

The Celtic Tiger Roars • Northern Ireland: Peace or Terror?

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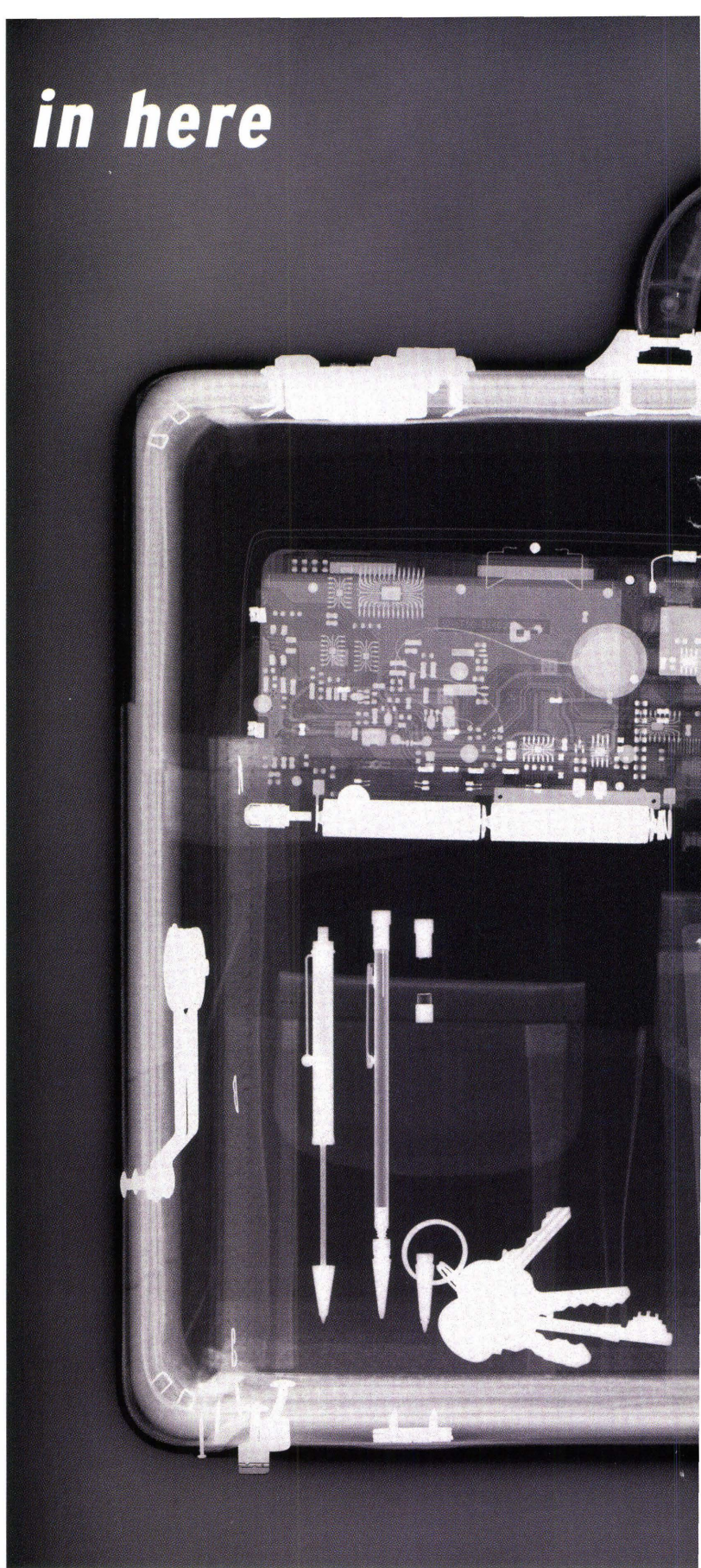
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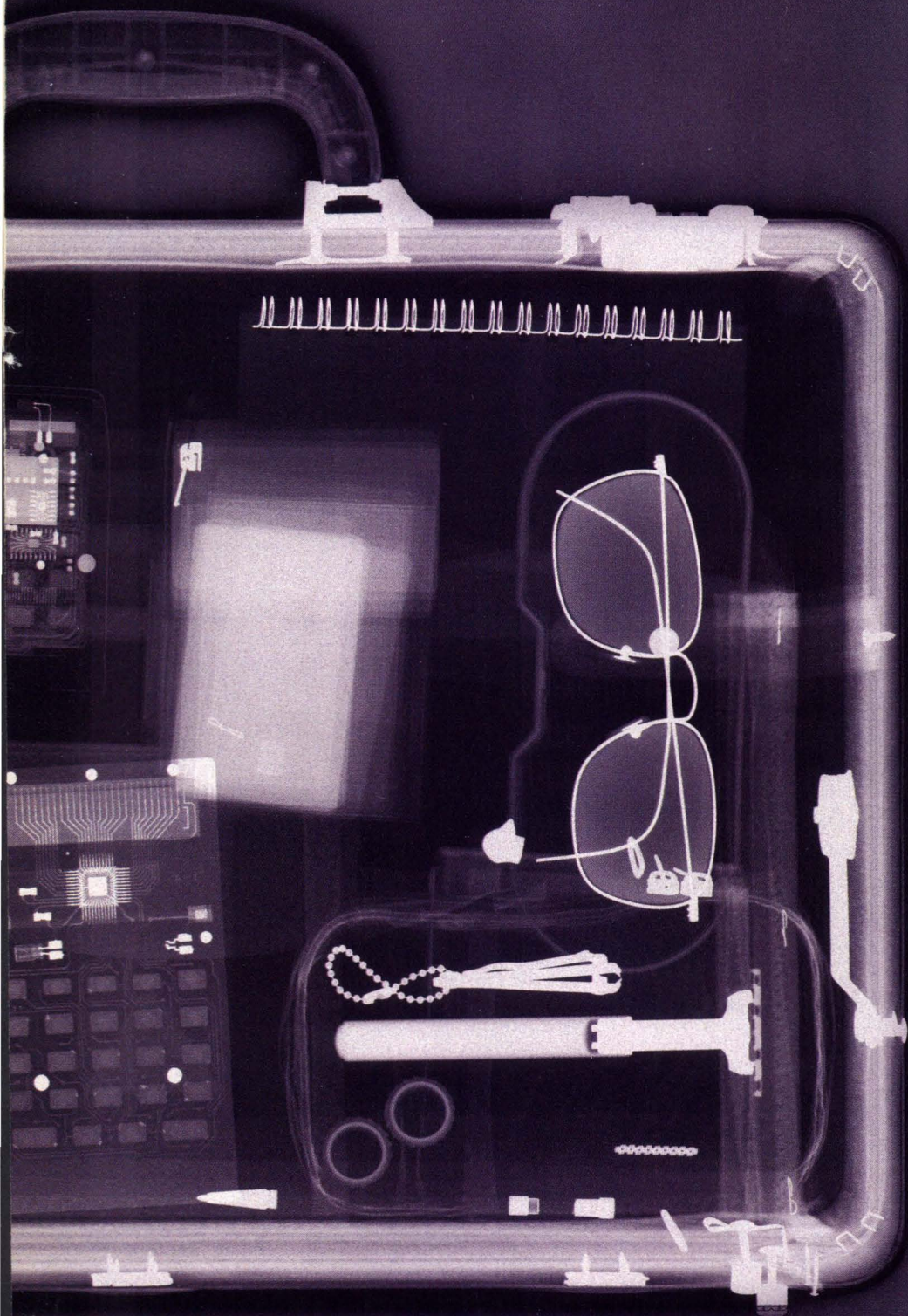
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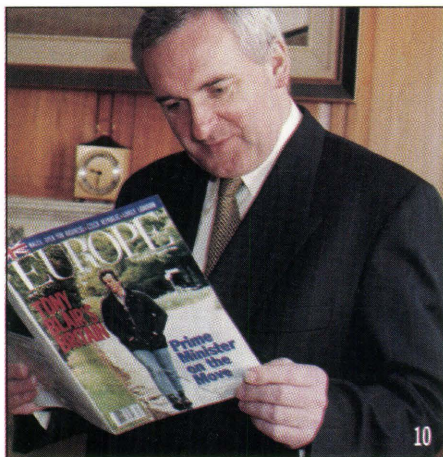
answers

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EUROPE

MAGAZINE OF THE EUROPEAN UNION



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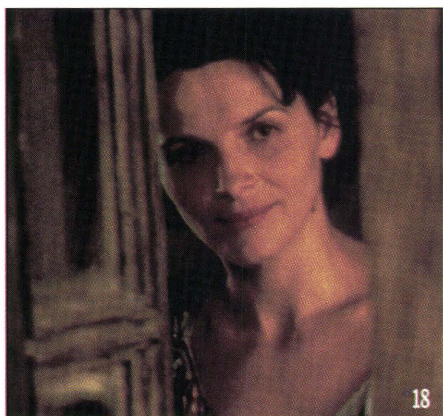
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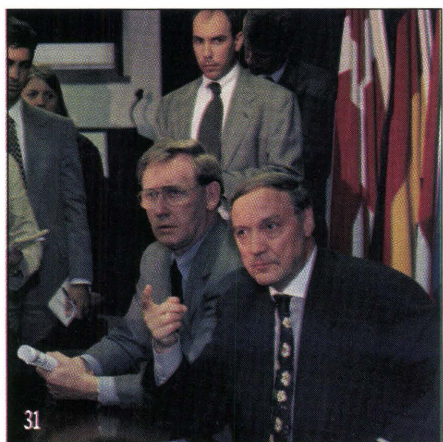
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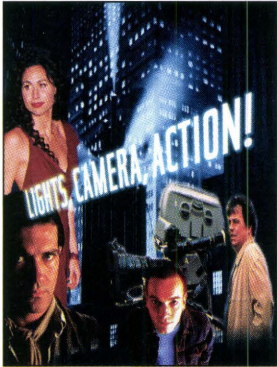
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Letter from the Editor

Europeans are going to the movies in record numbers, and as Bruce Barnard reports from London, "Europe's movie industry is on a roll, with film production and audiences surging, new money rolling in, studios fully booked, and multiscreen theaters sprouting across the continent. More importantly, Europe is making movies with worldwide appeal, like the Oscar-winning *The Full Monty*."



On the cover, clockwise from top left: British actress Minnie Driver (*The Governess, Good Will Hunting*), Irish filmmaker Neil Jordan (*Michael Collins, The Crying Game*), Scottish actor Ewan McGregor (*Trainspotting*, and soon to be seen in the upcoming and as yet untitled *Star Wars* "prequel"), and Spanish actor Antonio Banderas (*The Mask of Zorro, Evita*). In the background: a scene from German filmmaker Fritz Lang's 1926 silent masterpiece, *Metropolis*.

European actors and actresses are starring, not only in European-made movies, but also in many American financed films. Spanish superstar Antonio Banderas teamed up with gorgeous young Welsh actress Catherine Zita-Jones and British legend Anthony Hopkins in *The Mask of Zorro*. Britain's Emma Thompson played the role of America's first lady in *Primary Colors*. Juliette Binoche, who won an Oscar for her role in *The English Patient*, is one of the leading French actresses appearing in films today. From Belgium's Jean-Claude Van Damme to Austria's Arnold Schwarzenegger to Sweden's Lena Olin, Europeans are fast becoming America's, and the world's, favorite movie stars.

Jack Valenti, chairman of the Motion Picture Association, in an interview with *EUROPE*, says at the present time there are "no disputes with Europe. There is an ascending embrace and an ascending cooperation between Europe and the United States in film." *EUROPE* also details the audiovisual strategy of the European Commission.

Bertie Ahern, the prime minister of Ireland, in an exclusive *EUROPE* interview, speaks out on the Good Friday peace agreement, the booming Irish economy, the euro, and his upcoming trip to China.

Writing from Dublin, our correspondent Mike Burns profiles the "Celtic Tiger." Former Senate Majority Leader George Mitchell, who chaired the peace talks that led to the historic Good Friday agreement, spoke to *EUROPE* about the negotiations, stating that "the European Union has been a crucial factor and is one of the unwritten aspects of this story."

Karel Van Miert, the European commissioner in charge of competition policy, explains to our readers why the Commission has a role to play in mergers between two US companies, like MCI and WorldCom. Van Miert also discusses the euro, mergers, the airline and film industries, and other current issues in a wide-ranging interview.

Finally, our Capitals correspondents look at the film industry in each of the fifteen EU countries.

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EUROPE, Magazine of the European Union (ISSN 0191-4545), is published on the 15th of each month, except January and August, by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037. © The European Commission, 1998. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. *EUROPE*, published 10 times per year, is available by subscription for \$19.95 per year; \$34.95 for 2 years; \$46.95 for three years. Add \$10.00 to non-U.S. subscriptions for postage and handling. Student rate (with proof of enrollment): \$14.95 per year; \$25.95 for 2 years; \$35.95 for 3 years. Bulk rate also available. **Editorial, permissions, advertising, and circulation offices:** 2300 M Street, NW, Washington, DC 20037; Telephone (202) 862-9555. Available in microform from UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700

World Wide Web: www.eurunion.org

Newsstand distribution: Eastern News
1-800-221-3148

Subscriber services: 1-800-627-7961.

(In Canada call 303-678-0439.)

Periodicals class postage paid at Washington, DC and additional entry.

Postmaster: Please send change of address forms to *EUROPE*, P.O. Box 55935, Boulder, CO 80328-5935.

PRINTED IN THE U.S.A.

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Union institutions or of the member states.

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

EYE ON THE EU

Profiling Personalities and Developments Within the European Union

Henry Kissinger's oft quoted complaint that there was no telephone number to ring if he wanted to discuss a foreign policy issue with the European Union is about to be rectified. At their Vienna summit in December, the EU heads of government will appoint a high representative for the Union's common foreign and security policy (CFSP), who will also act as secretary-general of the Council of Ministers.

The day-to-day running of the Council will be delegated to a deputy secretary-general.

The high representative will be backed by the Policy Planning and Early Warning Unit (PPEWU), consisting of twenty senior officials—one from each of

the fifteen member states, one each from the Western European Union and the European Commission, and three from the Council of Ministers.

These new arrangements were provided for by the Treaty of Amsterdam, which should come into force within the next few months as the last ratifications come in from the national parliaments of the member states. However, the present secretary-general of the Council, Jürgen Trunpf, does not appear ready to seek an extension and enlargement of his functions. As a result, the search is now on for "Mr. CFSP," as he will no doubt be known.

"There are no candidates yet for the job," a senior Council official told a re-

porter in July, but the Austrian government, which has just taken over the presidency of the Council, is currently conducting discreet soundings with member states.

What sort of man or woman is being sought—a senior official or a well-known political figure? The second option is more likely, though Joachim Bitterlich, the influential foreign policy adviser to German Chancellor Helmut Kohl, has been mentioned in the early speculation.

One well-known politician whose name has been mentioned is Carl Bildt, a former Swedish prime minister, who won good opinions for his service as EU high representative in Bosnia. Bildt, however, is the leader of the Conservative Party in Sweden and could become prime minister if Göran Persson's Social Democratic government loses Sweden's September 20 election.

Other names being canvassed are Bildt's successor in Bosnia, Carlos Westendorp, a former Spanish foreign minister; Jacques Poos, Luxembourg's foreign minister; and Hans van den Broek, former Netherlands foreign minister and now a European commissioner.

Another possible candidate may have become available as a result of the narrow Social Democrat victory in the Danish elections in May. Opposition leader Uffe Ellemann-Jensen was a hot favorite to win but failed by a single seat. He promptly resigned the leadership of the Liberal Party and might welcome the challenge of a new post. He was Denmark's foreign minister for a record ten years until 1993 and was a highly respected figure within the European Union.

Whoever is chosen—whatever his or her personal qualities—will not make much impact without the full-hearted support of the fifteen member states. If their governments really do intend to forge a common policy they must be far readier than in the past to coordinate their efforts and give a fair wind to the new appointee.

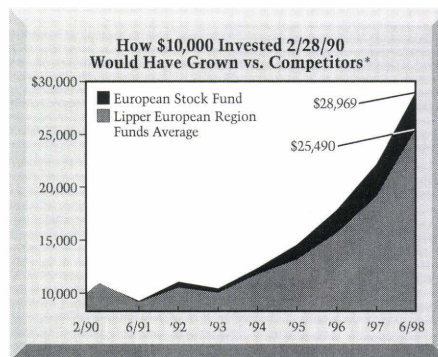
—Dick Leonard

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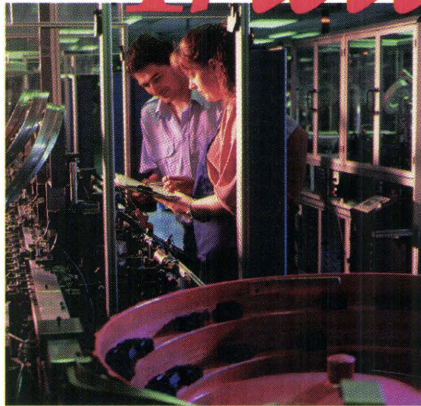
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SHANNON IRELAND

Perfectly Placed For

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It is now widely accepted that Ireland has outperformed all other EU countries in recent years, with names like the Celtic Tiger and the Rich Swan being frequently used to describe a country which is not only winning 30% of all new US manufacturing in Europe, but which is also the world's second largest exporter of computer software, surpassed only by the US.



Molex, Inc., a world leader in the global connector industry, has maintained its competitive position in world markets through setting up a Shannon subsidiary - Molex Ireland

The Shannon Free Zone, at Shannon International Airport, plays a major role in the country's economic success. The Zone is internationally recognized as one of the largest overseas investment centers in Ireland, with over 120 manufacturing and international service companies currently in operation, employing almost 7,000 people. Exports from the Zone are now in excess of US \$1.4 billion per annum with products manufactured at or distributed through Shannon destined for world markets.

Shannon Free Zone is at the heart of Ireland's dynamic Shannon Region. For more than three decades, Shannon Development, the Government agency responsible for economic development in the region, has been promoting and developing industry and tourism in this area, with significant success.

International businesses such as Lufthansa, Molex, Cybex and Tellabs have set up at Shannon. It is also the location for international service centers from multinationals such as GE Capital, Cabletron, Gymboree and JetPhone. In fact, the provision of fully-furnished, state-of-the-art buildings by Shannon Development, was a key factor in GE Capital's decision to locate two new companies at the Zone in the past year.

Companies choose Shannon for many reasons, varying from the right business environment and an excellent support infrastructure, to a local supply of skilled, cost competitive labor and a wide range of special fiscal incentives. In other words, all the ingredients for successful manufacturing and service operations with the particular advantages of the Irish environment.

Shannon Free Zone welcomes investment in manufacturing and internationally traded services in sectors such as Electronics, Engineering, Healthcare, Consumer Pro-

ducts and International Services. One of the major advantages of Shannon is that companies can engage in a wide variety of add-on activities (e.g. product fulfillment and customer support), which is the reason why companies such as

Pfizer, Reed Elsevier, Ingersoll Rand, Maidenform, and Sykes-McQueen have operations there.

Many companies also take advantage of the impressive support infrastructure at the nearby University of Limerick and other colleges in the area, which provide programs to underpin the sophistication and diversification of businesses at Shannon.

Shannon Free Zone is not standing still. It is gearing up for the Digital Age with the placement of a complete fiber optic ring within the Zone. Shannon Development is confident that this will now significantly mark Shannon out in a European industrial park context by positioning it as Europe's 'most profitable broadband location', through the provision of broadband services that facilitate a variety of new and emerging technologies.

To quote one Shannon resident: "With its highly educated workforce, exceptional quality of life and competitive business atmosphere, we feel that Ireland, and the Shannon area in particular, represents a great place to grow our business."

David R. Nissen, *President and CEO,*
GE Capital Global Consumer Finance Corporation (GCF)

Information on Shannon Free Zone is available from Shannon Development in the US and Shannon.

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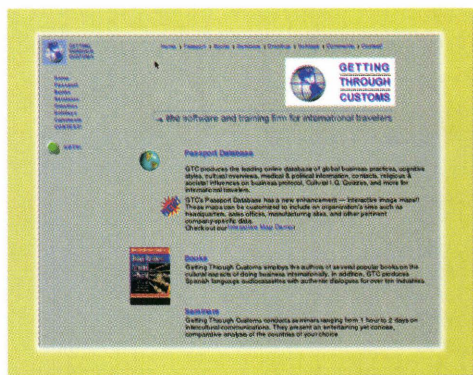
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EU ONLINE



FOREIGN FAUX PAS

Successful business dealings in another country can be as much about observing its customs as its laws. A businessman in Paris may be offended if his American guest uses first names before being invited to do so. A few minutes' tardiness in Germany can be a serious offense. Two Web sites offer some hints on how to avoid such embarrassments and concentrate on the business at hand.

Global Business Basics (www.getcustoms.com/omnibus) provides advice from Terri Morrison and Wayne A. Conaway, authors of *Kiss, Bow or Shake Hands: How to Do Business in Sixty Countries*.

They briefly address proper attire, greetings, punctuality, gifts, and the importance of business cards. Visitors to the Web site can get specific information on a few countries, such as the Netherlands and Italy.

When in the Netherlands, shaking hands upon greeting and departing is standard practice, according to the authors, but leaving one's left hand in a pocket during a handshake is impolite. Nego-

tiating a business deal can be a lengthy process because companies often come to decisions by consensus. The Dutch are also not apt to be spontaneous in setting up social gatherings.

Lunches and dinners are usually planned well in advance, so a suggestion on grabbing a quick bite to eat might not be welcome.

In Italy, the rules are strict for mixing business and pleasure, the authors write. Pulling out a business card at a social gathering is considered bad form, as is inquiring about someone's profession in such a setting. Visitors to the home of an Italian business associate can bring chocolates or flowers for the host or hostess but always an odd number of flowers and never chrysanthemums.

The goal of this site is to sell books that expand on these etiquette issues and entice viewers to attend seminars, so only a handful of countries in each region of the world are represented in any detail. The site's creators haven't used any Web gadgetry, such as audio or video, but the content is compelling enough to interest business travelers who are not veterans.

Another site, the Business Travel Etiquette Club www.traveletiquette.com, focuses on one country each month. A recent visit found a variety of information on France, including a list of do's and don'ts. Many have to do

with privacy. A simple example is do not enter a closed door—in public or private—without knocking first. Don't ask personal questions early in a business meeting. And don't expect to become fast friends with French business counterparts, the site's creator warns. Their friendships take longer to evolve but generally are stronger once formed. Other portions of Travel Club deal with gifts (the French usually appreciate books or music), dining, dress, and a few other areas.

Visitors can test their mastery of business protocol through an interactive quiz. The site also includes several dozen useful French expressions and an audio pronunciation tool. It's main flaw is that it lacks an archive, so it's hit or miss as to whether it addresses a country pertinent to a viewer's upcoming trip.

The Etiquette Club is more entertaining than Global Business Basics, but either site contains a few important lessons in cultural sensitivity, lessons that can help American business travelers close a deal or at least avoid a blunder.

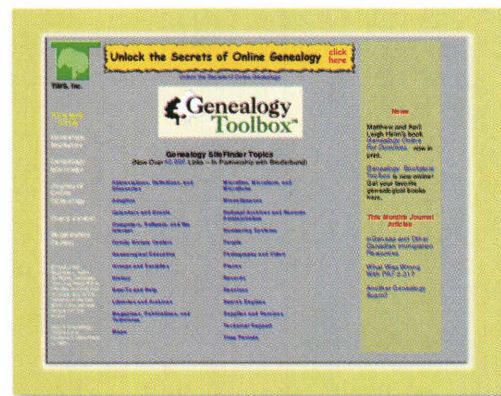
Site of the Month: GENEALOGY TOOLBOX

The Internet has been a tremendous resource for those hoping to explore their

family roots. One of the first stops for any amateur genealogist should be the Genealogy Toolbox (www.genealogy.tbox.com).

Site creator Matthew Helm, co-author of the book *Genealogy for Dummies*, boasts that his on-line pages include some 42,000 links.

With this much information, organization is crucial. The site is broken down into twenty-five categories, featuring some commercial, some institutional, and some personal pages. The listings include glossaries of genealogi-



cal terms, many of which are in foreign languages. There are lists of classes and software packages to facilitate a search. Libraries and genealogical societies also feature prominently.

Other than links, the Toolbox includes a few articles that tend toward the esoteric but probably fascinate those who have turned family history into an avocation. Visitors to the site will find no simple means of tracing their ancestry, but after gathering an oral history from older relatives, it's an excellent place to start the search.

—Christina Barron

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Ireland

Turn any street corner in Dublin, Ireland's capital city, and you are certain to be confronted by an horizon dominated by steel cranes, hoists, and the colorful hard hats of construction workers—ample testimony to the fact that the country's economic boom is continuing apace.

The so-called "Celtic Tiger" is roaring ahead with one of the fastest growth rates in Europe, low inflation, rapidly diminishing unemployment, record exports, and an increasing appetite for "the good life."

Ireland's entry to the European Economic Community (now the European Union) in 1973 was regarded by pessimists and others as a daring step. For a small backward economy, it was.

By Mike Burns

The Celtic Tiger Roars



Cranes—signs that the Irish construction industry is healthy and Ireland's economy is booming—dominate the Dublin skyline.

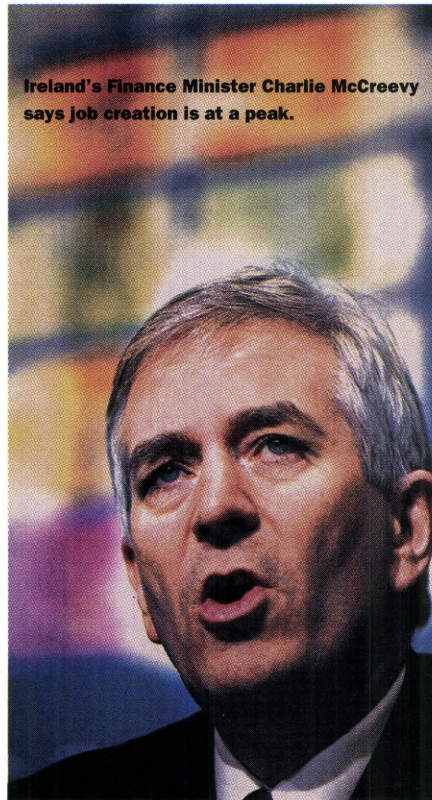
A young, motivated, highly-educated, enthusiastic, and computer-literate work force is attracting the American and Japanese industrial giants, such as Microsoft, Dell, and Intel, to locate here.

But Europe has been good for Ireland, with its history of deprivation and emigration.

Sustained Irish emigration began in the eighteenth century, with thousands of Ulster Protestants and a lesser number of Roman Catholics departing for the New World. In the 1840s, with the failure of the blight-ridden potato crop, the staple food of the masses, emigration reached its peak. More than a million people died through famine, and a million fled the country (mainly to the United States). Between 1846 and 1856, the population fell by a quarter (from eight million to six million) and fell further as emigration became a dominant feature.

That emigration trend continued into the twentieth century, reached another peak in the 1950s, and saw the island population decline to less than five million. "Wakes" were held for the departing emigrants. The majority would never revisit their native land.

Now that exodus has ended. The country is prospering. Employment is rising rapidly...and the emigrants are



Ireland's Finance Minister Charlie McCreevy says job creation is at a peak.

Blair declared, "Our determination has got to be that these people will never win and that democracy will triumph over evil."

This summer's violence notwithstanding, hope remains that, with a new peace agreement in place since Good Friday, there are some prospects of a return to normality. Elections to a new Northern Ireland assembly (which brings parliamentary politics back after twenty-four years of direct rule from Britain) went off without incident.

The Protestant leader of the Ulster Unionist Party, David Trimble, has been elected first minister of a new Northern Ireland administration, sharing power with Seamus Mallon, the Roman Catholic deputy leader of the Social Democratic and Unionist Party, who is his deputy.

And a new relationship is being pursued by that administration with both the Irish and British governments.

Irish Prime Minister Ahern believes that a sustained peace can benefit both parts of the island, with the Republic's

IRISH ECONOMY CONTINUES TO GROW

returning in huge numbers. A young, motivated, highly-educated, enthusiastic, and computer-literate work force is attracting the American and Japanese industrial giants, such as Microsoft, Dell, and Intel, to locate here. (Generous government financial and other packages have also played an important role in encouraging foreign firms to invest.)

There is also a new wave of confidence sweeping the country, expressed best perhaps in its cultural offerings—*Riverdance* and *Lord of the Dance*—to name but two successful productions. Theater, filmmaking, and the arts in general are thriving. *U2* and *Boyzone* are at the top of the musical world. Irish authors top the bestseller lists. Restaurants and hotels are flourishing. Tourism is booming. There's a new step in the Irish gait.

But the shadow of violence and sectarian strife still hangs over Northern Ireland, a cause of deep and continuing concern. As witnessed this summer, sectarian bigotry and hatred still pervade much of life in the green isle's North. In July, while police and hard-line Protestant protesters from the Orange Order engaged in a standoff at Drumcree, terrorists firebombed a house in the town of Ballymoney, killing three young boys in their beds. In August, a group calling itself the Real IRA exploded a car bomb in a busy shopping district of the town of Omagh, killing twenty-eight and maiming dozens of others.

The incidents drew immediate condemnation from local and national leaders. Irish Prime Minister Bertie Ahern vowed to "crack down ruthlessly" on terrorists. British Prime Minister Tony

success in attracting inward investment spilling over into Northern Ireland.

Charlie McCreevy, the Republic's finance minister, says exchequer returns are buoyant and job creation is at a peak.

But a skills shortage is already raising its head and could spell trouble down the road. A warning from Wim Duisenberg, president of the European Central Bank—that Ireland may be forced to tighten budget policy later this year to offset interest rates and help control inflation—is dismissed by Minister McCreevy as simply a "point of view" not binding on EU member states.

However, for the moment at least, the tiger appears on course for another record year. ☺

Mike Burns is EUROPE's Dublin correspondent.

Prime Minister Bertie Ahern in his Dublin office.

Bertie Ahern is that rare being—a politician who doesn't publicly aspire to halo status and, consequently, enjoys the friendship of not just those within his own party but across the broader Irish political spectrum.

Universally popular? No, not really. A “ruthless behind-the-scenes operator who gives no quarter,” according to one political journalist. And those who have witnessed him in action in government and intergovernmental negotiations say the rather cuddly teddy bear image he portrays disguises a fair but tough-minded individual unafraid to take on opponents with a prizefighter's commitment.

The Irish Peacemaker

Prime Minister Bertie Ahern negotiates historic agreement

By Mike Burns

The Irish political arena is not unlike the old-style boxing ring, where you don't stay on your feet and remain fresh-faced and unscathed by being nice to all comers.

And you don't survive, as Bertie Ahern has done, in a lengthy list of junior and senior ministerial roles, without doling out a few uppercuts.

But being tough, even with more than two decades in Irish politics to his account, isn't the only qualification necessary for leading Ireland's largest political party. It takes a much wider combination of commitment and pragmatism, of mixing ideology with practicality, of leading from the front and pointing the way forward on matters ranging from thorny social issues to the always sensitive problems of Northern Ireland.

Ahern, at forty-six, is witty, personable and an able parliamentary performer who enjoys the intensity and rhythm of politics, where often the main qualities of leadership are robust health, sheer tenacity, perseverance, doggedness, and sometimes stubbornness.

He is not an orator whose deadly wit taunts and wounds. Nor does he pretend to be. He is at his best and more at home in one-to-one meetings, a city politician who under-

Parliament (Dáil Éireann).

It looked like an unstable cocktail, but almost fifteen months on, Ahern's minority government is still sailing ahead, albeit with the odd bit of turbulence, and Ahern himself has a popularity rating far ahead of other party leaders.

Part of the poll-topping popularity relates directly to Ahern's deft handling of the delicate negotiations that led to the Good Friday peace agreement in Northern Ireland.

Following subsequent elections to the Northern Ireland Assembly and despite the barbarism surrounding the annual Orangemen's demonstrations in July and the car bomb attack in Omagh in August, there is a mounting feeling that those same horrific events could act as a catalyst in giving Northern Ireland its long delayed coming together of Protestant and Catholic communities.

Ahern the Peacemaker, with a buoyant Irish economy to flourish and a growing reputation as a negotiator on the European front, says what has been achieved in the Irish Republic can be replicated in Northern Ireland through outside investment—and stability. But a permanent peace remains the key.

Two problems cloud his horizon:

Hoping to lend support to the peace process, President Clinton visited Belfast and Omagh in Northern Ireland before traveling on to Dublin earlier this month.

President Bill Clinton met with business entrepreneurs at a roundtable discussion in Belfast in 1995.



stands the sometimes wry humor and more leisurely approach of his rural counterparts.

He is also a noted conciliator who likes to listen to all shades of opinion before displaying a calm but steely resolve in decision making. He loves and follows most sports (he played competitive soccer until recently). But he is not averse to an evening of theater or rock music—or, on the rare days away from his office, a few social drinks with school-day friends who have stayed loyal to him over the intervening years.

And he understands “ward politics” in his native Dublin better than most, if not all, of his political colleagues.

Ahern, the devoted father of two teenage daughters, is also the first prime minister of the overwhelmingly Roman Catholic Irish Republic to be separated from his wife and living with another partner.

In November 1994, Ahern seemed set to become prime minister when Albert Reynolds' Fianna Fáil Labor government collapsed. Instead, the cup was dashed from Ahern's lips and a three-party rainbow coalition took over.

But, in national elections last year, Ahern finally took the helm, forming a center-right coalition (with the Progressive Democrats) and relying on the support of a number of independent deputies in the twenty-eighth Irish

Charles J. Haughey, a previous leader of Ahern's Fianna Fáil Party and a flamboyant former prime minister, is facing serious charges of benefiting from large tax-free payments made by wealthy business friends and held in offshore accounts.

Ray Burke, scion of a prominent political family, held a series of high-profile ministerial portfolios—even a spell in the supersensitive Justice Ministry. But shortly after being appointed by Ahern as minister for foreign affairs, Burke was forced to resign from politics amid allegations of accepting money from business friends for party funds, not all of which ended up in the party coffers.

Two separate judicial inquiries are carrying out investigations, and while there is no suggestion that Ahern himself knew of any wrongdoing, both men were close friends of Ahern and were instrumental in bringing him into politics.

The fallout from the inquiries could damage Ahern's credibility and raise questions about his judgement with his Progressive Democrat partners, who have campaigned against sleaze in politics and (in opposition) frequently cried out for openness and transparency.

Their support is crucial if Ahern's government is to serve its full term. Depending on the outcome of the judicial investigations, an uncomfortable few months could lie ahead for Ahern the Peacemaker.

Ireland's taoiseach (prime minister), Bertie Ahern, was interviewed in July by EUROPE's Dublin correspondent, Mike Burns, in the prime minister's office in Dublin.

Mr. Ahern talked about his upcoming visit to China, the likely benefits and effects of a single European currency, and the still-delicate Irish peace process in the wake of the Good Friday peace agreement and yet another summer of violence.

Taoiseach, what is the purpose of your visit to China?

When I was at the ASEAN summit [in London in April 1998], the now Chinese prime minister, Mr. Zhu Rongji, noted that the Irish government had been taking a keen interest in improving and building up relations between our two countries. David Andrews, our foreign minister, was there in February, and Dermot Ahern, our minister for social, community, and family affairs, recently visited. There are enormous opportunities there at the moment. Everyone is now realizing that China is a country in transition, moving quite speedily toward a market economy. Trade and investment and their position in the world are changing dramatically, and we hope to play our small part in these developments. Mary Robinson, our former president and now UN commissioner for human rights, will also be there this month dealing with the human rights issue.

The Chinese are now, as they did with President Clinton, beginning to deal with this in an open way. Of course, everyone has difficulties with the past, everyone has difficulties with Tiananmen Square, everyone has difficulties wherever there are problems with civil liberties and human rights that are not practiced according to UN conventions. But what the world is beginning to do and to say with China is that [these issues] have to be discussed and dealt with, that there have to be new practices, and we will be saying the same thing. My visit will be the first of a number by European prime ministers between now and next spring. It is only right and fitting that we are in there from the trade point of view and that we are in seeking some of the opportunities that are there.

There are very strong historical links with China, even as recently as the late 1950s

when Ireland—with a certain amount of opprobrium—called for discussion of China to the United Nations. Is that a factor in you being the first of the European prime ministers to make an official visit?

It's certainly a factor in our efforts to normalize relationships. Even in the bad days, Ireland took the view that the best way of dealing with these things was through dialogue, as we do in many parts of the world. Ireland always uses its voice at the UN to underscore the necessity for dialogue to deal with issues. And that is a stance we have taken in relation to China since the end of the 1940s. In this instance, of course, the human rights issue will concern people greatly, and we want to do all that we can to try to move it on, but the certainty is that there has to be dialogue, and that is what all my European colleagues will be doing as well. President Clinton had a great visit in June, and that has opened the way now to confront the Chinese. Never before on their national television stations have they even begun to confront the issues of the past that are not acceptable to the democratic world.

Taoiseach, turning to things nearer to home and the Good Friday peace agreement in Northern Ireland: How difficult was it to achieve? Could it have been done without the constant efforts of yourself and Tony Blair and, in particular, President Clinton?

Of course it was difficult and will continue to be so in its implementation, but it's the only thing we can do to try to bring about an ultimate settlement. It's going to be difficult because there are still huge divisions—divisions of religion, divisions of people. There's the problem of a total lack of trust and confidence, and what we have to do is to build on that. A lot of people wanted to make an agreement, but it was the persistence of staying at it, of continually following it for the better part of a decade, in seeking some way forward, which eventually helped.

A year ago, in September of last year, as we started off the peace talks process, I said after I returned from my holidays that the first thing we had to do was to get Sinn Fein [the political wing of the militant Irish Republican Army] into the talks by the end of September. There were not too many people who believed that was possible, including some of the editorial writers

in two of our national newspapers. But we got Sinn Fein into the talks, the IRA had their three-month ceasefire, we started developing political contacts and strategies with Sinn Fein, and that ran up to that period when we thought we might get heads of agreement by Christmas. We allowed the parties to work on the heads of agreement, but it didn't happen then.

In my view, that was the worst period, because a glorious opportunity was lost in not agreeing to what was called "the proposition paper" by Christmas. We almost had agreement on it, and there was certainly more than one side to blame on this one. But we didn't have that agreement when the talks broke up on December 15. That led to a period of instability at Christmas, when people thought that the political system was not working.

In the week before Christmas, there were a number of violent incidents, and then two days after Christmas Day, Billy Wright [a militant Protestant leader] was assassinated [in the Maze prison] and that led to a spate of sectarian killings.

At this stage, Tony Blair and myself decided that the only way of progressing matters was for the two of us to directly engage. We had a meeting in England at the Manchester United-Newcastle United soccer game, just the two of us, no one else present, and we decided that this was a thing we would have to have a crack at. We did.

We agreed the heads of agreement paper on January 12, and this led to all sorts of difficulties. But we drew everyone's position out, which was precisely what we had decided to do, because as soon as we got people off the stage we saw what we could do. But as soon as we got through that difficult period and got people back to the talks and got a concentration of minds, we got into the long run up to finalizing the talks. Of course, President Clinton was very helpful to us at the end of that, but it was the consistency of Tony Blair and myself—we just kept pushing, pushing, pushing at it.

Now we've got the three-strand approach agreement. We've got strand one totally settled, and we have the administration, the Assembly [Northern Ireland's new parliament] in place, and...we hope to have the ministerial positions agreed. We still have to get

David Trimble [Ulster Unionist leader and newly elected chief minister of Northern Ireland] talking to Gerry Adams [leader of Sinn Fein], but hopefully all that will happen. Strand two faces a crucial time in the months ahead—October, November, December—with the first stage of implementation of new legislation. That is going to be a big issue from now until Christmas. I don't see strand three [including provision for a Council of the Isles] producing any problems. We've already started work on this. We'll be putting Irish consulates in place in Scotland and Wales, and members of the British-Irish Inter-Parliamentary Body [which draws its fifty members from the British and Irish parliaments] are already moving toward fitting into that new structure. So, in the calendar year of 1998, we will have done enormous work notwithstanding the threats, the fears, the attacks.

Did the horrific sectarian events on July 12, the burning to death of three young children in Ballymoney, County Antrim, give you any moment of despair?

To be honest, I always expected the "Twelfth" [traditional marching day in Northern Ireland of the Protestant Orange Order] to be very difficult. When Tony Blair asked me some months ago what I thought the three crises might be, I said, "We'll win the referendum [endorsing the Good Friday agreement], the Northern Ireland Assembly will be set up because everyone will want representation, but the "Twelfth" will be horrific. The reason I said that was because I have learned over the past number of years that the paramilitary violence is one thing, and the structures of the paramilitary organizations is another thing, but raw sectarianism is a different thing. They are not the same.

One of the mistakes I might have made over the years—and one most people make—is to think that with paramilitary violence out of the way it meant the problem was out of the way. But we have to think back to the 1960s, before the paramilitaries, to the violence and sectarianism of the Belfast gangs, all built out of July and August demonstrations and not part of what we understood to be paramilitaries. So we had done nothing in the agreement to solve that problem, and I think only

time and a different attitude of accommodation and dialogue and trust and confidence can do it. This stuff is tribalism, and that's what we had in July.

You were critical in July of the role of the churches in Northern Ireland. Do you think matters have improved or are you still critical?

It has improved. In July, as you may recall, I said my piece and then very quickly people came aboard. Of course they didn't come aboard because I was saying it, although I know it was noted. People waited for an horrific event and then everybody was on the move. I said then it wasn't easy for the church leaders because they were criticized by their own, and it's not easy sometimes to display leadership. I know that Archbishop Eames [leader of the Irish Protestant Church] and Archbishop Brady [leader of the Roman Catholic Church], who have been very strong in the period since then, were having difficulty getting people onside, and I appreciate the particular difficulty Archbishop Eames had when many

members of his church were on the "no" side. So, these things are not easy, but the churches, like everyone else, were shocked by the three tragic deaths—deaths which were almost inevitable given the terrible buildup of bigotry.

Could the terrible deaths of those three children, ironically, act as a catalyst in helping to defuse the sectarian hatred?

It's hard to call just now, to know what will happen in Unionism-Orangeism because there are widely divergent views among the Unionist political parties and within the Orange Order. There are divisions all over the place, and I think an effort will be made by someone somewhere to put together some new form of Unionism-Orangeism. I can't see Orangeism being able to continue as it is. But it will be very difficult. You are talking of trying to move something on 300 years, about some very bigoted people who practice raw sectarianism and violence.

Some people have said to me that

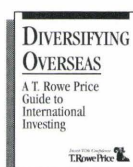
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what was preventing the sectarian problem coming to a head over the past three decades was the paramilitary violence. People couldn't see the civil rights, the human rights, civil libertarian things that were wrong in Northern Ireland.

However, there have been accommodations reached at the local level in recent times in a number of areas. The standoff in July at Drumcree [where Orangemen, prevented from marching through a Roman Catholic area, confronted police and soldiers] was never about Drumcree. Drumcree was about

"It may take some time, but there are opportunities for us to work as an island economy, to make sure that the prosperity moves around..."

who dominates. It was never about marching along a stretch of road.

The Irish economy has been dubbed the "Celtic Tiger," and it is a boom period. Can that boom include Northern Ireland? Can incoming industry be encouraged to look at the island as a whole rather than looking at the Republic and Northern Ireland separately?

I think so. If we can get peace, or close enough to peace, in Northern Ireland and to have meaningful dialogue between the various sides to overcome the difficulties facing into the future, and to get the Northern Assembly working as a political assembly would in any other democratic part of the world, the cooperation between North and South and between the British and Irish governments, which is at an all-time high, then we can start looking at investment opportunities coming into Ireland. I was anxious to see one of the North-South bodies dealing with inward investment, but that isn't possible yet. And it may take some time, but there are opportunities for us to work as an island economy, to make sure that the prosperity moves around and that this island grows as one economic entity. That may take ten or twenty years, but a start has to be made, and it will be made.

Could that aspiration be hindered, certainly in the short term, because of the British government's decision not to join in a single European currency? Will that be a problem, particularly in trade and com-

merce in the North-South border areas where you have different currencies and different exchange rates?

It's a problem between the Irish and the North economy in the short term because the very thing that we are doing in Europe—removing barriers and structures and the various transaction costs—we are bringing those more to the fore on the island of Ireland. It creates a bigger difference, but that's the way it is. I hope the United Kingdom joins a single currency eventually. I think they will. The economic argument will hold to that. Of course there

will be some uncertainties. It is amazing that we have got so far in setting up the euro and all that's involved with so little difficulty, so I suppose we could predict that somewhere along the way there will be some turbulence in financial markets somewhere, maybe unrelated even to the early periods. If that happens, then it means that, because sterling and the euro are on the one island, it will create some difficulties, but hopefully, the fact that while the British are not part of euro-plus, the eleven, they are working through ECOFIN to work in harmony with it, and if that's the case, then we won't have that many problems.

Is there any danger of that turbulence affecting the Irish economy, of the Irish economy overheating?

There are always dangers. It's the nature of economies. The dangers of what will happen in Japan...how will China deal with Japan...how bad will things get in the Far East...how will the financial markets view EU enlargement over the period ahead. These are all difficulties. Our difficulties will be to continue managing a relatively small, successful economy, to try to continue to have noninflationary sustainable growth rates of 7 and 8 percent a year. Of course that is creating some problems, the biggest one in the future being skills shortages—already a problem in some areas. It's not that they are not available, it's just that they put a price on it which leads to wage infla-

tion. In some sectors that is clearly happening, and we have to manage ourselves very carefully. Ten years ago the problem was could we pull down the high levels of borrowing and get some activity into the economy. Now it's a case that, through a booming economy, we have problems of transport, more infrastructural needs, a growing population, higher demands for houses and cars, people have more leisure time. All of these things are problems, but it's an entirely different set of problems to a decade ago. I suppose the nature of politics is dealing with problems, so we will have to work our way through it.

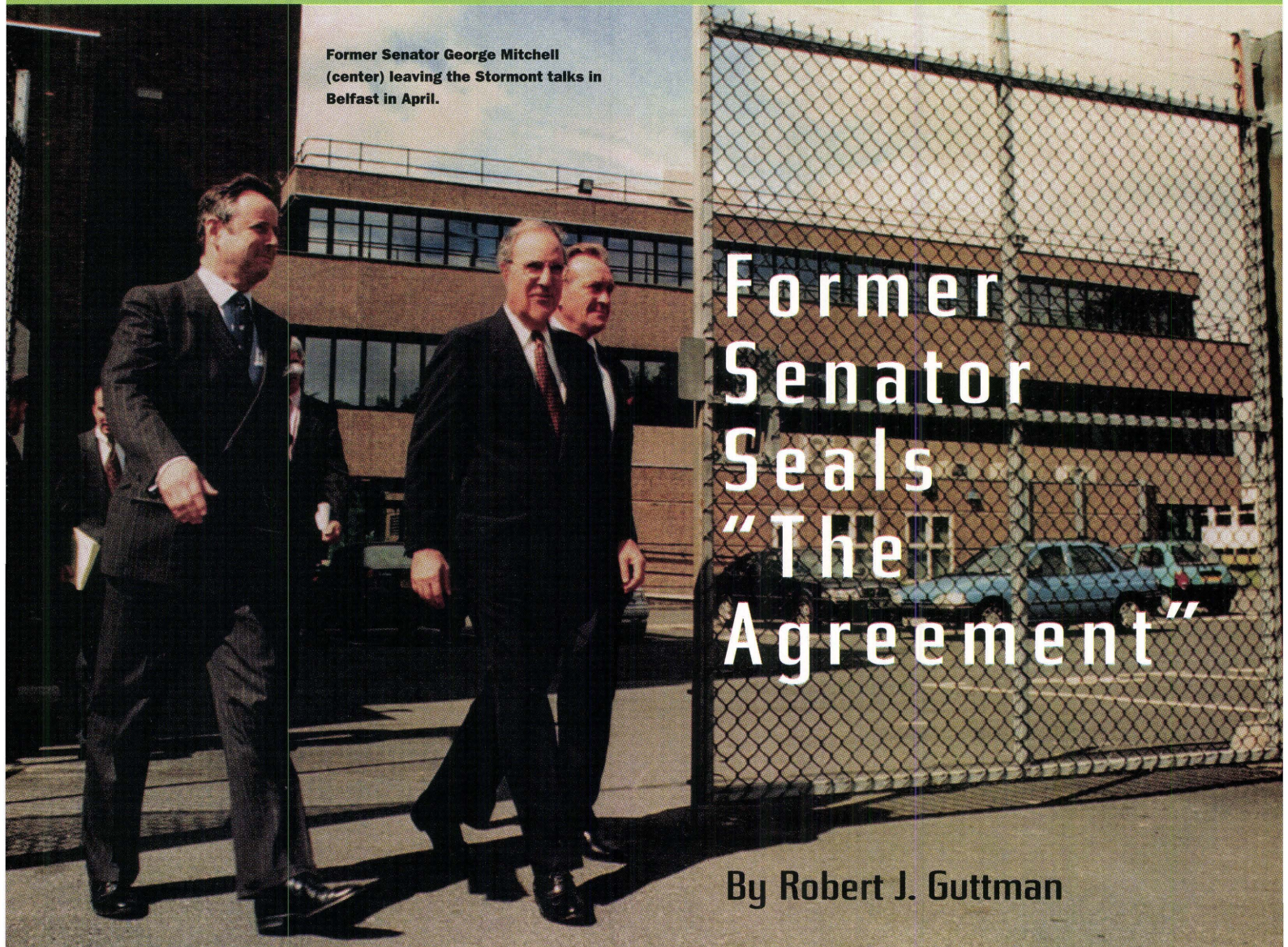
One of the other problems that has beset you for the last year is that your government has been touched by sleaze. Charles Haughey, a former leader of your party and a previous prime minister, is under investigation over the questions of secret payments made through offshore banking accounts. Ray Burke, your choice as foreign minister, had to resign and is currently under investigation for alleged receipt of secret payments from private companies. How stable is your government?

The government is extremely stable. There is no real difficulty in this government running its full course. During the whole year, we have had one or two ripples, and if it was a single-party government, we would probably have had six. There have been no difficulties.

What is happening here in Ireland is what has happened around the rest of the world. We now have an identification of new rules, new regulations in the political system, new standards being required where there were no standards before. There were no codes of practice, and when people did things in the past, they may not have been right and proper, but they were not legislatively or legally incorrect. Now we are viewing things with the benefit of hindsight, saying these things would not be acceptable now, probably would not have been acceptable then, but we had no regulation.

Now we are moving smartly to do that. We have brought in strict legislation. We believe that there should be a permanent commission that can deal with these things, and I also think that we have to make sure that our wider membership look at their role in the democratic system. ☺

Mitchell's Mission

A photograph showing three men in suits walking outdoors. The man in the center is George Mitchell. They are walking past a building with a chain-link fence in the foreground. The background shows a multi-story building and a blue car parked behind the fence.

Former Senator George Mitchell
(center) leaving the Stormont talks in
Belfast in April.

Former
Senator
Seals
"The
Agreement"

By Robert J. Guttman

Why, after all these years did a peace agreement come about in Northern Ireland?

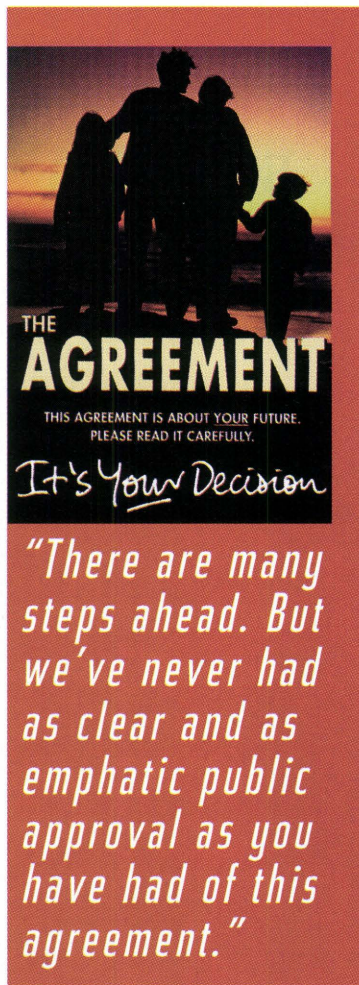
Former Senate Majority Leader George Mitchell, who has been nominated for the Nobel Peace Prize for his role as chairman of the talks that led to the historic Good Friday peace agreement, believes that "most important is the overwhelming desire of the people of Northern Ireland not to return to the bitterness and violence of the past." The man from Maine who has flown back and forth across the Atlantic nearly a hundred times in the last few years goes on to say, "The second factor was the courage of the political leaders of Northern Ireland.

A third factor was the cooperation by the British and Irish governments, led by a succession of prime ministers in both countries. John Major started this latest process and kept it going in very difficult circumstances. Tony Blair came in and brought it to a successful conclusion. On the Irish side, Albert Reynolds started it. John Bruton kept it going, and then Bertie Ahern came in and brought it to a successful conclusion. A fourth factor is the improving economies and social and cultural changes in both the Republic of Ireland and Northern Ireland. And a growing recognition by people there that they didn't have to live the way they had lived for the past quarter of a century with so much violence and so much fear and anxiety. And another factor was the role of the United States. Bill Clinton is the first American president ever to have placed the problem of Northern Ireland high on the agenda of American interests. He made crucial decisions at the right time to move the process forward."

Mitchell, the former senator from Maine and leader of the Democrats in the Senate for six years, also gives credit to the European Union for making peace possible in Northern Ireland. The European Union has "been a crucial factor, and it's one of the unwritten aspects of this story. The foundation for this success was laid when the British and Irish governments began cooperating in the 1980s. No agreement would have been possible without the cooperation of the British and Irish governments. They organized this process, they put it together, they kept it going, they invited me and others to participate. And it is my personal opinion that it was the existence of the European Union that brought Britain and Ireland back closer together than they had been for many decades."

Mitchell, who had never been to Northern Ireland before his recent mission, goes on to state that "because they are members of the same entity, the European Union, they began to see that their futures were linked, economically and otherwise, and began the process of cooperating rather than disagreeing and shouting at each other, as had happened for so long a period of time. And the European Union's economic assistance clearly has been very helpful in both Northern Ireland and the Republic of Ireland. This would not have been possible without cooperation between the governments, and in part, this was created by their membership in the European Union."

Mitchell, often mentioned as a potential Supreme Court nominee, discusses positively the people and economy of Northern Ireland. It must be remembered that "Northern Ireland is not a backward undeveloped society. This is a very advanced, literate, productive, and energetic society. And



yet for a quarter century it was enveloped by fear and anxiety like a heavy unyielding fog that wouldn't lift. It was the damage to what was in people's minds and hearts that was the most severe and will be the most long lasting. The people of Northern Ireland want to have normal, productive, safe, and secure lives and to give their children the same kind of start that parents everywhere want."

Copies of the Agreement were made available to the general public.

How did the former senator, who had little background of the "Troubles," become one of the key architects of the peace agreement? "The story began in March 1994 when I decided not to seek reelection to the Senate. I spent an evening at the White House talking with the president. He said if something came up would I be willing to help out. He didn't mention Northern Ireland; it never crossed my mind, and I doubt it crossed his. Months later, he asked me to serve as the president's special advisor on economic initiatives in Ireland—"special advisor to the president on economic initiatives" was the official title. The president had announced he would hold a White House conference on trade and investment in Northern Ireland that I was to help organize. I went to Northern Ireland for the first time in February 1995, spent several days there thinking it was my first and last visit. I had no plans to return."

However, he relates, "the prime ministers of Ireland and Britain called me and asked if I would serve as chairman of an international commission to study and report on the issue of decommissioning of arms held by paramilitary groups in Northern Ireland. I agreed to do that. We issued our report in January 1996, and once again I thought 'that's it, I'll go home now' and I assumed my role in Ireland was completed. Once again, the governments called and asked whether I would serve as chairman of the negotiations. I agreed to what I thought would be six months, and it turned out to be two years. So, as the saying goes, one thing led to another. My role is now completed."

Would any one act of violence or any other act of terrorism tear the peace agreement apart? Could the peace process still be derailed? Mitchell says, "I don't think so. I stressed publicly and privately during my time there that it was important not to be deterred by acts of violence, that to do so would be to hand the future of Northern Ireland over to the gunmen, to almost invite them to do something, if you take that position that if one act of violence occurs you're going to stop the process. There are many people on both sides who are trying to stop the process, some by legitimate democratic means, some by illegitimate violent means. So it is important to take the opposite view of not to be deterred by any acts of violence and to make it clear in advance that if acts of violence do occur we're going to keep moving forward toward the objective of peace and reconciliation. There are many steps ahead. But we've never had as clear and as emphatic public approval as you have had of this agreement." ☺

Robert J. Guttman is EUROPE's editor-in-chief.

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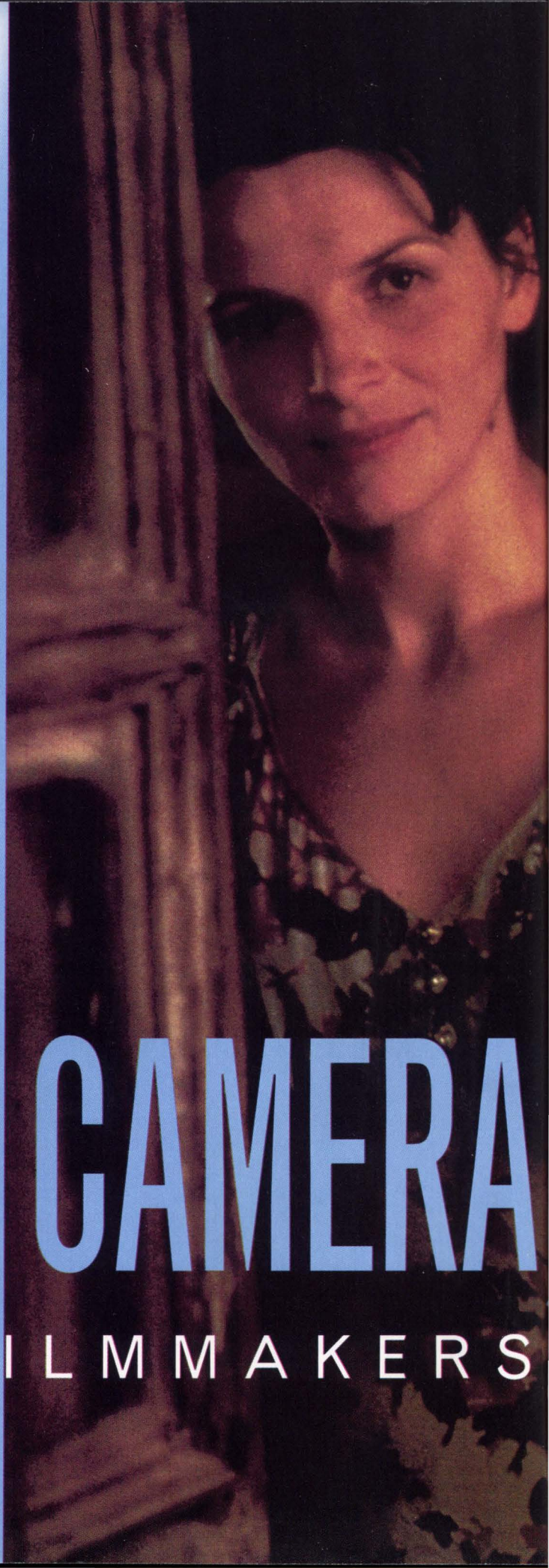
Europe's movie industry is on a roll, with film production and audiences surging, new money rolling in, studios fully booked, and multiscreen theaters sprouting across the continent.

The number of films made in the fifteen-nation European Union totaled 666 in 1997, up from 645 in 1996, while investment rose to \$3.23 billion from \$2.82 billion, according to *Screen Digest*, an industry newsletter.

LIGHTS, CAMERA

EUROPEAN FILMMAKERS

By Bruce Barnard



French actress Juliette Binoche won an Oscar last year for her role in *The English Patient*.

More important, Europe is making movies with worldwide appeal, like the Oscar-winning *The Full Monty* and the *The English Patient*, which made \$200 million, *Four Weddings and a Funeral*, which grossed more than \$250 million, and *Bean*, which generated \$100 million in worldwide ticket sales before it reached US screens.

More unexpectedly, France finally broke into the English language mass market with *Fifth Element*, a \$60 million science fiction thriller starring Bruce Willis and financed by Gaumont. Canal Plus, a pay-television firm, and Pathe have also increased investment in English language movies.

But can Europe maintain the pace and mount a credible challenge to Hollywood, at least on its home turf? US films account for 60 percent of box office receipts in France and a staggering 95 percent in Britain. That dominance was evident in the spring when American movies *Primary Colors* and *Godzilla* opened and closed the Cannes Film Festival, the showcase for the European industry.

The European Union runs a \$6 billion-plus audiovisual deficit, and the gap is growing. European film production may be breaking records, but few films make a decent return, and hundreds are never screened.

Europe's best chance of taking on Hollywood was hanging in the balance during the summer as more than a dozen prospective bidders began negotiations to acquire Polygram Filmed Entertainment (PFE), its biggest film company.

PFE, the producer of several box office hits, including *Bean*, *Fargo*, *Trainspotting*, and *Four Weddings and a Funeral*, was put on the block when Seagram, the Canadian liquor and entertainment group, acquired Polygram, its Dutch parent company, for \$10.4 billion.

Polygram invested \$1.2 billion of profits over seven years from its music business, the world's biggest with stars like Elton John, U2, Hanson, and Bon Jovi generating 1997 revenues of \$4.5 billion to become a Hollywood-style film production and distribution company. It finally opened a Los Angeles-based film distribution arm in 1997, whose debut release was *The Game*, a \$60 million thriller. PFE has yet to make a return. It lost \$55 million last year but is on course to break even in 1999.

But just as PFE was on the verge of becoming Europe's first global film company, there were fears it would fall into the clutches of a Hollywood studio—Disney was the hottest tip—or be folded into Seagram's Universal offshoot if a buyer wasn't found. Several European groups were interested in PFE, including Canal Plus and Pathe and the UK's EMI. German media giants Bertelsmann and Kirch were also said to be mulling a bid.

PFE is the only European company that has come close to "cracking" Hollywood. French bank Credit Lyonnais' acquisition of MGM/UA was a financial disaster—it cut its

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final link with Hollywood last December with the \$225 million sale of its film library to Polygram. Canal Plus was an investor in Carolco, an independent production company that went bust in 1995 after making a string of hits, including *Basic Instinct* and *Terminator*. Pathe backed several Hollywood duds, including *Showgirls*, and Goldcrest, one of Britain's most successful filmmakers with movies like *Chariots of Fire*, failed to make the grade in Hollywood.

European governments provide subsidies and tax breaks totaling \$850 million a year for films that generate box office receipts of less than \$400 million. In fact, only half of the approximate 700 films made in Europe every year actually make it to the screen.

The state provides 80 percent of film financing in continental Europe and 50 percent in the United Kingdom. France has the most generous system, financed by \$175 million a year, while Germany pumps \$145 million into the in-

dustry. Meanwhile the European Union is pumping \$360 million into film production between 1996 and 2000.

But subsidies won't work: Audiences for French films have slumped by 50 percent in the past ten years despite handouts while Hollywood steadily increases its share of box office takings.

European audiences aren't totally hooked on Hollywood. They will go to good European movies. Last year, *The Full Monty*, *Cyclone*, and *Air Bag* were the top grossing films in the UK, Italy, and Spain, beating Hollywood blockbusters such as *Men in Black* and *Lost World*.

However, many "European" hits like *The Full Monty* and *The English Patient* were made with American money because local film financiers failed to see their potential.

The European industry's aversion to risk and lack of private financing means it will miss out on the continent's cinema boom. After declining steadily since the 1950s, Euro-

EU'S AUDIOVISUAL STRATEGY

TAKING A BUSINESS APPROACH By Axel Krause

"Europe needs successful companies...But we should never forget that we are dealing with a unique industry in which creators play a vital role. Their interaction with the entrepreneurs is the key to success."

—Marcelino Oreja, European commissioner for culture and audiovisual policy



When he made that statement to a major EU audiovisual conference earlier this year, most of the 400 media leaders, politicians, and fellow commissioners attending last April's conference in Birmingham, England, immediately recognized—and welcomed—Oreja's speech as a new, business-oriented approach to supporting the future development of the EU's film industry, which is struggling to compete against the film giants in the United States.

Brushed aside were strident, Hollywood-bashing statements, renewed calls for strengthening

European Union quotas to support European audiovisual productions and any hint that other forms of protection, particularly against imported US television films, would provide answers to the EU's film industry.

The European Commission, Oreja said, believes French-supported quotas on foreign films, for example, are "becoming less relevant in the evolving media landscape, with increasing individualization of choice," referring to the rapid development of technologies in television transmission. Most industry leaders, particularly Americans, described

the statement of Spain's former foreign minister as pragmatic and realistic.

But, Oreja quickly added, "the (Commission and Council of Ministers') objective of encouraging the presence of European content remains valid and indeed is considered vital." The former secretary-general of the Council of Europe outlined a series of proposals that ranged from doubling the EU audiovisual budget to establishing joint financing ventures with the EU-based film industry and new training facilities.

Commission insiders noted in passing that the low-key Oreja thoroughly enjoys movies and, not surprisingly, heartily endorsed a European industry-sponsored initiative to create an annual "showcase event" that would represent an EU response to the Oscar and Emmy award ceremonies in the United States.

During the past few months, these and other proposals have been debated at the Commission's DG X in Brussels, which reports to Oreja, with a view to

presenting a comprehensive plan to the Council of Ministers and the European Parliament for approval by the end of this year.

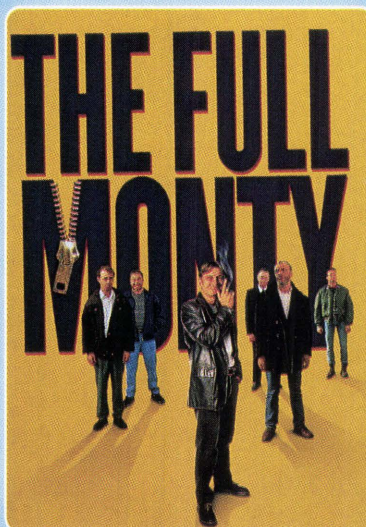
Oreja, a professional diplomat since entering Spain's diplomatic service in 1960, did, in fact, visit Hollywood companies, studios, and southern California training facilities last March. He returned convinced that the Commission must play an essential role in bolstering the EU's audiovisual industry. One key reason, despite obstacles and some opposition from the United Kingdom and Germany, is that the Commission proposals could lead to the creation of jobs—well beyond the one million men and women currently employed.

"We represent a huge, potential force and, with enlargement, a market of 500 million people, most of whom seek what audiovisual proposes in the way of education and entertainment," adds Jean-Michel Baer, the DG X director for audiovisual policy, who drafted some of the Commission's first audiovisual proposals in the mid-1980s,

pean movie audiences surged in the 1990s. Ticket sales grew by 20 percent in 1996 to 765 million and are expected to scale 920 million by 2000.

The boom is largely due to the construction of new movie theaters. More than 1,000 screens have opened in Europe since 1990, mostly in US-style multiplex cinemas, and at least 2,300 more are expected to open by 2000.

The European industry has finally woken up to the opportunities, and private money is flowing in. Société Générale, a French bank, recently launched a film financing unit in London that will work closely with Bannon & Co., its Los Angeles-based subsidiary that specializes in the



entertainment business. Separately, the British government introduced new tax breaks—notably a 100 percent write-off on the cost of producing or acquiring British-made movies.

Rupert Murdoch, the media tycoon, whose success with 20th Century Fox and the Fox television network shook the US entertainment establishment, has told the European industry it musn't run scared from Hollywood. "European media are a robust, proliferating life form capable of taking on the world and winning." ☺

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

while working on the staff of former Commission president Jacques Delors. He ticks off some problems: "We still are not professional enough. Major distribution networks are US-controlled. Barriers within the EU exist; German films are not distributed in Belgium, for example. How to convert creativity in the EU film industry into commercial success. We have a long way to go, but we are getting there."

Specifics in the new directions being sought by the Commission for the EU's audiovisual strategy and expected to be included in the Commission report to the Parliament and Council that may be adopted by the end of the year include the following:

Substantially increasing, hopefully doubling, the budget of the EU's MEDIA II program, currently averaging around \$69 million in spending per year. The 1996-2000 program is focused heavily on professional training for film and television production. Proposed initiatives that would require greater financial support include: EU distribution of European films for television, movie, and video outlets. A system of export guarantees to cover the risks related to the promotion of European works outside the fifteen-nation bloc. Creation of insurance and loan

schemes plus a computerized database to help EU exporters.

Supporting the creation of a private-sector funding program, which could generate \$888 million in new funds for European film production and distribution, assuming the EU commits \$22.2 million. US film giants Universal and Fox each recently generated about \$1 billion through such "securitization" schemes, which involve tapping funds for production by the pre-sale to financial institutions of the future sales of a slate of films. The plan was first proposed at the Birmingham conference by Michael Kuhn, president of Polygram Filmed Entertainment, which recently raised \$690 million this way.

Establishing the annual, "showcase" event that the Commission believes should be industry led, organized, and funded. "The Community, however, could play an important enabling role," according to the Commission's draft report. The idea would be to focus world—particularly media—attention on European film productions once a year. More specifically, urges Polygram's Kuhn, the ceremonies should bolster worldwide marketing of EU films and be centered on the annual film festival in Cannes. Other site possibilities mentioned in EU

film circles and at the Commission include Berlin and Venice, which also host popular film festivals.

Meantime, the Commission will be exploring new ways of cooperating with the industry, including with a key ally—the European Film Companies Alliance, grouping ten leading EU-owned film companies, including France's Canal Plus and Pathe; Luxembourg's CLT-UFA; Denmark's Nordisk Film; and the UK's Film Four affiliate of Channel Four. "We are by far the largest," says Philip Kern, Polygram's Brussels-based director and EFCA's founding member, emphasizing that "we get subsidies on our European films, which are rarely profitable, but they barely represent 10 percent of the total cost."

This isn't to say that Europe's audiovisual industry is stagnating. Consider the following, based on statistics recently compiled by the Commission.

- Consumer spending on audiovisual services in EU-member countries will double from current levels by 2005, as new, pay, and interactive services are established on multichannel, digital, television networks. Total expenditures are projected at more than \$60 billion.

- Film production in 1996, the latest period for which figures

were available, EU-based filmmakers produced a total of 669 films, of which 412 were national and 242 were co-productions, compared to 421 in the United States and 279 in Japan.

- Movie attendance is rising at about the same rate—about 7 percent per year—reaching 748 million individual visits to cinemas last year, the highest level since 1994. The increase stems largely from the development of multiplexes, large, comfortable movie theaters offering a choice of several films.

The central question for the EU industry, says Kern, is "whether European filmmakers will gain a larger share of the expanded market, or whether the EU will become more and more dependent on imports." Currently, the annual US film trade surplus with the EU is at more than \$6 billion and rising at double-digit speed. "We don't want to be imitating the Americans in everything we do, notably with Oscar-like ceremonies," says the Commission's Baer. "But we can, and should, be doing more here in terms of moving from a production-led and fragmented structures to a distribution-led integrated approach, with industry cooperation." ☺

Axel Krause is a EUROPE contributing editor based in Paris.

By Bruce Barnard



Hollywood is returning to the European homeland of the immigrants who crossed the Atlantic at the turn of the century to create Tinseltown within sight of the Pacific Ocean.

Sony of Japan, one of the biggest Hollywood players, is investing in post-production facilities at the Babelsberg film studios outside Berlin where Josef von Sternberg directed Marlene Dietrich in *The Blue Angel* and Fritz Lang shot *Metropolis* in the 1920s. Almost every other US studio and major independent is also crossing the Atlantic.

Hollywood Invests in Europe

NEW STUDIOS,
JOINT VENTURES,
& LOCAL TALENT
REAP PROFITS

Hollywood's invasion isn't a sentimental search for its roots but a determined bid to get closer to the action in a booming business—the European cinema. The US studios have been attracted by the explosion of audiences and the growth of new multiscreen theaters at a time when the American market is peaking and prospects in crisis-ridden Asia are uncertain. An added attraction is that European ticket prices are higher than in the US, while production, advertising, and marketing costs are considerably lower.

The move abroad makes sense as Hollywood already generates more than half of its revenues overseas and the share is rising. Europe isn't virgin territory for Hollywood, which has

The decision by Sony, which survived a baptism of fire in Hollywood, to set up in Berlin underlines its commitment to the business and the importance of Europe to its strategy.

movies, including local productions, rather than a small selection of Hollywood blockbusters.

Meanwhile, the frustrated, cash-starved British and continental European directors and technicians who emigrated to the US to make movies—more than one hundred worked on the *Titanic*—were also coming home.

The decision by Sony, which survived a baptism of fire in Hollywood, to set up in Berlin underlines its commit-

ment to the business and the importance of Europe to its strategy. tion companies have opted for joint ventures with established European filmmakers in an effort to exploit local language markets. Among the major deals, Warner Bros. and Canal Plus, the French pay-television group are investing \$100 million in a joint venture to make twenty films over five years. Walt Disney's Miramax unit put \$50 million into the launch of HAL, a London-based production company.

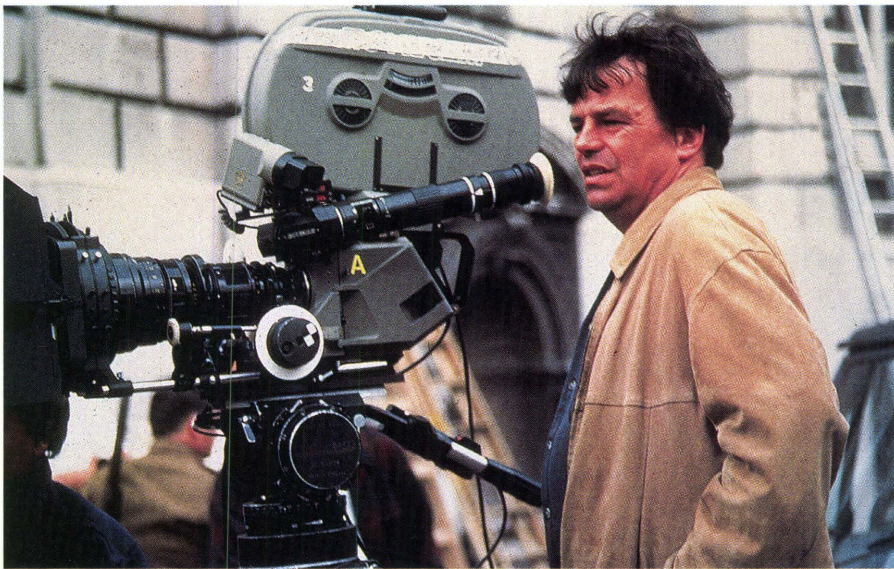
These deals were eclipsed by the decision of DreamWorks, the Hollywood media group headed by director Steven Spielberg, record tycoon David Geffen, and former Disney president Jeffrey Katzenberg to pump up to \$50 million a year into a London-based movie company run by Neil Jordan, the Irish director of *Interview with a Vampire* and *The Crying Game*.

Other US studios, including 20th Century Fox, Disney's Buena Vista, Universal, and Paramount are mulling European investments, while Phoenix, a leading Hollywood independent, has cut a deal to make nine movies with Nova, a German producer.

Hollywood views Europe as the world's most promising market because it is underdeveloped compared with the US market. Europeans trail Americans as moviegoers, and they also rent fewer videos and don't watch pay-television, which generate two-thirds of the revenue of an average Hollywood movie in the US.

But Europe is catching up fast. Receipts from broadcasting rights more than tripled from \$1.4 billion in 1990 to \$4.75 billion in 1996 and are set to explode as Europe launches digital television with hundreds of channels hungry for movies.

The invasion of the Hollywood giants doesn't mean European filmmakers will miss out on this multibillion dollar market. Just as the presence of Japanese auto plants in the UK forced European car makers to improve their productivity so the arrival of the US studios can galvanize European producers and directors to make movies that put "bums on seats." ☺



Irish director Neil Jordan (shown on the Dublin set of *Michael Collins*) has recently signed a deal to make films for Steven Spielberg's company, DreamWorks SKG.

long been attracted by its studios (the James Bond movies, many Spielberg hits, and the *Star Wars* trilogy were shot in Britain), its tax breaks, and its scenery.

The difference now is that Hollywood isn't leaving once the film is in the can or when European currencies strengthen against the dollar. The big studios are investing in new studios, forging joint ventures with domestic filmmakers, and hiring local talent. And the revival in domestic movies—German films took 35 percent of box office receipts in 1997, the highest since the 1950s—has encouraged the Hollywood studios to back non-English language productions. The multiscreen complexes can show a broader range of

ment to the business and the importance of Europe to its strategy. "The decision is recognition that Hollywood is too insular and of the need to become more international," states a company press release. Sony is also moving its European headquarters to the German capital.

Sony faces a long haul to transform Berlin into a movie capital. Compagnie Générale des Eaux, the diversified French utility, paid \$100 million for Babelsberg in 1992, but so far a \$235 million investment in new sound stages and post production facilities has failed to revive the former home of communist East Germany's Defa studios as a major center for feature films.

The other US studios and produc-

With all the pomp and circumstance of a Hollywood premiere, North American movie theater chains are rolling out multiplex theaters across Europe, replacing technologically-outdated single-screen movie houses. And like the marketing campaign for a blockbuster movie, this 're-screening' of the continent is happening in a big way.

By Melanie D. Goldman

Large American chains such as Loews Cineplex Entertainment (which operates Loews Theatres, Sony Theatres, Cineplex Odeon, Magic Johnson Theatres, and Star Theatres in the US) are taking bold steps into markets hungry for their multiplex product. In June, Loews announced that it formed New York City-based Loews Cineplex International to develop, construct, and operate movie theaters outside North America. Its first project is Yelmo Cineplex de Espania, a fifty-fifty joint venture with Spain's second-largest film exhibition company. Yelmo Films currently owns and operates 108 screens at 13 locations around the country. The newly formed company expects to add 15 to 20 new locations and 175 screens in the next few years. According to Loews, the Spanish market has experienced strong growth recently with a 34 percent increase in national box office receipts since 1993.

"With its strong economy, favorable political environment, and significant appetite for film, Spain is a perfect market for Loews Cineplex to begin what will be an aggressive international expansion," said J. Edward Shugrue, president of Loews Cineplex International.

Across the board, one of the keys to success in a foreign market is teaming up with a local partner. "Finding the right partner is crucial," said Brian Weisfeld, Imax Corp. managing director of IMAX Theatres and Communication and deputy to the CEO. "You need people in specific markets who know the market and can help to maximize the results of the theater."

Ontario, Canada-based Imax, known for its eight-story screens and powerful special effects, already has a total of twenty-eight theaters in Austria, Belgium, Denmark, France, Germany, the Netherlands, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Its theater in Munich's Deutsches Museum opened in 1992 and was upgraded to a 3-D theater in 1996; today it's one of the company's busiest locations. The company has an additional sixteen European theaters in the works. Many of these will be joint ventures—IMAX screens in multiplex theaters—with international cinema chains such as United Cinemas International (Viacom Inc. and Seagram's European theater chain), Ufa in Germany, and Gaumont in France.

In Potsdamer Platz, Berlin's rising new urban center, Imax plans to open a theater with Daimler Benz in October. The Sony IMAX Theater at the Sony Center, a multiplex not unlike Manhattan's Sony Theatres Lincoln Square (the highest attended theater in the US) will open in Potsdamer Platz in late 1999.

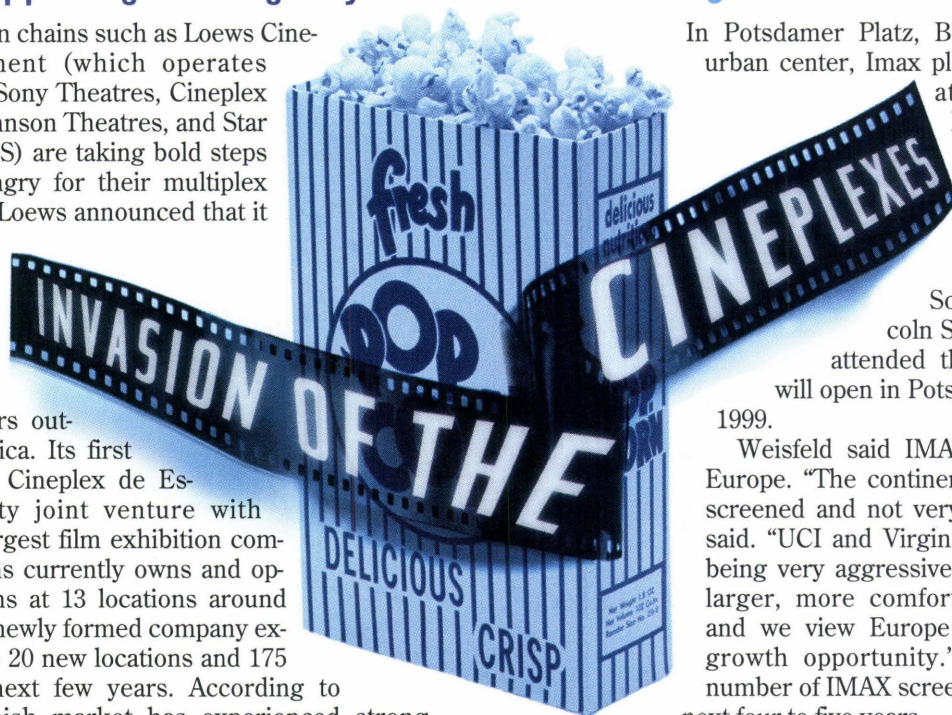
Weisfeld said IMAX is well-loved in Europe. "The continent is rather underscreened and not very megaplexed," he said. "UCI and Virgin and Gaumont are being very aggressive as far as building larger, more comfortable multiplexes, and we view Europe as a tremendous growth opportunity." He expects the number of IMAX screens to double in the next four to five years.

AMC Entertainment and Planet Hollywood International have joined forces to launch Planet Movies by AMC, which plans to open a dozen international complexes in the next two years. The company will unveil its first location—a two-level, thirty-screen, 6,200-seat complex—next summer in Columbus, Ohio. The concept includes movies, a Planet Hollywood restaurant, and additional cinema retail and entertainment.

Bill Doeren, president and CEO of Boston-based General Cinemas, said the company is looking at Europe for expansion opportunities; however, most of its current growth is in Latin America.

Although American chains are invading Europe armed with digital sound, stadium seating, and plush chairs with cupholders, they don't necessarily have a monopoly on the kinds of theaters in which we watch movies. General Cinemas has taken some ideas straight out of a Virgin theater in Rochester, England, and incorporated them in their newest US concept—the Premium Cinema. "It's like going to a movie as if you're flying first class," Doeren explained. The concept includes valet parking, a private, elegant lounge entrance with a coat check, ability to purchase advanced, reserved tickets, a bar, meal service, and leather seats. Tickets are about double that of a traditional theater ticket.

The first Premium Cinema opened successfully in April outside Chicago. ☺



Inside EUROPE

SEPTEMBER 1998

VOLUME VI/NUMBER 8

EU NEWS

BP TO BUY AMOCO

British Petroleum's proposed \$50 billion takeover of Amoco of the US, in what would be the world's biggest industrial merger, is widely expected to trigger a wave of copycat alliances between European and US oil companies.

The merger, which must gain approval from the European Commission, would create a new behemoth in the world oil industry, catapulting the new company, BP/Amoco, to within striking distance of the world's top oil companies, Royal Dutch Shell and Exxon.

The new giant, which would be headquartered in London, would have combined reserves of 15 billion barrels of crude oil and daily output of 3 million barrels and more than 100,000 employees. It will be the largest oil producer in the US and the North Sea and the world's third-biggest chemicals company after Shell and BASF of Germany.

The deal would also mark an end of a protracted period of stability in the western oil industry and open up a huge gap between the top three companies and other European firms in terms of oil and gas production, reserves, and refining capacity.

The leading companies, ranked by 1997 revenues, are Royal Dutch Shell (\$128.2 billion), Exxon (\$120.3 billion), and BP/Amoco (\$107 billion). Mobil was fourth at \$65.9 billion followed by Texaco, \$45.2 billion.

Industry analysts say the merger signals the start of a battle for top spot in the world oil business. "We're not going to settle for an easy third place," says John Browne, BP chief executive.

The companies "left behind" also will be looking around for likely partners to close the gap with the top three. They need to combine forces to be able to invest in the remote virgin oil and gas fields of Russia, Iran, and Khazakstan. Mr. Browne said BP was too small in the past to take advantage of the best opportunities.

The BP/Amoco deal will intensify pressure on US companies like Texaco and Chevron that have been seeking to boost their overseas presence to offset declining domestic oil production. Europe's "mini-majors" such as Elf-Aquitaine and Total of France, and Italy's ENI must also recast their strategy in the wake of BP's bold move.

—Bruce Barnard

(Inside Europe is continued after the next two pages)

WHAT THEY SAID

"The American president has a worldwide responsibility that is second to none. And that responsibility has to be fulfilled."

—*Helmet Kohl, German chancellor, speaking about the US attack on facilities in Sudan and Afghanistan allegedly used to aid terrorists.*

"A country like the United States, when its citizens are under attack in this way and when they are at risk, must have the right to defend itself, and we support our allies in this cause."

—*Tony Blair, British prime minister*

"Prices on most things haven't risen much yet, but we are buying more just in case. Before, I might have bought one package of sugar, but now I'm buying three at a time."

—*Galina Filatova, a Russian candy shop manager, on the impact of the ruble's fall*

INVESTORS MAKE EDUCATED CHOICES IN NORTHERN IRELAND

One of Northern Ireland's richest resources is brainpower — a form of energy that is vital in today's competitive business environment, particularly in the global technology sector. The region's highly educated work force is attracting an increasing number of international companies facing shortages of skilled technology professionals.

North American companies lead the growing list of investors establishing or expanding operations in Northern Ireland. Last year, the Industrial Development Board (IDB) for Northern Ireland reported that North American companies invested \$575 million in the region, more than half of the record \$1 billion total investment in Northern Ireland. New jobs were created largely in the computer software, electronics and call center sectors.

To share this success story with business executives in the United States and Canada, a delegation of senior business and government leaders from Northern Ireland will travel to North America in October, visiting 11 cities. The delegation, led by Dr. Marjorie (Mo) Mowlam, Secretary of State for Northern Ireland, will include Adam Ingram, Northern Ireland Minister of State, Dr. Alan Gillespie, chairman of IDB, and representatives of the new Northern Ireland Assembly. They will deliver a "time for your business" message about the outstanding business opportunities in Northern Ireland.

While Northern Ireland delegates will focus on the expanding business potential in the region during their October visit, executives from U.S. and Canadian companies that already have operations in Northern

Ireland will describe first-hand their experiences in Northern Ireland.

For example, Nortel, a global leader in telecommunications technology, recently announced plans to invest a total of \$45 million in two separate existing facilities in Northern Ireland. The investments will help the Toronto-area-based company expand its existing product range and support the development of new products for markets in Europe. Similarly, Seagate Technology, the world's largest independent maker

of computer disc drives, invested \$240 million last year to expand its wafer fabrication plant in Londonderry, Northern Ireland. The expansion is Seagate's sixth investment in the region in less than four years.

North American companies newly located in Northern Ireland include Information Management Resources, Inc. (IMR), a global provider of application software outsourcing services for some of the world's largest corporations. IMR chose Northern

Ireland for its first product development center in Europe. Company executives were impressed by the region's readily available pool of skilled information technology graduates. This same reason also convinced Liberty Mutual Group of Boston to open a corporate information systems facility in Belfast to develop software for its U.S. insurance operations.

These and other North American companies that have established a base in Northern Ireland all credit the region's work force, available facilities, low operating costs and generous assistance packages as key factors in their investment decisions.

"The ready availability of skilled information technology professionals and graduates in Northern Ireland complements our strategy to source globally the best talent available."

— Satish K. Sanan
Chairman, President and CEO
Information Management Resources Inc.

Northern Ireland



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BUSINESS BRIEFS

Ikea, the world's largest furniture retailer, is keeping faith with Russia despite the country's financial crisis. The Swedish firm is opening its first store in Moscow next year and is planning an outlet in St. Petersburg. Moreover, Ikea sees Russia ripe for its formula of providing stylish furniture at affordable prices. However, it faces a long haul.

"It will take twenty-five years to furnish Russia," according to Ingvar Kamprad, Ikea's seventy-two-year-old founder. At present, Ikea runs 149 stores in 29 countries.

The privately held firm unveiled figures for the first time during the launch of the first autobiography of the reclusive Mr. Kamprad. It made profits last year of \$894 million on sales of \$5.5 billion and invested in developing new stores, including its first outlet in China. The immediate focus is on Poland where Ikea wants to double the number of outlets to between ten and twelve stores.

Roche, the Swiss pharmaceutical giant, which has spent \$10.6 billion on acquisitions over the past eighteen months, is preparing to mount new takeovers with the US the likely hunting ground. The aim, according to Henri Meier, chief financial officer of the Swiss firm, is to become one of the world's top three pharmaceutical companies.

Roche's recent acquisitions have catapulted it to top of the world table in flavors and diagnostics, two of its four core businesses, and it is the world's biggest producer of vitamins. But in pharmaceuticals, its biggest division, it has fallen out of the top five.

Analysts regularly speculate Roche will team up with **Astra** of Sweden to create the world's largest drug company.

Europe's planned single currency, the **euro**, will be a "strong baby" and will rise modestly in value against the dollar during the first months of its existence in 1999,

according to **IFO**, the highly respected Munich research institute.

IFO's chief forecaster Willi Leibfritz is also bullish about growth prospects for Germany, the biggest economy in the eleven-nation "Euro-land" which will be established next January. He reckons its gross domestic product will rise by 2.7 percent this year and 2.5 percent in 1999.

But Ulrich Ramm, chief economist at **Commerzbank**, one of Germany's Big Three banks, warns the euro faces a serious threat from the extreme economic differences between the eleven participating countries. Finland and Spain grew at 3.5 percent in the first half of the year, while France and Italy grew by only 2.5 percent and 0.5 percent respectively.

The mega transatlantic mergers between **Chrysler** and **Daimler-Benz** and **British Petroleum** and **Amoco** have set the EU and US on course to consolidate their position as the world's biggest investment partners. Investment flows to and from the EU rose sharply in 1997, with recent figures from Eurostat, the EU's statistical agency, showing the fifteen member states investing the equivalent of \$191 billion abroad, a rise of 46 percent from 1996. Total foreign investment into the EU surged 38 percent to \$109 billion, with US spending rising 42 percent to \$23 billion. EU direct investment in the US more than doubled to \$40.7 billion. The UK, as usual, was the most popular location for greenback investment, while France, once considered hostile to outsiders, has become a firm favorite of US corporations. US investment in Sweden rose six-fold in 1997 to nearly \$4.4 billion.

Ryanair and **EasyJet**, Europe's leading cut-price, no-frills airlines raised the stakes in their battle with the established carriers by signing billion dollar contracts for new jets and launching new services across the continent. Ryanair, the Irish car-

rier, has ordered twenty-five Boeing 737s, which will be delivered over the next five years, more than doubling the size of its current twenty-one-plane fleet.

British-based EasyJet is in an even more ambitious mood, placing orders for thirty Boeing 737s worth around \$1.2 billion, which will increase its fleet from seven aircraft to more than thirty-five over the next five years.

Europeans, rebelling against some of the highest fares in the world, are flocking to the new carriers. Ryanair carried 22 percent more passengers in the first quarter of the year, thanks largely to the launch of six new routes. The airline expects to carry 5 million passengers this year, overtaking **Aer Lingus**, the state-owned Irish national airline.

Daimler-Benz, Germany's industrial behemoth, has ruled out adding an Asian leg to its merger with **Chrysler** of the US for at least three years.

"You can forget it until we can prove to the world that the merger (with Chrysler) is working," said Jürgen Schrempp, Daimler-Benz chairman. "That will probably take at least three to five years."

Daimler and Chrysler shareholders will vote on the planned \$40 billion merger in September.

—Bruce Barnard

INSIDE EUROPE

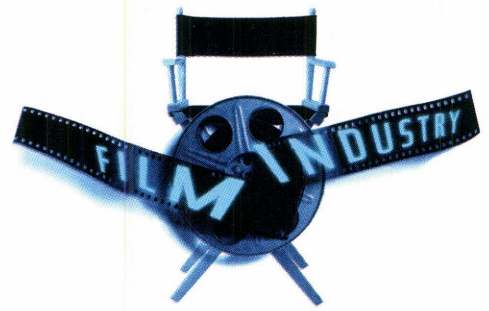
Correspondents

Bruce Barnard

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

Inside Europe is published by the Delegation of the European Commission, 2300 M Street, N.W., Washington, DC 20037.

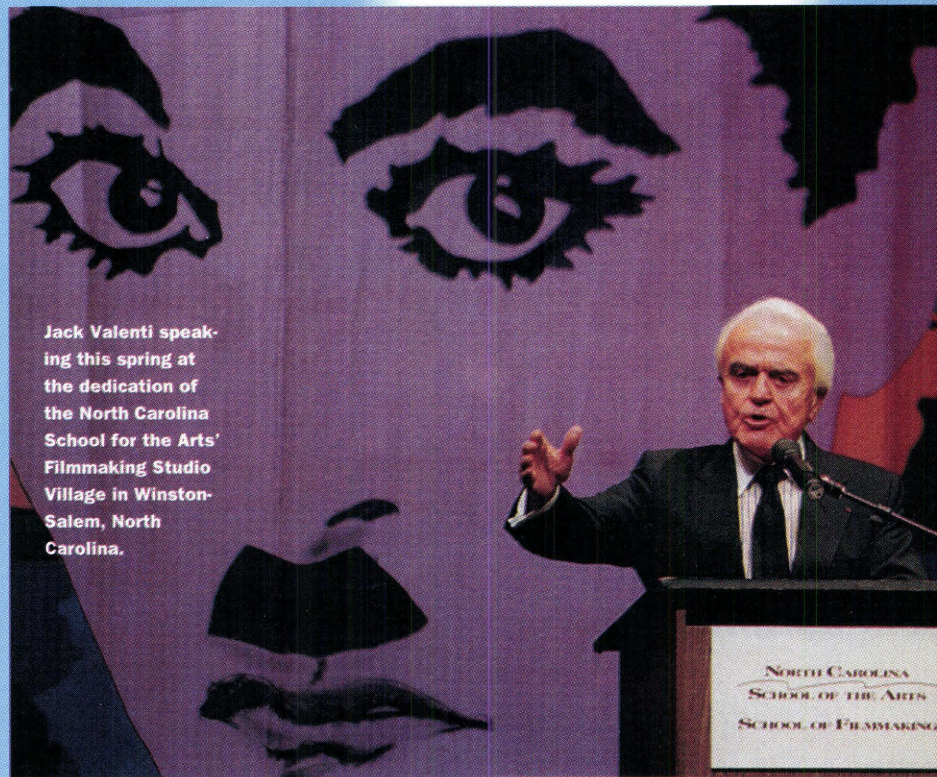
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GOING TO THE MOVIES WITH JACK VALENTI

“There is an ascending embrace and an ascending cooperation between Europe and the United States in film,” remarks the well-known chairman and CEO of the Motion Picture Association, Jack Valenti.

Sitting in his office decorated with large photos from his favorite movies (A Man for All Seasons is his all-time choice), Valenti goes on to state that the Motion Picture Association of America has “no disputes with Europe. The broadcast directive has been put to bed, and the way it is now, we have no problem with it. We live with it.”



Jack Valenti speaking this spring at the dedication of the North Carolina School for the Arts' Filmmaking Studio Village in Winston-Salem, North Carolina.

By Robert J. Guttman

HEAD OF THE MOTION PICTURE
ASSOCIATION SPEAKS OUT



“The decisions about which films are to be seen are made totally by the people of Europe, not by Americans. It is made by citizens of each city where movies are shown. In effect, Europeans are voting every day for the movie they want to see.”

Valenti repeatedly comments on “the declared invisible collaboration” between the American and European film industries. “We make a lot of movies in Europe,” he says. “Our American companies make indigenous German, Italian, French, and British films. We are constantly employing European actors, writers, directors, and our stars are involved in pictures in Europe. Bruce Willis just did Luc Besson’s film called *The Fifth Element*. There is a collaboration and a cooperation constantly going on. The American companies are also investing in production companies in Europe.”

American movies are doing very well at box offices across Europe acknowledges the man who represents the American film industry in the United States and abroad. Valenti states that “certainly the majority of films in Europe are not American. That is the number of films. But, the majority at the box office would be American films. But European citizens are making these choices. No one else is making them when they decide what film they want to see.”

Valenti, a former special assistant to President Lyndon Johnson, believes that there is a very simple reason why there is no Disney or Warner Brothers-type giant film studio in Europe. He says investors in Europe aren’t willing to take the enormous risks necessary to produce a blockbuster movie that may or may not be a financial success.

“There is nothing to prevent the Europeans or anybody else in the world from having global distribution companies or major studios. What it takes is investment risk capital, and governments can’t do that. They can’t put taxpayer funds into a very risky enterprise called movie making and marketing. It demands and requires private capital. There is a sufficient amount of capital in Europe that could be formed to create any number of companies that would be a factor in the global film business.”

Repeating over and over that there is a lack of private investment risk capital available in Europe for movie making

and marketing, he says quite frankly that there appears to be a dearth of financial risk takers in the Old World. “It’s risky, that is why it hasn’t happened. Making the movie and then distributing it is a perilous adventure. Sometimes you make money and sometimes you don’t, which is the reason that I suppose investors would rather be in real estate in Europe than in the movie business, because it’s far more unpredictable.”

Valenti goes on to say that the reason there is an absence of European production and distribution companies is, once again, because “there is a lack of private capital that says ‘I’m going to build a pan-European distribution company.’ Anyone could have bought Polygram; it was owned by a Dutch company. The Dutch company chose to sell it, and no European company chose to buy it.”

The CEO of the Motion Picture Association cites the lack of interest from European banks as another reason why Europeans aren’t as prosperous in movie making as American firms. “If you are looking for a reason why there are no counterparts in the distribution and studios in Europe to the Americans, it is because there is simply a vacancy of investment risk capital. Credit Lyonnais lost several billion dollars in loans to various movie companies. The loans turned out to be bad loans. Most European banks are a little bit anxious about doing that.”

Valenti, who divides his time between Los Angeles and Washington, DC, discusses the key reason foreign films not made in English do not do well at the box office in the United States. He says bluntly, “Most American audiences don’t like dubbed films. We’re not used to it, whereas Western Europeans are very used to it. Subtitles mean that you will have a smaller audience for subtitled films. It has nothing to do with culture, only the language. *Il Postino*, *Scorched by the Sun*, and *Cousin Cousine* won large audiences here, but they would have done a lot better had they been in English. That is a fact of

life that no one can change.”

Commenting on the French government subsidizing their film industry, Valenti, who has been awarded France’s Legion d’Honneur, states, “I have no problem with any country subsidizing anything it wants with taxpayer funds. But a subsidized industry will never be a global industry because you’ve got to have a free marketplace and you’ve got to have private capital going in there. Whatever the French choose to do, that’s fine; we can live with that. They make some good movies in France.”

Jacques Santer, the president of the European Commission, has proposed setting up a European equivalent of the Oscar awards. Valenti says, “I’m for that. I thoroughly support it, and I think it is a great idea. Why not have a pan-European ‘Oscar’ ceremony. It’s wonderful to celebrate the best of European films.”

Do people in Europe care where a movie has been made or who financed the film? Valenti comments, “I don’t think anybody wakes up in the morning in Paris or Milan or Berlin and says ‘today I’m going to want to see an Italian or a French or German or American movie.’ What they say is ‘Let’s go see a good movie.’ The decisions about which films are to be seen are made totally by the people of Europe, not by Americans. It is made by citizens of each city where movies are shown. In effect, Europeans are voting every day for the movie they want to see.”

Movies today can be financed by Americans with European stars and shot on locations in Asia. “It’s always been that way,” says Valenti. “Look at *Dr. Zhivago* years ago. It was produced by an Italian, Carlo Ponti, and financed by MGM, with a British writer and a British director, from a Russian novel, and starring an Egyptian movie star. Tell me what nationality that film is? The grammar of film is the same the world over. It might be a different language in there, but dramatic narrative and storytelling is a staple of the creative world.” ☺

By Ester Laushway



Europe's Reel Charmers

Hollywood is not just a planet; it is an entire universe, dominated by a bright galaxy of stars. Ever since this glittering fantasy world was created in a suburb of Los Angeles in 1912, it has exerted a powerful attraction on some of the brightest lights of Europe. From Marlene Dietrich, who ruled as husky-voiced temptress in the 1930's, to Minnie Driver, now making her mark on a more modern, modest scale, Hollywood has been the promised land for young actors and actresses everywhere. And Tinseltown has opened its portals wide to any number of foreign immigrants: The only passport required is plenty of ambition, tempered with charm and talent.

FROM
MARLENE DIETRICH
TO MINNIE DRIVER,
AMERICANS LOVE
EUROPEAN STARS



Double Bond: Scotsman Sean Connery (left) originated the role of 007, which is now played by Irishman Pierce Brosnan (right).



When Dietrich arrived from Germany in 1930, the American dream factory was at its fabulous best. Together with Josef von Sternberg, who had directed her in *The Blue Angel*, Dietrich made a series of films that established her as the ultimate femme fatale. They included *Shanghai Express*, *Blonde Venus* and *The Devil is a Woman*. All of America was at her feet: John Wayne described her as "the most intriguing woman I've ever known," and Ernest Hemingway was so enthralled by her voice, her "beautiful body," and the "timeless loveliness of her face" that he claimed "it makes no difference how she breaks your heart if she is there to mend it."

Divas of that stature have gone out of style, just as the omnipotent studio system has, but Hollywood still beckons. Minnie Driver, born in London in 1971, sixty years after Marlene, also worked as a singer and a modestly successful actress back home before heading for the Hollywood hills. Unlike Dietrich, she was not fleeing from political oppression and has not taken out American citizenship so far, but colleagues describe her as "a Hollywood girl" completely at home in American movies. After receiving a nomination for a Best Supporting Actress Oscar in *Good Will Hunting*, she is currently starring in *The Governess*, a love story set in Scotland. Her next project, which has begun filming in London, is *An Ideal Husband*, based on the play by Oscar Wilde. She will also be heard, if not seen, in the States as the voice of Jane

Bottom right: French actor Gerard Depardieu is one of the rare actors who has found success on both sides of the Atlantic. Below: Irishman Liam Neeson will soon star in the "prequel" to the *Star Wars* trilogy. His British wife Natasha Richardson can be seen in the recent remake of *The Parent Trap*. Right: Welsh actress Catherine Zeta-Jones in *The Mask of Zorro*.



in a Disney cartoon version of *Tarzan*. It is not lack of work that lures European stars like Driver across the Atlantic. Every year some 700 films are made in Europe, as opposed to 420 or so in the United States. The problem is that just half of those European films



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international fame.

The hottest French actress in Hollywood these days is Juliette Binoche, who won an Oscar last year for her portrayal of Hannah, the compassionate nurse in *The English Patient*. Binoche had appeared on American movie screens before, in *The Unbearable Lightness of Being* (1988), and in the steamy melodrama *Damage* (1992). One English role she would rather forget is the ditsy psychiatrist who traded apartments with William Hurt in *A Couch in New York* (1996). With that one exception, Binoche usually gets it right. Several of her leading men feature high on the list of British actors who have made it in the States. Gauntly handsome Jeremy Irons, who starred with her in *Damage*, won an Oscar for playing Claus von Bulow in *Reversal of Fortune* (1990). The latest dare he has taken is to play the obsessed Humbert in a new version of Vladimir Nabokov's controversial novel *Lolita*.

Daniel Day-Lewis, Binoche's co-star in *The Unbearable Lightness of Being*, is another British Oscar-winner. After taking the award home for his performance as the crippled hero of *My Left Foot*, Day-Lewis built up his muscles and his female following with *The Last of the Mohicans*. Ralph Fiennes, who died under Binoche's tender gaze in *The English Patient*, started his American film career as the sadistic concentration camp commander Amon Goeth in *Schindler's List* (1993), a part for which he gained twenty-eight pounds and which gained him instant screen stardom. Before that, Fiennes was one of the brightest lights of the Royal Shakespeare Company in Britain. He still alternates stage and film assignments and can switch identities with disconcerting ease. His most recent stint in front of the camera is as the suave, bowler-hatted hero of *The Avengers*, released last month.

Starring in *The Avengers* with Fiennes is the sexiest sixty-seven-year-old around. A former model, chorus boy, and Mr. Universe competitor, Sean Connery little realized he was making movie history when he first raised one sardonic eyebrow, curled his lip, and introduced himself as

ever get as far as a movie theater, and once there, they still have 80 percent of the box office receipts snatched away from them by American productions. So somewhere along the upward curve of their career, European actors and actresses have to either settle for being a household word on their native turf, or go for Hollywood and the chance of

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"Bond...James Bond." The role fit him like a second skin through seven films and helped him to become the most durable and highest paid British star since the 1950s. He has shed 007's tuxedo now but none of his charisma.

Connery has had several successors in the role of Bond, but none have come as close to the original in wry wit, natural elegance, and dark good looks as Pierce Brosnan, the most recent incarnation of the super spy. Irish-born Brosnan, who tried being a fire-eater, then an illustrator, before choosing acting as a profession, became known in the States through his starring role in the hit television series *Remington Steele*. It took ten years from the time he was initially tipped as perfect Bond material to when he first slipped into the persona with effortless ease in *Goldeneye*. The second of the four Bond films for which Brosnan has signed was the pyrotechnic *Tomorrow Never Dies*, with the high-kicking Michelle Yeoh from Hong Kong.

Another Irishman who could give lessons at charm school is Liam Neeson, whose six-foot-four-inch frame was knocking them out in the boxing ring before it had an equally devastating effect on stage and screen. In 1992, when he made his Broadway debut in *Anna Christie*, Neeson was spotted by Steven Spielberg and was cast in the title role of Oskar Schindler in *Schindler's List*. Neeson reappeared this summer at the head of the star-studded cast in the latest film version of Victor Hugo's classic novel *Les Misérables*. His next big role will be that of Jedi Knight Qui-Gon Jinn in the long-awaited prequel to the *Star Wars* saga.

The current vogue for film versions of literary classics has provided Britain's new Laurence Olivier, the multitalented Kenneth Branagh, with enough material to keep him busy for a good many years. For starters, he has announced his intention to transpose all of Shakespeare's plays to the screen. After directing and starring in a triumphant *Henry V* (1989) and a sunny, irresistible *Much Ado About Nothing* (1993), Branagh strayed from the Bard to create a messy, monstrous *Franken-*

stein (1994). He then delivered a lavish but lengthy *Hamlet*. Although Branagh admits, "My definition of success is control," he relinquishes it occasionally to work for other directors. Recently he played a John Grisham lawyer, complete with a genuine-sounding Southern drawl, for Robert Altman's *The Gingerbread Man*, and harbored impious thoughts as a priest longing for Madeleine Stowe in *The Proposition*.

Before their marriage broke up three years ago, Branagh formed the perfect golden couple with Emma Thompson. Every bit as talented as he is, with a ribald sense of humor she honed by doing stand-up comedy, Thompson co-starred with her husband in his first two Shakespeare films and in the reincarnation thriller also directed by Branagh, *Dead Again* (1991). She won a Best Actress Oscar opposite Anthony Hopkins in *Howard's End* (1993) and re-teamed with Hopkins for *Remains of the Day*. *Junior* with Arnold Schwarzenegger was a flop, but in 1995 Thompson not only starred in *Sense and Sensibility*, but she also collected a second Oscar for her screenplay of Jane Austin's novel. This year, she played America's first lady in the political satire *Primary Colors*.

Kate Winslet, another fetching young English face, has worked with both Branagh and Thompson. In *Sense and Sensibility*, she played Thompson's impetuous sister; in Branagh's *Hamlet* she had the plum part of the doomed Ophelia. Winslet also starred in the tragic period drama *Jude*, based on a Thomas Hardy novel, but she really won moviegoers' hearts when she boarded James Cameron's star vehicle, *Titanic*. Her only worry now is that she will be stuck in corsets forever. To avoid such a restriction of her talents, she is looking around for contemporary roles to play.

One European actress who seems in little danger of being typecast is the darkly beautiful Lena Olin. Trained in Ingmar Bergman's theater company, she was a well-established stage star in her native Sweden before taking on the role of the seductive Sabina in *The Unbearable Lightness of Being*. Her latest Hollywood outing is as the mother of a promiscuous Claire Danes in *Polish Wedding*, released in July.

Another July release, but on a much bigger scale and budget, was the washbuckling fable *The Mask of Zorro*.

It starred Spanish heartthrob Antonio Banderas, who has come a long way since he made his first American film, *The Mambo Kings* (1992). He did not even speak English at the time and had to learn his lines phonetically, but he delivered them with such smoldering conviction that no one noticed. Since then, he has mastered the language, but his Latin accent still sets off his sultry looks to perfection and has come in handy for several movies, including the musical *Evita*, in which he took a singing part and proved that he could sound nearly as good as he looks.

The task of playing the aging Zorro, who transforms Banderas from an uncouth bandit into an accomplished swordsman worthy of assuming the black mask and cape, fell to Anthony Hopkins, one of Britain's most gifted, versatile, and enduring actors. Hollywood ignored him for many years, until he started having people for dinner in *The Silence of the Lambs* (1991). His brilliant Hannibal Lecter won an Oscar and was the breakthrough to international stardom he had long deserved. *Howard's End* and *Remains of the Day* were further proof of his tremendous talent, and recently he was nominated for another Oscar for his portrayal of former President John Quincy Adams in Spielberg's *Amistad*.

Spielberg, who has a knack for picking winners, spotted Catherine Zeta-Jones, the female lead of *The Mask of Zorro*, in an otherwise unremarkable television miniseries on the *Titanic*. The lovely Welsh actress also played *Catherine the Great* on television and starred in the London production of the hit musical *42nd Street*, but the part of Elena, loved by both the old and the new Zorro, was her first major movie role. Her next big-name screen partner will be Sean Connery in the film *Entrapment*.

Judging by the cast list of recent movies, a strong mutual attraction exists between Hollywood and some of Europe's most marketable actors and actresses. There may be talk of creating the European equivalent of the Academy Awards, but in the near future Oscar shows no signs of being dethroned as the most coveted mantelpiece decoration for any film star, anywhere. ☺

Ester Laushway is EUROPE's Paris correspondent.

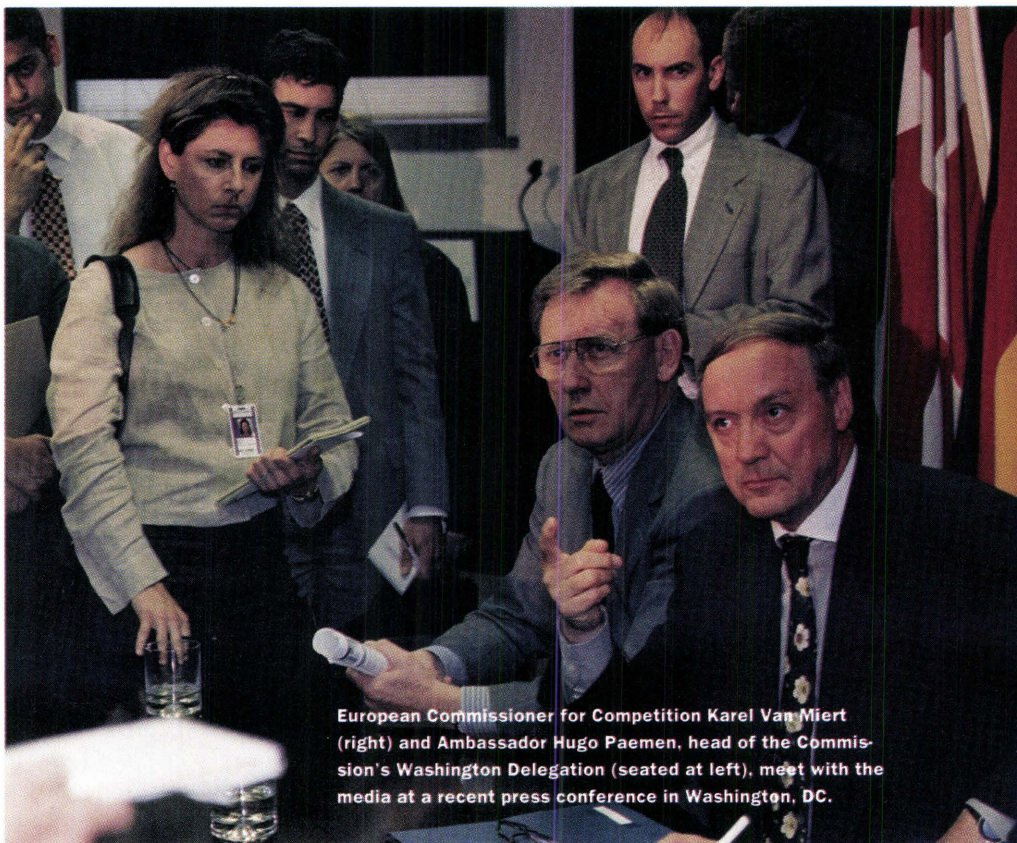
BY BRUCE BARNARD

Karel Van Miert, Europe's competition czar, returned from his summer vacation to an overflowing in-tray featuring some of the world's biggest blue-chip corporations. He also returned to face fire from critics on both sides of the Atlantic as investigations by the European Commission's competition directorate make life increasingly awkward for monopolies, cartels, and featherbedded firms and regions in the European Union.

The competition directorate, known as DG IV, arguably is the most powerful unit in Brussels, alongside the agriculture division, because its activities impact directly on global business. Moreover, its influence is set to increase as globalization spurs mergers and acquisition activity to record levels with billion dollar deals and alliances unveiled almost by the week. Deals worth \$1.2 trillion were announced worldwide in the first six months of 1998. And many of the big ones come under DG IV's scrutiny.

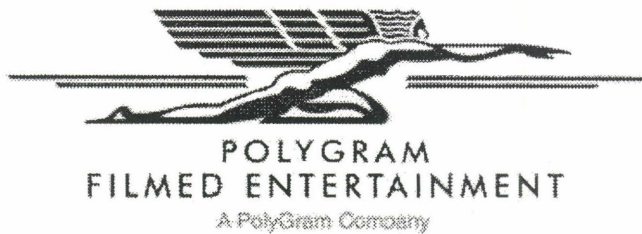
In Washington, Mr. Van Miert is probably one of the best-known EU officials following his involvement in two highly publicized transatlantic investigations—Boeing's \$13.4 billion takeover of McDonnell Douglas in 1996 and American Airlines' alliance with British Airways this year. The European commissioner, who is a native of Belgium, even made it onto the front pages of Europe's tabloid press in the summer when he forced France to make more World Cup tickets available to foreign soccer supporters. In another celebrated case that hit the head-

Competition Commissioner Unafraid of Controversy



European Commissioner for Competition Karel Van Miert (right) and Ambassador Hugo Paemen, head of the Commission's Washington Delegation (seated at left), meet with the media at a recent press conference in Washington, DC.

Van Miert Tackles Tough Cases



The competition directorate will be in the limelight again in the fall when it investigates Canadian liquor and entertainment giant Seagram's \$10.4 billion purchase of Polygram, Europe's biggest music and movie group.

lines, the Commission fined Volkswagen, the German car maker, more than \$100 million for preventing its Italian dealers from selling cars to Austrians and Germans crossing the border in search of lower prices.

The competition directorate will be in the limelight again in the fall when it delivers its verdict on other transatlantic airline alliances—between KLM Royal Dutch Airlines and NorthWest Airlines and Air France and Continental Airways—and investigates Canadian liquor and entertainment giant Seagram's \$10.4 billion purchase of Polygram, Europe's biggest music and movie group.

But even as they flex their muscles, the EU's trustbusters are facing a serious crisis. They are being overwhelmed by the sheer volume of work, are forced to use rules and procedures dating to the late 1950s, and are burdened by the requirement to translate documents into the EU's eleven official languages. The 500-odd staffers in DG IV were inundated by 1,338 cases last year alone. Meanwhile, overstretched Commission officials are having to learn on the job as they probe highly complex mergers and alliances in the high-tech computer and multimedia sectors.

The Commission and member states are mulling ways to streamline the way DG IV responds to changing market conditions and the increasing complexity and proliferation of cases.

The trustbusters are among the most powerful and independent officials in the EU as they have been responsible for both monitoring and enforcing competition policy since the bloc was created in 1958. Their job includes enforcing anti-trust rules across the EU, monitoring state aid to its regions and companies, and vetting mergers.

The concentration of power in DG IV and the spread of its investigation

have triggered a political backlash in the EU, culminating in calls in Germany for the creation of an independent cartel authority—something Mr. Van Miert has fiercely resisted.

The Commission clashed publicly with the French government on several occasions as it vetted the bailout of Credit Lyonnais, the EU's biggest state-financed rescue package, and has been bogged down for years in tortuous negotiations with Italy over aid for a wide swathe of industries from steel to banking.

The biggest rows have been in Germany where the Commission has come under fire for allegedly pursuing a political agenda. Lufthansa is mulling legal action over DG IV's demand that it surrender landing slots at Frankfurt airport as the price for approval for its partnership with United Air Lines and SAS.

Competition officials clashed with Volkswagen over aid it received for a new car plant and were involved in a search for state aid illegally siphoned off by Bremer Vulkan, the country's biggest shipbuilder.

German Chancellor Helmut Kohl was enraged when the Commission outlawed the merger of the digital television interests of Leo Kirch, the reclusive television magnate, Bertelsmann, the media giant, and Deutsche Telekom. He even suggested the case highlighted the unjustified meddling by Brussels in an area of national competence.

The Commission watchdogs have so far weathered the political attacks, breaking up steel and cement cartels, carrying out dawn raids across the continent in search of evidence, preventing established airlines from rubbing out cheap, no-frills carriers, and getting Bill Gates' Microsoft to loosen marketing deals with twenty-four European Internet service providers.

Mr. Van Miert hasn't shied away from controversy, invoking rarely

used rules that allow the Commission to break up monopolies without getting approval from EU governments and publishing damning figures on government handouts to inefficient state companies.

Officials at DG IV often find themselves being used as whipping boys. They are regularly ridiculed for approving more than \$12 billion of subsidies for Europe's state-owned airlines. In fact, as the result of an historical quirk, responsibility of state aid for the airline sector lies with the EU's transport directorate, headed by Commissioner Neil Kinnock.

Its critics in the US claim DG IV is motivated more by the desire to protect European companies than in applying competition rules. Meanwhile, hostile Europeans allege it is preventing the establishment of big European firms to challenge US and Japanese companies.

Claims the Commission is ideologically opposed to the creation of big companies are not borne out by the facts: It has blocked outright only nine of the 800 mergers which have been referred to it in the past ten years. Many mergers, however, have been amended to meet the Commission's competition concerns.

Naturally, DG IV has had to make compromises with companies and although it is ready to stand up to member states, it is politically limited in the most high-profile cases. Mr. Van Miert has, however, pushed back these limits, refusing to be cowed by rumblings from EU capitals.

The Commission, supported by liberal member states, broke down state monopolies in key sectors, such as telecommunications and energy, helping to reduce the bills for European companies closer to American levels. But the bulging in-tray shows DG IV can't afford to sit on its laurels or lower its guard. ☹

Karel Van Miert, European commissioner for competition, speaks out on the European Union's policies on mergers and acquisitions. The commissioner, in an interview with EUROPE in Washington this summer, talks about the euro, telecommunications, airlines, and the auto industry in a wide-ranging discussion.

EUROPE INTERVIEW



Europe's Competition Commissioner

Karel Van Miert

Could you explain why the European Union gets involved in mergers between American companies, like those between McDonnell-Douglas and Boeing and between WorldCom and MCI? Why should the EU have a role to play in mergers between US firms?

First of all, we have been developing a similar competition policy as already existed in the US, but it developed only gradually, and therefore, it did take a long time. But now, one can really say that the European Union has, not only a similar competition policy, but is able to enforce the competition rules with the same effect as is the case in the United States. Therefore, we can indeed say that, on both sides of the ocean, for the American market and the European one, although the rules might be a little bit different and the procedures are different, we can achieve the same goals. Since 1991, we are now cooperating on an equal footing and have developed a very close cooperation.

How do I explain that the European Commission is scrutinizing mergers

between American companies? The answer is very easy to give because we are doing now, and able to do now, what the American competition authorities have already done for a long time. If European companies are merging but having an effect in the American market, then the American competition authorities are rightly scrutinizing such a merger. For instance, in the beverage sector Handmats and Guinness, which was a case happening a year ago, two basically British companies but having a worldwide presence were merging. This case was looked into very closely by the American authorities—and rightly so—because of the effects in the US market on whiskeys, on gins, and on vodka. We did so as well on the European side. When two Swiss companies like Ciba-Geigy and Sandoz were merging into one entity called Novartis, this has been thoroughly scrutinized by the American authorities as well—and rightly so. So it's just that now the European Commission is being able to do what previously was

already the case and well accepted in the US. No one questioned the rights of the American authorities to do so.

Some analysts have stated you seem to be anti-business. How do you respond?

This is absolute nonsense. Competition policy is basically there to make a market economy function well and properly. Our role is to make sure that competition is happening, that markets are not being foreclosed, that companies are not behaving in an anti-competitive way by carving up the markets, by making agreements about tariffs, and things like that. And also that it is in favor of the consumer. It's absolutely not anti-business. Our action to bring a case is to make sure and ensure true competition remains.

What type of mergers do you look into?

We will only look into the big mergers. The major threshold is about a global turnover of more than 5 billion euros, which is more than \$5 billion. But, again, we will have to scrutinize more than 200 cases this year, while

four years ago the number was between 40 and 60.

Why do you think this trend of mergers is happening?

There are two reasons. In Europe, basically speaking, one has to do with the creation of a single market. In some areas, it's only happening now. In the banking sector, it is happening because of the single currency, the euro. Now banks are teaming up across borders. This process is only starting, so one can safely predict that in the coming months and the coming years we are going to have tens of banking mergers in Europe. But again, the main reason for that is the creation of a single currency and a single market for financial services.

Then you have globalization, whereby more and more companies will team up across the ocean, in the telecom sector, the automotive sector, and the banking sector probably as well. So there are two elements in combination which are leading to an increase in the number of mergers and acquisitions which need to be scrutinized. Now no one can say how long it is going to take. It certainly leads already now in some sectors to considerable concern. The Boeing case, by the way, was such a case. But also let me give you another example, the auditing and consulting business. There will be only five big companies left. This will lead to a situation whereby those needing to hire the services and buy the services of these auditing and consulting companies will feel that their choice is reduced. So in some sectors, let's say the concentration is already of such a nature that it triggers a real big concern whether it's not overstepping the mark. And whether the concentration is not such that competition will be impeded and therefore the consumers—being other companies or being private citizens—will not have a fair deal anymore.

Did companies come to you and say "we don't like the merger between MCI-WorldCom"?

Yes. Well, indeed, it's well known that in the case of WorldCom-MCI, GTE complained about it. They complained not only to the American authorities but to us as well. The same is true for some others.

So, the EU also gets involved when companies complain about a particular merger.

Yes. The other competitors have the right to file their complaint or their concern. That's part and parcel of the procedure. And indeed, when we come to the conclusion, a provisional conclusion that there are serious competition concerns, then we will send out a so-called "Statement of Objection" to the companies concerned, and other companies will be allowed to be part, for instance, of a hearing procedure where everyone in the sector can make its point, allowing the Commission to sort things out.

What about the Daimler-Chrysler merger, is that going to be coming before you?

Yes, but I don't think it's going to trigger problems because, on the European side, we still have a lot of car producers. So it's not like in the US where there are only a few left. In Europe, we still have several. We have two French car makers, [we] have Fiat, [we] have the Germans, [we] have Volvo. We still have several car producers. So for the time being I don't think we have a problem. But as the concentration is going on, then you will reach a point where somebody will have to say "stop it."

Isn't it only natural that competition decreases as more and more firms get bigger and bigger?

Yes, therefore competition authorities have that as exactly their role—to find out where it starts to become a problem, where the danger is real that it's going to reduce competition and also [when] the consumers will not have a fair deal anymore, where their rights will be impeded. It's not an easy thing and certainly not with the technological development that complicates things to a very high degree.

Is the whole purpose of competition policy to help the consumer?

That's one of the basic reasons but not the only one. It's also about making sure that the market economy is functioning properly or that competition takes place. For instance, in Europe, we had to take the decision to put an end to monopoly situations in the telecom sector or in some other sectors. Once you do so, then obvi-

ously the competition authorities have to see to it that after liberalizing a sector it's not going to lead to the reconstitution of a kind of dominant position. Then you should see to it that the market is being kept open, that market access is possible. As long as that is the case, then you can assume that the consumer gets a fair deal as well.

Do you think the euro is going to increase competition?

Absolutely. It's going to create much more transparency than is the case today. You probably know that in Europe the prices for exactly the same car might differ very considerably, up to 50 percent. And that has to do with the different currencies, that has to do with the policies developed by the car makers in the different countries. Now with the single market and with the single currency being introduced, this will, first of all, create much more transparency because people will be able to compare prices according to one given currency, the euro. And then we have taken measures recently against car makers, particularly against Volkswagen, for not allowing the citizens to enjoy the advantages of being able to buy their car wherever they like in the European Union.

Do you ever foresee the day where a company like Air France would sell out to a foreign company? Could Lufthansa buy Air France or Delta buy Air France?

Good question. Even if companies are being privatized like British Airways, there is still a very close link between such companies and the country concerned. So even in the US, why is it that the US does not allow their carriers, privately owned carriers, to sell stakes to, let's say, European carriers? Therefore, you do not have mergers between an American carrier and a European carrier because it's not allowed by the American authorities, you see?

So it's not just a European problem. It's also a US problem?

Yes. In Europe it's different for smaller countries. Indeed, Sabena is now being run to a large extent by Swissair, and probably Swissair is going to acquire the majority stake.

And that shows that a country will give up its airline?

Yes. Well, at least while they will keep some presence in the airline, but for smaller countries it is already happening, or it's a little bit different. For the bigger member states, for the time being it's hard to see that they will accept that.

Why are American films dominant in Europe?

Most of them are very good films. One has to admit that fact. The market share of American films has increased. It also has to do with the fact that in Europe, because of different languages and cultures, there is no such a thing as a European market for European films as there is an American market for American films. So the situation is very different from a structural point of view. Now in some countries, there is a revival, for instance, in Great Britain there is a revival of British films. In some other countries that's happening. So that's very much welcomed, obviously, by us because we would like the picture to be a little bit more balanced. But having said this, one has to admit that the Americans are making extremely good films and people like to see them. They are attractive films. Some of them are really excellent. One might have different opinions about them, but you cannot ignore the fact, indeed, that many American films have considerable success, and people are going to see them and like to see them. And therefore, for instance, pay-TV stations cannot develop their business without having the rights for premium films.

Are we going to reach the point where some films are truly international, like *Les Misérables*, which had a Danish producer and French stars and was financed by a US firm?

Why not? I think we also have to overcome our idea that you have to compete even in these areas on a national basis. I mean, you know, the French versus the Americans, the British versus the Americans, the Germans versus the Americans, the Italians. In Europe, we have to stimulate these kinds of productions which bring together outstanding people from different countries, eventually with the involvement of Americans. Why not? ☺

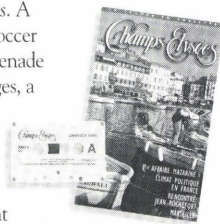
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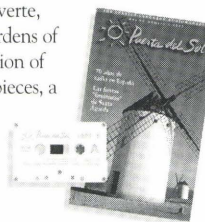


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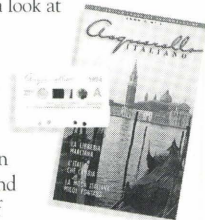
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CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

Cinema

Although Americans and Europeans may differ on many cultural matters, they both love going to the movies. This shared pastime has propelled filmmaking into a hot growth industry in Europe, and European moviegoers have set attendance records over the past two years. Both governments and private businesses are trying to get into the act by attracting film productions (and the jobs and revenue they bring) to their countries and by building new multiplex theaters to meet the growing demand for more cinema selections and modern conveniences. We asked our Capitals correspondents to report on the local aspects of this new movie boom. Here follow their findings.



The man behind the mask in *The Mask of Zorro* is Spanish heartthrob Antonio Banderas.

MADRID

THE NEW ALMODOVARS

A decade ago, every young Spaniard with ambition wanted to be the next Mario Conde, a high-flying and handsome banker not yet forty who partied with the jet set and was a regular cover boy for the weekly gossip sheets. He made and spent millions, but it all collapsed.

These days, many young and talented

Spaniards want to emulate another figure from the 1980s, movie director Pedro Almodovar. His quirky films, like *Women on the Edge of a Nervous Breakdown* and *Tie Me Up, Tie Me Down*, showcased the heady freedom, cultural explosion, and hedonism of post-Franco Spain, known collectively as *La Movida* (the Movement).

Film schools can barely keep up with the demand from these legions of budding Almodovars. Most are private institutions and offer a two-year course covering such essentials as cinema history, directing, production, script writing, and

editing, plus a little hands-on practice with a real 35-mm camera. Perhaps Spain's most prestigious film school is the Escuela de Cinematografía y del Audiovisual de Madrid (ECAM) run by the local regional government in the capital.

Staffed by leading professional filmmakers, ECAM's course runs between two and three years, and costs the equivalent of \$3,500. Just two years old, the school has already graduated several aspiring directors who are writing and polishing scripts and seeking out some brave and well-heeled soul to finance their first films.

But a film school diploma in hand is no guarantee of sudden and surefire success. Hard work, talent, and luck are the three ingredients needed to make it as a director in Spain, as they are anywhere, and experts advise those just starting out to see a lot of movies, churn out product—even if on video—and shop it around to film festivals and competitions.

Such hot directors as Julio Medem (*Vacas*), Alex de la Iglesia (*Accion Muante*), and Juanma Bajo Ulloa (*Airbag*, 1997's box office smash), and others started out shooting short subjects and then graduated to full-length features.

Another rising young auteur who is an example to many other hopefuls is Alejandro Amenabar. Last year at the tender age of twenty-three, he won the Goya award, the Spanish equivalent of the Oscar, for his movie *Tesis* about the snuff film business. His latest offering *Abre los Ojos*, a romantic thriller about the changes a young man undergoes following a disfiguring accident, is doing even better at the box office.

What other kinds of stories do these directors tell? Everything one can imagine, from wrenching chronicles of lonely lives (*La Buena Estrella*) and satanic shenanigans (*El Dia de la Bestia*) to war films (*Territorio Comanche*), romances (*La Camarera del Titanic*), and black

comedies (*El Brazo Tonto de la Ley*).

Audiences are responding. Despite a video recorder in every Spanish home and a growing number of cable and satellite television channels, movie attendance is booming. Over the past two years some two hundred new screens have gone up around the country, many in new multiplexes either installed in remodeled, older, urban cinemas or anchoring the shiny shopping malls now springing up in the exploding suburbs. At the same time, even though the big-budget Hollywood releases still dominate the market, the homegrown product is slowly surely attracting more Spanish moviegoers.

Last year, Spanish films accounted for 13 percent of the local market according to ticket sales figures, more than three percentage points above the 1996 figure, and grosses for the twenty-five top-grossing Spanish movies in 1997 were well more than the previous year.

Veteran directors say there are several good reasons why Spanish films are back in favor, but the most important is that the quality of what's on offer has improved dramatically in recent years. The acting is better, production values are equal to any in the world, story lines, and scripts are more engaging and filmmakers and producers understand better what the public wants and are ready to deliver.

Spanish films are also getting wider play and earning acclaim abroad, as are the actors and actresses. The country that gave the women of the world Latin heartthrob Antonio Banderas is about to do a favor for the men as well in the form of the gamin-faced and sultry Penelope Cruz, who is soon to appear in Stephen Frear's *High Low Country*, shot in New Mexico.

—Benjamin Jones

BRUSSELS

FRENCH AND FLEMISH VIE FOR FILM FUNDS

The commercial cinema in Belgium is more than one hundred years old. The first public presentation of moving pictures occurred in Brussels in March 1896, less than three months after the Lumière brothers' triumphant showing of their first picture in Paris. Yet for most of the succeeding century, the small Belgian film industry was overshadowed by

its much larger counterpart in France.

Distinguished Belgian directors, such as Jacques Feyder, were forced to do most of their work in France and were almost universally regarded as Frenchmen. The real "father of the Belgian cinema," and a world pioneer in documentary filmmaking, was Henri Storck. Born in Ostend in 1907, he made his first film (*Pour vos beaux yeux*) in 1929 and, happily, can still be spotted from time to time at cinema events in Brussels.

The first modern Belgian director to make an international breakthrough was André Delvaux (born in 1926), whose lyrical films *Benvenuta* and *l'Oeuvre au noir* have carried off prizes in important film festivals.

In his footsteps have followed a clutch of younger directors, such as Chantal Akerman (*Golden Eighties*), Gérard Corbiau (*Le Maître de Musique*), Marian Handwerker (*Marie*), Jean-Paul Tousseint (*La Sévillane*), Jaco Van Dormael (*Toto le Héros*), and Alain Berliner (*Ma Vie en Rose*). All of these have managed over the past couple of years to overcome the language barrier and have their films shown in English-speaking countries. Last fall, for the first time, no fewer than six Belgian films were being screened in Washington cinemas or at the American Film Institute.

Among these was the widely admired *La Promesse* by the brothers Luc and Jean-Pierre Dardenne. Shot in the industrial suburbs of Liège, it depicts a harrowing story of illegal immigrants' bleak lives. The *Wall Street Journal* hailed it as "an absolute stunner, a work of great power and moral purpose."

All of these directors work in the French language and have enormous difficulties in raising finances to make their films. The French-speaking community in Belgium does make production grants, but its total budget last year was only \$6 million, some of which was allocated for television productions.

Flemish film directors, who work in the Dutch language can call on similar subsidies, but they have an even harder time as there is only a tiny market outside Belgium for their work. "There's a ceiling of \$2 million to make a Flemish film," said Dominique Derudder, a leading Flemish director. "If I wanted to make a bigger budget film, I'd have to shoot in English. But then I wouldn't be making a Flemish film."

Belgian filmmakers readily acknowledge the help they have received from

the EU's MEDIA program, but it, too, has a very limited budget, with little prospect of a substantial increase in the near future. Their best hope is that the current wealth of talent, which includes budding stars such as Marie Gillain and Sandrine Bonnaire, as well as directors, writers, and film crew, will gradually obtain greater recognition from financiers and commercial distributors. Critical acclaim is gratifying, but box office receipts remain the bottom line.

—Dick Leonard

DUBLIN

WELCOME TO "MOVIE ISLAND"

Joycean purists don't always like to mention it or hear it mentioned, but the acclaimed author of *Ulysses* was also a very early supporter of the silent movies—and was the driving force behind the setting up of Ireland's first cinema.

True. James Joyce, then living in Trieste, persuaded Italian entrepreneurs—already owners of the Volta Picture Palace in Budapest—to set up a sister cinema in the Irish capital. He also persuaded them that he was the right man to do it, returned to supervise the installation and other work, and on December 20, 1909, saw the opening of the Volga Picture Theater in downtown Dublin. With that task under his belt, he returned to Trieste and set about doing some serious writing.

Around the same time, one Sidney Olcott, son of a Canadian father and a Dublin mother, was setting out for Ireland to launch a mini-Hollywood. His company—the Kalem Picture Company of Jacksonville, Florida—began operations in 1910 in the picturesque village of Beaufort, in County Kerry, where Olcott located his studio. The main emphasis was on filming Irish historical dramas set during the turbulent 1798–1803 period.

Olcott is credited with producing the first fiction film to be made in Ireland. Appropriately titled *The Lad From Ireland* (1910), it was followed by *The Colleen Bawn* (1911), *You Remember Ellen* (1912), and *Ireland the Oppressed* (1912). These and many more Olcott films were hugely successful and became known as "O'Kalems." But Olcott's Irish productions ceased at the outbreak of World War I in 1914.

About the same time, Dublin-born film pioneer George Lucien Bull was en

route to making his mark in France. Bull, the son of a French mother and an Irish father, was educated in France but retained his links with Ireland until his death in 1972. He invented the techniques of ultra-rapid and slow-motion cinematography.

Perhaps it was the Irish character or, more likely, the beauty of the Irish scenery which appealed over the years to American, British, French, German, and even Russian filmmakers. Through the early 1900s, scores of films were made in Ireland by international direc-

Hollywood. The legendary John Ford may have been born in Cape Elizabeth, Maine, but he was christened Seán Aloysius Ó Feárna by his Galway parents. His film *The Quiet Man* (1952), made among the lush scenery of County Mayo, portrays a bucolic Ireland, the principals (John Wayne, Maureen O'Hara, and Barry Fitzgerald) as hard-drinking and enjoying the occasional fight. It is still one of the world's top-selling videos.

O'Hara and Fitzgerald were Irish-born. Scores of other Hollywood stars were Irish-Americans or played Irish

Brian Friel's play *Dancing at Lughnasa* (with Meryl Streep in the starring role) will be simultaneously premiered at the Venice Film Festival and in the tiny village of Glenties, in County Donegal, which is associated with Friel's work.

—Mike Burns

LONDON

BOOM TIMES FOR UK FILMS

The late 1990s are boom times for the UK film industry. More films are being made than ever before, domestic and overseas investment is at an all-time high, and the number of people employed in the industry is constantly on the rise.

There is also a resurgence in cinema attendance as multiplex cinemas spread throughout the United Kingdom offering the moviegoer more choice under a single roof.

In 1997, 115 movies were either produced or shot in the UK, slightly down from the record 127 the previous year but still remarkable compared to the 47 made in 1992. The 1997 production budgets were just less than \$1 billion.

The government gave local production a massive boost last year by allowing a 100 percent write-off on production and acquisition costs for British films with budgets up to \$25 million. "This is worth about 10 percent to a film's budget," said Sir David Puttnam, the Oscar-winning British director.

This windfall comes on top of the National Lottery money filtering into the industry plus the Arts Council awarding \$150 million to three new film franchises designed to create a more coherent and vertically integrated industry. Such news is a great relief to an industry that for decades has suffered from inadequate investment and a dearth of government support.

Foreign investment, predominantly from the US, has played a crucial role in the revival of the industry. Many Hollywood blockbusters are being shot here. Last year alone, lower production costs brought ten US producers here.

These included Stephen Spielberg, who shot the \$65 million budget *Private Ryan*, starring Tom Hanks, and George Lucas, who filmed his *Star Wars* "prequel" here.

US investment also plays a significant role in funding many "British" movies. For example, the multiple Oscar-winning



John Ford's *The Quiet Man*, starring John Wayne and Maureen O'Hara, was made in County Mayo, Ireland in 1952.

tors and stars. John Bunny and Larry Trimble (of Vitagraph) were early visitors. Thomas Meighan, then a huge American star, made *Irish Luck*, here in 1925. Frank Borzage filmed Count John McCormack in *Song of My Heart* (which confirmed McCormack as a fine tenor but a rotten actor).

Robert O'Flaherty, Michigan-born (Irish father, German mother) is regarded as the father of the documentary film, *Nanook of the North* (1920), *Moana* (1923), *Tabu* (1931), *Louisiana Story* (1948). But in Ireland he is best remembered for *Man of Aran* (1934), an outstanding documentary on the harsh life of the fishermen-farmers and their families on the Aran Islands, off Ireland's rugged West coast.

The concentration on Ireland as a location for filmmaking and Irish themes for the films themselves owes much to the huge number of Irish-American directors, producers, and stars working in

roles. Ford, Raoul Walsh, and John Huston led the director's field and perhaps inspired today's crop of Irish directors and producers—Neil Jordan, Jim Sheridan, Pat O'Connor, Noel Pearson.

The first film company in Ireland was created in 1916 and produced a series of period dramas. In 1958, Ardmore Studios in County Wicklow was set up and is still flourishing.

Ardmore's establishment, in turn, helped to create a thriving small-budget "home industry" for young producers, directors, actors, and technical staff. A recently announced "film think tank" will guide the industry into the next millennium.

Generous government financial incentives have attracted—and are still bringing in—an illustrious list of films from *My Left Foot* to *Braveheart* to *Michael Collins*. Angelica Huston has just finished work on an Irish comedy. Later this month, Noel Pearson's adaptation of

The English Patient was directed by a Briton and used a largely British cast and crew. But the only company willing to finance the \$30 million production budget was Miramax, a New York-based subsidiary of Walt Disney. And this means that the \$175 million box office takings flowed to the other side of the Atlantic.

Similar tales apply to such big British film successes as *The Full Monty*, produced and distributed by Fox, *Four Weddings and a Funeral*, which grossed \$250 million, and *Trainspotting*, which grossed \$75 million.

Box office admissions doubled in a decade to a record 132 million last year and are expected to reach 180 million by the year 2000 as dozens of multiplexes open. Spending grew from \$235 million in 1986 to \$700 million a decade later.

The government is keen to foster and encourage the film industry for sound commercial reasons. Tom Clarke, the UK's film and tourism minister, points out that filmmaking is one of the US's top three industries. "I believe our film industry has the potential to assume that sort of importance within our economy."

In addition to production, Clarke wants to double the percentage of the audience watching British-made films. Unfortunately, the difficulty of securing domestic distribution for homegrown movies in a market dominated by Hollywood subsidiaries means that only 20 percent of the films being watched are British.

One UK cinema industry veteran, Nicolaus Mackie, explained to me that he believes "the only way to achieve Tom Clarke's goal is to bring in a quota system, requiring each cinema to show a certain percentage of British films every year."

He also has reservations about the new help being given to the industry. "Currently all this new money is being put into the wrong hands. There are shelves full of British films that will never be screened. The money needs to be put into distribution and marketing."

The reality today is that more than half the films made in Britain will never get screened in a British cinema. The multiplexes are awash with Hollywood fare.

Nonetheless, for the moment, an industry that has struggled through very

hard times over the past two decades is now in the best shape it has been in a long, long time.

—David Lennon

LUXEMBOURG

STARRING LUXEMBOURG...
AS THE CITY

If you've seen *An American Werewolf in Paris*, you might recall the scene where werewolves pursue terrified victims through the city's subterranean chambers. Actually it wasn't Paris at all. Most of the film was shot in Luxembourg, and the chase took place in the labyrinthine underground tunnels carved into the rock beneath the former Luxembourg City fortress.

Ten years ago the idea of making a relatively big-budget, general-release movie like *Werewolf* in Luxembourg would have been laughable. To be sure the country was home to Europe's largest television broadcasting company—CLT—and its only private television satellite owner—SES/Astra, but it made virtually no films at all.

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The Economics of the European Union and the Economies of Europe

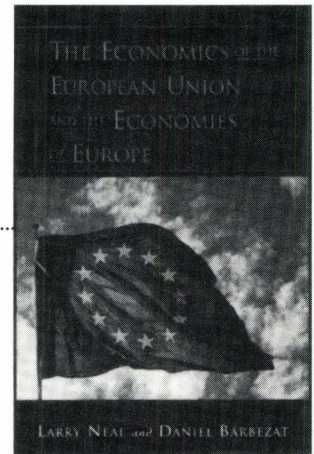
Larry Neal, *University of Illinois, Urbana-Champaign*, and Daniel Barbezat, *Amherst College*

"A new market has emerged recently for executives in companies merging with or being purchased by a European firm....While many of these individuals will have strong business backgrounds, they will not have a similar depth of information on the individual nations which comprise the European Union. Thus for this growing market segment a single text such as the one by Neal and Barbezat will be most welcome."—Joseph Rallo, *College of Business, Ferris State University*

The Economics of the European Union and the Economies of Europe integrates economic analysis, political logic, and historical interpretation to convey an American perspective on the movement towards European integration. The first part of the text treats Europe as a natural economic unit (1945-1989), separated into political units that still remain distinct from one another. Part II shows the continu-

ing political and economic diversity of Europe by examining the post World War II history of major states and groups of minor states. Knowing the different concerns of the constituent member states is essential for understanding the motivation of the European Union's policies, and for appreciating the extent of its accomplishments. Moreover, the economic logic of European unification is viewed quite differently by each current member state, as well as by potential members. The authors conclude with a discussion of the future of the European Union in an evolving world economy.

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The government decided it should, and in 1988 introduced a tax shelter scheme that effectively cut film production costs in Luxembourg by as much as 30 percent. At the same time, a national support fund made available loans of up to 15 percent of a production budget.

About 180 films have qualified since then, for an aggregate tax break of more than \$200 million. The tax shelter scheme, which differs from others in Europe by not imposing national quotas for labor, has just been renewed to run for another ten years.

Let's face it—Luxembourg, with a population of around 400,000, is never going to become a European Hollywood. "We won't be in the top rank, but that's not our objective," says Mr. Guy Daleidon, media attaché to the Luxembourg government.

He explains that the purpose of the tax scheme was to help Luxembourg build, from scratch, a film production industry commensurate with its size. "What we have achieved is quite impressive," he says. "We started with nothing, and now we have the capacity to make major European films."

The biggest one to date is the \$30 million *Wing Commander* made this year by the Carousel Picture Company and based on the hugely successful video game. Mr. Daleidon also expresses satisfaction at the decision of the highly acclaimed art-house director Peter Greenaway to choose Luxembourg for a second movie—*8½ Women*—after his success with *The Pillow Book* in 1996.

"Peter Greenaway's decision reassures us that we're developing in the right way," he says.

There's also been something of a boom in animated movie production in Luxembourg. *The Blue Arrow*, made by Monipoly Production, was the first European feature-length animation film to be distributed in the United States. The company, Studio 352, employs more than fifty people.

For many filmmakers, tax breaks have helped offset the higher costs of production in Luxembourg brought about by the need to import production equipment and expertise. "Thanks to the tax certificate scheme it became possible for filmmakers to produce in Luxembourg in ideal and professional locations," says Jani Thilgtes, managing director of Samsa Film, whose movie *Elles* was shown at last year's Cannes Film Festival.

As more and more co-productions are mounted in Luxembourg, the small country's own pool of local filmmaking talent will grow and add to its other attractions for filmmakers. One of the most conspicuous signs that this is happening is the construction in the early 1990s of Studio Luxembourg—a three-stage production complex in the city built by Delux Productions, a wholly-owned subsidiary of CLT, where *Werewolf* and the two Greenaway movies were made.

Tax breaks apart, why should filmmakers come to Luxembourg? One reason is the look of the city, which has doubled as London, Paris, Rome, Vienna, and Berlin in recent movies. Another is the variety of the landscape, with forests, hills, and rivers providing a quintessentially mid-European backdrop for numerous productions.

Finally, there is a rare consensus on the part of government and business that film production is something that Luxembourg should be doing, given the country's traditional leadership in broadcasting. Moreover, it doesn't hurt that Luxembourg is awash in investment banks.

—Alan Osborn

VIENNA

SMALL MOVIE INDUSTRY STRUGGLES

For the first time in decades, Austrian films are winning recognition outside the country's borders, but at home, film industry executives are complaining about the lack of government support.

Austrian filmmakers experienced a banner year in 1997, with a number receiving acclaim at international festivals. The big coup was in Cannes where *Funny Games*, directed by Michael Haneke, became the first Austrian film to be included in the competition in thirty-five years.

Haneke, whose films explore society's relationship to violence, has drawn a following worldwide, and *Funny Games* has found distributors in such diverse countries as the United States, Argentina, and New Zealand.

Mind you, this is no box office smash along the lines of *The Full Monty*. Instead, Austrian productions have done well at film festivals in cities like New York, Los Angeles, Chicago, and

Toronto. "Festivals are extremely important in getting close to distributors in the States," said Martin Schweighofer, managing director of the Austrian Film Commission, a government agency designed to promote Austrian films abroad.

"I don't think any of us were really conscious of Austrian films fifteen years ago," said Piers Handling, director of the Toronto Film Festival and a big Haneke fan. "My memory of Austrian films is pretty spotty until I saw Michael's work."

The Toronto Film Festival is especially important because "it's really the gateway to the US," Schweighofer said.

Other films that have drawn attention in the United States in the past year include *The Unfish*, a romantic comedy by Robert Dornhelm; *The Inheritors*, a drama by Stefan Ruzowitzky; and *Comedian Harmonists*, by Joseph Vilsmaier.

Part of *Seven Years in Tibet*, starring Brad Pitt, was filmed in Austria, and the drama *The Taste of Sunshine*, starring Ralph Fiennes, will be partially shot in Vienna.

Despite these successes, the Austrian film industry isn't having an easy time of it. Officially, about 25 percent of the 1,200 Austrians who work in the industry are unemployed, but the true rate is closer to 75 percent, said director Andreas Gruber, spokesman for the Federation of Film Trade Associations. Some are packing their bags and moving to Germany where work is more plentiful.

While Germany has seen film and television productions climb 20 percent in recent years, Austria has faced a decline. State broadcaster Österreichischer Rundfunk sponsored twenty-five made-for-television movies in 1994. This year, only six are planned.

With a budget of about \$800 million, ORF invests approximately 3 percent in Austrian productions each year, compared to the 10 percent recommended by the European Union.

"Politicians talk about the cultural identity of a country," Gruber said. "I think the cultural identity is mostly created by the media. If we don't reflect our own reality in our own stories, it's very, very dangerous for our identity."

The government is being urged to set aside more funding for films, and grant tax breaks for those who invest in the industry.

Austria's film industry was a booming business in the 1920s, but Nazis took over or destroyed much of the industry. Rebuilding didn't start until the 1950s,

after the allied occupation of Austria.

While countries such as Germany, France, and Italy began granting subsidies to filmmakers in the 1950s and 1960s, the system wasn't introduced into Austria until 1981.

The money is needed because the Austrian market is so small. Only one or two box office hits, like *Titanic*, draw more than one million filmgoers.

Most pull in audiences of 5,000 to 10,000. With attendance like that "there's no chance to recoup production costs," Schweighofer said.

—Susan Ladika

STOCKHOLM

THE BERGMAN LEGACY

It's almost impossible to write about the Swedish film industry without mentioning the name Ingmar Bergman. Few people are neutral about the famed Swedish director's films. You either love them or you hate them, and many are symbolic of what non-Swedes see as the brooding Scandinavian temperament.

Bergman, who celebrated his eightieth birthday July 14, is still going strong. In May, he had reporters racing to his first press conference in decades. He announced he was beginning work on *Trolosa*, a feature film scheduled for release in 2000. Although the film will be directed by Norwegian actress Liv Ullmann—since Bergman says he no longer has the physical stamina for daily filming—he will write the script. And Ullmann can probably count on some behind-the-scenes direction from the bearded octogenarian.

Not surprisingly, the film will focus on Bergman's life. Ullmann, however, rejected the idea of the filmmaker playing himself. She doesn't think he's a very good actor.

While Bergman has always made films to suit himself, he takes what the critics have to say personally, sometimes very personally. At the end of the sixties, when a critic blasted actors working under Bergman's direction, Bergman took issue with the man's viewpoint—by punching him in the nose. The critic sued, but Bergman showed no remorse.

Born in the university city of Uppsala, about an hour north of Stockholm, Bergman moved to a wealthy district in the capital city in 1920, when his father became curate of a church there. His boyhood experiences, including a stint at

the exclusive Palmgren's School, formed the basis for many of his films, including *Torment*.

In all, Bergman has produced more than forty films, not to mention his stage directing and writing. In an offbeat way, you can compare him to Woody Allen, since most of his films draw on intensely personal experiences, including his rocky relationships with women. Bergman has seven children from five marriages, as well as a daughter from a

tus with Americans looking to become film extras. If you have the right look, and what's considered to be the right accent, you may flash on the screen in the role of a genuine American. As for Bergman, he plans to go right on being a genuine Swede.

"I've really quit doing things like this," he joked during his press conference, "but I'm like old actors who make at least fifty farewell performances."

—Ariane Sains



Ingmar Bergman has announced he will write a screenplay based on his memoirs to be directed by his former companion, actress Liv Ullmann.

five-year relationship with Ullmann.

One son, Daniel, has followed in his father's filmmaking footsteps, managing the formidable job of winning independent respect for his work in spite of his last name.

Although the Swedish film industry is small by international standards, it has produced other luminaries besides Bergman. Actors and actresses such as Max von Sydow, Ingrid Bergman, her daughter Isabella Rossellini, and Greta Garbo are known around the world. And then there are what the Swedes call *Bondbrudar*, the ever present women on the arm of Agent 007. Three of seven have been Swedish: Maude Adams, Isabella Scorupco, and Britt Ekland. Oscar-winning cameraman Sven Nyquist has often worked with Bergman but also with Woody Allen and other top American directors.

Domestically, the Swedish film industry has taken on something of a cult sta-

PARIS

LOSING IN THE TRANSLATION

French films follow a basic formula: husband sleeps with Jeanne because Bernadette cheated on him by sleeping with Christophe. In the end, they all go off to a restaurant. How many times can you act in that kind of film?"

Sophie Marceau, who has spent more than half her thirty years in front of the camera, found French cinema's preoccupation with sex and food so unappetizing that she left for Hollywood to star as the Princess of Wales in Mel Gibson's Oscar-winning *Braveheart* (1995). She followed that first American role with two more romantic parts: the title heroine of *Anna Karenina* (1996) and in the recent *Firelight*, in which she plays a woman who sells her body but falls in love with the man who pays to have his way with her. (One might think that s-e-x featured

rather prominently in this film, but no, it was l-o-v-e, to which Marceau does not object.)

While her description of France's movie industry is a harsh generalization, it is true that a generous subsidy program allows French filmmakers to indulge their personal whims much more than if they were strictly dependent on box office results. All film projects approved by the powerful Centre National de la Cinématographie (CNC) receive financial support, raised by an 11 percent tax on movie tickets. In addition to the CNC, at least eighty other national and regional bodies hand out money to the French film industry.

Total subsidies have now reached more than \$170 million a year.

The movies made with those funds are mainly small; of the art house variety; all too often pretentious, dull, or just plain terrible; and only occasionally entertaining enough to be a success at the box office.

To make sure that French audiences sit through as many homegrown productions as possible—at least at home—the government has introduced a television quota system. Forty percent of films shown on television in France must be French, 20 percent European, and only the remaining 40 percent are allowed to be “foreign.” In movie theaters, on the other hand, where you can choose what you want to see, Hollywood releases are drawing the biggest crowds, while the lines for French films have dwindled down to half of what they were ten years ago.

The exceptions prove that rule. A few big-scale masterpieces, like *Cyrano de Bergerac* and *The Horseman on the Roof*, both directed by Jean-Paul Rappeneau, show that France can make universally appealing films on an epic scale. Smaller gems like this year's *Taxi* work wonderfully well in France but would not fare well taken out of their native context. If you have not driven in the south of France or had an encounter with the Marseille police, much of the rollicking fun of *Taxi* will pass you by.

The occasional attempt has been made to transpose comedies that were hilarious in France to the other side of the Atlantic, but on the whole, they have suffered in transit. The funny and touching *Trois Hommes et Un Couffin*, which gave birth to *Three Men and a Baby*, was infinitely the better film of the two; so was *Mon Père, ce Héros* which was re-

made for American audiences as *My Father, the Hero*.

At least that translation was carried by the considerable charm of Gérard Depardieu, who had also starred in the French original. There are very few films made in France that do *not* star Depardieu. A lusty, Bacchanalian bear of a man, with a voice like molten honey, he has made more than one hundred films in the past thirty years, spanning a vast range of genres. His massive output varies from brilliant (*Cyrano de Bergerac*, 1990) to inconsequential (*Green Card*, 1990) to disappointing (*1492: Conquest of Paradise*, 1992).

One of the rare French box office triumphs that did not feature Depardieu was the time travel comedy *Les Visiteurs* (1992), starring Jean Reno (also in *Mission Impossible* and *Godzilla*) and Christian Clavier. Definitely not born yesterday, these visitors are catapulted by a magic potion from the twelfth to the twentieth century. Their adventures and medieval slang had millions rolling in the aisles and repeating catch phrases like Clavier's delighted “o—kayyy!” *Les Visiteurs* was so tremendous a hit that a sequel became inevitable. It was made at three times the cost of the original, came out early this year, and attracted 8 million spectators in France—four times the number that a European film has to draw to be classified as a success.

With audience figures like that, even Hollywood was impressed. *The Visitors*, an American adaptation directed by John Hughes and starring the same two actors, is now underway. How a medieval chevalier called Godefroy de Montmirail and his smelly equerry Jacquouille la Fripouille will fare in twentieth century America is anyone's guess, but the odds are that something may be lost in the translation.

—Ester Laushway

HELSINKI

TINY MARKET SHAPES FINNISH FILMS

Some 200 feature films have been made in Finland in the past fifteen years—an average of twelve to fifteen films a year—a fairly high number considering there are only 5 million Finns. Finnish producers have long recognized the reduced marketing possibilities for films in which the characters speak

Finnish and have always targeted their works to their domestic market. In other words, Finnish films are made for Finns. Rarely, have Finnish movies attained international recognition. Moreover, under such circumstances, only a few Finnish films make a profit.

With its small market restrictions, Finnish film production remains viable primarily through government subsidies. In the 1950s, the government set up the Finnish Film Foundation to develop a support system for Finnish filmmaking. Although the foundation does not produce films itself, it does decide on financing and administers the funds. Despite criticism, the foundation has concentrated much of its effort on “serious art” films, largely ignoring the more popular comedies.

Despite its market's limitations, Finland has produced numerous successful movie makers. Over the last decade and a half, the venerable Kaurismäki brothers, Mika and Aki, served as the nation's filmmaking trendsetters and provided the most visible representatives of the Finnish film industry.

Two other names that must be mentioned in any discussion of Finnish film are Pertti ‘Spede’ Pasanen and Åke Lindman. At seventy years old, Lindman remains active in the film business. He is currently directing a multimillion dollar production about the Lapland gold rush of the 1800s. Pasanen, on the other hand, has produced and starred in a series of successful comedies. His movies have the distinction of being among the small minority of Finnish films that actually make a profit. Pasanen seems to have an infallible knack for ferreting out Finnish foibles and turning them into comic material. Although the “serious art” crowd will likely never take this sixty-year-old, former radio entertainer very seriously, the taxman is a different matter.

—Thomas Romantschuk

THE HAGUE

OSCARS SPARK DUTCH FILMMAKING

Considering its relatively small film industry, the Netherlands has gained considerable notoriety recently, winning two Oscars for Best Foreign Film in three years' time. This year, *Karakter* (Character) directed by Mike van Diem, got Hollywood's highest award, and in

1995, *Antonia's Line*, made by Marleen Gorris, won the prestigious prize. "The second Academy Award in such a short period of time proves that there is plenty of talent and expertise in the Dutch film industry," R. Rienstra, the director of the national Dutch Film Fund said. However, he added, "we need a better infrastructure and more money."

Although the Dutch film industry is currently experiencing something of a revival, it suffers from a lack of funding, the limits of a relatively small language market. Already small, the Dutch market share of the European film industry is shrinking.

Producers, directors, and actors have appealed to the government for help over the years, however, the recent successes of *Antonia's Line* and *Karakter* have had the most effect in helping to improve the official attitude toward Dutch filmmaking. The government recently proposed new tax breaks for investments in film productions and has created a \$7.5 million fund to be used to attract more private capital to the industry. Furthermore, before the Academy Awards, government money was used to promote *Karakter* in the United States.

Marleen Gorris, whose reputation is that of a "feminist filmmaker," had gained notoriety for her first three films. When *Antonia's Line* was released, it was not a success in the Netherlands. Some Dutch critics even described it as a "disaster." American critics, however, were much more positive in their assessments of the film, which deals with the life of a strong, enterprising woman and her descendants. The *New York Times* wrote that it was an example of "magical feminism."

Karakter, on the other hand, was Mike van Dien's first feature film. Based on the novel of the same name written in 1938 by Ferdinand Bordewijk, it portrays a father who attempts to build his son's character through harsh treatment. *Karakter* won the Golden Calf for the best film at the annual Netherlands Film Festival, yet only at the last minute and after some internal squabbling, did Dutch film industry officials agree to send *Karakter* as the Dutch entry to compete for an Oscar nomination.

A small clutch of Dutch actors and actresses have found success in the US, including Jeroen Krabbé, Thom Hoffman, Monique van der Ven, Renée Soutendijk, and Famke Janssen. Of the Dutch directors, only Paul Verhoeven has managed

to make a career in Hollywood.

On the home front, a cadre of rising young filmmakers operating on small budgets have made some locally successful films, including *Zusje* (Sister) by Robert Jan Westdijk, *Blind Date* by Theo van Gogh, *De jurk* (The dress) by Alex van Warmerdam, and *Tot ziens* (Good-bye) by Heddy Honigmann.

—Roel Janssen

BERLIN

THE NEW GERMAN CINEMA

The cinema is booming again in Germany. Ticket sales in 1997 soared by 11.7 percent to \$840 million, and analysts are predicting robust growth to continue. Certainly one factor contributing to the profits has been the arrival of modern multiplex cinemas, which have sprung up all over Germany. These glamorous new venues have become magnets for German cinemagoers. According to recent figures published by the film distribution network, theater companies invested \$448 million in new screens during 1997, and the investment is continuing. "The number of new multiplexes is on the rise," says Johannes Klingensporn, an official at the film distribution network. He says that for the German market to equal the ratio of movie screens per capita to the ratio in France, Germany must add about 700 screens. To match the US ratio, Germany needs some 2,700.

Experts predict that by year's end Germans will have visited movie theaters a record number 160 million times, surpassing 1997's 143 million. Furthermore, the European market in general has become attractive to Hollywood because ticket prices are higher than in the US and marketing costs are lower.

One would assume, then, that it was not only the financial incentives offered by the state of Brandenburg for Sony Pictures Entertainment to invest in the Babelsberg studios outside Berlin. Babelsberg is one of the oldest studios in Germany and was where classic films of the 1920s were shot, including Fritz Lange's *Metropolis* and Josef von Sternberg's *Blue Angel*, starring Marlene Dietrich. Under communism, Babelsberg was the home of East Germany's state-owned Defa studios. The studios were privatized in 1992 and sold to Compagnie Générale des Eaux, the French utility group, for \$100 million. Volker

Schlöndorff, the German director who won an Oscar for his film *The Tin Drum*, was brought in as the studio's creative director.

The facilities have proved so far more of a hit with television producers than filmmakers, but this may change. Sony Pictures Entertainment has begun its own projects cautiously, following the example competitors Warner Brothers and Buena Vista, the Disney film subsidiary, which have already co-produced some German hits, including Til Schweiger's *Knockin' on Heaven's Door*. Seen by 2.5 million people, it was the most successful German film in 1997. (Hollywood's *Titanic* is the smash-hit in Germany this year.)

The success of local films has also contributed to the revival of the movie culture in Germany. Apart from *Knockin' on Heaven's Door*, *Comedian Harmonists*, *Campus*, and *Beyond Silence* were hits last year. The *Süddeutsche Zeitung* wrote, "The German film industry is booming with 18 percent market share in 1997, but beyond Germany's frontiers, the German film industry is still considered dead. What German audiences like cannot be sold abroad. If this does happen, nobody takes any notice of it. At the big festivals in Cannes or Venice, German films have not played a role for a long time. Caroline Link's film *Beyond Silence*, which received an Academy Award nomination for the best foreign language film, is a silver lining on the horizon." The \$1.7 million production about a deaf mute attracted 2 million cinemagoers in Germany.

Germany's postwar directors have picked up where Lang and von Sternberg left off. Perhaps the most famous is Rainer Werner Fassbinder, who made innovative and courageous films during the 1970s. In only thirteen years, Fassbinder, who died in 1982, produced forty-one television programs and films, including *The Yearning of Veronika Voss*, for which he received the Golden Bear at the 1982 Berlin Film Festival.

Picking up the Fassbinder's mantle is Wim Wenders, whose films, including *Paris, Texas* and *Heaven over Berlin*, have found reasonable success in American theaters and garnered awards at the Cannes Film Festival. However, the best known German filmmaker—at least among American moviegoers—is Wolfgang Petersen, who won an Academy Award for best foreign language film for *Das Boot* in 1982 and directed last sum-

mer's blockbuster *Air Force One* starring Harrison Ford.

—Wanda Menke-Glückert

R O M E

ITALY'S CRAZIEST COMEDIAN

Imagine this scenario: Dan Rather is anchoring the news. A young Jerry Lewis enters the studio for a live interview and starts making crazy faces, then hugs and kisses the petrified journalist and jumps on his desk. He cajoles the now laughing Rather to stand on the desk with him and then scampers away, leaving the very important anchorman in an awkward situation on live television.

Impossible? Not in Italy. Especially if the actor is Roberto Benigni, who pulled such a stunt last year on the anchorman of RAI Channel 1 News—Italy's prestigious news program. Hugging and kissing VIPs has long been Benigni's trademark. He started with the late Enrico Berlinguer, secretary general of the Italian Communist Party, a stiff organization that considered itself a very serious political organization. However, the image of the small Benigni lifting a—for once—laughing Berlinguer made headlines. So far, the short, jittery, and always exuberant actor has controlled himself on one occasion: meeting the president of the Italian Republic, Oscar Scalfaro. He explained his restraint, saying it was only because he didn't want the press to think he was "ready to grab an Oscar."

Legions of Italians love him and are fascinated by his irreverent Tuscan humor, while others find him "too much." Enthusiastic critics have dubbed him "the Italian Woody Allen" and a cross between Charlie Chaplin, Buster Keaton, and the French pantomime Jacques Tati. Others have compared his movies to classic Danny Kaye or Jerry Lewis vehicles. His detractors have written him off as little more than an abrasive moron. In truth, he is probably both. For Italian moviegoers, however, he is worth paying to watch. His films are often uneven but offer some very amusing bits of well-rehearsed slapstick.

Now he is ready to cross the Atlantic. His last movie, *Life Is Beautiful*, which also starred his wife, the actress Nicoletta Braschi, will be distributed by Miramax—which is hoping for the next *Il Postino*—for an estimated \$7 million. At Cannes, it won the Grand Jury Prize.

However, *Life Is Beautiful* marks a de-

parture from his previous movies. It's the story of an Italian Jewish waiter-turned-salesman who hardly knows he is Jewish until the fascist racial laws brutally tell him so. He is sent to a Nazi camp with his much-adored five-year-old son. There he hatches a desperate plan. The only way to save his son's innocence is to make him think life in the camp is only a game, with points and rewards to collect for every avoided German soldier or every time one's able not to be sent behind the door.

Although Benigni is not Jewish, the Italian Jewish community named him an "honorary Jew." He flew to Jerusalem, where *Life Is Beautiful* had an overseas preview, and received a standing ovation. Now he faces the American box office. Will *Il Postino* ring twice?

—Niccolò d'Aquino

L I S B O N

WHITHER THE OLD SCHOOL FILMMAKER?

With Portugal's almost exclusively state-funded movie industry producing a handful of films each year, the name of Manoel de Oliveira has dominated the scene for decades.

Now in his nineties, this director has long been feted in France, the country to which Portugal traditionally has looked for a cultural lead. At home, he is granted wary respect by critics and rewarded largely with indifference on the part of audiences now weaned on big-budget Hollywood movies rather than French art films.

De Oliveira's 1997 film *The Party*, which minutely examines the balance of forces between a woman, her husband, and the older man who seduces her, won awards at Cannes. But it bored many Portuguese cinemagoers with its slow-moving scenes and stiff dialogue.

Such contradictory reactions have been typical since de Oliveira's career began in 1931 with *Douro, Faina Fluvial*, a non-fiction film that provoked violent reactions in Portugal and praise abroad.

Born into a family of industrialists in 1908, de Oliveira was always keen on cinema but made his name in athletics and car racing. He took up acting in the late 1920s, making his debut as a director shortly afterward.

It was in the 1960s that de Oliveira established himself abroad, with the land-

mark *Acto da Primavera* winning top prize in Siena and going on to acclaim in Paris. He cemented his reputation in the following decade with films such as *Amor e Perdicao* winning prizes the world over.

How can a director be the object of so much critical praise while being viewed with suspicion by much of his audience, even in his own country? In fact, it's a fairly logical consequence of de Oliveira's style. In the words of a leading critic, de Oliveira is bad at directing actors, uses scripts that are almost impossible to deliver, and litters his films with elements drawn from theater. But, the critic continues, this is no accident. De Oliveira's work raises questions ignored by many, such as what constitutes a "difficult" text and what are the essential differences between cinema and theater? Over the decades, he has created a new system of fiction in film, where events are predetermined but not predictable. His 1980 film *Francisca* is the best example of this.

The question remains: Does this system open up paths for other filmmakers to go down or is it a dead end?

—Alison Roberts

A T H E N S

NEW GREEK CINEMA EMERGES

Greece's cash-strapped film industry manages to produce fewer than thirty feature films a year. But that has not prevented the emergence of at least one world-class director in recent years, Theodoros Angelopoulos, and a clutch of young hopefuls.

The Center for Greek Cinema, financed by the culture ministry, provides grants for filmmakers, but there are few private sources of financing for the industry—partly because Greek films are not usually box office hits. The amount of funding available, however, is likely to increase as the Culture Ministry reallocates its share of the take from a hugely profitable state lottery.

Greek enthusiasm for movies has survived the arrival of satellite television and the dozens of private television channels that show old American films. Multi-screen cineplexes are springing up in cities, and cinema clubs flourish in the provinces and islands. In summer at open-air cinemas, which have come back into fashion in recent years, Greek film buffs catch up with movies they missed during the winter.

To encourage the local film industry,

the government offers tax breaks to cinemas that screen Greek productions as the main feature on a regular basis. This policy ensures that Greek films are widely distributed, whether or not they pull in an audience. But only a handful of Greek films are universally popular. Word of mouth is what makes for success; many filmgoers say that critics are too lenient about the shortcomings of local productions.

One critic says, "Greek films do well on the festival circuits abroad and often win awards. But only a few attract big audiences. Part of the problem is that directors who get the grants feel obliged to produce a serious work of art rather than a commercial film."

This year Angelopoulos notched up his second Golden Palm award at the Cannes Film Festival for *Eternity and a Day*, a film about a dying man's recollections, which are inspired by a chance meeting with a young Albanian immigrant.

Angelopoulos is Greece's most successful director, but he is more popular abroad than at home. Greek filmgoers respect Angelopoulos but say his slow camera work, abstract themes, and limited use of dialogue make it difficult for his films to capture a mass audience.

Many Greeks claim Costa Gavras, the Greek born director who is based in Paris, as their own. Although Gavras left for France as a student and has never made a film in Greece, *Z*, a political thriller which was his first big hit, was based on a novel by Vassilis Vassilikos. The film's underlying theme of protest against the colonels' dictatorship then in power has made it a Greek classic, although it was shot in North Africa with French actors.

By contrast, Sotiris Goritsas, a younger director, set a precedent by releasing a popular comedy last winner, *Balkanizator*, which focuses on contemporary life. Two partners in a bar in northern Greece set out to drive through the Balkans to Switzerland, hoping to make a fast buck by arbitrating exchange rate differences. Their adventures in Bulgaria and Austria reflect the wider experiences of Greeks, often emigrants, who travel to and from northern Europe.

An earlier Goritsas film, *From the Snows*, also picks up a contemporary topic. It follows the trail of two illegal Albanian immigrants across Greece and takes an unusually critical look at Greek society by showing it from the newcomers' viewpoint.

"Goritsas based both films on short stories," another critic says. "Contemporary Greek writers are a bit ahead of filmmakers because they've already started to address contemporary social issues, with a lighter touch. I think we can look forward to more films that take up the same themes and could put Greek cinema really in touch.

—Kerin Hope

COPENHAGEN

SMALL IS BEAUTIFUL

Hollywood would call it a cottage industry. But Denmark can claim to be the third-most important filmmaking country in the EU, after the United Kingdom and France in terms of international market penetration.

At the International Film Festival in Cannes earlier this year two out of the twenty-two films selected for the final competition were Danish. As Denmark produces between ten and twenty films a year, and more than a thousand films were submitted to the festival, this is no little feat. Small is beautiful.

The present success is based largely on one very talented director, Lars von Trier, and his production company, Zentropa. But a twenty-nine-year-old director, Thomas Vinterberg, won a shared a Golden Palm award in Cannes for his second film, *The Party*, and Danish films are attracting a lot of publicity especially in Scandinavia this fall.

Last year Lars von Trier made international headlines with *Breaking the Waves*. This year's entry at the International Film Festival, *The Idiots*, is a completely different type of film, depicting the attempt of a group of mentally deranged to live normal lives.

The plot itself has aroused a few comments, except for a group sex scene that is explicitly pornographic. Such material would normally be censored in Norway, though nowhere else in Scandinavia. However, for the first time, the Norwegian censors allowed such scenes in a publicly shown film, citing the artistic value of its contribution to the movie.

Norwegian politicians, including a government minister, cried out against the decision of the censors, and the ensuing controversy has obviously assured invaluable publicity for the film, which has yet to make money.

Since Denmark is a high-cost country with a domestic market of only 5 million

people, no filmmaker can hope to finance and produce a project on market terms. That is why the Danish government has subsidized the industry for many years. The Danish Film Institute has paid as much as 90 percent of the costs of many Danish films. In recent years, however, the percentage has dropped to 30–40 percent, reflecting the desire to support a larger number of productions and perhaps also to eliminate some of the films that have no public appeal at all. The amount of tax money available is small, about \$15 million total, and the future of the Danish film industry will financially be shaped by co-production with Danish television.

Predictably, this has provoked protests from film producers who fear the verdict of the box office—many with good reason. Sixteen new Danish films were screened on the home market in 1997. One, *Barbara*, based on a classic Danish novel, sold a whopping 420,000 tickets, but five sold less than 5,000.

Interestingly, for a few years before the First World War, Denmark was Europe's largest producer and exporter of full-length silent movies. In the 1920s Carl Th. Dreyer became one of Europe's first internationally acclaimed film directors. His film *Jeanne d'Arc* is still regarded as a classic by many film lovers. However, the economics of the business have changed, and a film in any European language except English or Spanish has no mass market anywhere.

—Leif Beck Fallesen

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ARTS & LEISURE

FILM

Film Festivals Celebrate Celluloid

From Moscow to San Sebastian, from Thessaloniki to Helsinki, some sort of film festival is taking place somewhere in Europe on almost any day of the year. For actors, directors, producers, and distributors in search of limelight and lucre, three of those festivals exert a particularly strong attraction. Berlin in February, Cannes in May, and Venice in September are marked in red on everyone's calendar. As the top trio of the festival circuit in Europe, they offer impressive gold awards for the mantelpiece and maximum press exposure for the ego, as well as the chance for practically non-stop partying, schmoozing, and deal making.

They are massive media love-ins. Cannes, for example, the most highly hyped of the three, attracts more journalists than any other event except the Olympics. They are also giant trade fairs. Cannes, again, as the most crassly commercial, has spawned a market that almost eclipses the festival, where \$200 million of films are bought and sold. The big three festivals are not, however, passports to box office success. Unlike the Oscars, which give a gratifying boost to ticket sales, films that win a Golden Lion in Venice, a Golden Palm at Cannes, or a Golden Bear at Berlin rarely cause a stampede to the movie theater. In general, movies that win awards in Europe earn more prestige than profit.

First on the calendar is Berlin. The February Berlinale has existed since 1951 when it was founded from an American initiative as a postwar "showcase" for the free world. It has always mirrored political circumstances more clearly than most other festivals. In 1970, a film about Vietnam caused a public outcry; in 1974, the first Soviet film was screened; and in 1975, the GDR (East Germany) was represented for the first time.

Since reunification, the Berlin Film Festival is playing a stronger role than ever as a cultural and political meeting

point and mediator between East and West. Besides the short and feature-length films in competition, it organizes various sections like the Children's Film Festival, the International Forum of New



Cinema, and special events such as this year's "Shooting Stars," which presented sixteen up-and-coming young actors and actresses from eleven European countries.

In May comes Cannes, the mother of all media junkets, which remains a unique brew of glamour and trash, movie magic and money, which has caused a sensation every year since it premiered in 1946. Its director for the past twenty years, Gilles Jacob, regularly praises the high quality of films selected; critics regularly bemoan the lack of decent European entries; and American films, not in competition, regularly draw the biggest crowds.

The 1998 jury, headed by director Martin Scorsese, sat through some thirty feature films and fifteen shorts before unanimously choosing the Greek film *Eternity and a Day* as the Golden Palm winner. Two French actresses, Elodie Bouchez and Natacha Regnier, shared the best actress prize, and Scottish actor Peter Mullan was selected as best actor.

Of the three main festivals, the September Mostra Internazionale d'Arte Cinematografica in Venice is the most venerable. It began in the 1930s, as an outgrowth of the Biennale art fair. Its film award was first known as the Mussolini Cup, then changed to the less political Grand Prize, and in 1952 was rebaptized the Golden Lion of Saint Mark, after the city's patron saint. It features two competi-

tion sections—one for international feature-length films, one for shorts—and several non-competition categories, including a "Nights and Stars" section of films (mostly American) with spectacular special effects, and an "Italian Meridian" selection of previously unreleased Italian films. Venice excludes all films from competition that have been screened at any other international film festival.

This year, the Venice Mostra is being held from September 3–13. The nineteen films that are in the running for the 1998 Golden Lion include entries from Romania, Argentina, and Yugoslavian as well as several productions from Italy and France.

A new film festival has been tentatively scheduled for next spring. Called the Continental, it will be a road show of seven films from seven European countries, traveling to twelve cities across the United States.

—Ester Laushway

1998 EU Film Showcase

Film buffs in Washington are eagerly awaiting this year's line-up for the European Union Film Showcase. Around two dozen films representing the fifteen EU member nations will be selected from the major European film festivals, including Cannes, Edinburgh, Berlin, and Venice. The films will be shown at the Kennedy Center's American Film Institute (AFI) October 30–November 15, 1998.

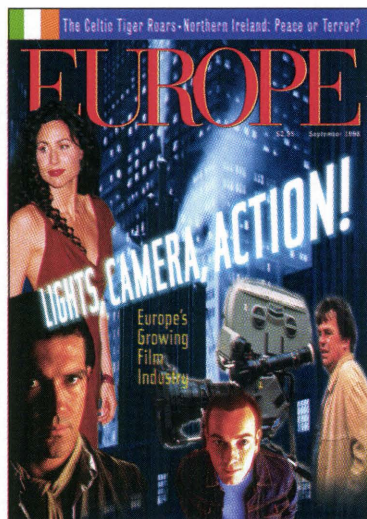
AFI and the European Commission presented the first European Film Festival in January 1981 when fourteen films were shown in the Kennedy Center's AFI theater. In previous years, the festival has also traveled to Los Angeles, Chicago, and Minneapolis. Ray Barry, director of AFI, said the showcase "is very popular...and gives moviegoers the opportunity to catch some of the more obscure European movies that are rarely screened in the United States." For more information on screenings and tickets, contact AFI at (202) 785-4600.

—Susan J. Burdin

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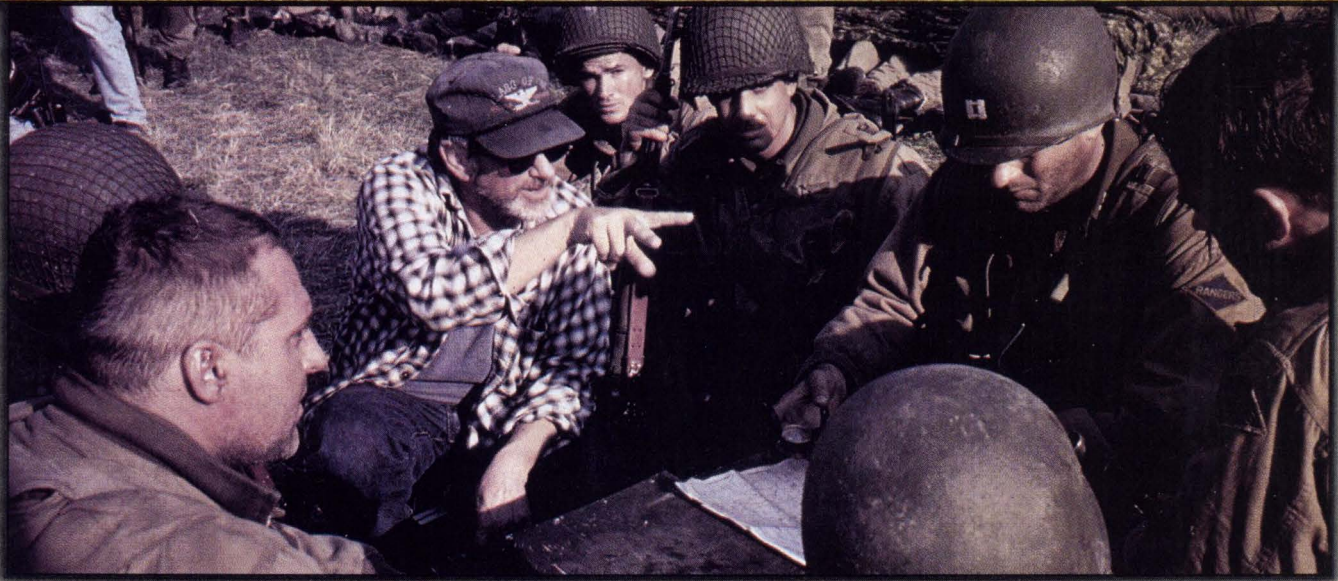
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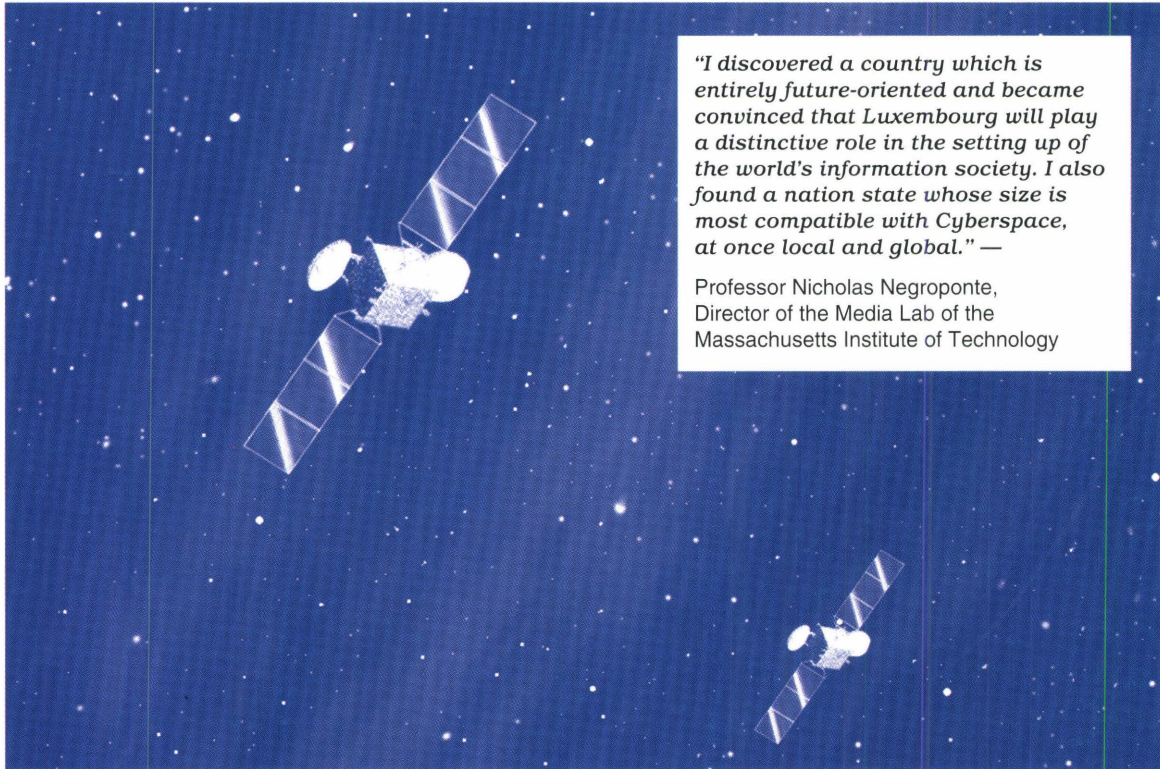
Movie Moguls

Right from the start, European Jews have helped to create the myth and magic that is Hollywood. Louis B. Mayer (born Eliezer Mayer in 1885 in Russia) reigned for twenty-five years as absolute monarch over Metro-Goldwyn-Mayer studios, which he co-founded in 1924 with Sam Goldwyn (born Schmuël Goldfisch in 1885 in Russia).

Mayer, known as “Czar of the rushes,” ruled MGM as a big family, doling out punishments and rewards like a tyrannical father. At the height of his career, he was the highest paid executive in the United States, with an annual salary (plus bonuses) of more than \$1.25 million. He was one of the creators of the Academy of Motion Picture Arts and Sciences, formed in 1927. Mayer died of complications from leukemia

in 1957. His big film successes included *Ben Hur* (1926), *Grand Hotel* (1932), *Dinner at Eight* (1933), and *The Wizard of Oz* (1939).

While the early founders of Hollywood came from Europe, today’s California-based filmmakers are looking to the Old World for new opportunities. The European demand for American films continues to grow at a record pace, and government incentives for filmmakers make many European locations very attractive possibilities. Steven Spielberg is among those American directors who have “discovered” Europe. His Oscar-winning *Schindler’s List* was shot in several European locations and much of his recently released *Saving Private Ryan* was filmed in Ireland.



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