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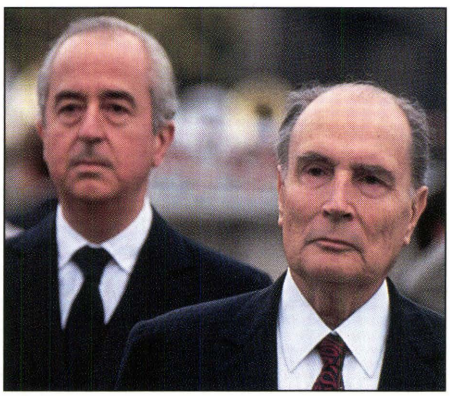

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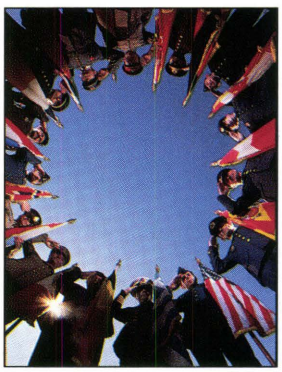
Letter From the Editor

NATO is searching for a new niche in the 1990s as it redefines its post cold war mission and objectives.

As Secretary of State for European and Canadian Affairs Stephen Oxman says in an exclusive interview with *EUROPE*, "The future of NATO is one of the key issues of our foreign policy and of the transatlantic group of nations."

And as Chairman of the House Foreign Affairs Committee Lee Hamilton said at a recent *EUROPE* magazine breakfast in Washington, "NATO has been and will continue to be the primary forum for political and military coordination between the US, Canada, and its European allies."



The North Atlantic Treaty Organization (NATO), which has helped keep the peace in Europe for more than 40 years, faces a changing mission in the post cold war era.

President Clinton will be making his first official visit to Europe this January to attend the NATO Alliance Summit in Brussels. Lionel Barber, writing from Brussels, says that it was the President of the United States "who proposed the summit" and who now must "show that he has a plan which goes beyond fence-mending and accelerates the alliance's transformation in the post cold war world."

Reginald Dale, writing from Washington, DC, discusses the new idea for NATO called "Partnership for Peace" and says "Washington expects it to be the centerpiece of the January summit."

In addition to our discussion of NATO's new role in the 1990s, *EUROPE* focuses on France in our Member Country Report. Axel Krause, our contributing editor in Paris, discusses France's anxious mood regarding the recession and high unemployment.

Even during economic hard times in France today Prime Minister Edouard Balladur continues to enjoy a very high level of popularity among the voters. In addition to profiling the French Prime Minister, Axel Krause presents several other fresh faces in French politics, including Martine Aubry and Jean-Claude Trichet.

French-American relations "have been going through a particularly rough passage recently," and Reginald Dale looks at the problems that exist between these two longtime allies and predicts relations will improve in the future.

EUROPE explores the city of Lyon and the Champagne region of France for our readers who may be traveling to Europe for the holiday season. And we present a helpful last-minute gift buying guide for those of you who want to buy European gifts without ever leaving home.

The Maastricht Treaty, which has now been ratified by all 12 member states, entered into force on November 1. As part of the Treaty, the European Community will now be called the European Union. In recognition of this change, *EUROPE* will use the abbreviation EU instead of EC and "European Commission" instead of EC Commission.

The staff of *EUROPE* wishes all of our readers a very happy holiday season!

Robert J. Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

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

New Issue
October 29, 1993

All these Bonds having been sold, this announcement appears as a matter of record only.

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EYE ON THE EU

The summit meeting in Brussels on October 29 cleared the way for the start of the second stage of Economic and Monetary Union by deciding to site the European Monetary Institute (the forerunner of the European Central Bank) in Frankfurt and endorsing the choice of Alexandre Lamfalussy as its first President. Earlier the ECOFIN council had adopted the necessary secondary legislation to allow the Institute to be set up on schedule on January 1, 1994.

Despite this, there is a great deal of discussion as to when the EMU will actually come to fruition. This stems partly from the evidence of some public disenchantment with the whole enterprise, as evidenced by the large negative votes in the referenda in France and Denmark and by adverse opinion poll findings in Germany.

More significantly, the abandonment last August of the narrow fluctuation bands in the European Monetary System casts serious doubts on the practicability of using the progressive tightening of these bands as the route toward a single currency. Nevertheless, critics of EMU are making a serious error in assuming the will of most of their partners to proceed toward single currency is now diminished. There may be increased doubts about whether the precise steps set out in the Maastricht Treaty are still practicable, but the great majority of European political leaders remain convinced that a single currency is a highly desirable objective which would bring great benefits to their citizens.

The search is now on for a surer way of reaching stage three than that set out in the Treaty. The Brussels-based think tank, the Center for European Policy Studies, started the ball rolling on the eve of the Brussels summit by organizing a seminar in which two distinguished economists, one French, one Belgian, put forth their views.

Stefan Collignon, of the Association for Monetary Union of Europe, addressed himself to the two crises in the exchange rate mechanism of the EMS, the first in September 1992 involving mainly the pound sterling and the Italian lira, and the second in July-August 1993, which was triggered by speculative attacks on the French franc.

...the great majority of European political leaders remain convinced that a single currency is a highly desirable objective which would bring great benefits to their citizens.

In his view, the first crisis was "justified," insofar as the currencies involved were objectively overvalued and the governments concerned had failed to seek a timely realignment within the exchange rate mechanism. This was not the case concerning the second crisis, which had been provoked by more overtly political factors. The EMS had become less capable than in the past of fighting off speculators due to the enormous increase in the volume of currency transactions which every day dwarfed the total foreign reserves of all the 12 central banks of the Community.

Collignon suggested that given Germany's severe internal economic problems since reunification, the German mark could no longer play the role of sole anchor to the system. What was needed was a broader anchor, linking the German mark to the French and the Benelux currencies, with the creation of a collective intervention fund backed by all the five currencies. Responsibility for this fund should be taken over by the EMI, which should intervene when necessary in the markets, rather than the central banks.

Collignon's proposal could be characterized as a repair job on the EMS in order to facilitate the transaction to EMU. Paul de Grauwe, Professor of Economics at Louvain University and a member of the Belgian Senate, has a more radical approach. He questions the necessity for the convergence criteria which the Maastricht Treaty sets out as pre-conditions for the third stage of EMU. This, in de Grauwe's view, is to put the cart before the horse: You won't get EMU through converging nominal inflation and interest rates, he argues, but you will get convergence once you have introduced a single currency.

So, he says, let any member state join EMU that wants to, and which decides it is in its national interest to do so. Those which think the price too high can stay outside. "Am I being politically naive in proposing this?" he asked.

I couldn't say, but I do know that previous monetary unions have not waited upon convergence before being launched. There was little convergence between the American states when the US dollar became their common currency, and even today there is a sizable gap between the economic development of, say, New York and Mississippi. Yet nobody questions that having a single currency has been an immense benefit to both the richer and poorer regions of the USA. Similarly, the monetary union between England and Scotland was effected at a time when there was very little economic convergence, which is today still incomplete after nearly 300 years. Again, there is no serious doubt that both sides have profited from the union.

Neither de Grauwe nor Collignon has said the last word about the way ahead to EMU. Yet each has made a thought provoking contribution to what is certain to be a central debate within the EC over the coming months.

—Dick Leonard

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March/April 1993

Barclays de Zoete Wedd was lead manager to the European Economic Community in the issue of ECU 80,000,000 8 5/8 per cent bonds due 1997.

January 1993

Gabriel Wingertz, a young French language teacher, summed up the mood of France on a cold, rainy night on the Mannheim-Paris express before debarking at Saint Avold in the Lorraine region of eastern France. "Not so good, in fact uneasy, fearful, uncertain," he said wrinkling his nose. "No one knows what's ahead." Who will be the next President of France? "Balladur, probably," he added. "But does it matter? France feels it must change *en profondeur,* and few believe politicians have the answers...anxiety dominates our thinking, and our hopes."

France Confronts Profound Change

Political Leaders Working Together to Solve Country's Economic Problems

By Axel Krause

It was late autumn and, as reflected in Wingertz' comments, gone was the nation's upbeat, confident feeling of several months earlier that France has escaped the suffering of Europe's recession. Gone, too, was the widespread notion that, somehow, the nation was better positioned for the future than either Germany, the United Kingdom, or Italy and that the parliamentary elections last March would usher in sweeping social and economic reforms.

Many French voters said even if reforms were implemented and some growth did materialize, it would not end France's massive and potentially explosive unemployment that was nearing a record 4 million people.

Uneasiness and doubts about the government's hard-line approach to the United States over trade policy throughout the late autumn only fueled the nation's sense of anxiety, frustration, and isolation within Europe.

But, based on dozens of interviews and careful scrutiny of the media and academic publications, a sense of very cautious optimism also emerged that very moderate economic recovery would take hold in late 1994 and, equally important, that new, younger faces on France's political horizon held promise for bringing about badly needed reforms in government, business, banking, and education.

Surprisingly, most of the younger breed of leaders appeal to both leftists and conservatives, and some, like Socialist Martine Aubry, daughter of European Commission President Jacques Delors, were mobilizing enthusiastic support from the French business community and local conservative politicians. (see box)

"France today has lost its traditional, passionate interest in ideology, and in many circles there is a sense of seeking original, creative answers to old problems. This is new," commented Denise Mairey, Deputy Editor of *Challenges*, a leading economic monthly magazine. Added Michel Crozier, the Dean of France's organizational sociologists and longtime critic of France's political structures and mentalities: "We have entered into a crisis corresponding to a break in our pattern of civilization...we need to work to gradually invent something else."

The surprising result has been the emergence of an interim truce between traditional left- and right-wing political leaders; an unspoken national consensus on key issues, such as maintaining a strong franc; confronting Washington's firm

France's Prime Minister Edouard Balladur and President François Mitterrand.

stance on trade liberalization; and a strict, middle-of-the-road course on fiscal, monetary, and social policy.

As a Socialist militant who recently accepted a high-level public relations job in the new, conservative government put it, "For me, there is no difference between (Pierre) Bérégovoy," the former Socialist Prime Minister and "Balladur…they are very similar in their approach."

Indeed, Edouard Balladur was elected Prime Minister last March with an overwhelming conservative majority in the National Assembly, and despite leftist predictions to the contrary, he has remained highly popular, scoring consistently well in opinion polls. Typically, more than half of French citizens favor him for President, followed by Delors (45 percent) and former Prime Minister Raymond Barre and Social Affairs Minister Simone Veil (38 percent each), both middle-of-the-road conservatives. Several prominent Socialists, including

former Prime Minister Michel Rocard, have scored just under 30 percent in the polls.

Moreover, among politicians and analysts, Balladur, a longtime member of the Gaullist RPR Party, is widely considered the best-qualified conservative candidate for the presidential elections in early 1995, because he has the strong backing of the French business community and many moderates in all political parties. Socialist President François Mitterrand, who plans on remaining at the Elysée Palace until then, appears to agree, to the quiet annoyance of the Socialists and many right-wing Gaullists, fearful of Mitterrand's continuing popularity and credibility among average French citizens.

Unlike the strained, conflictual 1986-1988 "cohabitation" arrangement under which Mitterrand shared power with Gaullist Prime Minister Jacques Chirac, the French President gets along reasonably well with the calm, moderate, reform-minded, and pro-European Prime Minister. Insiders firmly believe that Balladur is Mitterrand's secret choice to take over the presidency. Why? The French President, the insiders say, would prefer someone he generally supports, but virtually anyone rather than either of Balladur's two main rivals, both intensely disliked by Mitterrand: Rocard, the favored Socialist candidate (see box) and Chirac, who has been the Gaullist Party's official choice as presidential candidate for well over a year.

Balladur said that he was "seeking to govern all French citizens, to defend their collective interests" over a much longer period.

Who is Balladur? What is he seeking to accomplish? Can he succeed in light of the nation's gloomy, tense, anxious mood, which in late October had attained what both Delors and Barre described as "collective trauma" over the government's opposition to the Clinton administration in the Uruguay Round trade negotiations. France, in the process, had invented "a Maginot Line, getting itself a bad reputation in 80 countries around the world," Delors warned during a radio interview in October. That same evening, Balladur calmly told a television interviewer that "there is no drama...I shall do anything to avoid the isolation of France. But I will not abandon our legitimate defenses."

At 64, the elegant, soft-spoken, implacable Prime Minister embodies bedrock *bourgeois* France, the rejection of even moderate forms of socialism. "We are seeing a return to all the middle-class values," wrote Serge July, Editor of the Paris daily *Libération*, meaning "order, authority, respectability, discipline, and the preservation of the national heritage." Although he is a Gaullist, Balladur has always felt closest to the ideas and personality of former President Georges Pompidou, General Charles de Gaulle's successor.

For France, what this amounts to, July warned, is a nation being "Balladurized," meaning the implementation of only moderate social and economic reforms—"with an eyedropper," says July—while convincing France that there is no alternative. The government's domestic reforms include privatization of 21 leading companies and banks; easing work rules and hours in industry; sponsoring national job-training programs for youth; and reducing personal income taxes and interest rates while encouraging alliances between French and other European companies and banks. The proposed merger between France's state-owned automaker Renault and Sweden's privately-controlled Volvo is an example.

French Economics Minister Edmond Alphandery has said repeatedly that the government's projection of 1.4 percent growth next year was "prudent." That upbeat prediction compares with a recessionary performance of minus 1 percent projected for this year amid a consensus among most private economists that the French economy will remain stagnant next year. For the European Union as a whole, economists predict around 1.3 percent growth in 1994, compared to a contraction of 0.4 percent this year.

Brushing off repeated allegations from Socialist leaders that his program amounts to administering "anesthesia" to the nation's problems, Balladur said during a one-hour television interview that he will do "everything" to stop the nation's worsening unemployment and, clearly anticipating the 1995 presidential campaign, emphasized that he was "seeking to govern all French citizens, to defend their collective interests" over a much longer period. "I hope it (the economy) will be going better in 1994," he said, "but I am not a magician."

Although he has refrained from saying so very openly, Balladur fears that in a worst-case scenario, rejection of his reforms, combined with growing joblessness, insecurity, and poverty could lead to a "social explosion," meaning new strikes in industry and public services, combined with the breakdown of law and order in the streets of cities and suburbs, recalling the student-worker demonstrations which paralyzed France in May 1968. "He worked closely with (then Prime Minister Georges) Pompidou as his social affairs advisor during that period," a Balladur spokesman recalls, "and what happened during that period is very much on his mind."

In early October, challenging the government for the first time after seven months in office, thousands of public sector workers marched in towns across the country to protest unemployment and wage restraint, while snarling rail, air, and postal services. A few weeks later, striking unions paralyzed state-owned Air France, and in mid November thousands of students took to the streets of major cities protesting crowded and inadequate facilities in universities.

Balladur's tough, determined Interior Minister Charles Pasqua repeatedly promised that police forces would guarantee the nation's security at home, while Balladur promised to continue pursuing his middle-of-the-road domestic program, while seeking compromise with Washington over trade issues. He recently asked *Le Figaro* in an interview: "How would you do it any differently?" Amid the uncertainties, there was widespread consensus on this point: whatever happens in the political arena, economic recovery remains the first—and so far elusive—prerequisite for implementing the basic, badly-needed reforms of French society evoked so succinctly by the young teacher Wingertz.

Axel Krause is a contributing editor for EUROPE *and the corporate editor for the* International Herald Tribune *in Paris.*

Four Faces in French Politics

The following are a relatively new and independently minded breed of French leaders, most of them unknown to many Americans. They bear watching because, while some disagree about the future of Europe, they represent positions which appeal to many French voters, notably youth. They also have some traits in common: each are graduates of the prestigious Ecole Nationale d'Administration, the training ground for top civil servants, and each are comfortable in the English language, unlike the current generation of French leaders, typified by President Mitterrand and Prime Minister Balladur who always express themselves in French. Their average age is 51.

Martine Aubry

While serving as Mitterrand's audacious, headstrong, pragmatic Minister for Social Affairs (1991–1993), Martine Aubry became known as *la dame de fer*, the "lady of iron" epithet usually associated with former British Prime Minister Margaret Thatcher and with some justification.

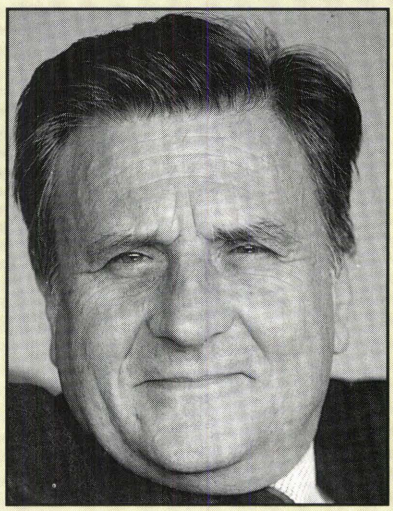
"On the Left, those gearing up for the post-Mitterrand and post-Rocard era, know they will have to deal with her," says François Bazin, a seasoned political writer for *Le Nouvel Observateur* who knows her well, adding "there are those who like her...and those who detest her." There is no love lost between her and Rocard, whom she has openly—and repeatedly—described as ineffectual.

Like her famous father, Jacques Delors, she began her career working on labor issues and teaching. Today, at 43, she attracts support from young men and women in a

wide political spectrum for a strong commitment to tackling problems of the unemployed in France—on her terms. A dedicated Socialist, she turned down leadership offers from Socialist Party leaders; from Balladur to join a newly-created, governmental commission on job creation; and from France's large, aluminum company Pechiney, to rejoin the company in a top management position.

Instead, following the party's defeat in the March elections, she established a private foundation whose main goal is helping jobless youth in poor neighborhoods find a place in French society, mainly through vocational training. The success was immediate: a dozen sponsors, including leading French companies, agreed to contribute nearly $10 million; Chirac allies, as well as moderate conservatives from throughout France agreed to support the foundation.

While supporting her father's possible return to French political life from Brussels, Aubry is uncomfortable when she is identified as "Delors' daughter" in the public arena. At the close of a recent conference of her father's supporters, Delors appeared on the evening news program of France 2; meanwhile Aubry was interviewed on the competing network TF 1.



Jean-Claude Trichet

When you meet him for the first time, you sense he is not your average, up-and-coming French politician. Far from it. At 50, with a somewhat disheveled yet earnest air, Jean-Claude Trichet typifies the best and the brightest of France's elite technocratic class. "His only master is a goal: competitive non-inflationary growth," wrote *Le Nouvel Observateur* shortly after the March elections, and might easily have added Balladur.

The two men have known—and admired—each other for over 20 years. During the 1986–88 "cohabitation," when Balladur was Chirac's powerful Minister of Finance, he made Trichet his Chief of Staff. Within a year, Trichet was Director of the Treasury, the second most-important job after Finance Minister, and in September, with the support of both Balladur and Mitterrand, he was appointed Governor of the Bank of France.

But everyone in virtually all political circles agrees that whatever his previous affiliations, Trichet is brilliant, dedicated, and influential in shaping French monetary policy, and he will remain even-handed in edging the Bank of France toward greater autonomy under the Maastricht Treaty. "He is an independent-minded person," the *Financial Times* recently quoted a senior World Bank official as saying. He has previously served former President Valéry Giscard d'Estaing, Delors, and Bérégovoy and was instrumental in establishing the European

Bank for Reconstruction and Development.

Passionate about literature and poetry in particular, Trichet enjoys skiing and tennis. Like Rocard, Aubry, and Séguin, he comes across to university-level students he has taught as someone who is genuinely interested in discussing issues. He usually asks questions of his visitors and has a lively sense of public relations—rare traits among French officials of his rank. His picture recently appeared in *Le Nouvel Economiste*, a leading French economic weekly, holding a new 50-franc bill for photographers. Reporters also find him accessible, noting that the posing with the new French bill had a point, for as a recent portrait of him in the French daily *Les Echos* headlined: *"Le maréchal du franc"* (The Marshal of the Franc).

Michel Rocard

Since his school days, Michel Rocard has been marked by pragmatism, leftist ideals, and being something of a maverick. Friends say this is because of his being Protestant in a predominantly Roman Catholic country. And when President Mitterrand named him Prime Minister in 1988, a new message went out about this slightly-built, quick-witted son of a distinguished scientist who helped develop France's atom bomb.

France henceforth, Rocard's supporters promised, would pursue moderate, pragmatic, free-market, and pro-Western Alliance policies, built on a new consensus between left and right-wing political parties. After resigning in 1991 over disagreements with Mitterrand, he repeated his conviction that he would become President but didn't know when. Having failed three times to mount presidential bids within the Socialist Party—in each case challenging Mitterrand—Rocard is now poised for a fourth and probably his final campaign.

At 63, remarried, still sailing and skiing avidly, and described by some of his admirers as a French Kennedy, Rocard, who enjoys speaking English, is a strong supporter of European integration. Yet, he has never energetically backed substantially reinforcing the powers of the European Commission, even though he and Delors have remained friends since they joined the Socialist Party in 1974.

Rocard's hope is to rally young people to his cause—rebuilding France's economic and social infrastructure and by vigorously stimulating demand and consumption. Balladur's policies, asserts Rocard, are "globally deflationist," and "insincere, limpid." Addressing cheering militants who had just overwhelmingly named him their candidate in the 1995 presidential election campaign, Rocard pledged his commitment to "redistribution and reduction of inequalities" in French society.

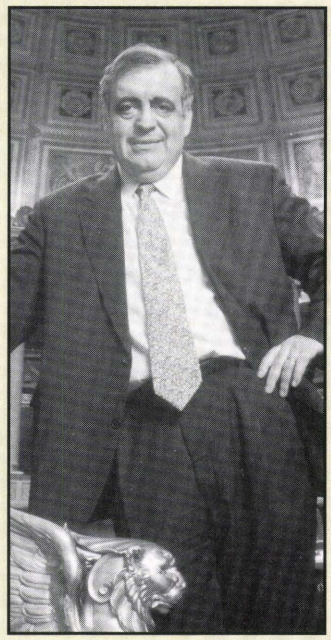
Philippe Séguin

No conservative leader is more outspoken against European integration as envisioned by the Maastricht Treaty than Philippe Séguin, President of the National Assembly. Born in Tunisia of French parents, a prolific writer and teacher, he has emerged at the age of 50 as what *Le Point* magazine recently described as "*Le Contre Pouvoir,*" the countervailing force, to Prime Minister Balladur.

Séguin is a Gaullist. He firmly believes in borders, the nation state, and above all, the preservation of its sovereignty. He repeatedly and vigorously attacks French leaders for having failed to deal with two major problems—the "international technostructures," meaning EU institutions and GATT, and unemployment, which he firmly believes will reach 5 million by the end of this year, 1 million more than is expected. "The recession gets worse day by day," he said.

To understand Séguin, a highly-skilled politician and an original thinker, it is useful to keep in mind that many observers characterize him as a "leftist Gaullist," although he himself prefers "Séguinisme." What's wrong with France today, he says, is that it is pursuing all the wrong goals: defending the franc, reducing government deficits, promoting free trade, and European integration. The latter two, he predicts, will lead to even more cheap imported goods from developing countries, thus worsening unemployment. What France needs, urges Séguin, is not Balladur-like reforms but "a true cultural revolution."

First, he urges, the West should dismantle GATT and



return to the postwar idea of creating a World Trade Organization, which could operate under UN auspices. Second, to improve competitiveness, France should withdraw from the European Exchange Rate Mechanism, allowing the franc to float.

Third, instead of privatizing state-controlled companies, France should create a modernized, but subsidized, public sector to create what he describes as "value added" to the economy. None of these ideas appeal to the Balladur government, largely explaining why Séguin did not join the government as a senior minister. But as the French magazine *L'Expansion* concluded: "Séguin's hour could still come."

—Axel Krause

France's Feisty Farmers

As the United States and the European Union squared off this fall in their bid to conclude the seven-year-old Uruguay Round of world trade talks, one small but disproportionately powerful group made their voices heard—the French farm lobby.

No other country in the industrialized world accords its farmers so much power as France. Why? The reasons are a mixture of national self-image and mythology, politics, and hard commercial interest.

More than half of all French people are only one generation away from the countryside.

The first part of the answer lies in one word—food. France's national obsession with food means that anyone who has anything to do with food is treated with quasi-religious respect. Even a waiter, who merely carries food, has a higher status in France than in any other country in the Western world.

And farmers are not just incidental in the food chain, like waiters. They actually produce the food, in French eyes the best food in the world.

In the popular imagination, the farmer is to France what the coal-miner is to the United Kingdom or the cowboy to the United States—a key figure in the nation's history and culture who deserves special consideration over and above those engaged in less revered callings.

Three-quarters of the French population now live in urban areas. But even if they live in cities, perhaps especially if they do, most French people are nostalgic for an idyllic, pre-industrial, rural world.

France only industrialized relatively recently compared to most other Western nations. As recently as 1960, nearly one quarter of the work force earned their full-time living from the land, against only 6 percent today.

More than half of French people are only one generation away from the countryside, and French city-dwellers still often say they are from the part of the country that their ancestors came from, even if they have spent much or all of their lives in the city. Many still have relatives, and preferably a small vacation or weekend home, in the countryside.

With many country villages threatened by extinction, or already doomed, by this rural exodus, opinion polls show French voters strongly favor helping farmers stay on the land—even if it costs France and the EU money and leads to higher prices in French food stores.

And with migration from farm to city still in full swing, rural areas get more seats in the National Assembly than would be justified by a strict head count of their inhabitants.

The tradition of violent peasant revolt in France, which goes back to the 14th century, is a widely accepted form of social protest. Many—though by no means all—French people pride themselves on their revolutionary past and are much more tolerant of farmers blockading highways with tractors and bales of hay than Americans (or Britons or Germans) would be.

Although the number of full-time farmers has plummeted, agriculture still plays such a large part in France's exports that the government often tacitly eggs on the farmers in their demonstrations—so as to strengthen its own hand in international negotiations. (With farm products accounting for 16 percent of its exports, France is the world's number two agricultural exporting nation after the United States and considers it has a natural right to that position).

At the same time, France is one of the world's most history-conscious countries. And when they see rebellion brewing in the countryside, many French politicians feel the brush of the guillotine on the backs of their necks. All this means that French farmers can get away with behavior that would not be tolerated in other Western societies. Other EU countries like Portugal, Ireland, and Greece have relatively bigger agricultural sectors and proportionately more farmers.

Politics, of course, is also part of the story. With the GATT talks an issue in last spring's French parliamentary elections, the conservatives now in power went out of their way to show they would negotiate harder than the Socialist government.

Once in office, they failed to prepare opinion for a compromise in the talks but instead stoked up the farmers' expectations with saber-rattling pronouncements. And in France there are no strong pro-GATT lobbyists or consumer activists to counter the farmers' arguments.

A major difficulty has been that the big wheat farmers around Paris, whose interests are most directly affected by the Uruguay Round, are among the most generous supporters of Jacques Chirac, leader of the Gaullist Party, the major partner in the governing center-right coalition. With Mr. Chirac striving hard to be elected President of France in 1995, Mr. Edouard Balladur, the Gaullist Prime Minister, cannot be seen to be too tough on the wheat farmers.

But few people inside or outside France know much about the technicalities of the dispute over agriculture in the GATT talks or are aware that wheat is the main issue.

When people argue that GATT will destroy the French countryside, they evoke an image of quaint Norman meadows dotted with apple trees and dairy cows or lavender fields in Provence. Their future is not at issue in the Uruguay Round. In fact, the vast wheat fields of Northern France have already rid the region of most traditional country features, such as hedgerows, trees, and four-legged animals.

France's image of itself as an idyllic rural paradise under threat from a greedy American agricultural juggernaut is a little out of focus.

—Reginald Dale

A Stormy Relationship

If the course of true love never did run smooth, the course of love-hate can be even rougher. And relations between France and the United States—the West's prime love-hate couple—have been going through a particularly rough passage recently.

BY REGINALD DALE

Things have gotten so difficult that in both countries people are now openly questioning whether there is something wrong with the other's fundamental culture and political values.

And while many Americans see anti-Americanism rampant in Paris, much of official Washington has been displaying increasing irritation with France.

This fall the staid *New York Times* printed a headline of the sort that more usually graces the pages of the UK's down-market Fleet Street tabloids. Over a piece from Paris by its distinguished columnist Flora Lewis, the *Times* asked the stark question: "Has France Gone Bonkers?"

Ms. Lewis' column was on the French-American conflict over subsidized EU farm exports (effectively French wheat) in the GATT trade talks, which embittered relations between Paris and Washington for most of 1993. But the farm dispute was one of only a number of grating issues that set French and American teeth on edge.

Others included the equally explosive conflict over whether American movies and television programs should have free access to the European market, another bone of contention in the GATT talks; French allegations that "Anglo-Saxon" speculators were trying to undermine the French franc and derail Europe's moves to a common currency; and a dispute over whether French intelligence was trying to steal technological secrets from American companies.

Those last allegations caused considerable bad blood when Hughes Aircraft pulled out of the Paris Air Show in protest after the Central Intelligence Agency warned the company that it was on a secret French government list of US defense companies purportedly targeted for industrial espionage.

Although the full truth never came out, the incident served to rekindle long-standing, mutual suspicion between the two countries, but it was essentially a sideshow. The disputes over movies and farm exports are much more central to the deepening conceptual differences now dividing France and the United States.

In both those cases, the United States sees itself as the champion of free markets and consumer rights, and France as the standard-bearer of outdated policies of government intervention to achieve national ends. Seen from France, the United States is greedy and materialistic, while France is the champion of Europe's independence and cultural heritage.

The United States says France should not subsidize its grain exports and its movie industry—and try to keep out American television programs—but let the customer decide.

France says that if the United States gets its way French culture—and the French countryside—will be destroyed. And while the United States sees the farm dispute in strictly commercial terms, France maintains it is a symbol of much deeper divisions over the role of government, and ultimately, over who runs Europe.

Writing in the *Financial Times*, Luc Guyau, head of the French farmers' union FNSEA, said that far more than subsidized grain exports were at issue in the GATT conflict. "At stake, in my view, is Europe's emancipation and its capacity to project itself as a world power in the international arena."

Hogwash, say many Americans, who point out that one of the main reasons why the French grain farmers have such influence in Paris is their political and financial support for Jacques Chirac, the Gaullist Party leader, who is striving hard to be elected President of France in 1995.

The simple truth, the Americans say, is that the French, having captured world wheat markets at American expense thanks to hefty EU subsidies, now want that market share guaranteed for the future as subsidies are reduced.

Both these points are valid. But they ignore the fact that many French people actually believe the more grandiose rhetoric about France's and Europe's world role.

When it comes to standing up to Uncle Sam, whatever the issue, the

French naturally see themselves as the champions of European civilization resisting American attempts to assert a kind of neo-colonial hegemony over the Old World.

And the clash of values between the French and what they call the "Anglo-Saxon" world (in which the British, Australians, and English-speaking Canadians are unceremoniously lumped together with the Americans) is spreading ever more widely.

Thus many distinguished and highly intelligent French people (and Belgians) truly believe that "Anglo-Saxon" financiers conspired to destroy the EC's plans for economic and monetary union by speculating against the French franc in last summer's currency crisis.

Anyone with experience of how markets work knows that to be untrue—speculators are driven by greed not politics. And market studies have shown that French and German banks were just as heavily involved in foreign exchange dealings during the repeated European currency crises over the past year as their British and American competitors.

But the French persistence in believing this canard underlines the different way the French and the "Anglo-Saxons" see the world. France, with its dirigiste tradition, distrusts markets and cannot believe that governments—or at least conspiracies—are not somehow involved in most human transactions.

Much of the French intelligentsia believes speculation to be immoral, a belief that has from time to time been supported by President François Mitterrand. And such is the respect for the state that the idea that markets may sometimes be right and governments wrong is totally alien to most French thinking.

Traditional exponents of free markets like the Americans and the British find it impossible to understand how anyone could seriously entertain such views.

So serious has this cleavage become that some Americans see a grave risk that France will come to identify free trade and open market principles as exclusively Anglo-Saxon tenets, and thus "enemy" dogma that must at all costs be resisted.

That would be very dangerous for the future of world trade—and for the construction of a more united Europe. It would obviously be equally dangerous for the wider Franco-American and European-American relationships.

Such basic philosophical and cultural divergencies cannot be confined exclusively to the economic and commercial domain. Indeed, resistance to "Anglo-Saxon" dominance has been a fundamental point of French foreign policy ever since De Gaulle fled to London in the darkest days of World War II.

It underlies the continuing Franco-American disagreement over the future of the North Atlantic Treaty Organization and Europe's future security, now that the cold war is over. And it lies behind recriminations between Paris and Washington over the West's bungled handling of the former Yugoslavia.

French Prime Minister Edouard Balladur met with President Clinton in Washington last spring.

American officials now maintain that the worst of the disagreements with France over European security are behind them. They say, for instance, that differences over the Franco-German Eurocorps, the joint military force that France proposed as the nucleus of a future European defense force, have been smoothed over. Initially, Washington saw the Eurocorps as a direct challenge to American leadership.

But France does not believe that these long-standing tensions have suddenly been resolved. French officials say that they have continuing concerns that the United States' long-term aim as the world's sole superpower is to exercise hegemony over Europe.

That shows the same old misunderstanding at work again. Rather than planning world domination, many Americans today are concerned that their country has no long-term aim at all. It's another example of the difficulty of reconciling France's long-term conceptual thinking and America's short-term pragmatism.

And France is particularly sensitive about American domination at a time when it fears its own influence in Europe and the world to be in decline and its hold over Germany to be slipping. There's constant anxiety that the United States and an increasingly powerful Germany will squeeze France out of its seat at the world's top table.

France shivers when the Clinton administration talks of expanding the United Nations Security Council to include Germany and Japan as permanent members.

And it's particularly galling to many French ears to hear commentators say that world economic leadership already effectively lies with the Group of Three (the United States, Japan, and Germany) and not with the Group of Seven, which was invented by French President Valéry Giscard d'Estaing in the 1970s as a vehicle for propagating France's international influence.

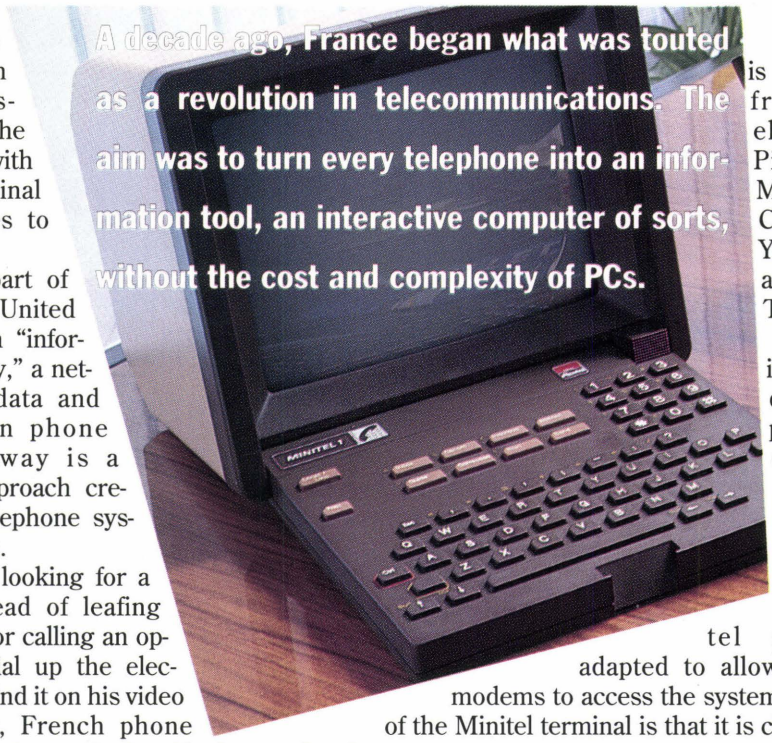
But all that doesn't necessarily mean that the future is completely bleak. As the world's only, though financially strapped, superpower, the United States increasingly needs partners if it is to project its own power and Western influence on the world scene.

A France that is still an important military power, and which has fewer inhibitions than the United States about projecting force around the world, can be an ideal partner.

France and America will continue to have a love-hate relationship. The key to managing it is an understanding that their different values need not be conflicting but should be complementary.

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

FRENCH VIDEOTEX CROSSES THE ATLANTIC



Today more than 6 million French customers use the "videotex" system with a small video terminal that enables phones to act like computers.

The Minitel is part of what some in the United States would call an "information superhighway," a network for sharing data and communicating on phone lines. This highway is a uniquely French approach created by France's telephone system, France Telecom.

So a Frenchman looking for a phone listing, instead of leafing through a directory or calling an operator, will likely dial up the electronic database and find it on his video screen.Additionally, French phone users can connect their terminals with thousands of other videotex services to order groceries, check out what's on at the cinema, get the latest news or sports scores, and even search for a soul mate on an electronic "chat" line.

The system revolves around the breadbox-size terminal known by its trademark "Minitel," which is considered a "dumb" terminal because its functions are limited, but it has the advantage of being cheap to produce and easy to use.

The Minitel system has become widely imitated because of its huge success in France. It is currently being tested in three US markets by US West, one of the Baby Bell companies, in a joint venture with France Telecom known as Community Link.

In France, the state-owned phone monopoly requires all suppliers of videotex services to use its network. So far about 17,000 services in France offer everything from train reservations to video games to horoscopes to consumer information to interactive talk lines for lonely hearts.

In the United States, videotex is complicated by a phone system fragmented into seven regional networks that were, until recently, prohibited from getting involved in videotex and other types of information services. Meanwhile, a variety of on-line networks such as CompuServe and Prodigy—which are videotex on a different technical standard, requiring PCs—have been operating in a competitive atmosphere.

"Minitel's appeal is that it is different from anything else," says Jean-Pierre Casara of Minitel Services Company, the New York marketing arm of France Telecom.

"A typical user is someone who doesn't like computers. The basic design is built around simplicity—a phone with a screen."

In both France and the US, Minitel networks are adapted to allow PC users with modems to access the system, but the premise of the Minitel terminal is that it is cheaper and easier to use.

While in France Minitels were distributed free instead of phone books, US West is renting them at $8 to $12 a month or selling them starting at $299.

"We wanted to make sure Community Link could be available to everyone," says Cheryl Hall of US West, which has set up models of the Minitel network in Omaha and Minneapolis-St. Paul and expects to establish an operation in Seattle next spring. The Minneapolis service includes the first electronic directory assistance system, also modeled on the French system.

The Minneapolis electronic directory—which for technical reasons is being served by a French host computer—serves as an electronic White Pages as well as Yellow Pages.

US West has added some of its own refinements: for example, a user can type on the screen "fix my car" to find auto repair shops or "wash my hair" to find beauty salons. As in France, the user can type in a name of a person or category like "plumber" to find the listing.

"You can look for a pizza delivery place close to home," says Carolyne Kennedy of US West Marketing Resources which operates the directory. "If you really want to narrow it down, you can look for a pizza delivery place on Main Street in Anoka."

In France, the electronic directory is free to customers and does not generate revenue for the

BY ROBERT LEVER

phone company, although it reduces printing and distribution costs for phone books. The US West system costs 15 to 20 cents a minute, and Hall said rates would be kept "as low as possible to get people to use it."

"We don't think it will replace the paper product (phone books)," says Kennedy, but adds, "it will allow very quick access. Information can be updated twice a month and new businesses can be listed in a couple of weeks instead of waiting for the new phone book to come out."

The electronic directory offers phone companies possible new revenue sources from "electronic advertising" that appears on the screen on or between listings or which can be called up for detailed information.

"There can be seasonal ads, restaurants can put in their menus and promotions," says Kennedy.

Aside from the electronic phone book, the possibilities for videotex are enormous—as demonstrated in France—but it's not yet clear whether the system will catch on in the United States.

Hall said on-line PC services like CompuServe and Prodigy have some similarities to the US West network but are not direct competitors.

"They're all building awareness of what videotex is about," Hall said. "We see them as parallel services. We're focusing on local services, things you find in your own backyard, and the others are more national."

In order for videotex to become profitable (in France, as in the US, phone companies get a share of revenue, which is based on connect time and is often split with service providers) US West will not only have to build up awareness among consumers but also generate interest among news media, government agencies, banks, retailers, and other business to join the system.

US West Minitel users can get traffic reports, read classified ads, pay bills, and send messages electronically, but company officials acknowledge the system is still little known. They see it, however, as a long-term money maker as it expands.

"Our goal is to make videotex available in our 13 major markets by the year 2000," says Hall.

Minitel has generated controversy in France because a large source of revenue is from "trivial" services like games and horoscopes or from adult, sex-oriented services. These keep users connected for long periods, running up big bills.

Some see videotex as an uphill battle in the US, with limited demand for news and information by videotex, and with a jumble of competing networks.

Phil Fuhrer, President of the USA Today sports and information center, which offers a videotex service on French Minitel as well as in the US, said large-scale demand for videotex in the American market has yet to be demonstrated. "We offer it as a service to supplement the opportunities for USA Today readers," Fuhrer said. "But someone might call up and use the service one day, and not call back for a year." E

MORE THAN CHAMPAGNE AND PERFUME

French Investment in the US hits an all time high.

By Robert Lever

French business in the United States is a lot more than champagne and perfume. Companies from France are active in the United States in everything from heavy-duty trucks to yogurt to antacid to building materials.

Overall, the US Commerce Department reports that French investment in the United States at the end of 1992 totaled $23.8 billion. Some 1,866 French affiliates in the United States employed some 363,000 people in 1991, the latest year for which figures are available.

Yet some of the products seen in the United States are not obviously French, so the connections are easy to miss. For instance, GE television sets, alarm clocks, and other small appliances are in fact made by a unit of the French state-owned Thomson group, which purchased the consumer electronics division in 1987 from General Electric for $800 million.

The *Encyclopedia Americana* is the property of France's media giant Hachette, which recently bought Grolier's publishing and software and owns a host of US magazines, including *Elle*, *Car and Driver*, and *Metropolitan Home*.

It may not be glamorous, but the French building materials group Lafarge Coppée is active in the United States as well. Its US subsidiary, Lafarge Corp., in October purchased 10 percent of National Gypsum, the second biggest US manufacturer of plasterboard. That gives Lafarge an entry into the largest market for plasterboard in the world.

In the kitchen, small appliances may come from France's Moulinex or its recently acquired German subsidiary, Krups.

A lot of food products don't have an obvious French connection, like youngsters' favorite Yoo-Hoo chocolate beverage, which is part of France's Pernod Ricard, and Colombo yogurt, part of the French group Bongrain SA.

Colombo's yogurt rival, Dannon, is also made by a French firm, food conglomerate BSN. Dannon's history is somewhat complicated, though, because the US company was formed by a Frenchman in 1942 who fled his country during World War II. It was bought by Beatrice Foods in 1959 and in 1981 by BSN, which already had the license for the original French brand spelled Danône.

BSN, one of the world's major food companies, also owns the Evian spring water that has been a success in America, but recently sold its US cookie business, including the Mother's and Salerno brands.

If you've had too much to eat, you might get some relief from Maalox, part of Rorer Pharmaceuticals, recently purchased by one of the French state-owned firms being privatized this fall, the Rhône Poulenc SA conglomerate, which also bought the agricultural chemicals division of Union Carbide in 1986.

French automaker Renault is also a major player in the United States, even though it does not sell its own brand of automobiles here anymore. Renault is the owner of Mack Trucks, which has plants in Allentown, Pennsylvania, and Winnsboro, South Carolina. Even if few French automobiles are sold in the United States, many roll on tires made by France's Michelin, or its subsidiary acquired in 1990, Uniroyal Goodrich.

Computers with a traditional American name, Zenith, are in fact made by a unit of the French state-owned Cie Machines Bull. More primitive writing instruments like the Bic pen come from the Connecticut unit of the French Société Bic, which claims to be the largest manufacturer and distributor of ball-point pens in North America.

Bic, which began marketing low-cost ball-point pens in the United States in 1958, now employs some 2,300 people in the United States for its pen, shaver, and lighter operations. In 1992 Bic purchased Wite-Out Products, Inc., the second largest US maker of correction fluid.

The French bank Crédit Lyonnais became the owner by default in 1990 of Metro Goldwyn Mayer studios, but is seeking to sell the financially troubled MGM, bought in the 1980s by Italian financier Giancarlo Paretti with financing from the Dutch affiliate of Crédit Lyonnais.

Also in the banking field, Banque Nationale de Paris, also in the process of privatization, is involved in US retail banking with its San Francisco-based Bank of the West, the California Imperial Savings and the New York-based French-American Banking Corp.

The US hotel industry also has its French component, including the Novotel and Sofitel chains, part of the French group Accor SA. And the vacation industry has its notable French success story, Club Mediterranée (Club Med), which operates US resorts and takes American tourists to exotic locations.

The world's largest cosmetics company, Paris-based L'Oréal, is the maker of scores of shampoo and beauty products sold in the United States and owner of brands including Lancôme and Biotherm.

Robert Lever, based in Washington DC, is an editor for Agence France-Presse. *His article, "French Carmakers Moving Ahead," appeared in* EUROPE's *March issue.*

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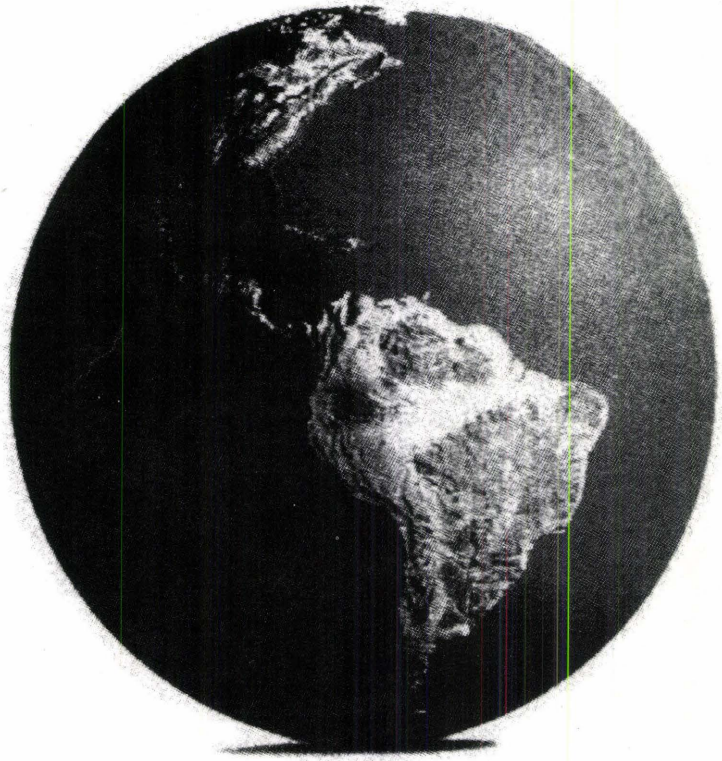

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THE TWELVE DAYS OF CHRISTMAS,

By Elisabeth Farrell

WHAT TO DO...WHAT TO DO? It's almost Christmas, and once again you haven't a clue about what to give the friends and family on your gift list. Aunt Matilda will disinherit you if she finds another Cheese-of-the-Month Club membership under the tree. And what about your boss? Every Christmas your co-workers unearth the most extraordinary presents, and all you come up with is a subscription to *Trout Anglers' Quarterly*.

This year why not shock and please everyone on your gift list with presents from Europe? You can do your shopping without leaving the comfort of your armchair in the United States because many European shops now offer mail-order service. Here are a few suggestions to help you add some continental pizzazz to your holiday gifts:

Twelve Drummers Drumming. You'll find toy drums and more among the thousands of lovely creations offered by Hogendorn and Kaufman (Rokin 124, Amsterdam). From papier-maché lacquered boxes and eggs to hand-painted Delft ceramics, this shop sells exquisite wares no matter what your budget. How about a Czar crystal stemware set for $6,000,000?

If you can't find a drum, you can always drum your fingers upon a new table from A. Garguilo Jannuzzi (Main Square, Sorrento, Italy). Choose from 86 different types of inlaid masterworks in furniture and accessories. And what better to display on that table than books lovingly bound by John F. Newman and Son Ltd. (Belvedere Court, Dublin)? Choose from specialty leathers and gold leaf, handmade endpapers.

Eleven Pipers Piping. Outfit your favorite bagpiper in a dashing selection from St. Andrews Woolen Mill (St. Andrews, Scotland). You'll find more than 600 tartans and an impressive selection of stitches knitted into Shetland pullovers, cashmeres, travel blankets, mohair throws, and more.

Ten Lords a'Leaping. Your Lord will leap for joy when he sees a gift from London's W. & H. Gidden Limited under the tree (15d Clifford Street). Perhaps a saddle, bit, or bridle? How about a spectacular riding outfit? You'll find everything for the horse set right here.

And for those who are tired of leaping and falling, plan on landing upon a fluffy flokati rug from Karamichos-Mazarakis (31-33 Voulis Street, Athens). The 100 percent virgin wool rugs are surprisingly affordable.

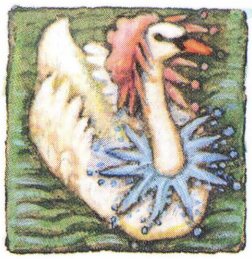
Nine Ladies Dancing. For Christmas occasions that call for dancing, Europe abounds in lovely creations to outfit your favorite dancing lady. Immediately send a note to Denise Francelle (244 rue de Rivoli, Paris) for gloves, scarves, and deliciously beaded evening bags. F. Rubbrecht (Grand Place 23, Brussels) can skillfully handle any fine lace needs from wedding veils to smaller accessories. And do not forgo Madeira Superbia (Avenida Duque de Loule 75A, Lisbon) for delicate embroidered and appliquéd creations.

Eight Maids a'Milking. Your milkmaid may leave her bucket behind once she finds she is descended from royal lineage. Simply submit her family name to Heraldic Artists Ltd. (3 Nassau Street, Dublin), and master researchers will do the rest to produce a plaque, scroll, family history, or whatever documentation you require.

If, however, your milkmaid proves to be the loyal type and chooses to stay in your employ, reward her with a book to peruse in her spare time. Shop at one of the world's largest bookstores, Foyle (113-119 Charing Cross Road, London); somewhere in the inventory of 4,000,000 volumes you will find what you are looking for.

Seven Swans a'Swimming. Copenhagen's Sweater Market

JUST A POSTAGE STAMP AWAY.



(15 Frederiksberggade) is home to a cozy collection of sweaters soft as swan's down, most of which are knitted in original Scandinavian patterns. Of similarly gentle texture are the creations from Jesurum (Ponte Canonica 4310, Venice), whose laces and linens are lovingly displayed on lingerie, baby clothes, and table accessories. Prices range from the sublime to the ridiculous.

Six Geese a'Laying. If your photographs lay goose eggs time after time, perhaps it is time for a new camera. The knowledgeable staff at Kohlroser (Maffeistrasse 14, Munich) can help you not only with cameras, but also the latest in high-tech gimmickry from binoculars to opera glasses to zoom lenses. All cameras, even those shipped, have a minimum 12-month guarantee.

Five Golden Rings. From golden rings to diamond necklaces to strings of pearls—the breathtaking collections of Europe's shops can arrive via your mailbox. Portugal reportedly boasts the Continent's best bargains in gold, so start with W.A. Sarmento (Rua do Ouro 251, Lisbon) for wonderful selections of gold filigree and fetching museum reproductions. For diamonds, don't miss the highly respected Bonebakker (Rokin 88, Amsterdam). For pearls, the beautiful manmade selections of Perlas Majorica (Avenida Jaime III 11, Palma de Mallorca, Spain) rival nature's finest. Whatever jeweled creation you hide under the tree, make sure it is tucked inside an antique enamel box from Halcyon Days (14 Brook Street, Mayfair, London W1).

Four Calling Birds. For masks made from bird feathers, as well as less exotic wares lovingly crafted by local artists, try Veneziartigiana, the Union of Venetian Artistic Artisans (Calle Larga San Marco 412/13, Venice). The consortium of 60 workshops includes engravers, glass blowers, and even chandelier makers.

Three French Hens. You may not find a French hen, but you'll find everything else French under the sun at Charles and Philippe Boucaud (25 rue du Bac, Paris). The company has made a name for itself in the world of antique pewter, and will happily send you a catalog (although it is only in French, so dust off your Larousse dictionary).

Two Turtle Doves. You'll have your little turtle dove eating out of your hand when you set the Christmas dessert table with delicacies from Munich's Konditorei Kreutzkamm (Maffeistrasse 4). Many of the famous baker's offerings can be mailed. And don't forget to display these sugary creations on deliciously embroidered linens from Casa Bonet (Plaza Federico Chopin 2, Palma de Mallorca, Spain).

A Partridge in a Pear Tree. If your partridge is lost in a pear tree, she can undoubtedly find her way to you with a map from Jonathan Potter (1 Grafton Street, London), a cartographer of global proportions. And why not surround your pear tree with flower bulbs from the gardens of Frans Roozen B.V. (Vogelenzangseweg 49, 2114 BB Vogelenzang, Netherlands)?

Most of the stores listed here will happily send you a catalog or a list of their wares. In addition, try these catalogs for European gift selections: *Harrods Catalog*, Knightsbridge, London SW1; *Past Times*, Knightsbridge, 146 Brompton Road, London (or call toll free in the US for a catalog 1-800-621-6020; *Shannon Airport Duty-Free Mail Order Catalog*, c/o Aer Lingus-Irish Airlines, Building No. 87, John F. Kennedy Airport, NY 11430 (or call toll free in the US for a catalog 1-800-223-6716); Schiphol Amsterdam Airport Shopping Center, Schiphol Airport, Amsterdam.

For more information on European shopping, consult *Fielding Shopping Guide to Europe '94* by Joseph and Judith Raff (Fielding Worldwide). This definitive work on the subject is updated annually (the 1994 edition is due out soon), and includes valuable information on all the do's and don'ts of overseas mail-order buying.

Merry holiday shopping! Ⓔ

Elisabeth Farrell is a journalist based in Orlando, Florida. Her article about the Dutch Flower industry, "Flower Power," appeared in EUROPE*'s November issue.*

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Assistant Secretary of State for European and Canadian Affairs

Stephen Oxman

Stephen Oxman, Assistant Secretary of State for European and Canadian Affairs, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman regarding NATO's future, the upcoming NATO Summit, the Partnership for Peace idea, NATO and the war in Bosnia, EU-US relations, and President Clinton's overall policy toward Europe. Secretary Oxman is a former Rhodes Scholar who previously served as Executive Assistant to Warren Christopher during the Carter administration. [Editor's Note: Secretary Oxman's remarks were given before the Maastricht Treaty went into force. Therefore, he refers to the European Community rather than the European Union.]

NATO has helped keep the peace of Europe and the security of Europe during the cold war. The cold war is now over. What do you think the new role for NATO is today?

The future of NATO is one of the key issues of our foreign policy and by the transatlantic group of nations. President Clinton has just made a major proposal concerning the future of NATO. The essence of the proposal is that we believe that there should be a qualitative transformation in the relationship between NATO and the nations of the East, and that this should basically have two features.

First, we think the NATO Summit [to be held January 10–11 in Brussels] ought to issue a statement of principle that the door to expansion of NATO is open as part of an evolutionary process. That alone is a very major advance from where we have been. As recently as June, when the NATO foreign ministers met in Athens, the issue of NATO expansion was not even on the agenda. Now, under our proposal, it should not only be on the agenda but there should be a formal statement of principle that NATO is open for expansion as part of an evolutionary process.

The second part of our initiative is to create practical military cooperation between NATO militaries and militaries in the East through what we are calling a Partnership for Peace. In essence, it is a way of creating practical military cooperation, and I'm happy to say we have had a very favorable initial reaction to our proposal. In essence, though, the goal is outreach to the East and a transformation of NATO's relationship with the countries to the East.

What precisely is the Partnership for Peace? Is it more than a slogan?

Yes, it's very much more than a slogan. In essence, the Partnership for Peace would be an activity of the North Atlantic Cooperation Council, the so-called NACC. It would be open to all members of the NACC as well as to others, and it would be a very real program for developing the kind of practical military cooperation I referred to. Members—those members of the NACC and others who wish to become members of the Partnership for Peace—would participate in joint planning, joint training, joint exercises, joint maneuvers. They would basically be working toward interoperability with NATO.

As part of the Partnership for Peace, we would ask that members present a work program for how they would participate in these joint capacities and also a work program concerning civilianization of their defense ministries, transparency of their defense budgets, all the kinds of things that NATO members already have done. And we would see the Partnership for Peace as part of the evolutionary process of opening the door to the expansion of NATO. Participation in the Partnership for Peace would not guarantee, ultimately, joining NATO, but it would be an important part of the process.

We've had a very favorable initial reaction to it. It would be designed in a way that it is open to all, and it is not discriminatory. It is inclusive in concept. It is designed so as not to draw new lines in Europe or to imply a new bloc system or to treat anyone as a second-class citizen. Those countries who choose to become members of the

Partnership for Peace can decide to become as active as they would like, and some may choose to be more active than others, but it is open to all on a non-discriminatory basis.

NATO was originally set up because there was an enemy. Is there an enemy of NATO today and who is that enemy?

Obviously the era in which we had a monolithic threat from the East is behind us. We now have sources of instability arising in the East, and our concept is to use NATO as a way of projecting stability and security to the East. By developing the kind of joint capability I've described, that alone will have a certain influence in the sense that we will have the militaries cooperating. And also, the capability itself could be available to be used as needed in a range of possible contingencies, crisis management situations, search-and-rescue, peacekeeping situations, and others. It's hard to say that there's a new enemy as such, but there is a new mission for NATO. At the same time, of course, the core mission of NATO must be retained, and we're not suggesting that that be done away with, but the new mission of NATO has to address these concerns arising from instability in the East.

Has there been any discussion that NATO is past its prime and should be abolished?

Absolutely not. But there's been a lot of discussion about the fact that NATO needs to address the new security situation that has presented itself now that the cold war is over.

Should NATO have new authority outside of its original territory—the so-called "out of area" or "out of business" idea specifically?

That issue really is moot. NATO is already operating out of area. NATO is enforcing the no-fly zone over Bosnia. That's out of area. NATO is participating in the Adriatic along with the Western European Union in the blockade connected with the sanctions on Serbia. That's out of area. The issue has already been addressed, and NATO has already chosen to act out of area in this particular situation. And therefore it's really not accurate to say "out of area" or "out of business." NATO's already out of area, and NATO's in business to stay.

What is the overall theme of the NATO Summit in January? What is the overall US objective at the summit?

Our overall objective is to gain agreement on the major new initiative that President Clinton has proposed, which basically is an outreach to the East with an emphasis on creating the Partnership for Peace and on opening the door to the expansion of NATO itself as part of an evolutionary process. The other features of our initiative are to improve NATO's own ability to operate flexibly in the new post cold war environment and to materially advance the so-called ESDI, the European Security and Defense Identity. This relates to the point that we strongly favor European integration, and we strongly favor the development of ESDI. We have an aspect of our NATO initiative which focuses on that directly. So our goal is to work toward the agreement of our allies with this new proposal which we think will chart the future for NATO well into the next century.

Will President Clinton be going to Brussels for the summit?

President Clinton will be going to the summit on January 10. It was at his initiative that the NATO Summit will be held in January to accelerate the process of transforming NATO to meet the new challenges in Europe. Before the summit meeting in January, there will be a meeting of NATO foreign ministers that Secretary Christopher will go to in Brussels. I will accompany him on that trip. Then there will also be a meeting the next day in December of the foreign ministers of the NACC countries.

The NACC is the North Atlantic Cooperation Council, which is the organization that was created to bring in all of the former members of the Warsaw Pact. The NACC foreign ministers will be meeting in December as well, all of which will lead up to the NATO Summit on January 10th.

What is NATO's role, and what is America's role in ending the war in Bosnia? How much longer are we going to see this war continue?

The situation in Bosnia is one of the most difficult that we or the international community faces. The prospects for a peace agreement, which looked very strong several weeks ago, do not look particularly strong now, at least for a peace agreement any time soon. That puts, right at the top of the agenda, the humanitarian situation for the winter. And there's a great need to address that in an effective way. The United States is already the largest single country donor to the humanitarian needs. We have contributed well over $400 million, and of course, the EC as a whole has contributed even more.

The key for the winter, we believe, is to assure access for humanitarian relief. There seems to be a reasonable possibility of getting enough relief in the pipeline. The question will be whether access can be achieved, and this will be a function of whether the warring parties in Bosnia, particularly the Serbs and the Croats, will permit the convoys to run and to get to the needed destinations. We will also be continuing our airdrop operation, which has been going day after day since February and in which we have dropped over 10 million meals. We will be continuing to participate in a major way in the airlift into Sarajevo, which is a critical element in the process of feeding the people of Bosnia, and we will consider even greater intensity during the winter for the airdrops and the airlift. But this is an international community challenge.

We are working closely with the EC and with the UN in trying to address it effectively, and we'll have to see how the winter unfolds—whether it's a mild winter or a severe winter will be critical features. The humanitarian situation will be the most pressing issue for the next few months, very likely.

Is Bosnia a soluble problem or is it insoluble? Are we just going to wring our hands and say that it's an unstable part of the world?

That remains to be seen. It's a very difficult problem. Our goal is to achieve a negotiated solution. We think that's the only outcome that will make sense. The United States has

been doing what it can to help achieve that result, but it's really for the parties themselves to ultimately come to an agreement. Though the Geneva talks have not yet yielded a result, the Geneva process is still alive. The parties themselves are having bilateral discussions, and Mr. Stoltenberg and Lord Owen have recently been exploring a more global approach to the issue which would focus not just on Bosnia but also on Croatia and Kosovo. So those processes are continuing, and we will continue to try and be helpful in achieving a negotiated solution. In the meantime, though, it does come back to this major humanitarian challenge for the winter months. Winter is now beginning in Bosnia. The temperature is dropping to below freezing, and the humanitarian needs there are very great.

You mentioned Kosovo. What if the war does spread to Macedonia where the US has 300 troops? What's the US policy if the war spreads?

We have made very clear our determination to prevent the spillover of this conflict. What's going on in Bosnia is bad enough, but if the conflict were to spread and involve other nations—Macedonia, Albania, possibly even Greece and Turkey—it would be much more serious even than the situation we're facing now. We do have a deployment of about 320 American soldiers who are augmenting the UNPROFOR presence in Macedonia. And that deployment was to add to the presence of the Nordic battalion in Macedonia to create stability on the border, but also as a sign of our determination to prevent spillover of the conflict. Similarly, we have made it clear to the Serbs that, in the event of Serb-inspired conflict and violence in Kosovo, the United States would respond, because we think that there's a great risk of spillover that would arise from any such violence or conflict in Kosovo. Thus far, this policy of preventing spillover has worked, and we will be very, very vigilant as we go forward in connection with that.

Your boss, Warren Christopher said the other day, "Western Europe is no longer the dominant area of the world" and perhaps Washington has been too "Eurocentric" in its approach to the world. Do you agree with your boss on that subject?

I certainly do, and I would like to just comment that there was a time when the United States had a Eurocentric foreign policy. After all, during the cold war, Europe was at the crux of the cold war, and it made sense to have a Eurocentric foreign policy. The cold war is over, and I don't think anyone would suggest that in this new post cold war environment it would make sense for the United States to have a Eurocentric foreign policy. That is not to say that Europe is not extremely important to the United States and to the world. I don't think anyone would assert that Europe is dominant. But in terms of its importance, the facts speak for themselves.

In addition to our profound cultural and historical ties, the United States has a very large trading relationship with Europe of about $120 billion in exports, which is about the same as our exports to East Asia, and yet with East Asia we have an $82 billion deficit, and with Europe we have a $14 billion surplus. Those figures may be a little bit off, but in order of magnitude they're about right. Other indicators of Europe's importance to the United States are equally striking. For example, roughly 60 percent of all overseas profits of US companies derive from Western Europe versus 17 percent from East Asia. US firms have invested $225 billion in Western Europe versus under $60 billion in East Asia and $23 billion in Japan. Europeans have invested $258 billion in the United States versus less than $100 billion from East Asia. So there can be no doubt as to the very great significance that Europe holds for the United States as well as vice versa.

Some Europeans are perplexed by the Clinton administration's foreign policy. Could you briefly outline President Clinton's overall foreign policy, its major goals, specifically regarding Europe?

One of the key goals of the Clinton administration foreign policy is to promote economic growth both here and abroad. It's our view that for the United States to conduct an effective foreign policy, our economy at home must be strong. And we see a linkage between our domestic economic situation and the economic situation in the world. On all of these fronts, from NAFTA to GATT, the Clinton administration has taken a very, very forthright position and has stressed the importance of economic growth and economic strength both here and abroad.

Another critical feature of our foreign policy has been to support the reform process in Russia and the former Soviet Union. And we have taken a leadership position in that regard, in providing economic assistance to the former Soviet Union and in supporting the democratic forces there. We've been very forthright in our support of the forces of democratic and market reform in Russia, and we think we've had an impact in that regard. There are few things that could be more important for American security and really transatlantic security than helping assure the success of the reform process in Russia....

Another major area of our emphasis is of course the future of NATO where we have made the major initiative.

Do you see a strengthening of the transatlantic alliance between the US and the EC?

Now that the Maastricht Treaty has come into force, there will inevitably be a strengthening of the relationship between the United States and the EC. We strongly support the process of European integration. We've done a lot to help promote it over the years, and we will continue to be great supporters of that. We think European integration is in the interest not only of Europe but of the United States and of the world. Now that you have the Maastricht Treaty coming into force and the whole process of evolving a common foreign and security policy, this inevitably will lead to closer links. And we look forward to an intensification of our relationship with the EC, which is a very good relationship already. I meet frequently with my EC counterparts. The Secretary of State obviously does so with his counterparts. The President has periodic summit meetings. So this is a very important process which in my judgment will intensify now that the Treaty is in force.

A Changing Mission

Finding a New Niche for NATO, What Will It Be?

By Lionel Barber

ONE YEAR AFTER TAKING OFFICE, President Bill Clinton in January will embark on his first official trip to Europe.

His principal mission is to reassure European leaders that the US intends to remain engaged in the affairs of Europe, despite the end of the cold war and his own inclination to put domestic affairs first. The crucial test will be the NATO Summit in Brussels on January 10.

It was Mr. Clinton himself who proposed the summit after efforts to reach a common position with European allies on Bosnia ended in recrimination. He must now show that he has a plan which goes beyond fence-mending and accelerates the alliance's transformation in the post cold war world.

He cannot afford to delay. Instability grips the former Soviet Union. The ethnic nationalism which has flared up in the Balkans could spread to Central Europe. Even the European Union has not proven immune to the political upheaval which, in three helter-skelter years, has unraveled the peace orders of Versailles and Yalta.

The challenge is to put together a new security system in Europe which reinforces transatlantic links and helps the emerging democracies in the East to share in the benefits of the alliance. That means a new role for NATO, still the continent's primary security organization. Can it be done and what will it be?

After the fall of the Berlin Wall and the collapse of the Soviet Empire, some observers were tempted to call for the abandonment of NATO on the grounds that the alliance has been deprived of its traditional enemy and, therefore, its raison d'être.

But NATO has shown itself to be remarkably resilient. It has reached out to its former communist enemies in Eastern Europe and, lately, Russia. It has taken the first steps to support crisis management and peacekeeping outside its traditional area; and it has restructured its armed forces into flexible, multinational units with a stronger European pillar within the alliance.

The alliance has adapted rapidly,

Inside
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MAASTRICHT SIGNALS THE BIRTH OF THE EUROPEAN UNION

On Monday, November 1, 1993, the Maastricht Treaty entered into force, signaling the birth of the European Union.

Maastricht provides for small, but potentially significant changes in how Europe does business. It will increase the powers of the European Parliament and deepen collaboration between governments on issues such as drugs, immigration, and crime. It also lays the groundwork for greater cooperation on foreign policy and provides for a move to a single European currency in 1999 at the latest.

The Treaty contains suggestions for intensifying European cooperation on education, health, and culture; but it sets clear limits against over-centralization in Brussels. The doctrine of subsidiarity—devolving power to the lowest appropriate national and regional level—is enshrined in the Treaty.

The obvious winner among institutions is the European Parliament. Under article 189b, it gains the right of "co-decision" on legislation, to be shared with the Council of Ministers.

This new power does not extend to many core areas such as foreign policy, defense, judicial cooperation or economic and monetary policy; rather it applies to important matters such as the internal market. The Parliament will also exert greater scrutiny over the Commission, because both bodies begin a shift to consecutive five-year terms from January 1, 1995.

Other important changes foreshadowed by the Maastricht Treaty include:

- More qualified majority voting in social policy legislation. The United Kingdom has a Treaty opt out but remains involved in discussions.
- The right of EU citizens to vote or stand as a candidate in local and European Parliament elections.
- Establishment of "joint actions" in foreign and security policy, a code word for less reactive diplomacy rather than the dispatch of combat troops. Maastricht also provides for closer collaboration between the European Union and the Western European Union, the embryonic military organization based in Brussels.
- The creation of a Committee of the Regions. This reflects the influence of the German länder who were anxious not to be left out in the cold.

—Lionel Barber

EU-US NOTEBOOK

Although it might appear to be the case by reading newspapers and watching television, EU-US relations are not confined to trade disputes. But trade and agriculture are the two major areas of the European Union's external affairs in which common EU policy requires Washington to deal with the EU as a whole, rather than separately with the member states.

And high visibility trade disputes like these—not to mention other conflicts over issues like steel, company taxation, and Airbus—inevitably set the tone of the US-EU relationship in the public eye. That is particularly so at a time like now when Washington is showing little interest in the relationship's other aspects.

With President Bill Clinton desperately trying to shield his domestic agenda from foreign distractions—in Russia, the Middle East, Somalia, Bosnia, Haiti, and elsewhere—the development of closer relations with the EU appears to be somewhere near the bottom of Washington's long list of policy priorities.

Trade disputes will continue to catch Washington's attention, particularly when they affect big US economic and political interests. Mr. Clinton does not want to upset voters in farm states over wheat exports or in California over movie sales.

Meanwhile, both sides will continue to repeat the tra-

ditional refrain that the media pays far too much attention to trade disputes and not nearly enough to all the things that are going right.

After May's EU-US summit, Mr. Clinton said, "It often seems to be the case that there is a great deal of focus, understandably, on some of the trade disputes that divide us rather than the bonds which unite us. It's useful to recall that our common ground is far, far wider than the areas of disagreement."

Echoing that theme, Sir Leon Brittan likes to point out that '95 percent of US-EU trade is trouble-free—not what you would understand from the media handling of these issues." And, of course, in many ways they are right. The EU and the US are consistently each other's largest single trading partner—with two-way trade in goods and services amounting to about $280 billion, according to the European Commission. The EU is both by far the largest foreign investor in the United States and the major destination of US foreign investment abroad.

And while many Americans believe their links with Japan and other countries in Asia and the Pacific will soon eclipse the traditional Atlantic partnership, economic interdependence between the United States and the EU is growing rather than declining.

It is obvious, if platitudinous, that the United States still has much more in common with Europe, culturally and historically, than it does with Asia.

But looking further ahead, Europeans, just like the British who invented the idea, would be wrong to think they can rely on some kind of "special relationship" with the United States for the foreseeable future.

With cultural and demographic changes sweeping the United States, traditional supporters of close links with Europe are losing influence. Other cultures, originating in Africa, Latin American, and Asia, are rapidly gaining ground.

Increasingly, the United States is becoming a microcosm of the whole world, not just of the Old World. In the words of one American who recently returned to the US after an eight-year absence, "this is a much less European country than the one I left."

The Clinton administration, with its emphasis on ethnic minority rights and representation, is moving the country further in that direction, as is the campaign against "Eurocentrism" in the nation's universities.

There seems to be no real attempt in today's Washington to work out a coherent strategy toward the EU, or toward Europe as a whole, with the same energy that has been devoted, for instance, to the relationship with Japan.

Relations are conducted on an ad hoc basis as the need arises—whether it involves settling a trade dispute with Brussels or asking an EU government for its backing in the United Nations. For most American purposes, like seeking support on Bosnia or Russia, Washington finds it much better to deal with national capitals than with the EU institutions. Many Americans would argue that the United States does not really even need an EU strategy. Both blocs see the world in much the same way, and while the United States has a big trade deficit with Japan, it has a surplus with the EU.

But it remains true that few people in Washington feel the need to bother much about Europe's future. And that's partly Europe's fault. To those Americans who spare it a thought, the Old World seems to have again fallen victim to its age-old weaknesses. Judging from Europe's current impotence over Yugoslavia, the tribulations of the EU's Maastricht Treaty, currency upheaval, and nasty outbreaks of nationalism in Germany and elsewhere, it's common for Americans to conclude that further steps to European unity can be written off for the foreseeable future.

It has always been US official policy to support Western European political and economic integration. But each time Europe has looked like it is making real progress, a basic contradiction has emerged in American thinking: European independence and unity are fine—but only so long as Europeans continue to do what America wants.

As one former senior State Department official puts it, the ideal state of affairs for Washington is for Europeans always to be laboring toward unity but never actually getting there. That's how many Americans see Europe today, and it's not surprising that they are content to leave well enough alone.

A brave band of Europeans is trying to persuade Americans that this will all soon change. "As the EU takes its first real step toward a genuine common foreign and security policy, thanks to the Maastricht Treaty, the United States is confident of having an increasingly equal and balanced partnership," says Egon Klepsch, President of the European Parliament.

But it is only a minority of Europeans who believe that. And many others, looking inward at their own domestic problems, probably see little need for a closer relationship with the United States.

In practical terms, some things are not going too badly. Closer US-EU cooperation and consultations, called for in the Transatlantic Declaration of November 1990, are making worthy if unsensational progress. American fears that the EU's single market will lead to a Fortress Europe have largely receded. And some trade disputes—such as the sticky conflict over public procurement—have been at least temporarily defused.

But there is no sign of an end to major underlying philosophical differences on trade. The two sides still fundamentally disagree over what kinds of subsidies are permissible—not only in agriculture—and over the United States' claim of the right to take unilateral trade action. These are likely to cause continuing trade friction.

Of course, it would be unusual if there were no trade frictions between the world's two largest trading blocs. But both Brussels and Washington will be doing themselves a disservice if they allow the relationship to remain largely confined to trade.

It would be in the long-term interests of both sides to elevate the relationship to a higher plane. But the ball is in Europe's court. It is now up to the Europeans, by overcoming their divisions and setting economic and political integration back on track, to convince Washington that the EU continues to be a worthwhile and desirable partner. *—R.D.*

Belgium Sets Date For EU-US Meeting

Belgian Foreign Minister Willy Claes announced that the US and the EU would hold one of their twice-yearly high-level meetings in Washington, DC on December 20. The meetings, which are held within the framework of the transatlantic declaration bolstering political and economic ties between the US and EU, are usually attended for the EU by European Commission President Delors and the prime minister of the member state holding the presidency, in this case Belgium.

Lamfalussy To Head EMI

Alexandre Lamfalussy, the former General Manager of the Bank for International Settlements, has been named President of the Council of the European Monetary Institute, to be located in Frankfurt. The Hungarian-born Lamfalussy, 64, is seen as an influential international banker who will not favor the interests of one member state over another.

Election Results in Italy

Voters supported neo-fascist and former Communist candidates in Italy's November 21 municipal elections, reflecting the public's annoyance with corruption scandals, unemployment, and breakdowns in public services. Italy's Democratic Party of the Left (PDS), made up of former Communists, was the strongest national party, while the neo-fascist Italian Social Movement (MSI) won in Rome and Naples and the separatist Northern League garnered the most votes in the North. The Christian Democrats, the backbone of Italian coalitions since World War II, suffered heavy losses, although they remain the largest single party in Parliament. Only about 25 percent of the country's electorate participated in the elections, but the results were perceived as a barometer of public opinion.

Trade Bloc Clears Last Hurdle

A treaty turning Western Europe into the world's biggest trade bloc cleared its last hurdle on November 22, when the French Parliament ratified the European Economic Area (EEA). The EEA, which will include 18 countries and 380 million citizens, will be bigger than the North American Free Trade Agreement (NAFTA) or the Association of South East Asian Nations (ASEAN) in terms of its share of world trade and gross domestic product. The accord was signed in May 1992 and will come into force on January 1, 1994, extending to six member states of the European Free Trade Area (EFTA)—Austria, Finland, Sweden, Norway, Iceland, and Liechtenstein—the single market and competition rules in force in the 12-nation European Union.

Stockholm Chosen European City Of Culture

The Culture Council has designated Stockholm the European City of Culture for 1998 and announced that Weimar, Germany will hold the title in 1999. The festivities are largely supported by private sources, but the European Commission usually provides about 300,000 ecus. The Cities of Culture for 1993 to 1997 are Antwerp, Lisbon, Luxembourg, Copenhagen, and Thessaloniki, respectively.

Belgium Publishes Comic Book To Explain EU

Belgium, a country noted for its comic books, is publishing a cartoon book to make the intricate workings of the EU more comprehensible to the average citizen. According to government-appointed printer Philippe Baert, "The EU is not a very easy subject to explain to ordinary citizens, and we tried to create a book which could reach both children and adults."

WHAT THEY SAID....

"Think how much more depressing it would be if we weren't doing something."
—US Admiral Mike Boorda, Commander of NATO operations in the former Yugoslavia commenting on 'Operation Provide Santa' whereby French, Germans, and Americans are donating toys to Bosnian children.

"The only 'sucking sound' Americans will hear is the sound of exports going South."
—Gijs de Vries, European Parliament Member, on the NAFTA agreement.

"We are not popular everywhere. You only need to pick up the memoirs of the former head of government of a friendly country."
—German Chancellor Helmut Kohl commenting on fears surrounding a strong Germany, citing former British Prime Minister Margaret Thatcher's book, The Downing Street Years.

"We are used to dealing with nation states, but not with institutions, such as the [EU], that are so complicated."
—Stuart Eizenstat, US ambassador to the EU.

"With these negotiations, as with all other negotiations, there is a lot of horse trading until the last minute, but there are professional horse traders on both sides, so I think we will trade the horse."
—Henning Christophersen, European Commissioner for financial affairs, on closing the GATT negotiations.

"The message of this meeting is to send shivers down the spines of Europeans."
—A Singapore delegate at the 17-member Asia-Pacific Economic Cooperation Group meeting in Seattle.

Business Briefs

Four medium-sized European airlines, which pulled out of a merger at the last minute, are casting around for new alliances in a bid to survive in the increasingly competitive European aviation market.

KLM, SAS, Swissair, and **Austrian Airlines** aborted plans to create a new, low-cost airline because they couldn't agree on a US partner. KLM insisted on Northwest Airlines, in which it has a 20 percent stake, while the other three wanted Delta Air Lines, which has a 5 percent cross equity shareholding with Swissair. Analysts speculated that KLM would eventually team up with SAS while Swissair and Austrian Airlines would form a German axis with Lufthansa. All four carriers are desperate to forge strong alliances to meet the looming challenge from US mega carriers and low cost Asian airlines.

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European companies are pulling out all the stops to break big into the world's fast growing economy—China. Among the latest deals—toothpaste. **Unilever** formed a joint venture with **Shanghai Toothpaste Factory**, the country's largest producer of oral care products. The Anglo-Dutch firm will own 60 percent of the joint venture which will employ 1,350 people. Shanghai Toothpaste is Asia's biggest toothpaste maker, producing over 550 million tubes a year—about 5 percent of world output.

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A consortium led by **Siemens** of Germany clinched a fiercely contested contract worth $420 million to build an underground rail system in Guangzhou province in southern China. The subway contract was one of 18 deals signed in mid-November during a visit to China by German Chancellor Helmut Kohl. The Siemens group beat out competition from **GEC-Alsthom**, the Anglo-French engineering group, Mitsubishi of Japan and **Westinghouse Electric Corp.** of the US.

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Renault, the French auto manufacturer, will invest $100 million in a joint venture with China's **Sanjiang Space Group** to make small commercial vehicles. Renault will upgrade Sanjiang's existing auto plant near the city of Wuhan in Hubeu province to produce 40,000 vehicles a year by 1997.

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Mercedes-Benz was expected to build a new car plant in Germany, disappointing the UK, France, and the Czech Republic which all pitched for the prestige investment but allaying fears in Germany that the country is losing its competitive edge. German unions are desperate to keep the 200,000 cars a year plant at home to compensate for the 38,000 jobs Mercedes will eliminate in Germany in 1992–94. The company recently decided to build a $300 million assembly plant in Alabama to produce 60,000 utility vehicles a year from 1997 and will start producing a multipurpose vehicle in Spain next year.

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Austria, catching up with the rest of Europe, unveiled a far-reaching privatization program involving the flotation of state-owned firms on the Vienna bourse and stock exchanges around the world.

The government plans to raise the 30 percent private shareholding in **OMV**, the oil and chemicals group, to over 50 percent, with full privatization earmarked for 1995. Also on the block are **Austria Mikrosysteme**, a microchip maker, **Vamed**, hospital construction, **Schoeller-Bleckmann**, steel tubes and drilling equipment. Loss-making steel and aluminum firms will be restructured before flotation in 1996.

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Jan Timmer, President of Dutch electronics giant, **Philips**, urged greater cooperation between the European Commission, EU governments, and universities to help European companies to meet the technological challenge from the US and Japan. "We are pleading for Europe to help us succeed," said Mr. Timmer. Mr. Timmer called for round table talks with governments and universities to identify key technologies Europe will need to compete in the fast growing multimedia sector, which brings together computers, telecoms, consumer electronics, and media groups.

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Akzo, the Dutch chemicals concern, paid $2 billion to take control of **Nobel** of Sweden to create the world's biggest paints group. The combined group will have revenues of more than $10.5 billion and about 75,000 employees. The company will also be the world's second biggest pulp and paper chemicals producer and will be a leading player in several niche sectors such as evaporated salt.

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A British company that has supplied overcoats to Russian tsars and Soviet communist leaders acquired a stake in **Bolshevik Woman** Russia's biggest suit maker. **Illingworth Morris**, a British firm set up by a Lithuanian refugee at the turn of the century, is taking a 49 percent holding in the Russian firm which, despite its name, only makes men's suits—350,000 a year. Illingworth Morris will spend $5.5 million on training, licensing, and technological know-how. Chairman Alan Lewis said his strategic aim is to have a presence in a nation which "could become a center of production for Western Europe in the next decade and beyond."

—Bruce Barnard

Inside Europe
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but still not rapidly enough. As Mr. Manfred Wörner, NATO's Secretary General, said in a speech last October at the National Press Club in Washington: "The fact is that we are in a transitional period between the collapse of an old order and the establishment of a new one. Following a period in which international relationships were virtually frozen, the world has suddenly become full of possibilities, both good and bad."

All countries are struggling to tailor their foreign policy to match this new age of uncertainty. For the US, the task is much harder because its inclination to adopt universal causes such as the global struggle against communism fits ill with a world marked by fluidity and fragmentation.

The absence of such clear-cut moral imperatives explains partly the Clinton administration's frustration with its European allies over policy toward the former Yugoslavia and the occasional loose talk in Washington suggesting that the US needs to tilt its foreign policy more toward Asia.

A few well-chosen words can dispose of the bulk of European concerns. As Mr. Robert Hunter, US Ambassador to NATO, likes to point out: America remains a European power, and Europeans should not believe that the American presence can be removed so easily.

At the same time, the US is relaxed about the Europeans taking more responsibility for their own defense, building up the Western European Union as a pillar within the alliance.

This marks a shift from the Bush administration, which was wary about Franco-German plans to introduce a "Euro-corps" and hostile toward ideas of a separate "European caucus" within NATO. The more relevant question today is how to maintain the alliance's core defense at a time of rapid cuts in defense spending.

The other key issue facing the alliance is whether to extend NATO's collective defense and security arrangements to its eastern and southern borders in order to head off the seeds of future conflict on the continent.

The best case for such an activist role appears in an article in the winter edition of *Foreign Affairs*, written by Ronald Asmus, Richard Kugler, and Stephen Larrabee, three senior analysts at Rand Corporation.

The authors call for a new "strategic bargain" to project democracy and stability into the twin arcs of crisis. NATO, they believe, is ideal for the role because it has an established chain of command; it possesses proven logistics and an effective arsenal; and the US remains involved in a lead role.

By contrast, the European Union has so far shown itself unable to assume such a task, not least because of the near impossibility of achieving a consensus on military action. This inherent paralysis is doubly true of the 53-nation Conference on Security and Cooperation in Europe. "The simple fact is that if NATO does not address the primary security challenges facing Europe today, it will become increasingly irrelevant. NATO must go out of area or it will go out of business," the authors say.

Such sentiments were music to the ears of Central and Eastern European nations, who remain fearful of a resurgence of Russian nationalism and are desperate for credible security.

President Vaclav Havel of the Czech Republic, now a convert to NATO membership for his country, wrote recently in *Die Zeit* newspaper in Germany that the West had an obligation to extend its security blanket. The Czech Republic, Hungary, Poland, and Slovakia always belonged to Western Europe and should be treated as such.

More than two years ago, NATO tried to assuage these fears by inviting the emerging democracies to join a new organization called the North Atlantic Cooperation Council, which provides for military contacts and a new program of cooperation on peace-keeping. But the East Europeans fret that NACC is second-class NATO membership by any other name.

The counter-argument is that to take in some of the Central and East Europeans would intensify the insecurity of those who are left out. The Baltic states are bristling with nuclear warheads. But the biggest obstacle of all remains Russia. Although President Boris Yeltsin appeared to open the door to a Polish application to join NATO last August, he soon backtracked, apparently in deference to the Russian army, which continues to view NATO as the old enemy.

A subsequent letter from Moscow proposing that Russia and NATO jointly guarantee the security of Eastern Europe aroused further concern because it looked like an attempt to redivide the continent between two clear spheres of influence, a kind of Yalta Two.

The most likely outcome in January is that NATO leaders will offer a "security partnership" to all European states, including Russia, Ukraine, and possibly other former Soviet republics. These agreements would beef up contacts between senior officers through military training programs and even joint maneuvers. But they would not include the commitment on NATO's part to come to the partners' defense in the event of an outside attack. At most, it would include a commitment to call a consultation of the council.

Such a proposal would fall somewhat short of Mr. Wörner's ambitions for a commitment to enlarge NATO, but with no timetable and no definite candidates. It would disappoint the East Europeans, but it would at least avoid the bigger risk of offering security guarantees which NATO members would not be willing to fulfill.

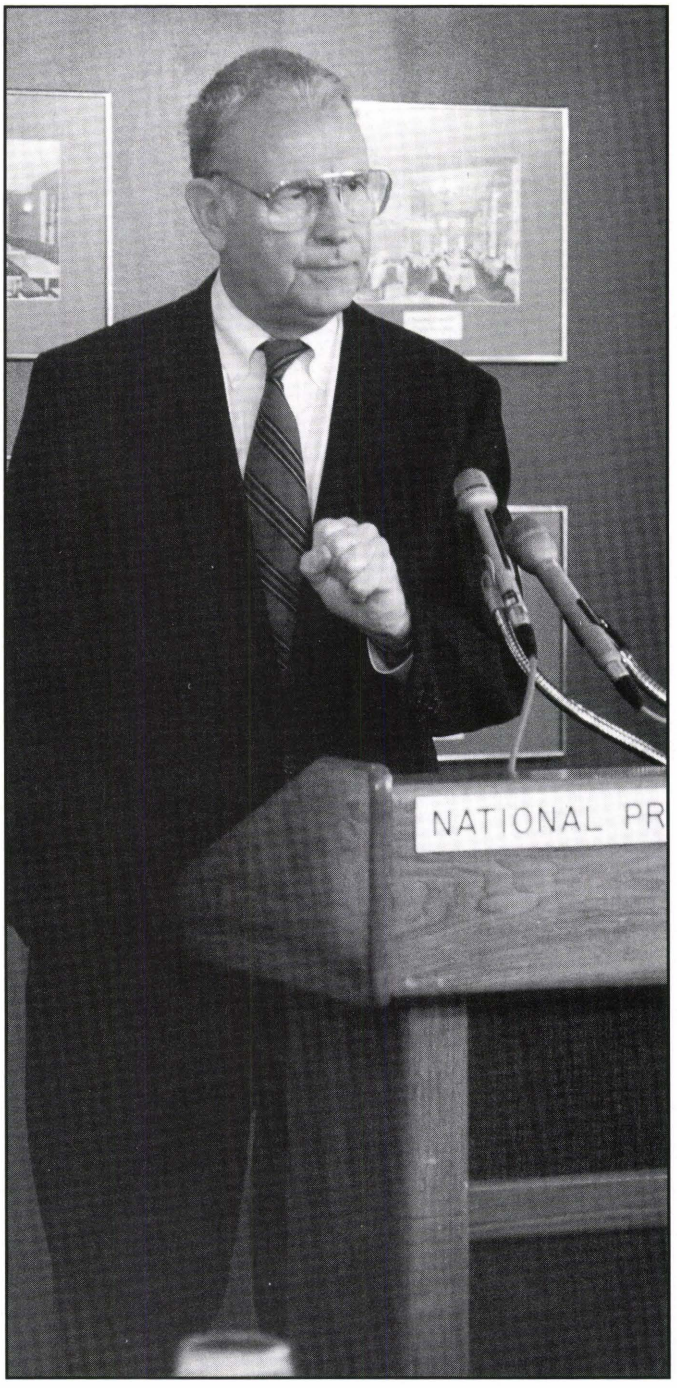
Lionel Barber is a contributing editor for EUROPE *and the Brussels bureau chief for the* Financial Times.

NATO

Chairman of the House Foreign Affairs Committee

Lee Hamilton

Congressman Lee Hamilton, Chairman of the House Foreign Affairs Committee, was the keynote speaker at a recent breakfast hosted by *EUROPE* magazine in Washington, DC. Rep. Hamilton speaks out on NATO and the war in Bosnia, reforming NATO, the future of the alliance, and US-EC relations. [Editor's Note: Rep. Hamilton's remarks were given before the Maastricht Treaty went into force. Therefore, he refers to the European Community rather than the European Union.] Following are excerpts from Rep. Hamilton's speech.



The conventional wisdom today is that Europe is in disarray and that NATO is nearly obsolete, but I would like to offer a more positive—and I believe more accurate—view of Europe and US-EC relations in 1993. Let me begin with three observations that might run contrary to much of the commentary on Europe today. First, I do not believe that Europe is "coming unglued." Europe is facing enormous challenges, but Europe has faced difficult problems before. When economic recovery comes—and it will—there will be renewed progress toward European integration. Second, I reject the conclusion that NATO is threatened with extinction because it did not stop or prevent the war in Bosnia. The demons unleashed today in the former Yugoslavia long pre-date NATO, and have been living just beneath the surface for many years. You cannot judge NATO by a war within the former borders of a non-NATO state. Finally, I do not believe that the American people are about to turn their backs on Europe. The American people want their leaders to address domestic challenges, but they also understand that America has a role to play in the world. They remember that Europe is where wars come from and that American involvement is crucial to its peace and stability. They simply want Europe to help shoulder the costs and responsibilities for peace and stability....

There is an ambivalence in Europe today. On the one hand, Europeans want to take primary responsibility for their own security. On the other hand, Europeans are alarmed when they see the US reducing its presence in Europe. This is not a new phenomenon; tension between US and European leadership has been part of the NATO alliance for decades. But the issues are especially acute today. US troops will be withdrawn to a level of 100,000 in Europe by 1995, yet Europeans have not sorted out new security roles for the CSCE (Council on Security and Cooperation in Europe), the WEU (Western European Union), and the European Community. Upheaval and ethnic conflicts to the east underscore the need for a new approach to security—I think the conflict in Bosnia has raised this security question most starkly.

It would be impossible, of course, to talk about Europe and the US-European relationship without addressing the conflict in the former Yugoslavia. It has weighed heavily on US-European relations for the past two years. It is time to look back and assess how this crisis began and how the West responded. I believe that the US and our European allies failed to deal effectively with the unfolding crisis in Yugoslavia for two principal reasons. First, Europe was deeply divided from the start. Germany, France, and the UK each had major differences due to their historic relationships with the Balkans. You may recall that we began this conflict with fundamentally different approaches on the question of whether the West—and the EC—should recognize Croatia and Slovenia. Second, the crisis came too soon after the dramatic events of 1989—events that overturned the assumptions that were the foundation of US-European security cooperation during the cold war. It was not until the spring of 1991 that Europe-based institutions, including NATO and the CSCE, began to come to grips with the new kinds of crises confronting Europe, such as ethnic conflict and rising nationalism. Yugoslavia's breakup simply came too early and too quickly for these institutions to respond.

"A strong NATO, a strong EC, and a strong Europe are indispensable to US interests in world peace and security."

Since this early period, however, I believe the West has come some distance. We are better able today to respond to a situation such as the one which emerged in the former Yugoslavia in 1991. NATO has made important strides in reforming itself to address the new situation in Europe. It has adjusted its military strategy and reorganized its forces to focus on crisis management and peacekeeping, and it has begun to transcend the old debates about "out-of-area" activities. In addition, the US and Europe have overcome many of their differences on strategy and have agreed on a common approach toward this conflict. Finally, in the past few months, a realistic and indispensable role for NATO in the Yugoslav crisis has taken shape. NATO is now: enforcing the no-fly zone over Bosnia; enforcing, along with the WEU, the embargo along the Adriatic coast; ready to launch air strikes, if necessary, in support of UN peacekeepers carrying out humanitarian purposes in Bosnia; and nearly complete in its planning for the enormous task of implementing whatever UN-EC agreement is finally adopted. All of this is important progress, yet there is no doubt that we were too late to stop the suffering and tragedy in Bosnia. It is also true that the governments of the West and their citizens, including the US, were reluctant to support military intervention at a time when such intervention might have made a difference, and they are still reluctant. This crisis isn't over yet. NATO—and every Western government that is a member of NATO—is still grappling with the Bosnia problem. Lessons will have to wait until we can see the closing chapter in this war....

NATO has been and will continue to be the primary forum for political and military coordination between the US, Canada, and the European allies. Its primary mission remains unchanged: to provide for the collective self-defense of its members. But there are still issues about NATO's future that have to be faced. What is NATO's role in peacekeeping and peace-making outside the boundaries of member states? What about membership for countries in Central and Eastern Europe? These are the tough questions that will have to be answered at the January 10 NATO Summit if that meeting is to be a success. I approach with great caution the question of extending membership to other countries. My sense is that most of our allies would support a statement in January offering eventual NATO membership to Eastern European countries, but few want to talk about specific commitments, or timing, or conditions. France will most likely oppose NATO membership for Poland, Hungary, and the Czech Republic, and most of our allies are as interested in developing the NATO-WEU link as they are in having NATO expand to the East. We also need to approach the issue in a way that does not threaten Russia's security interests. Yet NATO should not be a closed shop; we need to find new opportunities for integrating these countries into the alliance.

NATO should also develop a greater capacity for peacekeeping, peace-making, and crisis management, and develop the capability to act beyond its own borders. It must, however, resist pressure to redefine its mission primarily in terms of addressing ethnic conflict and nationalism in Europe. The new threat of ethnic conflict and instability must be kept in perspective. Bosnia does not present a strategic challenge to European security, and neither do the many ethnic conflicts brewing around the borders of the former Soviet Union. The international community must find ways to respond to these conflicts, and NATO, along with the United Nations and the CSCE, has an important role to play in this area. Instability in the Balkans will be a problem facing Europe and the world community for some time to come. We must try to prevent new outbursts, reduce human suffering, and ensure that aggressors are not rewarded or accepted by the international community. NATO must stand ready to help implement peace settlements where and when they are achieved, and we must work to prevent the spread of violence into neighboring countries. But NATO's primary mission, and the yardstick against which its success is measured, cannot and should not be its ability to defuse these types of conflicts—we cannot ask NATO to solve all of Europe's problems.... ⊜

Redefining NATO

By Reginald Dale

For those people who are concerned about the state of Atlantic relations—and there are still quite a few in Washington—January's NATO Summit is not coming a moment too soon. The Atlantic alliance does not seem to be a high priority for a Clinton administration that has tended to regard foreign policy as an unwelcome distraction from domestic affairs. Those foreign issues that have forced themselves on the administration's attention have not so far included Western Europe. One of the kinder things said about Mr. Clinton's attitude toward his European allies is that it has been one of "benign neglect."

Secretary of State Warren Christopher at the NATO headquarters in Brussels.

The United Kingdom and France, who have been publicly chided for obstructing US objectives in the former Yugoslavia, would probably not agree with the word "benign."

Europeans in general have been upset by comments from leading administration members, including Secretary of State Warren Christopher, who has said that "Western Europe is no longer the dominant area of the world" and that officials in Washington have perhaps been too "Eurocentric" in their approach to international affairs.

Many Clinton administration officials are far from apologetic about such statements. It's high time, they say, that Europe—and Washington's traditional Atlanticists—woke up to the reality that Asia will play as big a role in America's future as Europe, if not a bigger one.

It's certainly true that Washington's Asian partners have had much more attention lavished on them in Mr. Clinton's first year than have the Europeans. Chance decreed that last July's Group of Seven Summit be held in Tokyo and the November summit of the forum for Asia-Pacific Economic Cooperation in Seattle. Trade tensions with Japan—and political-commercial problems with China—have consumed enormous amounts of Washington's

time and energy.

But the Asian summits have actually given the Atlanticists some encouragement, Mr. Clinton paid little attention to the strategic concerns of Asia until his attendance at the summit required him to concentrate on that area of the world. The hope now is that the NATO Summit in January will oblige him to devote similar energy to European problems.

Those problems cannot wait much longer. The end of the cold war has removed NATO's prime purpose and nobody on either side of the Atlantic really knows how to provide the alliance with a fresh sense of mission. If that is not done, the concern in Washington is that public support for NATO will wither away.

Worse, the war in Bosnia has exposed flaws in the alliance's leadership and in its ability to act decisively and effectively—increasing the general sense of puzzlement about what NATO is now actually meant to be for.

With economic concerns replacing security priorities in the United States and in Western Europe, defense budgets are being cut on both sides of the Atlantic, and domestic pressure is mounting on the United States to radically reduce its military presence in Europe.

That leaves the Europeans with a major dilemma—if they press ahead with trying to build their own defense arrangements, they risk accelerating the departure of US forces. But if they delay, they may be left with no defenses. The longer the Europeans wait to create a new security system, the less likely it is to involve serious US participation.

Washington expects its "Partnership for Peace" proposal to be the centerpiece of the January summit.

The old arguments between France, which wants to hasten the US departure and build European defenses, and Germany and the UK, which want to keep the United States engaged, are far from resolved. And that translates into continuing European discussions over how much American leadership is necessary or desirable.

With US-EU, and particularly US-French, trade disputes further souring the climate, there's a growing feeling on Capitol Hill that the Europeans are less and less worthy of receiving such a major share of the US defense budget. And it's obvious that American public opinion is in an increasingly inward-looking mood.

But the most pressing political challenge of all is what to do about the countries of the former Warsaw Pact, who until recently were NATO's enemies—and thus its raison d'être—but who are now clamoring to join the alliance.

Washington believes those demands need an early answer for two reasons. First, something needs to be done to fill the security vacuum in a still volatile Eastern Europe that is clearly prone to economic and social strains, nationalism, and ethnic strife.

Secondly, there is the hope that by getting a new relationship with the former Warsaw Pact countries the alliance could help to define a useful future role for itself. That will be essential if the United States wants to maintain any degree of leadership in Europe. If NATO's influence declines, so does that of the United States.

The problem, however, is that few American policymakers believe the time has come to grant the Eastern and Central European countries full membership. "We have to be sure they can make a solid security contribution to the alliance and don't start fighting each other," says one US official. Also, other American officials say, the alliance must not start taking on security guarantees that it may be unable to fulfill.

Even if the more obvious candidates—Hungary, Poland, and the Czech Republic—were admitted, nobody in Washington can yet see Russia as a member. And yet Moscow has said that it will only tolerate Eastern European membership if it can join at the same time.

So the dilemma for Washington has become how to keep the Eastern European countries happy—by not rebuffing them—while not alarming Moscow by suggesting that they will soon become members of the alliance. If the Eastern Europeans joined without Moscow, many Russians—especially in the military—would see that as a threat to their own security.

It would be amazing to find Washington unanimous on the answer to such a question, and it isn't. The State Department is inclined to go rather faster than the Pentagon in admitting the former Warsaw Pact countries.

But a compromise has been reached that seems to be more or less acceptable to everyone in Washington—and to the Europeans. It's called "Partnership for Peace," and Washington expects it to be the centerpiece of the January summit.

The idea is to offer non-member European countries participation in a broad range of NATO activities while waiting for full membership at an indeterminate future date. The principle of full membership would be accepted, but the timing and the criteria for admission would be fudged.

The offer would be made to all former Warsaw Pact countries and former Soviet republics, including Russia, as well as to traditionally neutral countries like Sweden, Finland, Austria, and Switzerland.

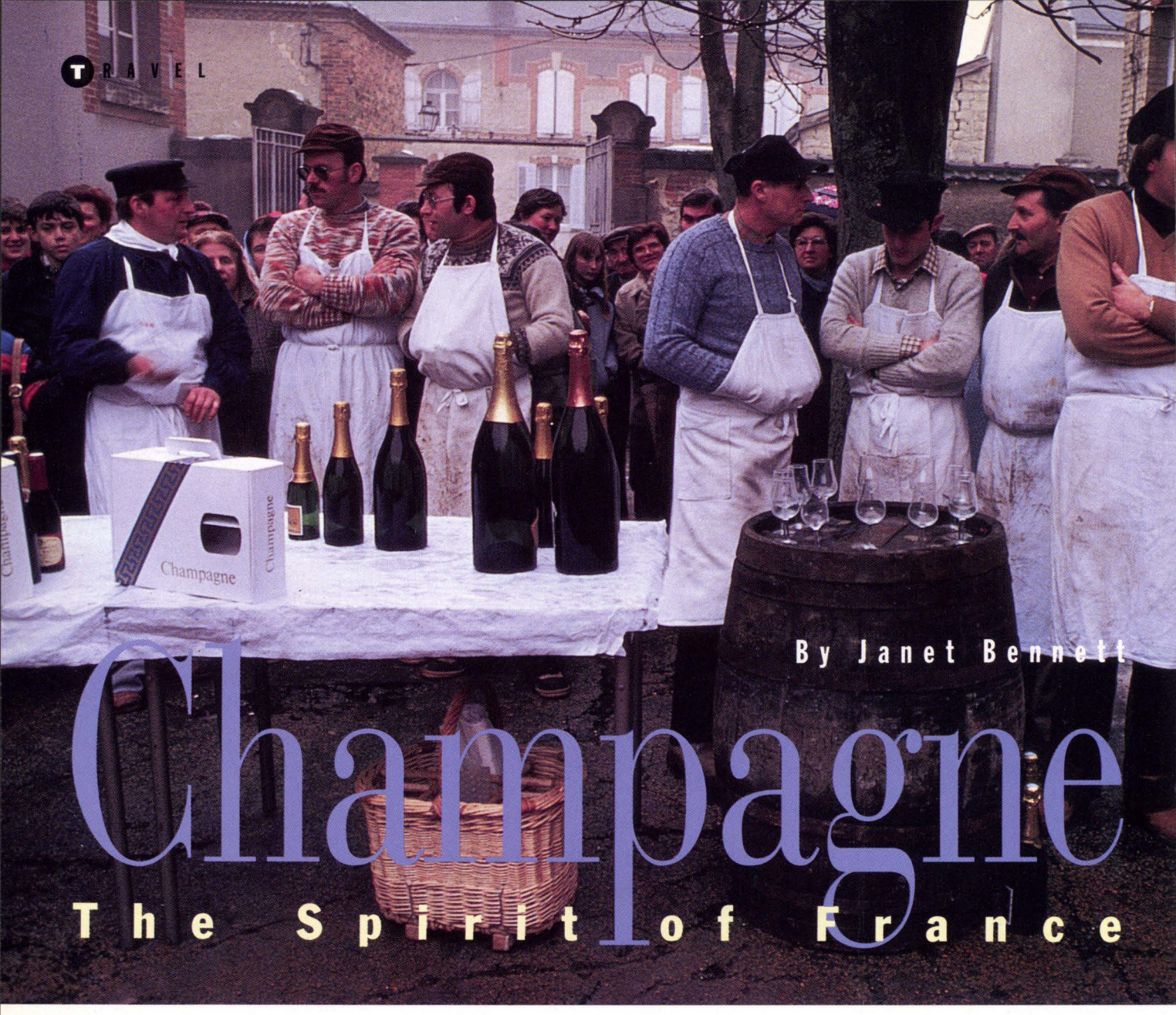
"Partners" would join in alliance projects from training to peacekeeping missions, to relief operations and crisis management. In return, they would be asked to share information about their defense plans and budgets, and maintain clear civilian control over their militaries.

Mr. Christopher says the proposal would "qualitatively transform NATO's relations with the new democracies of the East." US officials have taken to stressing the "inclusionary" nature of the proposal in the hope that the East Europeans will feel less rejected.

The proposal, however, won't solve all the alliance's problems. It still won't be clear who or what the alliance is meant to be defending its members against. It probably won't satisfy the most ardent membership candidates like Poland, Hungary, and the Czech Republic; and it may not assuage the suspicions of Russian hard-liners.

The proposal does not address the reasons for NATO's failure in Bosnia or the longer term questions of American leadership of the alliance. But if it induces Mr. Clinton to spend a little of his time worrying about Europe, it will at least be a step in the right direction.

—Reginald Dale



By Janet Bennett

Champagne

The Spirit of France

The sure-fire cure for post-Christmas blues is to leave home immediately after the presents have been unwrapped and head for the hills to celebrate the New Year. I know of no better hills for escape than those about two hours east of Paris—those gentle slopes where the grapes are grown to make the most sublime drink of all—Champagne.

The two major cities of France's Champagne region (which is the only place the wine produced can be legally called Champagne) are Reims and Epernay.

Reims has many attractions above ground as well as below. The city, which dates back to Roman times, is world-famous for its cathedral, the old-age coronation site of French kings, including Charles VII, brought here in 1429 by Joan of Arc. The facade of Notre Dame is one of the most beautiful in France; it's best seen in the soft glow of afternoon light. Take special note of the sculptural masterpiece, the Laughing Angel, above the north left door. Equally remarkable are the stained glass windows, particularly the 13th century rose window and those in the apse painted by Marc Chagall in the 1970s. The latter are striking for their luminous blue and subject matter—the story of the Old Testament on the left; the New Testament on the right.

The cathedral was badly damaged during World War I. Today, pollution is a constant threat to its fabric. Consequently, restoration is a continuing process and may block some views.

Next-door to Notre Dame is the Palais du Tau, which got its name because the building is in the shape of the letter "t". The former archbishop's palace contains a display of 17th century tapestries and coronation robes. Two blocks away the Musée des Beaux-Arts has a large collection of Corots and a famous Jacques-Louis David portrait of Marat, a leader of the French Revolution who was stabbed to death in his bathtub. Nearby is the 11th century Basilique St. Rémi, dedicated to the saint for whom the city is named. Be sure to look

at the original 12th century stained glass in the ethereal Gothic choir.

Reims also holds its place in modern history. The city was home to Eisenhower's headquarters during the latter part of World War II. On rue Franklin Roosevelt, the "War Room," where the Germans signed their surrender on May 7, 1945, remains unchanged to this day.

Located several blocks away around the rue du Champs-de-Mars are many of Reims' biggest Champagne houses, with their chalky underground cellars known as *crayères*. Several offer video presentations and free guided tours of their cellars. It is advisable to call ahead for details on times and dates of tours and, in some cases, for reservations.

The Pommery cellars (tel. 33 26 61 62 55) form an impressive maze of underground rooms with connecting tunnels covering an area of 11 miles. In several places, beautiful 19th century bas-reliefs celebrating the delights of Champagne are carved into the walls. Visitors go down a long staircase into this network of chambers and tunnels, where the temperature is perfect for making the "wine of the gods." The free guided tour explains the entire process from how the grapes picked in nearby villages are blended, to how the bottles are slowly rotated by hand, to the two fermentations and how the bottle necks are frozen and then uncorked to pop out unwanted sediment, to finally the addition of some sugar and reserve wine.

Incidentally, Pommery's success was due to Madame Louise Pommery, the widow of its founder, who turned a small winery into a big business. The same is true at Veuve Clicquot-Ponsardin, Nicole Barbe Ponsardin took over the business when her husband François Cliquot died in 1905. Veuve (which means "widow") Clicquot or as she came to be known, La Grande Dame de la Champagne, invented *remuage*, a process which rids champagne of its impurities and makes it transparent. She was also the first of her peers to realize the value of exports and made her wine the toast of the town from Vienna to London. Tours of Veuve Cliquot are by appointment only (tel. 33 26 40 25 42). The cellars of Taittinger (tel. 33 26 85 45 35) are classified as historic monuments; Mumm is one of the only houses that offers free samples (tel. 33 26 49 59 70).

For true luxury and pampering, the place to stay in Reims is Les Crayères (64, boulevard Henry Vasnier, tel. 33 26 82 80 80) diagonally across the boulevard from Pommery headquarters (Louise Pommery herself built Les Crayères in 1904). The 19th century cream-colored château is set in several acres of park land with 100-year-old trees and sweeping lawns. Beige marble, tapestries, and ornate chandeliers dominate the public spaces; the 19 guest suites are large and elegant with baths to match. The three-star Michelin restaurant in this tiny hotel is well worth the splurge. Chef Gérard Boyer is an artist with food. A first course of haricots verts, lobster, truffles, artichokes, and foie gras is sublime as is a smoked salmon dish with cream of caviar. And, of course, there's the phenomenal wine list, which includes 198 Champagnes.

You can see the Champagne vineyards themselves about six miles south of Reims on the Montagne de Reims. Take the opportunity to drive around the wine villages with enchanting names like Verzy, Mailly-Champagne, Ambonnay, and would you believe Bouzy! Here's a chance to stop and sip in a small Champagne house and make a discovery all your own.

Across the Marne River from Reims is Epernay, where the major Champagne houses are located, logically, along the avenue de Champagne. Perhaps the most famous of all is Moët and Chandon, which is linked to the story of Dom Pérignon (1638-1715), a monk in the Benedictine abbey of Hautvillers, who discovered the use of corks, the blending of wines, and the second fermentation process—in other words, Champagne as we know it. Moët's renowned vintage Champagne is named after him. There is a complete guided tour, which is full of anecdotes about famous imbibers such as Madame Pompadour. Second in production after Moët is Mercier (tel. 33 26 54 71 11). Visitors tour its sculpted caves containing one of the world's largest wooden barrels (capacity of 200,000 bottles) in a small train.

A few kilometers north of Epernay, the Royal Champagne (tel. 33 26 52 87 11) is set high on the hill overlooking acres of terraced vineyards. All the rooms are attractively decorated, most with private terraces with great views. The one-star Michelin restaurant, its tables set with white linen, crystal, and candles, deserves its accolades. Both inn and restaurant are superb choices for a romantic New Year's Eve.

Once you've been initiated into the joys of drinking Champagne, don't limit it to special occasions. And think about this: Even the most ordinary occasion will seem special when you mix it with the frothy, bubbly effervescence of this ordinary drink.

Janet Bennett is a journalist based in Washington, DC. Her article, "Europe in the Caribbean," appeared in EUROPE*'s May issue.*

Getting There

Directions: From Brussels by car, follow signs to Paris and A2. Exit A2 for A26 and St. Quentin and Reims (approximately two to three hours).

From Paris by train to Reims, there are eight trains that leave from the Gare de l'Est. Travel time is approximately one hour and 50 minutes. To Epernay, there are 14 trains departing daily from Gare de l'Est. Travel time is approximately one hour and 20 minutes.

Lyon

Profiling France's Seductive "Other" City

By Ester Laushway

WITH PARIS AS THE UNDISPUTED MATRIARCH OF FRANCE, the many charms of Lyon, 280 miles to the southeast, have established her as the seductive "other" city. She is no brainless urban bimbo either. Well-bred, cultivated, bright, and eminently accessible, she woos the heart and mind as well as the body. And should all her attractions fail, no one could resist her cooking. She dishes up the most irresistible, sinfully delicious food in all of France.

Beginnings. Lyon has a pedigree to be proud of, stretching back to 43 BC, when the Romans arrived. Quick to realize the strategic importance of a site lying at the confluence of the Rhône and Saône rivers, they built their Gallic capital there, on the summit of Fourvière hill, and called it Lugdunum. Their 10,000-seat amphitheater has survived in good enough condition to still be used today for summertime performances.

After having been a jewel of the Roman Empire, Lyon's second golden age came during the Renaissance, when she hosted the first trade fairs and became known as a printing and publishing center. Silkmaking began in Lyon at the beginning of the 16th century and has been her trademark industry ever since. In Old Lyon, the most extensive and best-preserved Renaissance district in France, the pastel-hued buildings and inner courtyards are connected by a network of *traboules* (covered passageways). They were built so that the *canuts* (silkworkers) could carry silks between workshops without exposing them to bad weather. Local bistros often list *cervelle de canut* (silkworker's brain) on their menu. Despite its gruesome name, it is nothing cannibalistic—just fresh cheese sprinkled with herbs.

The Romans were quick to recognize the strategic importance of the area lying at the confluence of the Rhône and Saône rivers and built their Gallic capital on the land that is now Lyon.

Business and Industry. Popular lore has it that some of the techniques developed to create Lyon's silks later led to the creation of her new, high-tech industries. It is true that the Concorde's nose was "woven" in Lyon and that Rhône-Poulenc started out manufacturing dyes before it grew into a chemicals and pharmaceuticals giant. The city is also an important producer of nuclear energy and electricity and is an international banking center. A steadily growing list of multinationals like Hewlett-Packard, Black & Decker, ICI, Monsanto, GTE, and Volvo are choosing Lyon as their French base.

What draws all these companies to Lyon is the enticing prospect of being offered big-city amenities and efficiency without big-city costs and stress. Lyon still knows how to stop and smell the roses. Most stores close for the sacred two-hour lunch; quite a few of the restaurants are not open on Sundays; and during the summer the city tends to simply slumber.

Such provincial habits notwithstanding, Lyon managed to lure Interpol away from Paris in 1989 and persuade it to build its austere, ferociously guarded new headquarters on the east bank of the Rhône. One of the latest arrivals is the multilingual satellite television news channel Euronews, Europe's answer to CNN. Since January it has been broadcasting simultaneously in five languages, 20 hours a day, seven days a week, from the premises it inherited ready-made, with room to grow, from Hewlett-Packard.

Lyon works hard for these conquests. ADERLY, the Lyon Area Economic Development Agency, not only promotes the city tirelessly at home and abroad, but the agency also goes out of its way to help newcomers settle in and feel at home.

Sights and Sounds. The best overview of Lyon, and a good starting point for getting to know the city, is up by the Roman remains. On the same hilltop the Basilica of Fourvière looms like an upside-down elephant. On the inside, it is an eruption of Byzantine kitsch, every inch covered with garish mosaics. More restful on the eyes is the majestic architecture of the Gothic Cathedral of Saint-Jean down in the Renaissance district beside the Saône. It houses an amazing 14th century astronomical clock from which a rooster crows at set times of the day to announce the start of an automated show heralding the Annunciation.

The downtown shopping area on the Presqu'île, the peninsula between the two rivers, is dominated by a vast square, the Place Bellecour. It is progressively becoming more and more of a pedestrian precinct, with lots of chic boutiques, cafés, movie theaters, and underground parking lots to encourage drivers to get out from behind the wheel. As a further incentive to walk, Lyon's mayor Michel Noir has had the traffic flow completely changed, resulting in a lot of people driving around in circles, muttering dark curses.

The object of a few more curses has been Lyon's newly renovated Opera, which stands downtown opposite the gilded splendor of the 17th century Hôtel de Ville. Architect Jean Nouvel gutted the interior, keeping only the handsome Classical facade. He expanded it upward and downward, with a huge glass dome on top, and six levels below ground. He created a suspended, larger main theater, added a subterranean amphitheater, and decorated everything, including the washrooms, in deepest black. Apparently he was after a tunnel effect, with the stage as the light at the end. Not everyone admires the results of his tunnel vision.

Lyon also possesses a modern, but less controversial, concert hall, the Maurice Ravel Auditorium, home of the Lyon National Orchestra, one of France's best. The Maison de la Danse is a full-time venue for visiting dance companies and every two years plays host to an international dance festival.

Pleasures of the Table. However much there is to delight the ears and eyes, it is the taste buds that Lyon is guaranteed to set aquiver. She has been crowned with more Michelin stars than any other city in France. Her cuisine runs the gastronomic gamut from simple to sublime, all of it based on top-quality regional ingredients.

For robust appetites there are local specialties like *salade lyonnaise* (escarole with crisp bacon bits and a poached egg) and *andouillette* (tripe sausage—delicious, really!) served with a glass of Beaujolais or Côtes du Rhône in the small, reasonable neighborhood restaurants known as *bouchons*. Le Bistrot de la Mère and Le Bouchon aux Vins are two of the most popular, but any of them are worth a visit. At the top end of the scale, where cooking becomes an art form, are brilliant young chefs like Philippe Chavent at La Tour Rose who is constantly inventing dishes that are as delectable to look at as they are to eat. Le Passage B is a favorite address for local executives never too busy to have an aperitif in the bar, which is decorated like a theater, and then linger over a delicately roasted *foie de canard* (duck liver). And north of Lyon presides the world's most worshipped chef, Paul Bocuse, whose exquisite creations, like *soupe aux truffes noires* (black truffle soup) are served at dizzying prices to a genuflecting clientele.

VITAL STATISTICS

Location: At the confluence of the Rhône and Saône rivers in southeastern France.
-280 miles from Paris
-270 miles from Strasbourg
-210 miles from Marseille
Population: 1,200,000
Access:
By air: Satolas Airport (serviced by 25 airlines, including Air Canada, British Airways, Lufthansa, and, of course, Air France, with direct flights all over Europe and to Canada)
Passenger Information: (33) 72 22 72 21
By rail: Part Dieu and Perrache stations (hourly TGV high-speed trains to Paris)
Passenger Information: (33) 78 92 50 50
By road: at the intersection of four major European highways:
- the A6 to Paris and the North
- the A7 to the Mediterranean
- the A43 to the French Alps
- the A42 to Switzerland

Contacts:
For business: ADERLY (Lyon Area Economic Development Agency). In Lyon: Tel. (33) 72 40 57 50; Fax (33) 72 40 57 35. In NYC: Tel. (212) 697-5156; Fax (212) 557-4770.
For pleasure: Lyon Tourist Office (a mine of information available in English; conduct theme tours in 8 different languages): Tel. (33) 78 42 25 75; Fax (33) 78 37 02 06.

A HANDFUL OF:

Hotels:
- La Cour des Loges **** (most beautiful and expensive in Lyon; lovingly restored Renaissance ducal residence with rooftop sauna and swimming pool): Tel: (33) 78 42 75 75.
- Pullman Part-Dieu **** (best view in Lyon, at the top of the Crédit Lyonnais tower locally known as the *crayon*): Tel: (33) 78 63 55 00.
- Sofitel Lyon **** (always reliable, with a panoramic bar): Tel: (33) 72 41 20 20.
- Grand Hôtel Concorde **** (right downtown, recently renovated): Tel: (33) 72 40 45 40.
- Saint Pierre des Terreaux ** (small, peaceful, centrally located, and affordable: Tel: (33) 78 28 24 61.

Restaurants:
- Le Bistrot de la Mère (traditional Lyon cooking, until 1 o'clock in the morning): Tel: (33) 78 42 16 91.
- Le Bouchon aux Vins (perfect for a salad and a glass of wine): Tel: (33) 78 42 88 90.
- La Tour Rose (every dish is an original, but art does have its price!): Tel: (33) 78 37 25 90.
- Le Passage (where CEO's gather to enjoy elegant food beautifully presented): Tel: (33) 78 28 11 16.
- Paul Bocuse (in Collonges-au-Mont-d'Or, four miles north of Lyon, in a bright red, green, and orange building. Fabulous food at corresponding prices): Tel: (33) 78 22 01 40.

Museums:
(all foreign visitors are admitted FREE)
- Museum of Gallo-Roman Civilization (dramatically set into the hillside, with vast windows overlooking the original Roman settlement. Tel: (33) 78 25 94 68.
- Historical Museum of Textiles (showcases the sumptuous silks and brocades that made Lyon famous): Tel: (33) 78 37 15 05.
- Museum of Decorative Arts (next-door to textile museum; period furniture, porcelain, and tapestries in a 1739 mansion). Tel: (33) 78 37 15 05.
- Fine Arts Museum (France's second largest, with an outstanding collection of 19th and 20th century paintings): Tel: (33) 78 28 07 66.
- Puppet Museum (just for fun–features the Guignol puppets, France's Punch and Judy): Tel: (33) 78 42 03 61.

Future Plans. Lyon is planning to make herself an ever more tempting destination in the future by expanding the already extensive road, air, and rail network linking her to the rest of France and Europe. Satolas Airport, just 12 miles from the city, is in the midst of a $400 million expansion program that will double its capacity from 4 to 8 million passengers a year and connect it directly to the TGV high-speed train system.

Downtown Lyon and Paris are already only 2 hours apart by the TGV, which averages 140 mph. By next summer, traveling between the two cities' airports on a train will take only 15 minutes longer than on an airplane. Eventually, Satolas hopes to become the gateway to the South, with TGV links to Milan and Barcelona, and charter flights to sunny destinations.

The recession has forced Lyon to tighten her belt like everyone else, and some of her projects, like the airport upgrade and the buildings of a new international conference center, La Cité Internationale, are taking longer to complete than initially planned. But the future looks bright. As a place that is friendly, easy to reach, eager to do business and enjoyable to live in, Lyon is one of Europe's regional cities (Milan and Munich are two others) that is becoming a highly attractive alternative to the continent's overcrowded and overpriced capitals.

Ester Laushway is EUROPE*'s Paris correspondent.*

Letter from

Lillehammer

If Olympic medals were awarded for environmental protection, Norway would walk away with a green one. In planning for the 1994 Winter Olympics in Lillehammer, the Norwegian government has taken every precaution to ensure the games cause as little impact on the environment as possible. Norwegian Prime Minister Gro Harlem Brundtland, a longtime environmentalist, defined the goal of organizing such an event. "We have a clear ambition to make the Lillehammer Games a shining example of how environmental concerns can be integrated in the implementation of a major project," she said. "The usual message of the sports movement against war and discord must be expanded to include a committed struggle against environmental destruction."

The Hamar Olympic Hall, resembling an inverted Viking ship, has already achieved landmark status in Norway.

In 1988, when the International Olympic Committee announced that Lillehammer was to be the site of the 1994 Winter Games, a number of the town's residents were opposed to the idea. They feared their small town would be lost forever in the rapid development that would surely precede the games. Taking these fears to heart, Lillehammer officials have paid special attention to preserving the small-town feel and the natural beauty of the region. All Olympic architecture has been carefully designed so as not to overshadow Norway's beautiful natural and cultural landscapes, and few complaints have arisen since construction began.

Special measures have been taken to ensure that the goals of architectural minimalism and Olympic functionalism are simultaneously met. The Gjøvik Olympic Cavern Hall is situated 120 meters inside a mountain. To construct the multipurpose venue, 140,000 cubic meters of rock needed to be blasted out of the mountain at the cost of $18.5 million. The energy-efficient Cavern Hall, the world's largest public arena built inside a mountain, has attracted much international attention and stands as an example of Norwegian mountain engineering technology. During the construction of the Lysgårdsbakkene ski jump, great emphasis was placed on ensuring that the ramps blended in with the natural surroundings. The completed ramp cannot be seen from the approaching highway and boasts a natural amphitheater at the bottom that will house the opening and closing ceremonies.

Olympic bobsled tracks have, in the past, become monuments to the overdevelopment of previous host sites. To find the Lillehammer bobsled and luge tracks at Husekogen, however, one will have to follow the directional signs. Instead of the normal elevated track with unsightly cooling pipes running underneath, the track was built down into the mountain with a pipe system underneath. Not only does this make the track invisible, it ensures a much higher degree of safety. Lillehammer Olympic officials also ruled out cooling the track with harmful chlorofluorocarbons (CFCs), which are known to damage the ozone layer. An ammonia based coolant will be used instead.

To further promote environmental preservation throughout the construction sites, organizers have marked precious trees in these areas. Steep fines of $50,000 per tree await construction companies that cut them down.

Sensitivity to Norwegian cultural heritage was also considered when developing Olympic venues. The Hamar Olympic Hall, which is to be used for Olympic speed skating competitions, has already achieved landmark status in Norway. Based on traditional Scandinavian designs, the Hamar Hall resembles an inverted Viking ship. Constructed on the site of an ancient Viking shipyard, the arena has drawn architectural comparisons to the Eiffel Tower and has had over 100,000 visitors in 1993.

Lillehammer officials boast that their games are the most compact in recent history, with none of the ten arenas being more that 56 kilometers from the town center. This does not mean, however, that the environmental impact of transportation has been overlooked. The Norwegian oil company, Statoil, one of the major sponsors of the games, has developed a cleaner-burning diesel fuel that will be available for consumption by 1994. The thousands of spectators will be able to ride public transportation 24 hours a day by special trains and buses, in an effort to reduce the number of motorists on the roadways sur-

rounding Lillehammer.

Lillehammer officials are also taking other special measures to ensure the protection of the native animal population. In a special effort to save wild elk, Norwegian Rail authorities are establishing special food drops at strategic distances from its tracks in the Olympic region. Not only does this plan help protect the elks by keeping them from wandering onto the tracks, but it will keep trains running on time as a single elk-train collision could cause hours of delays. The traditional doves released at the opening ceremonies will be replaced by 200 special weather-hardened pigeons trained by the Mjøsen Pigeon Fanciers Club to fly 15 kilometers back to their home base. It was feared by animal rights activists that Norway's frigid temperatures would not allow the doves to survive in the wild. Yet Norway is still coming under fire by some animal rights activists, namely those who want to save the whales. The Lillehammer Olympic Committee is receiving letters, mainly from the US, voicing concern over Norway's decision to end its whaling moratorium. Protesters are looking for a boycott of the games by athletes and television viewers. Olympic organizers feel the issue will die down by the start of the games, however.

Nothing has been overlooked in making certain that these are indeed the "green games," right down to the very dishes people will be eating on. Made from a potato based substance, the plates and cutlery will be fed to pigs or composted after their human use is complete. E

—Michael J. Panetta

CAPITALS

AN OVERVIEW OF CURRENT AFFAIRS IN EUROPE'S CAPITALS

BERLIN

LOOKING TOWARD ELECTIONS

Rudolf Scharping, 45, the bearded leader of the opposition Social Democratic Party and Chancellor Kohl's challenger, is busy consolidating his position and raising his public profile. Last June, in the first grassroots party elections, 40 percent of the members voted in favor of Rudolf Scharping, the Premier of Rhineland-Palatinate. There has never been such a grassroots election in the history of modern parties, and this has considerably improved the image of the Social Democrats, who were locked in inner party debates and floundering in the opinion polls. "June 13," Scharping says, "was a great relief and a potential turning point. Now we must try to use this new enthusiasm." As was to be expected, Scharping was confirmed as Party Chairman by a special party congress on June 25 with a handsome majority of 362 votes (out of 462).

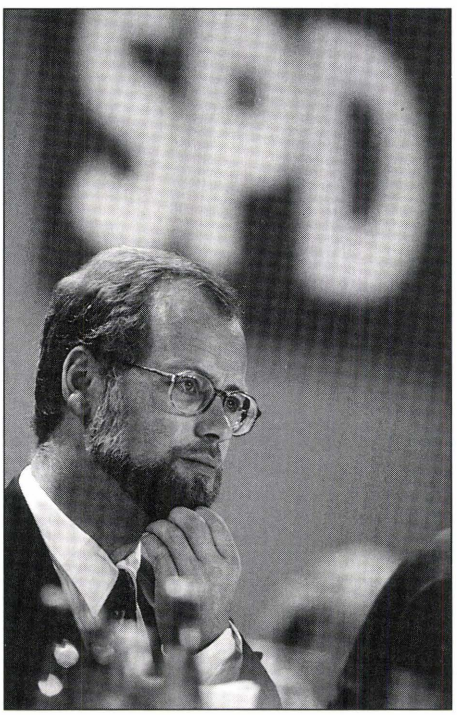
Scharping is satisfied with himself and the party with him—for the time being at any rate. But the German media is torn between finding him "dull, colorless, inexperienced" and "deliberate, reliable, calculable." "I'm not a bureaucrat," says Scharping, who sees himself as "open, resolute, tolerant, and patient." He hopes that he will succeed in not taking himself too seriously.

Scharping is certainly not a persuasive or impressive speaker, but when Helmut Kohl became Chancellor in 1982 his rhetorical shortcomings were also ridiculed. Many will also remember that when Hans-Dietrich Genscher in his early political career took the rostrum, deputies would leave the Parliament hall. They found him boring. So should the young challenger be blamed for not having charisma? Chancellor Kohl's prestige grew with German unification, and Genscher's ingenuity grew to miraculous heights in public opinion after he stepped down as Foreign Minister. The new man at the top of the Social Democratic Party is still seeking his own style. Chancellor Kohl has already sensed that this young contender has the potential to grow.

During his maiden speech in Parliament, many expected that Scharping would fiercely attack the Chancellor, but he refrained from personal animosity. He does not underestimate Kohl (as Kohl's challenger Oskar Lafontaine did in the 1990 elections), and unlike his predecessor Björn Engholm, Scharping is seeking a direct dialogue with Chancellor Kohl and doesn't mind being compared with the "young Kohl" of the late 1970s. Kohl was also Premier of the State North-Rhine Palatinate and had to fight for respect from Helmut Schmidt, SPD, who was Chancellor then. But here the similarities end. While Scharping in his maiden speech dealt mainly with social and economic problems, the Chancellor in his reply presented himself in his pet role as an esteemed counselor ("not only for our European neighbors") and a world figure. The Chancellor was mild with Scharping. He was relaxed, sarcastic, and demonstrated a high degree of self-confidence. He didn't try to minimize the problems and his conclusion was identical to Scharping's: Germans cannot afford to live beyond their means. *Süddeutsche Zeitung* concluded that the Chancellor's answer to his challenger was "I am a man of the world; you are a man from the provinces."

We can expect more of the same in 1994—with 19 local, state, and national elections. Kohl can be expected to remind the voters of his merits as German and European unity architect and, at most, will admit to marginal policy miscalculations under his leadership. The young challenger Scharping can be expected to expound on his message of social justice and to "launch a crusade" based on the public's seeming disenchantment with politics. There will be no personal defamation between Kohl and Scharping. However, as the SPD's late ideologist Herbert Wehner once said; "We shall

Rudolf Scharping is the leader of Germany's opposition Social Democratic Party.



know more when the votes are counted." National elections will be held in October 1994.

—Wanda Menke-Glückert

ATHENS

BACK IN WITH THE OLD

Veteran Socialist leader Andreas Papandreou defeated old-time rival conservative Prime Minister Constantine Mitsotakis in recent national elections. Papandreou, 74, was Prime Minister of Greece from 1981–1989. Voters overwhelmingly returned Papandreou to the top post by giving his Socialist (PASOK) party 46.9 percent of the vote and 170 seats in the 300 seat assembly.

Andreas Papandreou, Greece's veteran Socialist leader, returns to power at age 74.

For his cabinet, Papandreou is selecting close associates and his former government's officials instead of younger party officials. His choice for the country's top economic post is Giorgos Gennimatas, who held the post in 1989. "Gennimatas is one of the most popular politicians, and we want this kind of person in the Economy Ministry," said a party official. "He knows his numbers well, and he is accepted by both the public sector and the business community." However some see Gennimatas' appointment as proof that Papandreou cares more about political motives than economic realities. Although he is very popular, the new minister is not that experienced in economic matters. A younger economist, Yanos Papantoniou, will serve as a deputy minister and will probably represent Greece at EU meetings.

On the economic front, Papandreou is changing course from the Mitsotakis administration. Plans to privatize the Greek telecommunications company, OTE, by selling off 49 percent of the company's stock were canceled by Papandreou days after the election. Critics charge that such actions will scare off foreign investors who will fear for the stability of their investments.

Karolos Papoulias, an attorney, will resume his post as Greece's Foreign Minister. Topping Papoulias' agenda will be smoothing over relations with Greece's neighbor, Albania. Under Mitsotakis, thousands of illegal Albanian workers were expelled from Greece, and his government blasted Tirana over the alleged harsh treatment of the Greek minority in southern Albania.

In an effort to get off to a good start with his EU partners, a powerful sub-ministry for EU Affairs will be set up under Papoulias in the Foreign Ministry. Theodore Pangalos, who was in charge of EU Affairs previously under Papandreou, is returning to the post, but he will have greater authority this time, according to Socialist Party officials.

A former Economy Minister, Gerassimos Arsenis, is the new Defense Minister. Actress Melina Mercouri will once again be Cultural Minister, and Papandreou's personal doctor, George Kremastinos, will resume his Minister of Health position.

Papandreou's political comeback comes as a personal triumph. He must deliver the kind of economic growth that developed under his first term, but with growing unemployment and a debt growing to $13 billion, it may take some help from the gods to deliver such results.

—Michael J. Panetta

AMSTERDAM

GERMANY DISCOVERS DUTCH WRITERS

German interest for what is happening in Dutch literature is booming. While postwar German authors found a ready readership in the Netherlands, Dutch writers were simply ignored in Germany. All that has changed. The "Dutch wave" that is currently fashionable in German literary circles has already been compared to the popularity of Latin American writers in the 1970s.

In October, one of the world's largest and most prestigious book fairs, the Frankfurter Buchmesse, was dedicated to Dutch and Flemish literature. Curiously, when the organizers proposed this focus on Dutch and Flemish writers two years ago, both the Dutch government and publishing houses were reluctant to support such an event. The Flemish regional government was more forthcoming, but lacked funds.

It has been the accomplishment of Dutch authors and of a few German literary critics that the books from the Low Lands made such an impact at the Frankfurt Buchmesse. Dutch literature was called the "best and the strongest that is currently available in Europe" by German publishers.

Cees Nooteboom, Hella Haasse, and Harry Mulisch are the best-known Dutch authors in Germany. Their books received exuberant critiques and their translations are being sold in large quantities. They are followed by a younger generation of writers, like Margriet de Moor. Typically, "Dutch" authors like Gerard Reve, Maarten 't Hart, and the well-known Flemish author Hugo Claus are less successful on the German market.

One of Germany's most renowned and feared critics Marcel Reich-Ranicki, has suggested that Cees Nooteboom ought to be nominated for the Nobel Prize for Literature. This writer of travel books and novels with a light touch of romanticism has become the best-selling Dutch author on the German market. Not only his most recent book, *How to Become a European*, but also his earlier writings have been translated. The well-known German publisher Edition Suhrkamp carries 11 titles of Nooteboom's. Harry Mulisch, author of voluminous mythological novels and his latest book, *The Discovery of the World*, and Hella Haasse's historic novels are also finding a willing readership among Germans.

It's hard to detect the reason for the sudden popularity of Dutch writers. One German publisher says it's due to the fantastic way Dutch authors treat reality. "They are more linked to their cultural roots and that is the source of their fantasy, whether it is based on reality, historic events, or mythical reality, German authors are simply more metaphysical," he said. Considering the closely related cultures of the Netherlands and Germany, it remains remarkable. After all, "Dutch" and "Deutsch" have exactly the same roots.

—Roel Janssen

COPENHAGEN

EXPENSIVE ISLANDS

The statistics are in line with those from Eastern Europe. From 1986 to 1993, the GDP (gross domestic product) has dropped by one quarter, and only an exodus of one tenth of the population has prevented unemployment from climbing higher than the 20 percent it is today.

But these statistics relate to the Faeroe Islands, an Atlantic archipelago positioned between Scotland and Iceland and a part of the Kingdom of Denmark, something that the Danish tax-payer is now acutely aware of. To prevent a total economic collapse, the Danish government has had to shore up the banking sector and the local government with guarantees and cash.

Strongly nationalist, the self-ruling islanders have their own language, flag, and bank notes (but based on the Danish currency). They have also excluded themselves from Danish military service, and they did not join the European Community, as they would not accept the common fisheries policy. Yet they elect two members to the Danish Parliament, often pivotal votes for Danish governments, and they rely on Danish public funds to maintain their welfare state and educational system.

Thorshavn is the biggest town in the Faeroe Islands and with its 11,000 residents is the smallest capital in the world.

The government insists that the package this fall is the last, but most independent economists are less optimistic. The Faeroe Islanders had one of the world's highest living standards in the 1980s—much higher than Denmark—based on plentiful catches in the then rich waters around the island plus borrowed money. The public sector provided even very small communities on the island with not only top-grade roads but also extremely costly tunnels.

Despite the fact that the fishing zone around the islands was reserved for the islanders, they indulged in overfishing, literally removing their own livelihood. To compound the problem, the small catches have to be sold at much lower world market prices than in the 1980s. Many simply leave their boats and houses and move to Denmark.

This in effect forces the Danish government to strike a balance between present and future hardship for the islands. Severe limits on future public spending have been imposed, amounting to the equivalent of a strict International Monetary Fund austerity program in Eastern Europe. But the islanders have an option the East Europeans do not have: They can leave for the relative comfort of the Danish welfare state.

Some hope there will be no future hardship. Oil and gas may be found in the territorial waters of the islands, such a discovery has been made in adjacent British waters. But this is still just a hope. If it materializes, few Danes expect that Denmark will be called in to share the fruits, whatever the level of present assistance.

—Leif Beck Fallesen

DUBLIN

NATIONAL DEVELOPMENT PLAN

What has been described as "the biggest development project ever seen in the history of the State" will be the blueprint for Ireland's economic progress between now and the end of the century. The quotation is from the speech of the Taoiseach, Albert Reynolds, when he launched a 213-page document with a glossy green cover entitled "Ireland-National Development Plan 1994–1999."

The document sets out in detail how the government has decided to spend $28 billion over the next six years. EC funding will provide $11 billion of this and be the catalyst to attract $17 billion in further investment from the state and the private sector. While money will thus be poured into industries, agriculture, transport infrastructure, vocational training, and tourism, the success of the plan will not be judged on how many bridges and motorways are constructed but on how it will meet its job creation target of 200,000.

It is acknowledged that if such a massive injection of funding cannot dent the country's chronic unemployment crisis, then the outlook for the next century is dismal as an enlarged EC will probably never again be able to devote such a large proportion of its structural aid to Ireland. The last five-year EC aid package for Ireland, now ending, produced record annual growth of 5 percent, high export earnings, and low inflation but only 41,000 more net jobs. Unemployment hit new peaks as job creation fell far behind the numbers coming on the market each year between school-leavers, those leaving agriculture, and returning emigrants.

Even with this new plan, the 200,000 new jobs target could end up as low as 58,000 net jobs under a "worst case scenario." However, the emphasis is on the good news aspect, and there is no doubt that much of the country's industrial base, transportation systems, and tourism facilities will be transformed with the unprecedented capital investment. The plan has been sent to the European Commission in Brussels where its detailed operational projects will have to be vetted to see if they conform with the strict criteria laid down for such funding.

One aspect which has yet to be spelled out is cross-border cooperation under the EU's INTERREG program. Under the previous plan, numerous projects enhancing facilities in border areas between the Republic and Northern Ireland were started, the most spectacular being the restoration of a nav-

igation link between the Shannon and Erne river systems. More funding is now available for the further strengthening of contacts between the local communities on both sides of a meandering border, and the fervent hope is that there can be comparable progress in political dialogue to bring peace to areas badly hit by the "troubles" now going on for 25 years.

The restoration of peace and the economic aid packages for Ireland, north and south, would mean a transformed Ireland entering the 21st century.

—Joe Carroll

BRUSSELS

MEXICAN EUROPALIA

If you want to know all there is to know about Mexico, its peoples, its art, and its history, the place to be this winter is in Brussels. The twelfth Europalia festival, held every two years in the "Capital of Europe," is devoted to the southern neighbor of the United States.

Designed initially to inform the Belgian public about the cultures of their fellow EU members, the festivals have grown steadily in size, scope, and influence. Starting in 1969, the programs, sponsored by private corporations, governments, and a relatively modest financial contribution from the European Commission, have been organized by the Foundation Europalia International.

Eventually, it started to run out of EU countries to show off their artistic wares. Only Denmark, Ireland, and Luxembourg of the present 12 members have not yet done so, so the foundation decided to invite other countries to participate.

The first to do so was Austria, which in 1987 mounted a prestigious program as a backdrop to its subsequent application for EU membership. Japan, two years later, was the first non-European country to participate, and there were many who doubted whether there would be much public demand for a country whose culture was little-known in Europe. It was, however, a thunderous success, with 1.7 million people attending the events, many of them traveling from neighboring EU countries.

The Mexican program, though less extensive, looks as if it will attract at least as many spectators. Altogether, it includes some 15 exhibitions, 50 concerts, three major theater productions, a dozen literary conferences, a ballet tour, 100 films, and a colorful musical, *Fiesta Popular*. For the first time, some of the events are being held outside Belgium, in Paris, Rotterdam, Frankfurt, and Luxembourg. The central exhibition, *The Eagle and the Sun*, representing 3,000 years of Mexican art, is drawing packed attendances at the Palais des Beaux Arts in Brussels.

The EU's contribution amounts to about $90,000, less than 1 percent of the total budget, which is being met almost equally from Mexican and Belgian sources. The next Europalia, with Switzerland in the frame, was scheduled for 1995. Unfortunately, the Swiss, stunned by their voters' rejection of the European Economic Area, have reluctantly withdrawn, leaving too little time for another nation to

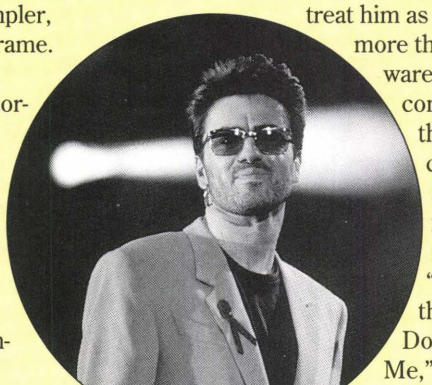
NEWSMAKERS

Never scared to fly in the face of convention, Virgin boss **Richard Branson** has asked Airbus Industrie if they could design a plane without windows. Instead of the present scratched and misty portholes that passengers peer through (usually when others are trying to watch the in-flight movie), Branson would like to have individual screens set into the wall, which would transmit various views of the world outside. "People could choose what they wanted to see," says Branson, "be it a mountain on the left or seascapes on the right, rather than just eight hours of cloud." If the scenery is not exciting enough or the weather bad, a video with scenic highlights from previous flights could be shown.

Windows have always been a structural weak point in airplanes and have to be changed every ten months to avoid any possibility of metal fatigue stress lines developing. Windowless airplanes would save a lot of money and make it possible to build a much simpler, lighter airframe.

• • •

In one corner is the British heartthrob **George Michael,** in the other corner, his record company, the Japanese electronics and entertainment giant **Sony**. The singer has taken Sony to court because he wants out of his contract and wants to reclaim ownership of his back catalogue. If he wins the battle, which got underway in the British High Court in October and is likely to drag on for several months, the $29 billion international music industry could be changed forever.



George Michael

Michael claims that since Sony took over his label, CBS Records, in 1988, they have developed "hard-sell, high-profile sales techniques" and treat him as "little more than software." He has complained that the company at first refused to release "Don't Let the Sun Go Down on Me," his duet with Elton John that later topped the charts in 15 countries. He also accuses Sony of refusing to promote a charity album he made with other singers to raise money for AIDS—in fact, of blocking anything that did not look like making them a profit.

Sony has vowed to defend its rights to the finish, knowing just how much it stands to lose. If Michael is allowed to leave, other pop stars such as **Bruce Springsteen**, **Billy Joel**, **Gloria Estefan**, and **Michael Jackson** might follow. Worse yet, a bidding war might break out among the labels to sign up the singers who had become free agents.

The case could prove to be a watershed for the megabuck music industry. Many analysts are comparing it to the 1950s break-up of Hollywood's studio system, which used to keep film stars in bondage to just one studio for several years.

• • •

When police and explosive experts cordon off a house, the one thing you do not expect to happen is art. Mayhem, destruction—yes—but art? Yet Austrian-born **Wolfgang Flatz** calls himself an artist. His latest performance piece was to blow up a house in Munich, with opera singer **Ina Brox** standing in front of it singing Schumann. He captured it all on video and called it *Démontage XV*.

The first part of his *Démontage* series was in 1987:

step in.

So it will be postponed until 1996, and the organizers are currently considering two bids, one from a group of Scandinavian countries and one from Turkey. The decision will be announced in February. A third candidate had been the former Soviet Union, and it seems likely that Russia will propose itself for the next Europalia but one.

—Dick Leonard

ROME

REVITALIZING THE ECONOMY

Foreigners have more faith in Italians than Italians say they have in themselves. An old story, which is reconfirmed by a new episode: the enormous success in late summer of global bonds, a mega-loan in dollars reserved to foreign investors that had been decided upon by the government of Carlo Azeglio Ciampi. This successful bond issue is a sign that the international financial capitals appreciate Rome's efforts to improve its public accounts.

Naturally, the presence of Ciampi counts for a lot. Ciampi, the former Governor of the Bank of Italy, belongs to no political party and has chosen many officials with economic backgrounds—bankers for the most part but professors as well—to be ministers in his government. But the appreciation and the interest in this "new Italy" date back at least two years to when Socialist Prime Minister Giuliano Amato was in residence in Palazzo Chigi, the government seat. Already then it was clear that the efforts to improve the country's economy and to modify its political system were serious.

Obviously, practical evaluations played an important part in pushing foreign investors into the Italian market. The global bonds, divided into two parts, maturing in 10 and in 30 years and yielding between 6 and 7 percent, are competitive on the international market. But other factors played a role as well. In general, the entire Italian economy is looking up, despite the economic troubles which currently exist in Italy as in other countries in the West (Fiat, which has always been a litmus test of the country's health, has confirmed a 23 percent drop-off in its market share).

On the whole, while the magistrates' investigations into corruption within the party system continue to snowball, many other signals are promising. The devaluation of the lira has re-energized exports, which are experiencing a real boom. And the government is carrying out projects which once would have been unthinkable. The best example is the upcoming privatization of the postal system, a system which has never functioned at competitive levels and which is traditionally symbolic of the inefficiency of the state as entrepreneur. It will be interesting to see what will happen; there are over 14,000 post offices in Italy which carry out not only the typical mail-related work, but economic activities as well, such as postal savings accounts and other small operations. If postal workers take that big step—from the government employee mentality of the guaran-

Brox sang German arias while Flatz destroyed living room furniture with a chainsaw and fire. *Démontage V* had him swinging from the ceiling through a huge plate glass mirror while Brox sang Bellini. For the next one, Flatz did not destroy anything but himself: To the sound of German drinking songs belted out by the faithful Brox, he downed 28 double shots of tequila.

He has been under the watchful eye of the Bavarian police since last year, when he tried to sell a computer virus called "Softkiller." Art-lovers were meant to insert the disk into their computers, where it would proceed to destroy both their hard disk and itself. Flatz still intends to market it. "Because it destroys itself, it is an ideal art form," he explained. "You see only the results, not the work itself."

• • •

European royals have been getting such a lot of bad press lately that it is refreshing to see **Queen Margrethe II of Denmark** being hailed in the headlines as a talented painter. Her modernistic acrylics are on exhibition in a gallery north of Copenhagen, along with her watercolor illustrations of J.R.R. Tolkien's books, which were published in the 1970s.

Queen Margrethe II of Denmark

The Queen has also designed charity stamps and the sets for a ballet production, and she has applied her artistic flair to religious fashion. She designed and partly embroidered a collection of chasubles and episcopal robes for various Danish churches.

The British royal family are also dab hands with a paintbrush. Currently on display in Edinburgh are some 50 paintings and prints by the Windsors. One of them is a watercolor by **Prince Philip** of his wife, **Queen Elizabeth**, at the breakfast table—buried behind a newspaper. There is nothing like the common touch.

• • •

The Norwegian town of Lillehammer, which is hosting the 1994 Winter Games, has decided to give them a Stone Age twist. A nationwide campaign is currently underway to find the best fire-maker so that the Olympic flame can be lit by rubbing two sticks together.

There will be no modern artists let loose to design cuddly mascots and clever logos either; Lillehammer is illustrating its games with ancient rock paintings of skiers, canoeists, and other athletes.

• • •

Although her nickname is the Tigress and she has a mane of blond hair, **Carolina Morace** is no sex kitten. The 32-year-old Italian is the world's top scorer in women's soccer. In 348 games for her club, AC Milan, she has scored no less than 347 goals, a record any male soccer player would be proud of.

Besides earning $48,000 a year for playing soccer, Carolina also presents a popular television sports show and is studying for her law degree. The one remaining goal she is now after is to lead her country to a gold medal in the 1996 Summer Olympics in Atlanta. They will be the first Olympic Games to include women's soccer, and Italy will be one of the favorites, alongside Norway, and the reigning champions, the United States.

—Ester Laushway

teed salary to a "business" mentality—Italy will witness the birth of one of the most extensive economic networks of its time.

—Niccolò d'Aquino

LISBON

TOYS-R-US HITS PORTUGAL

Toys, toys, toys. Annual Christmas fare, but for Portuguese kids this year offers a new experience—Father Christmas American-style.

Toys-R-Us, recently opened in Portugal's two principal cities of Lisbon and Oporto, has stepped up its advertising campaign for the run-up to *Natal* to lure kids and their parents to the American way of shopping—long, wide aisles with shelves and shelves of colorful goods in warehouse-type stores; in fact, the very antithesis of many a traditional Portuguese street store, whose cobwebbed cupboards and floors often bulge with an assortment of toys, games, and other items.

Toys-R-Us Portugal, with wall-to-wall modern toys from floor to ceiling, provoked enormous interest as thousands flooded in when the first two stores opened their doors way back in September.

Some 36,500 parents and kids turned up at the Lisbon branch when it opened September 23, while 32,000 came to the Oporto branch, says Director Paulo Sousa Marques, who could hardly contain his excitement.

"We're delighted, the response has been much better than we ever expected," Sousa Marques said. "It's something that never existed before in Portugal. We've also managed to project a good image in our publicity campaign."

The huge chain store, which Charles Lazarus began in 1948 after he converted his father's bicycle repair business into a toy store, has committed a total investment of about $36.1 million in Portugal until 1996, with an eye to opening at least six stores and creating 500 jobs.

The venture is welcomed with open arms by local toy manufacturers as it offers the opportunity for them to sell their products and so export them under the umbrella of the parent company.

The company has concentrated $2.1 million in publicity for the new store, but even without publicity, the US toy giant has generated a great deal of interest. Somehow for Portuguese kids it seems shopping for toys will be just as much fun this year as playing with them.

—Sarah Provan

LONDON

CHARITY BEGINS AT HOME

The 1,200 national charity organizations in the UK are outraged by a controversial new government report on voluntary work that accuses many charities of being overly bureaucratic and proposes that their tax concessions be withdrawn.

The medieval concept of charity has no place in the modern world, says the report, adding that it is absurd to provide tax concessions on the basis of an organization's declared goals, rather than its achievements.

The big voluntary organizations get a roasting at the hands of the report's authors who say senior staff are more interested in pay, status, and "company" cars than in the people the organizations were set up to serve.

"Some organizations are so cumbersome, moribund, outdated, and riddled with error…that the real problem is how to close them down," says the 300-page report prepared by three former advisers to the Home Office Voluntary Services Unit.

Many people join voluntary groups "because of their desire for justice, social change, equality of opportunity" and because they have "vision, commitment, and a belief in the dignity of people."

But, the report declares damningly, "they are commonly working in organizations that are slow to change and managed by professionals more interested in advancing their careers."

Common weaknesses identified include an obsession with internal affairs, poor finance, and overly complex management structures. One body was found to have 14 levels of hierarchy!

The recommendation is that the large voluntary organizations should be funded by the state and be required to compete for contracts to provide social services. They will differentiate themselves from the private sector by being nonprofit bodies and limiting pay.

The smaller organizations should return, the report says, to their traditional role of pursuing "ideals, change, and reform." Their activities should be funded entirely by contributions from foundations and individuals. Their primary goal will be effectiveness.

These radical proposals have caused uproar among the national voluntary organizations. The debate is fierce, and some of the comments by the entrenched professionals about the authors of the report have been far from charitable.

—David Lennon

MADRID

BASQUES FIGHT BACK

The kidnapping of a businessman in Spain's northern Basque region by the armed separatist group ETA has galvanized opposition among growing numbers of fellow Basques who, after 25 years of bombings, shootings, and blackmail, are saying loudly and clearly, "Enough!"

While ETA's terrorist actions in the past have always elicited a degree of outrage in the three-province Basque region, the snatching of Julio Iglesias Zamora last July has brought unprecedented condemnation from all levels of Basque society.

In September, more than 50,000 people marched through the Basque city of San Sebastian to demand that Zamora be freed in the largest demonstration against ETA that the Basque region has ever seen.

Just a month earlier in the same city during the annual summer fiesta, ordinary Basques turned on militants who were shouting pro-ETA and anti-Spanish slogans and hurling stones at government leaders during a parade. In years past, most of the onlookers would have scattered at the first sign of street violence, but this year they stood their ground and some even waded into the fray to fight the militants.

In another gesture of defiance against the gunmen, many Basques now sport a tiny blue ribbon pinned to their lapels as a sign of support for the kidnapped businessman and for an end to the terrorism.

ETA terrorists have killed over 700 people, mostly soldiers and policemen, in their campaign for the independence of the Basque country, which began in 1968. They finance their attacks through protection schemes or, as in the case of Zamora, by holding wealthy businessmen for ransom.

For years, local businesses were bullied into paying ETA's

so-called "revolutionary tax," but since the Zamora abduction more and more businessmen are standing up to the terrorists.

According to press reports, after a dozen businesses in the Goiherri district recently received demands from ETA to fork over $23 million, the owners flatly refused.

The extortion, threats, and violence have long been a drain on the economy of the region, one of Spain's most industrialized, and have frightened off many investors, both foreign and Spanish.

Now it appears that Basques from all walks of life are finally and firmly defying the gunmen who have held the entire region hostage for too long.

—Benjamin Jones

LUXEMBOURG

LUXEMBOURG BUYS BERLIN HOUSE

Luxembourg's Mission to the United Nations has a new home in New York: a five-story town house where Irving Berlin lived and wrote Broadway musicals.

Luxembourg, though, has an earlier tie to Berlin. His 1950 Broadway musical, *Call Me Madame*, is based on socialite Perle Mesta, who was appointed by President Harry S Truman to be the US Ambassador to Luxembourg.

Berlin's life at Beekman Place will be immortalized in a marble plaque that Luxembourg's Crown Prince Henri unveiled during the mission's opening in October.

Buying the house was a "coincidence," according to Anne Bastion, First Secretary of the mission and the Director of the National Tourism Office. The mission's Counsel General was looking for a larger, better office space than that on Second Avenue at about the time that Berlin's three daughters offered the house for sale. Negotiations resulted in the $5.7 million sale.

The recent opening culminates three years of extensive renovation and construction at the site, which included rearranging rooms to accommodate offices while retaining the house's character as it was during Berlin's time. Air conditioning,

sprinklers, electrical wires, and new windows were part of the refurbishment.

Only a chandelier and a baby grand piano now remain of Berlin's possessions. Bastin said the mission hopes to keep the baby grand in a large reception room. But she wishes that the mission could have held onto a special piano with a mechanical device that helped Berlin compose his toe-tapping hits.

The home was originally built by James Forestal, the first US Defense Secretary, in 1930 before Berlin bought it in 1946.

Prince Henri and Foreign Minister Jacques Poos used the housewarming to tout Luxembourg's business and recreational opportunities. The National Tourism Office and the Economic Development Board also have offices there.

—James D. Spellman

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ARTS & LEISURE

FILM

Valladolid Film Festival

Frank Sinatra may croon about wanting to wake up in a city that never sleeps, but chances are he never spent a week in Valladolid. Located about two hours north of Madrid, the city, with a population of 350,000, plays host each October to the Valladolid International Film Festival, a nine-day, around-the-clock fiesta.

More than 500 accredited professionals from Spain and other countries flock to the industrialized city—known both for its university and its historical significance as the capital of Spain during the reign of Phillip II—to view a variety of short and feature films, documentaries, tributes, and retrospectives. The 38-year-old festival, which takes place at nine venues around Valladolid, also caters to cinema-conscious locals; an estimated 90,000 attended at least one of this year's 300 screenings.

The offerings, all of which were Spanish premieres, included works from Europe, Iran, Latin America, and the US at the plush Teátro Calderón, 15 features competed for top honors in the festival's official competition, including Steven Frears' *The Snapper* (UK), Ettore Scola's *Mario, Mario e Mario* (Italy), and Andrze Wajda's *Perscionek Z Orlem W Koronie* (Poland). With its red-velvet interior and prime location in the heart of Valladolid's old city, the theater added to the event's festive nature, as did the hundreds of university students who, dressed in red and blue uniforms, worked as hostesses and translators for the event.

Stephen Frears' *The Snapper* competed for top honors at the Valladolid Film Festival and opens this month in US theaters.

Created in 1956, Valladolid, which began as a festival of religious cinema, in later years helped acquaint Spanish audiences with directorial legends such as Ingmar Bergman, Luis Buñuel, and Federico Fellini. When Fernando Lara, a former film critic, took over as the festival's director in 1984, he completely restructured the event to include a wider variety of features, shorts, and documentaries, including works from local film schools. This year, Lara organized numerous retrospectives, including one on Canadian cinema and another on the works of Spanish novelist Miguel Delibes. He was, however, particularly proud of a tribute to Iranian director Abbas Kiarostani, who was present in Valladolid. "I hope this is one of the things people remember most about this year's festival," Lara said.

With a budget of 130 million pesetas (US $1 million), Valladolid is far smaller than San Sebastian's annual film festival, which has four times its budget. But Lara does not view them as competitors. "They are very different," he explained. "San Sebastian focuses more on cinema as industry. Valladolid has more of a cultural emphasis. We look to discover new directors and cinematographers."

This year's top prize winner is a case in point. Serio Cabrera's *La Estrategia de Caracol* (*The Strategy of the Snail*) about a group of evicted tenants who seek the wisdom of an exiled Spanish anarchist, was the only Colombian film in competition. France's Nicolas Philibert claimed the top documentary prize for his exploration of deafness, *Le Pays de Sourds*. The festival traditionally showcases outstanding new Spanish cinema, and this year was no exception. Some of the most talked-about entries included Bigas Luna's *Jamón, Jamón*, Fernando Trueba's *Belle Epoque*, and Manuel Iborra's *Orquesta Club Virginia*.

—Michelle Shapiro

ART

French Master Drawings

Pierpont Morgan Library, New York; through January 2

French Drawings from the Pierpont Morgan Library, an exhibit of 125 French drawings from the late Gothic through early Modern periods, features works selected from the Library's own holdings as well as gifts from the collection of Eugene and Clare Thaw. The exhibition, which is a celebration of the 125th anniversary of J.P. Morgan & Company's Paris branch, was presented at the Louvre from June 2 through August 30 and opened in New York on September 15.

The Library's collection of French drawings, begun in the early 1900s by the financier and collector J. Pierpont Morgan, is regarded as one of the finest and most carefully selected in America. The largest number of drawings are from

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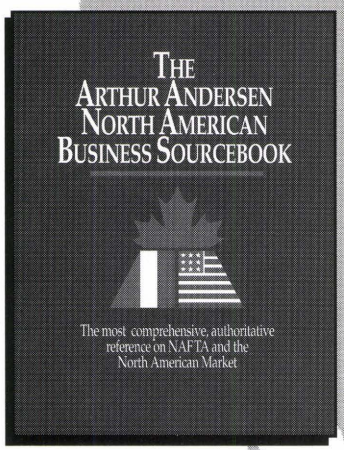

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the 18th century and include works by Watteau, Boucher, and Fragonard, but there are also rare examples from the 15th century, a significant number of works from the 16th century French mannerists, important sketches from the 17th century classicists (above all Poussin and Claude), and works by many of the major artists of the 19th century, such as Ingres, Delacroix, Degas, and Cézanne. According to Library Director Charles E. Pierce, Jr., "This exhibition shows how this tradition has developed and evolved in the hands of some of its most brilliant practitioners. There is a rich diversity of styles and schools, but the essential qualities of French drawing—elegance of execution, a profound humanity, and a sheer delight in the splendors of the visual world—are manifest in each successive period."

Highlights of the exhibit include a small sketchbook of six thin boxwood leaves dated ca.1400 and attributed to the circle of Jacquemart de Hesdin (illuminator at the court of Jean de Berry), mannerist examples from the 16th century Court School of Fontainebleau, a preparatory drawing for Poussin's *Ordination*, from his celebrated series of the Seven Sacraments (1630s), superb Rococo drawings from Watteau, Boucher, and Fragonard, a design by David for one of his famous Revolutionary 1789 propaganda pieces, *The Lictors Carrying the Bodies of the Sons of Brutus* (Louvre, Paris), and Cézanne's study for one of the figures in *The Card Players*, a painting known through several versions from 1890 onward.

—Lauren Ptito

The Little Prince
Pierpont Morgan Library, New York; through January 2

To celebrate the 50th anniversary of Antoine de Saint-Exupéry's timeless fable, New York's Pierpont Morgan library is presenting *The Little Prince,* an exhibition of the original manuscript and illustrations (cigarette holes, coffee stains, and all), first editions of Saint-Exupéry's works, and photographs of the author taken shortly before his death in 1944. These materials attest to the author's work habits and frustrations while writing his best-known work and allow visitors to learn more about Saint-Exupéry, who was a major literary and philosophical figure in his native France although he was relatively unknown in the United States.

The Little Prince is the haunting story of a child-prince from another planet who befriends a pilot who has been shot down over the Sahara. It was written in 1942 in New York, where the author, a decorated military aviator, was living in self-imposed exile. In 1943, when Saint-Exupéry went back to active duty, never to return, he gave the manuscript to an American friend, Sylvie Hamilton Reinhardt. Since then, the tale has been translated into 75 languages and has sold over 25 million copies.

The Little Prince was not an immediate success, however. Many found it difficult to determine whether it was intended for children or for adults. Its naive, dreamlike illustrations (and the fact that it was illustrated at all) made it seem like a children's book, yet its wide philosophical themes—the need to do one's duty and the abhorrence of tyranny and cruelty—seemed more suitable for adults. Martin Heidegger, the German philosopher, went so far as to call *The Little Prince* one of the great existential books of the century. Its lasting success among both children and adults shows that it is one of those rare works that has some meaning for everyone, regardless of age.

—Lauren Ptito

Harcourt Brace has published a 50th anniversary commemorative edition of The Little Prince *in both English and French.*

BOOKS

The Communists: The Story of Power and Lost Illusions: 1948–1991
By Adam B. Ulam; Scribners; 528 pages; $27.50.

As the world watched with somewhat frightened fascination this past fall, the next chapter in the metamorphosis of the "former" Soviet Union unfolded on CNN. As the pictures of the crowds surging around the Russian "White House," changed to ones of T-72 tanks firing into the now seeming "former" home of the "former" Russian Parliament, the immediate question was "Where will Russia go from here?" Will the victorious Boris Yeltsin lead it to dictatorship or democracy? Of course only time will tell. But to make informed judgments, politicians and businessmen alike need reliable information. Not only on the most current events in this giant nation, but the precursors to them as well. For this latter purpose, Adam Ulam's most recent work serves admirably.

Ulam, director of Harvard's Russian Research Center, has previously written biographies of Lenin and Stalin. In those works he studied, in some depth, the origins and growth of Soviet communism. *The Communists* is a self-described follow-up effort at cataloging and explaining "the drama of its decline and disintegration."

Beginning with a chapter on Tito, "the first heretic," Ulam attempts to prove his thesis that it was the "bankruptcy of their ideology" that led to 1991's dramatic defeat of the Communist Party. That defeat, personified by Yeltsin's clambering atop a tank outside the White House, put the end to the hard-liners' last ditch coup which attempted to preserve the *status quo ante* by rolling back Gorbachev and his reforms.

Following hard upon this first fissure in the monolithic facade of international Soviet-led communism, Ulam next discusses the complex, fractious relationship between Mao's China and first Stalin and later Khrushchev. He sees in the early Chinese-Soviet relationship the seeds of its own destruction. Likewise, he cites the "Pyrrhic victory" of the "fantastic achievement" of Stalin's ability to engineer "the Soviet takeover of Eastern Europe from 1944 to 1947." He states that "for more than three centuries the Tsars have fought and striven, mostly in vain, to obtain a foothold in Central Europe" and its sphere of influence over Eastern Europe and Southern Europe...but under Stalin, "the Soviet Union acquired not a sphere of influence in the old, limited sense, but absolute dominion over the vast area."

As the decline of the Soviet Union picked up speed, so does the pace of the book's latter chapters. Amazingly perhaps, for all his emphasis on the practical rather than the ideological nature of the true Soviet state, Ulam spends virtually no time on discussing the effects of the decline of oil production, and thus the capital needed to finance the state, or the ultimate disintegration of the Soviet Union. But whatever the shortcomings of Ulam's thesis and its effects on the book, *The Communists* is perhaps the finest currently available historic reprise of this era, commencing with the end of Stalin's regime and closing with the end of the Soviet Union itself.

—Robert S. Bassman

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