—Kerin Hope

For NTM, France's now most publicized rap group, the fourteenth day of the month is one that they should probably spend in bed, with their head under the covers. Twice so far it has brought them nothing but bad luck.

Last November 14, NTM was sentenced to a three-month prison term and a six-month ban from performing in public. The sentence was the result of a concert staged in a town on the Mediterranean coast on another fateful fourteenth—in July 1995. On that day, on which the French celebrate the birth of human rights, two of the group's singers took the freedom of speech to virulent extremes. They started shouting insults at the police security guards standing at the back of the concert hall. Among the verbal abuse that they hurled, were the suggestion that the men in blue were "fascists" who were "a danger to our human liberties."

The police promptly brought charges against the rappers for inciting the audience to violence, even though no policemen were actually injured. The judge who heard the case, Claude Boulanger, is a magistrate known for his heavy-handed approach to justice and a man who makes no secret of his right-wing political sympathies. He decided to make an example of NTM and handed down a sentence so harsh that it made the headlines and brought the band more publicity than any of their songs had ever done.

Public opinion in France is now sharply divided between those who believe that the punishment meted out to the rappers was far too severe and represents an attack on artistic freedom and those who applaud the judgment because they see the strict enforcement of law and order as the only dam against a rising tide of lawlessness among today's underprivileged youth.

The French government has also jumped into the fray and is making what political hay it can out of the controversy. Minister of Justice Jacques Toubon, who has been getting only lukewarm support for a bill aimed at strengthening anti-racism laws in France, promptly intervened and appealed the sentence on behalf of NTM. The rappers will not have to spend any time behind bars, but until

there has been a ruling on the appeal, they will not be allowed to perform.

It is the singing ban that has caused the greatest furor. Most people in France tend to agree that the group deserves some punishment—either a fine or a short period behind bars—for hurling insults at the police. But never before have any French artists been forbidden to express themselves, and it is this enforced silence that is being condemned as a repression of the freedom of speech.

The severe sanctioning of NTM's rude but otherwise unremarkable outburst has resulted in a great deal of public soul-searching in France. Just how far can anyone take personal freedom without infringing on someone else's rights? If you forbid a band from performing, should you not also forbid extreme-right activists like Jean-Marie Le Pen from publicly talking about the inequality of races?

For NTM, silence is proving to be golden. Their record sales have soared and they have been transformed from a rather mediocre rap group into the heroes of France's angry young people. But the problems they symbolize still clamor for attention. The fourteenth day of this month, when people everywhere are exchanging messages of love, may be a good time to reflect on what can be done to stop NTM and others like them from feeling the need to send out messages of hate.

—Ester Laushway

MADRID

AIRPORT NEEDS UPGRADE

Spain has much to brag about in the improvement of its infrastructure with billions of dollars spent over the last 10 years to upgrade, expand, and modernize highways, railroads, ports, and other facilities. But it still has a ways to go judging from a series of snafus that recently hit Madrid's Barajas International Airport.

For months, airlines, passengers, and air traffic controllers had been complaining about congestion reaching intolerable levels. First built in 1931, Barajas for decades only had to handle the traffic of the state-owned carrier Iberia, those foreign airlines serving the Spanish capital in reciprocal agreements, and the odd charter flight.

Over the past several years, however,

airline deregulation in Europe has created new carriers and opened up new routes by foreign airlines into Madrid, while traffic with booming Latin America has also increased.

There are also more flights to and from the United States. Ten years ago, the only US airline flying into Madrid was TWA, but now USAir, Continental, Delta, and American all serve Madrid.

Admittedly, part of the congestion problem is caused by construction at Barajas to build new runways and terminals for a long-planned, but long-delayed, expansion, expected to be completed by the year 2000.

As the overcrowding reached a crisis level in December with the holiday season adding even more strain to the system, the authorities grandly announced a plan to shift some flights to the nearby and now underutilized Torrejon Air Base, once the home of the US 16th Air Force.

Critics pointed out that there was no public ground transport to Torrejon and that passengers would have to take an expensive taxi ride to get back and forth from Madrid, but the authorities said they would go ahead anyway.

Several days later they changed their tune when a Madrid daily reported that the US Federal Aviation Administration, in a 1991 study made at the behest of Spain's transport ministry, concluded that the simultaneous use of both airports was incompatible as their runways were perpendicular and flight paths would cross.

As this debate raged, more trouble was in store. A drill being used on a seismic project near Barajas cut through a cable supplying electricity to the airport and sparked a fire. The resulting power outage caused the airport to be shut down for almost 12 hours and affected some 500 flights.

—Benjamin Jones

THE HAGUE

CABLE SPORTS FAIL

Soccer is immensely popular in the Netherlands, but when it comes to watching soccer on television, the Dutch refuse to pay for viewing something that up until now has been free. An initiative to set up a commercial sports channel,

with major league soccer as its main attraction, ended in a business disaster. Sport7, which started broadcasting in August 1996, had to file for protection from its creditors in December. The collapse of the sport channel was not only an embarrassment for its powerful investors, it also left the national soccer association in disarray.

"We are going to do something new," the president of the Dutch soccer association (KNVB) said last February, when Sport7 unveiled its ambitions. With the financial backing of giant Dutch enterprises like Philips, ING Bank, KPN Telecom, and Endemol (a television-entertainment company), the venture appeared to be a sure success. The soccer association had sold Sport7 the rights of the major league games for an unprecedented \$560 million for seven years. The channel planned to charge more than a dollar a month for the transmission through local cable stations. Virtually all Dutch households are hooked up to cable television. And of course Sport7 was counting on income from advertising.

But from the start, everything that

NEWSMAKERS

Two outrageous boys from the unfashionable end of London, one a plumber's son, the other a cab driver's son, have taken over the prestigious French *haute couture* houses of Dior and Givenchy.

John Galliano, 36, who moved from the top position at Givenchy into the same position at Dior, is known as "the mad Englishman" in fashion circles and habitually trips about wearing bright pajama bottoms and straw-colored dreadlocks. The surly **Alexander McQueen**, 27, who now heads the venerable house of Dior, has a shaved head, a filed tooth, and not a polite word to say about anybody.

Bernard Arnault, the gray-suited CEO of Louis Vuitton Moët Hennessey (LVMH), the world's largest luxury goods company, which owns both Dior and Givenchy, is obviously counting on the shock value of these two wild men. He believes that Galliano and McQueen will amuse and titillate, and ultimately bring in cash. The kind of antics both of them pull certainly generate plenty of publicity. Galliano turned his autumn fashion show in Paris into a real circus,



Alexander McQueen is Dior's new controversial designer.

complete with acrobats and jugglers, while McQueen had his models in London last year splashing along a flooded catwalk.

•••
Hungarian-born **Sylvia Tóth**, 52, is already the only woman in the Netherlands running a listed Dutch company. Now she is going to stand out from the crowd even more by being one of the country's richest women as well.

Tóth is planning to sell all but 10 percent of Content Beheer, a temporary employment agency of which she acquired a 50.3 percent share in 1985. The shares, which she says she is selling in order to make the relationship between Content and herself "more businesslike," are estimated to be worth about \$60 million.

Last year Tóth negotiated an important private merger: She married **Pierre Vinken**, 68, the former head of the Dutch publishing group Elsevier.

•••
Every year the champagne house Veuve Clicquot awards its French Businesswoman of the Year prize. The 1996 winner is **Catherine Néressis-Jolly**, whose publishing group made a \$5 million profit last year, up 40 percent in five years.

The entire business got its start in 1973, when Catherine Néressis was a 20 year old law student looking for a studio

TELEKOM SHARE FEVER

For years the German Stock Exchange and the German banks have lamented the absence of an equity culture in Germany and have been pushing for a more active equity market with greater domestic participation. Only 6 percent of German households own shares, compared with more than 20 percent in the US or the UK. "The lack of an equity culture," complained Rolf Breuer, the chairman of the German Stock Exchange, "is a big disadvantage for Germany at a time of increasing competition between the world's financial markets." Why do Germans have a problem with shares? Deep-seated social, psychological, legal, and political reasons were cited. "When it comes to money matters," says André Kostolany, a prominent stock market expert, "the nation of romantics, philosophers, and musicians is somewhat unromantic, with a total lack of imagination."

Last November, however, the coun-

could go wrong, did go wrong. The local cable companies balked at charging their customers; the viewers refused to pay; national politicians claimed the inalienable right of the Dutch to watch soccer on television for free. Sport7 was forced to sub-license large summaries of the games to the national television channel. The major clubs protested against the selling of their home games through the soccer association to Sport7 and got the support of a judicial verdict. The government even referred to the European anti-cartel agreements to claim that the soccer association had unlawfully sold the games in a single contract.

There were also problems on the programming side. It became clear that there were not enough major sports events to make a sports channel permanently attractive. Many games on Sport7 were simply transmitted to fill time. Add to this a clumsy professional start of the station, and the recipe for a commercial fiasco was obvious.

With losses accumulating, viewers and advertisers ignoring the station, and no prospect for profitability, the main investors decided to pull the plug in early

December. Sport7 went off the air, denting the reputation of some major businessmen in the country (among them former Philips chairman Jan Timmer). The board members of the soccer association were forced to resign. Ferocious legal battles about broken contracts will surely follow.

The short lived history of Sport7 highlighted several broader questions. First the ownership and commercialization of the rights to sports events. Do they belong to the individual clubs or to the collective sports association? Secondly, what will be the future of television with commercial television competing openly with the traditional Dutch (and European) public broadcasting corporations? The introduction of pay-television with decoders that allow viewers to select what they want to see is imminent in the Netherlands and will surely change the broadcasting landscape. Viewed from this angle, the shortlived rise and fall of Sport7 was only the beginning of the commercial and technological battle over television that has yet to start in full.

—Roel Janssen

apartment in Paris. She found herself handing over 15 percent of a year's rental to a property agency, which in her opinion had not done much of anything beyond placing an ad in *Le Figaro* newspaper. With \$3,800 she had saved up, she and fellow student Patrick Jolly, whom she later married, launched *De Particulier à Particulier*, a magazine which only ran classified ads from individuals, people wanting to rent an apartment without paying agency fees, for example.

The first issue in October 1975 featured 92 property ads and had a print run of 10,000. It has now become a weekly that sells more than 100,000 copies and is probably used for dart practice by Parisian real estate agencies. Besides *De Particulier*, Néressis-Jolly now publishes a total of 10 magazines and 18 practical handbooks, which deal with everything from legal and tax advice to complex property deals.

•••

Being on top of the world is a dangerous situation—it is a long way down. In May of last year, three teams totaling 23 climbers set off to conquer Mount Everest. A killer storm struck, and eight

of them, including two team leaders, never made it back. One of the survivors, the Danish climber **Lene Gammelgaard**, 34, who became the first Scandinavian woman to reach the summit of Everest, has now published a book about the tragic climb—*Everest: The Way Towards the Summit*.

Gammelgaard has tried to come to terms with the loss of the team leader and personal friend, the American **Scott Fischer**, 40, and to understand why such an experienced climber died while inexperienced team members survived. Part of the answer, according to Gammelgaard, was exhaustion: "Scott Fischer had become too tired, and he probably should not have gone on to the summit."

"You have to know that it is a survival game," she explains. "It is fascinating and rewarding, but you can also die, lose a limb, or suffer brain damage."

•••

The German Socialist Klaus Hänsch concluded his two and a half year term as president of the European Parliament (EP) in January. It has been an unwritten rule since 1989 that the Socialists and the Christian Democrat European People's Party (EPP) take turns putting forward a candidate for president of the

EP who is then elected unopposed.

In keeping with that custom, Hänsch's successor comes from the ranks of the Christian Democrats. The new EP president is **José María Gil-Robles Gil-Delgado**, 61, a Spanish lawyer, keen linguist, and personal friend of King Juan Carlos of Spain, with whom he played soccer as a boy.

Critics of the selection procedure, most of them from smaller countries, claim Gil-Robles was elected only because he comes from the right party and country. It is true that while he is respected by his colleagues, he is not exactly a household name in Strasbourg.

In spite of the grumblings, Gil-Robles is quietly confident that he can help to make the European Parliament what he thinks it should be: "the real political engine of integration." And he is unapologetic about the electoral process that weighs the odds so heavily in his favor. "Without the agreement of the two main groups on important subjects, it would be difficult to reach any decisions in Parliament," he explains. "The appointment of the president is one of those."

—Ester Laushway

DUBLIN

THE PUB DIASPORA

The dear little shamrock, the sweet little shamrock." Anyone who has been within hailing distance of the wandering Irish around St. Patrick's Day (March 17) has almost certainly been subjected to this celebratory anthem to the national emblem of Ireland (not always sung on the National Day in the most melodious fashion, particularly as the night wears on).

St. Patrick, the national saint, used the three-leafed shamrock (or *seamrat* in the Irish language) to explain the Trinity during his 5th century conversion of pagan Ireland to Christianity. In later centuries, the health-conscious Irish decided to add the green-leafed clover to their frequent libations at the altar of friendship. And over the centuries, "drowning the shamrock" became tradition among the far-flung Irish Diaspora.

That was fine in taverns and bars

lowed in their wake.

It's now estimated that more than 1,200 Irish bars have opened throughout Europe over the past couple of decades—an estimated 200 in the past two years. From Amsterdam to Ankara, from Brussels and Berlin to Barcelona and Budapest, from Copenhagen and Göteborg, from Hamburg to Helsinki, and Paris, from Frankfurt to Madrid and Moscow, from Oslo and Stockholm to Tenerife and Tallinn—the list of Irish pubs open for business is seemingly endless. There's now hardly a European city or town that doesn't boast an O'Reilly's, Kitty O'Shea's, or Gunther Murphy's.

Two factors are fueling the demand—one commercial, the other cultural and social. Not to mention the convivial "Irish atmosphere," which readily fits into the ambiance of hard-drinking continental cultures.

"It's the combination of music and friendliness that has made the Irish pubs so successful throughout Europe," says Nils Lindvig, foreign editor of Danmarks Radio as he sips a pint in Foley's, his fa-

try shook off its reputation as a shareholders' graveyard and took a big step toward becoming a nation of shareholders as the shares of Deutsche Telekom, the giant telecoms utility, got off to a racing start on the Frankfurt, New York, Toronto, and Tokyo stock markets.

A \$124 million energetic campaign by Deutsche Telekom with television, press advertisements, and celebrity endorsements has unleashed a hitherto unknown excitement among the German public. "All Germany has stock market fever," screamed *Bild*, the daily newspaper with a circulation of 5 million. More than 2 million individual German investors bought Telekom shares. "When Telekom goes to the stock market, I'm going with it," the popular actor Manfred Krug announced in countless television and radio spots, and many Germans followed him. Indeed the domestic demand was so high, it had to be increased from 500 million to 600 million shares. With total sales proceeds of \$12.8 billion, Deutsche Telekom's initial public offering is the largest in European history. Two-thirds of the 600 million shares in the issue have been allocated to German investors.

Ron Sommer, chairman of Deutsche Telekom, said he deliberately avoided "pushing the limit on pricing" (at \$18, below the previously indicated ceiling of about \$20 per share) because he was seeking a long-term stable relationship between Deutsche Telekom and its shareholders. The share sale shifts about 26 percent of Deutsche Telekom into private ownership. German bankers hope the offering will help consolidate the fledging equity culture.

At the end of 1995 Telekom had 213,000 staff, half of them civil servants. Sommer plans to reduce that number to 170,000 through voluntary retirement by 2000 and to cut Telekom's debts by some \$51.2 billion. After the German telecoms market is liberalized in 1998 (EU rules say by then Europe's telecoms markets must be opened to full competition), the monopolist Deutsche Telekom will face fierce competition by other leading operators, including AT&T and British Telecom. "We have decided," says Sommer with characteristic optimism, "no longer to be the friendly sleeping giant. We are determined to fight for every customer."

—Wanda Menke-Glückert



Irish pubs are popping up in cities all over the world, including Moscow.

throughout the United States and Britain, where Irish emigrants lived and gathered in numbers. But now it has all taken on a new European dimension as things Irish have attracted a wider social and cultural following.

Suddenly, as the Irish have adjusted their sights on other countries in the European Union and beyond, the traditional Irish bar has, perhaps inevitably, fol-

vorite Irish bar in Copenhagen. Lindvig says the "annual pilgrimage" of continentals to Ireland and their new found appreciation of Irish culture has also been a significant factor in the Irish pubs boom.

Scandinavia boasts a high quotient of Irish bars, but Germany is the most popular location at the moment, with France (there are 40 in Paris alone) coming a close second.

Neil Kinnock, the EU's social affairs commissioner, rates Kitty O'Shea's in Brussels as one of his favorite Irish bars and frequently shares his liking for the Irish atmosphere with members of his staff. British Prime Minister John Major and Chancellor of the Exchequer Kenneth Clarke made a visit to the Dublin Kitty O'Shea's during the EU summit in December.

Behind the Irish invasion is Guinness, the Dublin company whose famous dark stout and other beers are already known worldwide. The company saw the potential in 1992 as existing and some newer Irish-style bars gained popularity. They commissioned the Irish Pub Company to research authentic pub styles in Ireland, to develop the concept for the rest of Europe, and turn the growing trend for "things Irish" into a viable business opportunity for entrepreneurs and publicans.

Guinness marketing manager John Gilmore says the package involved four elements: the pub itself, friendly staff mainly recruited in Ireland, Irish food and other products, and Irish music.

Reaction to the Irish-designed-and-built bars has been phenomenal—with the potential, Gilmore reckons, for 3,000 to 4,000 more in the future. The commercial element is important. Irish designers examine the locations. The bars are then built in Ireland and shipped to sites throughout Europe with an average time to build and install of three and a half months. This creates large employment within Ireland and abroad.

The Guinness Irish pub concept (GIPC) has been very good for the company: sales of their beers in GIPC outlets have doubled every year since 1992 and more than a million pints are sold every week in their 1,000 outlets worldwide. GIPC-associated pubs were expected to exceed \$500 million in retail turnover last year.

It's a far cry from the small number of European Harry's Bars of yesteryear.

The European "Irish experience" is now rapidly moving worldwide: Finnegan's is up and running in Abu Dhabi (a first for the Middle East); Australia, Japan, South Africa, and airports from Kiev to Dubai all have Irish bars. It's already estimated that a new Irish pub is opening every day around the world.

America's first Guinness Irish pub—Fado in Atlanta—opened its five different bars under one roof last year. Others are

in the advanced planning stage.

So it may not be too long before you, too, can join in "drowning the shamrock" on St. Patrick's Day at an authentic Irish pub in your own neighborhood.

—Mike Burns

HELSINKI

QUESTIONING EMU

On December 6, the day marking Finland's seventy-ninth year of independence, Finns in all regions of the country were avidly watching their television sets, which brought to them all the glitter and glamour of the gala taking place at the Presidential Palace that day. Amid the waltzes and tangos heard in the palace, interviews with Finland's most popular celebrities, ranging from politicians to Olympic medalists, revealed one common theme, namely optimism in Finland's future in the European Union. This was in stark contrast to the general mood of citizens in this country, many of whom watched the gala with a skeptical eye, wondering just how independent Finland was, given its commitment to Economic and Monetary Union (EMU).

A recent poll conducted by *Suomen Gallup* shows that, while 33 percent of Finns are supportive of EMU, a surprising 52 percent are against the idea. Finland's recent entry into the Exchange Rate Mechanism (ERM), to ensure it meets the EMU criteria by 1999, took away its previously held discretionary power of engaging in competitive devaluations of its currency, the markka.

Finland's recent experience with the recession of the early 1990s has left its mark on the country. Although strong economic growth in 1994 (4.4 percent) and 1995 (4.2 percent) has brought Finland out of recession, its current unemployment rate of 15.3 percent is still one of the highest in the European Union. To many Finns, EMU and the budget deficit rules to be applied to its members raise much anxiety as to whether their leaders will be able to alleviate unemployment. The Keynesian solution to unemployment, namely that the federal government spend more in times of economic slowdown thereby inducing temporary budget deficits, seems to be disappearing slowly from Finnish consensus as EMU slowly enters it.

The quick riposte from those in favor of EMU is that the Keynesian solution is

futile when it comes to solving Finland's problems. During the economic downturn in the early 1990s, Finland saw its budget deficits increase sharply between 1991 and 1994. These deficits notwithstanding, unemployment climbed steadily throughout the period to levels ranging between 15 and 20 percent. These economists point out, however, that the growth in Finland's budget deficits were caused, to a great extent, by the rapid growth of unemployment benefits. Therefore, much of the problem lies in the nature of the country's unemployment compensation system in that, during the economic slowdown, budget deficits were inevitable because of the federal outlays allocated to unemployment compensation. The budget deficit rules implied by EMU, many note, will not allow such drastic increases in budget deficits during economic downturns. One way around this problem is by transferring the unemployment compensation system from the federal government to private hands. Doing so reduces much of the Finnish government's need to increase the deficit in an economic downturn. Much of the current debate in Finland involving EMU is thus rooted in the possibilities of making drastic changes in the Finnish unemployment compensation system.

Overall, the EMU debate in Finland seems to rest on the pros and cons of independent monetary and fiscal policies. Nonetheless, opposition to EMU is prevalent and, perhaps, best seen in political circles. According to the daily newspaper *Helsingin Sanomat*, opposition to EMU has increased within Finnish political parties recently. It notes that the opposition Center Party has seen the most dramatic change in its stance regarding EMU and is being currently described as anti-EMU. It is likely that these changes reflect the changes in attitudes of the parties' constituencies.

There appears to be much irony in the EMU debate taking place in this seventy-ninth year of Finnish independence. Activist fiscal and monetary policies become less effective the more they are implemented. Those opposing EMU may find it interesting to note that, if Finland remains outside of EMU, the reduced effectiveness of activist fiscal and monetary policies may actually chip away the very foundation of independence they wish to preserve.

—Anthony de Carvalho

STOCKHOLM

DEATH OF A PRINCE

Though formally Sweden's royal family possesses no real governing power, this, however, has not prevented some of them from doing a lot of productive work, which has made them quite popular. Perhaps the most loved of the relatively small Bernadotte family was Prince Bertil, who died last month in his home in Stockholm at the distinguished age of 84.

Prince Bertil was the third son of Sweden's previous king, Gustaf VI Adolf, who died in 1973. Carl XVI Gustaf, who succeeded him, had lost his own father in an automobile accident while only a child. During the upbringing of the young prince, Bertil became the father that he never had. During the king's absences abroad, Bertil also held the title of acting regent until princess Victoria came of age in 1995.

Known for his wit and charm, Bertil started a career in the Navy, including assistant naval attaché posts at the Swedish embassies in both Paris and London. During World War II he served as commander of a PT boat squadron, and eventually rose to the rank of admiral.

Bertil was also a great lover of sports, first as a highly qualified athlete himself and later as the chairman of the Swedish Olympic Committee. In his younger days, he made quite a splash as, among other things, a speed skater and in motor racing. In later years, he became known to many as the champion of the French sport *boule* in Sweden, and could on occasion be seen playing the game in Stockholm's Kungsträdgården square.

His contribution to Swedish business, leading many trade delegations over the years, has also been widely recognized by the business community.

Bertil and his wife divided their time between their house in Djurgården in Stockholm, a bungalow in their native southwestern province of Halland (of which Bertil was also duke), and a house in St. Maxime in Provence, by the French Riviera. (He also made himself known as a skilled chef).

To the average Swede, whether a supporter of the monarchy or not, Bertil endeared himself with his down-to-earth, personal, grandfatherly style. He was matched in wit and high spirits by his wife, Lilian, a native of Britain. In a royal family that is not generally known for its

pomposity, Bertil perhaps became the one with whom most ordinary people felt at ease and with whom they could relate. He will certainly be genuinely missed.

—Jonas Weiss

COPENHAGEN

SMOKING QUEEN

Most flights out of Copenhagen Airport are now non-smoking flights. And though still extremely liberal by US standards, the professional and social lives of Danish smokers are gradually becoming more difficult. With one royal exception, a comfort to all Danish smokers.

Queen Margrethe II of Denmark, who celebrated her twenty-fifth anniversary as a monarch in January this year, smokes in public and has no intention of stopping. Danish non-smokers are tolerant, but Swedes do not always show the same inclination. But the criticism of the Swedish television personality Hagge Geigert united Danish non-smokers and smokers in defiant rejection. Geigert denounced Queen Margrethe for setting a bad example by acting as a role model for young Danes.

The Danes retorted that the King of Sweden also smokes. Yes, admitted Hagge Geigert, himself a former smoker, but never on television or at major public events. And Sweden has just enacted a law making it illegal for anyone under 18 to buy cigarettes. Denmark is not planning to follow the Swedish lead, and smoking has obviously made no inroads in the popularity of the queen and the Danish royal family, which is greater than ever, and showing no resemblance at all to their British counterparts.

While the British are questioning the future of their monarchy, polls show that 89 percent of all Danes believe that the Danish monarchy has a long-term future. Only 7 percent believe that this is not the case, irrefutable evidence of the non-partisan nature of the Danish monarchy. Only 22 percent of all Danes would prefer Denmark to be a republic; 68 percent endorse the monarchy. When Queen Margrethe II was crowned 25 years ago, 40 percent of all Danes supported the republic, while a small majority of 42 percent preferred the monarchy. Judged by these figures, the queen has done a great job and would be an unbeatable candidate for a second term in any presidential system.

The popularity of the queen is a function of her personality. An artist in her own right she has shown a distinct flair for management of both her external exposure and family affairs. Coincidentally, this year is also the six-hundredth anniversary of the first and only union of the Nordic peoples, the ill-fated Kalmar Union initiated by the namesake of the present queen, Margrethe I. Unlike her, Queen Margrethe II has remained aloof from party politics, and her duties are almost exclusively ceremonial, acting as an honest broker after Danish elections, which habitually have no clear winner.

All best-selling books in Denmark over the past six months have had the queen as subject matter, and she has given a large number of television interviews and even narrated a televised version of her own family history, partly based on private film footage. The Danish royal family has cornered the market for popularity, perhaps helped by the fact that there is little competition from politicians.

—Leif Beck Fallesen

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ARTS & LEISURE

BOOKS

The President We Deserve: Bill Clinton: His Rise, Falls and Comebacks

By Martin Walker, Crown Books; 354 pages; \$28

After reading British journalist Martin Walker's excellent and insightful book *The President We Deserve, Bill Clinton: His Rise, Falls and Comebacks*, I can almost imagine this sophisticated and urbane author from London growing up in Little Rock leading the University of Arkansas cheer of suu-eee at Razorbacks football games.

Walker's insights into Clinton's early years growing up in Arkansas and his years as governor are crucial to understanding the man who has just taken the oath of office for the second time as the president of the United States. Walker sees our forty-second president and the only Democrat re-elected since FDR as "the classic scholarship boy, from a modestly comfortable home. He was the perfect symbol of the great American meritocracy that exploded after 1945...."

Walker, a frequent contributor to *EUROPE* and a classmate of Clinton's at Oxford in the 1960s writes, "Bill Clinton was the archetypal postwar American." He continues in this vein reporting that "Bill Clinton contained all of the characteristics of his generation" and "the contradictions in his life defined him, from his redneck roots to Rhodes Scholar polish."

As a member of the Clinton generation I don't believe the president represents me

captures Clinton's early years perfectly and lets the reader gain insight into the people and events that shaped William Jefferson Clinton. Walker also portrays the politics, people, and events in Arkansas as if he himself had grown up in that state rather than in England.

Walker also profiles Clinton's vast networks of friends and acquaintances that have become known as "FOBs" or Friends of Bill. As he comments, "Clinton's skill was to weld all of [his] networks into a political alliance whose common factor was himself and Hillary...."

Walker portrays Clinton as a president with more foreign policy successes than he is usually credited by analysts. As he states, "Some of the lesser known features of the Clinton foreign policy went thumpingly well," including the "withdrawal of the last Russian troops from the Baltic States."

How does Walker think Clinton will be remembered? "Trade was at the heart of the foreign policy for which history is likely to remember him." Clinton, who feels the pain of almost every-

one and who was elected by the middle class to solve their economic problems presents a "tragic irony." This tragic irony is that "Clinton's presidency... had done little to make politics

work for 'those forgotten hardworking middle-class families of America' on whom he had based his presidential appeal. He had been a rewarding president for America's bondholders and for its exporters, for its stock market investors...."

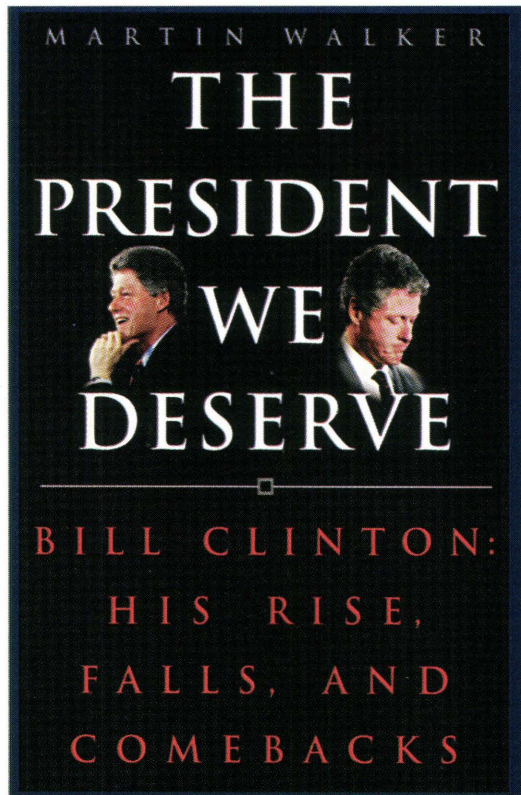
Walker's book shows that Clinton has been a wonderful friend of the American business community, which is unusual for a president who came to office as a liberal Democrat—remember national health care. The author says that Clinton wants "to bend the traditions of free trade to America's commercial benefit."

In a rather unusual comment, Walker states that "to an extraordinary extent, Clinton's first term had resembled what might have been in George Bush's second term."

The President We Deserve also looks into Clinton's relations with European leaders, the role of his administration in bringing the warring sides to the peace table in Bosnia, his views on the United Kingdom, which were formed while he was a student at Oxford, and his cordial relations with Boris Yeltsin.

The President We Deserve can't predict what will happen in Clinton's second term. But Martin Walker's highly readable, enjoyable, and very informative book will tell the reader where the forty-second president came from and what he has already accomplished in his first 50 years.

—Robert J. Guttman



or my colleagues. While I don't agree with this part of Walker's view of Clinton, I do think he definitely has his finger on the pulse of the president's character throughout the book. He

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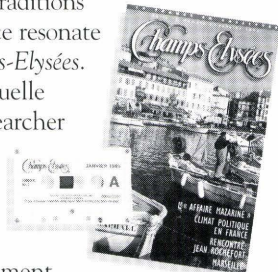
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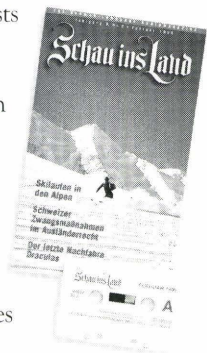
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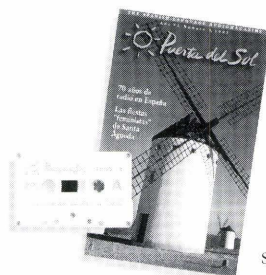
Champs-Elysées: The rich traditions and contemporary *élan* of France resonate through each edition of *Champs-Elysées*. Interviews with actress Emmanuelle Béart and eminent medical researcher Etienne Baulieu, a tour of a sculpture exhibit on the Champs-Elysées, and a feature on the 121st birthday of the seemingly immortal Jeanne Calment are among the recent segments on this lively French-language audiomagazine.



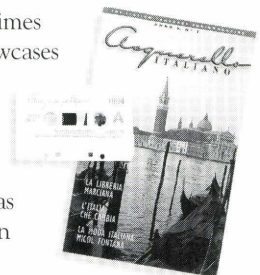
Schau ins Land: Professional journalists in Germany, Austria, and Switzerland provide a fascinating overview of German-speaking Europe every month in *Schau ins Land*. Recent programs have included interviews with tennis star Boris Becker and composer Karlheinz Stockhausen, as well as a visit to Vienna's Prater amusement park and a look at how the government's move from Bonn to Berlin is impacting the lives of federal employees.



Puerta del Sol: A talented production team in Madrid examines the colorful textures of Hispanic culture every two months in *Puerta del Sol*. Interviews with authors Carlos Fuentes and Laura Esquivel, a three-part series on the culture and heritage of Sephardic Jews, and a feature on the saffron harvest in La Mancha are just a sample of the intriguing segments on recent editions of this Spanish-language audiomagazine.



Acquerello italiano: Produced six times a year in Rome, *Acquerello italiano* showcases the vitality and style of contemporary Italy. The most recent program includes interviews with fashion designer Giorgio Armani and best-selling author Luciano De Crescenzo, as well as an update on the reconstruction of Venice's opera house and a profile of the separatist Northern League.



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