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EUROPE

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June 1998

EURO SETS SAIL

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PIEDMONT

AN OPEN REGION FOR FOREIGN INVESTORS

Interview with Andrea Pininfarina, Chairman of ITP Agency for Investments in Turin and Piedmont

Andrea Pininfarina, 40, is a native of Turin and for the past year has held the post of managing director of Pininfarina Industries, one of Italy's leading automobile designers and manufacturers. Also president of the Federation of Mechanics (Federmeccanica) and member of the executive board of the Italian industrial federation Confindustria, he became the new chairman of the Agency for Investments in Turin and Piedmont (ITP) in June.

Q: Mr. Pininfarina, why should a foreign company choose Piedmont for setting up a successful European base?

A: Piedmont offers three main competitive advantages to foreign investors: its advanced technology, the quality of its work force, trained in excellent schools and universities, and organizational expertise which is the result of the region's longstanding, widespread experience in industry and business.

Mind you, competitive advantages are never to be taken for granted, and even having several on your side does not mean victory from the start for foreign direct investments over other competitive European regions.

ITP functions along the same lines as other economic development agencies, such as those in France and in the UK, for example. So, I think an important part of maintaining and improving a competitive edge over other regions is to promote our particular advantages, as clearly as possible, to international investors.

Q: Do you think that the three key factors you mentioned are sufficient to attract new investments into the region?

A: No, attracting investments is not only based on competitive advantages. A potential investor must also be able to benefit from these resources as quickly and economically as possible. In other words, to attract investments it is necessary to have public authorities working together, in order to minimize difficult administration and settlement timing. ITP is a concrete sign of the commitment of the public administration in Piedmont to encourage inward investments.

Q: Just recently, Motorola signed an agreement with the Polytechnic of Turin to set up a research center for mobile telephones. This choice confirms the great tradition—and the great attractiveness—of Turin in the telecommunications and information technology sector. What other industry areas offer favorable conditions for international investors?

A: Information technology is a very important cross-border sector and Piedmont has all the right cards to play in this field. I think, in any case, that the two most promising areas are telecommunications applications, which belong to a rapidly growing worldwide market of services, and the application of electronics and information technology to other industries.

By using electronics and information technology, the traditional design of products can be changed, thereby affecting the entire manufacturing sector. Just think of how electronics is changing the automobile industry, and how much innovation it will bring in the future. We will witness a strong growth of applied electronics within various industrial fields.

Piedmont has everything it needs to be in the vanguard of this trend, which is destined to develop and enrich the region.

ITP

AGENCY FOR INVESTMENTS IN TURIN AND PIEDMONT
AGENZIA PER GLI INVESTIMENTI A TORINO E IN PIEMONTE

Q: Just a last question: What type of experience has the Agency had in its first year of activity?

A: The ITP agency was established to offer complete assistance to foreign investors interested in setting up a business in Piedmont. To date, we are the only agency in Italy able to assure—free of charge, by the way—this kind of comprehensive service. That is a competitive advantage very dear to ITP and one we intend to keep on improving.

For this reason I invite investors to contact us without hesitating: in every phase of project location and development, from supplying initial information to defining financial incentives and credit inducements, to the after-care of completed projects, ITP will be there to help them. I give you my word as an industrialist on that!

JUNE 1998 NUMBER 377

EUROPE

MAGAZINE OF THE EUROPEAN UNION

EUROPEAN AFFAIRS

The Euro Sets Sail. Eleven countries have initiated the euro zone. *Lionel Barber* **8**

What the Euro Means to the US. How Europe's single currency, which will make its debut in January 1999, will affect American firms. *Bruce Barnard* **12**

Captain of the Euro. Dutch central banker Wim Duisenberg becomes the first president of the European Central Bank. *Lionel Barber* **14**

Interview. In an exclusive *EUROPE* interview, Yves-Thibault de Silguy discusses the launch of the euro **16**

Sutherland Speaks Out. Peter Sutherland, the chairman of Goldman Sachs International, discusses the effect the new currency will have on the business world. *Robert J. Guttman* **18**

Thomas Pickering. The under secretary of state for political affairs spoke recently at a *EUROPE* luncheon about US-EU relations. **20**

BUSINESS

Star Performers. Europe's drug firms producing profitable pills. *Bruce Barnard* **22**

Daimler-Chrysler. Merger gives Motown a German accent. *Bruce Barnard* **26**

ITALY

Fiat's Future. John Elkan, the twenty-two year-old nephew of Giovanni Agnelli, is being groomed for the Fiat throne. *Niccolò d'Aquino* **28**

Will Italy's Economic System Change? Italy re-launches its economy, led by a growing financial sector. *Niccolò d'Aquino* **30**

Italy Joins the Euro. Italy will be a charter euro country in 1999. *Niccolò d'Aquino* **32**

TRAVEL

Cinque Terre. Five picturesque towns beckon outdoor enthusiasts to the Italian Riviera. *Saskia Reilly* **34**

DEPARTMENTS

3 **Editor's Letter**

6 **Eye on the EU**

7 **EU On-Line**

36 **Capitals**

44 **Newsmakers**

46 **Arts & Leisure**

48 **Yesterday & Today**

Letter from the Editor

The euro, Europe's single currency, set sail the first weekend in May in Brussels as eleven nations: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain were selected as the founder members of economic and monetary union.

Our contributing editor Lionel Barber covered the historic meeting on the single currency in Brussels and writes, "It is the most far-reaching development on the continent since the fall of the Berlin Wall." European Commissioner for Economic and Financial Affairs Yves-Thibault de Silguy comments that the launch of the euro is "for Europeans one of the biggest events since the Treaty of Rome in 1957."

Europe launches the euro. € is the symbol of the new currency.

Barber explains "how the euro will enhance Europe's power on the world stage" and how it will also supply the "vital missing link in Europe's single market."

Bruce Barnard, who also covered the momentous launching of the euro last month, provides an overview on how the new currency will affect American businesses and American tourists. "US firms are generally better placed than their European rivals to benefit from the new currency," he writes.

EUROPE profiles the first president of the new European Central Bank Wim Duisenberg, a sixty-two-year-old former Dutch finance minister and governor of the Netherlands central bank.

Peter Sutherland, a former European commissioner and currently the chairman and managing director of Goldman Sachs International, comments on the euro's role in international finance by stating that the new single currency "will be a major global currency and a stable currency and people will invest in it."

Niccolò d'Aquino, writing from Rome, looks at how Italy was able to join economic and monetary union in the first wave. He also looks at Fiat's future and profiles the restructuring of Italy's bank and insurance industries.

In the business section, *EUROPE* profiles the European pharmaceutical industry and shows that Europe's drug firms are global leaders today. Alan Osborn interviews the CEO of Zeneca, one of Europe's leading drug firms.

The Daimler-Chrysler deal is a major milestone in transatlantic business relations. We discuss the historic transaction and Germany's growing global business clout and try to peer down the road to see what new merger is around the corner.

In the travel section, Saskia Reilly takes us on an adventure through the Cinque Terre, five picturesque villages along the Italian Riviera.

Robert J Guttman

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

FRANCE'S

Ambassador-at-large Jean-Daniel Tordjman is France's special representative for international investment. He took up the post when it was created in 1992, after he had spent seven years as Minister for Economic and Commercial Affairs at the French Embassy in Washington. The top-level contacts he established there have been invaluable in helping him to attract international investors to France, to mobilize the necessary government support to assist businesses coming to France and to help foreign firms develop their activities on French soil.

Ambassador Tordjman is convinced that Europe will continue to be the world leader in attracting direct investment, both because it is the world's largest single market, with 370 million consumers, and because it offers a high degree of economic and political stability.

Within the European Union, his advice to international companies is to invest in the countries such as France that are building the euro.

Q: *What are the main factors that have made France a prime location for international companies?*

JDT: TOYOTA, Japan's largest manufacturing company, has selected France as the site for its second European automobile plant. The decision follows similar moves by DAIMLER-BENZ, FEDERAL EXPRESS, IBM, GENERAL ELECTRIC, GENERAL MOTORS, all drawn by features that have made France the third largest host country in the world for international direct investment and the leading host country in the euro zone. The accumulated total of direct investment stocks in France rose from $23 billion in 1980 to $184 billion in 1997.

As the only country with direct links to Europe's six largest markets - Germany, the United Kingdom, Benelux, Switzerland, Spain and Italy - France is an ideal location for many types of international businesses, ranging from logistics and distribution centers to industrial production sites, R & D facilities and strategic decision-making centers for multi-national firms.

And the move to Europe's new single currency, the euro, in which France and Germany have played a central role, will create a host of additional new opportunities for international investors.

Q: *What is the investment climate like in France today?*

JDT: Freedom to invest is the rule. New measures have simplified administrative procedures for international investors, creating a highly unrestricted environment for investing.

Significant advances have been made recently in the sphere of taxation with the implementation of a competitive system that favors the establishment of corporate headquarters and logistics centers: the geographical scope of headquarters is extended to all group companies throughout the world. This regime has also been expanded to distribution centers, financial centers and their back offices. In addition, there is a new, favorable fiscal regime for foreign executives on temporary assignment in France.

Q: *Europe's single currency, the euro, will soon be in use. Will France gain any advantages by being among the first countries to adopt the euro?*

JDT: Yes, it will bring huge business advantages. First of all, France has been a constant leader in European Monetary Union, which is not simply an economic issue, but a political issue as well. The main point is for France and Germany and the other European nations to all live together in peace. To develop peace you need to build together and that's what we are doing: we are building Europe together.

INVESTMENT AMBASSADOR

Through monetary union, Europe will emerge as a very strong economic force. Because the United States has had eight years of constant growth and Asia will suffer for two to three years at least from the recent crisis, Europe is well placed to be the new engine of growth in the world. And the euro will increase competition, develop business, and open up a huge market – the biggest market in the world.

That means that if we have a crisis in any part of the world, people will not just rush to the US dollar; they will put some of their assets in dollars and some of their assets in euros. For this reason, we can expect hundreds of billions of US dollars' worth of dollar-denominated assets to be translated into euro-denominated assets. That will bring many different types of business development to Europe.

International investors are increasingly aware that Europe offers them an environment where free trade and the capacity to create wealth are combined with a climate of stability, an essential factor for preserving the security of investments. The Mexican and Asian crisis highlighted the relationship between risk and return on investment. What benefit is there in turning a high profit if a significant proportion of your capital is lost through inflation, currency depreciation or political risk? Europe, and the euro, guarantee investors the economic stability that is vital for safe, long-term returns on their investments.

Q: *For businesses who are attracted by the French market, what kind of assistance do you provide?*

JDT: The Invest In France Mission provides international investors with:
- Assistance in setting up investment projects such as production sites, distribution and logistics centers, research centers, decision-making centers. We work in close association with DATAR (France's regional planning and development agency), public service authorities, the French regions and the French business community.
- Assistance to international companies already established in France.

France : A competitive base for the euro zone

TOYOTA, Japan's largest manufacturing company, has selected France as the site for its second European automobile plant.

The decision follows similar moves by DAIMLER-BENZ, FEDERAL EXPRESS, IBM, MOTOROLA, PHILIPS, GENERAL ELECTRIC and GENERAL MOTORS, all motivated by the features that have made France the world's third host country for direct inward investment.

France is an affluent market, with sound economic fundamentals: low inflation, attractive interest rates, a stable currency and overall competitiveness reflected in healthy trade surpluses.

At the heart of Europe, it offers a variety of sites backed by excellent transport infrastructure, leading-edge scientific and technical expertise, a productive workforce, competitive telecommunications and power supply, and the resources of a vast array of sub-contractors.

France is a country of the future, with a strong industry and open to international business.

Jean-Daniel TORDJMAN
Ambassador at large
Special Representative
for International
Investment

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EYE ON THE EU

Profiling Personalities and Developments Within the European Union

THE EURO: Making Its Presence Known

One of the four countries left out of EMU—Greece—would have been a willing member, but it did not meet the criteria set by the Maastricht Treaty. The Greek government, however, has set itself the target of doing so within two years and hopes to join in 2001, before the first euro coins and notes come into circulation.

The Danish and Swedish governments could have taken the plunge at the outset but have been deterred by hostile public opinion, particularly among supporters of the governing Social Democratic parties. It is, however, generally expected that both countries would sign up for membership if and when the British decide to join.

This will not be before 2002 at the earliest. Though the Blair government in principle favors joining, it is fearful of risking defeat in the EMU referendum—to which it is committed—and has decided to defer the referendum until after the general election, which will not be before 2001 and could be as late as June 2002.

This doesn't mean, however, that the euro will not make its presence felt in the United Kingdom long before then, as well as in Denmark and Sweden. Several large multinational companies in all three countries have announced that they will invoice their customers in euros rather than the national currency, and the probability is that a dual currency system will effectively be in operation in the same way that the US dollar has become a parallel currency in much of Latin America.

One tremendous pressure for a dual currency will come from the tourist trade. French and German tourists arriving in London (or in Athens, Copenhagen, or Stockholm) will expect to pay their bills in euros rather than pounds (or drachmas or kronor or kroner) and hotels and shops in tourist centers will surely feel obliged to meet their wishes. Dual pricing will quickly spread from obvious tourist centers such as Oxford, Stratford-upon-Avon, and Edinburgh, to towns and cities throughout the country. Not only luxury stores like Harrods and Selfridges, but big retail chains, such as Marks & Spencer's, have already announced that they will accept euro notes and coins from day one of their introduction, and others are bound to follow suit. Major companies are also planning to give their employees the option of being paid in pounds or euros.

Long before voters formally decide through a referendum whether they want to exchange the pound for the euro, they will have voted informally through their pocketbooks. My prediction is that the UK will, in practice, join the EMU as a result of consumer pressure within a few months of the coins and notes being issued in 2002, irrespective of what the British government may recommend.

There will not be all that much difference between living in euro or non-euro countries within the EU. Technically, the euro zone will cover an area with a population of 290 million compared to 260 million in the US. In reality, the euro will circulate freely throughout the fifteen member states of the EU with a total population of 370 million.

—Dick Leonard

Tremendous pressure for a dual currency in the UK, Sweden, Denmark, and Greece will come from tourism. Tourists arriving from the euro zone will expect to pay their bills in euros.

Parliament in Euro Spotlight

The European Parliament's Economic and Monetary Affairs and Industrial Policy Committee must decide exactly how Parliament will carry out the most influential role it has ever played—overseeing the ECB. Alan Donnelly, the British member of the European Parliament (MEP) who heads the committee's socialist faction, is well aware of the unprecedented clout the European Parliament will wield: "We will be the only body in Europe that can publicly question the [European] Central Bank president and its executive board."

Donnelly has proposed a system that would avoid making the ECB president directly accountable to each EU nation's finance committee, which would involve almost perpetual travel as the Union gradually expands. Instead, he would like to see the finance committee heads of all EU member states take part in the ECB hearings in the European Parliament twice a year. Such a move would be guaranteed to turn the hearings into a high-profile event and propel the European Parliament squarely into the spotlight, a position it has only rarely enjoyed in its forty years of existence.

This month, at an informal European forum, the relevant MEPs will meet to discuss this option and others with the fifteen heads of the EU's national finance committees. Once that issue has been resolved, plenty of other questions remain. Which committee of the European Parliament, for example, should host the hearings on central bank policy? It could be the Economics and Monetary Affairs and Industrial Policy Committee, chaired by Karl von Wogau, a German Christian Democrat, or the Subcommittee on Monetary Affairs, chaired by Christa Randzio-Plath, a German socialist. On the other hand, it could end up being a mix of the two, along the lines of the US Senate banking committee.

—Ester Laushway

GREAT OUTDOORS

Europe's natural beauty sometimes gets short shrift when it comes to travelers. Man-made creations—works of art and architecture—become the main attractions. However, Europe's national parks and preserved areas could easily be the focal point of a vacation or at least several days' worth of excursions outside the cities.

Tracking down these scenic areas on the Web is an adventure itself. One of the most interesting sites for natural surroundings is Great Outdoor Recreation Pages, or GORP (www.gorp.com). The majority of the information pertains to US parks, but GORP does highlight a few European parks and wildlife areas as well as provide hyperlinks to Web sites focusing on specific countries or regions. On a recent visit, the site included an article on "Outdoor Spain: Three Natural Treasures," featuring Ordesa National Park in the Pyrenees, the Donana bird sanctuary in the south, and Montana de Covadonga on the north Atlantic coast. The article describes the natural history, activities, best times to visit, and a brief mention of accommodations. What would seem like an obvious component to such a story—photographs—were conspicuously missing. Hopefully GORP will improve and expand its European coverage to the level of its pages on American parks.

A group of environmentally minded British students put together a site on European national parks (www2.shef.ac.uk/info_studies/studwork/groups/euhome.html). They focus on four countries: Germany, Greece, Italy, and Spain. The information is geared toward academia rather than attracting tourists, but the site's creators do include usually one photo, a history of the park, and a brief description of the flora and fauna.

The portion on Italy, for example, highlighted Gran Paradiso, a former hunting reserve that became a wildlife refuge in 1920.

Greece's Samaria Gorge, with its staggering 1,800-foot drop, also has its own page. Travelers interested in visiting these parks would have to search for tourist sites for directions and information on accommodations.

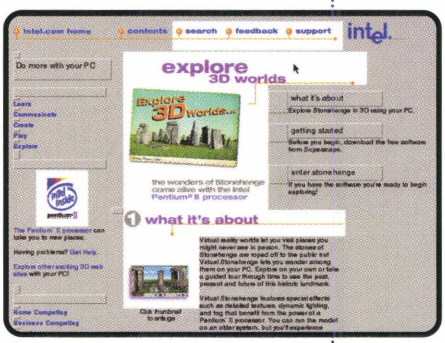
Italy has the best Web resource for exploring the natural wonders of a single European country. At first glance, the Parks portion of the Italy site(www.communic.it) is uneven in its coverage and not particularly attractive. Only eight out of eighteen national parks have more than a simple mention. The regional and local park listings are scant. But the site appears to be improving by focusing on one park each month to build its database. A recent Park of the Month entry on Dolomiti Friulane, a national park north of Venice, described the flora and fauna, hiking trails, visitors centers, and nearby hotels and restaurants. It also played the park's big drawing card: dinosaur footprints a school group discovered in the park in 1994. The pages could stand a few more photos, but one easily missed portion of the site, labeled "Parks at 360 Degrees," contains panoramic views of several parks. That feature alone is compelling enough to boost park attendance numbers.

The British government also has a worthwhile site on parks and historically preserved areas. The Countryside Commission (www.countryside.gov.uk) breaks down the places of interest into conservation areas designated as Heritage Coasts, National Trails, Community Forests, and Areas of Natural Beauty. Pages devoted to Heritage Coasts, which make up nearly one-third of the United Kingdom scenic shoreline, feature photos of areas such as the chalk cliffs of Sussex or the Isles of Scilly, along with a few paragraphs on why they have been preserved. The contact addresses and phone numbers are not of local tourist bureaus, however, but planners or conservationists. The commission might generate greater support for its mission by making its site more helpful to travelers. Then again, tourism and conservation don't always go hand in hand.

SITE OF THE MONTH: VIRTUAL STONEHENGE

The summer solstice used to be quite the celebration in Wiltshire, England. From the late eighteenth century, crowds would come to the megalithic monument of Stonehenge to re-create what may have been an ancient tribute to the sun. Unruly throngs in the 1980s put an end to the festival, and visitors can no longer walk amid the 5,000-year-old stones. But the curious might enjoy a virtual tour (www.connectedpc.com) for a look an unusual time-traveling experience.

Part of the tour is similar to the increasingly popular Imax films, in which the camera reveals panoramic views that slide into close-ups and float back out again. Viewers can turn off the "fly-through option" and switch to manual directional controls to see the stones from a number of angles.



The project is a collaboration between English Heritage, a body formed by the British Parliament to preserve British history, and the microprocessor manufacturer Intel. Intel got involved as a way to showcase its latest processor, so the site is overtly commercial. But if Web visitors have a fairly quick processor and room on their hard drive for a plug-in called Viscape (which takes about thirty minutes to download), the effects are impressive. The text is minimal—a few sentences explaining a bit of history. But for those who haven't seen Stonehenge, the virtual tour provides views of the stones no longer available to in-person visitors and a fascinating example of using technology to help preserve history.

—Christina Barron

THE EURO SETS SAIL

Eleven countries have initiated the euro zone

AFTER A MOMENTOUS SUMMIT in Brussels, the fifteen heads of government of the European Union have selected the founder members of economic and monetary union (EMU)—the most far-reaching development on the continent since the fall of the Berlin Wall.

Eleven countries—Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain—will form the euro zone. Four countries—the United Kingdom, Denmark, Sweden, and Greece—will remain outside initially.

The new single currency bloc will encompass almost 300 million consumers and will make up the second-largest economy in the world behind the US, accounting for more than one-fifth of global trade. But statistics tell only half the story of how the euro will enhance Europe's power on the world stage.

BY LIONEL BARBER

European Commissioner for Economic and Financial Affairs Yves-Thibault de Silguy and European Commission President Jacques Santer (right) holding up a giant model of the euro at the May 1–3 summit in Brussels.

The launch of the euro on January 1, 1999 supplies a vital missing link in Europe's single market. The elimination of transaction costs should mean greater competition, more efficiency, and better deals for the consumer. Price transparency will send a juddering shock through business, commerce, and the capital markets, accelerating the restructuring already underway.

EMU also marks a cultural revolution, institutionalizing monetary orthodoxy and exporting German-style anti-inflationary rigor Europe-wide. If EMU advocates are correct, the birth of the euro heralds a second renaissance for Europe built on stable prices, enduring fiscal discipline, and lower interest rates.

Yet EMU is also a gamble. Contrary to initial expectations, it will extend beyond the natural deutsche mark zone to include the previously inflation-prone economies in the south, notably Italy. It remains a project conceived by Europe's political elite, without much deep-rooted support among the European public.

There have been currency areas before in Europe—the Scandinavian crown, the Latin monetary union, the Anglo-Irish. But EMU—thirty years in-the-making—is on a different scale.

THE EURO IS THE CLIMAX OF A DETERMINED EFFORT TO BREAK DOWN THE BARRIERS BETWEEN THE MEMBERS OF THE EU. AS SUCH, IT REPRESENTS A DECISIVE STEP FORWARD IN THE INTEGRATION OF THE ECONOMIES OF WESTERN EUROPE.

First, the euro is the climax of a determined effort to break down the barriers between the members of the European Union. As such, it represents a decisive step forward in the integration of the economies of Western Europe.

Second, the euro has become the defining force in European politics. Over the past five years, it has inspired traditionally weak governments in Italy to take courageous steps to slash profligate spending to meet the entry criteria for monetary union. But it has also convulsed stronger governments in the United Kingdom, France, and Germany where public opinion is either hostile or skeptical about the single currency and its political ramifications.

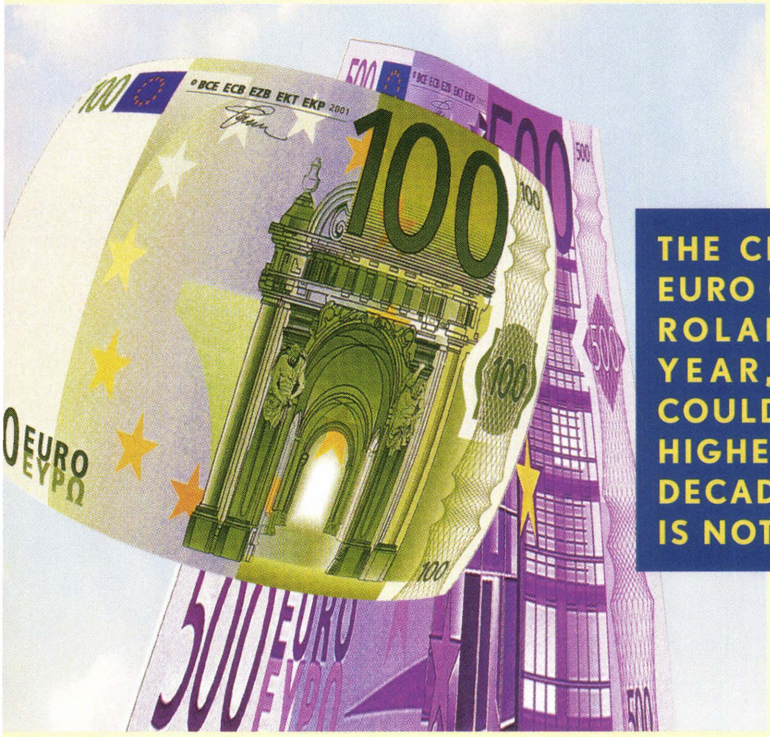
Third, the launch of the euro has become—for better or worse—the pre-condition for the EU's second historic task after the end of the cold war: enlargement to the former communist countries of Central and Eastern Europe. Without the quantum leap toward deeper economic integration in Western Europe, many governments argued that an enlargement of up to twenty-five countries would eventually reduce the Union to little more than a free trade zone.

The May 1–3 jumbo summit in Brussels settled three outstanding questions: the decision on the founder members of monetary union; the conversion rates for euro currencies; and the long-running row over the appointment of the first president of the European Central Bank.

Now that these political and technical issues are settled, EMU is ready to move from the drawing board to reality. Will it fly?

The circumstances for launching the euro could not be more favorable. "Euroland" growth is picking up. This year, EU gross domestic product could be as high as 3 percent, much higher than average for most of the decade. On the inflation front, there is nothing but good news.

Inflation in Euroland is at an historic low of 1.5 percent. The weighted GDP to deficit ratio currently stands at 2.8 percent. Although there are some doubts about the sustainability of the EMU-driven attack on public deficits, there



must be a good chance that peer pressure will continue the experience of fiscal consolidation.

The optimistic view is that the euro will serve as a catalyst for structural reform, the big gap in the performance of member states in the 1990s. EMU should deliver a painful prod to governments to tackle labor market flexibility—if only because the tight monetary and fiscal policy and the absence of exchange rate tools means that labor market flexibility will be the safety valve in macroeconomic policy-making.

Yet there are risks. Monetary union will be subject to immense strains if the necessary structural adjustments are not made. Moreover, if countries shirk reform, the traditional safety valves for adjustment—exchange rate flexibility and provisions for large fiscal transfers from the EU budget—are absent.

EMU supporters predict that Europe, willy-nilly, will be forced in the direction of greater tax "coordination" or harmonization. Yet Europe's political divisions make such a fiscal federation unlikely in the near future. Whichever way, EMU is a risky experiment in running a unified monetary policy without a common fiscal authority.

Another area of risk is the future European Central Bank. The ECB's independence is enshrined in the Maastricht Treaty, as is the commitment to price stability. But this is a new, untested institution that is certain to face heavy political pressure if Europe continues to shamble along a path of slow growth and high unemployment.

The ECB lacks the legitimacy or the accountability that the Federal Reserve enjoys in the United States. The European Parliament is trying to carve out a role in this area, but it is still a fledgling institution compared to national parliaments, which command the loyalty of the people.

In the US, some analysts believe that EMU not only fails to answer Europe's problems, it could be a dangerous distraction. "It's like seeing a good friend with a heart problem who insists on going to the dentist," says one Washington official, "in the meantime, the condition becomes ever more heart-threatening."

This analysis may, however, be too pessimistic. EMU represents a formidable act of political will. Only the bravest—or the most foolhardy—would have predicted fifteen months

THE CIRCUMSTANCES FOR LAUNCHING THE EURO COULD NOT BE MORE FAVORABLE. EUROLAND GROWTH IS PICKING UP. THIS YEAR, EU GROSS DOMESTIC PRODUCT COULD BE AS HIGH AS 3 PERCENT, MUCH HIGHER THAN AVERAGE FOR MOST OF THE DECADE. ON THE INFLATION FRONT, THERE IS NOTHING BUT GOOD NEWS.

ago that eleven countries, including Italy, would be ready to launch the single currency on schedule in 1999. Having embarked on this historic venture, Europe's leaders have no intention of abandoning it at the first sign of trouble.

The lesson of European integration over the past forty years is that political leaders have moved forward incrementally, occasionally suffering setbacks, such as the demise of the European Defense Community in 1954 or the virtual collapse of the European Monetary System in 1993.

They have, however, always recovered, either by taking a big step in a different direction, such as the Treaty of Rome in 1957, which laid the basis for the Common Market, or by taking a big step forward, such as the reinvention of the Exchange Rate Mechanism in 1993, which saved the single market and the EMU project.

Michel Camdessus, managing director of the International Monetary Fund, says the EU is like a group of medieval pilgrims approaching the Cathedral of Chartres. They can see the magnificent spire and the stained glass windows. The journey is no more than an act of faith. Ⓔ

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

EUROPE'S SINGLE CURRENCY, THE EURO, will make its entry into the global economy in January. And the United States, which is the European Union's biggest trade and investment partner, will feel the impact from the start.

While the US administration initially was skeptical about the EU's ability to establish a monetary union, the American business community, with tens of billions of dollars invested in Europe, has spent years planning for the euro's arrival.

Chase Manhattan has spent around $75 million preparing for the new currency. Big volume producers like Ford and Procter and Gamble have tried to second-guess every possible scenario after 1999.

This preparation is about to pay off with US firms generally better placed than their European rivals to benefit from the new currency. "There is a very real possibility that US corporations, given their lower cost base and the tendency they have already shown to view Europe as a single market, will be the real winners from monetary union," according to a report by Price Waterhouse, the international consultancy.

US firms have been quicker off the mark to exploit the liberalization of European industry, from railways and telecommunications to electricity and express delivery. US firms active in Europe have had a different mindset from their domestic rivals. They have always sought pan-European solutions, while European firms, apart from an elite group of multinationals, have until recently sought refuge in their national markets.

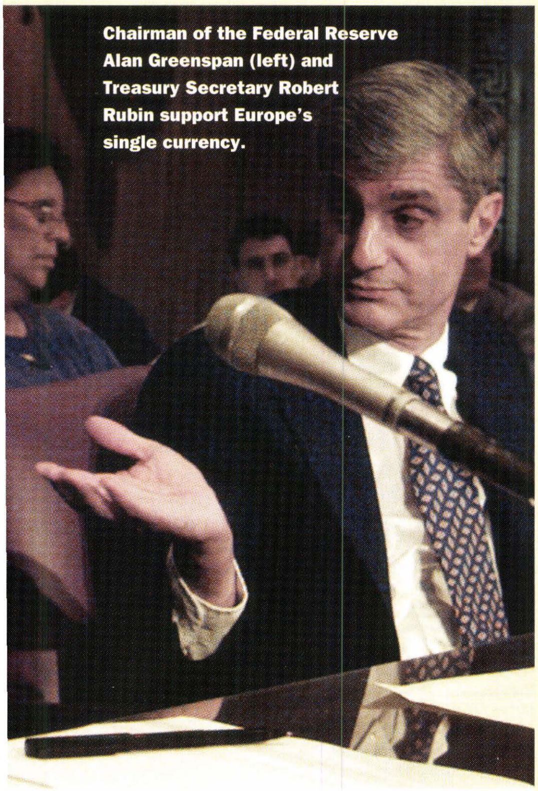
The euro will reward the US approach and punish the nationally minded Europeans. US firms know the way they do business will change dramatically next January; many Europeans, particularly small and medium-sized firms, don't know what is going to hit them. Monetary union "is going to be a real shock to the system," according to Niall FitzGerald chairman of Unilever, the Anglo-Dutch household products group. "It will create a more competitive business environment in Europe. In every sector, in every country, there will be winners and losers."

BY BRUCE BARNARD

What the EURO Means to the US

The main problem facing US firms is that the United Kingdom, which accounts for more than half of their European investments, is not joining monetary union next year. Many US manufacturers have warned they will redirect their investment to "Euroland" if the UK stays on the sidelines for an extended period, although there has been no noticeable slowdown yet in their spending.

The US administration also has belatedly woken up to the fact that the dollar will be facing a formidable challenger from next January.



Chairman of the Federal Reserve Alan Greenspan (left) and Treasury Secretary Robert Rubin support Europe's single currency.

The financial markets, which almost destroyed monetary union in 1993 with waves of speculative attacks against European currencies, appear to have been won over. They defied the pundits by ignoring a fierce row between France and its partners over the appointment of Wim Duisenberg as first president of the European Central Bank (ECB).

A compromise, which involves the Dutchman Mr. Duisenberg "voluntarily" stepping down halfway through his eight-year term to make way for the Frenchman Jean Claude Trichet, had raised fears over the political independence of the ECB.

But the fuss soon died down allowing EU bankers to tidy up details of the euro's launch. The ECB was due to hold its first meeting ahead of schedule in early June. Central banks and mints braced for the mammoth task of printing 12 billion bank notes in seven denominations from 1 to 500 euros and 76 billion coins weighing 300,000 tons, in denominations from one cent to two euros.

Foreign exchange dealers from New York to Hong Kong and options traders in London and Frankfurt are raring to trade in euros.

American visitors to Europe next year won't notice a huge difference when they pay their hotel bills or go shopping. Monetary union will take place in two stages. From next January, companies and individuals will be able to use the euro for credit card and check transactions. In 2002, euro notes and coins will replace national currencies, which will cease to be legal tender in July of that year.

THE FINANCIAL MARKETS, WHICH ALMOST DESTROYED MONETARY UNION IN 1993 WITH WAVES OF SPECULATIVE ATTACKS AGAINST EUROPEAN CURRENCIES, APPEAR TO HAVE BEEN WON OVER.

EU governments are launching massive advertising campaigns to win over an overwhelmingly skeptical public. Acceptance of the euro varies widely. A majority of citizens in hard currency nations like Germany and the Netherlands are opposed to it, while it commands widespread support in Italy and Spain.

The use of the euro won't be limited to the eleven-nation "Euroland." The UK's Imperial Chemicals Industries and British Steel have said they will ask their suppliers to accept payment in euros, and Swedish multinationals like Volvo, Electrolux, and Ericsson will switch to euros from January. Some analysts believe the euro will swiftly become a parallel domestic currency in the UK, Sweden, and Denmark well before their governments decide to join monetary union.

Many observers, especially in Europe, believe the euro's successful arrival will tilt the balance of global economic power and provide a formidable challenger to the dollar's dominance in the world's financial and trading systems. The eleven-nation euro zone will have 290 million consumers and a gross domestic product of $6.9 trillion compared with the US market of 268 million consumers and a GDP of $7.2 trillion.

Opinion is divided over whether the euro will challenge the dollar as a world currency or remain primarily a regional currency. The dollar has a formidable lead, accounting for 56 percent of the world's foreign exchange reserves, 48 percent of export invoicing, and more than 80 percent of foreign exchange transactions.

Most analysts reckon the euro faces a long haul to rival the greenback, a view shared by the US administration. "The dollar will remain the primary reserve currency for the foreseeable future," according to Larry Summers, the deputy treasury secretary. "We expect the impact of the euro on the monetary system to be quite limited initially and to occur only gradually."

A growing minority, however, believes it will impact much sooner. "The euro will become an international currency within a matter of months, not years," according to Avinash Persaus, head of currency research at the investment bank JP Morgan.

The euro zone is set to expand with UK, Sweden, and Denmark expected to join by 2002 at the latest, and Greece has embarked on major economic reforms to make sure it qualifies by the time euro notes and coins are in circulation. When monetary union embraces all fifteen EU countries "Euroland" will be the world's biggest economy.

The five Central and East European nations currently negotiating EU entry—Poland, the Czech Republic, Hungary, Estonia, and Slovenia—are also being primed to adopt the euro.

That will make Euroland truly European. ⓔ

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

CAPTAIN O

Dutch central banker Wim Duisenberg takes the new currency's helm

BY LIONEL BARBER

THE FIRST PRESIDENT of the European Central Bank is a chain-smoking Dutchman with a mischievous sense of humor, a first-class intellect, and a reputation for monetary orthodoxy.

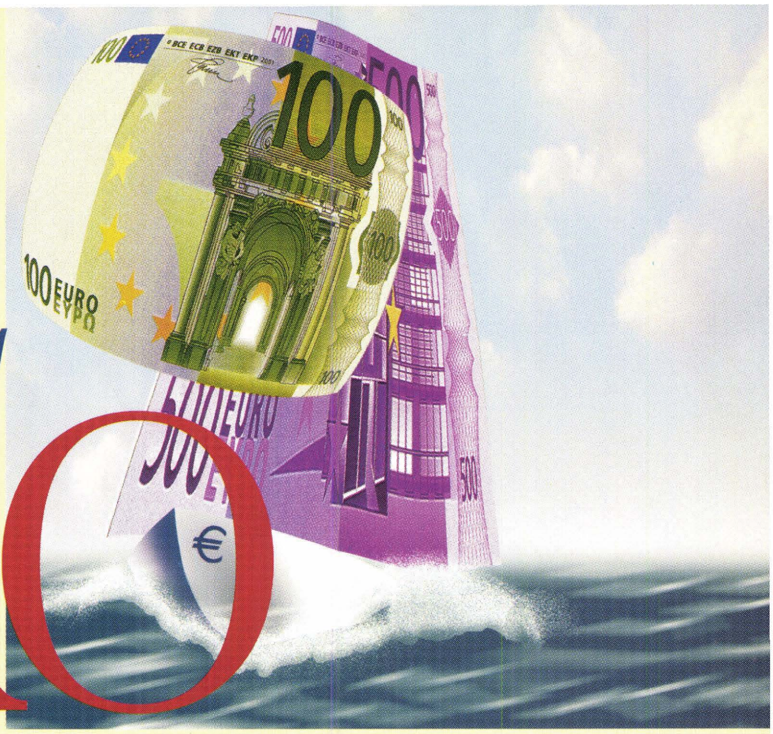
Wim Duisenberg, a sixty-two-year-old former Dutch finance minister who spent almost fifteen years as governor of the Netherlands' central bank, was always the front-runner for the ECB job—one of the most powerful unelected posts in Europe. But it was a close call.

French President Chirac's surprise nomination of Jean-Claude Trichet, governor of the Bank of France, cast a long shadow over Duisenberg's chances and led to strains between the French, the Dutch, and the Germans at the EMU summit in Brussels on May 1–3.

Neither Bonn nor the Hague was prepared to countenance a Frenchman in the top job at the expense of a Dutchman whose technical qualifications were beyond reproach. Besides, a French veto of Duisenberg would

The man at the helm of the European Central Bank will be former Dutch finance minister Wim Duisenberg.

F THE EURO



have drawn a Dutch veto of Trichet, which would have led to a complicated search for a third candidate.

So, after more than eleven hours of hard bargaining in Brussels, EU leaders agreed to an uneasy compromise. Duisenberg would agree to step down once the transition to the euro was complete, around mid-2002 after the introduction of euro notes and coins. However, the timing of his departure remains in the Dutchman's hands to preserve the notion that his early retirement is a voluntary act.

This was a setback to President Chirac, who pressed for a firm date for Mr. Duisenberg's departure, preferably by January or March 2002—much to the fury of German Chancellor Helmut Kohl, who recognized that a hard-line Dutch central banker was a more saleable prospect than a Frenchman in front of a German public still skeptical about exchanging a proven deutsche mark for an untested euro.

Still, Mr. Chirac has obtained a political commitment from the eleven founder EMU members that they will back a Frenchman for the top job when Mr. Duisenberg steps down—and so he has obtained compensation for the earlier decision to locate the ECB in Frankfurt, Germany.

The French candidate to succeed Mr. Duisenberg will be Monsieur Trichet. As a final sweetener to the French president, the deputy president of the ECB will be a Frenchman: Christian Noyer, a former top French finance ministry official who will serve for four years in Frankfurt.

The initial reaction to the compromise was universally unfavorable. *The Financial Times* chose to dub the first ECB president: "Wim-Claude Trichenberg."

Early on Sunday morning of May 3, both French and German journalists burst out laughing when their respective leaders sought to explain that Mr. Duisenberg had decided "voluntarily" to serve less than the eight years stipulated by the Maastricht Treaty.

The deal aroused suspicion among the wider public that the politicians were playing fast and loose with the treaty. In Germany, the reaction was that the politicians were bending the rules just as they did with the generous interpretation of the rules on debt, which allowed Belgium and Italy to qualify for EMU.

In the longer-run, both the markets and the public may be more impressed by the choice of nominees for the six-member ECB executive board and the fact that in Duisenberg-Trichet, they can count, reasonably, on twelve years of continuity. In every sense, this should reinforce the ECB's statutory independence.

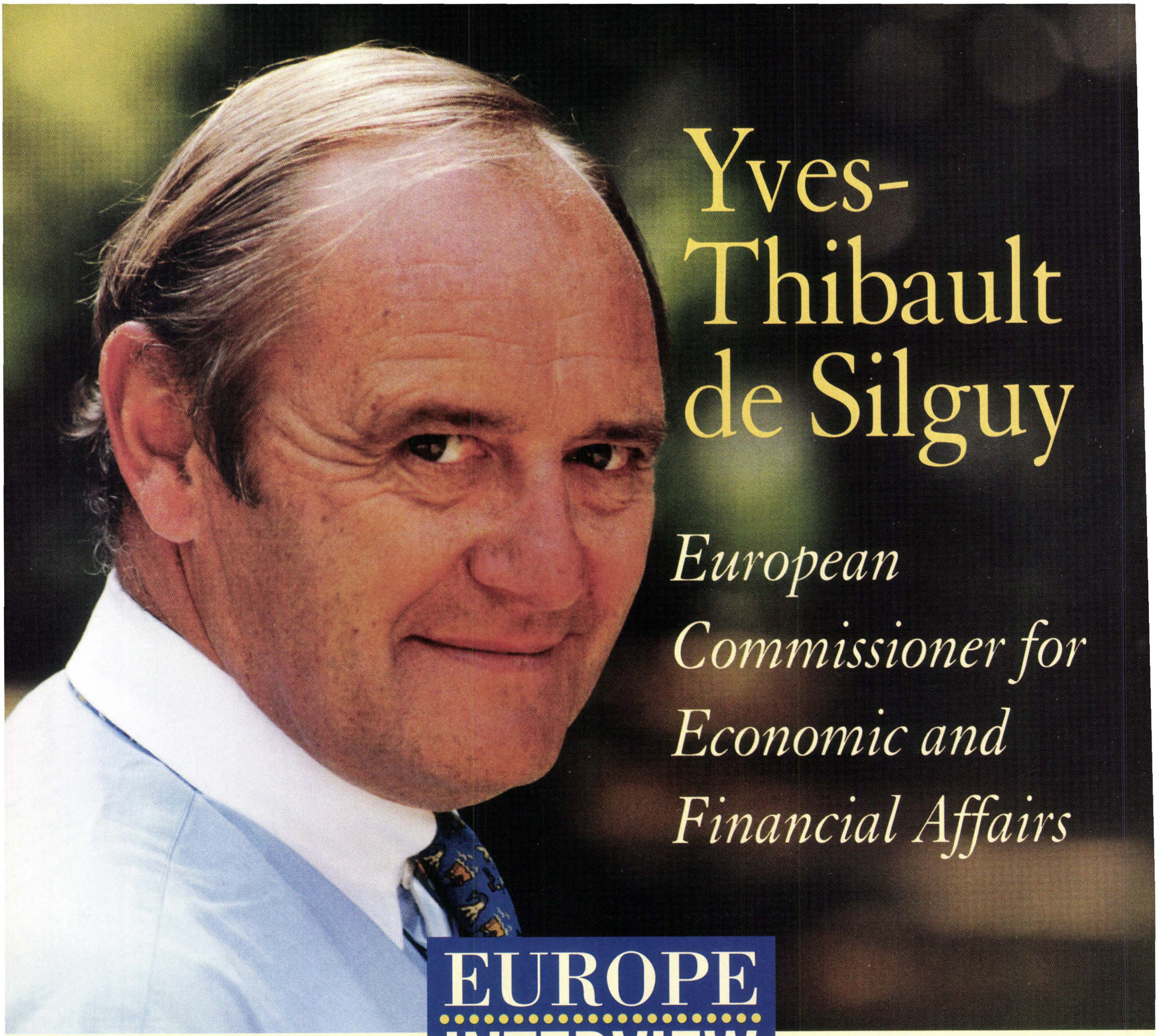
Duisenberg, who is president of the European Monetary Institute, the forerunner of the ECB, has already indicated that he intends to run a lean operation in Frankfurt. He wants to have thin layers at the top. The whole operation at the ECB should comprise fewer than 500 people—compared to more than 15,000 at the Bank of France and Germany's Bundesbank.

Since the ECB will set the monetary policy framework for the euro zone and leave the execution to the national central banks, it should be possible to keep the "lean and mean" look. But the precise balance between the Frankfurt center and the national central bank periphery has still to be worked out.

Beyond the "Trichenberg" tandem, it is worth focusing on the key executive board appointments to the ECB. Otmar Issing, sixty-two-years-old, a highly respected academic and long-standing director of the Bundesbank, will serve for eight years and will almost certainly take up the powerful post of chief economist.

Tommaso Padoa-Schioppa, fifty-seven-years-old, is an Italian economist who serves as the Italian stock market regulator. He was one of the intellectual godfathers of EMU, having served as a member of the Delors Committee, which produced the blueprint for monetary union almost ten years ago. He has been appointed to a seven-year term.

Sirkka Hämäläinen, fifty-eight-years-old, is the governor of the Bank of Finland and has a reputation as one of the toughest central bankers in Europe. She has been appointed to a five-year term. The least-known is Eugenio Domingo Solans, fifty-two-years-old, a board member of the Bank of Spain, who will sit for six years.



Yves-Thibault de Silguy

European Commissioner for Economic and Financial Affairs

EUROPE INTERVIEW

Yves-Thibault de Silguy, European commissioner for economic and financial affairs, speaks out on Europe's new single currency, the euro. In an interview in Washington, DC, with *EUROPE*'s editor-in-chief, Robert J. Guttman, the commissioner discusses the future of the euro and its impact on the United States and the rest of the world.

How important was the meeting in May that chose the founding countries to join the euro?

The May meeting was historic and momentous. The eleven chosen qualified member states will participate in the euro on January 1, 1999. It is the first time since the fall of the Roman Empire that European Union members will share the same currency. For Europeans, it is one of the biggest events since the Rome Treaty in 1957.

Is the launching of a single currency mainly economic, or is it both economic and political?

Both. Economic because it is a European response to globalization. It will boost productivity in Europe. It will improve the competitiveness of our companies in the world. It's also an important evolution in political terms. In two or three years, the citizens of the European Union will have concrete proof of the existence of Europe because they will have the same coins and notes in their pockets and purses.

Will the new head of the European Central Bank be the equivalent of Federal Reserve Chairman Alan Greenspan in the US?

The European Central Bank president will be the European counterpart of Mr. Greenspan.

Are you impressed by Italy, Spain, and Portugal joining the EMU?

Yes. There are remarkable results in terms of budgetary consolidation. The results are good. And now we have to be sure the process will continue.

How will the euro affect the United States?

It's a good thing for the United States. It means more exports from the US to Europe because the euro will complement the single market. That means more opportunities and less costs for American companies working in Europe. So, the euro will make it easier for US investors to work in the euro, especially in the banking system. And, lastly, the euro will be an opportunity to launch a dialogue between Europe and the US on improved coordination of their macroeconomic policy. It's also good for the world.

Do you think the euro is going to compete with the dollar?

I do not like to talk in terms of competition. The arrival of the euro should help to achieve a better balance in the international monetary system.

When is the euro really going to affect the average European citizen?

The main effects on daily life for the citizens of Europe will be felt from the first of January, 2002, when we'll have to change bank notes and coins. It will, however, be possible for citizens, especially for tourists who travel a lot in Europe, to use euro bank accounts or travelers' checks from the first of January, 1999.

Do you think the euro will become the world's second-largest reserve currency?

The use of the euro will depend on market demand. The credibility and the stability of the euro will ensure that its use increases rapidly for financial transactions.

Will the euro have any effect on unemployment?

The euro will stimulate growth in Europe and that will have a positive effect on job creation. But the euro is not a miracle solution to Europe's unemployment problems. We also need to modernize labor market regulations. The euro will provide a new incentive to accelerate structural reforms, to give more flexibility to the labor market, to create an enterprise culture for companies, and to push ahead the necessary reforms of training and the education system.

And what about countries like the United Kingdom? Do you hope they'll join EMU in the next few years?

I hope the UK will join EMU in the next few years. I think it would be in the interest of Europe and in the interest of the UK. But the decision is the responsibility of UK authorities. But when the UK sees the success of the euro, I think the support for UK participation in EMU will increase.

Do you think there will be large-scale mergers now taking place because of the euro?

Just look at in the United States, two major banks have merged but not because of the euro. The euro perhaps will accelerate a necessary movement, but it's not the only cause.

Are you surprised that the single currency came about relatively easier than most people expected?

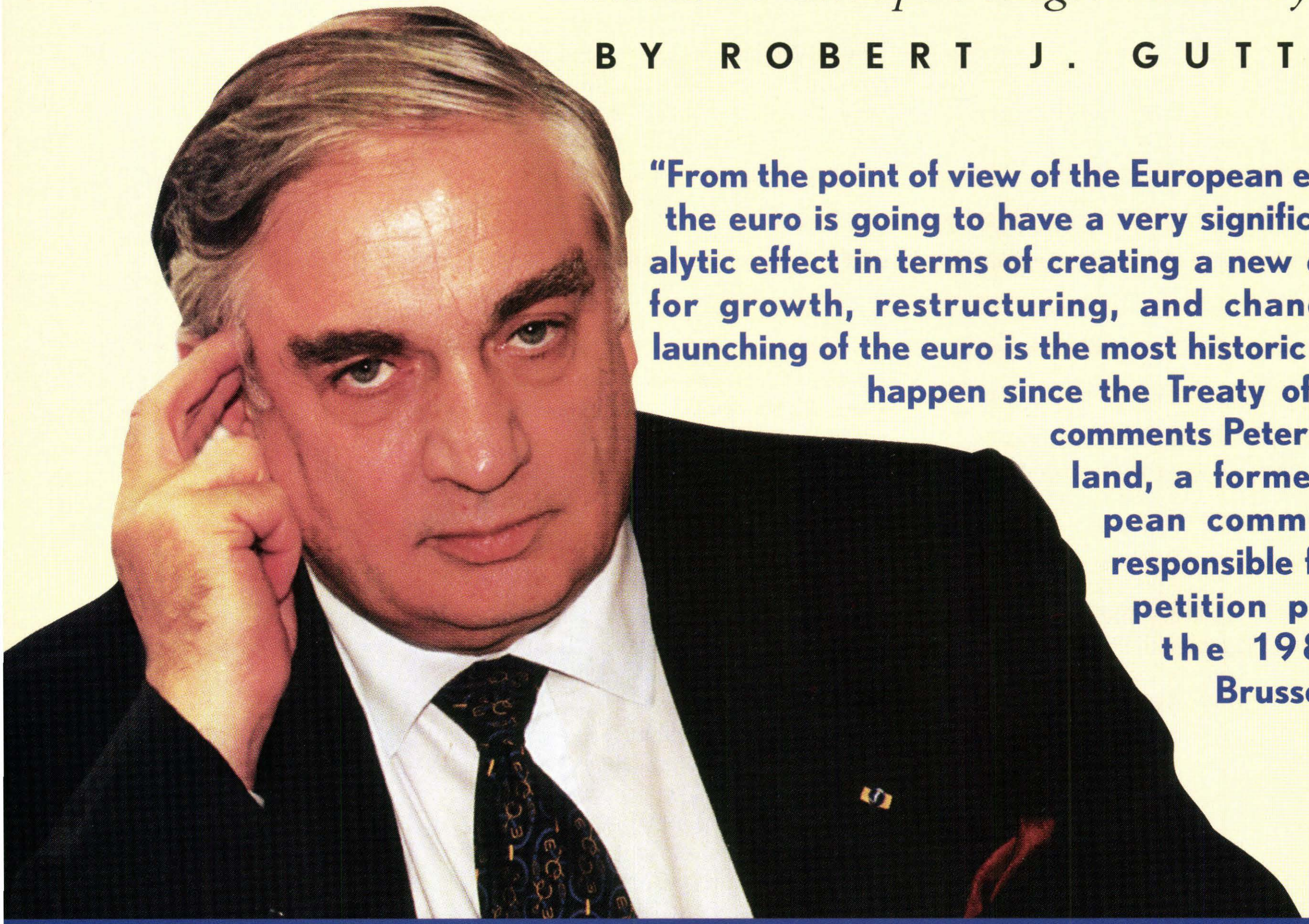
At the start it was difficult because people were difficult to convince. But step by step, day after day, there was a snowball effect. Now, at the conclusion of the process, I am not surprised. I am encouraged to see when we have a sound project, well prepared, and backed by rock-solid political commitment, we succeed.

"THE USE OF THE EURO WILL DEPEND ON MARKET DEMAND. THE CREDIBILITY AND THE STABILITY OF THE EURO WILL ENSURE THAT ITS USE INCREASES RAPIDLY FOR FINANCIAL TRANSACTIONS."

SPEAKING OUT ON THE EURO

Peter Sutherland, chairman of Goldman Sachs International, discusses Europe's single currency.

BY ROBERT J. GUTTMAN



"From the point of view of the European economy, the euro is going to have a very significant catalytic effect in terms of creating a new dynamic for growth, restructuring, and change. The launching of the euro is the most historic thing to happen since the Treaty of Rome," comments Peter Sutherland, a former European commissioner responsible for competition policy in the 1980s in Brussels.

FINANCIAL FIGURES REACT TO THE EURO LAUNCH

"Now the hard work begins," says Germany's deputy finance minister, Jürgen Stark, when discussing the euro. "There is no parallel for this in history," declares Stark, who has been named a member of the Bundesbank. "We have to adapt to a new policy regime in which we will have a central monetary policy with decentralized fiscal policy." The German official refers to the sometimes overlooked reality that the euro is going to be a single unit as far as monetary policy is concerned but with eleven countries still pursuing more or less independent fiscal policies. There will essentially be one interest rate but eleven national budgets. The European Union budget, controlled by the Commission, accounts for only 2.5 percent of European output compared to the US federal budget, which equals 20 percent of US output or gross domestic product.

For Mr. Stark and others, the potential benefits of a common currency far outweigh the problems. He believes monetary union completes the single market project and, with its constraints on policymakers' capacity to overspend, will make

Sutherland, a well-known and respected businessman and a committed Europhile, who is a strong believer in free trade, goes on to say that "the components of that restructuring arise from a number of different aspects. In the first instance, one has the constraints that will be applied by virtue of the application of the stability pact. [The pact] will maintain reasonable budgetary discipline, which will have the effect of bringing about ongoing privatization and liberalization because the state will not be able to afford protectionism, which has caused a lot of structural difficulties and problems with the European economy."

The former director-general of the GATT (General Agreement on Tariffs and Trade) and the WTO (World Trade Organization) states that, "Secondly, the euro will create a cross-border transparency in terms of investments and other aspects of economic activity, which will help to induce European integration. In business terms, mergers and acquisitions will significantly increase, and it will make a greater reality of the internal market."

Sutherland, a native of Ireland who lives in Dublin and works in London as chairman and managing director of Goldman Sachs International and as non-executive chairman of the British Petroleum Company, explains that mergers and acquisitions will increase with a single currency because "the euro will give a level of financial security and comfort, which will stimulate further integration. The transparency that flows from a single currency and the predictability of that fact make it very likely that companies, as well as individuals, will be prepared to invest at cross-borders in a way that they never did before because they will understand the nature of the risks that they are dealing with."

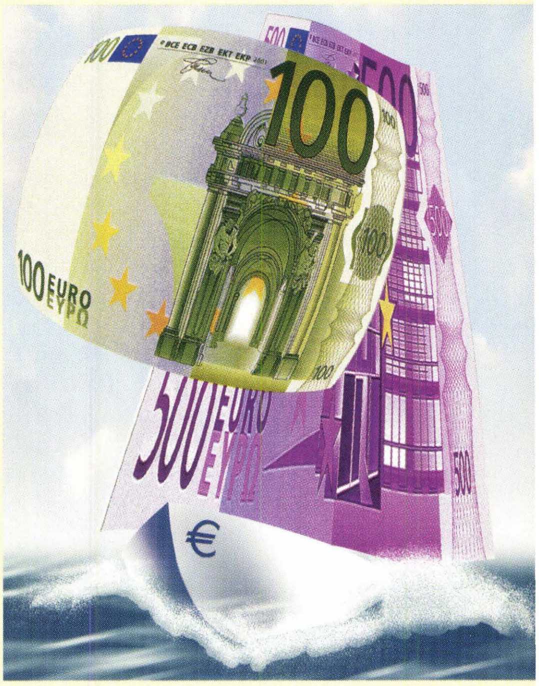
Sutherland also sees a new role emerging for pension funds and equity markets with the single currency. "Pan-European stocks will be created, which will [bring about] pan-European investment strategies for pension funds. They will no longer be confined to investing in their own currency. Their own currency will now be the euro, so they will have to spread it across the euro area. There will be a significant switch by pension funds into equities, which, in turn, will generate more businesses, which, in turn, hopefully will generate more employment."

The dynamic Irishman is very positive about Europe's economic future. As he says, "Overall, I'm not one of those who is pessimistic about Europe. European growth rates are now increasing. The European economy has a very considerable residual strength and has a very significant trading situation vis-a-vis the rest of the world."

Sutherland, a lawyer by training, believes that the euro will not be a challenge to the dollar. "But it is going to be a major global currency, and it will increasingly, by virtue of the constraints imposed on its central bank, be a stable currency so people will move to the euro in various parts of the world. They will invest in it," he states.

He also believes that "the [European] Central Bank will be even more independent than the Bundesbank or the Fed." He also said, while he regrets the fact that the United Kingdom didn't join in the first wave of economic and monetary union, he believes "that the strengths of London as a financial services center are considerable and that it will not lose its prominence."

Sutherland stresses that the introduction of a single currency "is a very unusual situation. This is a unique experiment. It is a very noble and good experiment. This is another step in the process of European integration. And those of us who believe in it are forcefully in favor of the euro as being a necessary end product in the single market strategy."



Europe more competitive. "It will," he says, "be easier to do business, and there will be less volatility." Says Mr. Stark, "This is not an adventure. We don't start from zero. The risks are under control."

Klaus Friedrich, chief economist at Dresdner Bank in Frankfurt, has stopped being skeptical about the euro. Mr. Friedrich notes that "somehow the targets all seem to be met and the project, despite the odds, always goes forward."

He expects that because of the euro, "competition between the three economic powers—Europe, the United States, and Japan—will become even fiercer." There will also be increased competition within Europe and the likelihood of cross-border mergers as companies seek to achieve the bigger size needed for global competition.

But will the new euro, which will float against the dollar and yen, be weak or strong? Expert opinion is divided. The matter is of more than passing interest to Hans Meyer, the president of the Swiss National Bank. Mr. Meyer says, "We welcome the euro. It is the logical consequence of the Common Market."

—Barry D. Wood

Thomas R. Pickering

Under Secretary of State for Political Affairs

Under Secretary of State for Political Affairs Thomas R. Pickering spoke last month at a luncheon hosted by *EUROPE* at the Hay-Adams Hotel in Washington, DC. Coming on the heels of the US-EU Summit, Under Secretary Pickering spoke about President Clinton's recent trip to Europe, transatlantic ties, and NATO. The following is an excerpt from the under secretary's remarks.

As President Clinton noted in Monday's post-summit press conference, we have arrived at "an important new stage in our partnership." We have contained our protracted dispute over US sanctions legislation. In so doing, we agreed to strengthen our cooperation on a range of shared objectives of vital importance to our security and well-being.

These include: non-proliferation and counter-terrorism, particularly regarding Iran; more effective coordination on multilateral strategies to deal with states that violate international norms; Caspian energy development, including the desirability of multiple pipelines to ensure reliable access to world markets; and combating illegally expropriated property in Cuba and around the world and promoting democracy in Cuba.

We also agreed on new steps to strengthen the economic partnership between the US and the EU, which constitutes the largest single trade and investment relationship in the world. Our new "Transatlantic Economic Partnership" launches a pragmatic, broad-based effort to reduce barriers on billions of dollars in trade and promote global liberalization. It does so while maintaining a commitment to the highest labor, health, and environmental standards. We signed the US-EU Mutual Recognition Agreement, which will eliminate product testing on $60 billion in traded goods.

In addition, we agreed to work together with Russia to strengthen nuclear safety, especially with regard to nuclear waste removal and storage in northwest Russia. We will act together to encourage Ukraine to embark on bold economic reform and speed the closure of Chernobyl. Together, we launched an information campaign to combat trafficking in women, particularly from Ukraine and Poland. We honored fifty exceptional individuals and groups from Europe's new democracies for their work in helping freedom take root across the continent. Finally, we took a hard look at a number of pressing international problems, including heightened tensions in Kosovo, India's unacceptable resumption of nuclear tests, and the outbreak of violence in Indonesia.

In short, the United States and the European Union again rose to the occasion, dealt decisively with our differences, and set new goals for an even more productive Euro-American partnership.

For the past fifty years, our relationship has been built on three main principles: promoting security, economic prosperity, and democracy. These are the enduring objectives that will remain the pillars of our partnership for the next fifty years and beyond, for the benefit of peoples on both sides of the Atlantic and around the world.

What has changed, radically in recent years, is the environment in which we pursue these goals. Most of the traditional cold war existential threats have subsided. They have been replaced by a dangerous and volatile mix of perils—some new, some ancient. These range from poison gas to global warming, from ethnic violence to the apprehension of war criminals, and from weapons of mass destruction to disruptions in the global economy.

The dramatic spread of democracy and open markets, hand-in-hand with the explosion in technology and communications, constitute revolutionary changes that make the world a better place. But they also challenge traditional foreign policy mechanisms. Instant communication breaks down barriers that totalitarian governments erect around their people; it also creates the demand for an instant response, which leads to instant policy-making—which is about as satisfying as instant tea.

None of these challenges can be met by either the United States or Europe acting alone. They all require concerted international effort. So we find that diplomacy must change if we are to successfully confront the different threats we face. There will be a growing premium on international partnerships and cooperative action with those with whom we share values and interests.

That is why we have worked so hard in the post-cold war period, together with our European allies and partners, to adapt our institutions into a flexible, interlocking architecture that uses NATO, OSCE, and the US-EU partnership to their best advantage.

Since 1994 we, together, have made tremendous progress in realizing a new architecture for a new era.

The president's key May 13 Berlin speech lays out how we see the road ahead. In his words, the US approach to Europe is based on one immutable premise: "America stands with Europe." The partnership is one in which you can count on us and we on you. It is one that faces two sets of challenges.

The first is within Europe: To complete the integration of a peaceful, prosperous, democratic Europe; a Europe united, for the first time in history, as the president has said, not by the force of arms but by the possibilities of peace.

The second is beyond Europe: to address the risks and threats to our common interests that emanate from around the globe and that can best be confronted together.

We therefore believe the foundations of our partnership should remain as they have been: ensuring the security of our nations, promoting prosperity, and safeguarding democracy. The key issue is how we can achieve these objectives in light of the new challenges we face. We see 1999, the eve of a new century, as providing a unique opportunity. There will be a NATO summit on the fiftieth anniversary of the alliance, an OSCE summit, and two US-EU summits. The president's Berlin speech should be viewed as a call to our European allies and partners to join us in an effort to use these sessions to chart our course in the next century together.

While guarding our borders against a direct military invasion remains NATO's core function, tomorrow NATO must also defend our enlarged alliance against threats to our security from beyond our borders. With the consent of the Senate to enlargement ratification, we have taken another step toward welcoming the first new democracies as members of NATO. The door to the alliance must remain open to further enlargement, and our programs with the partners must make that commitment credible.

NATO remains the institution of choice when the US and our European allies and partners want to act together militarily. We must all take a fair share of the responsibility to be sure we have credible means to accomplish the missions we agree we must face.

A key NATO task is to enhance and further develop our partnership with Russia, Ukraine, and the other nations across the continent who share our interests in promoting mutual security.

The New Transatlantic Agenda, or NTA, adopted by our leaders in 1995, has served us well and continues to do so—as demonstrated earlier this week in London. It has provided an effective framework for managing and enlarging our cooperation. It helps us set a positive, forward-looking agenda, aids us in resolving disputes, and drives us toward concrete decisions at the semi-annual summits.

The NTA stems from our support for a strong, outward-looking Europe capable of joining the United States as an effective partner in and beyond Europe. It is also a demonstration of our confidence in Europe's ongoing integration process.

America has a long-standing record of support for Europe's march toward integration. We admire the determination that brought about economic and monetary union (EMU), and welcome a single currency that is underpinned by sound macroeconomic and structural policies.

We encourage steps by the EU to enlarge and embrace Central Europe and Turkey.

Our future economic relationship should also reflect a spirit of openness. The Transatlantic Economic Partnership announced at the May 18 summit represents an important step toward a broader vision of free and open transatlantic commerce, with high standards for health, safety, and environmental protection. It launches a pragmatic, broad-based effort to reduce barriers on billions of dollars in trade.

We should consider intensified cooperation to combat international crime, alien smuggling, and drug trafficking. We have already developed useful models, including a joint US-EU initiative to help Caribbean island governments combat drug trafficking, and an innovative project in Ukraine and Poland to discourage trafficking in women. But much more can be done, and we should look creatively for other opportunities.

It is a fast moving, interconnected world, international cooperation is ever more important to ensure that change constitutes progress, not disorder. Aptly applying the tools of diplomacy is critical to safeguarding and promoting our interests. Diplomacy is the means through which we bring solutions to problem areas and construct or adapt international institutions to meet changing needs.

Our best defense against the threats that face us today, from regional conflict to terrorism, proliferation, and narcotics, is the willing partnership of responsible nations who work in the interests of their citizens to secure the blessings of prosperity and freedom. Our progress toward these goals is the measure of whether or not we have seized the opportunities and dealt with the critical issues of our time. ⊖

"WE ADMIRE THE DETERMINATION THAT BROUGHT ABOUT ECONOMIC AND MONETARY UNION (EMU), AND WELCOME A SINGLE CURRENCY THAT IS UNDERPINNED BY SOUND MACROECONOMIC AND STRUCTURAL POLICIES."

STAR PERFORMERS

Europe's drug companies are producing profitable pills

BY BRUCE BARNARD

Europe's pharmaceuticals industry is nervously awaiting a follow-up act to top the failed $185 billion merger between the United Kingdom's Glaxo Wellcome and SmithKline Beecham.

Few industry watchers doubt there will be a fresh round of mergers and acquisitions in one of the few sectors where Europe is more than a match for the United States.

The failed merger itself underscored Europe's push for global dominance as Glaxo Wellcome abruptly walked away from a multibillion dollar deal with US rival American Home Products in favor of a deal with SmithKline Beecham.

While a hostile bid by Glaxo for SmithKline Beecham can't be ruled out, analysts are looking elsewhere in Europe for the next big deal. Most attention is focused on Germany's main players, Hoechst, Bayer, and Schering, and the top three French firms, Rhone-Poulenc, Sanofi, and Synthelabo. The UK's Zeneca and Astra of Sweden, which is sitting on a $3 billion cash pile, are also being closely watched.

Unlike Europe's telecommunications, computer, and other high-tech businesses, the pharmaceuticals sector has been climbing up the world rankings following a spate of mergers. This climaxed, briefly, with the merger of two Swiss rivals Ciba and Sandoz in 1996, which created Novartis, the world's third-largest drugs maker, with annual sales of $11 billion, just $600 million short of market leader Glaxo Wellcome.

Another significant big ticket deal was the $10 billion acquisition by Roche of Switzerland of Boehringer Mannheim, a private German pharmaceuticals company. Just three years earlier, it splashed out $5.3 billion on Syntex, a US firm.

Most large European pharmaceuticals firms have snapped up large rivals: Hoechst, for example, bought Marion Merrell Dow of the US in 1997, and in the following year, it bought the minority share of its French unit Roussel Uclaf it didn't already own. Glaxo acquired Wellcome in a bitter $15.8 billion takeover battle in 1995.

As a result, Europe counts for five of the world's top drug companies ranked by sales.

More mergers are inevitable. Previous takeovers were driven by the need to create global distribution networks. Now as the cost of developing drugs soars, companies are desperate to combine their research and development (R&D) efforts and marketing activities to trim expenditure and boost their chances of discovering a best-selling drug.

Europe counts for five of the world's top drug companies ranked by sales.

Mergers cut costs—Novartis says it will save $1.3 billion by year-end 1999. But then the company has to rely on product growth to fuel profits.

Mergers don't always work either. The partnership between Pharmacia and Upjohn has floundered on differences between Swedish and American management and culture as well as language and geography.

The $100 billion merger and acquisition frenzy of the past decade hasn't created any giants in the global pharmaceuticals business, in terms of market share. Even if they had merged, Glaxo and SmithKline Beecham would have accounted for only 7 percent of world drugs sales.

Size alone doesn't guarantee success. Companies need a constant supply of "wonder" drugs to sustain their 20-30 percent margins as patents expire on their best-selling pills. The patents on Glaxo Wellcome's Zantac anti-ulcer drug expired in the US and the UK last year. There are now ten generic suppliers of the drug in the US, and Glaxo sales in its biggest market are expected to crash by 80 percent this year.

Together Wellcome and SmithKline Beecham held fifteen of the world's sixty top-selling prescriptions, including three of the top ten in 1997. By 2000, SmithKline will have only one in the top ten, the anti-depressant Paxil.

Some mergers have been prompted by the expiration of patents, and this is likely to be a major factor as companies cast around for suitable partners.

Blockbuster drugs helped Roche to boost its earnings by a compound rate of 25 percent a year over the past decade, and the price of its non-voting shares soared from $610 to $10,830.

Returns have slipped in the past few years, but Roche hopes it has hit the bulls-eye again with its anti-obesity pill, Xenical, which was expected to get approval from the Food and Drug Administration (FDA) in May. With one-third of Americans overweight, Roche will most likely pull ahead of its rivals in a market worth $30 billion a year in slimming pills and dieting.

But it's a risky business. American Home Products faces potential legal liabilities stemming from its Pondimin and Redux diet pills that were pulled from sale in 1997 because of a risk of heart-valve damage.

The key problem is that R&D is not producing enough new products to sustain historic levels of growth. Andersen Consulting says productivity needs to rise eightfold for the average firm to grow by 10 percent a year.

The skyrocketing cost of R&D has forced even the industry behemoths to specialize in developing drugs for certain diseases and ignore other areas.

For the moment, however, the European drugs industry is on a roll, and it's not just the big names that are piling up profits. The star performer last year at Nestle, the Swiss-based food and beverages giant, was its little known Alcon pharmaceuticals unit. A world leader in eye products, Alcon boasts an operating margin of more than 25 percent, compared with less than 10 percent from milk and chocolate production.

The big firms are now swooping on the emerging markets of Central and Eastern Europe. Glaxo Wellcome beat off competition from Bristol Myers Squibb of the US and Nycomed of Norway to acquire 80 percent of Polfa Poznan, Poland's second-largest drugs group, for $220 million last year. ICN, a US group, paid $33.7 million for an 80 percent stake in a smaller Polish firm, Polfa Rzeszow.

The region has also spawned local success stories such as Pliva, Croatia's most successful firm, which lifted earnings by a third to $93 million last year and made its first move abroad acquiring a 70 percent stake in Polfa Krakow, Poland's third-largest pharmaceuticals firm, for $100 million.

The activity isn't restricted to the big players. Elan of Ireland, which paid around $600 million in 1996 for Athena Neurosciences, a California-based biotechnology group, is on the prowl again. It has already cut three deals this year, spending more than $1 billion on three medium-sized US firms.

Apart from producing new "wonder" drugs, the most pressing problem facing the pharmaceutical industry is the move by governments across Europe to put a lid on public health spending. The easiest way to trim expenditure is to reduce spending on pills or force suppliers to cut their prices.

The big pharmaceutical companies also risk being outflanked by the rising generation of biotechnology firms spawned in the 1980s. The big players are snapping up these upstarts—the two most successful firms, Genetech and Chiron are controlled by Roche and Novartis respectively.

Even Europe's most isolated nation, Iceland, is getting in on the act. Its first biotechnology company, DeCode Genetics, recently struck a $200 million-a-year research deal with Roche. Ⓔ

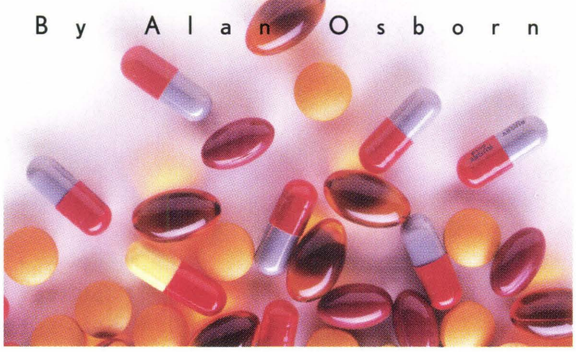
ZENECA

European Pharmaceutical Firm is a Leader in Ethical Drugs

By Alan Osborn

British drug companies have few rivals in the development of pharmaceuticals that fight illness and improve life for millions of people throughout the world. They are among the United Kingdom's most prolific exporters, and they've done well for their stockholders.

No company scores higher under these headings than Zeneca, which was created just five years ago when the British chemicals giant Imperial Chemical Industries, spun off its pharmaceutical interests. It ranks third-largest among UK pharmaceuticals firms in terms of overall sales ($8.5 billion last year). More importantly, it is a leading global supplier of "ethical drugs," particularly for the treatment of cancer, heart disease, central nervous system disorders, infection, respiratory problems, and arthritis.



The company's best-selling breast cancer drug, tamoxifen, marketed under the brand name Nolvadex, had proved so successful in tests in the US that the American scientists controversially released the results fourteen months early so that all women could benefit.

Tamoxifen, said the American National Cancer Institute, could reduce the risk of breast cancer by 45 percent, and it would be unethical to continue giving some women placebos in order to continue the tests. Not all British researchers agreed, though none doubted the extraordinary effect of the drug.

EUROPE interviewed Sir David Barnes, Zeneca's sixty-one-year-old chief executive, at the company's headquarters in London on the day after Zeneca had announced a rise of 7 percent in pre-tax profits for 1997—by a long way the best performance by a UK drug company last year.

Asked about the single currency, Zeneca's CEO said, "The real effect of the euro will be on the European price control regimes because price differences will become much more transparent," he said. "It's inconceivable that you could have euros and still maintain separate pricing systems."

That applies also to the distortion of prices through differing tax regimes. But Sir David's grumble goes beyond prices to the basic philosophy behind the use of pharmaceuticals in health care in Europe. This has led to what he calls "a clear example of an un-common, un-free market."

"The mind-set in Europe has been essentially one of minimizing drug use. Medicines are usually purchased in whole or in part out of insurance or government or quasi-government funds. Pharmaceuticals are an easily isolatable item of expenditure in the total health care budget," he said.

In short, spending on drugs is usually the first thing to be cut back in response to budget pressures, and the "demonstrable fact that medicines are arguably the most cost-effective component of health care costs" is ignored.

Sir David cites the case of a patient suffering from hypertension, or high blood pressure, where drugs are denied on cost grounds. That patient would have an increased incidence of stroke or heart attacks later, "so you save five deutsche marks now but ignore the 300,000 deutsche mark costs that lie some time in the future."

"In the US, by contrast, there is no price control. There is a single regulatory agency, and medicines are largely paid for out of private and corporate health insurance. The Americans have a much more intelligent, all-around 360-degree view of this than European countries do," he said.

Zeneca is, at present, the world's second-largest supplier of drugs to treat cancer after America's Bristol Myers Squibb. It is its publicly stated intention to be number one. "Having checked the products that our competitors have and are developing against our own, that seems to me to be a credible objective," said Sir David. "I can't say it will happen by 2002 or 2003, but what we'll be striving for is to be number one in oncology."

The tyranny of the pharmaceuticals business, said Sir David, "is that you have to re-invent yourself every ten years." A patent runs for twenty years, but it needs to be filed at the time of discovery. It could take ten years before the product is launched on the market, so the protected commercial life could be less than a decade.

Zeneca's Nolvadex is today the world's best-selling breast cancer medicine, and its Zoladex is a leader in the treatment of prostate cancer. The rapturous acclaim for tamoxifen will not, in fact, have any dramatic effect on the company's revenues (though it should do wonders for its self-esteem) since the drug's patent has expired everywhere except in the US, and more sophisticated Zeneca products like Arimedix and Casodex have already been introduced.

Zeneca also owns Salick Health Care in the US, a chain of centers providing complete health care programs for cancer and other patients. This has given the company "a much better informed view of the different modalities of treating cancer," said Sir David, and has helped in the design of future research and development programs. But he is adamant that Salick patients remain free to choose the best products available, whether or not Zeneca makes them.

Zeneca, with its 7,000 scientists and billion dollar research budget, is considered so valuable to the UK's pharmaceuticals resource base that a senior scientific advisor has called on the government to block any foreign takeover bid. That could be difficult if a would-be bidder came from a European Union country, but it might make an American raider think twice. ⓔ

Alan Osborn is EUROPE*'s Luxembourg correspondent.*

Inside EUROPE

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EU NEWS

EU-US SUMMIT

The European Union and the United States are moving closer to launching a new drive to liberalize global trade in the twenty-first century.

That was the tantalizing message from President Clinton's whirlwind European tour in May, which took him to Birmingham, England, for the annual G8 meeting, then on to London for an EU-US summit, and finally to the World Trade Organization's headquarters in Geneva to celebrate the fiftieth anniversary of the General Agreement on Tariffs and Trade (GATT).

The big breakthrough came in London when the US and the EU resolved one of their bitterest disputes over US sanctions against foreign companies, mainly European, doing business in Cuba, Iran, and Libya.

The deal came just in time, as the State Department was poised to rule that French oil company Total was liable for sanctions for its involvement in a $2 billion gas deal in Iran.

The London agreement could yet unravel if President Clinton fails to persuade Congress to amend the anti-Cuba Helms Burton legislation and the D'Amato laws against foreign investments in the energy sectors of Iran and Libya. In return, the EU agreed not to ask the WTO to declare the measures illegal.

The London agreement removed one of the EU's biggest grouses against the US—the extraterritorial reach of its domestic laws. The remaining rows in the world's biggest trade and investment relationship are relatively small—notably over the use of growth hormones in beef and genetically modified maize.

The immediate impact of the London accord was felt by companies doing, or planning to do, business in the three disputed countries. Spanish companies, the leading EU investors in Cuba with $100 million worth of assets, intend to spend more. Sol Melia, Spain's biggest hotels group, recently agreed to add four more five-star hotels to its eight properties on the communist island.

Meanwhile, European oil companies, led by British Petroleum, are expected shortly to open negotiations with Iran.

The London accord paved the way for the EU and US to cooperate on new trade initiatives. President Clinton set the pace by calling for a WTO ministerial meeting in the US in 1999 to set a new global trade agenda.

The US envisages a new type of trade round, unlike the Uruguay Round, which took seven years to negotiate. The new round should be conducted on a sector-by-sector basis rather than the "global" approach favored by negotiators in the past.

The new round would cover new topics, such as competition policy, labor rights, investment rules, environmental protection, and intellectual property. European Trade Commissioner Sir Leon Brittan, who first launched a campaign for a millennium trade round, welcomed President Clinton's initiative. The EU, however, favors a more comprehensive negotiating round.

The euphoria could, however, soon give way to cynicism as the US and EU flesh out their planned initiatives and try to sell them back home.

The fact that Brussels failed to make headway in its plan for an ambitious "New Transatlantic Marketplace" (NTM), which would sweep away remaining transatlantic trade barriers, underlined the difficulties ahead.

France maintained its opposition to the NTM, a brainchild of Sir Leon, which calls for a transatlantic free trade zone in services and the elimination of all tariffs by 2010. France fears the negotiations would inevitably cover sensitive areas such as audiovisual services and farm subsidies, despite repeated pledges by Sir Leon they would be excluded.

US free traders face even more formidable opposition in the shape of a Congress that is, at best, unenthusiastic and, at worst, openly hostile. President Clinton failed to persuade Congress last year to renew his so-called "fast track" authority to negotiate foreign trade agreements. He promised EU and WTO leaders to try again, but few observers rate his chances very highly.

Sir Leon, whose term of office expires at the end of the year, is still pushing his plan for a millennium round. He is making progress, winning support from EU foreign ministers and broad backing from Japan, Singapore, Australia, and the other fourteen members of the Cairns Group of independent farm exporting nations. However, until Washington changes track, his proposal will remain just that.

The WTO is committed anyway to begin negotiations in 1999 on further liberalization of agricultural trade and financial services, which have the potential to broaden into a full-fledged round.

The farm talks will pit the EU and Japan, which still subsidize and protect their farmers, against the US and the Cairns Group, which are demanding an end to all handouts.

The EU knows change is inevitable, as an unreformed Common Agricultural Policy (CAP) would be bankrupted when the first Central and Eastern European countries join the bloc at the beginning of the next century.

Meanwhile, the EU and the US will join forces in the new services negotiations in 2000 to demand further liberalization of telecommunications and financial services.

Whatever happens, one thing is certain: Brussels and Washington will be the driving forces in the pursuit to free up the global trading system.

—Bruce Barnard

DENMARK VOTES "YES" TO AMSTERDAM TREATY

On May 28, 4 million Danish voters approved the Amsterdam Treaty by a 55 percent to 45 percent margin.

"I am extremely pleased and relieved," Danish Prime Minister Poul Nyrup Rasmussen said. "Now we can go forward, first and foremost by welcoming the new Eastern European countries as they become members."

All EU members must ratify the Amsterdam Treaty before it can be implemented. Denmark was the only country in which there had been doubts about its approval.

The Amsterdam Treaty will give the EU the right to set visa and asylum policies for the fifteen members and to enlarge with members joining from Central and Eastern Europe.

IRISH VOTE "YES" TO PEACE

Voters turned out in record numbers on May 23 in Ireland and approved the so-called Good Friday Peace Agreement by an overwhelming majority. The official count tallied 71 percent in favor of the accord, 29 percent against it, a crucial margin of victory for the "yes" campaign. Opponents will now find it more difficult to undermine new institutions set up after the referendum.

"It is a resounding victory for the people of Northern Ireland," said Mo Mowlam, UK secretary for the province. "They have voted to take the gun out of politics north and south of the border."

TOBACCO ADS TO END

Tobacco advertising will be snuffed out across the European Union as of October 2006. The European Parliament agreed to the move in May, and the change will be a gradual one to give cigarette makers time to end contracts with major sports and cultural events.

Finland, France, Italy, Portugal, and Sweden already banned tobacco advertising, and Belgium plans to do the same next year.

LEBED WINS RUSSIAN ELECTION

Alexander Lebed was elected governor of Siberia's Krasnoyarsk region on May 17, putting him in a position to run for president later.

A key comeback for the retired general, Lebed joined the Kremlin as a security advisor in 1996 to help re-elect Yeltsin but was fired four months later due, in part, to his own desire for the presidency.

Lebed has promised to take a strong stand against Russia's unwieldy crime and economic difficulties.

CONSERVATIVES PREVAIL IN HUNGARY

Prime Minister Gyula Horn's Socialist government fell from power May 24 as voters participated in record numbers to support conservative opposition parties in the second round of Hungary's national elections.

A mainstream, right-wing organization, the Hungarian Civic Party, took first place in the balloting under the leadership of Viktor Orban, while Horn's party took a back seat in second place. The Socialist-led government had dominated Hungary's parliament in the past, yet voter dissatisfaction with crime and corruption seems to have caused the party to lose ground.

The highest percentage ever for a second round parliamentary election, 57 percent, turned out for the May voting.

EUROPE AND EUROCOM JOURNALISM PRIZES ANNOUNCED

Les Roka, a graduate student at the E.W. Scripps School of Journalism at Ohio University was the first place winner in the *EUROPE* magazine and Eurocom newsletter first annual journalism competition for US graduate students writing on transatlantic topics.

Roka's winning essay, "It's Not Just About Technology," looks at the telecom revolution in Europe and America. Sharon Santus, a student at the Columbia University Graduate School of Journalism, finished second with her essay, "The European Farm: A Window to the Future." And Anna Raff, at the Medill School of Journalism at Northwestern University, finished third with her article "The Euro Bootstrap."

Seagram will now become the world's largest music company after their \$10.6 billion purchase of Dutch-based **PolyGram** from **Philips Electronics** on May 21. A company famous for its **Crown Royal** whisky, **Captain Morgan** rum, and **Chivas Regal** scotch, Seagram will now derive more than 70 percent of its revenue from entertainment.

Seagram already owned **Universal Studios** and **Geffen Records**, and by adding PolyGram's \$5.5 billion annual revenue, the company will now generate total sales of about \$18 billion, ranking it just behind **Time Warner** and **Walt Disney**.

Philips will become the second-largest stockholder in Seagram, and the Philips CEO will join the Seagram board of directors.

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British media and entertainment company **Pearson** outbid powerful buyout firms like **Kohlberg, Kravis, Roberts & Co.** and **Tele-Communications Inc.** for **Simon & Schuster's** educational and reference book publishing division in mid-May.

Pearson, which publishes the London-based ***Financial Times***, joined forces with American firm **Hicks, Muse, Tate & Furst** to close the \$4.6 billion deal, the largest in the history of the book business.

Viacom, Simon & Schuster's former owner, will keep its consumer division that publishes popular authors like Stephen King and Mary Higgins Clark.

•••

British power companies are planning an invasion of the United States on the eve of the deregulation of the world's biggest electricity market. The British are following in the footsteps of US energy firms that have acquired more than half of the United Kingdom's regional electricity distributors.

PowerGen, the UK's second-largest generator, has been in talks with several potential US partners and is reported to have discussed a merger with **Houston Industries**, which would create a \$16 billion business.

Scottish Power is looking for US acquisitions after pulling out of a \$4.5 billion bid for **Florida Power**, which counts **Disneyworld** among its customers.

National Grid, the national transmission company, has a \$3 billion-plus war chest to finance a move into the US.

Meanwhile, **National Power**, the United Kingdom's biggest generator, is investing \$250 million in two new Chinese power plants as part of an ongoing strategy to compensate for falling domestic market share and to become a global player alongside companies like **Endesa** of Spain and **AES** of the United States.

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Ahold, the acquisitive Dutch supermarket group, boosted its presence in the US with a \$2.7 billion bid for **Giant Food** that will give it more than 1,000 stores on the Eastern Seaboard and further its aim of becoming a global retailer.

Ahold pounced after British supermarket chain **J. Sainsbury** abandoned its bid to acquire Giant Food, which has 176 stores in Washington DC, Maryland, and Delaware. Ahold already owns the **Stop & Shop** chain in New England and the unrelated

WHAT THEY SAID

"It is particularly regrettable that Pakistan, which has two-thirds illiteracy, feels obliged to seek to have a nuclear weapons program."
—Robin Cook, United Kingdom foreign secretary

"Stimulated by the euro, Europe is on the move."
—Jacques Santer, president of the European Commission, in a speech before the Chicago Council of Foreign Relations in May

"Get your hair done, Marge. Bill Clinton's coming to town."
—poster in Birmingham, England, showing a smiling sixty-seven-year-old Marge Potter. Ms. Potter was chosen as a "typical" resident of Birmingham to greet President Bill Clinton when he arrived at the G8 summit held last month in Birmingham. Other G8 leaders were also greeted by "average" citizens on their arrival.

"In a few years, we will have this money in our pockets, and this illustrates the fact that we are moving to a new, concrete reality for 300 million people."
—Dominique Strauss-Kahn, French finance minister, as he pressed a button producing Europe's first euro

"I think it's a remarkable accomplishment."
—Robert Rubin, treasury secretary, remarking on the launch of the euro last month

"American companies are used to dealing with a large market—fifty states but one currency. This monetary union removes a level of complication."
—Willard Workman, vice-president for international trade at the US Chamber of Commerce, commenting on the euro and US business

"The euro is in the long-term interest of the United States, but we are building a competitor to the dollar. There is no doubt about that."
—Romano Prodi, prime minister of Italy

"Creation of a single European currency is the most important development in the international monetary system since the adoption of flexible exchange rates in the early 1970s."
—Fred Bergsten, director of the Institute for International Economics

"Only with a common currency will the EU's single market develop its full economic potential."
—Norbert Walter, chief economist of Deutsche Bank Group

Giant Food Stores based in Pennsylvania.

Ahold, which had sales of more than $25 billion last year, is also eyeing expansion in the United Kingdom, France, and Germany. The industry eventually will be dominated by "six or eight global players," according to company president Cees van der Hoeven.

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François Pinault, the colorful French businessman, paid $1.2 billion to add **Christies**, the world famous auction house founded in 1766, to a list of exclusive assets, including **Vail**, the up-market Colorado ski resort, and the **Chateau-Latour** wine label.

Mr. Pinault, an avid collector of modern American art, sought control of Christies just two weeks after buying a 29 percent stake from Joseph Lewis, the Bahamas-based billionaire.

Mr. Pinault, whose business is worth nearly $12 billion, acquired Christies just as the closed Paris auction market is being opened to foreign firms to comply with European Union competition rules.

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The **euro** got support from an unexpected source. China said it will transfer some of its huge foreign currency hoard into Europe's planned single currency after judging the new currency's strength and stability.

At present, around 60 percent of China's foreign exchange reserves are held in dollars, while the German mark and Japanese yen account for 15 percent each.

China says the launch of the euro next January will foster trade relations with the EU, its fourth-largest commercial partner.

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German chemical giant **BASF** and the Belgian oil company **Petrofina** are spending $900 million to build the world's largest single-train steam cracker in Texas.

Construction of the sixty-forty joint venture plant, which will have an annual capacity of 860,000 tons of ethylene and 860,000 tons of propylene, which are used in making plastics, will come on stream by year-end 2000.

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Tetley, the world's second-largest maker of tea bags, is planning a share listing on the London stock exchange that is likely to value the group at more than $650 million.

The British firm sells tea in more than forty countries, including India, Russia, China, the US, and Poland.

Tetley's US coffees, including **Cafe Bustelo** expresso beans and **Medaglia d'Oro** instant expresso, are brand leaders with Hispanic and Italian consumers in New York and Miami.

Anglo-Dutch group **Unilever**, whose brands include **Lipton** and **Brooke Bond**, is the world's biggest tea bag maker.

• • •

Cable and Wireless, the UK's second-largest telecoms company, plans to offer services in more than twenty European cities as a part of a plan to establish its name on the continent.

C&W has a minimal presence in Europe after pulling out of an alliance with **Veba**, the German utility and telecoms group, a year ago.

C&W will invest more than $165 million over two years to install equipment for a network that will connect Paris, Brussels, Düsseldorf, Geneva, Munich, and Vienna with the United Kingdom and the United States. C&W will also acquire the Internet backbone operations of **MCI Communications Corp** in order to speed approval of MCI's sale to **WorldCom** by European regulators.

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JCB Group, one of the UK's most successful privately owned manufacturers, plans to invest $50 million in a US plant to keep pace with demand for construction equipment machines in its second-largest market.

The US plant, due for completion in 2001, will start by assembling machines from parts imported from the United Kingdom. The plant, whose location has yet to be decided, will produce between 5,000 and 10,000 machines a year.

JCB has grown to become Europe's biggest construction machine maker and has kept pace with the four leading manufacturers, **Caterpillar**, **Ingersoll Rand**, and **Case** of the US and **Komatsu** of Japan, in the fiercely competitive $80 billion-a-year market.

• • •

Deutsche Post, Germany's state-owned mail service, is on the prowl for acquisitions and alliances to expand its parcel delivery network across Europe.

The company, which recently paid an estimated $600 million for a 22.5 percent stake in **DHL International**, the global express delivery firm, is eyeing opportunities in the UK, France, and Spain.

Deutsche Post, which plans to float its shares on the Frankfurt exchange in 2000, is facing competition on its home turf for the first time following the partial opening of the market earlier in the year. The government has already awarded eleven operating licenses, and more will be granted in the coming months.

—Bruce Barnard

Upcoming Events

June 15–16—In Cardiff, Wales, the United Kingdom will hold the final summit of their EU presidency.

June 17—French Prime Minister Lionel Jospin will visit the United States.

June 25—Elections will be held for seats in the new Northern Ireland Assembly, which was established by the recent peace accords.

July 1—Austria assumes the presidency of the European Union.

September 5–6—European Union foreign ministers will gather for an informal meeting in Salzburg, Austria.

Inside Europe

Correspondents
Bruce Barnard

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MOTOWN GETS A

Daimler-Benz and Chrysler

BY BRUCE BARNARD

CORPORATE EUROPE is still awaiting the fallout from the $38 billion Daimler-Benz-Chrysler bombshell. So too are its American and Japanese competitors. The effective takeover by the German giant of America's number-three car maker creating a $130 billion behemoth was the largest merger in the automotive industry and the third-largest acquisition ever. It was also the biggest ever takeover of a US company by a foreign competitor.

However, it was a lot more than that too. The deal, coming after a string of smaller foreign acquisitions by German companies, was the crowning proof that Europe's biggest economy is going global with a vengeance.

Until now, German business has been reluctant to acquire foreign firms, lagging well behind the United Kingdom and the much smaller Netherlands in the overseas investment rankings.

German industry's reluctance to join the overseas investment drive was due largely to labor union opposition and doubts that other countries could match German standards. The opening up of a virgin domestic market of 17 million consumers after the fall of the Berlin Wall in 1989 also helped to dull the appetite for foreign forays. But as globalization became unstoppable, German firms began to build plants abroad, forge joint ventures with European and US firms, and finally plot mergers and spring takeovers.

By teaming up with Chrysler, Daimler-Benz underlined that Germany has joined the global mainstream. A growing number of blue-chip companies have been preparing themselves by adopting Anglo-Saxon accounting and management techniques and emphasizing shareholder value.

Daimler-Benz led the way, becoming the first German company to publish long-term sales targets and to detail the return on capital employed in each of its divisions. Now the company's chairman, Jürgen Schrempp, who masterminded the Chrysler merger, wants to create a new US-style board of directors in addition to the management and supervisory boards common to German companies.

Several firms, including Daimler-Benz, Hoechst, and Deutsche Telekom, have listed their shares on the New York Stock Exchange, and others are waiting in the wings.

The Chrysler transaction was trailed by other unex-

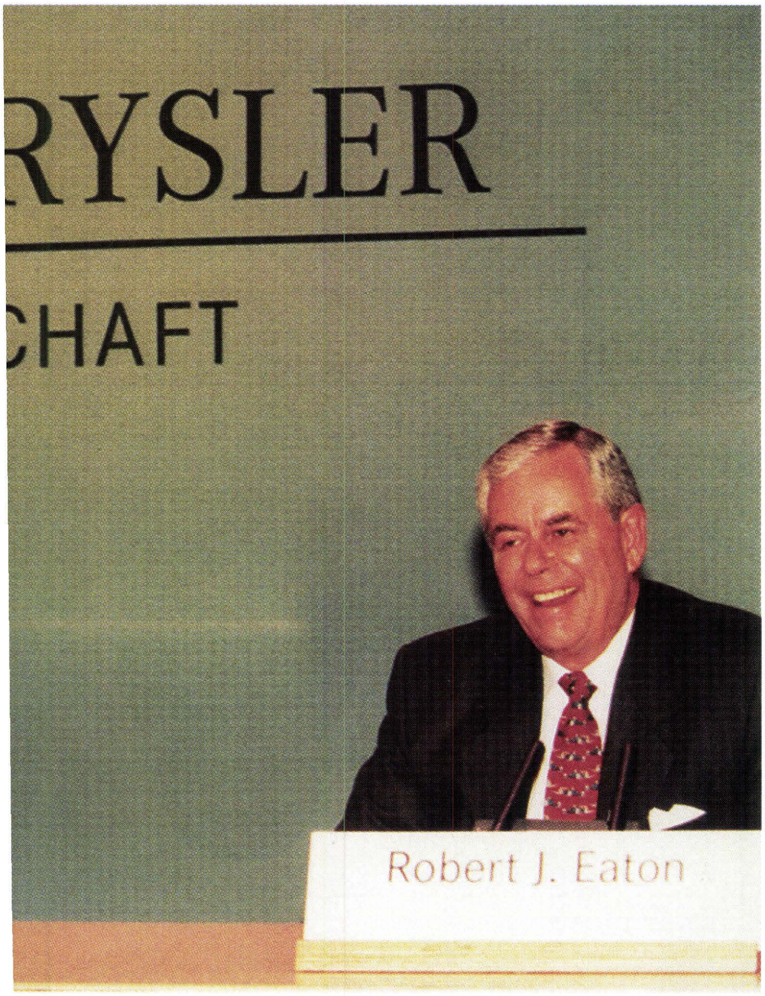
Daimler-Benz chairman Jürgen Schrempp and Chrysler CEO Robert Eaton announce the creation of Daimler-Chrysler.

GERMAN ACCENT

Create Transatlantic Giant

pected, high profile bids involving German acquisitions of the US and British icons. Bertelsmann, the media group, swooped on Random House, the venerable US publisher, and BMW and Volkswagen fought a bitter battle for control of Rolls Royce, the quintessentially English luxury motor manufacturer.

These deals would have been unthinkable only a few years ago, but European, American, and even Japanese companies better get used to Germans prowling on their patches. Within days of unveiling its Chrysler coup, Daimler Benz was ready to buy up to 60 percent of Nissan Diesel, Japan's fourth-largest truck maker. Moreover, its aerospace unit, DASA, is mulling a joint bid with British firms for part of Northrop Grumman Corporation if US regulators block the company's planned merger with Lockheed Martin Corporation. Last year Daimler purchased Ford's heavy truck business.



The Chrysler deal was preceded by a flurry of German acquisitions abroad. Allianz, the insurance giant, swallowed France's AGF in a $10 billion deal, and Deutsche Poste, the postal authority, paid an estimated $600 million for 22.5 percent of DHL Worldwide, the express delivery firm. This marked a German challenge to an industry dominated by American giants like UPS and Federal Express, as Lufthansa has a 25 percent stake in DHL.

Not all German forays across the Atlantic have been successful. The mighty Deutsche Bank, Germany's biggest bank and largest shareholder in Daimler, has shifted its focus back to Europe after disappointing returns from its US businesses.

Meanwhile, the Chrysler deal has refired speculation of other mergers in the European industry, with Volvo, Renault, and PSA (Peugeot-Citroen) tipped as the most likely takeover targets. Talk of a Fiat-Ford link has also resurfaced.

Europe is heading for record merger and acquisitions activity that will overtake last year's record $384 billion of deals involving more than 5,000 firms. Most big deals are concentrated in the financial services sector as European banks try to match the merger mania across the Atlantic and to prepare for the coming of Europe's single currency next January.

Three main factors are driving the M&A boom. First, the surge in European stock markets has made paper deals a lot more attractive. Second, the coming of the euro will enable stronger firms to swoop on ill-prepared rivals. Third, the financial turmoil in Asia has opened once-in-a-lifetime buying opportunities for Western firms, particularly cash-rich Europeans.

Recent deals involved BASF, the German chemicals group, spending $670 million on three acquisitions and Sweden's Volvo parting with $572 million for the construction equipment division of troubled Samsung.

However, for the moment, German industrial firms are setting the pace, proving there's still a premium on engineering excellence. Almost unnoticed in the Daimler-Benz excitement, BMW announced a $600 million investment at its Spartanburg, South Carolina plant, to build the Z3 Roadster. VW, meanwhile, is mulling a return to manufacturing in the United States. Clearly, Germany is on the move.

The icon of Italian industry will never be the same. One death has changed the plans and perhaps the destiny of the most powerful and celebrated family in Italy. The tragic death late last year of Giovanni Umberto Agnelli, who succumbed to cancer at age thirty-three, has forced family patriarch Gianni Agnelli to change his plans. Giovanni Umberto had been in line to succeed his uncle, Gianni, as head of the Fiat group, the company built by the Agnelli family into an industrial powerhouse boasting an annual turnover of roughly $50 billion and symbolizing twentieth century Italian industry.

Now, however, the newest arrival at the Fiat board of directors doesn't carry the Agnelli surname. He is a fresh-faced twenty-two-year-old, with an American education. John Elkan, blond and shy, is the son of Margherita, Gianni Agnelli's daughter, and her ex-husband, journalist and writer Alan Elkan. The senior Agnelli expects that as the years pass the young man will exhibit the right stuff to lead Fiat during the early part of the twenty-first century.

Fiat patriarch Gianni Agnelli (lower right) is preparing his grandson, John Jacob Elkan (left), to carry on his famous family's management tradition.

Fiat's Future

BY NICCOLÒ D'AQUINO

An untimely death has previously played a decisive role in changing the course of Fiat's leadership. In 1935, Giovanni Agnelli senior, who had founded the company in 1900, lost his son Edoardo, who had been groomed to succeed him. Giovanni then designated Edoardo's son, Gianni. He was too young at the time to takeover the business, so the reins of the company were handed to Vittorio Valletta, who proved himself to be a faithful caretaker. Thanks to him, Fiat became Italy's leading company and one of the most important in Europe.

When Gianni—who is known throughout Italy as l'Avvocato (the Lawyer) though he has never practiced law—was ready to take command, a new manager, Cesare Romiti, joined him. Romiti remained faithfully at Agnelli's side, becoming president of Fiat in 1996 when Gianni, then seventy-five-years-old, reached the mandatory retirement age and could only retain the title of the honorary president of the Fiat group. In June, however, Romiti, too, will turn seventy-five and will resign as president.

The Avvocato, however, had carefully prepared for the leadership succession. He had decided that neither his son, Edoardo, who had never shown a particular entrepreneurial flair, nor his daughter, Margherita, were the right people to lead the family's company. He elected to pass the mantle to Giovanni Umberto, the son of Gianni's brother Umberto.

Gianni Umberto, who was married to an American woman and had a daughter (the Agnelli's have long been closely linked to the United States), had already begun to cut his corporate teeth. He had done well as the head of Piaggio, a company that belongs to the Fiat group and builds the legendary Vespa motorscooter and other two-wheeled vehicles. Until young Giovanni Umberto was ready, Paolo Fresco, a talented executive lured away from General Electric, would guide the parent company. The family entrusted the automobile division, which remains Fiat's core business and which, for many years, had been headed by Romiti, to another faithful manager, Paolo Cantarella.

Death, however, decided otherwise. And so the elderly Agnelli, who although officially retired continues to be active in the company, had to reshuffle the cards. Paolo Fresco's appointment will now last much longer than originally planned. If he should decide to resign, rumor has it that Renato Ruggiero, whose job as director-general of the WTO ends in 1999, could take his place. Ruggiero, a former ambassador and secretary of foreign commerce, is well acquainted with the Fiat environment since he once headed the international operations for Ferrari, yet another company controlled by the Fiat group.

On the threshold of the year 2000, when Fiat turns 100, the idea of a family succession at a modern multinational company seems in many ways archaic. Nowadays, the global market is characterized by corporations that bear little national identity, much less the imprimatur of one family. Gianni Agnelli seems to be prescient of this fact. A few months ago, a journalist asked him if Fiat would remain Italian, and he answered with another question, "But what does it mean to be Italian in the world of tomorrow?" Clearly, that is the company's overriding question: Will Fiat remain a family company, or is it destined to become a public company?

Gianni and Umberto Agnelli took precautions several years ago. They created two family companies, IFI and IFIL, which maintain controlling shares of Fiat stock holdings. Even if the fourth generation of the Agnelli clan, which numbers more than 200 people, does not produce the company's next leader, the Agnellis' financial future is assured. However, this has little to do with the management of the company.

Today, if one carefully studies the intricacy of interlocking corporate interests, one finds that the Agnelli family remains in control of its businesses with the compliance of two other Italian economic entities—Mediobanca and Assicurazioni Generali.

Mediobanca is the investment bank that stands behind all the most important Italian financial operations, not just Fiat's. Its famous boss, Enrico Cuccia, a Sicilian who at more than ninety-years-old has retained a sharp mind and refusues to give interviews, is officially retired. However, he remains influential. It is no secret that Cuccia blocked Umberto Agnelli's nomination to be Giovanni's successor as head of the Fiat group. It seemed as though Umberto, who had devised the financial plan to create IFI and IFIL, was to be vindicated by his son, Giovanni Umberto. It was not to be. However, if young John Elkan does not show himself to be up to the Agnelli standard, it may be up to Umberto's second son, Edoardo. Stay tuned. Ⓔ

Niccolò d'Aquino is EUROPE*'s Rome correspondent.*

WILL ITALY'S ECONOMIC SYSTEM CHANGE?

BY NICCOLÒ D'AQUINO

Many were skeptical. "Will the Italian economic system change?" Impossible. "Can they truly enter the global market by denationalizing and privatizing?" We'll see. "Can they gain influence on the international markets by changing from the old capitalistic system, which is in the hands of the usual few families, to a modern financial structure of public companies that depend on managers and investors?" It's still too soon, they all said.

Even if the miracle isn't complete yet, it is surely underway. Giving lie to every pessimistic prediction, Italian and foreign alike, Italy not only has qualified within the Maastricht parameters for the single currency, but above all, it has relaunched its economy. Regardless of the result, Piazza Affari, Milan's stock exchange, has beaten every record. At least for the moment, it is currently generating the highest rate of increase of any stock exchange. One-hundred-thousand lira invested at the beginning of the year in the Italian stock market are worth 184,000 ($105) today. On Wall Street, those 100,000 lira would be worth only 135,000 ($77). Europe's second-best performing stock exchange, Madrid's, could guarantee a return of 170,000 ($97). Zurich up to 159,000 ($91). Tokyo would have lost 5,000 lira ($3).

Of course, the Italian stock exchange is still very small. It has barely 200 listings, and only thirty of them are of international interest. The usual families—the Agnellis, the Pirellis, the De Benedettis, and a few others—remain determining factors, which can impede the free movement of the stock exchange. In any case, of the 200 listings, only three haven't gained since the beginning of the year, a truly extraordinary result.

In short, the Italian economy is modernizing. Much is new. The public administration, for example, has begun a serious effort to reform itself and become more efficient.

Government employees—a symbol of the inefficiency and bureaucratic delays that long afflicted the country—will have to renounce their legendary lifetime guarantee of work near home (albeit poorly paid). From now on, civil servants may be fired and will have to accept changes in duties and headquarters.

For the first time, the concepts of merit and the relationship between achievements and salary are cautiously being introduced into the Italian public service. Changes are in sight for other sectors, too. Italy's famous museums have long inspired and exasperated tourists. After decades of short visiting hours and frequent closings, the museums will remain open until late at night. For now, the experiment remains temporary, but for Italy, it is revolutionary.

The true signal of real change, however, comes from Italy's banks and insurance companies. Mergers, consolidations, acquisitions, and alliances—the fever has swept the entire Italian financial structure. Analysts agree that it is a trend that is continuing and must be closely watched, but if all goes well, it will help to continue to streamline, strengthen, and grow Italy's economy.

Of course, as far as banks are concerned, Italy is the metaphorical caboose of the G8 train. Only seven Italian banks rank in the prestigious list of the 100 most important banks in the world. Italy's richest, the Cariplo of Milan

(Cassa di Risparmio delle Province Lombarde), ranks only forty-seventh and has fallen four places since last year. The other ranked Italian banks include San Paolo di Torino (fifty-fifth place), Banca Nazionale del Lavoro (fifty-ninth), Banca di Roma (sixtieth), Banca Commerciale (sixty-eighth), IMI (seventy-sixth), and the Tuscan Monte dei Paschi di Siena (eighty-sixth), which holds the title of the world's oldest bank. It is interesting to note that the sum of the top four Italian banks' assets is less than that of the first place Hong Kong and Shanghai Bank.

When dealing with economic matters, however, comparisons are only relatively important. Each of the world's national economies is distinct, with its own unique problems, needs, and priorities. It is more useful to observe how the structures, when confronted with new challenges (such as those presented by the coming millennium), prepare themselves for the inevitable changes. Barring surprises, it appears that Italian banking officials have decided to improve their sector and eliminate the conditions that led to its nickname—the "petrified forest." Among the bank counters and the discreet offices where the most important clients are received, there is a dynamism that was unthinkable just a short while ago.

Bank of Italy Governor Antonio Fazio has sternly warned that the sector must take some critical steps to catch up with the rest of the G8's banking sectors. The steps include cutting costs (banks are expected to cut 30,000 employees, a well-paid and, until now, well-protected group), increasing efficiency, developing innovative products, and improving customer service. His message in short—become competitive.

The first results have already emerged. Aided in part by the strong rise in the stock market, which helped their share prices, banks have rapidly begun seeking mergers and alliances. The goal is to strengthen and acquire international dimensions in order to face global competition.

The first large mergers took place within months of Fazio's warning. Cariplo and the Ambroveneto bank, which is important among the rich northeast region's entrepreneurs, joined forces. San Paolo di Torino bank put a large number of stocks on the market as part of its privatization. Mediocredito, an important Roman investment bank, joined with Banco di Sicilia. Banca Nazionale del Lavoro, together with the insurance company INA, has its eye on Banco di Napoli. Other small but prosperous northern banks are signing alliances and buying out their competition.

Foreign analysts are observing this activity with interest, although some doubts remain as some analysts continue to worry about the narrowness of the Italian market. Other observers worry about the continued presence of old guard leaders in the industry who appear unwilling to let go their grip. (Enrico Cuccia, the honorary president of Mediobanca, Italy's leading investment bank, has passed his ninetieth birthday, but many consider him the shadow behind every important financial operation.) However, analysts say they are reassured by the emergence of a younger generation of executives—forty-year-olds like Alessandro Profumo at the Credito Italiano and Corrado Passera at Ambroveneto.

IT APPEARS THAT ITALIAN BANKING OFFICIALS HAVE DECIDED TO IMPROVE THEIR SECTOR AND ELIMINATE THE CONDITIONS THAT LED TO ITS NICKNAME—THE "PETRIFIED FOREST."

Italian Prime Minister Romano Prodi (left) and Finance Minister Carlo Azeglio Ciampi were instrumental in getting Italy into the first round of EMU.

Also offering promise, Italy's insurance industry has posted excellent results. For years now, these companies have been free of state controls. Now, they are planning to grow even more. The biggest battle was fought by Generali di Trieste, the most substantial insurance group in Italy. They had their eye on the French AGF, but a call to arms from Paris blocked the Italian bid, although AGF has since ceded three of its insurance companies to Generali. In Germany, Generali made an agreement with Allianz that gave the Italian group control of AMB, Germany's third-most important insurance company.

For Generali, the combined French and German campaign ended with a 50 percent increase in premium revenues, estimated at around $35 billion and moving the company into third place in European. ⊜

The Italian public's widespread fear of international exclusion and the equally widespread enthusiasm for Europe has helped the center-left Olive Tree coalition government, led by Romano Prodi, to adopt and firmly follow a series of fiscal and monetary measures to meet the Maastricht convergence criteria. To the astonishment of many observers, both domestic and international, the result of almost two years of tough laws and heavy taxation is that Italy will be in the first wave of the European Union's economic and monetary union (EMU) in 1999.

Italy Joins the Euro

The Milan stock market.

BY NICCOLÒ D'AQUINO

Getting into the euro zone along with the other ten nations to qualify in the first wave of EMU on May 3 wasn't easy, as the Italian taxpayer has come to know very well. Mr. Prodi himself had to fight a difficult political battle with the tiny but important Reformed Communist Party, whose support the Rome government needs to keep a majority of votes in parliament. Until the very last minute, skeptics seemed very sure Italy couldn't make it. Well, it turned out they were wrong.

The "new" Italy's economic data is quite impressive, especially considering where the Italian economy was just a few years ago. From 1995 to 1998, inflation decreased from 5.8 percent to a forecasted 1.9; the budget deficit shrunk from 7.7 percent to 2.5; and long-term interest rates were reduced from 12.2 percent to a more reasonable, although still a bit high, 6 percent. Of course, much work remains. Public debt as a percentage of GDP continues to exceed the 60 percent reference level established by the Maastricht Treaty. It did come down, from 124.2 percent in 1995 to 118.1 percent forecasted for the end of this year, and it looks like it will keep falling. The EU, therefore, declared it to be "approaching the reference value at a satisfactory pace."

All this considered, it was with pride, but no surprise, that the Quirinale and Palazzo Chigi—the two Roman palaces that constitute the Italian equivalent of the White House—read the most recent IMF report. It notes the "exceptional results" achieved in price stability and fiscal consolidation and states that the Italian economy is now locked into a "long-sought virtuous circle," which would have been unbelievable only six years ago.

In 1992, Italy, no longer able to keep up with the pace of other major European countries, had to leave the Exchange Rate Mechanism (ERM). It requested to re-enter four years later, in November 1996, thanks to its expanding current account surplus, a sharp rise in official reserves, the progress achieved in the process of budgetary coordination, falling inflation, and the stabilization of the exchange rate. At that time, only few people would have bet on the lira. The painful year of 1992 is definitely history.

THE ITALIAN RIVIERA is not often referred to as a "hidden paradise." Beautiful, but filled with tourists and resorts, this stretch of the Italian coastline from Nice to Genoa is more commonly associated with crowded beaches and a hopping nightlife.

The Cinque Terre are an exception to the rule. Named for the five villages that cling like barnacles to the cliffs above the Mediterranean, these "five lands" are linked by a thousand-year-old footpath. Although Italians know this national treasure well, only foreigners who stray off the beaten path make it to this hikers' haven.

BY SASKIA REILLY

Cinque Terre

Five picturesque towns beckon outdoor enthusiasts to the Italian Riviera

Vernazza is the most picturesque of the Cinque Terre, five villages which cling to the cliffs like barnacles above the Mediterranean in the Italian Riviera.

Two hours away by train from Florence and an hour north of Genoa, the Cinque Terre are not hard to find, just a bit isolated from the typical tourist itinerary. Only a vintage train, local boats, and the famous footpaths connect the five towns. Steep, winding roads link each town to an inland highway, but cars must be left outside.

While most popular in summer, when the Italian Riviera is normally filled with tourists, an ideal time to visit is in the early fall, from September to mid-October. The sea is still warm enough for swimming, and visitors can hike among the scents of grapes ripening on the vines. The albarola, bosco, and vermentino grapes grow on terraces that are at times no more than two feet wide and are used to make sweet Sciacchetrà and the renowned dry white wines of Cinque Terre.

The Cinque Terre are an ideal destination for outdoor enthusiasts who seek a blend of the sea and the mountains. The trail that links the five tiny towns of Riomaggiore, Manarola, Corniglia, Vernazza, and Monterosso al Mare is at times arduous and at times just a stroll, but there are options for walkers of every ability. Some visitors opt to do the twelve-mile hike in just one day, while others meander leisurely along, taking up to five days to complete the tour. Those who wish to conserve their energy for the beach or for fine dining can always hop on the quaint clattering train that travels from one village to the next and skip over some of the more rugged stretches.

Hikers can begin either at the northern end of the chain at Monterosso al Mare or at the southern end at Riomaggiore, depending on how they want to pace themselves. Those who prefer to ease into their hikes and exert themselves at the end of the journey should start at Riomaggiore. Those who prefer to face the challenge early on would want to begin at Monterosso.

Monterosso al Mare is considered the beach town of the Cinque Terre. Its pebbled beaches and *enotecas* (wine shops) draw visitors in for the day as well as overnight. The only town with a level main street, Monterosso is filled with outdoor cafes that willingly provide the aspiring hiker with an energizing cappuccino or *succo di frutta* (fruit juice).

As they prepare to head out of town, visitors should stop in at the tourist office at the Monterosso railway station and pick up a map that indicates the route along the coastline. They should also be sure to bring a bottle of water, as this first leg of the trail should take ninety minutes and is rather arduous. The hike from Monterosso to Vernazza begins at sea level and climbs steeply to Porto Rocca, which features a spectacular view.

Upon one's first arrival in Vernazza, visitors quickly understand why UNESCO recently added the five towns of Cinque Terre to its list of World Cultural Treasures. The most picturesque of the towns, Vernazza, offers the quintessential portrait of an idyllic Mediterranean fishing village. With blue, red, and yellow boats bobbing in the harbor and its pink and ochre row houses and tiny piazza filled with restaurants and hotels, the town offers hikers a wonderful place to have lunch.

From Vernazza, the trail winds through olive groves and into Corniglia, the only town that does not have direct access to the sea. Perched on a headland high above the Mediterranean, Corniglia offers spectacular views, delicious wines, and a famous staircase. The man-made staircase—thirty-three flights of twenty stairs—connects the town on a cliff to the train station below, where hikers must pass on their way to Manarola.

The walk to Manarola is less strenuous and passes above lovely beaches that can only be reached by boat. The town itself is a lovely fishing village filled with mullet-colored fishing boats and a host of restaurants. From Manarola to Riomaggiore, the trail flattens. The short level walk along the Via del Amore (the Lovers' Walk) leads into Riomaggiore, the last of the five towns, where pastel houses cluster around another boat-filled harbor. Sunset is a magical time in any of the towns. In Riomaggiore, at the end of their trip, hikers can sit back with a well-deserved glass of wine and contemplate the unspoiled beauty of the Cinque Terre. ⓔ

Saskia Reilly reported on Cyprus in EUROPE's June 1997 issue.

FINDING YOUR WAY

Getting There: The local Genoa-La Spezia train passes through the Cinque Terre villages hourly during the day. La Spezia is easily reached from Florence, Milan, and Rome.

Where to Stay: The Cinque Terre have remained unspoiled because they have not been overrun with hotels. There are a few small hotels in the different villages, and travelers can rent rooms from some of the residents. The tourist offices in Monterosso and Riomaggiore have more detailed information.

Information: The Italian Government Tourist Board is another source of information, as is the Italian Tourist Web Guide (www.itwg.com), which has information about hotels and restaurants and can help with on-line reservations.

CAPITALS

AN OVERVIEW OF CURRENT AFFAIRS IN EUROPE'S CAPITALS

LONDON

BRITS CROWN COFFEE KING

The young and trendy are leading the way to the coffee shops, just as a decade ago they moved from pubs to wine bars.

The pungent aroma of coffee is challenging the delicate scent of tea throughout this land of renowned tea drinkers. "Ooh, I'd love a cafe latte" has replaced the more traditional "Ooh, I'd love a cup of Early Grey," as coffee shops are ousting tearooms as the preferred choice for the tired shopper.

Just as American fast-food chains swept aside the traditional fish and chip shops, so coffee shops with names like Seattle Coffee, Pret a Manger, Coffee Republic, and Aroma are ousting Ye Olde Tea Shoppe.

People may once have known the difference between Assam, Ceylon, and Darjeeling teas; today they speak more knowledgeably about cappuccino, café latte, and americano. Some even insist on the more exotic like cacaoccino—a shot of expresso with hot chocolate, chocolate ice cream, and whipped cream.

The young and trendy are leading the way to the coffee shops, just as a decade ago they moved from pubs to wine bars. They see them as places where men and women can feel comfortable socializing without the negative connotations of drunkenness and a smoky atmosphere.

Things have yet to develop to the situation that prevailed 300 years ago when most of the City of London's foreign trade was conducted in coffeehouses. The most famous, that of Edward Lloyd, evolved into the internationally renowned Lloyd's insurance underwriting market.

The first important inroads to the tea-drinking habits of this nation began with the arrival of instant coffee. The ease with which you could make a cup of instant coffee led to the development of the tea bag.

But this was not enough to stem the tide, and coffee drinkers today spend close to $1.5 billion a year on their preferred beverage, compared to the just more than $1 billion spent by tea drinkers.

As people's taste for coffee developed, so did their desire for something better than the mass-produced instants. There has been a 75 percent growth in the sale of roast and ground "real" coffee over the past five years.

Whitbread, the pubs and leisure group that launched the Costa Coffee chain, believes that the ground and bean coffee market alone in the UK could be worth more than $1.5 billion within three years. They are investing heavily in their new chain because they see the coffee shops as potential rivals to the traditional pub.

Coffee drinking is also catching on as an adjunct to book buying, another trend imported from the United States. The giant new Waterstone's book superstore that opened in Glasgow last year has a full cafe and coffee stations on every floor. The company is planning ten similar superstores. The US chain Borders is opening a book superstore on Oxford Street this summer. The promise is that its cafe will serve the very latest in lattes.

Already there are 200 specialist coffeehouses in the UK. The number is growing daily, and the main companies in the business are predicting that in time there could be as many as 1,500.

If Starbucks, the US giant with 1,300 outlets and a market capitalization of $2 billion, is anything to go by, then those predictions for the UK may yet prove to be modest.

—David Lennon

BRUSSELS

SUEZ TO BUY SGB

The largest and one of the oldest companies in Belgium is the Société Générale de Belgique (SGB). Founded in 1822, eight years before the birth of the Belgian state, it had its fingers in virtually every industrial development in Belgium over the following 175 years.

At its peak, this giant holding company held shares in 1,200 other firms, accounting for more than one-third of the entire Belgian economy. It also had vast foreign investments, notably in the former Belgian Congo, where it obtained lucrative mining concessions. Little wonder that "La Générale," as it is popularly known in Belgium, was regarded in the financial world as Belgium Inc.

Yet, by the 1980s it had become apparent that the SGB had outgrown the means of the Belgian financial market and was vulnerable to international predators. A determined takeover bid by Italian financier Carlo de Benedetti in 1988 was only repelled by the sale of 63 percent of the SGB's equity to the French conglomerate Suez-Lyonnaise des Eaux.

Suez appeased Belgian national sentiment by installing an eminent Belgian, Viscount Etienne Davignon, a former European commissioner, as chairman of SGB, and allowing him to run the company from Brussels with a great deal of autonomy. It insisted, however, on a large measure of concentration, selling off the great majority of the SGB's minority shareholdings in other companies and leaving it with large investments in three major companies.

These were Belgium's largest bank, the Générale de Banque (currently the object of a hostile takeover bid by the Dutch bank ABN AMRO), the Fortis financial services group, and Tractebel, a large engineering and communications company, which has a virtual monopoly of electricity and gas production and distribution in Belgium.

Now, after ten years, Suez has decided to tighten its grip and has announced its intention to acquire the remaining 37 percent of the SGB's shares, with the objective of integrating the Belgian group more closely with its other operations. This has rung alarm bells in Belgium, and Prime Minister Jean-Luc Dehaene has sought assurances from Suez President Gérard Mestrellet that some measure of Belgian control will remain over Tractebel.

Talks on this issue are continuing, but it seems inevitable that Suez will succeed in its bid for total ownership of the SGB. Even then, however, the Belgian influence will be far from negligible. The largest single shareholder in Suez is none other than Albert Frère, the wiry Charleroi financier, who is head of the rival Belgian holding company, the Group Bruxelles Lambert, which owns 11.5 percent of the French company's stock.

—Dick Leonard

LUXEMBOURG

EIB TAKES ON NEW ROLE

The Luxembourg-based European Investment Bank (EIB) may be the world's largest non-sovereign financial institution, but it can still be a sharp mover when it sees the chance. It happened in Amsterdam last June when the heads of the EU governments were stuck for a plan to create jobs without weakening the tough fiscal controls needed to ensure that economic and monetary union (EMU) went ahead on time in 1999.

Enter Sir Brian Unwin, president of the EIB, with a bold idea: let the EIB do the job, he said, in effect. Give the bank new responsibilities for job creation, for bringing in EMU, and for paving the way for the huge eastward enlargement of the European Union, and the member countries could sit back and concentrate on safeguarding their budgets.

It was agreed, and the Amsterdam Special Action Program was born. The EIB was authorized for the first time to lend money for health and education projects and to provide risk capital for small and medium-sized enterprises, especially in the high-tech sector. The bank's longstanding remit to promote European integration by funneling cash into poorer countries and regions remained but was given a sharper job creation focus and subtly nudged toward the Central and Eastern European countries waiting to join the European Union.

The changes make the EIB the big player in the financial upheavals beginning in Europe next year with the introduction of a single EU currency and running through to the possible admission of ten former Soviet-bloc countries plus Turkey and Cyprus to the Union. Some of these are distant prospects indeed, but Poland, the Czech Republic, Hungary, Slovenia, Estonia, and Cyprus are on track for EU membership soon after the turn of the century.

But even these front-runners are economically deprived, with a per capita income only one-third of the present European Union average. How can a single bank ease the rigors of membership for them? How can a single bank act to ensure the success of the single currency?

Clearly, the EIB is no ordinary bank. It may be a prodigious borrower and lender, but it does not serve individual customers looking for a savings account or a home improvement loan. The EIB only talks big bucks.

This year the EIB expects to borrow the equivalent of about $28.5 billion in the international capital markets and lend the same amount. Even in the context of national budgets, these are huge numbers, and they underscore the importance of the role the EIB has to play in easing the birth pangs of the EU single currency—the euro. When it comes to issuing paper denominated in euros, the EIB will be right up there with the big operators like the governments of France, Germany, and Italy.

The EIB's role as a bond issuer and market maker will be vital to the acceptance of the euro. But hardly less important for the success of both EMU and the EU enlargement will be the bank's activities as a lender, both directly in financing development in the less affluent member states and indirectly by promoting efficient capital markets in countries where these are still a novelty.

A staff of about 1,000, nearly all in Luxembourg, runs the EIB. It is owned by the fifteen EU member governments, which collectively provide the security behind the bank's cast-iron triple-A status as a borrower. Its operations, however, are entirely independent of the EU governments or the European Commission.

This year, the EIB celebrates its fortieth anniversary. A year or two ago, it might have thought its work in redressing economic disparities between countries was due to level off. Now it faces major new challenges. The EIB may now be ready to move on to center stage.

—Alan Osborn

PARIS

A BIRTHDAY BOY WITH BOUNCE

You would never guess that he is a hundred and has had a weight problem all his life. Slimmer and sprightlier than ever before, the Michelin Man is beaming a toothless but winning smile from the cover of this year's special edition *Red Guide.* Exactly a century has passed since he made his first appearance on an advertising poster.

He owes his distinctive physique to his "parents," André and Edouard Michelin, the French brothers who invented the pneumatic tire in 1891.

Struck by the vaguely human shape of two stacks of different-sized tires decorating the entrance of the 1898 Lyon Universal Exhibition, they asked the cartoonist O'Galop to create a rubber man.

Because tires were much narrower then, their mascot started off looking remarkably like an Egyptian mummy. On the inaugural poster, he was shown raising a goblet full of nails, stones, and broken glass, which other tires could not stomach. The caption read: "Nunc est bibendum," a Latin phrase borrowed from the poet Horace, meaning "Now is the time to drink." Within a few months, the expression became a popular slogan and the tubby tire man was baptized "Bibendum."

Michelin's original poster gave birth to "Bibendum."

The penchant for plagiarizing poetry he had shown at birth became obvious again in 1905, when "Sir Bibendum" first showed up on a poster in the UK.

Decked out with lance, helmet, and shield, the noble knight declaimed words adapted from Tennyson this time: "My strength is as the strength of ten, because my rubber's pure" (Tennyson's original poem had "soul" in the "rubber's" place.)

His trip across the English Channel was the start of a globetrotting career that has taken Bibendum to more than 170 countries over the last century. Over the years, he has become one of the top ten symbols recognized around the world. His chubby contours grace not only Michelin billboards and posters, but also every one of the travel publications for which the tire manufacturer has become famous. From the annual *Red Guide,* first launched in 1900, to the 160 volumes of the *Green Guide* collection, to the 12 million maps sold every year, all bear Bibendum.

Global stardom and the passage of time have made "Bib," as his French fans call him, change silhouette several times. In the 1920s, when tires became wider and smaller in diameter, his rolls of rubber became fewer but fatter. A few decades later, he caught the fitness bug and took up a variety of sports, from cycling and skiing to jogging and car racing. In his travels he developed a taste for native costumes, especially headgear, and was seen wearing sombreros, turbans, and Tyrolean feather hats. Somewhere along the way an image consultant must have stepped in and advised him to have plastic surgery, because his eyes and mouth, which started as mere slits, became bigger and bigger, finally leaving him with a friendly, owlish stare and a wide, jolly grin.

For his one-hundredth birthday, Bib has struck a new, confident pose. More svelte than ever before, smiling broadly, with his hand raised in a friendly, expansive wave, he faces the public with the serene confidence of a winner, rather like a popular politician saluting his adoring electorate.

To celebrate his centennial year, he is more active and omnipresent than ever. The sprightly centenarian will participate in several major sporting events, including the Tour de France bicycle race and the World Soccer Cup, for which Michelin is the official tire supplier. In the famous *Red Guide,* which can make or break a chef's reputation, his grinning face beside a restaurant—the "Bib Gourmand" symbol—was introduced a year ago to indicate particularly good value restaurants, where diners can eat authentic regional cuisine at reasonable prices. On the Internet, Michelinophiles can read his life history, can keep up-to-date with the birthday festivities organized around the world, and can play an on-line game where the prizes range from travel vouchers to Bibendum memorabilia (www.michelin.fr). A grand exhibition retracing Michelin's century at the forefront of transport and tourism is currently making its way around Europe and will travel to the rest of the world next year. Among the commemorative books edited in Bibendum's honor is a historic look at *Le Grand Siècle de Bibendum* (Bibendum's Great Century), by Olivier Darmon, published in thirteen languages by Hoëbeke, and an anthology of drawings of Bibendum published in French and English by Textuel.

Finally, as proof that a few extra pounds around the middle cannot keep a good man down, a flotilla of eleven hot-air balloons will celebrate Bibendum's birthday around the world. One of them, in his native France, is in the shape of the birthday boy, 135 feet tall and not quite so many around.

—Ester Laushway

STOCKHOLM

LOOMING ELECTIONS

With July practically here, Swedes are thinking more about beginning their traditional vacation month than about the coming fall. However, with a national election set for September 20, campaign rhetoric is sure to intrude on the summer idyll.

The ruling Social Democrats have been a mainstay of Swedish politics since the 1920s and have only been out of power three times since then. Today's Social Democrats, however, bear little resemblance to the party's forebearers.

Until recently, the prime minister and party leader, Göran Persson, pursued a conservative social welfare policy, making cuts in employment benefits and the health care budget. His philosophy bore little resemblance to the society of cradle-to-grave benefits built up by his party.

While financial markets welcomed that strategy, it was dimly regarded by the party faithful, who saw it as a move away from the Social Democrats' goal of an equal society. But the government's spring supplementary budget proposal provides for substantial welfare increases, just in time to help voters decide which way to mark their ballots.

The Social Democrats main challenger is the Moderate Party. Led by Carl Bildt, the former peace negotiator in Bosnia, the Moderates held power from 1991-94, slashing taxes but driving up the state deficit. Bildt, who is back in Sweden to lead the campaign fight, is trading on his international status, but that doesn't necessarily play well with voters who are more concerned about the closing of day-care centers than about the Bosnian crisis.

Neither party has a majority in the Riksdagen, Sweden's parliament, and both need support from the five smaller parties that hold seats to pass legislation.

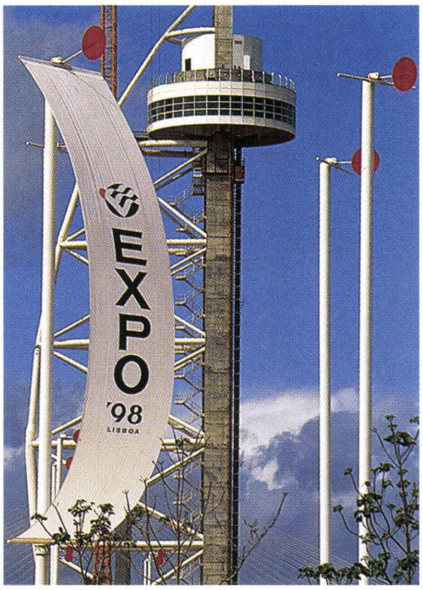
Seeking to build an alliance that would appeal to voters, Persson aligned the Social Democrats with the anti-nuclear Center Party by fixing a date to begin early decommissioning of Sweden's twelve nuclear reactors. But in a surprise move in April, party leader Olof Johansson announced he was stepping down.

His heir apparent, Lennart Daléus, won national fame in 1980 when he campaigned for an immediate shut-down of nuclear power before a referendum vote on the issue. Since then, Daléus has fashioned a green profile that has at times been at odds with his own party and is more removed from the Social Democratic philosophy than Johansson's. Consequently, the Center Party alliance may not be exactly what Persson bargained for.

What is more certain is that, while voters aren't showing much enthusiasm for any of the established parties, their pocketbooks will tip the scales. In this case, that translates into social benefits—better dental insurance, improved care for the elderly, and as always in Sweden, more child-related benefits. Persson needs the Riksdagen to approve his supplementary budget proposal for voters to get those things.

Meanwhile, on its own initiative, the government has been dealing out chunks of money to municipalities for business development and environmental improvement. With local newspapers giving the handouts big play, voters are certain to remember just which party is responsible.

—Ariane Sains



Lisbon's Expo '98, which began May 21 and runs for four months, will attract around 8 million foreign visitors.

LISBON

EXPO EXTRAVAGANZA

There is no doubt about what was the biggest event of the past few weeks in Lisbon: the opening May 21 of the four-month extravaganza that is Expo '98. More than 140 countries and international organizations are taking part in the last world fair of the twentieth century, attracted by an appealing theme and a city that is as much of a draw as Seville, which hosted Expo '92.

Although at least eight million foreign visitors are expected to go through the turnstiles, helping add 1.1 percent to Portugal's gross domestic product, no one sees this state-owned venture making a profit. The cost of reclaiming the land on which the national pavilions stand, which was contaminated by industrial waste, added greatly to expenditure that is projected to total $1 billion for the five years through 1999.

Instead, the aim is to raise Portugal's profile internationally by attracting a record number of visitors and winning airtime and column inches abroad. Expo is onto a winner with its theme, The Oceans: a Heritage for the Future. It combines entertainment and science in a way that should both amuse and enlighten, for example in the virtual reality pavilion in which groups of as many as forty can experience what it is like to be on the ocean floor. While representatives of participating countries have kept quiet about what they plan for the national day each has been assigned, indoor and outdoor shows are taking place everyday until 3 a.m. Visitors can keep up their strength in thirty-seven restaurants and fifty snack bars.

When the party is over, Lisbon will be left with Europe's largest oceanarium, a new rail terminal, a trade fair center flanked by a beautiful riverside walkway, and an expanded metro system. The fast-developing area around the Expo site, which stretches more than three miles along the Tagus River, should become a pole attracting businesses away from congested downtown Lisbon. It ultimately will include 10,000 new homes, in a city that is desperately short of housing.

—Alison Roberts

VIENNA

RADIO FREE AUSTRIA

Austria's hills are now truly alive with the sound of music, thanks to the debut of private radio stations across the country after years of legal dispute. For decades, Austria's airwaves have been dominated by state-owned broadcaster Oesterreichischer Rundfunk (ORF), but fourteen new stations took to the air on April 1, and nearly forty more are set to follow.

The new stations cover the gamut, from big-budget pop and rock stations sinking millions of dollars into advertising and promotion; to church-sponsored stations; to a station catering to the Slovene minority in the province of Carinthia.

It's a diversity that's long overdue in this Alpine nation, especially when all of its neighbors—including former communist countries—have had private radio for several years. While the Austrian government has tried since 1995 to get private radio up and running, it's a task that's been easier said than done.

Licenses first were handed out to ten regional stations in 1995, but those who lost out in the bidding process took their complaints to Austria's constitutional court. Two stations—in the provinces of Styria and Salzburg—were able to work out deals with their competitors and go on air, but the court eventually tossed out the other license awards. The dispute even made it as far as the European Court of Human Rights, which directed Austria to liberalize its airwaves.

Round two occurred last year, with the government again passing a law allowing private radio. The Regional Radio Authority again awarded licenses, this time to eight regional and forty-five local senders. Again, disgruntled would-be broadcasters brought complaints to the constitutional court. This time, however, the court ruled the interests of the licenses holders outweighed those of their competitors and allowed the stations to begin broadcasting.

Radio D-Day came on April 1, when six regional and eight local senders took to the air. Competition is especially hot in Vienna, where two regional broadcasters and two powerful local stations made their debut. At the stroke of midnight, the regional station Antenne Wien greeted the capital with Falco's "Vienna Calling," while 88.6 kicked off with the Pointer Sisters' "I'm So Excited."

The launch of private radio is bringing international investment and experience, with groups like Luxembourg media giant CLT-UFA, French radio group NRJ, and Germany's Antenne Bayern entering the market. It's still too early to tell what all this will mean for ORF, which still has the country's only nationwide stations, but the competition is sure to cut into the dominance of the national pop station Oe3. It also will siphon off listeners from Oe2, a string of regional stations run by ORF.

While the new stations don't sound all that different from each other at the moment, with their blend of middle-of-the-road rock and pop, the market is certain to segment in the coming months. This will give listeners a real choice, with music to fit almost every taste.

—Susan Ladika

DUBLIN

LE TOUR DE FRANCE...EN IRLANDE

For three days next month (July 11–13), Ireland will—almost—become a part of France, as the world's greatest bicycle race, Le Tour de France, starts in Dublin.

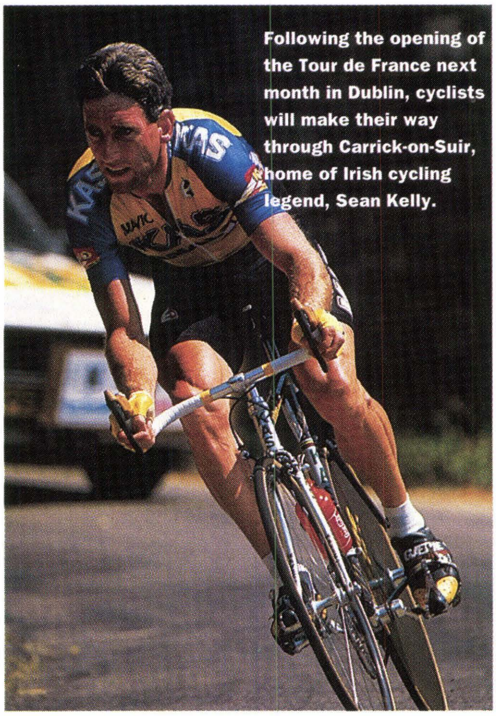
Tourism Minister Jim McDaid puts it simply: "This will be the biggest sporting event ever staged in Ireland...and it's our intention that the Tour will have the most spectacular and exciting opening stage in its entire history."

Enda Kenny, McDaid's ministerial predecessor, headed the negotiations almost two years ago. Kenny was able to persuade the French organizers that Ireland should host this year's opening despite its remote location on the western extremity of Europe and massive logistical problems involving air and shipping companies and the huge array of television equipment needed to relay the race to a worldwide audience.

So, for three days, the country will be *en fête* as cycling fever takes over. Street parties and other celebrations will give the Irish and thousands of visiting cycling fans the excuse to enjoy themselves, although the Irish rarely need an excuse to party.

The prologue time trial will take place in Dublin, a three-and-a-half-mile route through the capital's narrow streets.

Stage one will cover 112 miles through the south Dublin suburbs and scenic County Wicklow, before ending back in Dublin's Phoenix Park, one of Europe's largest enclosed demesnes and the parkland home of Irish President Mary McAleese. (The race is timed for an afternoon finish to avoid clashing with the World Cup soccer final, which takes place in Paris that evening).


Following the opening of the Tour de France next month in Dublin, cyclists will make their way through Carrick-on-Suir, home of Irish cycling legend, Sean Kelly.

Stage two will start in Enniscorthy, County Wexford, commemorating the 1798 rebellion when French troops landed in Ireland. Then it's on for 127 miles to Cork, passing through Carrick-on-Suir, the hometown of Sean Kelly, an Irish cycling legend who spent many successful years competing in races in France, Spain, Belgium, and Italy.

Festivals, carnivals, music, and other events are planned for the three days with a final night of jollification in Cork before the cyclists and their entourage depart for France to continue the race in Brittany.

The Irish love affair with international bicycle racing dates back more than a century to 1896 in Copenhagen when Harry Reynolds won the world amateur title.

But it wasn't until the 1960s that other Irish cyclists began to make their mark. Shay Elliott blazed the trail, opening up new frontiers for English-speaking riders in France. Elliott became the first Irishman to wear the coveted *maillot jaune* in the Tour de France, but he died after a tragic life, with severe financial problems, in 1972.

However, in the same year, Sean Kelly was starting his career in Ireland and the United Kingdom, and in subsequent years, from his base in Velvoorde, he stormed on to the international scene, winning races in Spain and France before taking the Paris-Nice event for seven successive years. In all he won twenty-two classics to become the fourth-most successful cyclist of all time.

Kelly's successes were followed by those of another young Irish cyclist, Stephen Roche. A recurring knee injury and other health problems punctuated Roche's early career, but 1987 saw a change of fortunes. He changed teams and equaled Eddie Merckx's feat of winning the Tour of Italy, the Tour de France, and the world championship in the same year.

Roche and Kelly placed Ireland firmly on the international cycling map. So, it's appropriate that both will again be fêted when Ireland plays host for three days to the Tour de France in which they made their remarkable contributions.

—Mike Burns

MADRID

SPAIN TOUGHENS APPROACH TO DEVELOPMENT

Spain has learned a lesson. Following years of uncontrolled and ugly growth along its Mediterranean coasts and in the Balearic and Canary islands, the country earned the dubious distinction as the model of how not to develop a tourist industry.

The situation, however, has changed, and authorities now ensure that any new building on or near the country's seashore is necessary and not an eyesore. These days, environmental impact statements are also required before the first bulldozer goes in, and all this concern for keeping Spain attractive for tourists comes just in time.

With tourism booming, no one wants to kill the proverbial golden egg-laying goose. Last year, 64.5 million visitors arrived in Spain, a record 6.5 percent increase over 1996. Of that total, 43.5 million were categorized as tourists (defined as foreigners who spend at least one night) and represented a 7.1 percent rise over the previous year. Earnings from tourism, one of Spain's most important sources of foreign exchange, increased more than 12 percent from the previous year, according to Bank of Spain figures.

A recent weeklong jaunt by this correspondent to the coast of Catalonia in northeastern Spain for a spot of rest, recreation, and restaurants bore out other statistics from the tourism authorities. They indicate that other Western Europeans form the largest contingent of visitors to Spain, led by the Germans, the Brits, and the French.

In coastal resorts like Salou, every other car we saw had German or British license plates, and at the weekly Wednesday morning market in the delightful town of Cambrils, the accents of the sunburned and blond shoppers speaking halting Spanish to the stallholders were more Munich and Manchester than Madrid.

But others are coming to enjoy the delights of Spain. At the entrance of our hotel's restaurant, pinned alongside the printed notices in Spanish, English, German, and French announcing the schedule for the buffet breakfast and dinner was a handwritten sign in what appeared to be Russian.

Charter flights from cities of the former Soviet Union like Moscow, Kiev, and Minsk arrive daily at the airport in nearby Reus. Locals told me that some of the new visitors from the East are buying apartments so they can, for at least a couple of weeks, escape those horrible winters and gamble on a Mediterranean beach, even if the surroundings might be a trifle unattractive.

—Benjamin Jones

ATHENS

NEW ORTHODOX LEADER

Archbishop Christodoulos, the newly elected head of the Orthodox Church of Greece, has pledged to review many aspects of church policy. A lawyer by training who later took up theology—he has a doctorate from Thessaloniki University in canonical law—Christodoulos speaks five languages. He is seen as a welcome addition to a group of church leaders who want to make Orthodoxy more relevant to contemporary life.

Among them are Patriarch Bartholomew, the Istanbul-based spiritual leader of Orthodox Christians worldwide who maintains a keen interest in environmental issues. Another is Metropolitan Anastasios, who has helped revive the Orthodox faith in Albania after fifty years of official atheism that saw churches torn down or transformed into cinemas and basketball courts.

Christodoulos succeeds Archbishop Seraphim, who died in April after almost thirty years as Greece's highest-ranking cleric. Seraphim represented the old school of Greek bishops, who were often deeply involved in politics. But he fiercely defended the church's interests in the 1980s when the Socialist government launched an ill-fated attempt to nationalize church properties.

Orthodoxy is enshrined by the Greek constitution as the country's established faith. More than 90 percent of Greek citizens are Orthodox, and proselytism by missionaries of other faiths is officially discouraged. There is no move at present to split church and state, but Christodoulos may find himself having to defend the church as a more skeptical generation questions its constitutional role.

Monasticism flourishes around Greece, with Mount Athos, the autonomous state in northern Greece that bans women and female animals, attracting an increasing number of young monks both from Greece and Eastern Europe.

The fifty-nine-year-old Archbishop Christodoulos started his career in the church as a monk at Meteora, a group of clifftop monasteries in central Greece with a long tradition of scholarship. He was chosen to become Metropolitan of Dimitriados—a diocese that includes the port town of Volos—in his early thirties.

One of his first tasks as head of Greece's church will be to repair relations with Patriarch Bartholomew. The Greek church is independent but recognizes the authority of the Patriarchate. Under Seraphim, however, awkward disputes erupted over the ownership of church property in northern Greece and over the role of Orthodox priests working in Albania.

The church is Greece's biggest landowner and owns considerable amounts of real estate in Athens and other cities, both monastery properties and bequests by the faithful. But there have been allegations of fraud and mismanagement of church properties in recent years. Last year Archbishop Seraphim called in state auditors to investigate. Christodoulos is expected to take more responsibility on the issue of church finances.

He must also address the question of environmental protection. Greece's ecological groups complain that local bishops and abbots have handed out mining concessions—for marble and other minerals—to local mining companies without making sure that environmental regulations are enforced. The church is also accused of selling land for tourist development without considering the effects on the environment.

Christodoulos says the church has to be in closer contact with ordinary people. To underline this message, he has promised to attend a Rolling Stones concert due to take place in Athens this summer.

However, he has also made clear that tradition must be respected. Greece's Orthodox priests will not give up their distinctive stovepipe hats and long black robes. And beards, he says, should be worn long and bushy in time-honored Orthodox style.

—Kerin Hope

COPENHAGEN

STRIKES LOOM IN THE FACE OF LABOR CHANGES

The Danes have always been proud of what they have considered a unique labor market model. Since 1899, the employers and the trade unions have had a centralized system of negotiations that determined pay and working conditions without political meddling. This ensured cordial labor relations, very low strike activity, and a sustainable rise in the real wages of employees.

Now the Danish model has major problems and is likely to undergo permanent change. The government got legislation passed to stop a two-week national strike in May. This was the first national strike in fifteen years and came as a complete surprise to trade union leaders, who had unanimously recommended that their members approve the two-year agreement they had reached with the employers in March.

But 150,000 of the trade union members—a majority of voting members but only 26 percent of those covered by the agreements—rejected the outcome, triggering strikes and lockouts that eventually encompassed more than 600,000 Danes directly and many more indirectly. Spokespersons for those who voted against the agreements demanded that the annual holidays should be increased from five to six weeks.

The employers offered to convert the economic value of the rejected deal to two days extra free time annually. But the trade unions insisted that they wanted both the money and the free time, and a compromise proved unreachable.

It came as no surprise that the government stepped in with legislation. This has happened before and, therefore, is not foreign to the Danish model of labor market relations. But it was the first time that the politicians made major changes in a centralized agreement that, rejected by union members or not, was the best proxy for what is acceptable to both parties to the agreement.

The government did not accept the demand for a sixth holiday week, which would have undermined government economic policies. But it reduced the economic benefits of the agreement and increased the number of days off by up to three days for families with small children. The government has promised to do more for families, but this is the first time that positive discrimination of this kind has been introduced on the Danish labor market.

The centralized agreements only account for about one-third of the total increase in wages and benefits. Two-thirds are determined by decentralized negotiations at the company level. This has naturally generated very strong criticism of the whole system of centralized agreements, and it may lead to its eventual demise.

The bigger Danish companies will

probably shed few tears, but the smaller companies fear that they will not be able to cope if they have to assume full responsibility, not only for pay, but also for work conditions. Nevertheless, it seems inevitable that the Danish model will now become more decentralized.

Whether it will change sufficiently over the next two years to prevent a recurrence of a national strike remains uncertain. What is certain is that the Danes want to work fewer hours and not only in the private sector. The next negotiations are with the public employees, and they will take their lead from the politically enforced settlement in the private sector. With marginal tax rates of 60 percent, it is perhaps understandable that Danes prefer more free time than higher taxable income.

—Leif Beck Fallesen

HELSINKI

FIFTY YEARS OF FRIENDSHIP

This spring the Finns are confronted with a rather peculiar anniversary. Fifty years ago, Finland signed a treaty of "friendship and cooperation" with the Soviet Union. Finland had little alternative but to accept the agreement, although many Westerners feared the worst in those days. In hindsight, however, the treaty has turned out to be somewhat beneficial for Finland, both politically and economically.

In 1948, the treaty came as something of a relief to Finland after more than ten years of having been squeezed militarily by the Russians and the Germans. At the beginning of World War II, the Soviet Union had demanded territory from Finland. The Finns refused and held off a Soviet attack before finally ceding 16,000 square miles to the USSR. In 1941, the Germans pressured the Finns to join them in shoring up the eastern front against the Russians. In the spring of 1944, the Soviet Union launched a spring offensive against Finland. Although the Red Army pressed the Finnish forces to the limits of endurance, the Finns never surrendered and were able to create a breathing space for negotiations. A cease-fire was reached in the summer of 1944.

Immediately after the war, Joseph Stalin, the notorious Soviet dictator, moved to safeguard "Mother Russia" against "imperialistic attacks" by developing a "security zone" of states conquered by the Red Army during the Allies march to Berlin. The Soviets simply incorporated the three Baltic states into the greater USSR and installed communist, puppet governments from Poland to Albania, creating the Iron Curtain.

But what to do with Finland? The country had been fighting hard against the Soviet Union. The rest of the alliance, including the United Kingdom and the United States, had been more or less forced to declare war against Finland due to the fact that the Finns were fighting on the "wrong" side. The Finns, however, fought only for the country's sovereignty and solely against the Soviet Union.

The occupation failed. A democratically elected parliament, a coalition government, and a conservative president came into power in Helsinki. Moscow had to find a solution that fulfilled its desire to secure the Soviet borders and was acceptable to Finland as a sovereign state.

In 1948, the two sides signed the friendship treaty, which included reparations of a magnitude that many experts, especially outside Finland, thought impossible for the Finns to fulfill; however, it guaranteed Finland's sovereignty and its neutrality.

Naturally, the Finnish leadership listened to Moscow with a sharp ear in those days, but the treaty actually made it possible for Finland to maintain its position as a neutral state between East and West blocs. The Finns' neutrality policy had failed before the war, but the postwar leaders were more skillful and less naïve, especially the long-serving president, Urho Kekkonen, who developed Finland's neutrality policy into an art.

The 1948 treaty and the fulfillment of the reparations in 1952 resulted in Finnish industry gaining a tremendous advantage in trade with the Soviets, which they were able to maintain, more or less, until the collapse of the Soviet Union. Today there is no such treaty. Finland has no special position in the eyes of Moscow. Finnish businesspeople have to compete with Americans and Germans and everyone else on equal terms. It's no coincidence that the unemployment rate was less than 5 percent when the Soviet trade was at its peak. Now it's more than double that amount.

—Thomas Romantschuk

THE HAGUE

WORLD'S MOST MODERN STADIUM

It's a soccer field. It's a concert and exhibition hall. It's a discotheque. It's a theater. It's a trade fair.

It's the Gelredome, the recently inaugurated multipurpose sports and events complex in Arnhem. The field used for the facility's soccer games can automatically be moved out of the stadium in order to let sun and rain ensure the health of the natural grass. Also, the stadium features an automated sliding roof that can be opened and closed depending upon the weather.

The Gelredome's owners boast that it is the most advanced sports stadium in Europe and probably in the world. They say they designed the facility around the principle that each of the Gelredome spectators (the stadium can hold 26,500) is a customer who has to be taken care of in the best possible way. "We pride ourselves on the concept of the big smile," Karel Aalbers, the Gelredome's director, said at the opening in March. "That means attention, care, and dedication to our public."

Arnhem, a provincial capital near the German border, is probably best known for the World War II battle that bears its name, which proved to be a dramatic setback to the Allies in late 1944.

Nowadays, Arnhem is a thriving, industrial city. It is the hometown of Akzo Nobel, one of Europe's largest chemical companies, and of the soccer club Vitesse.

Arnhem is also the hometown of Gelredome director Karel Aalbers, a former jeweller, shopkeeper, and owner of a trade company that made a fortune doing business with the Soviet Union and other communist countries and later with Russia and Eastern Europe. Nowadays, Aalbers is the president of Vitesse.

For fourteen years, he dreamed of creating his own stadium, but he had to overcome lots of skepticism and red tape to see his dream realized. The stadium cost about $75 million to build, which was financed partly by local government and partly by private sponsors.

Aalbers knows his new business. He needs the money of the wealthy companies in the Arnhem region to pay for the stadium's sky boxes, lounges, and business seats. Sporting events are becoming increasingly important in the Netherlands—as elsewhere in Europe—for corporate entertainment. In addition to Akzo, the Gelredome has signed up several corporate sponsors, including Nuon, a regional electricity group; Ohra, an insurance group; local banks; and Bavaria breweries.

At the same time, Aalbers believes that local working-class fans, many whose only income is their social security paycheck, should also have a chance to attend games. He says his soccer team relies on its base of faithful fans so he makes tickets available at reasonable prices. As a result, he has developed something of a Robin Hood reputation.

The stadium, however, hosts more than sporting events. In just three and half hours, the grass floor is mechanically moved out, and the Gelredome is transformed into an event hall. About forty events a year are needed for the facility to break even on its costs.

In the first few weeks after the inauguration, two pop music groups, the Spice Girls and the Backstreet Boys, have already performed. But it is not all rock concerts; Verdi's opera *Aïda* is also on the program.

—Roel Janssen

BERLIN

REMEMBERING THE SAVIOR MARK

As fate would have it, the approval of the economic and monetary union (EMU) by all mainstream political par-

NEWSMAKERS

His record with clients is brilliant; with staff, nothing short of brutal. **Bill Harrison**, hired by **Deutsche Morgan Grenfell** (DMG) to push through the merger of **Deutsche Bank**'s wholesale banking operations with the investment banking unit, is known as "Attila the Brum" because he comes from Birmingham, England, and doesn't let anything stand in his way. He leaves a trail of bruised egos behind him wherever he goes.

At Deutsche Bank he will be in the front lines again. It plans to drop the Morgan Grenfell name, spin off asset management into a separate division, and put Harrison in charge of its newly melded wholesale and investment banking operations. This restructuring is expected to lead to around 9,000 job losses over the next three years, 4,000 of them outside the bank's native Germany.

Rumor has it that Harrison may be the henchman wielding the axe. He denies it, insisting that he has been hired "to build, not re-trench."

If that is so, his acknowledged banking skills and excellent rapport with clients will serve him well. One of his former colleagues confirms that Harrison "puts clients first, second, and third on his list of priorities. From their point of view he's a ball of fire."

Deutsche Bank can use some of Harrison's head of steam. It has a vast corporate client base in Europe but, until now, has failed to convince them to use DMG for investment banking services. Once EMU is launched in 1999, Deutsche's strong position in the European capital markets will undoubtedly give it a competitive edge, and Harrison is determined to help them profit from it.

•••

Until fifteen years ago he was selling shoes, now **Daniele Ermes Dondé** presides over a company that generates an average annual income of $2.8 million in foreign sales alone.

Based in the north Italian town of Cremona, his **Accademia Arte** manufactures masterpieces: "legal fakes" of works by the world's great painters. His "Van Goghs," "Renoirs," "Picassos," and others fetch anywhere from a few thousand dollars up to $40,000 a piece for special commissions. They are delivered with a certificate of "authenticity," which solemnly declares that the forgery is "a work valued and authenticated by artistic researcher Daniele Ermes Dondé."

A stable of talented artists works for Dondé all over Europe, each specializing in a period or a painter. Italian **Giorgio Dalla Zorza** is a Van Gogh specialist. In England **Fleur Beverly** paints Gauguins, while Hungarian forger **Ravasz Lajos** is equally able to emulate Rembrandt, Renoir, or Cézanne.

Dondé had a rocky start when he first decided to get into the "genuine" fake business in 1984. During his first exhibitions, he recalls, "people threw stones at the gallery windows. I was arrested, and I ties in the Bundestag (Germany's lower house of parliament) coincides with the fiftieth anniversary of the deutsche mark, the nation's most cherished civic emblem. Public opinion polls continue to suggest that about two-thirds of the electorate would prefer the deutsche mark to the untested euro. "I can understand many of the reservations," says Chancellor Helmut Kohl. "It must be remembered that the mark is older than the Federal Republic, but it is not a time of abolishing the mark but of introducing a stable, single European currency."

"This has been an impressive exercise in political will, especially on the part of Chancellor Kohl, who views EMU as Europe's (and his own) monument for the twenty-first century," commented the *Financial Times.* However, in Germany, where public opinion is most fragile, establishing the new currency's credibility and keeping the euro stable on a sustainable basis will be an overriding concern and a continual challenge. Moreover, Germans believe the deutsche mark is strong, although since mid-1995 it has weakened against the dollar, falling from seventy-two to fifty-five cents.

"The strong deutsche mark has become a kind of trademark for the Federal Republic in the world," wrote former Bundesbank president Otmar Emminger twenty years ago in his tribute to the currency that was born in the desperate aftermath of World War II. Writing about the celebrations of the deutsche mark's thirtieth anniversary, *Time* magazine editorialized: "It may have been the first time that any nation paid official homage to the strength and prestige of its own currency" and called it a "show of monetary chauvinism."

In discussions about the German obsession with the deutsche mark, outside observers often forget the role the currency played in saving the country from chaos. At the war's end with German cities in ruins, the cigarette quickly became the German reserve currency. Cartons of cigarettes became the accepted unit of capital. The US Army set up barter marts in Frankfurt and Berlin to regulate the black market activities of the occupation personnel, hiring appraisers to establish a value for silver, jewels, rugs, and porcelain that German civilians were ready to trade for American cigarettes and food. General Lucius Clay, deputy military governor for Germany, was asked by a German reporter whether there was any substance to the rumor that the United States was about to stabilize the German economy with a loan of fifty million cartons of Lucky Strike cigarettes.

The situation changed on Sunday, June 20, 1948, the first day when West Germans and West Berliners could exchange ten nearly worthless reich marks for one deutsche mark, but there was a limit of forty deutsche marks per person. Then, two months later, twenty more deutsche marks could be acquired. "I certainly had no idea what kind of a miracle I was holding in my hands," remembers Gisela Gericke, who was among the crowds exchanging the old marks for the new.

The reform hit those with small savings the hardest. Those who had hoarded goods, black-marketeers, and those who owned real estate prospered.

The currency reform immediately transformed German life. Goods reappeared in the stores; money resumed its normal function; and the black markets reverted to a minor role. The spirit of the country changed overnight. The gray, hungry, and dead-looking figures wandering about the streets in their daily search for food came to life. Pocketing their forty deutsche marks, they went on a spending spree. "I bought food, food," said former chancellor Helmut Schmidt, rolling his eyes upward at the memory of his pleasure when asked what he did with his first marks.

When a monetary event changes a nation to such an extent as it did in Germany, it is hardly surprising that it is commemorated and that so many Germans appear reluctant to relinquish their beloved deutsche mark.

—Wanda Menke-Glückert

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—Ester Laushway

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ARTS & LEISURE

BOOKS

Living, Studying and Working in Italy: Everything You Need to Know to Fulfill Your Dreams of Working Abroad

By Monica Larner and Travis Neighbor; Owl Books; 340 pages; $14

Hundreds of guidebooks to Italy fill the shelves in the travel sections of bookstores across the country, yet not one is as comprehensive and informative as *Living, Studying and Working in Italy* by Monica Larner and Travis Neighbor. With more than ten years of experience living, studying, and working in Italy, Larner and Neighbor have succeeded in making a reality of their dreams of expatriate life in the magical Mediterranean country. After finding out the hard way themselves, the two decided it was time to share some of their knowledge with those aspiring to follow in the footsteps of Mark Twain, Edith Wharton, and countless others.

In the book's introduction, both authors speak of regretting that "in our early years, we hadn't known things we know now—things that only a seasoned expatriate learns through direct experience." They agreed that they had yet to encounter a book that addressed the practical side of living, studying, and working in Italy and were motivated to fill that hole in the market.

Their book is truly the first of its kind. It offers the team's experience and knowledge accumulated over time and includes details of American expatriate life down to the most minute bits of information. Yet *Living, Studying and Working* is unique for the absence of any detailed information about Italian art, hotels, and restaurants. "We left that task to the many tourist guidebooks whose job it is to do just that," says Larner.

Instead, Larner and Neighbor present chapters with titles like: "Understanding Paperwork," "Shopping," and "Starting Your Own Business." When Larner and Neighbor felt their personal experience was insufficient, they interviewed dozens of successful expatriates and filled the book with colorful vignettes, anecdotes, and photos that make for informative and entertaining reading.

Chapter six, "Setting Up House," is filled with valuable information for renters about important differences between Italian short-term rentals and long-term leases, as well as how to deal with real estate agents. They also offer important tips, like making sure your apartment or house is actually heated.

Potential buyers learn that financing the purchase of a home through a mortgage is often prohibitively expensive for foreigners and that it is best to protect yourself by enlisting the help of as many professional sources as possible, including the *notaio* (notary public), *avvocato* (lawyer), and *geometra* (surveyor). The authors also discuss the special permits that are required for home renovators before they can begin modifying the existing structure of the house or apartment.

Perhaps, most helpful are some of the chapters on working. In chapter seventeen, entitled "Business Etiquette," future members of the Italian work force learn about Italian attention to personal grooming and detail and how to make a *bella figura* (good impression) and to avoid making a *brutta figura* (the opposite). The chapter is also filled with information about the proper protocol for a business lunch and the Italian art of negotiation.

Later, in chapters eighteen through twenty-two, job hunters can find pages of concrete suggestions on how to conduct the actual job search. In chapter eighteen, "Working in the Private Sector," there are more than 200 listings of American and Italian firms with addresses and information on how to go about contacting them.

The appendix is also extremely useful, with detailed information on the main political parties, the major media, the four branches of the Italian police, and a handy reference on classic areas of confusion, including measurements, clothing sizes, and electrical standards.

The life of an expatriate is often presented as glamorous and can be full of joy and rewarding experiences, but it is also often filled with hardship and misunderstandings. *Living, Studying and Working in Italy* offers an excellent resource that shows foreigners what to do—and what not to do—to make their experiences in Italy as comfortable and as fulfilling as possible.

—Saskia Reilly

Eating in Italy: A Traveler's Guide to the Hidden Gastronomic Pleasures of Northern Italy

By Faith Heller Willinger; William Morrow & Company; 404 pages; $20

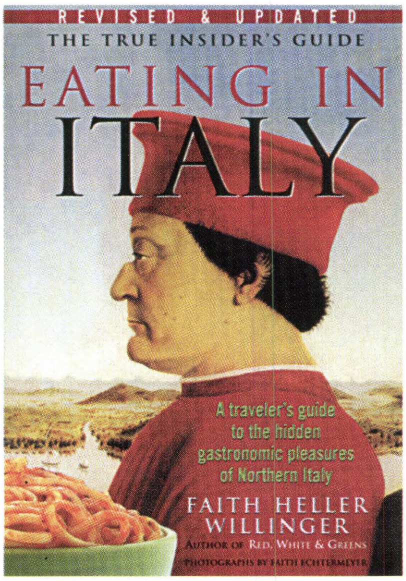
If you're like me, one of the first things you do when you arrive at your travel destination is to leaf through the hotel's literature to find out where to eat. Faith Heller Willinger has made this an easy task if you're traveling in northern Italy. Her revised book, *Eating in Italy,* takes you on a gastronomical tour of the eleven northern regions of Italy, providing hungry travelers with everything they need to know about the local foods and wines, and where to find them.

In each chapter, the author reveals the character of the regions, and her descriptions of the local restaurants and shops inform as well as amuse. Of one Venetian restaurant, she writes Le Carampane is named after the neighborhood's "house of the Rapanti family, where in the fifteenth century prostitutes exposed their breasts to attract customers." One hopes it's the food that seduces the customers today.

The historical tidbits about the food are also interesting. *Grissini,* yard-long, crunchy breadsticks from the Piemonte region, were first made in 1668 for a sickly prince who was suffering from "intestinal fevers."

The book also teaches you how to order in Italian; provides you with a list of all the delicious gelato flavors; describes what goes into making a great vinegar; and includes a food glossary.

You'll even become familiar with the names of the



owners of each establishment. At Vecchio Porco (literally "old pig") in Milan, where "the ambiance is homey, cluttered with pork prints, framed pig-printed t-shirts and boxer shorts, and a display case with hundreds of pig statuettes," owner Gerry Mele from Sardinia cooks up "*porceddu*—roast suckling pig with an irresistibly crunchy skin."

Under the guide for each region, there's an alphabetical listing of restaurants, pizzerias, bakeries, grappa bars, cheese makers, and other speciality food shops. The author has also listed a handful of hotels, conveniently located for touring the regions. If you're interested in purchasing some of the finest Italian porcelain, crystal, linen, or lace, you'll find out where to obtain these, too.

Ms. Willinger, an American who moved to Italy twenty-five years ago, is currently director of culinary programs at the world-renowned Cipriani hotel in Venice. The book is a reflection of her experiences and her love of the gastronomic pleasures of northern Italy over a quarter century. When I asked her recently about the differences between eating in Italy versus eating in the US, she replied, "Seasonal and traditional are the key words here. With the best food in Italy, the ingredients are seasonal and local and used in classic preparations, not new-wave dishes invented by chefs with global ingredients [as in the US]." And the food she misses most from the US: "Ethnic food and bagels."

Anyone interested in discovering the authentic flavors of northern Italy should not leave home without packing this book in their suitcase!

—Susan J. Burdin

Rebuilding a House Divided: A Memoir by the Architect of Germany's Reunification

By Hans-Dietrich Genscher; Bantam Doubleday Dell; 555 pages; $40

One of Europe's most durable politicians since World War II—and Germany's longest-serving foreign minister—Hans-Dietrich Genscher has been at center stage during a remarkable number of the defining events of the last thirty years. Whether it was offering to exchange himself for the Israeli hostages at the 1972 Munich Olympics, working for NATO's nuclear "double zero" option in the mid-1980s, or taking a leading role in the "Two-Plus-Four" talks on German unification, Genscher's contribution to shaping Germany's contemporary international personality has been crucial.

A picture emerges from Genscher's memoirs of a man whose roots in East Germany indelibly stamped his entire world outlook. Although his name is attached to the 1981 Genscher-Colombo plan to create a unified European foreign policy, it is clear that the driving force in Genscher's political life was not European integration but German unification and a resolution of the East-West conflict. He devotes a scant fourteen pages to the preparation of the EU's 1991 Maastricht Treaty, while the Commission on Security and Cooperation in Europe, intra-German issues, the United Nations, and German-Soviet relations receive detailed attention. His memoirs suggest that it was his partner in government for ten years, Chancellor Helmut Kohl, along with French President François Mitterrand (a kind of hero to Genscher) who were the major forces behind the construction of the EU in the 1980s and 1990s.

Of course, convincing the Soviet Union that rebuilding the German house was in its interest was no mean feat. Genscher's relationships with Soviet President Gorbachev and especially with Soviet Foreign Minister Shevardnadze were essential. Perhaps because he lived until 1952 in the East German city of Halle, Genscher demonstrated a remarkable flair for negotiating and building lasting relationships of trust with these Soviet leaders in the cold war's dying days. Genscher's solicitous attitude toward the East in the mid-1980s led some to warn of a dangerous "Genscherism"—a willingness to sacrifice the Federal Republic of Germany's Western orientation for the sake of unification of the country and peace in Europe. The author of these memoirs dismisses his critics as prisoners of "old thinking," and events certainly bear out Genscher's prescience about the Soviet Union's willingness to accept a reunified Germany in NATO and the European Union.

The book is full of a number of behind-the-scenes anecdotes that add spice to any senior politician's remembrances, whether it is obliging former US secretary of state James Baker to negotiate in his pajamas during a sensitive moment in the Two-Plus-Four talks, nearly tripping over the Polish foreign minister's shopping bags during one impromptu meeting, or being serenaded by the Portuguese foreign minister with a personalized *fado*.

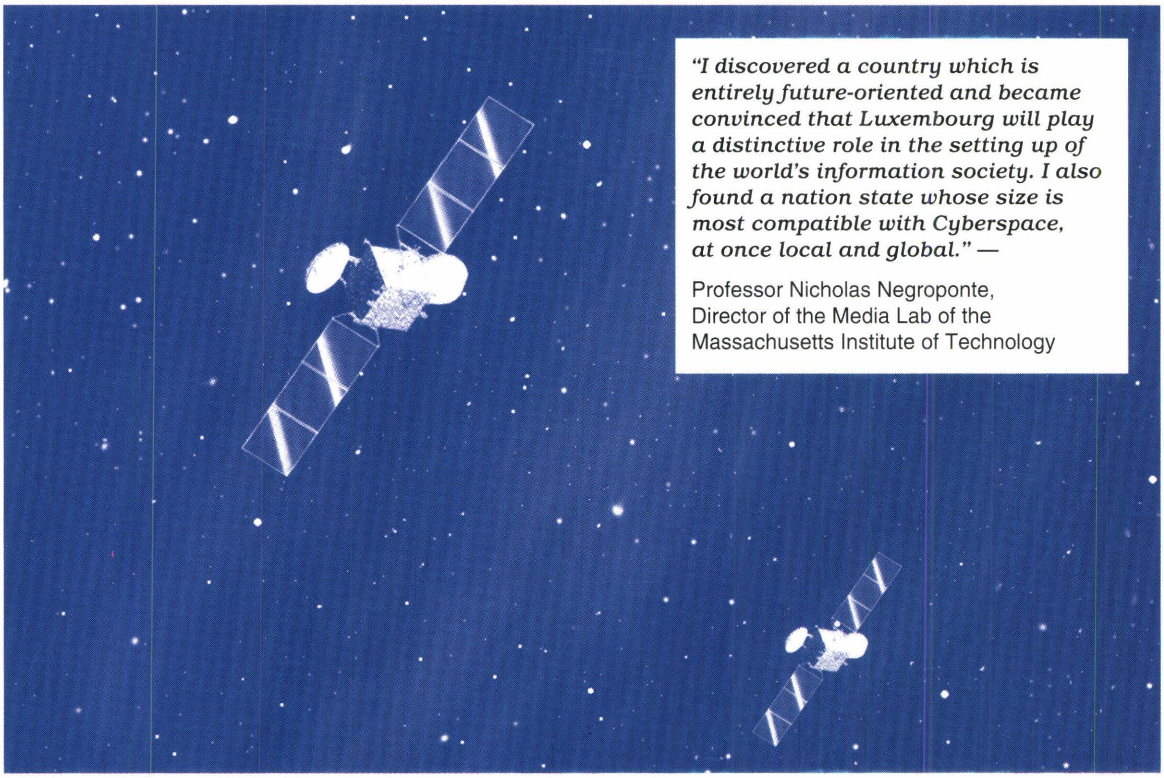
Unfortunately, the reader is at times hindered by Thomas Thornton's translation, which reflects a sore lack of familiarity with European issues. The Strasbourg-based Council of Europe is called the "European Council," something entirely different. The 1992 single market is dubbed the "Common Market," and the Commonwealth of Independent States is twice referred to incorrectly, once as a "Confederation" and once as a "Community."

Despite these shortcomings, Genscher's book is an important reminder of how far Germany has come. His country was barely a noticeable actor in international affairs when he took over the foreign office in 1974. By the time he left in 1992, Germany had become an indispensable voice on the world stage. Much of this accomplishment lies with Hans-Dietrich Genscher.

—Peter S. Rashish

Yesterday & Today

(Top) A propeller-driven C-54 airplane delivers supplies to West Berliners trapped behind the Iron Curtain in 1948. (Bottom) On May 14, 1998, President Bill Clinton and German Chancellor Helmut Kohl commemorated the fiftieth anniversary of the Berlin airlift at Tempelhof airport in Berlin.



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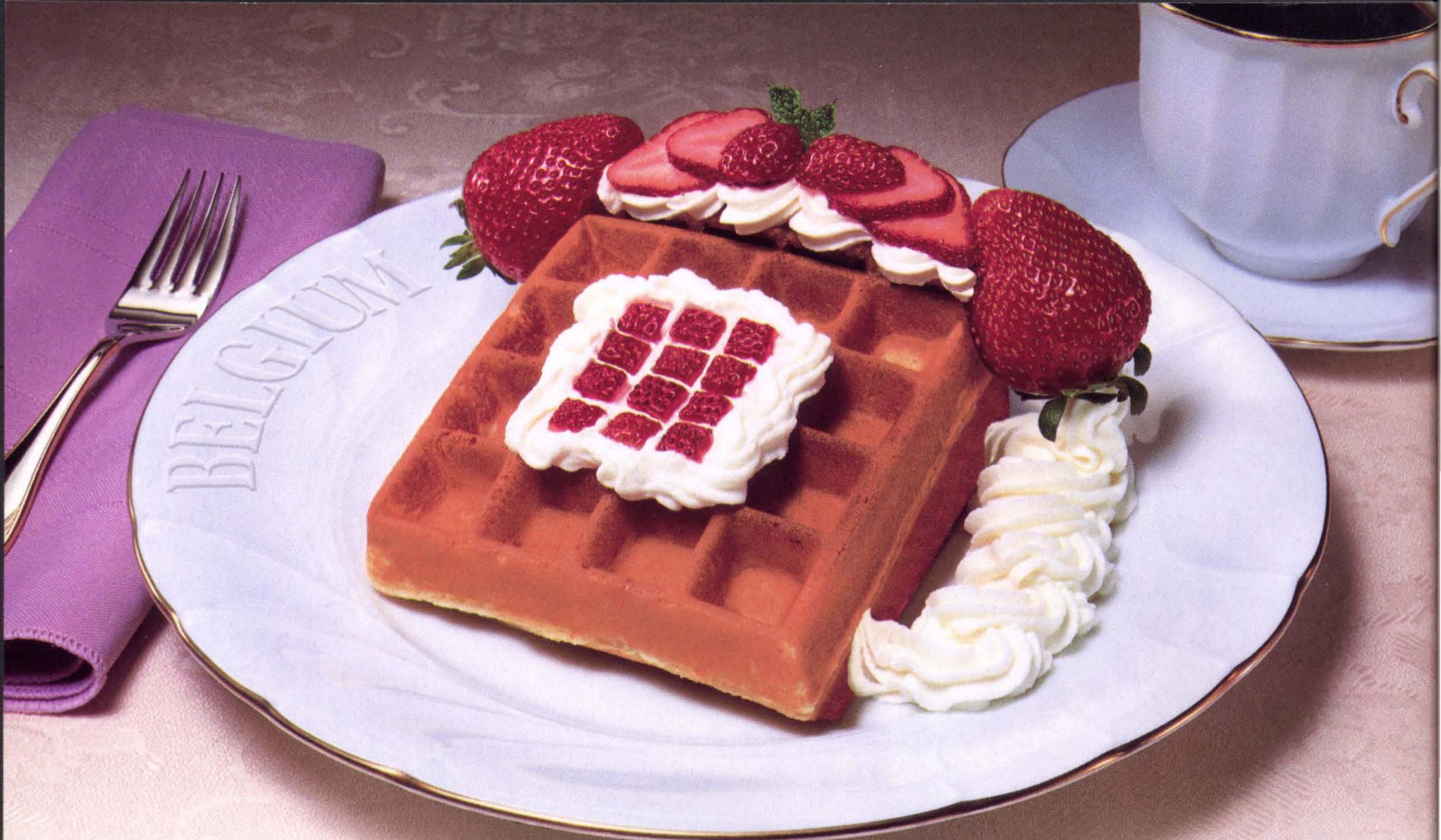

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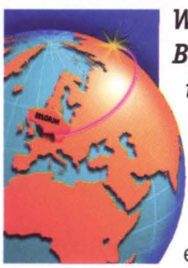

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[1]OECD, European Union Commission Report, Institute der Deutschen Wirtschaft [2]Manning, Selvage & Lee Survey