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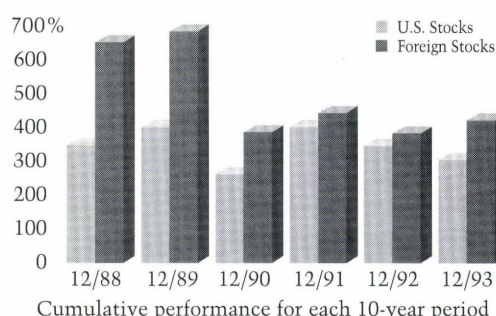
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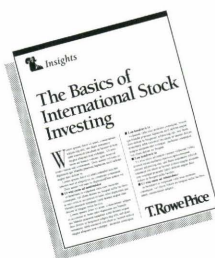
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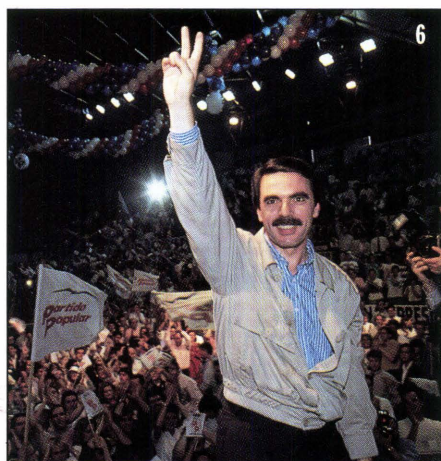


\*Foreign returns are expressed in U.S. dollars. Sources: Foreign stocks—Morgan Stanley Capital International EAFE Index (Europe, Australia, Far East); U.S. stocks—Standard & Poor's 500 Stock Index. This chart is for illustrative purposes only and does not represent an investment in any T. Rowe Price fund. \*\*Figures include changes in principal value, reinvested dividends, and capital gain distributions. Total returns represent past performance and cannot guarantee future results. Investment return and principal value will vary and shares may be worth more or less at redemption than at original purchase. Past and present expense limitations have increased the funds' total return. There is no guarantee that the funds will achieve their objectives. Request a prospectus with more complete information, including management fees and other charges and expenses. Read it carefully before you invest or send money. T. Rowe Price Investment Services, Inc., Distributor. IEF0241



# EUROPE

MAGAZINE OF THE EUROPEAN UNION



## SPAIN

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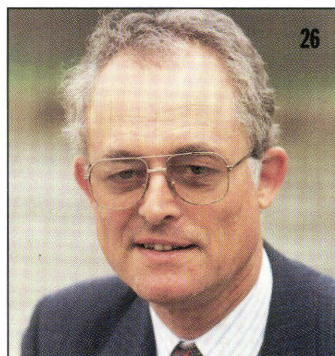
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# Letter from the Editor

When most people think of oil, they think of the Middle East, Texas, or Alaska, so it may come as a surprise that two of the largest oil companies currently operating in the world are European—British Petroleum and Royal Dutch Shell.

*EUROPE* profiles the leading European oil firms and looks at their involvement in the US market. We also look at the potentially vast oil deposits in the former Soviet republics, especially those in Kazakhstan.

Laurie Laird, a frequent contributor to *EUROPE*, recently traveled to Kazakhstan and reports on American and European oil firms who are now working with the Kazakh government to exploit that country's oil reserves.

The new World Trade Organization (WTO), with its headquarters to be based in Geneva, is scheduled to replace GATT in January. Horst Krenzler, director general for external economic relations for the European Commission, talks about the European Union and the WTO, differences between GATT and the WTO, US-EU trade, and the future enlargement of the EU.

Bruce Barnard, a *EUROPE* contributing editor writing from Brussels, offers our readers an in-depth view of how the new WTO will work and who the key players will be in this new international organization.

Our country profile this month focuses on Spain. Benjamin Jones, our Madrid correspondent, presents an up-to-date view of Spain's political and economic problems. Spain has been suffering one of the worst unemployment rates in Europe, but the economy appears set to recover shortly.

Part of Spain's recovery can be traced to US and European investment in the country. Multinationals, including General Electric, Eastman Kodak, Unilever, BP, and Guinness, are successfully investing in different regions of Spain.

Gina Gianzero discusses Spanish investment in Latin America and points out that Telefonica, Spain's phone company, is an active player throughout Latin America and has recently purchased stakes in telephone operations in Argentina, Chile, Venezuela, and Peru, and Grupo Sol, Spain's largest hotel chain, is very active in Cuba.

Barcelona, which became known throughout the world for hosting the 1992 Summer Olympics, is positioning itself as the key "Euro-City" of the Latin Arch region. Construction can be seen everywhere from the redesigned port to the reorganized airport. *EUROPE* offers a guide to visiting Barcelona with a listing of hotels and restaurants and other key sights to visit.

If you plan to travel to Spain in the near future, we present an article on the country's 86 unique "paradors," which are castles, inns, and other historic spots where visitors can stay on a trip across Spain.



Robert J. Guttman  
Editor-in-Chief



Although most of Europe's oil reserves are under the North Sea, European oil companies own operations worldwide.

## EUROPE

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# EYE ON THE EU

Profiling  
Personalities and  
Developments  
Within the  
European Union

**A**n architect of a united Europe honor roll would include several famous names, such as Jean Monnet, Paul-Henri Spaak, Walter Hallstein, and Jacques Delors. However, Emanuele Gazzo, who recently died at the age of 86, was much less in the limelight, yet arguably his contribution was almost as great. No journalist had a more profound or more beneficial influence on the development of the European Communities.

He was the first to devote

his life to reporting the activities of European institutions, and for over 40 years, he contributed a daily commentary, infused with his deep knowledge, passionate commitment, critical spirit, and lively literary style. Long before the more glamorous media started to take the European Union

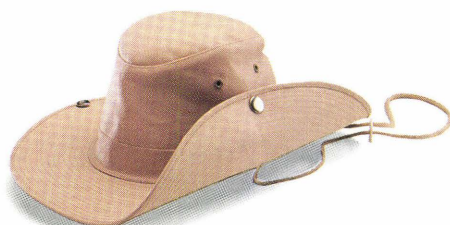
...  
**Gazzo's daily  
commentaries  
were an  
irreplaceable  
source for  
everyone  
concerned with  
the European  
Union.**  
...

and its predecessors seriously, Gazzo had made himself the undisputed master of the subject.

He was already 45 years old when he established the newsletter *Agence Europe* in Luxembourg in 1953, soon after the creation of the European Coal and Steel Community (ECSC). A native

of Genoa, Italy, he had already led an exceptionally varied life, as a seaman, economics student, film critic, translator, editor, and publisher of poetry, contributor to a socialist newspaper under Mussolini, naval officer, resistance worker, and journalist for the Genoa newspaper *Il Corriere* and for the Ansa news agency.

Gazzo's newsletter was very much a shoestring operation, with only one other journalist involved. Yet from the beginning it came out five days a week in four different



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languages (French, German, English, and Italian). The German version was dropped some years ago, but there is now also a Spanish edition published in Madrid.

The ECSC officials did not much appreciate Gazzo's efforts, particularly when he published scoops which proved embarrassing. Yet Gazzo was clear that the public had a right to know what was going on if the new organization was not to develop into an irresponsible technocracy. Jean Monnet, the first president of the ECSC, chided Gazzo for publishing details of decisions before they had formally been taken. Years later he told him that he had been quite right to do this.

In time most people working for the ECSC, and later for the EC itself, came to appreciate and rely on *Agence*

*Europe* as a prime source of information about the work of their own organization. A later EC Commission President, Roy Jenkins, paid tribute to Gazzo in his *European Diary* as a "remarkable and wise editor."

Throughout his career, Gazzo remained an optimist and an idealist, but not a starry-eyed one. He strongly criticized de Gaulle for keeping the United Kingdom out, and consistently campaigned for British entry over many years. More recently he chastised the British government for its opposition to the federalist direction in which he hoped and expected the European Union would move. Yet he did not despair of the British, whose pragmatism he admired and which he believed would lead them, if a little tardily, to the same

objective.

*Agence Europe* is now a flourishing concern, but it bears signs of its humble beginnings, still being produced in a cyclostyled form on poor quality paper. Gazzo attributed this to his Genoese origins, once telling me: "We are known as being even more frugal than the Scots."

Gazzo penned the last of his daily commentaries only a week or so before his death. They had long ago become an absolutely irreplaceable source for everyone concerned either personally or professionally with the European Union. Brussels-based journalists, in particular, came to depend on his insights, and whether or not we acknowledge it, most of us has plundered his writings on frequent occasions over the years.

A courteous, kindly, affa-

ble man, who bore lightly his great knowledge and authority, Emanuele was married for over 50 years to Maria Ferrero, a doctor's daughter, who survives him. Their twin daughters, Marina and Lidia, born during an American air raid on Genoa, are both carrying on the torch.

Marina is assistant editor-in-chief of *Agence Europe*, and Lidia, who lives in Stuttgart with her husband and Emanuele's granddaughter Francesca, is a frequent contributor, going over to Strasbourg every month to help her sister report on the European Parliament. Emanuele Gazzo is gone, but his spirit lives on in their work and in the publication which he created and guided for over four decades.

—Dick Leonard



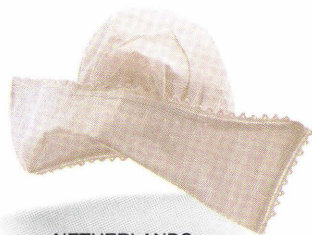
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# Hard Times

**TWO YEARS AFTER SPAIN WOWED the world with the Summer Olympics and Expo '92, nothing much now seems to be going right. Indeed, this past summer may have marked a low point in the country's recent fortunes.**

**First of all, the ruling Socialists lost a national election for the first time in 12 years. Then forest fires—helped along by a crippling drought and the hottest summer in 30 years—devastated huge swathes of Spain's forests and scrubland.**

Terrorism reared its ugly head again when three people died in a Madrid car bomb attack by the radical Basque separatist group ETA, and Spanish fishermen took some of the steam out of the concept of European unity by going to war with their French and British counterparts over the use of illegal tuna nets.

Perhaps the only bright spots were a record tourist season which brought in billions of dollars, and Spanish cyclist Miguel Indurain's fourth consecutive victory in the prestigious Tour de France.

1994 has not generally been kind thus far to Prime Minister Felipe González, whose fractious Socialist Party is beginning to look a bit passé as it enters its thirteenth year in power.

Internece squabbles over economic and social policy, embarrassing financial scandals concerning a former Bank of Spain governor, and a past chief of the Civil Guard, and a stumbling economy have all helped to weaken support for the party.

This trend was clearly demonstrated in the June European parliamentary elections when the Socialists suffered defeat at the hands of the Conservative Popular Party (PP).

## for Spain's Socialists

**By Benjamin Jones**

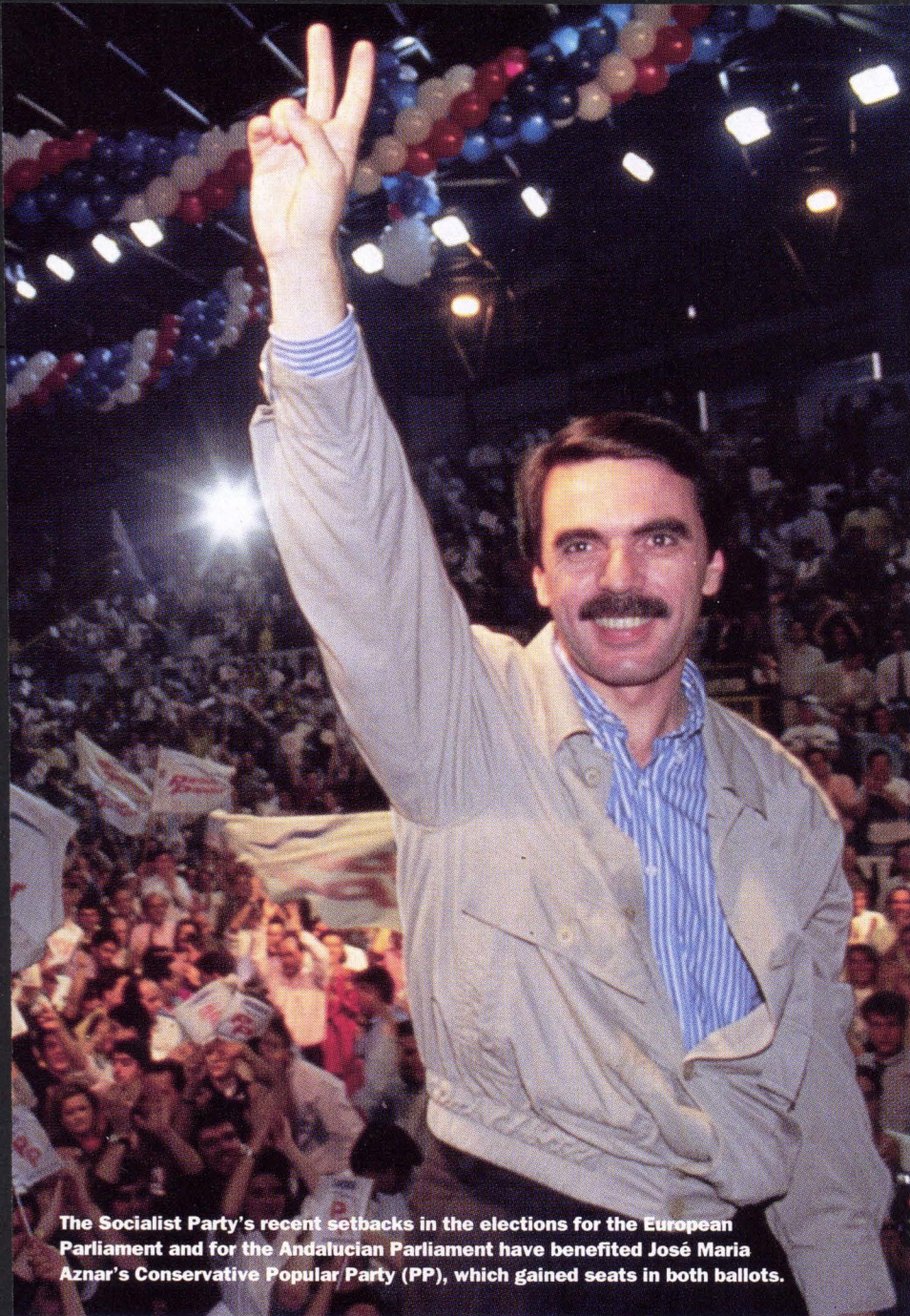
With a relatively high voter turnout of 60 percent, the PP garnered 40.2 percent of the ballots cast to take 28 seats at Strasbourg, up from 21.4 percent and 15 seats in the last elections in 1989.

By contrast, the Socialists only managed to win 30.6 percent of the vote and hold on to 22 seats, a drop from 21 percent and 27 seats the last time around.

It was the first time since coming to power that the Socialists have lost in a national poll. And to add insult to injury, they suffered losses in simultaneous regional elections in Andalusia. There, the Socialists took only 45 seats in the 109-seat Andalusian Parliament as compared to their previous 62 seats and lost their majority. The PP, on the other hand, went from 26 to 41 seats.

The losses were particularly embarrassing since the poor, southern region is a traditional stronghold of the Socialists who have poured billions into development projects there, and González himself hails from Seville, the region's capital.





**The Socialist Party's recent setbacks in the elections for the European Parliament and for the Andalusian Parliament have benefited José María Aznar's Conservative Popular Party (PP), which gained seats in both ballots.**

And in both the regional and European Parliament votes, the communist-led Izquierda Unida, or United Left, picked up seats which many analysts argue shows that the Socialists are losing whatever leftist support they still enjoyed.

Since losing its majority in the general elections of 1993, González' party has had to rely on the support of conservative and pro-business Catalan and Basque nationalists in the Spanish Parliament to pass legislation and will have to count on their further help to get the 1995 budget approved.

But despite the election disappointments and all the other political and economic storms swirling around him, González has firmly rejected calls from across the political spectrum to resign.

While swearing he will see out the remaining three years of his mandate, González also recognizes there are serious problems, and perhaps the worst of these are the almost daily revelations of corruption scandals plaguing the administration.

"We've had some glitches in those mechanisms which

were designed to prevent corruption," the prime minister admits. "There have been people who were corrupt for many years, and we didn't catch on. This is very grave as they were in high positions of responsibility."

"Consequently, we have paid a serious political price, and these scandals have cost us eight, nine, or ten points in the opinion polls," González says.

That could be an optimistic estimate. According to a poll published recently by the Madrid daily *El Mundo*, if general elections were held today, the PP would beat the Socialists by more than 11 percentage points.

The same survey showed that only 21 percent of those questioned rate González as a "good" or "very good" prime minister, while 47 percent thought of him as "bad" or "very bad."

But Felipe soldiers on and fully expects not only to run again in the next elections, but to win.

"If I am asked by my colleagues, I will run. I am totally dedicated to this job, and it would be inexcusable not to present myself as a candidate if the party asked," he says.

"And we can win the next elections," he adds.

In an effort to win back the political initiative, González has decided to put himself before the public more often. For example, over the past few years, the prime minister has only attended major debates in the lower house. But now he has pledged to submit to questioning once a week in Parliament, as is done in the United Kingdom.

This is a big change for the often aloof González, who mostly sat out the campaigning leading up to the Euro-

pean Parliament vote while the PP leader, José María Aznar, toured the country and gave speeches in bull rings.

At the same time, the Socialists are hoping that good economic news will, by the time of the next general elections, translate into their fifth victory at the polls.

And there is light at the end of the tunnel on the economic front. Spain's unemployment rate of some 24 percent, the highest in Europe, is slowly being reduced. In August, it dropped slightly for the sixth consecutive month.

Meanwhile, Economy Minister Pedro Solbes announced that the economy would grow by 1.7 percent this year, as opposed to earlier predictions of only a 1.3 percent rise.

Only a slight improvement perhaps, but the Socialists these days are trumpeting whatever good news comes their way. ☺

*Benjamin Jones is EUROPE's Madrid correspondent.*



**When the US computer and electronics giant Hewlett-Packard recently announced it was transferring the research and development, marketing, and production of its large-format pen and inkjet printers from California to Spain, Spanish officials were not particularly surprised.**

"Spain is a magnet for high-tech multinationals who are attracted by our educated work force, excellent infrastructure, geographical location, membership in the European Union, and government support," says a Ministry of Industry official.

After Spain joined the European Union in 1986, non-European firms, and especially the Japanese, flocked to Spain to build factories to establish a toehold in Europe and its huge market. They also loved the low wages and the booming economy which allowed more and more Spaniards to afford their products.

"The 1980s saw massive foreign investment in Spain because the country was joining Europe. Consequently, Spain became one of the most dynamic exporters in the world as

productivity increased along with investment," explains José Luis Feito, a partner in the Madrid brokerage firm Asesores Bursátiles.

However, the political and economic realities changed, and just a few years ago, Spain was losing out in the foreign investment contest to the newly freed countries of Eastern Europe, which offered lower labor and other costs and governments willing to do almost anything to accommodate foreigners looking to set up shop.

"But it is changing once more," says the Ministry of Industry official. "Many companies are looking our way again because they found out that those countries suffered a severe lack of things like telecommunications and infrastructure and, perhaps most importantly, fiscal and political stability."

According to Richard Raimondi, the general manager of Hewlett-Packard's operations in Sant Cugat near Barcelona, the new project to transfer printer production will cost an estimated \$15 million but is worth it.

"From 1985 to 1992, we went from success to success here, and that helped us decide to expand our operations in Spain, which we think is one of the best countries in the world for what we were looking for," he says.

And his firm is not alone among multinationals betting on Spain, which has seen direct foreign investment grow from \$8.4 billion in 1989 to almost \$12 billion in 1992 and then a further 24 percent rise last year.

**Barcelona is an important hub for Spanish exports.**



# INVESTING

## FOREIGN FIRMS ARE TA



Other US firms making a firm stake in Spain include AT&T, which is expanding its integrated circuit assembly line at its plant near Madrid. Eastman Chemical says it will invest \$281 million in new chemical plants in the southern province of Cadiz, while Dupont has inaugurated the first phase of a \$1 billion chemical complex in the northern region of Asturias.

One of the largest projects by a US company is a three-phase \$700 million compounding and polycarbonate resin manufacturing facility that GE Plastics is setting up in the Mediterranean coastal city of Cartagena.

Investment from Spain's European partners is also rolling in, with the United Kingdom leading the way to account for 18 percent of the total. Some of the British firms making major commitments in Spain include ICI, Guinness, Marks and Spencer, Allied-Lyons, Cadbury-Schweppes, BP, and Unilever.

Many of the multinationals have been attracted to Spain because of the various subsidy programs and incentive funds, many supplied by the European Union, which are available for start-ups in 80 percent of Spanish territory.

These programs can include incentives for companies offering training and employment to specific sectors of the population, for firms in specific sectors such as agriculture, energy, research and development, electronics and data processing, and for companies opening factories in underdeveloped areas or so-called "rustbelt" regions where the main in-

dustry, such as steel manufacture or shipbuilding, has become obsolete.

"Depending on various factors, incentive programs can cover up to 75 percent of a project. This is particularly true in certain regions where we want to see major investments such as Murcia, Galicia, and Estremadura," says Pilar Moran, the general director for foreign investment at the Ministry of Trade.

These kinds of incentives helped convince most of the world's major automobile companies to come to Spain, which has now become a key manufacturing site for such firms as GM, Ford, Volkswagen, Nissan, Mercedes Benz, Citroen, and Renault. The country is now the third largest car producer in Europe, with 70 percent of its output exported.

With an eye toward future markets once the turnaround in the industry begins, many of the automobile companies are planning significant new investments with Ford spending \$518 million on a new engine plant near Valencia; Renault retooling its production line in Palencia at a cost of \$170 million to turn out a new passenger car; and Citroen plowing \$222 million into its factory in Vigo for a new model expected to go into production in 1996.

"Spain is still attractive for investors and has the potential to remain among the leaders in receiving investment from abroad," says Feito. ☎

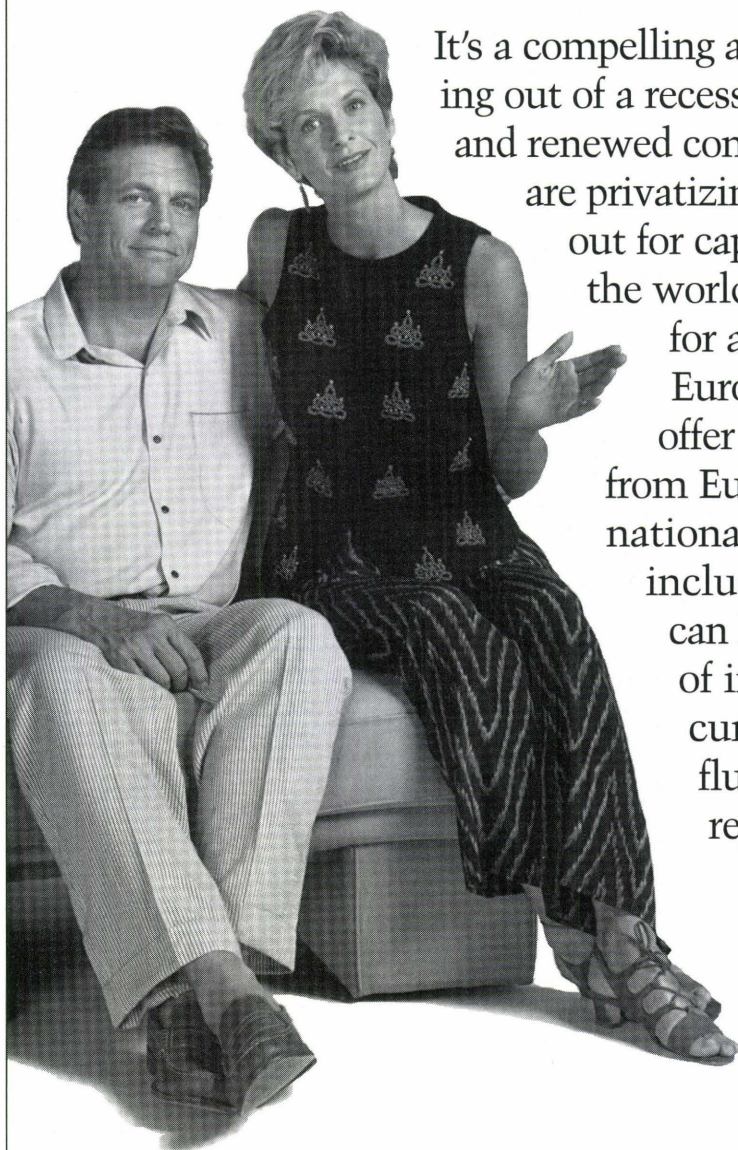
—Benjamin Jones





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# Spain Rediscovered the New World

**T**he names Columbus, Pizarro, and Cortez, once associated with promises of inexhaustible fortune, military glory, and religious converts for the Spanish crown, have been firmly supplanted by a new generation of financial conquistadors: Telefonica, Santander, Grupo Sol, and Iberia. Similarly, the joint venture, the merger-acquisition, and the strategic plan have replaced the sword and the cross as Spain once again looks to its former colonies as a font of wealth.

For many of Spain's major companies, investing in Latin America increasingly represents a means of securing their share of world markets in decidedly competitive times. Just as in colonial times when entrepreneurs sought riches beyond the Old World, investments in Latin America today constitute a critical part of strategies to compensate for shrinking domestic business through early entry into some of the world's most prosperous emerging markets.

Having colonized all but four Latin American countries, Spain has long valued its strong cultural and linguistic ties to the region as important comparative advantages in the pursuit of global economic opportunities. Yet in spite of these links, literature and music have often flowed more freely between Latin America and its former colonizer than have investment monies. In fact, throughout most of the late 1970s and mid-1980s, Germany, France, and the United Kingdom were more active business partners in Latin America than was Spain.

Spain under Francisco Franco engaged in very little foreign entrepreneurship. Subsequent governments have found themselves struggling merely for economic stability and

## **Spanish companies are banking on a Latin American niche**

**By Gina Gianzero**



prosperity at home. But, by the late 1980s, Spanish banks—which had remained mostly on the sidelines while their American and British counterparts took a beating during the late 1970s and early 1980s—were flush with cash and eager to expand the Spanish banking world. Beginning in 1989, Santander Investment, the international banking subsidiary of Spain's Banco Santander, began building the largest portfolio among Spanish banks in Latin America. Santander Investment is currently active in the industrial and commercial sectors of six major Latin American countries.

Spanish investment in the region, however, did not begin its meteoric rise until the 1990s, when waves of privatization and deregulation sweeping Latin American economies coincided with growing prosperity at home. Direct Spanish investment in Latin America tripled between 1989 and 1991. According to the Institute for European-Latin American Relations, by 1992, Spain had become the largest of the seven major investors in Latin America, accounting for nearly 31 percent of total EU investment in the region. Argentina, Chile, Venezuela, and Mexico received the vast majority of Spanish resources. Within these countries, the telecommunications, transportation, tourism, and financial sectors rapidly became critical targets of efforts to reestablish Spain as an important power in the region.

The most aggressive of the Spanish investors has been Telefonica Internacional, an affiliate of Spain's monopoly telephone company, Telefonica de España. In less than four years, Telefonica Internacional, formerly a telephone hardware company, transformed itself into a major player in the international telecommunications world. The company presently holds stakes in telephone operations in Argentina, Chile, Venezuela, Columbia, Puerto Rico, and Peru, making it South America's largest telephone operator. By the end of 1993, Telefonica Internacional boasted assets of \$1.6 billion and a net income of \$152 million.

More than 90 percent of the company's income is derived from its Latin American acquisitions. A spokesman from the company's investment division explains that, "Several years ago, Telefonica Internacional changed its

objective from trading equipment to the exploration of investment opportunities in the telecommunications business outside of Spain." Several factors prompted the new strategy, including concerns that Telefonica de España would certainly lose part of the domestic market when the European telecommunications industry becomes fully liberalized in 2003. Telefonica Internacional was also aware of its unique comparative advantage with respect to the primary operators in the world to do repairs on a massive scale. "There were years in Spain in which Telefonica had to install as many as 1 million

a record \$2.2 billion for managerial contracts and a 35 percent stake in each of Peru's primary telephone operators, Compania Peruana de Telefonos (CPT) and Entel-Peru.

The Telefonica bid, twice that of its closest competitors, Southwestern Bell and GTE, fueled concerns throughout the financial world that Telefonica had gone too far. Company executives are, nevertheless, optimistic. "Our estimation is that we are going to increase the penetration (of telephone lines) in Peru from 2.5 per 100 inhabitants to 9 lines per 100 inhabitants in 10 years," maintains a representative of the company's

**For Cuba, the tourist industry, which attracts mostly Canadians, Spaniards, Italians, and other Latin Americans, may very well represent the saving lifeblood of the struggling nation's economy.**



lines in a single year," explained the company's spokesman.

Much of Telefonica's international strategy has been driven by privatizations occurring throughout Latin America. In 1989 and 1990, it acquired shares in Entel Chile and Compania Telefonica de Chile. In 1990, it also acquired a controlling interest in Telefonica de Argentina. The following year, the company snapped up shares in Venezuela's CANTV. In the spring of 1994, Telefonica Internacional made its most controversial acquisition, bidding

investment division.

The Peru deal also includes opportunities for Telefonica Internacional to engage in such other potentially lucrative services as cable television, mobile phones, and data transmission. Telefonica Internacional's successful and rapid transformation of previously unprofitable telephone operators in other Latin American countries may establish it as just the company to meet the Peruvian challenge.

The company's future strategy involves consolidating its Latin American



holdings in the wake of reduced privatizations. It will focus on creating new synergies that enable it to negotiate better prices with suppliers, as well as to improve basic services in the countries where it is presently active. Nevertheless, if murmurings of new privatization in places like Bolivia, Ecuador, and Nicaragua prove true, there is a good chance Telefonica will be in on the bidding. A final related component of Telefonica's international strategy involves using its Puerto Rico-based long distance services to break into the US Spanish-speaking market.

The early 1990s also saw Grupo Sol,



Spain's largest hotel chain, embark on a billion-dollar international expansion plan. While most of the chain's Latin American investments are concentrated in Mexico, Grupo Sol has seen substantial growth in its investments in places like Cuba, where it is the leading investor in the hotel sector. Grupo Sol recently invested \$17 million in a hotel east of Havana and has plans to open another in the capital city in December, which would bring its total to four hotels on the island.

"Cuba is a symbol of universal

beauty. The Spanish have always felt a special historical admiration for the island country," says company spokesman José Manuel Mateos.

Spain has long been a major investor in Cuba, the last Spanish colony to be lost, despite the island nation's many political and economic problems. Other Spanish hotel chains like Guiltart, Iberstar, and Riu are also active in Cuba. For Cuba, the tourism industry, which attracts mostly Canadians, Spaniards, Italians, and other Latin Americans, may very well represent the saving lifeblood of the struggling nation's economy.

In a strategy similar in concept to that of other Spanish investors, Spain's national airline, Iberia Lineas Aereas de España, has relied on its Latin American expansion plans as a means of offsetting the likely impact of EU air travel liberalization scheduled for 1997. In the early 1990s, the unprofitable domestic airline began acquiring ownership stakes in three of Latin America's similarly loss-making airlines.

According to company spokesman Felix Ortega, "Our Latin American investments began with the privatization process of state airlines. It wasn't our choice—there was a crisis in the air sector then—but (it was instead) a question of (timing), chosen by the Argentinean, Venezuelan, and Chilean governments to privatize."

Purchases of a 30 percent stake in Aerolineas Argentinas (which has subsequently been increased to 85 percent), 37.35 percent of Chile's Ladeco, and 45 percent of Venezuela's Viasa have placed Iberia in a leading position in the Latin American airline industry. The company has invested some \$700 million dollars since the early 1990s and accounts for 37 percent of air travel between Europe and the Latin American market.

Unlike other major Spanish companies, however, Iberia has yet to reap substantial profits in the region. While company representatives report that Ladeco is presently earning profits, Aerolineas Argentinas and Viasa continue to operate in the red. Iberia is hopeful that 1994 will be a break-even point for these operations and that profits will be forthcoming by 1995. Meanwhile, the company's Miami-hub, which was once slated to be Iberia's lucrative gateway into the Latin American mar-

ket, has failed to generate sufficient traffic. There are plans to convert the loss-making hub into route-sharing operations with other carriers transporting passengers between Miami and the Central American region.

In addition to dealing with their new acquisitions' outdated aircraft, intransigent unions, and overstaffing problems, Iberia has had to contend with Latin American governments' glacial pace toward full privatization. Full privatization of Aerolineas Argentinas did not occur until 1992.

Iberia has undertaken massive managerial overhauls at both Viasa and Aerolineas Argentinas and has since begun integrating the marketing activities and sales operations of its Latin American holdings. Meanwhile, Iberia continues to lose money at home and faces growing competition from private upstarts like Air Europe and Espanair, not to mention the competition expected from Europe's more efficient heavyweights like British Airways, KLM, and Lufthansa.

Some analysts argue that Iberia's Latin American expansion has distracted it from necessary housecleaning in Spain and has severely compounded its debts. (In 1992, the European Commission approved a major cash injection for the airline.) They describe Iberia's Latin American acquisitions as having been more politically motivated than driven by sound business analysis. Some have even expressed concerns that the company's Latin American acquisitions cannot be made profitable in time to avoid Iberia's financial collapse.

Nevertheless, Iberia—like other Spanish companies in the region—is banking on its investment in one of the world's fastest growing markets to ensure its future survival in a deregulated world. Just as Spain, in supporting Columbus, Pizarro, and Cortez, was once forced to dig deep into its coffers to finance the creation of the first great European empires of the 16th century, so Spanish companies now appear prepared to sustain short-term losses in the hopes of reaping a portion of the New World's manifold riches. ☹

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**For those who thought petroleum's importance to be waning, October's swift and stunning revival of the 1991 "coalition" against Saddam Hussein was a stark reminder of oil's continuing preeminence. While both technological developments such as nuclear fusion and environmental concerns like global warming militate for a new energy source some time in the 21st century, for the foreseeable future, oil will drive the economies of the industrialized world.**

The 20th century is quite simply the "Century of Oil." Ever since 1911, when First Lord of the Admiralty Winston Churchill was convinced to transform the British fleet's fuel from coal to petroleum, oil has been the primary source of energy for the world. This vital substance has been either the cause of or the deciding factor in the century's two major conflicts. Both world wars were lost by the side with the poorest access to oil. And as we have seen in Kuwait these last few weeks, at least for the time being, the world's major powers are still willing to fight over assured oil supplies.

The Israelis have long asked why their "promised land" was set in perhaps the only part of the Middle East lacking any oil. Likewise, Europeans, have often expressed similar concerns about the inequity of nature's apportionment of crude oil on their otherwise blessed geography. The successful discovery of oil in the North Sea altered this almost barren condition in Western Europe over two decades ago. Even without North Sea oil, the Western European oil industry has played and continues to play an important role in producing, refining, and supplying petroleum-based energy in Western Europe itself and to the rest of the world.

**By Robert S. Bassman**

# OIL: Europe





# e's Power Industry





**WESTERN EUROPE, WITH A SCANT 2 PERCENT OF THE WORLD'S OIL RESERVES, CONSUMED ALMOST 25 PERCENT OF THE WORLD'S PRODUCTION IN 1992.**



**Europe and Oil.** Oil is a non-renewable resource. It is pumped from the ground in its raw state hundreds of thousands of miles from its consumers and is then shipped across oceans to massive, complex refineries which convert it into its usable forms. Next it is transported, again in pipelines or by tanker, hundreds more miles to terminals. Finally, it is loaded into trucks for its last and shortest journey to its point of consumption. All this, yet it costs far less (excluding taxes) than milk, a renewable product extracted from cows mere miles from the small, simple processing plants where it is packaged for market.

Behind this seemingly unachievable demonstration of economic and logistical magic are the frequently maligned and often sued (as the recent \$5 billion Valdez verdict against Exxon shows) major oil companies.

Petroleum is sometimes called the "life-blood" of industrial society. Speaking of Verdun, Georges Clemenceau said, "A drop of oil is worth a drop of blood." His statement reflected the importance that European and other world leaders have placed on oil since

even before the turn of the century. When Kaiser Wilhelm II made his famous pilgrimage to the holy land in 1898, it was merely a cover for a meeting with Sultan Abdul Hamid of the Ottoman Empire to seek concessions to reach the oil producing lands around Mosul. The trip was a telling precursor to what was to become a primary aim of statecraft in this millennium, the control of oil.

Russian President Boris Yeltsin's late September speech to the UN General Assembly reified the pivotal role oil has played in Russia's economy since the Czars. His attempt to declare a sort of Russian "Monroe Doctrine" in border states which were formerly a part of the Soviet Union and specifically to seek a mandate to settle the long simmering Armenian-Azerbaijani war was an attempt to garner Russian control over what may well be the world's next major crude oil producing area, the Caspian Basin. As Daniel Yergin wrote in *The Prize*, "the Soviet Union—the world's second largest exporter—squandered its enormous oil earnings in the 1970s and 1980s in a military build-up and a series of useless and, in

some cases, disastrous international adventures." To reassert control over oil in Azerbaijan, Kazakhstan, and Turkmenistan at Europe's southern flank, Yeltsin is seen as trying to maneuver around the privately financed multibillion dollar exploration and production deals of European and US international oil companies.

As this century draws to a close, oil's decline as the primary source of energy in the industrialized world is being heralded by many, but petroleum continues to account for the bulk of OECD energy consumption (approximately 40 percent). And, even though there is little doubt that oil will be replaced by other fuels as the primary energy supplier sometime in the 21st century, proven world reserves at the end of 1993 stood at a level more than twice what they were in 1968.

### **European Supply and Demand.**

Western Europe, with a scant 2 percent of the world's oil reserves, consumed almost 25 percent of the world's production in 1992. Although lacking, with the notable exception of the North Sea, much raw material at home, European companies number in the ranks of the most important international oil concerns. Excluding state-owned oil companies, the Netherlands' Royal Dutch Shell, with 1993 oil and gas sales proceeds (including taxes) of over \$75.2 billion, ranked second in size worldwide behind only Exxon. British Petroleum, the second largest European-based international oil company, reported 1993 "turnover" of almost \$52.5 billion. When government controlled entities are included in the ranking, Norway's StatOil easily ranks in the world's top echelon.

Oil remains the primary energy source in the majority of the industrialized world, contributing more than half of all energy consumed in Italy, Japan, and many other countries, and it is anticipated to continue the trend through 2010. Projections by the US Energy Information Agency depict a steady replacement by natural gas beginning in the year 2000



and continuing to at least 2010.

Oil-based fuels are particularly convenient for motor transport uses, but the air pollution they create have caused many nations to discourage their use. Taxation is a principal means these nations, particularly members of the EU, have chosen to reach this end. More than 75 percent of the price of a liter of gasoline in Portugal (\$1.083) consists of taxes. This compares to just 33.9 percent in the US, where a liter sells for 29.8 cents. Currently, Luxembourg, where taxes make up only 62 percent of the 74.6 cents per liter selling price of gasoline, has the lowest levies in Western Europe.

Europe's supply of domestically pumped crude oil from the North Sea is predicted to continue to rise over the near term. By 1998, North Sea production is expected to exceed 6 million barrels per day. This level is anticipated to be sustainable at least through 2001.

### Public or Private Ownership.

As noted above, the pendulum has shifted in crude oil dominion away from the huge international oil companies to the countries and national companies where the resources are located. The largest such company is Saudi Aramco controlling almost one-fourth of the world's reserves. After the Thatcher government privatized British Petroleum, this trend seemed to be spreading to other European countries. Currently Italy's ENI has changed its corporate form to become a publicly held company. As of yet, however, none of the stock has been offered for sale by the government. Rumors continue to circulate that the Norwegian government is preparing to sell shares in Statoil, but these rumors are consistently denied by both government and Statoil officials.

As the EU and the rest of the world prepare to enter the 21st century, the question regarding which fuels will supply the energy necessary for industry, transportation, and heating and cooling in the future remains unanswered. For the foreseeable future, however, it is certain that oil will remain king, and that the European oil industry—whether in private or public hands—will continue to prosper. **E**

*Robert S. Bassman is a writer based in Washington, DC.*

## European Oil Companies in the US

**W**ho is the largest producer of crude oil in the United States of America? Exxon or perhaps Mobil? Neither. The answer, by virtue of its 51 percent ownership of the largest US field, Prudhoe Bay in Alaska, is British Petroleum. Which major oil company held the distinction of being the largest retailer in America between 1986 and 1990 and appears to have regained that crown from Chevron in 1994? Royal Dutch Shell, with 8,533 US stations is the correct answer.

This dominance of both the upstream and downstream sectors of US petroleum by European firms graphically displays the worldwide reach of these European oil companies in the largest petroleum market. Other European controlled companies, such as Total Petroleum (2,160 US outlets), a subsidiary of France's Total and Fina (2,704 US outlets), are also highly visible in the US market. Signs bearing the Shell pecten, the BP shield (6,800 outlets), and the Total name are the most visible symbols of Europe in the US petroleum business.

Europe's two largest players in the US oil industry are Shell Oil Company US and BP America. Both are wholly owned by their continental parents. Shell Oil US with more than \$26 billion state-side assets are controlled by the Royal Dutch Shell/Shell Group, which was created in 1907 through a merger of the Netherlands' Royal Dutch Oil Company (60 percent ownership) and the UK's Shell transport and trading company (40 percent ownership). Likewise, BP America's \$20 billion in US assets are 100 percent controlled by the UK's British Petroleum Company plc. The companies would rank respectively seventeenth and twenty-fourth among the *Fortune* 500.

In 1992, the most recent year for which figures are available, European direct investment in the US energy industry (principally oil and gas), led by those in the UK and the Netherlands, stood at \$251.3 billion. This made up almost two-thirds of the total foreign direct investment in US energy.

That much of this foreign investment in American oil is unknown to the average American seems somewhat strange when one considers the obvious American position in European marketing. With thousands of filling stations bearing the ESSO, Caltex, Mobil, or Conoco brands, there would seem no need for such stealth by their European counterparts operating in the US. In fact, there is none. When BP decided to take full control of Standard Oil of Ohio (SOHIO) several years ago, however, it was concerned that some Americans might reject a foreign brand, particularly in the southeast where BP rebranded thousands of Gulf stations, which SOHIO had purchased from Chevron in the mid-1980s. Market tests and later the reality of increased sales after the rebrand belied such fears. As Robert K. Purvis, BP's senior vice-president of retail marketing, recently told *EUROPE*, "BP Oil's jobber [wholesale] volumes have grown by more than 10 percent since last year, and we expect continued future growth."

Perhaps BP should have known that the globalized oil industry had long been accepted by Americans. Not only has Shell been a principal marketer in the US for decades but the international mix of politics and oil have truly caused strange bedfellows tolerated by most US citizens. Back in the days of the cold war, for example, the Reagan administration was supporting the anti-communist revolution in Angola. At the same time the Soviet Union was helping to finance Cuban troops to prop up the existing government there. These Cuban troops were used to guard crude oil production managed by Chevron (because the Angolan treasury needed this source of cash reserves in order to pay them) against rebels funded by the US.

Given Americans' apparent ambivalence to the presence of European-controlled oil company outlets all across the US, the corresponding acceptance by Europeans of a plethora of American trademarks along the continent's roadways is not surprising. However, the rapid growth of both the Shell and BP brands in the US seems certain to assure that their state-side investments will continue to grow.

—Robert S. Bassman



**Royal Dutch Shell boasts the most US gas stations with 8,533.**



# Is Kazakhstan

**While the bulk of the Commonwealth of Independent States struggles to attract foreign investment following the collapse of the Soviet Union, the city of Almaty in Kazakhstan boasts streets bustling with pedestrians and pricey foreign cars, a burgeoning cafe culture, and well-stocked stores—at least by Soviet standards.**

Some 1,000 immigrants, including approximately 400 Afghans, have set up shop in Almaty, the capital of the former Soviet Union's second largest republic, a central Asian nation half as large as the continental United States.

While foreigners comprise only a small portion of Almaty's 1.2 million inhabitants, the Westerners stand out in the Asian city, and a large number of Westerners have fallen victim to violent crimes over the past several months largely at the hands of ethnic Kazakhs who have migrated from the countryside to benefit from Almaty's boom.

Tensions also run high between the ethnic Kazakhs, who comprise 42 percent of the republic's population, and ethnic Russians who account for a slightly smaller number. Kazakh President Nursultan Nazarbayev has hinted at replacing Russian with Kazakh as the national language, and many Russians, most of whom have been in Kazakhstan for more than a generation, have begun to move back to the motherland.

Despite the preponderance of crime and simmering ethnic tensions, nearly 60 US companies, including Citibank, Chase Manhattan, Ernst & Young, and Price Waterhouse, have laid bets that Kazakhstan may become the success story of the CIS, start-



ing up operations in the country's resurgent capital over the past year or so. But the biggest players in Kazakhstan—the companies who have placed the largest bets in the face of ever-lengthening odds—are US-based oil companies.

**By Laurie Laird**

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In April 1993, the Kazakh National Oil Company and American oil giant Chevron signed a \$20 billion contract to co-develop Kazakhstan's Tengiz oil field on the northeast edge of the Caspian Sea. The deal—the largest oil contract signed in the former Soviet Union—aims to exploit a site that analysts believe may contain as much as 9 billion barrels of oil—one of the world's

largest oil deposits.

But so far, Chevron has yet to recoup much of its investment, as the company has been able to pump only a very small portion of the field's daily capacity. Tengiz has yielded "something on the order of 35,000 barrels per day," said an Almaty-based official of Tengiz Chevron, the joint venture

formed between Chevron and the Kazakh national oil company, compared with the site's potential output of several hundred thousand barrels per day.

The problem is not extracting crude, experts say, but finding the means by which to export oil from the Tengiz field to refineries. Chevron currently ships its crude from Kazakhstan, through the pipeline network in the Russian Federation to the Russian port of Novorossiysk on the Black Sea. Shipments then proceed through the Bosphorus Straits and on to the Mediterranean.

However, the pipelines to the Black Sea also carry Russian crude, and Russia is hardly inclined to reduce its export volume to make room for Chevron's output. "We need a new export pipeline in order to complete the (Tengiz) project," said the Tengiz Chevron official.

Chevron officials

have been involved in talks with the Russian and Kazakh governments, regarding the construction of a new pipeline from the Caspian Sea in Novorossiysk, but negotiations have yet to progress beyond preliminary stages as the parties hash out the structure of financing and ownership shares in the project. "It's not just our project" that is affected, said an Almaty-based Chevron official. "The region needs more export capacity."

Despite the initial problems with shipping Tengiz crude, Chevron remains committed to its investment in Kazakhstan, the official stressed, shrugging off persistent talk in central Asian diplomatic circles that Chevron is considering a drastic reduction in the size of its investment or even a complete withdrawal from the region. "We haven't changed our plans. This is a long-term project," the Chevron official said.

Nonetheless, other Western oil companies are watching Chevron's dance with the Russian and Kazakh government with much trepidation, and some may be thinking twice before making any sizable investment here. "We're seeing the problems that Chevron is having, and we are looking at alternative routes to ship crude," said David Goodner, exploration and operations manager for Mobil's affiliate in Almaty.

Mobil and five other Western oil companies—including Agip, British Gas, Shell, Total, and a partnership between British Petroleum and StatOil—won the right to probe for oil deposits in a separate block of the Caspian sea. Many experts believe the site may hold greater deposits than the Tengiz field with one referring to the unexplored site as "the new Kuwait." ☐

*Laurie Laird is a journalist based in Moscow.*



**In 1993, Chevron signed a \$20 billion contract to co-develop Kazakhstan's Tengiz oil field. So far, the company has not yet been able to recoup much of its investment.**

# New Kuwait?



# EUROPEAN ENERGY

**A BOLD EUROPEAN UNION INITIATIVE to open up the massive oil and gas fields of the former Soviet Union to Western investment and technology is about to bear fruit.**

**Fifty nations are expected to sign the European Energy Charter in Lisbon on December 17, capping three years of complex negotiations that began before the collapse of the Soviet Union.**

The signing ceremony may be marred, however, because one of the major participants in the negotiations, the United States, is uneasy about certain provisions in the final Treaty and may not be present in the Portuguese capital.

Despite its misgivings, the US supports the aims of the charter. "Politically, it's a very important agreement... and largely unrecognized," says Stuart Eizenstat, the US Ambassador to the European Union.

The charter was first mooted at a European Community summit in Dublin in mid-1990 by Dutch Prime Minister Ruud Lubbers as a lifeline to help an embattled Mikhail Gorbachev to carry through his political and economic reforms.

The Soviet Union was heavily dependent on exports of crude oil, petroleum products, and natural gas, which generated over 80 percent of its hard currency earnings. But



## Swapping Technology

its massive oil and gas fields were crippled by obsolete technology, decaying infrastructure, electric maintenance, and unreliable transport. As much as a third of their gas output is lost in transit through leaking pipelines.

Even modest technical aid from the West would provide major benefits. It would be a perfect marriage: the Soviet Union had the energy—20 percent of the world's crude oil reserves and 40 percent of its gas reserves. And Western oil companies, eager to discover new reserves and unable to invest in the OPEC nations, had the cash.

The aims of the Energy Charter were simple: to swap

Western technology and capital for assured supplies of Soviet energy which would simultaneously bolster reform in Moscow and lessen Europe's dependence on OPEC.

The charter quickly mushroomed from a narrow EC-Soviet initiative into global negotiations involving the US, Canada, Australia, Japan, and the countries of Eastern and Central Europe.

After the Soviet Union collapse, 15 former Soviet republics took their places at the negotiating table. With 51 nations involved, including some that didn't even exist when the charter was launched, the talks were often bogged down.



# CHARTER



## for Oil

**The European Energy Charter originally was designed to help the then-Soviet Union shore up its technical and infrastructural deficiencies in its energy sector.**

Norway appeared ready to walk away from the negotiations fearing the charter would undermine government control over Norwegian North Sea oil and gas reserves. Another sticking point was the demand of some former Soviet republics to include uranium sales in the charter.

But a legally binding treaty finally emerged in mid-September, and the 51 participants were given until November to confirm their approval.

The treaty, according to Charles Rutten, the Dutch diplomat who chaired the negotiations will be a "legally binding agreement, which would allow companies to invest and trade

with confidence in the energy sector in the East."

"The industrial and financial resources of the West will be harnessed to work alongside Eastern companies in developing the East's massive energy resources and modernizing its energy systems."

The charter will guarantee oil, gas, and coal exporters, such as Russia, Ukraine, and other energy-rich former Soviet republics, non-discriminatory access to Western markets.

In return, these countries will provide Western investors with legally binding guarantees, including the right to repatriate profits. Companies from one charter country established in any other charter country will be treated on the same terms as companies from the host nation. There will also be a mechanism to settle disputes.

Mr. Rutten has rejected calls for further changes to the final text which represented "the best achievable outcome...which will attract the widest possible support."

"The objective is to...catalyze economic recovery in the countries of Eastern Europe and the former Soviet Union by triggering a cycle of economic activity based on the energy sector."

The big oil companies in the US and Europe aren't waiting for the charter to be signed before they sign deals in Russia and the former Soviet republics. Those intending to invest have made their own risk assessments. Even when the charter is in place, they will not proceed with a big project without the approval of national parliaments.

The Russian oil industry is slowly emerging from a period of turmoil marked by rows over pipeline fees, export quotas and drilling licenses, quality control, and coming to terms with the emergence of private trading firms and middlemen.

Output is tumbling fast, from a peak of 12.8 million barrels per day (b/d) in 1988, to under 7 million b/d in Russia which accounted for 80 percent of the production of the former Soviet Union.

Russian exports, however, are growing faster than expected, averaging 2.6 million b/d in August and 2.2 million b/d in September, largely because domestic demand from ailing Russian industry is collapsing.

Yet despite the chaos and risk, Western oil companies are rushing to exploit the massive energy riches of Russia and its neighbors. One of the most ambitious projects is a joint venture between three US oil companies, Texaco, Exxon, and Amoco, and Norsk Hydro of Norway to assess and develop the oil reserves of the huge Tinen Pechora basin in Russia's Arctic Circle, which conservative estimates put at 2 billion barrels.

But the oil companies face major difficulties as the former Soviet republics haggle over the ownership of oil fields. Russia, for example, recently refused to recognize an \$8 billion contract between a consortium of foreign oil companies and Azerbaijan, signed in September, claiming it has the right to be consulted in any agreement to exploit reserves in the Caspian Sea. Moscow is questioning the legality of Western oil deals with other republics bordering the Caspian Sea. Meanwhile, the \$20 billion Tengiz oil project in Kazakhstan has been snared by repeated failures to reach agreement on an export pipeline through Russian territory.

Against this backdrop, the Energy Charter can play a role in taming the new "Wild West."

—Bruce Barnard





# WTO

**The World Trade Organization doesn't exist yet, but a year from now it will be one of the most important and closely watched groups in the world.**

The World Trade Organization (WTO) is set to join the ranks of institutions such as the International Monetary Fund and the World Bank on January 1, 1995.

The WTO, successor to the General Agreement on Tariffs and Trade (GATT), will be the United Nations of world trade, a permanent negotiating forum to liberalize everything from trade in farm products to the provision of telephone services and to referee disputes between its 123 member countries.

The WTO has been nearly 50 years in the making. A planned International Trade Organization was not approved by the United States in 1947, and its place was taken by the GATT which has operated on a provisional basis from its Geneva headquarters ever since.

The WTO was in danger of missing its January 1 launch

## By Bruce Barnard

because GATT members were still undecided in mid-October about who should be its first secretary general. The US was

backing former Mexican President Carlos Salinas; the European Union was rooting for Renato Ruggiero, an ex-Italian trade minister; and Japan wanted Kim Chui-su, the South Korean trade minister, to hold down the top job in Geneva.

Worse, only 26 countries had ratified the Uruguay Round, casting doubt on whether the other 100 signatories, including the EU and the US, would meet the year-end deadline.

The GATT has worked on a stop-go basis through a succession of negotiating rounds which have successfully freed up world trade by slashing tariffs and, later, by abolishing or reducing non-tariff barriers.

The latest negotiations—the seven year long Uruguay Round, which was the most complex and ambitious trade lib-



eralization effort so far—resulted in an agreement to set up the WTO.

The Uruguay Round, signed by over 120 countries in Marrakesh, Morocco, last April, has ensured a good launch for the WTO.

Peter Sutherland, the director general of the GATT, says global income in 2005 will be more than \$500 billion higher than it would have been without the market-opening measures agreed upon in the Uruguay Round.

The WTO, according to Sutherland, “will give its member countries a greatly improved set of tools in dealing with trade issues, and it will have a central role in shaping the international trading environment into the next century.”

The WTO also will inherit a lot of political goodwill as the entire world embraces free, or at least freer, trade—a trend that accelerated after the collapse of communism in Russia and Eastern and Central Europe and China’s enthusiastic embrace of the market system.

That the world is getting progressively more liberal was demonstrated by the fact that during the Uruguay Round negotiations more than 60 countries—from Southeast Asia to Latin America—announced unilateral measures to open up their markets.

But the new world trading order still faces serious challenges that could neuter the WTO.

The growth of regional trading blocs—the expanding European Union, the North America Free Trade Agreement (NAFTA), the Asia-Pacific Economic Cooperation Forum (APEC), and Mercosur in Latin America—could undermine the multilateral trade system.

And in spite of its successes, the Uruguay Round did not slay the protectionist dragon. Some Western countries will be sorely tempted to use labor and environmental standards as a pretext to block imports from the developing countries and protect their inefficient industries.

The developing countries themselves, while clamoring for improved access to Western markets, are looking for ways to close theirs.

The WTO will be more effective than the GATT in repulsing these protectionist ruses. It will have a formal legal structure for settling international trade spats and a much wider scope, spanning such sectors as agriculture, services, and intellectual property rights.

Although it doesn’t formally exist yet, the WTO already has a full work agenda. First, it must make sure the 123 signatories to the Uruguay Round deliver on the pledges to open long-shielded and politically explosive sectors such as agriculture and textiles.

It must also try to write a rule book for anti-dumping, which the Uruguay Round failed to do because of the fierce resistance by industrialized countries which view dumping actions as an instrument of non-tariff protection.

The WTO must also fashion new rules for trade in services, foreign investment, and competition policy—politically

sensitive sectors where the interests of the industrialized world and developing nations appear to be diametrically opposed. Developing nations usually require foreign investors to export a certain share of their output, hire a minimum number of local managers, and transfer technology to domestic firms.

These sectors are much more important than many of the areas covered by the Uruguay Round. According to the GATT estimate, trade in services is worth \$1 trillion a year, or a fifth of total world trade.

The WTO must also negotiate entry terms for some 20 countries, including China, Russia, and other former Soviet republics. This is already causing problems. China, for example, must rejoin the GATT, which it left in 1950, and sign up to the Uruguay Round before it can become a founding member of the WTO.

The WTO’s work has already begun. At the Uruguay Round signing ceremony in Marrakesh, the GATT members agreed to set up a committee to examine the link between trade and the environment. Preparatory work has also started on labor standards, maritime transport, civil aircraft manufacture, and telecommunications.

And the WTO won’t be starting from scratch when it draws new rules for the treatment of international investment flows. Nearly 600 bilateral investment treaties have been signed between members of the OECD (Organization

for Economic Cooperation and Development) and developing nations.

Nevertheless, there is a danger the WTO will be bogged down by disputes between the industrialized and developing nations, championed by India and Brazil, in contrast to the Uruguay Round where the big rows were between the US and Europe and to a lesser extent Japan.

The major players already are staking out their positions. The US, supported by France, has called for the establishment of global rules on labor standards, which would make further market opening to developing countries conditional on their treatment of workers. To the developing nations, this smacks of a blatant attempt to prevent them from exploiting their main competitive advantage—cheap labor.

Developing nations are equally suspicious that the West also wants to use environmental standards as a pretext to keep out their imports.

Yet despite these preliminary skirmishes, the WTO seems set to reap early dividends as it will get down to work just as the world finally moves out of the deepest recession for a generation. And a successful WTO could lead to a new era of trade expansion as dynamic as that of the golden days of the 1950s and 1960s. ☺

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



# EU Looks Forward to WTO

**F**or the European Union, the world's biggest trade bloc, the WTO represents a major step toward its goal of creating a global forum to referee trade disputes and also marks an eventual end to its bilateral trade spat with the US and the "sweetheart" deals between the US and Japan that freeze out the rest of the world.

Transatlantic trade disputes have hogged the headlines, but they account for only a tiny fraction of EU-US trade and investment flows. Nevertheless, they have the potential to unleash damaging trade wars that could bankrupt small firms and jeopardize thousands of jobs on both sides of the ocean.

Trade tensions have eased following the successful conclusion of the Uruguay Round that looked doomed for a time because of US-EU differences over farm subsidies and audio visual services.

A combination of skillful diplomacy and brinkmanship practiced by Sir Leon Brittan, the EU's trade commissioner, and Mickey Kantor, the US Trade Representative, also settled most outstanding bilateral disputes.

And yet the EU remains instinctively suspicious that the US will continue to pursue a unilateral trade policy that will undermine the new trade order to be launched on January 1. For the EU, one of the major tasks of the WTO will be to rein in Washington.

The EU's worst fears of the US pursuing its "go it alone" policy were aroused even as final preparations were underway to set up the WTO.

Sir Leon and his officials looked on in dismay as Washington and Tokyo cut a bilateral deal in early October to open up Japan's flat glass, insurance, and government procurement markets.

To the European Commission, such bilateral deals are only acceptable if all of Japan's trade partners benefit from more open markets, not just the US. "What matters is that Japanese companies are placed under no pressure, either explicit or implicit, to buy American rather than European or other foreign products and services," the Commission stated.

The Commission, which negotiates on trade for the 12 EU member states, has often expressed concern that Japan has accorded US suppliers preferential treatment for political reasons. The most recent examples are Japan Airlines'

decision earlier this year to purchase Boeing aircraft without considering a rival Airbus plane and Japanese airlines' failure to buy British Rolls Royce aero-engines.

The US's strong-arm tactics also alarmed the EU as much as the Japanese who faced trade sanctions if the talks had failed. "We regret these deals were concluded under the threat of unilateral trade sanctions which we believe are a destabilizing factor for world trade," the Commission said.

Despite assurances from the US, the Commission fears Washington wants to coerce the Japanese government into sharing out its markets between domestic and American suppliers.

The EU's bid to broaden these bilateral talks have failed. Last spring, the US and Japan rebuffed a proposal by Sir Leon to include the EU in their talks. The Commission called again for third party monitoring of the latest Japan-US accord to ensure that the benefits will be available to all exporters.

The EU is at pains not to exaggerate the negative aspect of the US-Japan deal. It was "significant," according to Sir Leon, there was no agreement on autos and auto parts which would have encouraged "managed" trade.

Meanwhile, the EU wants Japan to persuade the US to seek to resolve any future bilateral trade differences through the WTO.

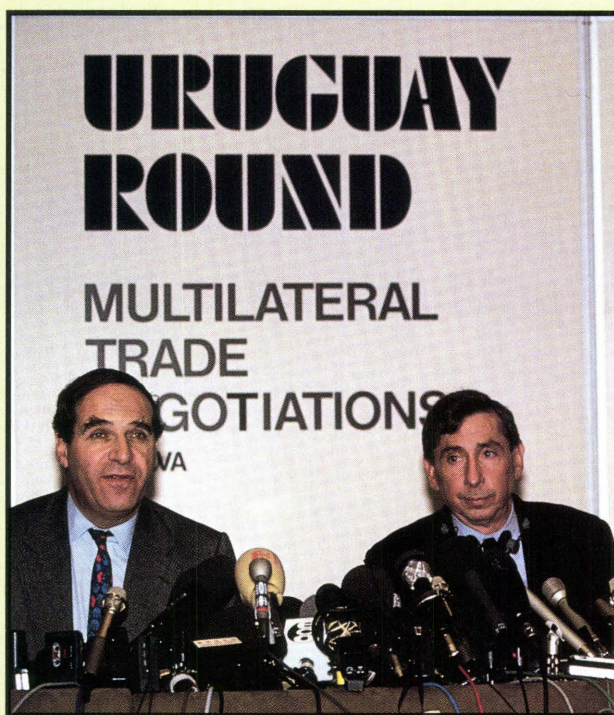
The EU sees the WTO as a powerful lever to force the US to drop its unilateral stance for a multilateral approach. The EU remains bitterly opposed to the so-called Super 301 clause written into US trade law in 1988.

Super 301, which requires the US Trade Representative to negotiate away trade barriers in individual countries on a US "hit list" with the threat of trade sanctions if there is no agreement, has not been used against the EU.

Still, the EU regards it as a barrier to the creation of a properly functioning multilateral trade system and will use the WTO to ensure the US will just let the offending legislation gather dust.

Renato Ruggiero, the EU's candidate to head the WTO, says the new organization will have "to be the rampart for the defense and expansion of free trade in a system of clear rules."

—Bruce Barnard



**Counterparts:** US Trade Representative Mickey Kantor (right) and EU Trade Commissioner Sir Leon Brittan.



# *Inside* EUROPE

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## FINNS VOTE YES

Finland's decision to join the European Union next January provided a desperately needed booster to the embattled pro-EU forces in the final weeks of campaigning in the neighboring Sweden and Norway.

The result in the October 16 referendum—a yes majority by 57 percent to 43 percent—has probably tipped the balance in favor of Swedish membership of the EU when the country votes on November 13.

But the majority was much slimmer than polls forecast with a sudden, totally unexpected, late swing by undecided voters to the no side that could dim any lingering hopes of dislodging the powerful anti-EU opposition in Norway before its November 28 ballot.

The Finns were also decidedly less enthusiastic about the EU than the Austrians who voted by a 66 percent majority last June to join the 12-nation bloc.

The staggered timing of the Nordic ballots was a deliberate attempt to use a decisive vote in EU-friendly Finland to create a domino effect throughout the region. Finns have always been the most pro-EU, Swedes have been uncertain and divided, and Norwegians have been instinctively suspicious about the giant economic bloc to the south.

Immediately after the Finnish vote, Sweden's newly elected Prime Minister Ingvar Carlsson flew to Oslo to coordinate strategy with Norwegian Prime Minister Mrs. Gro Harlem Brundtland.

Before the Finnish vote, Sweden was widely expected to vote, however grudgingly, in favor of EU membership. But the last minute swing in Finland refueled doubts about the outcome in Sweden, where the yes vote overtook the anti-EU camp for the first time only in August. The government itself is split down the middle. While Mr. Carlsson strongly supports membership, two members of his cabinet are prominent anti-EU campaigners.

In the final weeks of a bitterly contested campaign in Norway, the pro-EU camp was desperately relying on the fear of isolation to produce a reluctant swing in favor of membership. But the anti-EU sentiment runs deep among the independent minded Norwegians. A poll published on the day after the Finnish vote showed 51 percent were against membership, up 6 percent since September, and only 31 percent were in favor, down 4 percent.

However, an earlier poll showed for the first time that a slim majority of Norwegians would vote for EU mem-

bership if Sweden and Finland decided to join the EU. In the end, the fear factor may prove decisive.

Economic issues have played a minor role in all three campaigns because the electorates were so well informed during the accession negotiations in Brussels. Instead, historical, political, cultural, and emotional issues dominated the debates.

The relatively low profile of bread and butter issues also reflected the fact that Finland, Sweden, and Norway are linked to the EU through the European Economic Area, a giant single market stretching from the Arctic to the Mediterranean.

This gives the Nordic countries the biggest advantages the EU can offer: the free movement of capital, goods, services, and people.

Thus membership of the EU would bestow few additional economic or trade benefits, at least in the short term. The obvious difference between EEA and EU membership is participation in the EU's program for Economic and Monetary Union, leading eventually to a single European currency.

But prospects for creating a single currency by the target deadline of 1999 have weakened following the currency crises that swept through Europe in 1992 and culminated in the meltdown of the European Exchange Rate Mechanism in the summer of 1993.

And so non-economic factors have been at the fore although the overwhelmingly pro-EU political and business establishment never ceased to spell out the costs and psychological dangers of staying aloof from a market of 350 million consumers.

Although outsiders portray the three countries as members of a cohesive Nordic bloc, they are in fact very different, not least in their stance toward the EU.

For Finns, EU membership signals a final, decisive break with a cold war past when foreign and trade policies were tailored to suit Finland's giant neighbor, the then-Soviet Union with which it shared an 800-mile border. EU membership means Finland has finally come out of the cold and joined Western Europe.

The fact that the collapse of the Soviet Union robbed Finland of a market that once took a quarter of its exports and precipitated a savage recession that has left 20 percent of Finns without a job also made the EU an attractive economic proposition.



## FINNS VOTE YES (CONTINUED)

EU membership would mark an equally decisive break for Sweden, whose cherished neutrality seems anachronistic in the post cold war era and whose famed cradle-to-grave welfare system can't survive in an economic cocoon.

While Sweden's voters still have to make up their minds, the country's large corporations such as Electrolux, Ericsson, SKF, and Volvo, outgrew their restricted domestic market long ago and have been investing heavily abroad, notably in the EU. Some industrialists have hinted darkly they will uproot their headquarters and channel more investments to the EU in the event of a no vote.

While Sweden was being tipped to join the EU, Norway confounds the pundits, with the odds on a repeat of the 1972 referendum when the country narrowly rejected joining the European Community along with the United Kingdom, Ire-

land, and an exceedingly reluctant Denmark.

The current campaign is virtually a carbon copy of the 1972 referendum during which the opposition was led by feisty farmers and fishermen warning that the country's sovereignty over its abundant natural resources was at stake. So far, Prime Minister Brundtland has had very little success refuting these claims.

The pro-EU camp has been saying it would all come out right on November 28, taking heart from the fact that the 1972 result was a close call. When Norway voted no 22 years ago, it knew it could take refuge in the Nordic camp. That's not an option this time.

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

## INTERNET NOTEBOOK

The latest information from Europe is, quite literally, at your fingertips. By using your personal computer you can easily electronically cross the Atlantic to communicate with thousands of people, receive millions of files of information, and make new contacts in all corners of the globe. Best of all you can do all this instantaneously from almost any computer at little or no cost.

What makes this futuristic-sounding dream a reality is something called the Internet. Simply stated, it is thousands of interconnected computers that allow users to send messages and share files. Although it sounds like something used by hard-core computer hackers, the basic functions of the network are quite easy to master.

The Internet itself is perhaps the best example of cold war technology converted to civilian use. Consisting of thousands of interconnected computers and millions of files, the Internet was designed so that the military and government would be able to communicate in the event of a nuclear war. The network assumes a message was not received and sends the message over several different routes until it has confirmed the entire message was received. Over time the network has grown to include universities, private organizations, and even commercial services. In fact the Internet is so fast and so dependable, it was the only real time link to the turmoil in Russia last year. Computer operators in Moscow routed their messages over the Internet through a computer in Finland to give eyewitness accounts of the turmoil in the streets during the parliamentary power struggle.

This information superhighway has many offramps in Europe, thus giving users an instantaneous and reliable way to send and receive information from abroad. If you have access to the Internet and can use electronic mail (e-mail), you are ready to begin exploring and cruising on the information superhighway. To get started, here are a few examples of what types of European information exist on-line and how to get it:

- Sign up to be on the White House mailing list for foreign affairs press conferences and briefings. The information available includes transcripts of speeches and press conferences of the president's recent trips to Europe as well as other European related topics. To get instructions on how to subscribe to the electronic mailing list, send an e-mail message to **publications@whitehouse.gov** with the words **send info** in the body of the message. You can also send messages to President Clinton and Vice-President Gore, as

both have their own Internet addresses, which are **president@whitehouse.gov** and **vice.president@whitehouse.gov** respectively.

- Get a copy of the Maastricht Treaty. A full text version of the treaty is available over the Internet. It is even broken down by sections for easy browsing. Using the gopher command connect to **wiretap.spies.com** and select **government documents** from the menu.

- Check out ecu exchange rates. The European Union has a host of databases in Luxembourg you can access at no charge from your home computer. One of these databases includes the official exchange rates of the ecu against world currencies. To access type **telnet echo.lu** and log in as **echo**, then select **ecu exchange** from the menu.

- Join a discussion group. These are giant message boards where you can leave messages, reply to messages, or just read messages. There are many of European nature or origin. One of the best is a discussion of European Union topics. To subscribe send an e-mail message to **listproc@knidos.cc.metu.edu.tr** and in the body of the message type **subscribe ec your-first-name your-last-name**.

- Explore NATO on-line. The North Atlantic Treaty Organization posts press releases and announcements on the Internet. A full copy of the organization's handbook is also available on-line. Using the gopher server connect to **wiretap.spies.com** and select **government documents** from the menu. There is also a mailing list that distributes NATO press releases, communiqués, secretary general speeches, and SHAPE information. To subscribe send an e-mail to **listserv@ccl.kuleuven.ac.be** and in the text of the message type **subscribe natodata your-first-name your-last-name**.

- Get news from Radio Free Europe. A listing of news releases related to developments in the former Soviet Union and Eastern Europe. Send an e-mail message to **listserv@ubvm.cc.buffalo.edu** and in the body of the message type **subscribe rferl-l your-first-name your-last-name**. Updated daily.

These are only a few of the thousands of sources of information available through your computer. The best way to learn is to start up your computer and venture into "cyberspace". Soon you'll be jumping around the Internet finding new sources of information, engaging in discussion groups, and perhaps even making a few on-line friends. Happy hunting!

—Michael Panetta



## QUEEN VISITS RUSSIA

Queen Elizabeth's visit to Russia marked the first by a British monarch. The trip signified the end of uneasy relations between the monarch and Russia which arose after Czar Nicholas II, first cousin of Elizabeth's grandfather King George V was murdered along with his family in 1918 by Bolshevik Revolutionaries. The queen's presence in Russia was seen as especially important to the reported 18 percent of Russian citizens who want to return Russia to a monarchy.

Although British officials call this an important visit, they emphasize that the main reason the queen accepted the invitation of Russian President Boris Yeltsin was to learn more about Russia's current economic and political transformations and only secondly to heal old wounds.

## KOHL WINS REELECTION

Little more than an hour and a half after the polls closed, Chancellor Helmut Kohl announced his victory in the German elections. His Christian Democrats took 41.5 percent of the vote compared to the 36.4 percent won by the closest competitor, the Social Democratic Party led by Rudolf Scharping (see chart).

Kohl, already chancellor for 12 years, remained in power by a margin of only about 143,000 votes out of approximately

50 million votes cast. He maintains a small majority in Germany's Parliament, with 294 seats. With such a slight majority, this is said to be one of the weakest German governments to come into power since World War II.

The chancellor's campaign revolved around a theme of continuing the unification process of Germany along side the unification efforts of the European Union. He said at a recent press conference, "If the Germans don't realize now that German unity as a historical event will be wasted if we don't press ahead in parallel with European unity, then there is no hope for the Germans."

## GERMAN ELECTION RESULTS

Party	percentage of vote	number of seats won	change from 1990
Christian Democrats-CSU	41.5%	294	-25
Social Democratic Party	36.4%	252	+13
Alliance '90-Greens	7.3%	49	+41
Free Democrats	6.9%	47	-32
Party for Democratic Socialism	4.4%	30	+13
Others	3.5%	0	no change

Source: Associated Press

## BUSINESS BRIEFS

**Samsung** of North Korea announced a \$720 million investment in a manufacturing plant in northern England and the transfer of its European headquarters from Frankfurt to London.

The decision of the world's fourteenth largest industrial firm to site the plant, which will employ 3,000 people

making microwave ovens and computer monitors, in a high unemployment region, was a major triumph which fought off a fierce challenge from France, Portugal, Germany, and Spain to attract the prestigious investment.

Samsung came to Britain in 1989 to build a television plant in the same region

which now produces 700,000 sets a year.

Samsung's announcement came just weeks after **NEC**, the Japanese electronics giant, unveiled an \$850 million investment in a semiconductor plant in Scotland.

...

**Mitsubishi** of Japan is to begin pro-

## WHAT THEY SAID

**"I would like to congratulate Finland on a clear result. Are we going to place ourselves apart from an expanded Europe? That would be a very strange situation."**

—*Ingvar Carlsson, prime minister of Sweden, congratulating Finland on its vote to accept EU membership and rallying support for Swedish membership as the country prepares for its referendum this month.*

**"We are not trying to paint a horror picture. We urge politicians to read the study."**

—*Svein Aaser, president of the Confederation of Norwegian Business and Industry, referring to a study conducted by his group showing that rejecting EU membership might cost Norway 100,000 jobs.*

**"They're using me, and I'm using them."**

—*Stefan Heym, newly elected member of German Parliament, speaking of the Party of Democratic Socialism (ex-Communist Party) which he represents but has not joined as an official member.*

**"For Russia, this visit is the utmost recognition that our country is on the road to democracy."**

—*Boris Yeltsin, president of Russia, speaking of Queen Elizabeth's visit to Russia 70 years after the assassination of her distant cousin, Czar Nicholas II.*

**"I have never built an institution in my life. You can't imagine what it means to build up something from scratch. It is a very, very full-time job."**

—*Alexandre Lamfalussy, president of the new European Monetary Institute, on setting up the new institution.*

**"It was one thing to say communism was immoral, but if nothing happens to improve the morality, then there's a problem."**

—*Ivan Galab, former advisor to Czech Republic President Vaclav Havel, on the reforms taking place in the Czech Republic.*

**"We must today put this crisis behind us, reassure our allies in the gulf and prepare for the future by giving clear signals to Iraq on the methods it must use and the path is must take to emerge from its current isolation."**

—*Alain Juppé, French foreign minister, urging allies to put the Iraqi crisis behind them and restore peace in the Persian Gulf.*

**"We haven't lost so many people since Charles XII returned from fighting in Norway. I think that was in 1780."**

—*Sonja Herkfelt, Swedish citizen, devastated by the sinking of the Estonian ferry that killed more than 900 people, more than half of which were Swedes.*



## BUSINESS BRIEFS (CONTINUED)

duction of cars in Europe for the first time at a joint venture plant in the Netherlands.

Mitsubishi plans to produce 200,000 cars a year by 1997 at the NedCar plant it jointly owns with **Volvo** of Sweden and the Dutch government.

...

While Asian firms are moving into Europe, European firms are crossing the Atlantic. The total value of deals in the first half of 1994 was \$28 billion compared with \$35 billion for the whole of 1993. Among recent deals:

**Valeo**, the French auto component supplier, paid \$80 million cash for Lake Center Industries which makes electronic and mechanical parts at six plants in Minnesota and Wisconsin.

Valeo, which is already established in the US, said the acquisition will strengthen its position with **Ford**, **General Motors**, and **Chrysler**.

**Kone**, the Finnish elevator manufacturer, bought **Montgomery Elevator Co.**, the fourth largest US elevator and escalator maker, for \$280 million.

Kone said the acquisition will boost the North American share of its yearly \$2 billion revenues from less than 10 percent at present to 25 percent.

Kone is the third largest elevator firm in the world with a payroll of 17,800.

**J. Sainsbury**, Britain's biggest supermarket chain, is buying 50 percent of the voting stock in Maryland-based **Giant Food, Inc.** for \$325 million, paving the way for an expansion of its US operations.

The stake in Giant, which has 159 supermarkets in the District of Columbia, Maryland, and Virginia, complements Sainsbury's 87-store **Shaw's Supermarkets, Inc.** chain in New England which was acquired in 1987.

**Reed-Elsevier**, the Anglo-Dutch publishing giant, handed over \$1.5 billion for **Mead Data Central**, the electronic information unit of **Mead Corporation**, the US paper and forest products group.

...

**Philips Electronics** of the Netherlands and **IBM** of the US are setting up a joint venture to manufacture semiconductor wafers at an IBM plant near the southern German city of Stuttgart.

...

The European **Airbus** consortium forecast that the world's airlines will order 13,000 planes by the year 2011, and it expects to scoop around 40 percent of the orders.

**Airbus**, which groups German, French, British, and Spanish aerospace firms, says demand will be strongest in North America and Asia and that just over half of the orders will come from the renewal of existing fleets.

...

**BMW**, the German luxury car manufacturer, plans to launch its first car powered by natural gas for the commercial market in 1995.

The cars, which will be equipped with a conventional gasoline tank that will allow switching from gas at the push of a button, will be targeted at owners of taxis and express vans.

Meanwhile, a bullish **BMW** expects to triple its sales of conventional cars in Japan to 80,000 units a year by the year 2000.

...

**Dresdner Bank** and **Banque Nationale de Paris** plan to boost their year old partnership by making joint acquisitions across Europe, further consolidating Europe's most advanced cross border banking link.

The two banks, which already have jointly-owned subsidiaries in Prague, Budapest, Warsaw, and St. Petersburg, and shortly in Moscow, plan to merge their operations in Spain in early 1995.

The banks, which have small stakes in each other, are looking for other opportunities to spread their pan-European presence, with Italy the most promising target territory.

...

**Audi**, the luxury car unit of Volkswagen of Germany, intends to invest \$475 million in a new engine manufacturing plant in Hungary over the next five years.

The plant, Audi's first wholly-owned operation outside Germany, was opened in October with a start-up staff of 250 making 750 engines a day. By 1997, the work force will total 860 and daily output will rise to 2,000 engines.

The Audi plant is one of the biggest foreign investments in post-communist Hungary and follows earlier auto investments by **General Motors** and **Suzuki** of Japan.

...

**British Steel** is building a \$155 million, 1 million tons per year mini-mill in Tuscaloosa, Alabama, its biggest single investment for four years.

The plant will be operated by British Steel's US subsidiary, **Tuscaloosa Steel**, which produces 500,000 tons a year of steel plate.

"Tuscaloosa's objective is to become

the most cost-effective supplier in the US (steel) plate market," says British Steel chairman Sir Brian Moffat.

British Steel, Europe's third largest producer, is also expanding rapidly in the lucrative East Asian market, signing a joint venture to build a steel rolling plant in Kuala Lumpur, Malaysia, and opening an office in Ho Chi Minh City, Vietnam.

...

**Axa**, the acquisitive French insurer, aims to take majority control of **Equitable Life**, the US life insurer, by the end of 1994, by increasing its current 49 percent stake to 60.1 percent.

Its current stake, acquired for \$600 million in 1992, when Equitable was mired in serious financial difficulties, underperforming junk bonds, and real estate investments, is now worth about \$1.4 billion.

Axa has spent around \$1 billion to turn around Equitable which it is using as a vehicle to break into the US life insurance and investment market.

...

**British Airways**, **KLM**, and **Scandinavian Airlines System (SAS)** were among seven European airlines that appealed to the European Court of Justice to overturn a European Commission ruling in favor of a \$3.8 billion government subsidy for state-owned **Air France**.

The British government also has asked the Luxembourg-based court to annul the decision in a move that has heightened tensions in the European Union over the vexed issue of the use of subsidies to prop up ailing state-owned companies.

**British Midland**, a leading independent carrier, joined the battle against the aid to Air France which, it says, was "almost equal to the entire losses made by all the world's airlines in 1993."

The other airlines fighting the Air France subsidy are **Air UK**, **Maersk Air** of Denmark, and **TAT**, a French regional airline which is 49 percent owned by British Airways.

—Bruce Barnard

### INSIDE EUROPE

#### Correspondents

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

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# Poland

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Horst Krenzler, director general of external economic relations for the European Commission, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman about the new World Trade Organization (WTO), differences between GATT and WTO, US-EU trade, and the future enlargement of the European Union.

## EUROPE INTERVIEW



# Horst Krenzler

**What is the EU's position on the creation of the World Trade Organization next January? Are there any problems? Are you squarely behind the creation of the WTO?**

We were indeed among the promoters of the WTO. We strongly backed the idea. We think that the move from the GATT, which was always provisionally applied and never a real institution, to the WTO, which will be an institution with much more binding rules, is significant. Particularly, it would set up a dispute settlement mechanism which is binding for the parties. Such a mechanism represents progress and is one of the major achievements of the WTO.

**Will the WTO actually go into place on January 1, 1995?**

For the time being, there is a good chance that the major players will ratify before the first of January. But we have to see if a critical mass of countries has ratified (the WTO agreement) because we need a substantial number before we can put it into force.

**What are the major changes from GATT to the WTO?**

There are a lot of important changes, but let me mention just some. The WTO is a sort of umbrella organization which will envelop not only trade in goods—as the GATT did in the past—but will also cover trade in services and intellectual property. Another big difference, which I have already referred to, concerns the binding dispute settlement mechanism. No longer will the adoption of panel decisions depend on consensus of the contracting parties and hence the actual acceptance of the ruling by the losing party. This was one of the major shortcomings of the old GATT.

Finally, the WTO will be a more political organization. It will have regular ministerial meetings. Therefore the WTO will become an organization comparable to the World Bank and to the IMF, with the same status as these two organizations. The three organizations have to work together to achieve a more coherent management of the world economy. This will be one of the major tasks for the new director general of WTO.

**Is there going to be any overlap with IMF**

**or World Bank? Is there going to be a problem with encroaching on each others' territory?**

I wouldn't speak about overlap, but there is a need for fairly close relationships because, for instance, every currency change influences trade movements. Conversely, sudden trade movements can also influence exchange rates. Therefore, close co-operation is needed to deal with these areas.

**Will the WTO more effectively cover environmental issues than GATT did?**

Yes, it certainly will. It was decided at the concluding session in Marrakesh that the relationship between trade and environmental measures would be one of the key subjects to be discussed within the WTO. We have to establish rules on how to connect the two areas. In future trade discussions, the interaction of trade and environmental policies will be examined more fully. A committee has been set up to make the necessary recommendations.

**Can you tell us what the status of the**



**GATT Uruguay Round Treaty is within the EU and what the status is within the different countries at this point?**

The Uruguay Round Final Act was signed by the EU as well as by the member states. The real question, which is now before the European Court of Justice, is who is responsible to act within the WTO for the so-called "new areas" including intellectual property, environmental issues, social standards, and competition. In the Commission's opinion, the Union, as such, should retain the system of speaking with one voice to preserve the unity of our external representation. Some member states think they should speak with their own voice on certain issues. We think that this is neither in the interest of the member states of the EU nor in the interests of third countries which would probably benefit from being able to deal with a single interlocutor.

**How will this be resolved? Could this delay the WTO's coming into effect?**

The opinion of the Court will be available November 15, which would leave us enough time to ratify before the end of the year.

**What do you see as the outstanding trade issues between the US and EU? Are there any specific things that are troublesome at this time?**

Within a trade relationship as close, comprehensive, and diversified as the one between the EU and the US, friction is unavoidable. Thus, even though transatlantic trade and investment are flourishing, we do have some concerns, and we have made them known to the US administration. We are monitoring closely, to give you just one example, how the Uruguay Round is implemented here in the United States in various areas. And we can only hope that the implementation legislation will reflect faithfully the results of the Uruguay Round.

We also have other concerns, for instance, in the investment field, relating to the increasing tendency of US legislators to introduce legislation containing conditional national treatment provisions. This is not a good thing because it may deteriorate the investment climate in the United States and may become an obstacle for foreign investment here. The US administration and the Commission both agree that

conditional national treatment provisions should be avoided.

**What is "conditional national treatment"?**

National treatment (a well-established standard both in GATT and in the OECD) ensures that the same treatment is afforded to domestic companies and those of foreign origin. Thus, in Europe, we treat a company of American origin like a European one when it comes to the application of rules or the access to subsidies, for instance, in the research area. Conditional national treatment provisions, on the other hand, restrict the possibilities of foreign companies compared to domestic ones. Provisions encountered in proposed US legislation make national treatment conditional on certain action taken by the company's home country or on the fulfillment of certain performance requirements by the European-owned company in the US.

**How would you describe transatlantic investment?**

I think there is a very healthy investment flow. The investment stock is more or less in equilibrium, mutual direct investment amounts to about \$450 billion. The transatlantic investment relationship is of great importance for our economies. About 3 million people in the US are working in European-owned companies, and these companies pay an annual \$7 billion in corporate taxes. This is why it is so important to make sure that there are no obstacles to these investments like the discrimination of foreign companies vis-à-vis domestic companies. In Europe we have a special article in the Treaty of Rome guaranteeing equal treatment to all established companies, whatever their origin.

**Do you feel that Central European countries have economies that are strong enough to become members of the European Union?**

A lot has to be done to make them competitive and to create the conditions for entry into the Union. We are trying to implement preaccession strategies which would include free market access to the EU market; assistance for approximation of legislation with EU internal market legislation; and guarantee a steady inflow of technical assistance or investment grants

over a five-year period.

**Realistically speaking, do you think they'll become members by the Year 2000?**

This is certainly a possibility for some of them, not all of them. But it depends very much on their own development, and I would foresee that some of them may be members around 2000.

**You're going to have a new Commission coming into place in January with a new president. What do you see happening?**

I think one of the conditions of the future enlargement you have just mentioned is that we get our house in order. To do so, we have planned an intergovernmental conference in 1996. During this conference, we need to establish the internal conditions for the absorption of up to 10 new countries. This means institutional change. This is a very important task, and President Santer and the new Commission will have to devote a lot of time to the preparation of this conference. It will be a new phase in the life of the EU, as challenging as the Maastricht Treaty.

**Boris Yeltsin said Russia is a stable place to invest. Do you agree with that? And do you think European companies are investing at a good rate? Or should they be investing more?**

European companies' investment in Russia is not very substantial for the time being. Industry still has a lot of questions about the legal and institutional framework for investment, taxation laws, possibilities to own property, things like that. There is still a lot up front to be done, but I think the Russian market is extremely interesting. The country is rich in resources, and has enormous business potential.

**Is the G7 still an appropriate forum, or does it need to be abolished and something new take its place?**

The G7 is already changing and going back to its origins, to more informal gatherings for the economic part of its deliberations. For the time being, it will remain a G7 for the economic part, but for the political deliberations it is already a G8, with the inclusion of Russia. But I don't see other radical reforms to come in the short term. ☹



By Larry Luxner



# ALBANIA

## Gears up for tourism

To protect Albania's wildly beautiful Adriatic coastline like that at Saranda, the government has forbidden the construction of beachfront tourist villas taller than three stories.

For years, foreigners visiting Tirana, Albania's capital, have had only two real alternatives when it came to lodging: the tired, old Hotel Dajti, built by Italians in 1934, and the 15-story, Soviet-built Hotel Tirana overlooking Skanderbeg Square.

With GNP shooting up 11 percent in 1993 and likely to jump another 10 percent this year, that's about to change. Albania—Europe's poorest country—is enjoying the continent's strongest growth. Within 18 months, Tirana should have two new luxury hotels in operation—thanks to Austrian and Kuwaiti investors who see big profits as Europe's most isolated country finally opens up.

Even so, only 47,000 people visited Albania last year—with only 9,000 being actual tourists, according to the Albanian Tourism Ministry. The rest were missionaries, journalists, ethnic Albanians from neighboring countries, and day-trippers from the Greek island of Corfu.

Yet by 2004, the Maryland-sized country expects to be receiving more than half a million visitors a year—mainly from Italy, Germany, the United Kingdom, Scandinavia, and Greece.

Many will come out of curiosity; after all, the country was off-limits for nearly half a century. Others will arrive in search of uncluttered beaches, clear mountain streams, and the traditional hospitality for which Albanians have become famous.

"We are going to avoid mass tourism as much as possible," promises Edmond Spaho, the country's 36 year old tourism minister. "We don't want to repeat the mistakes other countries have made. We will respect all local architectural designs and promote handicrafts to create an original environment that will compete with other European markets."

Albania is certainly original. One of the first things visitors to this tiny Balkan country notice are the igloo-like concrete bunkers dotting the countryside. The bunkers—untold hundreds of thousands were built—are a bizarre legacy of the country's late Communist dictator, Enver Hoxha, who feared an American or Soviet nuclear attack.

Under Hoxha, private cars, beards, foreign radio broadcasts, and religion were outlawed. The only Coca-Cola Albania's 2.5 million citizens ever saw were empty cans washing



up on the beach from Italy or Greece.

Today, with Hoxha dead and Albania under democratic rule, BMWs, soft drinks, religion, and the Voice of America are all in vogue. Billboards pushing Coke have popped up all around Tirana; television and radio spots incessantly repeat the slogan "*Coca-Cola Gjithmonë*" (Coca-Cola Always).

Commercialism aside, Albania is probably the only Eastern European country whose environment wasn't destroyed by heavy industry. Tourists who are brave enough to rent a car can explore everything from Lake Shkoder in the north to the charming mountain village of Voskopoja in the south, which boasts well-preserved Orthodox church frescoes from the 17th century.

Albania, which is predominantly Muslim, also has a number of important mosques, starting with the Xhamia Ilias Mirahori in Korçë, which this year celebrated its 500th anniversary. At Butrint, a Roman amphitheater dating from the time of Christ can be found, and in Saranda—only a few miles across the water from Corfu—visitors can stroll along the boardwalk for a romantic moonlit evening.

To protect Albania's wildly beautiful Adriatic coastline, Spaho's government has forbidden the construction of beachfront tourist villas taller than three stories. At the same time, it has passed a new law that gives foreigners lucrative tax incentives to build villas and guest houses in areas earmarked for tourism development.

"We intend to have 50,000 to 60,000 beds just along the coast," Spaho said. At the moment, the state monopoly Albaturist has 3,000 beds, but only 1,300 beds are tourist-class. "The rest cannot be offered to the international market," he concedes.

In Tirana, population 170,000, two luxury hotel projects are already under way. The first is the \$200 million Hotel Dea, now under construction by Rogner International Hotel & Resorts, an Austrian hotel chain with operations throughout Eastern Europe. The Dea—named after a figure in Albanian mythology—is rising on a 2.3 hectare plot fronting the Boulevard. The vacant site was intended for the headquarters of Albania's Politburo until the fall of communism in 1991.

Rogner executive Reinhard W. Schmidt, who has overseen the hotel project for the last two years, says the five-story hotel will have 101 double rooms, 10 junior suites, two executive suites, a business center, conference facilities, a tennis court, and an outdoor pool. Rates will average \$120–130 a night for a double room upon completion in August 1995.

"This is the first hotel project being built in Albania with foreign investment," says Reinhard, who works out of a luxurious villa only two blocks from the mausoleum of Enver Hoxha, whose government forbade foreign investment in Albania and denied tourist visas to both American and Soviet citizens.

The second project is a futuristic-looking \$25 million hotel designed and now being built by Kuwait's Mohamed

Abdilmohsin Kharafi & Sons Group. Upon completion in early 1996, the five-star property will likely be managed by Sheraton Hotels.

Zakaria Rashed, area manager for MAK-Albania, said the 11-story structure—with a sleek black-glass exterior, 220 deluxe rooms, and 42 suites, three restaurants, a night-club, a swimming pool, and tennis courts—will be Albania's first five-star property.

"This country has good tourism potential," said Rashed. "Albania is opening up, and there are no facilities. Because of that, hotels are very good projects for investors and for the country itself. That's why we chose to build a hotel there."

To prepare for the tourist onslaught, the Albanian government has awarded Germany's Siemens Group a \$30 million contract to upgrade tiny Rinas Airport, a 30-minute drive from Tirana.

The first phase, which began in September, involves building a new taxiway, renovating the 1957-era runway with a new layer of asphalt, installing an emergency generating plant, putting in a new airfield lighting system, and building a new control tower. That work should take about 21 months, says Weitzen Selder, sales manager for Siemens' Airport Department based near Munich.

The second phase involves extending the runway from its present 2,750 meters to 4,000 meters and upgrading the duty-free shopping area substantially. Selder said both phases are to be completely financed by German and Austrian export credit agencies.

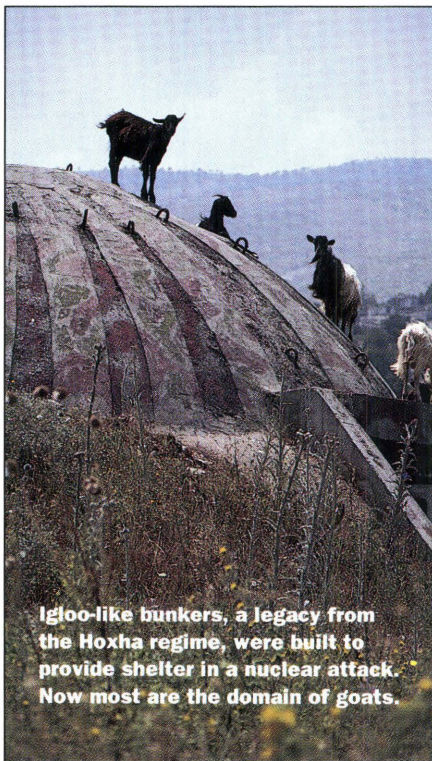
In addition to the two new hotels, Italy's Turin Hotels International plans to manage the Hotel Tirana upon completion of its renovation, which has already begun. The renovation is a \$16.4 million joint venture between state-run Albaturist, the Italian construction firm De Vin-

cenzo Esteria, and three other partners, the Albanian Savings Bank, the Albanian Insurance Institute, and the European Bank for Reconstruction and Development.

Likewise, the French firm CBC plans to renovate the 89-room Dajti in a \$26 million venture with Albaturist.

The Dajti's general manager, Spartak Topollaj, says that as soon as the Hotel Tirana is renovated and the two new hotels are built, "there will be three good hotels. Then, we would start a full reconstruction of the Dajti."

For nine months, the US Embassy operated out of a suite at the Dajti; the hotel has also hosted numerous IMF, World Bank, NATO, and EU delegations. At the moment, the Dajti is the only tourist-class hotel open for business. Rates start at \$35 a night, and the venerable, historic hotel is almost always full. It even made a \$1.5 million profit last year, according to Topollaj, though few tourists would rank the Dajti as a world-class property. ☺



*Larry Luxner is a journalist who has extensively photographed and written about Albania.*



Parador Oropesa

# PARADOR PARADISE

By Elisabeth Farrell

NO MATTER WHERE YOU STAY,  
THERE IS A PARADOR FOR YOU.

**W**here can you stay in the same room that Carlos V snoozed in, dine in an establishment founded by a 16th century cardinal, or dream the night away in a castle where the Prince of Condé led an unsuccessful siege 300 years ago?

The paradors of Spain—a network of 86 castles, convents, inns, and other historic spots where 20th century visitors may stay—provide these and other romantic, gastronomic, and historic experiences.

The word *parador* means “inn or stopping place”—a term originally used to refer to lodging offered to persons of respectable rank. In 1926, the Marquis de la Vega-Inclán, Spain’s royal tourist commissioner, came up with the idea of establishing a chain of state-run paradors in areas where it would not be profitable for private companies to build hotels. His plan was to convert some of Spain’s ancient palaces, castles, convents, and other historic sites into hotel accommodations.

Vega-Inclán’s brainstorm met with glowing approval from King Alfonso XIII, and it wasn’t long before the first parador opened in the Gredos Mountains. More and more paradors opened at distances corresponding to an easy day’s journey by car, and today there are 86 paradors all over the country (83 hotels and three restaurants).

Thirteen of the hotels are in medieval castles, nine in


Baroque or Gothic places, six in former convents, and six in historic complexes, including an old mill. (The remainder are in more modern facilities.)

The network of paradors fans out all over the country—from mountain ski resorts to sun-swept beaches, from museum-rich cities to quaint rural villages to hot-spring baths. Some paradors are tiny (the Parador de Villalba, for example, has just six rooms), while others are considerably larger (up to 258 rooms in Hostal de San Marcos).

Amenities vary, but most paradors are rated three or four stars, and many offer air conditioning (at least in public areas), central heating, saunas, gyms, swimming pools, and garages. Some are even equipped to handle business meetings and conventions.

Prices at paradors are surprisingly reasonable and range from approximately \$42 per person per night (including





breakfast, tax, and service) at Puebla de Sanabria to a high of \$122 for the glittery Reyes Catolicos in Santiago de Compostela. Rates are somewhat lower out of season (usually April to June 30—except Holy Week, November 1 to December 21, and January 1 to March 31).

### Booking Your Itinerary

It is possible to book a delightful vacation and stay in a different parador each night. For example, you may decide to fly to Madrid, rent a car, and drive to Segovia (a distance of approximately 65 miles), then Avila (40 miles), Oropesa (70 miles), Toledo (45 miles), Chinchon (45 miles), and back to Madrid (30 miles). Along the way you could quite easily stay in a 15th century palace, a medieval castle, a four-star parador filled with antique furniture, a modern parador complete with swimming pool, and a former Augustinian convent.

To locate paradors near your intended destinations, contact the Tourist Office of Spain (665 Fifth Avenue, New York, NY 10022; tel. (212) 759 8822, fax (212) 980 1053) and request a copy of the map showing the location of all 86 paradors. Also ask for a copy of *Viaje Por Los Paradors (Visiting the Paradors)*, a 96-page guide illustrated with color photos of every parador, including historic information, amenities, nearby sights, and even altitude. (Both the map and the guidebook are free.) Lest you remain forever confused, note that the guide identifies paradors by the name of the structure (for example, "El Emperador Parador in the city of Hondarribia"), while the map identifies them by the cities in which they are located ("Parador de Hondarribia").

A handful of travel agencies and tour operators specialize in parador travel. They will make reservations for you at each of the paradors you have selected and send confirmation, often within 24 hours. Once your reservations are confirmed, you will probably be asked to send a deposit (usually \$50 per parador), and make complete payment four weeks prior to departure. Some companies do not take credit cards, so be sure to clarify payment terms ahead of time.

Travel agencies and tour operators recommended by Iberia Airlines and the Tourist Office of Spain are:

**Discover Spain Vacations**, 2200 Fletcher Avenue, Ft. Lee, New Jersey 07024; tel. (800) 227 5858, or (201) 346 1658, fax (201) 346 0511.

**4th Dimension Tourist**, 1150 N.W. 72nd Avenue, Suite 305, Miami, Florida 33126, tel. (800) 877 1525 or (305) 477 1525, fax (305) 594 9118.

**Marketing Ahead Inc.**, 433 Fifth Avenue, New York, New York 10016, tel. (800) 223 1356 or (212) 686 9213, fax (212) 686 0271.

**Munditour International**, 3935 NW 26th Street, Miami, Florida 33142, tel. (800) 327 7011 or in Florida (800) 432 7176, fax (305) 871 4131. ☎

*Elisabeth Farrell is a frequent contributor to EUROPE.*

## Parador Paradise.

Consider including these paradors in your itinerary:

**HOTEL DE LOS REYES CATOLICAS**, in Santiago de Compostela (Corunna Province), is regarded as the oldest hotel in the world. The lovely four-star structure was founded in 1499 as a Royal Hospital by King Ferdinand and Queen Isabella to give shelter and lodging to pilgrims. Facilities have been restored, keeping intact the cloisters, Gothic patios, carved jambs, and other architectural details. More than 600 paintings decorate the rooms and galleries. The Royal Chapel is now an auditorium for concerts and exhibitions.

**CONDES DE VILLALBA PARADOR**, Villalba (Lugo), a small three-star parador, occupies a 13th century tower that can only be accessed via drawbridge. The provincial capital of Villalba, enclosed by Roman walls, is still entered via the 10 gates.

**EL EMPERADOR**, Hondarribia (Guipúzcoa), is part of a huge castle dominating the Bidasoa estuary in the Basque country. Founded by the Navarre King Sancho Abarca, the fortress endured many sieges thanks to its prime location and had to be repaired or rebuilt frequently. The present appearance dates to the time of Carlos V, who stayed here.

**LA CONCORDIA PARADOR**, Alcañiz, Teruel, is a castle of the 12th century Order of the Calatrava Knights. The fortress stands on a hill in the middle of the city enjoying splendid views of the fertile valleys and olive groves.

**DUQUES DE CARDONA PARADOR**, Cardona (Barcelona), is located in a fortress built in 798 A.D. by Louis of Aquitaine, heir of Charlemagne. San Ramón Nonato, a member of the powerful Cardona family, lived and died within its walls. This four-star parador is about 60 miles from Barcelona, near the towns of Olesa and Esparraguera, famous for the Passion Plays performed during Holy Week.

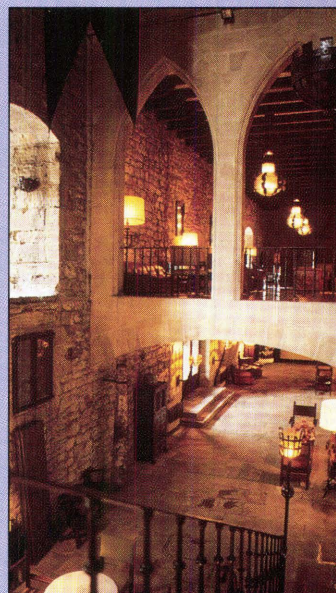
**CASTILLO DE ZUDA PARADOR**, Tortosa (Tarragona), at the southern extreme of the Catalan coast, is in an Arabian castle which, once it was conquered by the Aragonese kingdom, became the royal residence and headquarters of the region. The name "la Zuda" refers to a well dug by order of Abderramán III; you may still see it today. The 2nd century arch and tower of Los Scipios are on the outskirts of town.

**CONDES DE ALBA Y ALISTE PARADOR**, Zamora, in a 15th century Renaissance palace, is a delightful spot for art lovers. The structure boasts a staircase that is among the best examples of Castilian-Leonese architecture. In town, you may visit the Church of Santiago de los Caballeros, where El Cid was knighted.

**HOTEL SAN MARCOS**, León (León), dates to 1515, when construction began on a convent used as a rest stop for pilgrims traveling to Santiago de Compostela. Now a five-star luxury hotel, this monumental complex includes a noteworthy church, sacristy, facade, cloister, choir stalls, several private dining rooms, a magnificent main hall with a 16th century coffered ceiling, and a banquet hall that can seat 500 people. Which wing to stay in? Choose from a room in the main facade, in the towers, or in "cells" (or you may lodge in more modern rooms, if you prefer).

**VIRREY DE TOLEDO PARADOR**, Oropesa (Toledo), rests at the foot of the Gredos Mountains. This medieval castle possesses a turbulent past; during the dynastic struggles and the Arabic wars, it was reduced to ruins and had to be rebuilt in the 15th century. At one time or another, the palace belonged to Juan de la Cerda (brother of Sancho IV of Castile) and to Garcia Alvarez de Toledo. In later centuries, Carlos V, Santa Teresa de Jesús, and San Pedro Alcántara all lodged there.

**HOSTERIA EL ESTUDIANTE** (Student's Restaurant), Alcala de Henares (Madrid) is one of three restaurant paradors (no lodging facilities). Founded by Cardinal Cisneros in 1510, it is located in the Renaissance Collegiate Church of San Jerónimo, also called "el Trilingüe," after the schools of Latin, Greek, and Hebrew that used to surround it.



Parador de Fuenterrabia

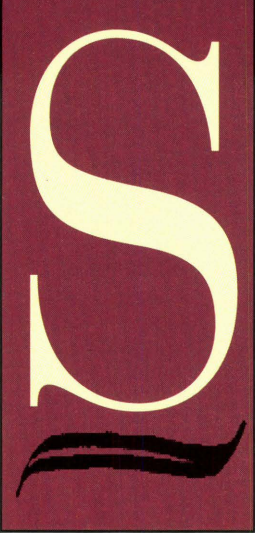


An aerial night photograph of Barcelona, Spain, showing the city's dense urban landscape, illuminated buildings, and the Mediterranean Sea in the background. The word "Barcelona" is superimposed in large, stylized, golden letters across the middle of the image.

# Barcelona

## An Elegant, Hardworking Euro-City

BY ALAN TILLIER

A large, stylized, white letter 'S' on a dark red background, serving as a decorative element for the start of the article.

# S

ome of the euphoria that engulfed Barcelona during and after the 1992 Olympic Games has evaporated. The capital of the autonomous region of Catalonia has been hit by the recession that has been particularly severe in Spain. But this is a highly adaptable, resilient, hard working (and hard playing) city with some 200,000 small and medium-sized enterprises in and around Barcelona and many foreign multinationals in the vicinity. There seems to be no lack of optimism about the future. The proof is that billions of dollars are to be invested in the next few years on more public works. Some of the money is earmarked for prestigious cultural projects such as new museums to accompany the existing showplaces for the works of native sons Picasso and Miro and part of the fabulous Thyssen collection which has been transferred from Madrid to Pedralbes monastery on the hillside and now displays works by Canaletto, Velazquez, and Rubens.





The Olympics gave a tremendous boost to Barcelona's infrastructure—a rebuilt airport, new roads (particularly the beltway providing 15-minute access to the airport), vastly improved telecommunications, new hotels, and waterfront apartments—and its prestige. All this was successfully grafted onto a city where the maze of narrow streets of the Barrio Gótico, site also of the Catalan and city governments, date back to the 1200s and 1300s. It also blended with modernist Barcelona, symbolized by Antonio Gaudí who created startling new architectural forms that parallel the stylistic development of art nouveau. Barcelona also had magnificently wide avenues such as Avenida Diagonal, which runs across the city for six miles and is home to many big companies and banks. But the Olympics brought more order and efficiency.

The best recent news was the Spanish government's decision to grant a subsidy, disguised as research and development aid, to Volkswagen to help it maintain the factories of SEAT, its Spanish subsidiary, which is the main employer in the area. As help came, so the automobile market turned upward. The salvation of SEAT coincided with the announcement of several major projects to make Barcelona's port a serious rival to Rotterdam, which dominates European port trade. Barcelona is already the Mediterranean's biggest container port and wants to take more of the freight from Asia passing through the Suez Canal.

One major undertaking now being launched is the \$3.5 billion Delta Project, a shipping and rail distribution center. Another is a new train station for the TGV high speed train link with France, due before the end of the century. A new world trade center is nearing completion, while there are various other Olympic-style urban renewal projects—apartments, parks, roads, cultural centers.

The Catalan leaders are completing new museums, notably the Contemporary Arts Museum and the Catalan Arts Museum, and plan a national theater and auditorium. The burned-out Liceu opera house on the famous central Ramblas walkway is to be rebuilt. New conference centers are to be added to confirm the city's seventh place among the world's conference cities.

The city is on the move again just as it was in the run-up to the Olympics.

Barcelona has generally advanced in leaps and bounds. It happened in 1888 when it hosted its first World Fair. Another leap was a second World Fair in 1929 and then the last Olympics when \$6 billion was spent turning the run-down,

industrial waterfront into the Olympic Village.

Horo, the athletes apartments, have since been bought by middle class city dwellers, and the now-magnificent, six-mile beachfront includes a marina, restaurants, and other facilities and is dominated by Europe's most modern hotel, the 455-room Arts Hotel run by Ritz Carlton and financed by Japanese money, notably the Sogo supermarket chain.

Just as the Olympics provided the impetus for this tightly packed city of 1.7 million inhabitants, ringed by mountains, to look increasingly to the Mediterranean, so the new plans will help achieve its ambition to be the gateway to Southern Europe and one of Europe's major cultural centers.

Mayor Pasqual Maragall aims by the end of the century to make Barcelona the key city in a so-called "Latin Arch," taking in such cities as Valencia, Saragossa, and Palma (Majorca) plus the French cities of Toulouse and Montpellier and eventually northern Italian cities.

The French are very keen on close cooperation, and regions such as Midi-Pyrenees, centered in Toulouse, as well as Languedoc-Roussillon in Montpellier, have opened serious talks with the Catalans about forming a vast Euro-region of 17 million people or more with improved trans-Pyrenees connections by rail tunnels.

Barcelona's redesigned port and the multi-billion dollar Llobregat River Delta Project with its computerized inventory, quality control, storage facilities, and packaging services will help Barcelona's export-oriented industries, both Spanish and foreign, and provide a more efficient entry point for goods, notably from Asia. The already revamped airport is also being extended for freight as well as weekend visitors attracted by a sharp drop in the exorbitant Olympic Games prices of hotel rooms.

Barcelona is again becoming a vast construction zone just as it was in the years of preparation for the Olympics. Its industries,

particularly those in trade and services, are leaner and more efficient following the recession yet unemployment has been kept to around 11 percent against a national average double that figure.

Barcelona has long been the favored investment site for foreign firms. More than 200 US firms are installed in Catalonia and surrounding regions. They include Warner Lambert, PepsiCo, Bendix, United Technologies, Black and Decker, Bristol Myers Squibb, Upjohn, Culligan—with Ford and General Motors not far away. Japanese firms, such as Sony and Nissan, have followed as well.

The insistence on use of the Catalan language annoys some foreign businessmen, but the mayor replies that the language, close to the French dialect spoken in Provence, is an "easy one to learn." The language question is an essential one for the Catalans who tried many times over the centuries to become either independent or autonomous within the Spanish state—the latter is now the case with the Catalan Generalitat (government) having jurisdiction over economic and physical planning, public works, health education, civil law, tourism, research and development, television (the main newspapers *La Vanguardia* and *El Periodica* are still

**The heart of Barcelona is the Ramblas, a tree-lined boulevard with a wide center strip for strolling. It runs from Plaza Catalunya down to the sea and is thronged with people and lined with kiosks and flower shops with part of the sidewalk designed by Joan Miro.**



published in Spanish) and partial control of the big regional savings banks.

Today at least 60 percent of all school classes are taught in Catalan. Still, many professors believe that Catalonia and its capital would be doing more for its future if children were required to learn English or French rather than a language spoken in a limited area. Most Catalan business people speak English or French.

The heart of Barcelona is the Ramblas, a tree-lined boulevard with a wide center strip for strolling (the paseo). It runs from Plaza Catalunya down to the sea and is thronged with people and lined with kiosks and flower shops with part of the sidewalk designed by Joan Miro. To one side of the Ramblas is Barrio Chino, the old red-light district, now filled with fashionable restaurants and boutiques. And the Boqueria covered market, opened in 1217, is one of the most colorful and best-supplied in the whole of Europe.

It is a mystery to visitors how the Catalans can remain

so industrious (the attraction for the Japanese) and yet stay up half the night in discos or at clubs such as La Paloma, 27 Tígro, which attract lovers of the bolera and paso doble. Then there is the flamenco temple, El Tablao de Carmen, 9 Arcos in the remarkable Poble Espanyol (Spanish Village), tel. 325 6895. Tablao was opened in memory of Carmen Amaya, considered the greatest flamenco dancer of all time, and seeks to preserve her standards. It is run by the stunning Maria Agüero who epitomizes Barcelona's other reputation as Spain's style capital.

The recession certainly has not spared Barcelona. The difference, however, is that the Catalans have very precise plans for the rest of the decade. The 30 percent of all tourists who pass through Barcelona airport should spend some time in this elegant and dynamic Euro-City, as it likes to call itself. ☺

*Alan Tillier, based in Paris, is the author of several travel books.*

## A TRAVELER'S GUIDE TO BARCELONA

### Vital Statistics

**Location:** The Mediterranean coast of Northeast Spain, 392 miles from Madrid, 379 miles from Bilbao, 226 miles from Valencia, 117 miles from Perpignan, just across the French border.

**Population:** 1.7 million, metropolitan area 4 million.

### Contacts

**Telephone/Fax:** International dialing code for Spain is 34 and the city code for Barcelona is 3.

**Airport,** tel. (34) 3 302 7656.

**Chamber of Commerce,** tel. (34) 3 415 1600

**Conventions Office,** tel. (34) 3 215 4276

**Tourist Office,** tel. (34) 3 423 1800

### Hotels

**Arts,** five stars, Europe's tallest hotel facing the Olympic port, owned by Japanese interests and managed by Ritz Carlton. Superb rooms influenced by the city's most famous architect Antonio Gaudí i Cornet (1852-1926). Club floors, several restaurants, bars, and shops. Health club and outdoor pool, tel. (34) 3 221 1000, fax: (34) 3 221 1070.

**Barcelona Hilton,** built for the Olympics and a favorite now with businessmen because of its proximity to the Avenida Diagonal business district. Convenient for the congress hall and airport, tel. (34) 3 410 7499, fax: (34) 3 322 5291.

**Colón,** four stars, centrally located, with traditional comfort and elegance. Past guests included writers John Dos

Passos and John Steinbeck, tel. (34) 301 1404, fax: (34) 317 2915.

**Clarís,** five stars, situated in the heart of Barcelona, next to the Paseo de Gracia. A former palacio, the Clarís has been restored and combines modern and classical style. It is filled with antiques from Spain, France, and Britain, and has a private museum of Egyptian artifacts. Sauna, gym, and rooftop pool, tel. (34) 3 487 6262, fax: (34) 487 8736.

**Meridien,** four stars, just off the Ramblas, housed in a 19th century building, catering for the traveling executive. PC, printer, and fax available in the rooms; business center and excellent restaurants, tel. (34) 3 318 6200, fax: (34) 3 301 7776.

**Plaza,** four stars, a new hotel situated on one of the main squares, Placa d'Espanya, with double glazing, desks in the rooms, pool and health club, tel. (34) 3 426 2600, fax: (34) 3 426 0400.

**Ritz,** five stars, a grand hotel now restored to its old glory with notable service and cuisine, tel. (34) 3 318 5200, fax: (34) 3 318 0148.

### Restaurants

**Agut d'Avignon,** traditional Catalan, Basque, and Provençal food. House specialty is chicken with prawns. New owners have not meant a decline in quality, tel. (34) 3 302 6034.

**Botafumeiro,** a Galician restaurant and one of the best in the city for seafood. There's bar service of oysters, prawns, and other dishes for those with not

much time. Full-range of Galician wines, tel. (34) 3 218 4230.

**El Cangrejo Loco** (The Crazy Crab), a new seafood restaurant on the Olympic port which offers fast or gourmet dining. For the former, there's a cafe-style room with bar and terrace. The main restaurant is on two floors. Fashionable and good, tel. (34) 3 221 1748.

**El Dorado Petit,** a superb restaurant on the hillside, generally considered one of the finest in Spain. Traditional and nouvelle cuisine. Try the Palafrugell, a paella with squid's ink. Terrace dining in summer, tel. (34) 3 204 5506.

**Via Veneto,** an excellent mix of Catalan, French, and international cuisine. The clientele is rich too—politicians, senior officials, businessmen, tel. (34) 3 200 7244.

### To Do

(Check with your concierge for fluctuating opening times)

**Barri Gotic,** or Gothic Quarter, has palaces and buildings dating from the Middle Ages, the Cathedral, and Roman ruins. Plus a fascinating maze of streets. The Catalan government and City Hall are situated here.

**Museo Picasso,** 15 Calle Montcada, has a unique collection of the master's early and little-known works. The city has posthumously adopted Picasso, although he was born in Malaga.

**Fundacion Joan Miro,** Parque de Montjuic. Miro was a Catalan and his abstract work is on display in a gallery designed by architect Jose Luis Sert.

**Thyssen-Bornemisza Collection,** Pedralbes Monastery, 9 Baixada del Monestir. The famous collection, bequeathed to Spain by the Dutch-born billionaire baron, has been split into two with works by Canaletto, Velazquez, and Rubens going to the 14th century monastery.

**Spanish Village** (Poble Espanyol), situated in the Montjuic park next to the Olympic stadium, contains reproductions of different regional architectural styles. Many restaurants and the notable flamenco club, El Tablao de Carmen, 9 Arcos, tel. (34) 325 6895.

As for Markets, the most famous is the **Mercado de la Boqueria** on the Ramblas which has been serving fish, meats, fruits, and vegetables since the early 13th century. This is a bustling and highly colorful temple of food.

**Sagrada Familia,** the Expiatory Church of the Holy Family, is the unfinished masterpiece of Catalan architect Antonio Gaudí i Cornet, precursors of expressionism. His plan has three facades with four towers each and a great fifth tower. Work has continued in fits and starts since his death in 1926. Many other examples of Gaudí's work are in the city center in addition to the Park Güell garden estate.

**Costa Brava,** just north of Barcelona, is the coastal strip known as the "Wild Coast." Much has been ruined by mass tourism since the 1960s, but beauty spots remain, particularly inland. Barcelona's efficient tourist office will plan an "off the beaten tracks" route.



# CAPITALS

AN OVERVIEW  
OF CURRENT  
AFFAIRS IN  
EUROPE'S  
CAPITALS

**B**ack in the bewildering and credulous days of December 1991, Ukrainians awaited some supernatural transport (with help from the West) to the paradise of a Western standard of living. But by winter of 1993, their reality seemed more like a phantasmagoric Gogolian transformation to, at best, purgatory. Hyperinflation climbed to 8,940 percent. Production plummeted to half of the 1990 level. Some 90 percent of Ukraine's 52 million citizens were living on the poverty line.

By the winter of 1994, new President Leonid Kuchma is bent on reversing the disastrous drift of the first three years of Ukraine's first experiment in independence in three centuries. He promises action at last—but his efforts to convince Parliament that the only thing worse than economic reform is no reform at all are meeting stiff resistance. In the legislature there is a certain grudge against the West for not giving Ukraine more financial aid, and there is a strong suspicion of capitalism.

Through all the drama, however, Kiev remains its placid self. The disputes (and occasional fisticuffs, when some parliamentarians try to speak Russian instead of Ukrainian) take place in the Supreme Rada on the hill overlooking the Dnipro River. Below, the capital stays a relaxed city, renowned for its wide avenues and chestnut trees.

Geographically and politi-



No matter the spelling, Coca-Cola attracts a crowd in Kiev.

cally at the center of the country, Kiev shares some of the sense of a distinct Ukrainian identity with the nationalist West around Lviv. Yet it is also a metropolitan magnet for the whole land, attracting the 11 million ethnic Russians and the Russian-speaking Ukrainians in the east and south of the country. On the streets of Kiev, Russian can be heard as often as

Ukrainian, and no one takes offense.

Since the collapse of communism and the Soviet Union, quite a few things have changed, of course. Monks are again living in the catacombs. Red, white, and blue baseball caps emblazoned with "USA" are in fashion, as are knock-off Adidas track suits made in Turkey. Public telephones, which

used to cost a few kopecks, are now free, since it's not worth the expense to keep the old coins in circulation. (Down river, the city of Dnipropetrovsk goes Kiev one better in making the same administrative calculation and providing totally free bus and tram transportation.)

Also new along the main street of Kreshchatik are the Mercedes of the few freshly minted millionaires, that is in terms of dollars, and not just those who have a million karbovanets, or \$25. The glitterati frequent the few pizzerias, boutiques, and furniture stores accepting dollars, paying higher prices than they would in Berlin. Some generals, too, from the more old-fashioned elite will soon be living in unaccustomed Western opulence, in the model apartments built by German, Finnish, and Turkish contractors and funded by Bonn as part of the inducement to the old Soviet Army to leave German soil by this year.

At the other end of the social scale, beggars here are less aggressive (and look far more needy) than those in Washington or New York.

Alongside the changes, many things remain the same in Kiev. Subway trains still run efficiently and cheaply, two or three minutes apart. Peasant women still sell their produce at the subway's end stations and in the teaming farmers' markets downtown (though in a definite innovation, other women now sell plastic shopping bags as well for carrying purchases). St. Sophia, the wellspring of Rus-



sian Orthodoxy, is still perpetually under repair; the splendid frescoes of Balaam and his ass, and of Mary and Elizabeth greeting each other, cannot be seen without special connections. By contrast to some of the other capitals in the Soviet-bloc successor states, Kiev still has a languid, provincial air. It is less frenetic than Moscow, less energetic than Warsaw, less intimate—with its imposing Italianate buildings—than the Baroque center of Prague. It is a city meant for pedestrians. Private autos are still sufficiently rare that prudent drivers avoid theft by removing windshield wipers and battery connectors when they park. There is a dearth of taxis, but this is offset by all the Zhiguli owners who will stop at a hand signal and take passengers almost anywhere in the city for the equivalent of a dollar.

Even rarer than private cars are the private shops that so enliven Warsaw and Prague. They exist in limited numbers for restricted purposes, but in all of Kiev there is not, for example, a single private bakery. The only gesture in this direction comes from women who produce a dozen baguettes or a few hundred piroshki in their home ovens every morning, then wander Kreschatik or Khmel-nitsky (formerly Lenin) Street until they sell out.

Various mafias exact protection money from shops, kiosks, and the regular vendors who unpack their wares on curbsides from banana cartons. Yet contract murders are far less common than in Moscow (perhaps because booty is more modest here)—and in local usage the name of the most famous gang of all, the “Odessa Mafia,” has come to refer exclusively to the emigres in Brighton Beach. Big-time drug dealers are said to be moving in, but their presence has not yet been mani-

fested in the random violence of New York or parts of the Caucasus.

Despite all the turmoil, Kiev is still a livable city, with some of the charms of the villages so many of its residents come from. It is not yet overrun with traffic. It is green, with many large and small parks, and benches to sit on. It's a place where a night out for many consists of strolling the streets, listening to the folk and rock buskers—and watching the other strollers.

*Elizabeth Pond, the author of Beyond the Wall: Germany's Road to Unification, lives in Bonn.*

## BERLIN

### YOUNG BERLINERS VIEW EACH OTHER

**T**he self-confidence of East Berlin youths has grown considerably—but, alas, so has the wall in the heads of both East and West Berlin pupils,” deplores Professor Hans Merkens, of the Free University of Berlin. His institute for Comparable Education Science, together with the Center of European Education Research, has just published a study based on findings between 1990 and 1993 among pupils of the 7th, 8th, 9th, and 10th grades in the eastern and western part of the city.

Immediately after the fall of the wall young East Berliners were critical of themselves and full of admiration for their counterparts in West Berlin. But only one year later the Easterners found out that the Westerners, too, put their pants on one leg at a time and have gone from an inferiority complex to a superiority complex. They now describe themselves as “creative,” and “imaginative” and see the West Berliners as “overbear-

ing” and “inconsiderate.” West Berlin pupils, who judged their Eastern counterparts skeptically from the very beginning, still view Eastern pupils as petty and aggressive. The study concludes that the young people's judgments mirror the prejudices of the entire population.

“The ‘wall in the heads’ continues to grow,” says Folker Schmidt, co-author of the study, “because the pupils have hardly any personal contacts. East Berlin pupils have no friends in

...

**“The self-confidence  
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...

West Berlin and vice versa. Occasionally they go to West Berlin on a shopping spree in department stores and West Berlin pupils go to East Berlin to a concert or a museum but not very often. Their prejudices stem from the media, and they have no opportunity to get to know each other and to correct their preconceptions.” It is not the object of the study to recommend remedies, but Schmidt says that personal contacts should be organized and school authorities must do something about this “deplorable and alarming situation.”

The study has also revealed some encouraging trends. Young people in East

and West Berlin are less violent than frequently reported in the media. Between 70 percent and 80 percent in East and West reject violence in conflict situations.

West Berlin youths are more tolerant toward foreigners than East Berliners. East Berliners have had hardly any personal experience with foreigners. “The young people are more reasonable than generally assumed,” emphasizes Merkens.

Another positive trend is that the prestige of family as an institution has increased and the majority of pupils in both parts of the city has a positive opinion of their schools.

On one point the young people in East and West do not differ. Their devastating pronouncement is that “Berlin is not a beautiful city. It is dirty and a desert of concrete.” As many as 50 percent of those surveyed would like to turn their backs on the city and try their luck in Canada, the USA, or Australia.

—Wanda Menke-Glückert

## AMSTERDAM

### DUTCH SOAP OPERA

**E**arlier this year, Unilever, the Anglo-Dutch detergents, cosmetics, and food processing conglomerate, announced a revolutionary improvement in Omo, its popular brand of detergent. According to Unilever, the new Omo Power was able to clean clothes better, while using cost-saving lower temperatures and less washing powder. Also, Unilever required less energy to produce Omo Power, making it environmentally friendly as well. The new product was based on a breakthrough in detergent technology, using a manganese combination engineered by the Unilever laboratories outside Rotterdam in Vlaarding.



A few weeks after Unilever's announcement, Procter and Gamble, the American makers of Omo's main rival, Ariel, counterattacked. In advertisements and press releases, Procter and Gamble contended that Omo Power ruined textiles after a number of washings in hot temperatures. Offered as proof, pictures of rags "washed in Omo Power" and statements from several research laboratories were made available to the press.

Unilever, needless to say, was highly embarrassed and, while initially rejecting Procter and Gamble's accusations as the grumblings of a jealous competitor, began to revise its claims about the new product. Perhaps it was not sufficiently tested. And, indeed, at high temperatures, Omo Power could cause some harm to textiles, but then it was never meant to be used at high temperatures. At the outset, however, Unilever had presented Omo Power as a detergent for all types of washing.

As the controversy continued, Unilever decided to make a strategic retreat. The company temporarily pulled Omo Power from store shelves. It offered consumers compensation for possible damage to clothes. A lawsuit for libel against Procter and Gamble was dropped before it came to court. But the company did not abandon the new product. The formula was adjusted, and the advertising strategy was changed to stress that Omo Power gave its best results at low temperatures (40 degrees Celsius). Unilever circulated new test results that showed no damage to textiles, even after repeated use. With reassuring advertisements and discounts, Unilever coaxed consumers to try the new product.

Behind the scenes at Unilever, the marketing and the research departments

battled over who was to blame for the disaster. While research, though proud of its breakthrough, had stressed restraint in the presentation of the new detergent and particularly had insisted on emphasizing its use at low temperatures, the marketing department had ignored these warnings and had gone ahead promoting Omo Power as a soap for all types of washing, just like the familiar "old" Omo.

The soap war had calmed by the end of the summer only to be restarted when the Dutch Consumers Association delivered another blow to Unilever. In a report to consumers, the association rejected the company's claims about Omo Power.

Although careful to deny any link to the Omo Power dilemma, Unilever recently announced cutbacks at the Research Laboratory in Vlaardingen.

—Roel Janssen

## DUBLIN

### MILITARY REVIEW

A leaked report recommending drastic cuts in the Permanent Defence Forces (PDF), closure of barracks, and more support jobs to be given to civilians sent shock waves throughout Ireland's small army, navy, and air force which total a mere 12,500 men and women.

Although small in number, "the army" as the entire force is universally known, is warmly regarded and plays an important role in the life of many urban centers. So great was the dismay caused by the report drawn up by the Price Waterhouse consultants that the chief of staff, Lieutenant-General James

Bergin, felt obliged to circulate a memorandum to all ranks condemning the recommendations as "impractical, unworkable, and potentially inhibiting the maintenance of the operational capacity and future development of the forces." He instructed his senior officers to "take all the necessary measures to diminish and limit the damage which the leak has inflicted on the morale of the troops."

Alarmed by the wave of adverse reaction, both inside and outside the PDF, Minister for Defense David Andrews, immediately pointed out that the leaked report was only one element in the review of the role of the PDF being carried out by the government's Efficiency Audit Group. Other ministers emphasized that any future changes would only be "at a

rate which the military organization can digest."

It is recognized even within the PDF itself that a radical overhaul of outdated structures is necessary. The country is divided up into four commands, the equivalent of brigades, and spread thinly over 33 barracks. A year ago, the government took the first step by formally revising the defense policy and laid down that the "primary role" of the PDF was to protect the state against "external aggression" or the threat of invasion. Instead, in the Price Waterhouse report, the emphasis was put on the role of maintaining internal security against any threat by subversive groups such as the IRA or loyalist paramilitary groups in Northern Ireland. The other roles of the defense forces such as serving in the United Nations

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peacekeeping missions and patrolling the 200-mile fishing limits were to be maintained and even stepped up.

The brief given to the consultants was to recommend how best the PDF should be adapted to these tasks. However, no guidance seems to have been given to the consultants about how the government envisages the future role of the defense forces in any EU common defense policy which may evolve following the Maastricht Treaty and its references to the Western European Union.

The Price Waterhouse report recommends cutting total strength by 2,500; the closure of 16 barracks; cutting the four brigades to two; replacing jet fighter-bombers with more helicopters; establishing a national training center; cutting back on army bands; and closing the catering school. There would also be a trimming of what is seen as a top-heavy senior officer corps and efforts made to correct the "aging" of the other ranks.

The government will move cautiously on this report. But the new situation where the IRA has renounced its campaign of violence makes a review of the PDF's role even more necessary.

—Joe Carroll

## ROME

### ILLEGAL IMMIGRANTS

For between \$600 and \$1,000, smugglers say they will take illegal immigrants to America. However, after paying the money up front, would-be immigrants are finding themselves abandoned on isolated beaches of the small semi-deserted islands off the coast of Sicily. This fraud is the work of organized criminal groups, and the victims are mainly from Northern Africa and, recently, Albania.

Worried police officials in Rome have discovered that Italy, especially southern Italy, is becoming a main entry point into Europe for illegal aliens. The number of clandestine landings is increasing. On a few islands such as Pantelleria, Lampedusa, and Marettimo, Coast Guard and Carabinieri craft have recently counted up to one illegal landing a day.

This situation is still a far cry from the mass exodus of Cuban exiles toward the Florida coast, which was reported on Italian television. But, on a reduced scale, the scene is the same. Convinced by the smugglers they are en route to a better life, the immigrants are crowded onto rickety, makeshift rafts. They are told that their voyage, for which they paid an exorbitant price, will take them to a safe city on the mainland and from there perhaps they can get to America. Every night 80 to 100 people, mostly men

up.

Although it is still somewhat limited in scope, Italian authorities are not underestimating the situation. Investigators say that one of the main gathering points for the clandestine immigrants is Tunis, where people arrive even from Morocco.

The attitude of the inhabitants of the islands where the immigrants land confirms the deterioration of the situation. At first, the locals didn't hesitate to offer food and drink. Now, they are less charitable and are growing increasingly alarmed at the nightly invasions.

—Niccolò d'Aquino

## PARIS

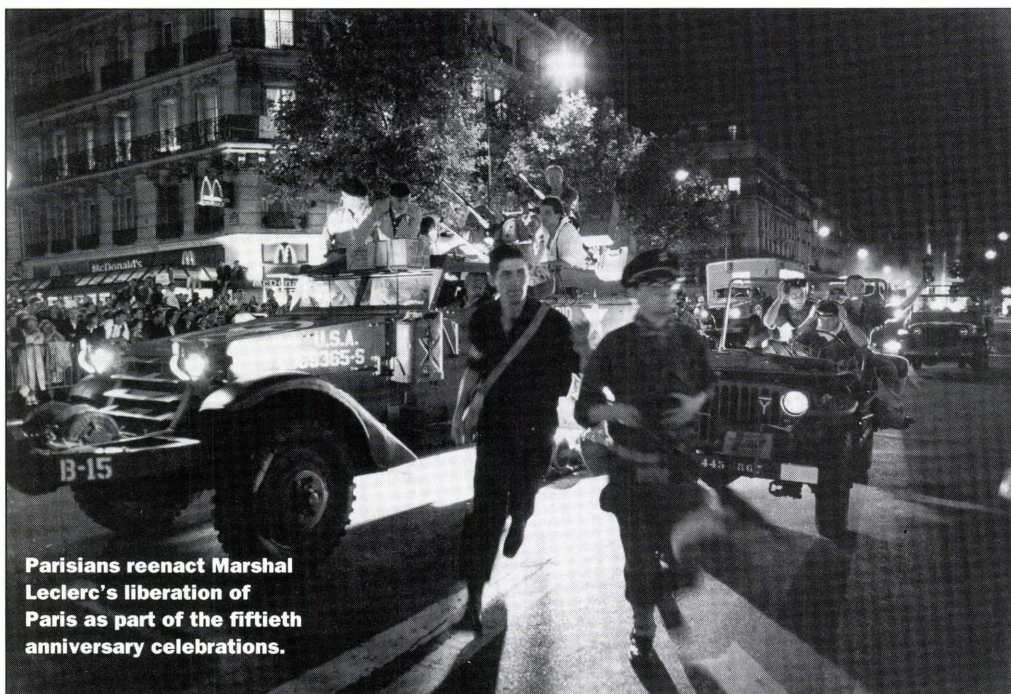
### VIVE LA LIBERATION

November is the month of wartime remembrances, with deep-red poppies as a reminder of all those who

not just concentrate on the casualties but also paid tribute to those who survived.

In France, the festivities which began in June with the ceremonies marking the 50th anniversary of the Normandy landings, culminated on August 25, the day on which Paris was liberated. To evoke the atmosphere of that momentous day, the entire city turned back the clock. "Lili Marleen" and other favorite war tunes echoed through the Metro; newspaper kiosks featured blow-ups of photos like Robert Doisneau's famous shot of a soldier embracing his girl, "The Kiss"; giant black-and-white posters showing 45 different scenes from the Liberation dominated the streets; and everywhere, in all sizes, the French flag was flying.

The day began solemnly with a wreath-laying ceremony at the Invalides, where the Liberation's great military hero, Marshal Leclerc, commander



Parisians reenact Marshal Leclerc's liberation of Paris as part of the fiftieth anniversary celebrations.

but also women and children, are abandoned on isolated beaches. Their dream ends usually the next morning when the police pick them

fought and died on the battlefield. But this year, half a century after World War II, the commemorations began long before Armistice Day and did

of the Second Armored Division, which freed Paris, lies buried near Napoleon. The memorial mass which followed at Notre Dame was tele-



vised on a giant screen for the crowd outside and was attended by a whole clutch of ministers, headed by Prime Minister Edouard Balladur and Paris Mayor Jacques Chirac. Behind them were row upon row of war veterans in full uniform, their eyes as bright as their medals, many with canes, but all standing proudly to attention.

They remember August 25, 1944. At the end of the service, when the great bell of Notre Dame started to toll, they remember how it rang out 50 years ago and how all the other church bells of Paris joined in. They remember, too, the leader of the German occupying forces, General von Choltitz, who refused to obey Hitler's orders to burn Paris to the ground, and his words when he heard the bells ringing: "I've just heard my death knell."

From Notre Dame, the celebrations moved on to other Liberation landmarks, with motorcades of ministers being rushed from one to the other through streets closed to traffic. At the Eiffel Tower, the Paris fire brigade reenacted the moment 50 years ago when firemen climbed the 1,767 steps to plant a French flag stitched together out of dyed sheets high above the liberated city. After a handshaking ceremony for the remaining members of the Second Armored Division, some final decorations were pinned on four surviving heroes by President François Mitterrand, a last display of military pomp in front of City Hall, with a salvo of official speeches and a fireworks finale—it was finally party time.

Crowds lined the streets to cheer a parade which paid tribute to the three groups that helped to liberate Paris: the French Resistance, the Army, and the people. Some of the spectators were there in 1944 when the tanks were

submerged by the grateful crowd and the soldiers were mobbed like matinee idols, kissed by dozens of laughing girls. They remember how all the lights came on in Paris that evening for the first time in five years, how the bistros served free drinks and everyone danced in the streets. Fifty years later the drinks were not free, but the dancing, first to Glen Miller tunes, then to more recent hits, went on until dawn.

The 50th anniversary of the Liberation of Paris came at a time when France needs to feel good about itself. It has been a tough year, economically and morally. This spring, when Paul Touvier became the first Frenchman to ever be convicted of crimes against humanity, it raised some painful, unanswered questions about the extent of French collaboration with the Germans.

The Liberation celebrations pushed those doubts into the background and focused instead on the many acts of heroism, big and small, that helped a city hold out against its enemy. Two days after his triumphant return to Paris, General de Gaulle said: "There are some moments which are greater than each of our little lives." The Liberation of Paris was one of those moments.

—Ester Laushway

#### COPENHAGEN

### JOKER IN THE FOLKETING

**D**anish voters usually take politics seriously, but in the September elections this year they made an exception. The voters of Aarhus, Denmark's second largest city, elected one of the country's most popular musicians and entertainers to the Folketing.

Jacob Haugaard, running as an independent, was elected

to the Danish Parliament with more than 23,000 votes. He promised his voters better weather, bigger Christmas presents, and a tail wind when biking. And this is just a sample of his self-confessed campaign to make fun of politics.

Funny or not, Haugaard's victory captured the headlines after one of the duller election campaigns in history. And Queen Margrethe of Denmark, who as head of state formally appointed the new prime minister, had to receive Jacob Haugaard and ask for his advice, just like she has to invite all the regular party leaders. Haugaard reserved his right to remain neutral, in what was certainly not one of the queen's most substantial political meetings, but definitely the weirdest so far in Danish politics.

Living in a rebuilt water tower south of Aarhus, Jacob Haugaard built a nationwide audience on what most Danes would call distinctly regional humor. He supplements his career making commercials for one of Denmark's best known orange soft drinks, Tuborg Squash. Politicians of all parties have reacted strongly to his election calling it a disaster for

democracy. Political scientists see it as protest vote, not unlike when the Italian pornography star Ilona Staller was elected to the Italian Parliament some years ago.

No one expects Jacob Haugaard to provide anything but entertainment in the new Folketing. Though losing votes, Prime Minister Poul Nyrup Rasmussen was able to form a new government without having to change policies. His main challenger, Liberal leader Uffe Ellemann-Jensen, won a major election victory, increasing his party vote by 50 percent, but he was unable to convince the small non-socialist parties that they should drop their allegiance to the prime minister.

Jacob Haugaard was not the only election surprise. The left-wing Unity List won six of the 179 seats in Parliament on the single-issue platform that Denmark shall not participate in any progress toward European Union. Now the anti-Union forces are represented in both the European Parliament and the Danish Parliament. This situation may make it more difficult for the pro-Europeans to win the next referendum, expected after the Intergovernmental

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Conference has reviewed the Maastricht Treaty in 1996.

Ominously, a recent poll showed that 49.5 percent of all Danes reject the idea that Denmark should join Germany, France, the Netherlands, Belgium, and Luxembourg on a fast track toward closer economic and monetary cooperation. Only a third of the Danes were favorable to the idea, though the strength of the Danish economy would make Denmark an obvious candidate for the fast track. Winning the next Danish referendum is an uphill battle.

—Leif Beck Fallesen

## BRUSSELS

## A HOUSE ONCE DIVIDED

The residence at 187 Brusselssesteenweg is an attractive but unobtrusive family house in a quiet lane on the edge of the Forêt de Soignes, just outside Brussels. It is now the official residence of Sir John Weston, the British ambassador to NATO, and until a plaque was unveiled in September, nothing indicated the heroic role which the place once played in the Belgian resistance movement.

It was then the home of Count Robert de Changy, and his wife Mary, an active member of the Resistance. It was commandeered to house the local German military commander, yet in a scenario worthy of the BBC television series *Allo, Allo*, the house also sheltered a series of allied airmen and resistance workers trying to escape back to Britain.

While the German commander ate and slept on the ground floor of the house, a steady flow of escapees, mostly British and Belgian, were hidden in a secret room behind a false wall on the second floor. Also living in the house were the two children,

Johnny and Jeannine, both of whom were present at the unveiling ceremony, which was organized by Sir John.

As their parents died many years ago, they are now the main witnesses to these events. Count Johnny de Changy, has little direct recollection. In 1941 he escaped to Britain and flew as a pilot for the RAF and later the Belgian Air Force.

...

**It took several months  
to collect petrol and  
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the plane in clandestine  
midnight visits, and  
after two abortive  
attempts the two men  
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to a field and took off,  
barely clearing the trees  
at the end of the  
runway, and arrived in  
England on July 4,  
1941.**

...

His younger sister, Jeannine de Changy Kissingen, remained in the house until the end of the war. She says that, though she knew what was going on, her mother kept her in the dark about the details for her own protection. She is not sure how many fugitives were hidden, perhaps around 15, and she never knew the real names of the men who were being sheltered. One exception was

another Belgian aristocrat, Count Philippe de Liedekerke, who had been parachuted in by the British to help the resistance.

Jeannine, who was 23 at the time of the liberation in 1944, is modest about her own role but admits to having accepted the surrender of a frightened German soldier with a machine gun. He was, she said, afraid of being shot by the Belgians and wanted to be handed over to the British soldiers.

Across the road from the de Changy residence is the estate of Baron D'Huart, which was also requisitioned by a German military unit. Apparently unknown to them, an old, light sporting aircraft was locked up and collecting dust in a barn a short distance away from the main château. Two pre-war Belgian Air Force pilots, Michel Donnet and Léon Divoy, desperate to escape to Britain, learned about its existence and laid careful plans to fly it out under the noses of the German troops.

It took several months to collect petrol and spare parts and to repair the plane in clandestine midnight visits, and after two abortive attempts the two men pushed the plane out on to a field and took off, barely clearing the trees at the end of the runway, and arrived in England on July 4, 1941. Both became Spitfire pilots in the RAF, and Baron "Mike" Donnet, who later became a Lieutenant-General and a Belgian military commander in NATO, recounted his adventures in a book entitled *Flight to Freedom*, published some years ago in Britain.

Donnet was also at the ceremony, where the plaque was unveiled by a Belgian Resistance worker, Gilberte Brunsdown-Lenaerts, the widow of a British officer parachuted into Belgium. It is a proud story, but perhaps hardly typi-

cal of the Belgian Resistance movement in that nearly all the participants seem to have had an aristocratic background. Most resisters were of more humble origin.

—Dick Leonard

## LONDON

## ROYAL GOLDMINE

The royal family may have their personal problems, but they are still the largest tourist attraction in the United Kingdom. Millions of people flock to see their working palaces, such as Buckingham Palace, and former royal homes like Hampton Court.

For a long time the royal family was considered a charming irrelevance: good for tourism and cheap at the price. This is no longer so. Thanks in large part to the marital troubles of the royal children and anger over the queen's tax-free status, an energetic debate persists regarding what the monarchy means for the United Kingdom today and its role at the political and social apex of the nation in the late 20th century.

But, whatever the outcome of the debate, it is clear that royalty and pageant are central to the UK's image as a tourist destination. As well as being part of the nation's heritage, royalty is a major provider of the attractions that bring in the tourist dollar.

Tourism is the UK's biggest industry and still growing. Almost 20 million tourists visited last year, and they spent a record-breaking \$15 billion. Nearly 20 percent of the tourists come from North America, and they are the biggest of the big spenders, leaving \$2.6 billion here.

The most common questions from callers at the official tourist office in central London's Regent Street are



about the royal attractions such as the changing of the guard at Buckingham, how to get in to see the palace, and also about visiting the Tower of London. The best-selling book at the tourist office is *The Queen and Her Family*.

There is an enduring appeal of those images of castles, pageants, and troops in ceremonial dress. These emblems of the most famous living monarchy are the largest single attraction, far outstripping the phenomenal popularity of Madame Tussaud's waxworks.

The royal palaces were built as a public expression of the monarchy, to make statements about the power and the grandeur of the monarchs.

The Tower of London with its rather grisly history is at the top of the royal palaces bill with 2.35 million visitors last year. Of course, the recently re-housed crown jewels are the center of attraction.

At Buckingham Palace visitors can walk through 20 state rooms but are not allowed into the private quarters or offices of the queen, Prince Philip, or other royals in residence. The building houses a wonderful collection of masterpieces in an exalted residential setting.

It is also a shrine to ancestor worship. The walls are covered with portraits of past royals and at times resembles a monumental family picture album.

At the end of the tour, you have the opportunity to buy suitable souvenirs, most popular purchases being chocolates, royal mugs, and china pillboxes.

The royal palaces fall into two categories, those which are working palaces, such as Buckingham Palace, Windsor Castle, and the Palace of Holyroodhouse in Edinburgh which are occupied by the queen as head of state.

Those owned but not occupied by the present

monarch include the Tower of London, Kensington Palace, and Hampton Court. These latter are essentially museums in which the visitor has the opportunity to step back into royal history.

Here is a list of main attractions:

**Buckingham Palace**, the world's most famous royal residence. It was opened to visitors for the first time last year and during the eight weeks it was open in August and September attracted 400,000 visitors.

The **Tower of London**, scene of some of the bloodiest events in England's history and home of the crown jewels, attracting over 2 million people annually.

**Windsor Castle's** state apartments on the outskirts of London which was badly damaged by fire a couple of years ago. Also the subject of a witty comment by a visitor disturbed by the noise of overflying aircraft, "Why did they build the castle so close to Heathrow Airport?"

**Hampton Court Palace**, the Tudor home of many monarchs including Henry VIII where the beautifully laid out gardens contain a wonderful maze in which it is easy to get lost, attracts over half a million tourists a year.

**Hollyroodhouse Palace** in Edinburgh is the Scottish working home of the monarch, and no one visiting that delightful city should miss it. There were more than a quarter of a million visitors last year.

There are also many castles with royal connections:

**Leeds Castle**, in Kent, the castle of six of England's medieval queens.

**The Royal Pavilion**, in Brighton, is a dazzling oriental style palace which is truly an architectural "one-off."

**Hever Castle**, in Kent, childhood home of Anne Boleyn, the most famous of the six wives of Henry VIII.

**Caernarfon Castle** in north Wales, the scene of the investiture of the Prince of Wales.

—David Lennon

## LUXEMBOURG

### YEAR-LONG CULTURE CELEBRATIONS

A private collection of impressionist paintings, encompassing Cezanne and Bonnard and a major exhibition of Luxembourgish furniture during the country's "golden age" lead a year-long series of

events to celebrate the Grand Duchy's role in the evolution of European cultures.

Luxembourg is the second to last city to participate in the European Union's "Capital" or "City" of Culture program. Copenhagen will finish the program's first cycle in 1996.

"Dialogue" is the theme, stressing the city's relationship with its country, Europe, and the world as well as between social groups and generations. The organizers hope that their program will leave a legacy that will endure long after the fireworks fade from

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the closing festivities.

Here's a rundown of the year's highlights:

**From Cezanne to Bonnard.** A collection of important works by Cezanne, Van Gogh, Matisse, Bonnard, and other Impressionist and Post-Impressionist painters. From January to March.

**Joseph Kutter.** Honoring the 100th year of the birth of Luxembourg's most influential expressionist painter. January.

**Haskil-Kempff Music Festival.** Major pianists from Luxembourg and elsewhere fill out a year-long program of concerts. Beatrice Rauchs and the Polish pianist Ewa Kupiec open the festival. January through December.

**Luxembourg Furniture in the Golden Age.** February. **Confrontations.** 111 con-

temporary Belgian and Luxembourgish artists. March.

**Sixth Annual Biennale of European Printing.** More than 400 works from 90 European artists, a major survey of printing trends. April.

**Small Time.** A contemporary opera written and composed by Luxembourgish Gast Waltzing. April.

**Plateau du Saint Esprit.** A complex of tents for a summer-long series of concerts, plays, and performances. May to September.

**Major Works from the Collection of the Prince of Liechtenstein.** A large selection of major works by Jan Breughel the Elder, Lucas Cranach the Elder, Anthony Van Dyck, Peter Paul Rubens, and others. July.

**Celebration of Choreographer Merce Cunningham.**

In residence at Luxembourg, the American innovator will be involved in producing a series of dance performances of his works. July.

**Festivals of Magic and Illusion.** Magic shows for all ages. August.

**Marcel Marceau.** The great master of pantomime will be in residence for a series of performances. September.

**European Piano Competition.** November.

**Three Operas on The Myths of Melusine.** Written by Luxembourgish composers. December.

**Commemoration of 100 Years of the Invention of Movies.** December.

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—James D. Spellman

## LISBON

## FAMILY VALUES REVISITED

Portugal has modernized rapidly over the last decade, not least thanks to massive financial support from the European Union in Brussels. In many ways, for those who last visited the country at a time when it had not yet turned to Europe, Portugal today is barely recognizable. However, in what is a Roman Catholic and deeply traditional country, the modernization of infrastructures, communication networks, and the like has not been accom-

## NEWSMAKERS

As reigning world chess champion, **Gary Kasparov**, has come up against many different kinds of opponents, but never any with the lightning speed and deadly accuracy of the one he will face in Las Vegas next May.

Kasparov will be pitting his formidable wits against an adversary who goes by the name of Deep Blue, who never gets tired or rattled, and who can process more than 70 million chess positions a second. Deep Blue is a computer which was developed from a 1986 PhD project by two American university students and which IBM is now perfecting at a cost of about \$2 million a year.

It has already beaten the world's leading woman player, the Hungarian prodigy **Judith Polgar**, as well as the veteran Danish Grand Master **Bent Larsen**. Kasparov defeated it in 1989, but since then it has been fine-tuned to virtual infallibility.

As a dress rehearsal for its ultimate showdown with Kasparov, Deep Blue is traveling to Tel Aviv this month to take on the Israeli national chess squad, rated among the top five international teams.

The one edge they will have against the computer is a uniquely human ability to plot strategy, to make moves that are not entirely based on the mathematical logic of the moment. As Kasparov said in a recent interview: "When I decide on a move, I rely a lot on my intuition, and that can't be calculated by a machine."

...

In the beginning there were 17 in the running; now it is down to just two. Architects **Jean Nouvel** and **Aymeric Zublena** are the only candidates left in the competition to design France's biggest sports stadium, where the next World Cup will be played in 1998.

The two designs are as different as the two architects. Jean Nouvel, the provocative, high-profile star of the new

generation, who gave Lyon an all-black opera house, has come up with a crowded, complex, square stadium. The older, less well-known Zublena has opted for a classically simple, luminous oval.

Both stadiums could seat 80,000 spectators, both are modular and multi-functional, with Nouvel incorporating boutiques, restaurants, tennis, and basketball courts into his design, while Zublena plans to transform staircases into stages and shift bleachers around to create 20 small amphitheatres.

The final choice between the two proposals is now being made by a jury headed by French Prime Minister **Edouard Balladur**. One factor bound to influence their decision is the cost: Zublena's elegant creation will cost \$380 million, Nouvel's streetwise design would be \$90 million more expensive.

...

A team of British architects headed by **Sir Norman Foster** has been given the

daunting task of restoring the Reichstag, Germany's historic Parliament building in Berlin. They have only the war and fire damaged shell of the 100 year old building and \$380 million to work with, as well as a stipulation that the reconstructed Reichstag must be crowned by a dome.

Foster's original plans were to shelter the Parliament and the area around it under a vast glass canopy. After building specifications were radically altered, the 25 member team of architects decided to top the roof with a futuristic lighthouse.

But the building committee wanted the new Reichstag to reflect the glory of the old, which featured an imposing, four-cornered copper and glass dome. So Foster and partners went back to the drawing board and designed a delicate, beehive-shaped dome of steel placed over a glass cylinder—which happens to look remarkably like a lighthouse.

...



panied by equally rapid changes in moral values. This gap has been confirmed by a government-sponsored study to mark the International Year of the Family. The survey reveals, for example, that for many Portuguese, a woman's place is still at home.

It is particularly in answers to questions about who should be responsible for which tasks in a relationship that revealed the Portuguese have remained very traditional in their outlook. The vast majority said women should do the ironing (93.7 percent), do the washing (90 percent), clean the house (82.2 percent), make the beds (82.2 percent), or cook (78.8 percent). Only a minority describe administrative tasks as the woman's job (10.3 percent).

Men, by contrast, should mainly be responsible for repairs (62.4 percent), administration (54.2 percent), and polishing shoes (41.4 percent), according to the study. Very few felt men should do the shopping (3.1 percent) or the cooking (0.9 percent). As for doing the family accounts, 10.6 percent thought men should be in charge, and 11.8 percent said it should be left to the female partner, while 77.6 percent stated accounting should be shared by the couple.

The study concludes that the happiest couples in Portugal are those who show understanding, tolerance, and respect for each other, those who cooperate in educating their children, are faithful, and share a satisfying sex life. These couples are not

too concerned about age gaps and differences in wealth or education. But many still give importance to marriage, preferably in a church. However, the idea of living together and having children without being married is gaining ground, especially among younger people. Fifty percent of those surveyed had no objection, with reservations expressed mainly by older and less well-off citizens in rural areas of the mainland and the autonomous island regions of Madeira and the Azores.

What comes out clearly in the study is that the Portuguese still hold the family as a basic entity in high regard. Most of those asked said the family was a factor contributing to social balance and the development of soci-

ety, and few could imagine replacing the family with a circle of friends.

—Peter Miles

## ATHENS

### SEEKING SOVIET MARKETS

The Greeks are rediscovering Odessa, the Black Sea port founded 200 years ago by Catherine the Great, where Greek shipowners and merchants flourished in the early 19th century.

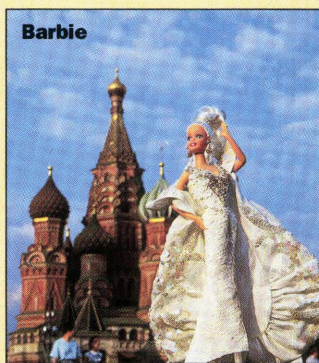
Ukraine is one of several markets in the former Soviet Union—others are Uzbekistan and Kazakhstan—where Greek traders can use their heritage as a calling card. One reason is the existence of ethnic Greek communities

It has been five years since the Ayatollah Khomeini first pronounced a *fatwa*—a death sentence—on British author **Salmon Rushdie** for his “blasphemous” novel, *The Satanic Verses*. Since then, Rushdie has lived in hiding, emerging only to plead in vain for the lifting of the *fatwa* or to accept accolades such as last year's Booker of Bookers Prize, which crowned him as the greatest British writer of the last 25 years.

His isolation has given him a lot of time to think, but it has not stimulated him to write any more magical, mystical novels like the three he wrote before being condemned to death. Instead, he produced in 1991 *Haroun and the Sea of Stories*, an allegorical novella for children, and has now published a collection of short stories entitled *East, West*.

Critics have been both applauding the stories' clarity, charm, and concision but wondering if exile has hob-

bled Rushdie's prodigious imagination and limited his literary vision. Reassuringly, he



has announced that he is on the point of finishing another grand scale novel which he describes as “an urban retake on motherhood as the defining myth of India.”

Meanwhile, the *fatwa* shows no signs of being lifted. But at least he is not alone. An Islamic leader in Kuwait recently placed a *fatwa* on **Barbie**, because the doll's curves are “too similar to those of an adult woman.”

• • •

While the Anglo-French

billionaire **Jimmy Goldsmith** announced his retirement from the world of business in 1990, he little dreamed that four years later he would be embarking on a new career as a freshly elected Member of the European Parliament in Strasbourg.

Goldsmith planned to enjoy the enormous wealth he had amassed by doing everything he had never had time for before. He had a great mansion built in the jungles of Mexico, with its village nearby to house his staff of 320. He gave no interviews, but entertained many influential guests and concentrated on building his personal charity fund, the Goldsmith Foundation. He gave away around \$4 million a year for projects such as the protection of Mexico's remaining tropical forests, the fight against worldwide intensive farming, and the struggle against nuclear power.

And so he might have continued quite peacefully had it not been for his book explain-

ing his opposition to the Maastricht Treaty and its support of global free trade. The slim paperback, published in France under the title *Le Piège* (The Trap), caused a sensation. Everyone wanted to meet Goldsmith, including **Philippe de Villiers**, a powerful French politician who was creating his own party, L'Autre Europe, for this year's European elections. He convinced Goldsmith to join him. Together they campaigned against global free trade (but for free trade inside Europe), against Maastricht, against nuclear power, and against the unrestricted flow of immigrants throughout Europe.

To everyone's astonishment, L'Autre Europe won 12.3 percent of the French vote, and Goldsmith has wound up in Strasbourg at the head of a 19-member contingent of MEP's. The book which robbed him of his retirement is now being published in English.

—Ester Laushway





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that still cling to their Greek roots and preserve the language. Another is the historic resonance of Alexander the Great, a conqueror who compares with Tamerlane the Great in central Asia.

Much as they did centuries ago, Greek traders are using Odessa as a bridgehead for reaching former Soviet markets. Greek shipown-

ers, who controlled merchant shipping in the Black Sea until the 1920s, now manage a sizable percentage of the former Soviet fleet and are building new vessels at Black Sea shipyards. Investment is starting to follow as Greek businessmen set up joint ventures with local companies to manufacture consumer products and process food.

And Greece's Black Sea connection was one reason why the northern Greek city of Thessaloniki has become the headquarters for the proposed Black Sea Bank, due to start up next year. As the financing arm of the Black Sea Economic Cooperation Organisation, the bank will fund trade and development in the region. Its 11 members include all the countries bordering the Black Sea, together with Greece, Albania, Armenia, and Azerbaijan.

As the only member country that belongs to the European Union, Greece is well placed to help channel EU funds to Black Sea projects. Another strength is its relatively developed financial markets.

At the same time, Greece's Export Promotion Organization is doing its best to exploit the old links, organizing trade exhibits in Moldova, Uzbekistan, and Kazakhstan. In Odessa, it went one step further, setting up a business center in a building that belonged to the Filiki Etairia, a secret society of Greek merchants who conspired to free Greece from Ottoman Turkish rule in the early 19th century.

The newly restored building also houses the offices of the Foundation for Hellenic Culture, a government-funded organization that sets out to promote Greek culture in places where the diaspora has had an important role. From New York to Vienna and Alexandria in Egypt, the foundation organizes exhibits and other cultural events.

In Odessa, the foundation also offers free Greek lessons and plans to follow the example set by a Greek company, Tsompos Holdings, in Tashkent by helping to fund Greek studies at local universities.

There are an estimated 200,000 Ukrainians of Greek descent, and more than 15,000 in Odessa alone who

can speak the language, according to foundation officials. And the city's archaeological museum is filled with artifacts excavated at the sites of ancient Greek colonial cities around the Black Sea.

To underline the Greek presence, a cruise ship carrying Greek artists, government officials, and businessmen, sailed into Odessa in September to participate in the city's 200th birthday celebrations, among them the official re-opening of the Filiki Etairia's lavishly renovated building.

—Kerin Hope

**Editor's Note:** Dzidra Briedis, writing from The Bishop's School in La Jolla, California, spotted our inadvertent revision of Baltic geography on page 18 of the September issue. In fact, the area labeled as Poland is part of Latvia.

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# ARTS & LEISURE

## FILM

### White

**K**rzysztof Kieslowski's *White*, which won him the Silver Bear Award as Best Director at this year's Berlin Film Festival, is an oddly appealing combination of black comedy and drama. A Polish-French production, it is part of Kieslowski's

*Three Colors* trilogy and stars France's stunningly beautiful Julie Delpy and the Polish actor Zbigniew Zamachowski who does a very impressive job in the main role.

*White* leaves the audience probably not quite certain of how to react to this varied and often puzzling display of emotion and symbolism. It certainly is a major film, and Kieslowski's direction is sensitive, highly imaginative, moody, and pictorially stunning in its realism.

The complex story all but defies synopsis. A Polish hairdresser, Karol, living on the edge in Paris and married to a stunning young woman, breaks up with her. In the divorce proceeding, she maintains that their marriage was never consummated. He decides to regain his dignity by returning to his native Poland.

He meets a friend who helps him get back home in a large suitcase, but the case is

stolen on arrival, Karol is beaten up, and barely escapes with his life. However, he is persistent and inventive, and the new capitalist Poland provides him with a chance to rebuild his life and become well-to-do.

Still in love with his wife, he stages his own death, which brings the wife to Poland for the funeral—and to cash in on his will.

It turns out that Mikolajh changes his mind and, when the two are reunited in Poland, they enjoy some wonderful moments tasting the joys of life.

Just what Kieslowski is trying to say with *White* is not clear, but he undoubtedly means to comment on the new Polish economic order, and the enigmatic, temperamental and unpredictable

hardly any character whom one can really like, or even identify with. And maybe that's precisely what Kieslowski intended.

### Café Au Lait

**C**afé Au Lait (A New Yorker Films Release), written and directed by Mathieu Kassovitz, who also acts the lead part, is the kind of movie Woody Allen might have made, but most Hollywood studios would never make because of the racial sensitivities involved.

It's a very funny, extremely well-acted comedy, uniquely French, and certainly unusual in its theme and treatment.

*Café Au Lait* is about two young guys in Paris—one a footloose young Jew, the other the rich son of a black, Muslim diplomat—who discover that they have the same

beautiful mistress in common.

What they also have in common is her announcement that she's pregnant though neither fellow knows whether he is the father; and she insists on having the baby.

That leads to a number of explosive situations and equally explosive dialogue, laced with angry racial slurs, which are eventually solved



French actress Julie Delpy and Polish actor Zbigniew Zamachowski star in Krzysztof Kieslowski's *White*.

While some of the plot is ludicrous and depressing, the film on the whole offers a host of moving and persuasive moments. Karol makes friends with Mikolaj, another Pole in Paris, who asks that he kill him with a pistol. Karol, greedy for the reward money, agrees but first fires a blank to make sure the "victim" really means it. It is a very memorable scene.

Delpy very likely is meant to represent today's France.

Zamachowski, who plays Karol, is an average-looking fellow, and it's difficult to see what Delpy sees in him. However, he persuasively conveys Karol's depth of depression and desperation and stubborn tenacity.

If there is a major problem with *White* it's that in addition to being obscure, there is



when both men decide to take on the role of the prospective father until the child is actually born.

Kassovitz, only 25 years old, is the son of a veteran French film director, and it's clear that he's a major talent. The photography is first-rate, the editing matches the crazy theme and pace of the movie, and the uninhibited performances—including his own—are simply splendid.

The dialogue has a kind of violent realism that also allows for a hint of deep feelings and surprising comradeship.

Julie Mauduech is perfectly cast as the pregnant girl, in love with both men but independent to the extreme. Hubert Kounde looks and acts like a young Sidney Poitier, and Kassovitz is both outrageous and hilarious as the mixed-up Jewish kid brought up in a rough Parisian neighborhood and enjoying the support of a delightfully wacky Jewish family.

*Café Au Lait* makes for splendid entertainment, but it also manages to convey a quite serious message about racial relationships and how the human side can overcome nasty, inherent prejudice.

The subtitles are very faithful to the dialogue, rough as it may be at times, but then the whole picture deals very sensitively with questions of prejudice and conflicting emotions and responsibilities. It's a great first effort which earned young Kassovitz a well-deserved French César Award nomination for Best First Film and Most Promising Young Actor.

## Caro Diario

**C***aro Diario* (Dear Diary), released by Fine Line and written and directed by the brilliant Nanni Moretti, who also stars in it, is a first-

class though at times self-indulgent movie that speaks volumes about the Italy of today.

Moretti has a sharp eye and a telling wit that informs all the issues he covers in the picture. That explains why he won the Best Director award for *Caro Diario* at this year's Cannes Film Festival.

This isn't traditional Italian filmmaking. Moretti's character doesn't shy away from conveying truth as he sees it, even when it hurts. There are scenes that are profound, and others that are simply uproariously funny and reflective of the mood in Italy today.

Moretti hates the work of a pretentious television and movie critic. He goes to his house, finds him seriously ill in bed, and proceeds to read him his scathing reviews, leaving the man in convulsions of pain and with tears streaming down his face.

And on the funny side, Moretti and a friend trying to escape from tourists, go to Stromboli. On top of the volcano, they spy a group of American tourists below. The friend sends Moretti to ask the Americans what has happened recently on the soap opera *The Bold and the Beautiful*. They happily reply without showing any kind of astonishment.

Unfortunately, Moretti takes the audience on a seemingly endless ride on his moped, with the camera following him for long and boring minutes as he rides along an uninteresting landscape. The sequence is pointless and practically amounts to Moretti testing the patience of his audience.

Moretti has a delicious sense of humor and his *Caro Diario* says a lot not only about Italy—he tends to philosophize while riding along on his moped.

Not one of the all-time "great" Italian films, but certainly one that establishes

Moretti as an important voice in the Italian cinema of today. Significantly, though Moretti has made eight movies, this is the first one to reach our shores.

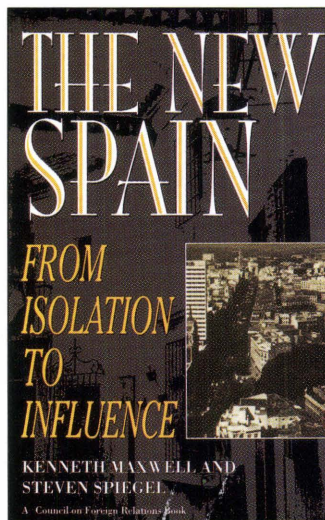
—Fred Hift

## BOOKS

### The New Spain: From Isolation to Influence

By Kenneth Maxwell and Steven Spiegel; Council on Foreign Relations Press; 126 pages; \$15.

**U**ntil a couple of years ago, Spain was the "hot" country of Europe. Its economic growth rates in the late 1980s led Europe; the cultural *movida* (movement) in film, music, and design was the



continent's avant-garde; and in 1992 Seville hosted the Expo while Barcelona was the site of the Summer Olympics.

Now a bit of a hangover has set in. Steep interest rates are stifling economic expansion; unemployment remains the highest among the 12 European Union countries; and Socialist Prime Minister Felipe González, who once dwarfed the opposition Popular Party, now heads a minority coalition government.

As this concise and insightful study of contemporary Spain by Kenneth Maxwell and Steven Spiegel should serve to remind us, however, the current challenges Spain faces are also those of many of its European partners. They should not mask the impressive achievements of the country, which has gone from "isolation to influence" in a short 20 years.

Indeed, what is most remarkable is that Spain, which in 1975 had a social and political structure bearing many resemblances to a third world dictatorship, has outdistanced several well-established European democracies in terms of political muscle. Maxwell and Spiegel point out that as a member of NATO it played a key role as a staging area during the Gulf War, and Spanish troops are serving in the UN peace-keeping force in Bosnia.

As a member of the European Union, Spain has been one of the three main countries (along with France and Germany) maintaining the momentum of European integration. A testimony to Spain's crucial role in the EU is that Prime Minister González was a clear favorite for the post of President of the European Commission. Widely seen as a man of vision and ideas, there are many in Europe who rue the fact that he ultimately did not seek the job.

Yet obstacles remain to Spain participating in the more closely united European Union that may emerge later in the decade. Spain will have trouble satisfying several of the economic criteria laid out in the Maastricht Treaty for countries to join a single currency in 1997 or 1999. Maxwell and Spiegel are right to say that this will be the major test for Spain in the second half of the 1990s.

—Peter Rashish





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