

HI-TECH GREECE • EU ENLARGEMENT • SLOVENIA • ISLAND PARADISE

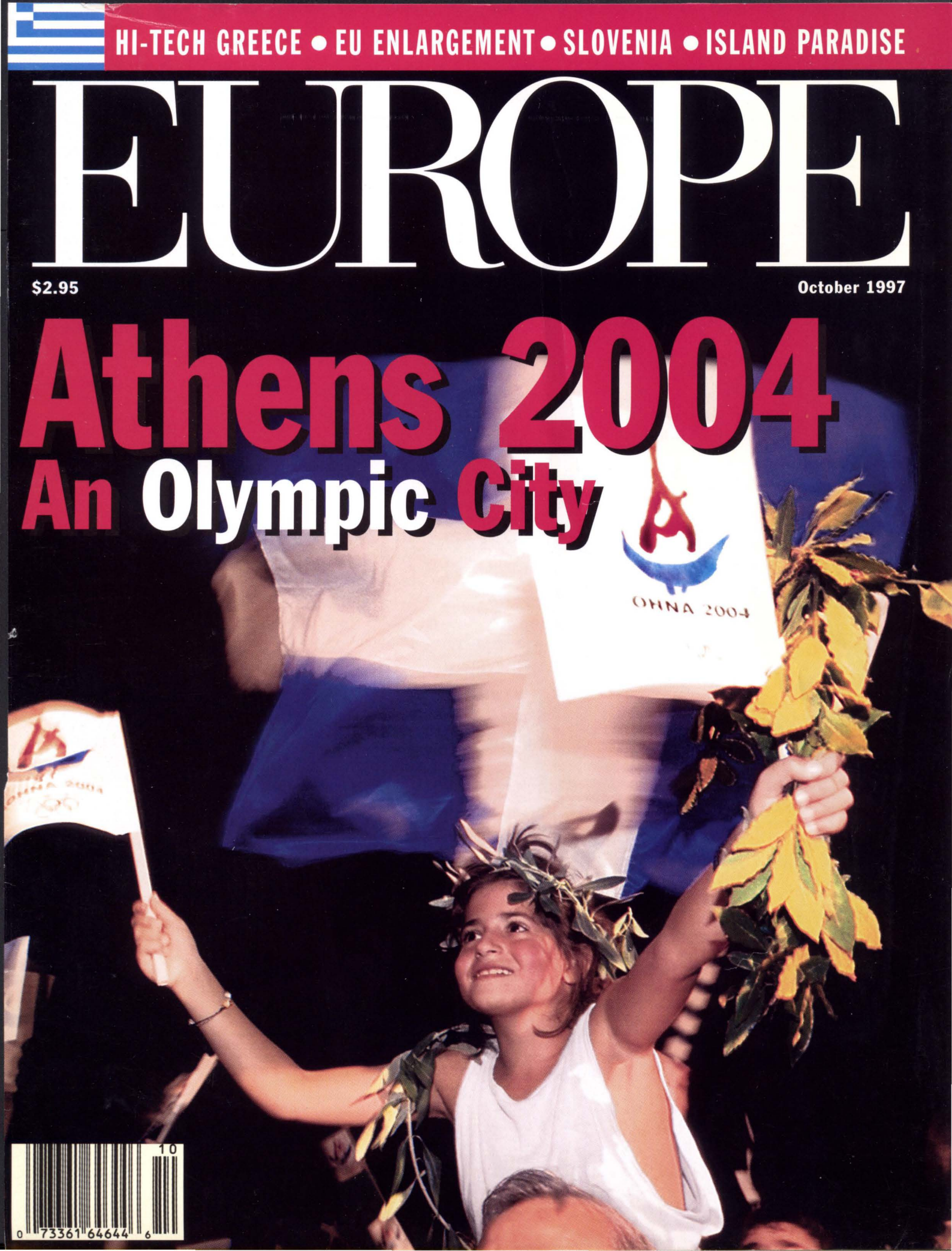
EUROPE

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Athens 2004

An Olympic City



GREECE

A BLUEPRINT FOR INVESTMENT

Greece has been a full-fledged member of the European Union since 1981 and over the last few years has undertaken a vigorous program of in-depth changes to prepare itself to meet the convergence targets for European Monetary Union. Growth and investment, supported by financial flows from the EU, are the key components of its ambitious blueprint for success.

Radical economic policy changes, massive infrastructure developments, deregulation and privatization have together fostered international confidence in Greece as a highly attractive corporate location. Its investment climate has never been healthier. It now offers plentiful opportunities for expansion and is an ideal entry point to the sizable, virtually untapped markets of southeastern Europe.

ELKE (The Hellenic Center for Investment) was established in 1996 by the Greek government to encourage foreign investment and promote international alliances with Greek companies. It is a one-stop shop which provides free advice and assistance through all stages of the investment process.

Its general manager, Loukas Valetopoulos, came to ELKE after a successful career in international banking and finance. In an interview, he explained how Greece, with valuable support from the European Union, has become a true "place in the sun" for international corporations in this part of the world:

Q: How active a role does the Greek government play in encouraging foreign investment?

LV: The government is actively encouraging foreign investment and is in step with the objectives of the European Union. It is viewed as being direct and clear in its policies and prompt in implementing them. For example, it provides encouragement to foreign investors in the form of investment incentives—either tax breaks or cash grants. The investment

incentives law is in the process of being revised and will probably be completed by the end of the year.

Q: What is the government's position on privatization?

LV: The government is now in the process of implementing the acceleration of the already existing privatization plan. Financial advisors have

already been selected for about six or seven companies, are in various stages of completing their work and will soon be coming out with announcements with a view to selling these companies.

There is another form of privatization which consists of offering investors significant minority stakes in large state-controlled companies. This has already taken place twice in the case of the Greek telecommunications company OTE, and will happen again with the state petroleum company, the state-controlled com-

pany dealing with duty-free shops and a couple of other companies. The third form of privatization takes the form of inviting investors to hold very significant minority stakes of up to 49 percent in the management of various large-scale infrastructure projects, such as the natural gas pipeline which is in the process of being built.

Q: The present government was elected two years ago. In that relatively short time, has its positive attitude towards investments of various kinds already made a significant difference to the business climate in Greece?

LV: Absolutely. The change in the quantity and the quality of applications for cash grants under the investment incentives law, which is just one indicator of specific business interest in the country, is just phenomenal. From last year's 40 or so applications, we accepted three. From this year's again 40 or so applications, we think more than half of them



will be approved. And this is just one specific way of measuring outside interest.

On a more general note, judged by the number of phone calls we receive, the people who come to see us, the projects we discuss, there is simply no comparison between 1996 and 1997.

Q: How important a factor is Greece's position as the most southeasterly member country of the European Union?

LV: Greece is, arguably, the best positioned country in Europe for doing business with the entire southeastern Mediterranean region. We are talking of a potential market of 50 million consumers, if we just include the nearby Balkan countries, and upwards of 85 million, if we include Cyprus, Israel, western Turkey and just a couple of the Black Sea countries.

Greece is also a point of political stability in the region, of course. But even more—and this is a point whose importance people in business generally underestimate—Greece has traditional, historical and cultural ties

Q: What services does the Hellenic Center for Investment offer to international companies who are considering establishing a base in Greece?

LV: We offer a range of services free of charge.

- To begin with, we inform people about the investment opportunities that we think may be of interest to them.
- Then we support them during the implementation stage of their business. We take them from A to Z and provide up-to-date, precise information.
- We prepare them for the bureaucratic and administrative steps they will need to take and help them secure the necessary licenses and permits.
- Finally, if a problem arises for whatever reason, we are here to help them and sort it out in the quickest possible time.

We've done this for a number of well-known foreign investors, including the Virgin Group of the UK, TVX Gold Inc. of Canada and McDonald's of the USA. And although I am not in a position to reveal

“ . . . OUR GOVERNMENT HAS DECIDED TO ACCELERATE FISCAL CONSOLIDATION SO THAT GREECE CAN MEET THE MAASTRICHT TREATY CONVERGENCE CRITERIA IN 1998 OR 1999 AND HENCE PARTICIPATE IN THE THIRD STAGE OF EMU BY THE YEAR 2000 OR 2001 AT THE LATEST.”

—Prime Minister Costas Simitis

with the people in these countries. Links that go back centuries, with small sections of the population being Greek for a number of years, in some cases for more than 200 years. So it's not just geographical position and proximity to markets. It is also traditional links with the general population in these countries, which include but are not limited to business links.

Q: What reasons can you give American companies who wish to expand abroad for locating in Greece rather than somewhere else in Europe?

LV: There are certain sectors in which Greece offers particular advantages. For example, tourism, in its broadest sense, by which I mean theme parks, golf centers, marinas, spas, athletic-related tourism and of course cultural and archaeology-related tourism. We would like to expand these particular categories of tourism. There is not enough of that in Greece right now, whereas the country does provide the one essential infrastructure, which is location.

Fish farming and food processing are two other strong sectors in Greece. Fish farming is a particularly successful example of an industry that was basically non-existent 10 years ago and has grown to represent 50 percent of the European market for sea bass and bream.

Greek milk, yogurt and fruit juices constitute another very strong industry sector, as do selective manufacturing and mining of natural resources such as marble and gold.

names yet, in all probability, by the end of the year we hope to be able to announce two new American greenfield investments in Greece.

Q: Are you counting on the 2004 Olympics to bring additional business into Greece?

LV: We hope so. We see no reason why we should do worse than Barcelona or Atlanta. We are certain that the Hellenic Investment Center will play a major role in the business promotion part of the Games, which will definitely exist, following Atlanta's example.

It is not difficult to imagine the kind of businesses that will follow; what is a little harder to predict is what else is likely to come to Greece as a result of the free publicity, not just during the Olympic Games, but prior to them, too. I am sure that the generally increased awareness of the country and its possibilities will lead, one way or another, to increased business as well.

For more in-depth information on investing in Greece, please contact:

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EUROPE

MAGAZINE OF THE EUROPEAN UNION



GREECE

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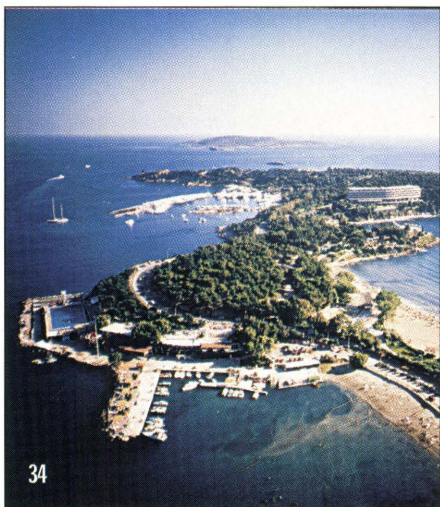
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EU Enlargement Update

Letter from the Editor

Greece is exhibiting a new feeling of optimism these days. The citizens of Athens are still celebrating the International Olympic Committee's decision in early September to award the Greek capital the 2004 Olympic Games.

The Greek stock market is moving toward new highs based on solid business fundamentals and optimism in the Simitis government's economic policies. As our Athens correspondent, Kerin Hope, writes, "The Simitis government now appears committed to introducing popular capitalism to Greece. Proceeds from privatization will be used to help write down the budget deficit and improve Greece's chances next year of meeting the Maastricht requirement of a deficit not exceeding 3 percent of GDP."

In foreign affairs, Greece appears to be more pragmatic and cooperative in trying to find new solutions to problems in the troubled Balkans and with Turkey and Cyprus.

Greek-Turkish relations are now on a more hopeful footing after an agreement was signed between the two countries in Madrid last summer renouncing the use of force against one another and planning to hold discussions on their mutual concerns.

Greek high-tech firms are starting to become international players in this competitive and fast moving field. No one represents this new type of Greek high-tech entrepreneur better than Socrates Kokkalis, CEO and founder of Intracom. The personable businessman talks with *EUROPE* about his firm, his global ambitions, and his current projects across the Balkans.

Nick Papandreou, the son of the late prime minister, has not followed the familiar path of his family by going into politics but instead has become a writer with a successful novel near the top of the bestseller list in Greece. *EUROPE* talks with Papandreou about his bestselling novel.

Thessaloniki is the Cultural Capital of Europe for 1997. Ester Laushway shows us why this northern port city of Greece is attracting crowds to its many events. The most "awe inspiring exhibit is the extensive collection of Byzantine icons from Mount Athos."

Greece has many popular resorts on its many beautiful islands. Elounda Beach resort on the island of Crete is one of the best. *EUROPE* looks at the Elounda Beach and other resorts across Greece, and we provide a brief glance at the many charms of the isle of Crete.



Athens celebrates its return to the Olympic stage.

Robert J Guttman

**Robert J. Guttman
Editor-in-Chief**

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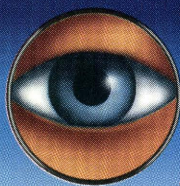
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

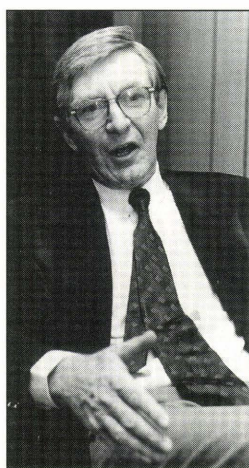
Luxembourg took over the six-month presidency of the EU Council of Ministers in July with one major asset. Its permanent representative in Brussels, Jean-Jacques Kasel, has had a longer and more thorough preparation for the task than any of his predecessors. It started when he was a small boy and his father became one of the first senior officials of the European Commission (He was issued with EC identity card number 19).

The young Jean-Jacques was one of the founding pupils of the European School in Brussels. Now one of the largest schools in the world, it was then such a small outfit that the first president of the Commission, Walter Hallstein, entertained all the pupils at his home for a Christmas party, Kasel recalled when I interviewed him recently at his office.

Kasel, 51, whose own two elder children have also been through the school, went on to complete his education at the Centre des Etudes Politiques in Paris and at Brussels University. After a short time working as a lawyer in Luxembourg, he became a diplomat in 1973.

Since then the greater part of his time has been devoted to EU affairs, both as a Luxembourg representative and

as an EU official, working both for the Commission (as deputy *chef de cabinet* to a previous president, Gaston Thorn) and for the Council of Ministers (as budget director). He also spent a couple of



Luxembourg's permanent representative, Jean-Jacques Kasel

years as ambassador to Greece (based in Luxembourg), which he doubled up with being political director of the Luxembourg Foreign Office. It's quite common in Luxembourg to do two or more jobs, he says.

He has held his present post for more than five years, gaining the reputation of being a

man of few but precise words within COREPER (the influential Committee of Permanent Representatives of which he is now chairman), but loquacious in private conversation.

The responsibility of running the presidency requires an enormous effort from a country as small as Luxembourg (population less than 450,000). Yet it has usually done a good job in the past, notably on the last two occasions, which led up to the Single European Act in 1985 and the Maastricht Treaty in 1991. This time round, the Luxembourgers were set to pick up the pieces if the Amsterdam summit in June had produced no agreement on a new treaty. They are immensely relieved that this did not happen, even if the treaty

that was agreed to is excessively modest in scope and has left a fair number of loose ends to tie up.

Kasel enumerates four main tasks for the Luxembourg presidency: preparing for the further enlargement of the EU; clearing the way for the beginning of economic and monetary union (on which the crucial decision on which countries will participate will be taken during the subsequent British presidency next spring); organizing the special EU summit on employment; and handling external relations.

The Commission has recommended six countries for the first wave of the Union's enlargement—Cyprus, the Czech republic, Estonia, Hungary, Poland, and Slovenia. The Luxembourg presidency must pave the way for membership negotiations early next year.

Kasel highlights the problems facing the single currency: the exchange rate between the euro and the US dollar and the parities for the different European currencies; the minimum reserves each country must lodge with the new European Central Bank; and how the single currency will affect the EU's employment and growth initiative.

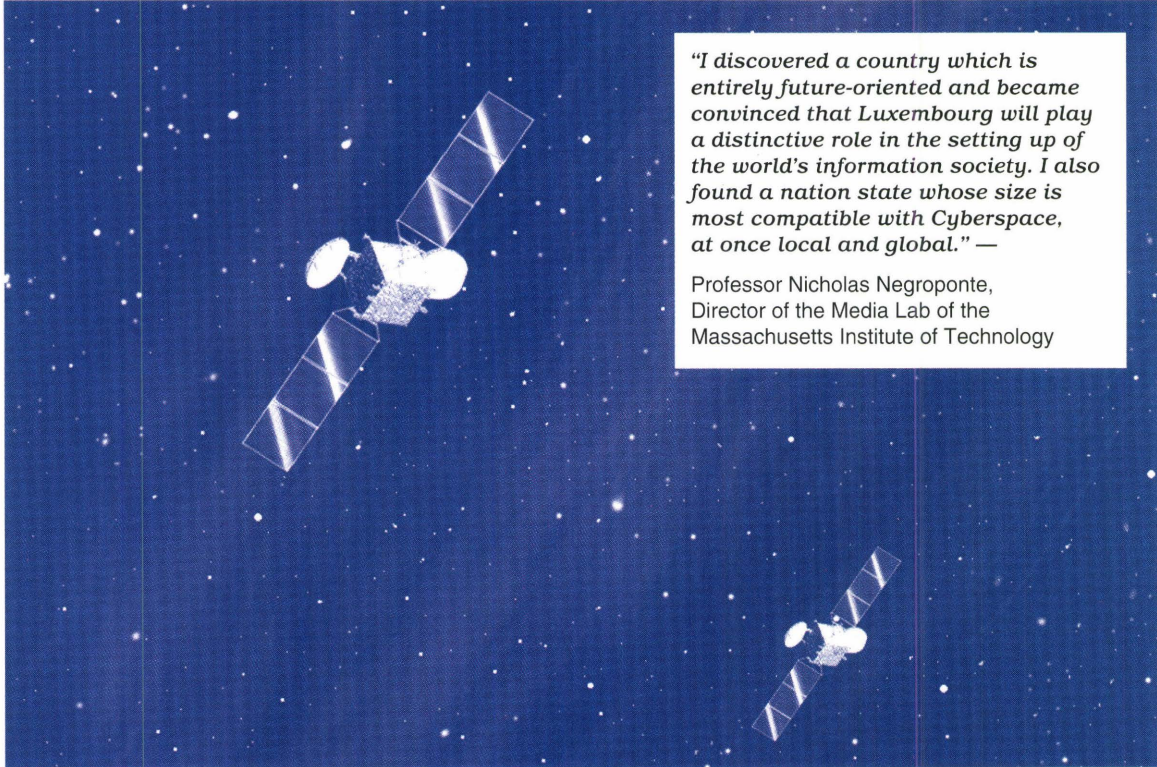
The special summit on employment had been agreed at Amsterdam largely to meet the wishes of the new French prime minister, Lionel Jospin. The date of October 17 had been penciled in, but Kasel said that Luxembourg would instead propose a date late in November in order to prepare it more thoroughly. He hoped

that the agenda would be confined strictly to employment questions so that a comprehensive exchange of views could take place. There would, in any event, be a regular summit in Luxembourg a few weeks later, where the heads of government could discuss a wide range of issues.

On the external relations front, negotiations with the World Trade Organization (WTO) would have a high priority. These included four big items: extraterritorial laws (with particular reference to the Helms-Burton Act), trade preferences for bananas, the conclusion of an agreement on financial services, and the candidacy of Russia and China. Other important questions for the presidency included the conclusion of negotiations with Switzerland for a bilateral agreement; the implementation of partnership agreements with Russia and Ukraine; preparations for the conclusion of a new Lomé agreement for trade and aid with the 70 African, Caribbean, and Pacific countries; and talks with South Africa about a possible free trade agreement.

It is a tall order, but Kasel emphasized that one of the advantages of coming from a small country was that all the decision makers knew each other well and there was no difficulty in gaining direct access to the top people. As if to emphasize the point, our interview was twice interrupted in order that Kasel could take telephone calls from Luxembourg Prime Minister Jean-Claude Juncker.

—Dick Leonard



"I discovered a country which is entirely future-oriented and became convinced that Luxembourg will play a distinctive role in the setting up of the world's information society. I also found a nation state whose size is most compatible with Cyberspace, at once local and global." —

Professor Nicholas Negroponte,
Director of the Media Lab of the
Massachusetts Institute of Technology

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The future of your business.

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EU ONLINE

CYBERSPACE EXPLORATION

Forty years ago this month the Soviets shot out of the gate in what became the space race. The launch of the Sputnik I satellite sparked a 20th century manifest destiny into the final frontier. But what began as competition evolved into collaboration. Missions are now lauded for their scientific, not patriotic, value. And the public involvement is no longer confined to

Mars Pathfinder can take in a showing of the latest pictures (www.jpl.nasa.gov/default.html). NASA also has several pages devoted to the troubled Mir space station (www.osf.hq.nasa.gov/mir) and shuttle missions (shuttle.nasa.gov/index.html). Budding astronauts can find fun and games in the Cool Picks section of Spacelink, NASA's educational tool (spacelink.nasa.gov/Spacelink.Cool.Picks.index.html). The graphics and timely updates demonstrate NASA's acknowledgment of

what impact it will make on scientific research (liftoff. msfc.nasa.gov/station).

NASA may be leading the pack in cyberspace endeavors, but one of its collaborators on the international space station has a site worth exploring. The European Space Agency (www.esrin.esa.it) doesn't have the sheer volume of information nor does it have the bells and whistles of NASA's site. But it does include interesting graphics on the Ariane series of launchers that are used mostly to send satellites into orbit from the ESA's center in French Guiana. Visitors to the Web site can discover the process that occurs during the month-long countdown to launch, and they can watch an animated version of the launch itself. The ESA also includes links to many of its member countries' Web sites. These sites, however, are generally more bureaucratic than scientific.

The collaborative aspect of the space program will grow dramatically as the international space station gets un-

derway next summer. The program's presence on the Web is likely to balloon along with it in order to champion the project. The Web may even serve as a model. Nationality, after all, matters little in cyberspace.

FINANCIAL FINDINGS

This year's volatile US stock market has made even small-time investors hungry for financial news. Many of the established financial publications, such as the *Wall Street Journal* and the *Financial Times*, have had Web sites for a while, but recently the markets themselves have gone straight to the public with their own Web presence.

The Paris stock exchange features updates on indexes and individual stocks every 30 minutes during the trading day (www.bourse-de-paris.fr/bourse/sbf/homesbf.fcgi?GB). The site, which is available in English and French, includes some company profiles, links to company Web sites, and press releases on

NASA today nasa.gov

Lewis Re-Enters Earth's Atmosphere
United States Space Command reported on Sept. 28 that NASA's Earth-orbiting *Lewis* spacecraft had re-entered the Earth's atmosphere at 7:58 a.m. EDT (1:58 GMT) over the Southern Atlantic Ocean off the coast of Antarctica. ([Full Story](#)) (9/29/97)

STS-86 Heads to Mir
Shuttle mission *STS-86*, launched on time at 10:34 p.m. EDT Sept. 25 (02:34 Sept. 26 GMT), NASA Administrator *Daniel S. Goldin* had earlier approved the flight of Astronaut *David Wolf* to *Mir*, continuing the U.S. presence on the Russian space station, after receiving briefings on the safety of Shuttle-*Mir* missions from two independent review panels. ([Full Story](#)) (9/26/97)

New Data Show Promise for Climate Studies
Exciting ocean-color images from the Sea-viewing Wide Field-of-view Sensor (*SeaWiFS*) -- the first readily available ocean-color data in more than ten years -- should play a major role in studying the ongoing El Niño and in other global warming research. The *SeaWiFS* data also are giving scientists their first continuous look at the global biosphere -- the combination of living organisms and their environment. ([Full Story](#)) (9/23/97)

Cassini Launch Set for Oct. 13

launches and landings but the everyday triumphs and troubles of the space program. Both NASA and its European counterpart, ESA, have Web sites where viewers can virtually get lost in space.

NASA has created a site that can easily overwhelm visitors with its possibilities (www.nasa.gov). Its vastness can be overcome by viewers who want data on a particular mission or topic. Viewers particularly fascinated by the

the Web's power as an educational and public relations tool.

One of the most ambitious current space projects is the international space station. Thirteen nations have joined forces to build and operate what will be a 46,000-cubic-foot research facility. Construction is scheduled to begin next June and continue at least through 2002. NASA has given a portion of its site to explain how the orbiting behemoth will take shape and

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German Equity Forum

Top

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SITE OF THE MONTH: THEATRENET

London has set the stage for several international theatrical success stories—*Cats*, *Les Miserables*, and *Phantom of the Opera* among others. A trip to the West End this season might provide a preview for a drama or musical that takes Broadway by storm next year. But catching a theatrical blockbuster on its way up doesn't have to be serendipitous. A Web site called TheatreNet (www.theatrenet.com) makes the ins and outs of the British theater scene accessible to anyone—even an ocean away.

The site's home page prominently features a weekly column on news and events in

tractive graphics and gives some background on the playwright, director, and actors. The drama *Art* recently was showcased with a large artist's palette. Viewers could click on the paint for details about the play. The feature also includes reviews gathered from the British media, which might provide some guidance for those who want to book tickets before arriving in London. Unfortunately, the site does not include a searchable database of all the productions recently included in "Now Showing," but viewers can scroll back through several months of listings.

The database TheatreNet does include is a listing of what's playing in London and several other cities in the UK. Viewers can decide if they

news related to the exchange. The list of stocks traded is searchable by both name and sector.

Smaller exchanges, such as those in Milan, Stockholm, and Madrid also have their own Web offerings, all of which include an English-language version. Milan's site (www.borsaitaliana.it) provides searchable stocks, bonds, and government securities indexes in a format that is not terribly eye-catching or technologically sophisticated. Madrid (www.bolsamadrid.es) and Stockholm (www.xsse.se/eng/index.html) have moved to frames-based sites, making it easier to navigate among various indexes. They all provide trading updates at least daily and a bit of local financial news.

Surprisingly several exchanges that generate considerable interest—New York, London, and Frankfurt—have Web sites that do not track stock prices. The emphasis instead is on education. The London Stock Exchange site (www.londonexchange.co.uk) explains the structure of the UK markets, gives a brief history of the stock exchange, lists its members, and provides press releases. The New York Stock Exchange (www.nyse.com) offers much

of the same but also includes an end-of-day summary for the major stock indexes. Frankfurt (www.exchange.de/index.html) has less data and bombards visitors to the site with several disclaimers that information posted doesn't constitute trading offers or advice.

Those looking for prices on the New York and London exchanges as well as several other European markets should check out Data Broadcasting Corp's Global Markets page (www.dbc.com/cgi-bin/htx.exe/core/dbc/gfa.html?source=core/dbc). The San Mateo, California-based company compiles data on half a dozen European exchanges, such as Lisbon and Prague, as well as those in Asia and South America. Prices on individual stocks traded on the London exchange are available, as are US stock and mutual fund activity, which are updated every 15 minutes during the trading day. DBC's wealth of information coupled with an easy-to-use format has its downside, however. Its appeal among the market-minded has meant a busy server at times. Good things may come to those who wait, but Internet-savvy investors probably won't.

the industry. Recently, the sale of the Old Vic theater and the upcoming season for the Royal Shakespeare Company were among the highlights. It also provides a few links to Web pages of some of the larger productions, such as the Broadway export *Damn Yankees*.

The "Now Showing" feature, however, is probably the most interesting element of the site. It takes one drama or musical, packages it with at-

tractive graphics and gives some background on the playwright, director, and actors. The drama *Art* recently was showcased with a large artist's palette. Viewers could click on the paint for details about the play. The feature also includes reviews gathered from the British media, which might provide some guidance for those who want to book tickets before arriving in London. Unfortunately, the site does not include a searchable database of all the productions recently included in "Now Showing," but viewers can scroll back through several months of listings.

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G R E E C E

A T H H



A N O L Y M P I C

FINISH



joyful Athenians celebrated the news that their city had been chosen to host the 2004 Olympic Games with impromptu street parties and a fireworks display. To many residents of the capital, Athens' comfortable victory over Rome in a hard-fought contest for votes from members of the International Olympic Committee on September 5 came as a surprise.

The bid organizers had kept a low profile, in an effort to avoid repeating the mistakes of 1990, when Athens lost the centennial Olympics to Atlanta. IOC delegates complained then that the Greeks had assumed they had the right to stage the 1996 games. This time, the preparations were much more careful.

History and sentiment were set aside. Instead of emphasizing Greece's athletic tradition, the ancient Olympic Games, and Athens' role as the birthplace of the modern Olympics, the bid focused on the city's experience of hosting big international sports events, on state-of-the-art sports venues that have already been completed, and on new infrastructure projects under construction.

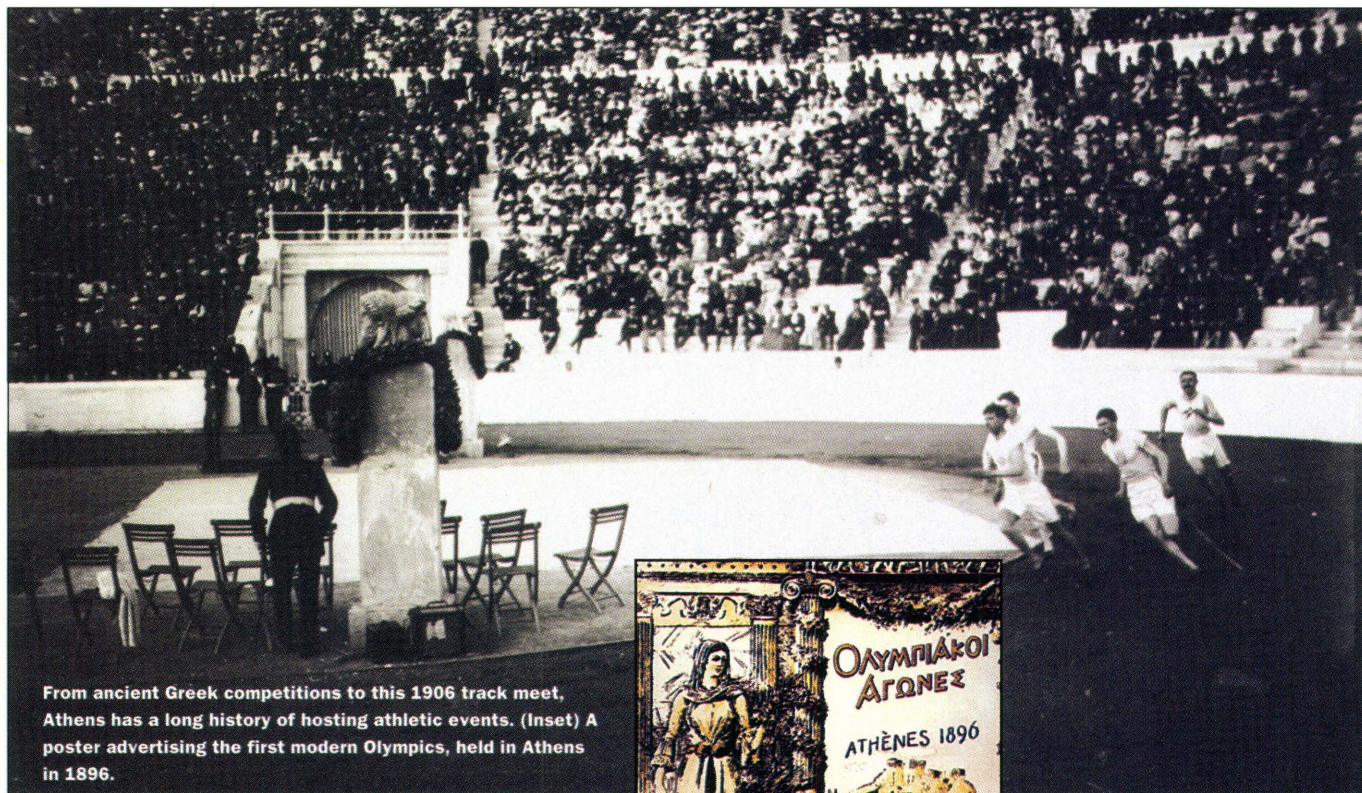
Ms. Gianna Angelopoulos-Daskalaki, who chaired the bid committee, also stressed plans to stage a unique "cultural Olympiad" alongside the sports events, with festivities to be staged in dozens of ancient theaters around Greece.

Left: Athenians proudly promoted their city's Olympic bid at this summer's World Track and Field Championships held in Athens. Above: Athenians celebrate the August announcement that their city will host the 2004 Summer Games.



BY KERIN HOPE

CITY... AGAIN



From ancient Greek competitions to this 1906 track meet, Athens has a long history of hosting athletic events. (Inset) A poster advertising the first modern Olympics, held in Athens in 1896.

However, the smooth organization of the World Track and Field Championships in Athens, just one month before the IOC vote, proved a decisive factor in Greece's selection over Rome and three other finalists—Capetown, Stockholm, and Buenos Aires.

The choice of Athens as an Olympic venue is likely to bring a flood of private investment in hotels and other tourism facilities. The city is already undergoing a face lift under Mayor Dimitris Avramopoulos, with parks and pedestrian precincts being expanded and historic buildings in neoclassical architectural style being restored. With the Olympic Games ahead, the pace will be speeded up.

One big project is to link the city's most important archaeological sites by creating parks and walkways running from the Acropolis temples to the Kallimarmaro ancient stadium, which was rebuilt to stage the first modern Olympics in 1896. A new tramway will follow the circuit of classical remains and newly discovered antiquities—such as the sports ground unearthed earlier this year, where Aristotle held informal teaching sessions around 330 BC—will be included in the city's archaeological trail.

The budget for the Athens games is set at \$1.3 billion, and a modest profit of \$36 million is projected. Antonis Tortopides, the economist in charge of preparing the budget, says, "The aim is to cover costs, not to make a lot of money out of staging the Olympics."

Greece is already assured of about \$1 billion in revenues from the IOC out of income derived from the sale of international media and sponsorship rights for the 2004 games. Another \$235 million is to be raised from the proceeds of a new Greek state lottery to be launched next year. Local sponsors, mainly private Greek companies, are expected to contribute about \$20 million, while ticket sales are projected to bring in \$200 million. But in case there are spending overruns, a spe-



cial reserve of \$215 million is to be established.

Greece's EU-backed program for modernizing the city's infrastructure will be completed two years ahead of the Olympics. International hotel chains have voiced inter-

est in building six new first-class hotels around the city, which would cover most of the shortfall in accommodation. But visitors would also stay aboard cruise ships moored off Athens in the Saronic Gulf.

With more than 70 percent of the sports facilities needed for the games already in place, only one big sports complex has still to be built. It will be financed by private developers in return for a long lease on the facility. The \$100 million indoor complex for sports like judo and fencing will be located on the site of a former horse racetrack at Faliron Bay. After the games, it will become a conference center for the capital.

The Olympic village will be built in a greenbelt area on the foothills of Mount Parnes. The \$290 million complex will be financed by private developers on state-owned land. After the games it will be sold for residential housing, with the proceeds being shared by the government and the developers.

Government investment in the Olympics will be held at just \$156 million—the cost of building ancillary facilities and refurbishing existing stadiums under the sports ministry budget. "It was important to make sure that the private sector contribution was big enough to prevent the Greek taxpayer from being burdened with a bill for the games," Mr. Tortopides says. ☺

Kerin Hope is EUROPE's Athens correspondent and a reporter for the Financial Times.

GREECE GAINS MOMENTUM

Faces Rocky Road to the Euro

Greece's Socialist party has governed since the early 1980s with only one brief interruption. Over the years, the Panhellenic Socialist Movement (Pasok) has transformed itself, moving away from its Marxist roots to become a social democratic grouping that has attracted broad support from Greece's business community. Under Prime Minister Costas Simitis, the Socialists are committed to economic reforms that will permit Greece eventually to join European economic and monetary union (EMU).

Much has changed since Andreas Papandreou brought Pasok to power on a strongly populist and anti-Western platform. Since his death last year, Pasok has been trying to shake off the past. His successor, Simitis, a soft-spoken professor of commercial law, is also trying to pull Greece closer to its European partners and build a constructive relationship with its historic enemy Turkey.

BY KERIN HOPE



The Athens Stock Exchange is moving toward new highs as investors show increasing confidence in the Simitis government.

After winning a comfortable election victory in October 1994 against the conservative New Democracy party, Simitis put membership of EMU at the top of the government's agenda. Greece will not be able to join the first round of countries participating in the single currency because it has not been able to meet any of the Maastricht criteria for membership. But a determined effort is underway to reach the inflation and budget deficit targets in 1998 in order to join a possible second wave of entrants in the year 2000.

packages that will amount to \$16.8 billion by the end of the decade.

The EU funding is directed toward major projects to improve Greece's transport infrastructure and help link the Union with Turkey and the Balkans. The new Egnatia highway, under construction in northern Greece will link the port of Igoumenitsa with the Greek-Turkish border in Thrace. The Athens-Thessaloniki highway is being upgraded to international motorway standard.

A mix of private and public finance,

ment program and buy stakes in regional telecoms operators. OTE recently acquired a 20 percent stake in Telecom Serbia, the Serbian state operator, in a deal that also involved Italy's Stet group taking a 29 percent stake in the Serbian state operator.

In foreign affairs, the Simitis government is trying to restore Greece's credibility as a force for stability in the troubled Balkan region. Ties with Greece's Balkan neighbors are being upgraded with the emphasis on improving economic relations and boosting regional cooperation.

Ending hostility toward Turkey, a nominal ally in NATO, will be the biggest challenge for the Simitis government. Greece and Turkey came to the brink of war early last year over the rocky islet of Imia in the eastern Aegean. A clash was averted through the intervention of Richard Holbrooke, the US diplomatic troubleshooter. But the incident has left open the issue of Greece's sovereignty over dozens of islands in the Aegean, with Turkey claiming that their status is in doubt.

Simitis is eager to build on last month's US-brokered agreement with Turkish President Suleyman Demirel at the NATO summit in Madrid. The two leaders agreed that they would avoid using violence in bilateral disputes and would work for a better relationship. Greece still insists that Turkey should agree to take the dispute over oil rights in the Aegean continental shelf, the core issue that divides the two nations, to the World Court in the Hague.

Opinion polls show a change of attitude in Greece with an overwhelming response in favor of holding regular talks with Turkey. Greek and Turkish business groups have already developed close contacts. On the eastern Aegean islands this summer, local mayors hosted their opposite numbers from towns along the Turkish Aegean coast.

But the divided island of Cyprus remains a stumbling block to a lasting improvement in Greek-Turkish relations. A new US-backed attempt to reunite the Greek and Turkish halves of the island is getting underway. Talks on EU accession for the whole island are also due to begin next year. But there is strong opposition in the Turkish Cypriot sector to negotiating EU membership before a settlement is reached with the Greek Cypriots. ☹

Opinion polls show a change of attitude in Greece with an overwhelming response in favor of holding regular talks with Turkey. Greek and Turkish business groups have already developed close contacts.

With Greece's conservatives still in disarray after their election defeat, the most serious opposition to Simitis and his pro-European faction comes from within Pasok. While Simitis is gradually asserting his authority over the party, left-wing hardliners can still make their voice heard. There is strong opposition to the reforms needed to reach Maastricht targets, such as trimming the bloated bureaucracy, making state-owned corporations more efficient, and modernizing the pension system.

The government has managed to reduce inflation to 5.5 percent, while still maintaining real increases in wages and spending on health and education. It is trying to curb wasteful spending and freeze hiring in the public sector.

The economy is growing steadily with gross domestic product set to rise this year by more than 3 percent, fueled by increases in both private and public investment. Greek companies have invested heavily in modernization in order to improve competitiveness and position themselves for expansion into the Balkan market. Public sector investment is based on co-financing from the EU under the structural assistance

together with EU funds, is being used to build several projects using the build-own-transfer system. One is the new Athens international airport, which is under construction by Germany's Hochtief group and is due to be completed early in 2001. Another is a cable-bridge to be built over the western end of the Corinth Gulf, opening up a large area of western Greece for development.

Overcoming Pasok's ideological objections to the privatization process has taken time, but the government now appears committed to introducing popular capitalism to Greece. Proceeds from privatization will be used to help write down the budget deficit and improve Greece's chances next year of meeting the Maastricht requirement of a deficit not exceeding 3 percent of GDP.

Under a program of partial privatization for big state corporations, the government in June raised more than \$1.1 billion by selling another 12 percent of OTE, the state telecoms operator, to institutional and private investors. The company is now 20 percent privately owned and will use its share of the privatization funds to speed up its invest-

EU funding has helped extend the Athens subway.



EU

ASSISTANCE

CONSTRUCTING A MODERN GREECE

Although living standards have risen steadily since Greece joined the then-European Community in 1981, it still qualifies for generous handouts from Brussels as the poorest member state in the Union.

A big chunk of Greece's ecu 15 billion (\$16.8 billion) share of the current EU aid package for less developed EU members is being spent on modernizing infrastructure. About half of the funds directed to Athens will be spent on a handful of transportation projects intended to attract investment and promote exports.

Four projects are already under construction: the new Athens international airport, which is designed to become a hub for southeastern Europe; a toll highway linking the airport with the city; the Athens metro extension, which will significantly reduce atmospheric pollution in the center of the capital; and the 500-mile Egnatia highway across northern Greece to the border with Turkey.

Another big project is about to be launched: a toll bridge across the western end of the Corinth Gulf, which will replace a 20-minute ferry crossing. More is still to be awarded, including a five and a half mile subway through the center of Thessaloniki in northern Greece aimed at reducing traffic congestion and atmospheric pollution.

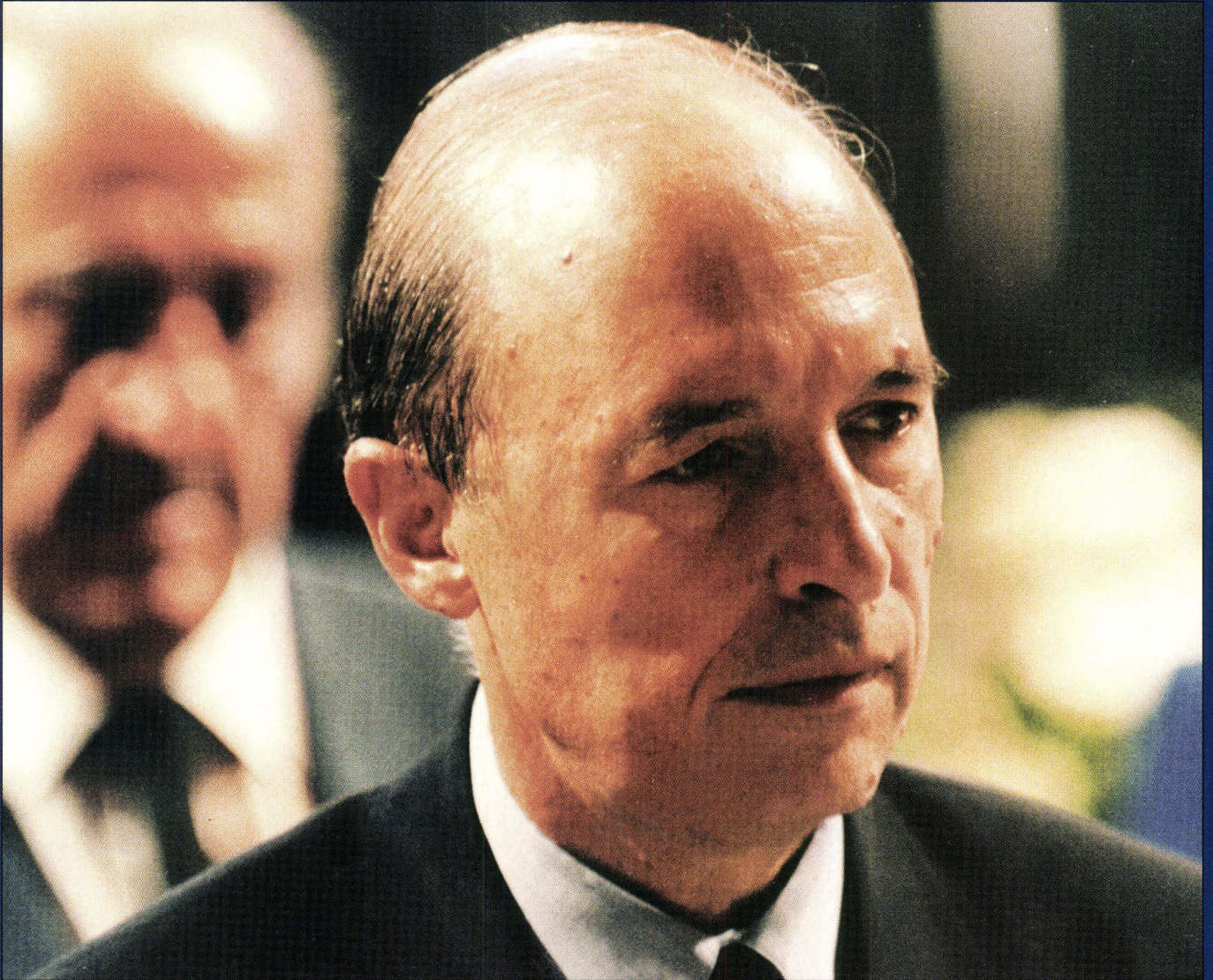
Many of these projects had remained in the planning stage for years because Greece's cash-strapped government could not raise the necessary funds. Under the EU's co-financing system, the Greek government can draw grants of around \$200 million for each project. And the European Investment Bank, the EU's project lending arm, is providing loans on easy terms for up to 50 percent of some projects.

Private sector financing is pouring in on the back of EU funding. The projects are being carried out by international construction groups in partnership with Greek contractors. The international consortia that are building the airport, the city highway, and the bridge aim to recover their investment by operating these facilities on a concession basis.

While the current funding runs out at the end of the century, Greece hopes to benefit substantially from the next EU aid package, which will be linked to the Union's enlargement to include new members from Central and Eastern Europe. "We're catching up with the European partners," one Greek official said, "but we'll need more funds for a final push to match Spain and Portugal early in the 21st century."

—Kerin Hope

SIMITIS SENDS



Costas Simitis, Greece's Socialist prime minister, likes to describe himself as the conductor of an orchestra. In contrast with the authoritarian style of previous Greek premiers, he prefers to build consensus within the cabinet and win backing for his policies through persuasion.

Caution is Simitis's watchword. A founding member of the Panhellenic Socialist Movement (Pasok) back in the 1970s, he kept a low profile for much of the Papandreou period. But he developed strong ties in Brussels as agriculture minister in Greece's first Socialist administration and later earned respect as the economy minister who launched Greece's first economic stabilization plan a decade ago.

NEW SIGNAL

BY KERIN HOPE

Simitis's personal style is just as low-key as his politics. He lives in an apartment in central Athens and can sometimes be seen in local cafes with his academic friends. He took his summer holiday as usual this year in a small hotel on the island of Sifnos, passing up an official helicopter in favor of a four-hour journey aboard the regular ferry to the Cyclades islands.

With the help of close advisers who have worked with him since his days as a commercial law professor at Athens' Panteios University, Simitis is trying to reshape Greek politics in a modern mold. Gone are the much publicized clashes between rival personalities in the governing Pasok. Though rivalries remain, the tone is more moderate.

Simitis led Pasok to a new term in office at an early general election one year ago. As the leader of the party's moderate pro-European faction, he managed to attract votes from Greece's business community. Their backing for his effort to ensure that Greece can eventually participate in European economic and monetary union has given the Socialists a much broader base of support.

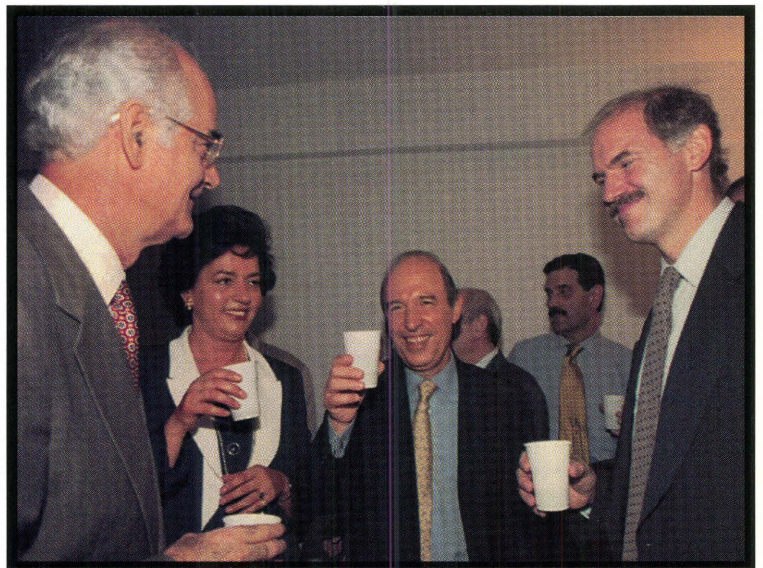
However, the need to maintain party unity following the death last year of Pasok's founder, Andreas Papandreou, is still a priority. After narrowly winning a hard-fought contest for the prime minister's job, Simitis faced a second challenge in a vote for the party leadership by delegates to a special Pasok congress.

He won by a convincing majority, thanks in part to support from George Papandreou, the late leader's son and a popular figure with both factions. But he still chose to move carefully. The younger Papandreou has been rewarded with the deputy foreign minister's job. But Simitis also placed both his rivals for the party leadership in senior posts: Akis Tsochatzopoulos serves as defense minister and Gerasimos Arsenis as education minister.

Since the general election, Simitis's political allies have occupied key posts in every ministry. And the government's determined stand against protests by Greek farmers, who blocked the country's main highways for six weeks last winter, gave Simitis his first big political victory in office.

But it will take time for Simitis to transform Pasok into a social democratic party comparable to those in Western Europe. Although the left-wing hardliners are growing older and their influence is declining, they can still put up tough opposition, particularly when it comes to Simitis's policy of improving relations with Turkey. ☺

**Prime
Minister
Costas
Simitis's
low-key style
is working.**



Prime Minister Costas Simitis (center) toasted Pasok's parliamentary election victory last fall with (left to right) Parliament President Apostolos Karklamanis, Industry Minister Vasso Papandreou, and Deputy Foreign Minister George Papandreou.

GREEK FOREIGN POLICY

BY ROBERT J. GUTTMAN

**Positive
Player
in a
Troubled
Region**

Greek foreign policy is undergoing a positive transformation under Prime Minister Costas Simitis. Gone are the strident nationalistic and confrontational remarks made by his predecessor, the late Andreas Papandreou, who seemed to chart his own course without regard to his colleagues in the European Union and NATO. Under Simitis, cooperation, pragmatism, and taking a leading role in the troubled Balkans seems to be the new order of the day.

A hopeful sign for future relations with Turkey came in July at the Madrid NATO summit as the Greek and Turkish leaders with the support of the United States made a pledge to respect each other's rights and avoid the use of force against one another in the future.



Yannos Kranidiotis, the Greek foreign affairs undersecretary, spoke with *EUROPE* about the new agreement. "What happened in Madrid was a positive first step," he says. "Turkey has accepted to abide by international law and by international agreements as regards its relations with Greece. At the same time, Turkey has accepted to withdraw its threats of force against Greece. We hope that more positive steps will follow. What we adopted in Madrid is not, of course, an international agreement. It is a political declaration. Its value will have to be proved in practice and in its application."

Speaking of the Madrid agreement between Greece and Turkey, outgoing US Ambassador to Greece Thomas Niles, an astute observer of the European scene, comments, "We hope it is the beginning of what will be a movement toward a more cooperative rela-

tionship between Greece and Turkey in this part of the world."

A spokesperson at the Turkish embassy in Washington also believes the Madrid Agreement was "a very positive step." But she said, "It has to be followed up, and so far that hasn't been done yet. And the so-called 'Wise Man Group' needs to meet and talk. This has not yet taken place."

Kranidiotis believes that there are three processes between his country and Turkey that are underway right now. "We have a process of confidence building measures being discussed between Greece and Turkey in NATO," he says. "We have a process of a committee of experts meeting between Greece and Turkey to discuss procedural problems of our relations. And we have had the direct talks between the Greek Cypriots and the Turkish Cypriots in New York under the auspices of

the United Nations secretary general. So we are making openings, and we are trying to show our good faith. Greece has shown initiative proposing ideas, and we hope that Turkey responds."

Obviously, one cannot discuss Greek foreign policy without bringing up the Cyprus issue, which has troubled Greek-Turkish relations for years. George Papandreou, Greece's deputy minister for foreign affairs, told *EUROPE*, "The issue of Cyprus has poisoned our relations over the past decades. It is the main source right now of tensions between our two countries. If it is solved that will be the main source of betterment of our relations."

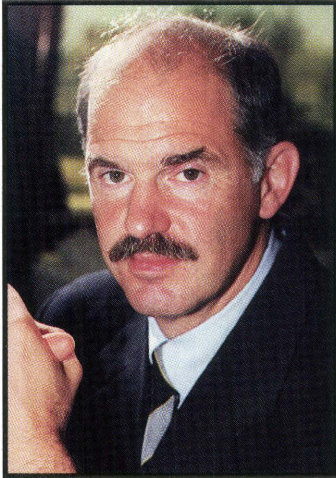
Papandreou, the former prime minister's son, went on to say that "the Greek government totally supports Cyprus coming into the EU."

Kranidiotis also believes that "the European Union would serve as an umbrella

which would give the necessary guarantees to all citizens of Cyprus, to both communities in Cyprus, to live safely with their human rights respected.”

All the members of the Greek government with whom

Deputy Foreign Minister George Papandreou



“EU financial aid has been important to our modernization.”

the European Union and it was divided. That was Germany.”

Concerning Greek-Turkish relations, Kranidiotis says that “It was after the Turkish invasion and occupation that relations between Greece and Turkey deteriorated. Turkey does not comply with the decisions of the UN or the decisions of the EU on Cyprus. At the same time Turkey has put forward claims in the Aegean Sea against our territorial integrity and against our sovereignty. With regard to the Aegean continental shelf we have proposed to Turkey to go together to the International Court of Justice and resolve the problem.”

Why is the continental shelf issue so contentious between Turkey and Greece? Many geologists believe that the continental shelf could contain valuable oil deposits.

There is strong support in Greece for the United States getting more involved in the Cyprus negotiations. Richard Holbrooke, the US special emissary for Cyprus, is highly regarded in Greece, and his involvement appears to give Greek policy makers confidence that the US considers solving the Cyprus problem a top foreign policy goal. Holbrooke, most Greeks believe, was instrumental in averting a shooting war between Greece and Turkey last year when tensions mounted between the two nations over pos-

EUROPE spoke agreed that Cyprus should join the European Union and that Cyprus shouldn't be deprived of membership because of the division of the troubled island. Solving the problem, remarks George Papandreou, “shouldn't be a prerequisite to possible Cyprus accession. If the Turkish Cypriot side is adamant and in no way wants a solution, then basically what you're saying is that you are giving them also the veto right to a possible accession of Cyprus to the European Union. With a negative stance they can also veto Cyprus moving into the European Union. Don't forget that another country was a member of

Kostas Karamantis, leader of the opposition New Democracy Party



session of the tiny uninhabited island of Imia in the southeastern Aegean.

Kostas Karamantis, the president of Greece's opposition New Democracy Party, strongly favors the “European orientation of Cyprus” and “wholeheartedly supports” Cyprus becoming a member of the EU. “Cyprus democracy,” he says, “is a hostage of a very large Turkish army residing on the northern part of the island. I believe that the original Turkish population does want to rejoin the Cyprus republic and does envisage the benefits for it.”

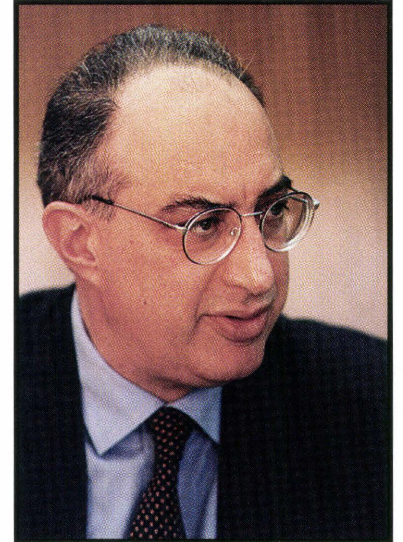
The new administration of Costas Simitis has taken on new foreign policy responsibilities as befits the most stable country in this troubled part of Europe. As a member of both the EU and NATO, the current Greek government is projecting a very visible role in the Balkans and beyond.

Ambassador Niles sees several foreign policy initiatives on the Greek government's agenda. “While the relationship with Turkey and the problem of Cyprus are very, very important for Greece, they are by no means the only things that Greek foreign policy concentrates on,” he says. “They are also concerned about developments in southeastern Europe, Albania, relations with FYROM (Former Yugoslav Republic of Macedonia), the situation in former Yugoslavia, and the Bosnian problem. And Greece is very concerned about ensuring that its relationship with its partners in the European Union develops well.”

Kranidiotis, too, sees a broader role for Greece. “Europe is transforming itself. It is looking for a new role and a new place in the world,” he says. “The fact that there are no two camps right now necessitates a more flexible and a more energetic foreign policy on the part of smaller states. This makes it more difficult for smaller states like Greece, which, geographically speaking, is in a very tumultuous area of the world. Greece is readjusting our foreign policy. We have a new role to play in the Balkans. Greece, being the most stable and most politically and economically advanced country in the area, can play a stabilizing role.”

Discussing Greece's new cooperative foreign policy, Kranidiotis notes, “We participate in IFOR in Bosnia, and we have participated in the Albanian international force. We have good relations with all of

Undersecretary for Foreign Affairs Yannis Kranidiotis



“Greeks are willing to sacrifice and work for a European common currency and for a European identity.”

our Balkan neighbors. We are an important trade partner. We are playing a role in the eastern Mediterranean, and we are trying to help the peace process in the Middle East. The fact that we are a member of the EU facilitates and strengthens our role in these areas. And the same argument works the other way around. The fact that we play a role in the Balkans and a role in the Middle East improves our presence and our role in the European Union."

curs, "Almost everyone accepts and favors our participation in the European Union."

Thanos Veremis, president of the Hellenic Foundation for European and Foreign Policy, also agrees. "Greece has enjoyed the windfalls from the European Union for a long time, and the Greek people realize this," he says. "Being in a troubled neighborhood of Europe has made Greeks more Euro-enthusiastic than other members of the EU."

Kranidiotis points out that Greeks

ensuring that Greece can enter the European monetary union at an early stage, if not during the first stage of countries joining, then early in the second phase. Simitis is interested in normalizing Greece's relationships with its neighbors, including FYROM. He's obviously interested in a settlement of the Cyprus problem and a better relationship with Turkey. The prime minister does want to lead Greece into the 21st century, and all of these things are pretty much part of making Greece



NATO leaders met this summer in Madrid (back, from left) Canadian Prime Minister Jean Chretien, Danish Prime Minister Poul Nyrup Rasmussen, German Chancellor Helmut Kohl, President Bill Clinton, Greek Prime Minister Costas Simitis, (front from left) Belgian Prime Minister Jean-Luc Dehaene, Turkish President Suleyman Demirel, and NATO Secretary-General Javier Solana.

Furthermore, Papandreou points out that Greece is the closest EU country to the Middle East and has a role to play in the peace process. "We have been actively involved in trying to take initiatives between Palestinians and Israelis and other Arab countries, and we have held top level meetings between Israelis and Palestinians."


Almost everyone acknowledges the numerous advantages EU membership has given Greece. "EU membership has been very beneficial to our country," Papandreou declares. "Financial aid has been important to our modernization."

Opposition leader Karamantis con-

have a "sentimental feeling for the drachma, but they are willing to sacrifice and work for a European common currency and for a European identity."

It is clear that Greek foreign policy today is much more dynamic than it was in the past. Greece is taking an active role in the new Europe and beyond and is becoming a more active player in the European Union. Many analysts agree that much of the credit for this new pragmatic foreign policy can be traced to the man at the top, Prime Minister Simitis. As Ambassador Thomas Niles observes, "Simitis's priorities are to modernize the economy,

ready for the 21st century."

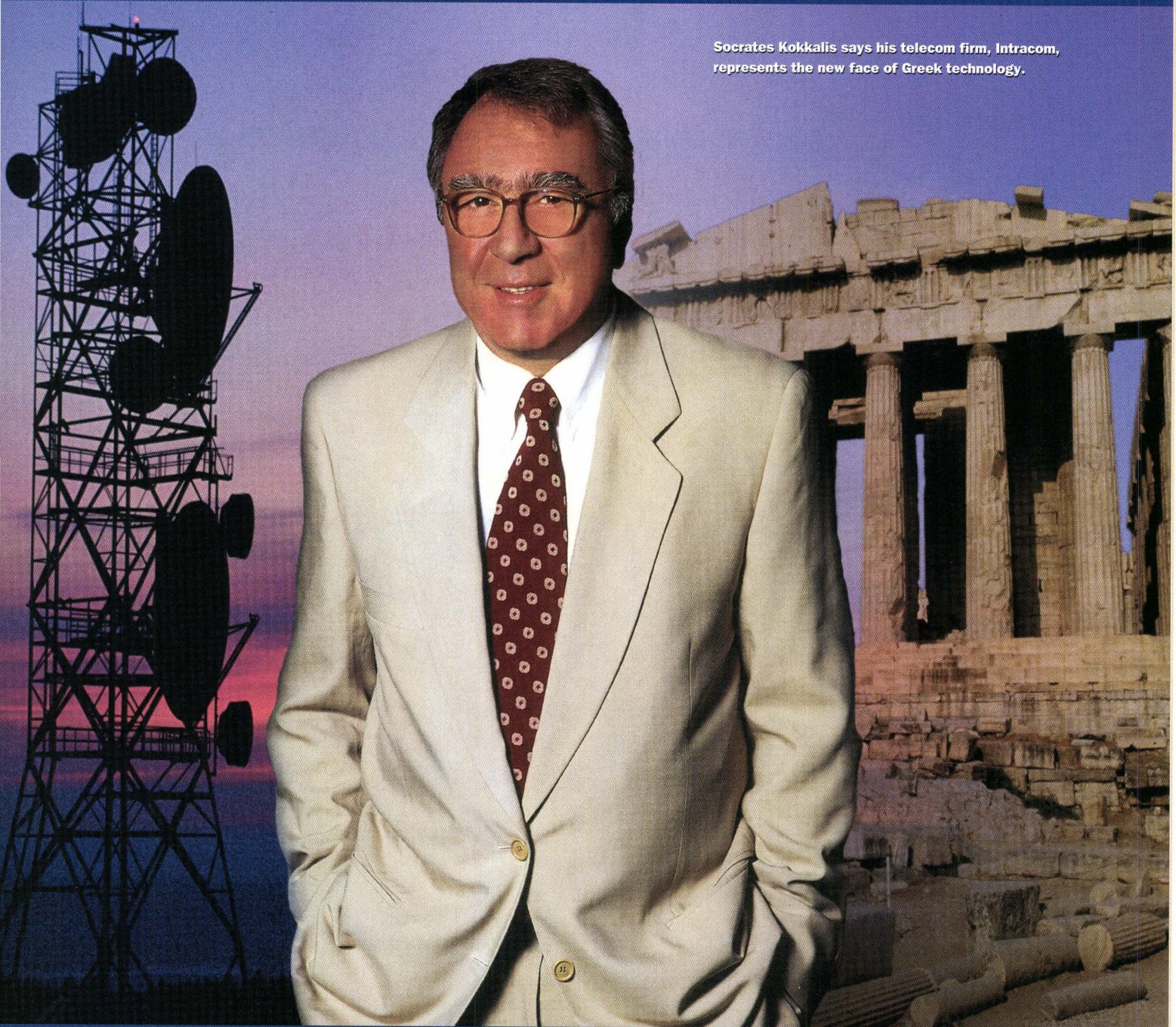
Many difficult problems remain unresolved for Greece in the Balkans, in the Aegean, and in Cyprus. This area of Europe remains fragile, and no one knows what will happen in Bosnia if and when NATO troops depart next year. However, a new realism and sparks of creativity in Greece's foreign policy under the Simitis government indicate that Greece will become a respected voice in the international arena as we enter the 21st century. 

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

B U S I N E S S

HIGH-TECH

Socrates Kokkalis says his telecom firm, Intracom, represents the new face of Greek technology.



ATHENS FIRM COM

G R E E C E

BY ROBERT J. GUTTMAN

"The Acropolis in its time was high-tech. Today, our telecommunications and software firm, Intracom, represents the Greek face of technology," says Socrates Kokkalis, the cheerful, successful, and colorful president of one of Greece's leading high-tech companies.

"One never thinks that telecoms and high-tech are things which exist in Greece. This is no longer true, as we have proved. We have built up a very good industry in Greece in this field of technology," he proclaims.

Sitting in his modern offices in Peania, on the outskirts of Athens, Kokkalis, chairman, CEO, and leading stockholder of Intracom and its subsidiaries, is a man full of confidence who speaks openly and optimistically about his firm's high-tech future not only in Greece but throughout Europe and the rest of the world.

What exactly does this Greek high-tech firm produce? According to Kokkalis, "Intracom has 3,500 people working for us in Greece and another 500 people working abroad. Our firm designs, develops, and manufactures hardware and software for advanced telecommunications, electronics, and data processing systems. We closely work with leading international companies in research and development and production. We participate in major EC research programs. Intracom has a dominant position in the Greek telecom market, and we rank as one of the largest Greek manufacturing firms according to our sales and profits."

"We are in digital switching; access networks, network management systems for telephones; defense industry electronics; providing systems for lotteries," says the chairman of Intracom.

"Today we are the dominant telecommunications and electronics firm in southeastern Europe. We operate lotteries in a few Balkan countries, in Romania, in Moldova, in Russia, and in Greece. We have a contract with Bulgaria for lotteries."

"I would like to point out that Ericsson, the telecom company based in Stockholm, is a 12 percent shareholder in our company."

Kokkalis goes on to say that Intracom is one of the major telecom players in his native Greece. "OTE, the Greek PTT, has been Intracom's principal customer. OTE's participation in our overall sales was 65 percent in 1995. Another big sector in which we are active is the information system for the public administration sector. We are working with the Greek Ministry of Finance installing, I feel, one of the most important systems in Europe. This is the taxation system for the Greek Ministry of Finance which will enable the ministry to collect much more in taxes and to collect it much more efficiently."

Intracom has an appropriately named system called "Profits," "which covers completely the needs of the banker related to customer service and internal accounts," says Kokkalis. "It is an integrated system which we first installed in northern Greece, in Macedonia. It is a very modern system which is very customer-oriented. We regularly sell our system outside of Greece to banks in Malta and Lebanon."

P E T E S G L O B A L L Y

And we also have already in Frankfurt with the European Monetary Institute a contract for a smaller application for our system."

Kokkalis points out, "Greece does produce excellent scientists and engineers as well as real world-class software wizards. And, it should be noted that they do not all emigrate to the United States or Western Europe. Intracom developed with their skills, their creativity, and their dedication."

Doing business in Greece is not without its problems for entrepreneurs and other business people today. "I can't say Greece doesn't have problems. There are gray areas existing. Greece now has the idea that we have to modernize our country. The problem now is you have the idea, now how do you perform this modernization. The state cannot be an interpreter of all affairs. The state must give freedom to private investors and private enterprises to develop businesses."

Continuing his views on conducting a successful business in Greece, Kokkalis states, "The fact of the matter is that today the government is playing an increasingly less domi-

"TODAY WE ARE A EUROPEAN COMPANY. WE ARE READY TO BECOME A GLOBAL COMPANY."

nant role in the economy. As a consequence, doing business here becomes a happier and more stable experience. Nobody wants to blow our chance to modernize in business for the sake of clinging to the old way of doing things."

Kokkalis, the proud owner of the country's leading soccer and basketball teams, is enthusiastic about Greece being a member of the European Union. The EU is "a big benefit to our country," he says. "The European Union has provided Greece with a lot of programs to assist in covering the gap between our country and the more developed nations in Europe. The financial aid has been beneficial. Secondly, the European Union regulations have forced the Greek government to modernize our organizations. This is a very important evolution. You might say that the European Union is practically pushing Greece into a new status."

Many business people might question whether or not it is possible to have a successful multinational or global firm based in Athens. Kokkalis answers, "Why not Athens? Athens is a very nice place to live and do business. Today, you can be a multinational firm wherever you like. In Greece we have excellent human resources because in the field in which we are working, the raw materials are human beings. Our country also has another big advantage. Our climate and our environment are very pleasant, and it is a comfortable place for people to live and work."

People in the United States will be hearing more about Intracom in the near future. According to Kokkalis, "Our next step is to be present in the United States. This can only be achieved with our strategic collaboration with large American companies or with investments in the United States. We are looking to buy a company in the US. I believe that the approach to our business should not be in the way of competition but more in the way of working together with one an-

other. We have already a partnership with Oracle and a partnership on different items with IBM and Sun. We want to have access to the American markets."

Intracom is quite positive about investing in the Balkans. "We are in a very good position in this geographic area. We have an easy approach to the Balkans and to the Middle East regions. It needs to be pointed out that after the end of the cold war Greece has become the focal point of a regional market of 60 million people who long for progress and a bet-

ter way of living. We are now opening new operations in Thessaloniki. We are building up our operations in northern Greece as our center for Balkan operations. This gives us a lot of possibilities for working in the Balkans. There are a lot of problems in these countries but they are going to be solved in the next few years so that these markets will be friendly for investors."

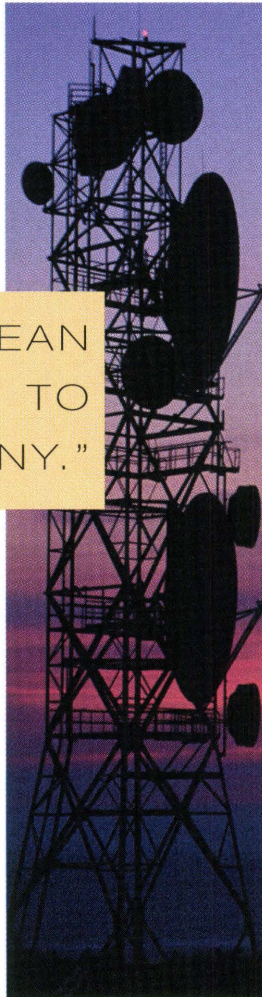
Furthermore, Kokkalis believes Intracom is not a traditional Greek company. "Greek business people used to feel that investing in R&D was like throwing money out the window," he says. "Our philosophy is different. We invest about 10 percent of our turnover in R&D. We also participate in many programs of the European Union. We are the biggest recipient of EU funds in research in Greece."

Is Socrates Kokkalis optimistic about his firm's future growth? He certainly is positive that Intracom will be a global player in the high-tech field. "Today we are a European company. We are ready to become a global company. We built ourselves up step by step in the last 20 years. As a group we have a turnover of approximately \$800 million, and we will come

close this year to \$1 billion. And we hope by the year 2000 to have more than 50 percent of our turnover outside of Greece."

In 1977 Kokkalis started his firm with 15 people and \$20,000. He was thinking ahead when he named his firm Intracom. It is short for international communications. Today, his company is a symbol of high-tech Greece. With his drive and ambition it will almost certainly live up to its name and become a leading international communications firm around the globe. Entrepreneurs don't have to all come from the Silicon Valley or Seattle. As Socrates Kokkalis has proven you can now use Athens as a base for entrepreneurial enterprises in the high-tech field.

As Intracom's CEO concludes, "Today we are competing with the whole world. So your products have to be competitive. If they are not, nobody buys them." ☺



Greece's shipowners keep a low profile these days compared with their predecessors like Aristotle Onassis and Stavros Niarchos. But the Greek-owned merchant shipping fleet is still the world's largest and an increasing number of owners prefer to manage their vessels from Athens' port of Piraeus.

Greek owners control 3,200 ships, accounting for 16.5 percent of the world's oceangoing merchant fleet, according to figures published earlier this year. Although the total of Greek-owned tonnage has declined slightly to 127.8 million deadweight tons from the previous year's figure of 129.7 million tons, it is still 50 percent more than in 1990.

Carrying the world's cargoes is already a \$100 billion business. It is projected to double over the next 15 years. The Greeks specialize in operating bulk carriers and oil tankers which make up more than half their fleet.

Greek-owned tonnage is being renewed at a faster rate than previously in order to meet tighter international safety regulations. Several Greek owners were among the first to place orders for a new generation of super-tankers with double hulls and double bottoms designed to provide greater protection against large-scale spillages in case of accidents.

"There's a growing trend for well-established owners to

about 50 family-owned groups are responsible for half the total \$8.5 billion in loans to the Greek shipping community.

More than \$2 billion earned in international shipping industry operations pours into Greece every year. Although Greek owners operate offshore companies and are not taxed on shipping earnings, they pay a tonnage tax. And the shipping services industry, which caters to Piraeus-based owners, also benefits the Greek economy.

However, the huge tanker fleets operated by Onassis and Niarchos at the height of their rivalry have shrunk considerably. The Onassis group runs a fleet of about 18 modern vessels, which is cautiously managed on behalf of the tycoon's granddaughter, the only surviving family member. The Niarchos fleet has also dwindled in the year since the tycoon's death.

The biggest Greek fleet is operated by Ceres Hellenic with about 100 vessels ranging from tankers and specialized freighters to a fleet of Russian-built hydrofoils, which carry tourists to the Greek islands. Peter Livanos, the group's chief executive, says, "There is a trend for bigger fleets to be managed in a more professional way, although it's hard to find senior executives. There are owners who run their businesses, and there are good junior executives. But people still want to get out and start up on their own."

Some of the biggest Greek shipping groups have started to diversify into onshore activities in Greece, including banking, hotels, and broadcasting. The country's three biggest private television channels, which compete fiercely for audience share, are backed by shipowners.

The London-based Latsis group has built a network of private banks across Europe and is an aggressive player on the Greek banking scene, through its fast-growing Athens-based bank, Eurobank. The Laskaridis group, which operates a fleet of refrigerated container ships, has branched out with a successful casino and hotel venture in the northern Greek city of Thessaloniki, in partnership with Hyatt Corporation of the US.

Meanwhile, the Greek-owned passenger fleet, with more than 100 vessels serving the Aegean islands, the crossing between Italy and Greece, and other Mediterranean routes, is also being renewed. Attica Enterprises, the fast ferry operator listed on the Athens stock

exchange, is playing a lead role.

Attica operates two fast ferries between Greece and Italy, which have reduced the voyage time by one-third. It will take delivery early next year of two more luxury fast ferries and is already planning further orders with a view to entering the Greek domestic market.

Competition is intensifying on the Greece-Italy crossing, which has become the main route for Greek trade with its EU partners since the war in Bosnia blocked transit trade through the former Yugoslavia. And trucks from Turkey are adding to the traffic carried by the fast ferries.

Minoan Line, the Crete-based passenger ferry operator, has also ordered a pair of new fast ferries, which will be delivered early next year. Each vessel costs more than \$100 million, equivalent to the price of a new super-tanker. ☉

Shipowners Look BY KERIN HOPE Landward

arrange charters before the new tonnage is built so that it will suit the customers' requirements," says Nikos Karellis, head of shipping at Midland Bank in Piraeus.

Nonetheless, the Greek-owned fleet is still on average more than 20 years old. This reflects the entrepreneurial tradition of Greece's shipping industry, in which ships' captains move into ownership by acquiring and operating older vessels.

As well as operating ships, Greek owners acquire second-hand tonnage as assets to be sold for capital gain when the freight market rises. Choosing the right moment to buy or sell a ship has formed the basis of many Greek shipping fortunes.

Bankers in Piraeus estimate that the cash reserves held by Greek owners in Piraeus, London, and New York total between \$50 billion and \$70 billion. While as many as 700 individual owners are regular borrowers from commercial banks,

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Inside EUROPE

OCTOBER 1997

VOLUME V/NUMBER 8

LOOKING BACK AT AMERICA: A VIEW FROM EUROPE

[Martin Walker, a contributing editor to *EUROPE*, author of two well-received books, and the Washington bureau chief of the British newspaper, the *Guardian*, has moved to Brussels to become that paper's European correspondent. After nearly a decade of covering the US from Washington, Walker presents his views of the US on the eve of the 21st century. He will continue to contribute to *EUROPE* from Brussels.]

In the nine years that I have been the *Guardian's* correspondent in America, the underlying story has been the great generational shift of the baby boomers coming to power, despite the noisy and truculent resentments of that more traditional America still entrenched in the military, the police, the fundamentalist churches, and country and western bars.

The shift has not just been about the occupant of the White House, nor even about the beers and the now-ubiquitous Californian chardonnays and designer coffee bars. The way Americans live, the food they eat, the cars they drive, and the work they do and the kind of sports they watch and television shows they laugh at have all changed to echo the baby boomer taste. The traditional grip of the Safeway supermarkets with their plastic produce is giving way to the mushrooming new chains of organic supermarkets. The old dominance of the Big Three television networks has dwindled with cable and satellite to the point where some nights they fail to win even half the national audience.

To arrive in America when Ronald Reagan was president and leave it with Bill Clinton embarked on a second term is to have made a journey from one kind of America to another, and one that so far has confounded all the worst fears of the departing Old Guard.

"It's a terrible generation. Even the good ones who came out to serve under me in Vietnam. They couldn't take orders, and they could give them," one of my favorite military men, General Bill Odom, who used to run the National Security Agency, once told me. "The entire generation is just something we've got to endure. The younger ones seem a lot better."

Not so. The most remarkable feature of the baby-boom generation is how stunningly well they appear to be doing. Reagan's Old Guard may claim to have made the final heave in the arms race that broke the Soviet economy and won the cold war. But it has been Clinton's team that can claim to be winning the peace, passing the Chemical Weapons Convention, intervening to end the Bosnian war, to enlarge NATO, and to send the aircraft carriers to the Taiwan straits, warning China that the old cold war containment strategy could be turned against them too.

There is no parallel in modern history for the global military hegemony that the United States now enjoys on land, sea, and in aerospace. Its defense budget is the same as the next 10 significant military powers added together; its weaponry is a technical generation ahead. And it all costs just \$250 billion a year, a mere 3.6 percent of GDP. The last time the US spent so tiny a portion of the national wealth on defense was 1940, the year before Japan's attack on Pearl Harbor bounced them into global dominance.

This is the modern Rome, its garrisons still standing watch on the Rhine as the legions did 2,000 years ago. But its troops and bases also uphold the Pax Americana in Japan and Korea and the Persian Gulf. Its (and happily our) language is the modern Latin, just as the communications satellites and phone links and Internet are our equivalent of Roman roads. The Americans even have that Roman obsession with the export of decent plumbing and central heating. But if the Old Guard still claims to have won hot and cold wars alike, they plunged the US economy into dire straits to do it. The best sound bite of the 1992 election campaign came from the late Senator Paul Tsongas—"the cold war is over, and Japan won."

He was talking about the massive federal budget deficits of the Reagan-Bush years, which took the government's debt from barely \$1,000 billion when Reagan entered the White House to in excess of \$4,000 billions when Bush left it. But the real economic failure had begun much earlier, just as the baby boomers began leaving their colleagues and their anti-war demonstrations for the real world.

LOOKING BACK AT AMERICA (CONTINUED)

Between 1947–1972, median family income in the US doubled, from \$18,000 to \$36,000 a year in today's dollars. From 1972–1993, it barely rose at all. A lot of this was the increase in the number of households and the poverty of single-parent households. But the fact that the number of women in the workplace has more than tripled in the last 30 years meant that for most American families, two wages were needed to sustain living standards that one used to pay for.

Through the great inflation of the 1970s and the ravaging deficits of the 1980s and downsizing of the old labor-intensive corporations in the early 1990s, this stalling of the great American prosperity machine dominated the politics and the mood of the nation. It fueled the fashionable (and wrong-headed) theories of American decline and of imperial overstretch, and accelerated the economic and job crisis of the inner cities, which in turn steepened crime rates and racial tensions.

Then came what must with fairness be called the Clinton boom. Median family income is up to nearly \$40,000. Unemployment is less than 5 percent, and GDP growth is more than 4 percent and inflation below 3 percent. Above all, this prosperity comes from a transformed American economy. When Bill Clinton first went abroad in 1968, trade accounted for about 10 percent of American GNP. It now accounts for more than 30 percent, and the Clinton boom leans heavily on the way the US is now the world's biggest exporter and has become unprecedentedly dependent on the global economy, which it dominates.

This is a matter of quality as much as quantity. Of the three great exporting nations, the classic image of number three is the Mercedes Benz car, as splendid piece of basically 1930s technology. The classic image of number two is the Sony Walkman and the VCR, cleverly marketed products of 1970s technology. The classic image of number one is the Windows 95 operating system, or a Boeing 747, or Hollywood's latest mega-hit. Which economy would you rather be part of?

The result of the cold war has been a victory more strategically sweeping than any since Trafalgar, which established the global dominance of the Royal Navy, and the triumph of Britain's revolutionary new industrial and commercial system. The Americans have slithered with remarkable speed from the cold war role of leading a global military structure to organizing the new free trading and capital-mobile global economy, of which they are linchpin and guarantor. Bill Clinton can orate a bit fulsomely about the triumph of free markets and free institutions, and democracy may not quite be the word for the emergent structures of Russia, China, and Mexico, but he has a cogent point.

America's renewed domestic prosperity has brought with it some happy social effects: plunging rates of murder and violent crime; a job-creating economy that is easing the transition to the 'reform' of welfare; and a baby boomer sensibility, which is civilizing at least the discourse for women and gays. Above all, it may finally be helping reconcile America to its extraordinary achievement with its historic anguish over race.

We are accustomed to focusing grimly on that 40 percent of young black males who are in prison, out on bail,

or on probation, caught up in a violent and vindictive culture, which now has almost 1.5 million Americans behind bars.

But there is a bright side to the picture, which would gladden the heart of Martin Luther King, who did so much to bring it about. The 1990 census found that of 30 million black Americans, more than 9 million lived in households with an annual income of \$35,000 or more, the usual definition of middle class.

Among black Americans 30 years ago, there were five times as many high school dropouts as college graduates. Now, among blacks aged 25–44, the numbers are even. In 1970, only 15.3 percent of blacks had any college education; today, the figure is 48.3 percent (compared to 59.8 percent among whites).

In suburb after suburb, from Carson in California to Southfield in Michigan to Queens in New York, black median household income is higher than that of whites, as the new black middle class abandons the inner city for the safer streets and better schools, just as the whites did.

Asian-Americans and Hispanic-Americans are doing even better, following in the classic footsteps of the Irish and Italian and Jewish immigrants who found and forged such opportunity in America, and made so many compromises with its brutal rules. For every time I remember the Kim family whose shop and shotguns saved me from a rampaging mob in the Los Angeles riots, I recall also the gentle Jewish grandfather, an Auschwitz survivor, whom I met at a National Rifle Association convention in St. Louis.

"If we'd had the right to bear arms, the Gestapo would have had a helluva recruitment problem," he said, his fingers playing over a Smith and Wesson .38 as if it were a violin, in one of those remarks that bring you up short to rethink old assumptions.

I still think America's gun laws are insane, its health system overpriced and socially unjust, and its political finance system breathtakingly corrupt. I still fear that even if this economic boom continues to defy gravity, America is busily recreating an eerily Victorian social system of a sleek middle class squatting above an underclass and an ominously large number of respectable poor.

But I leave stunned by the robust ability of this most frenetic of cultures to reinvent itself, awed by its generosity, aghast at its schizoid swings from cultural despair to crude overconfidence, and so far impressed by how well the baby boomers are managing their inheritance. The contrast is stunning between 1992, when Americans were looking to German models of apprentice training, Swedish job creation schemes, and Britain's National Health Service. Now the ebullient Americans seem prepared to teach us rather less confident Europeans what the new economy is all about. Just as they intervened yet again with their troops and diplomacy to impose a cease-fire in Europe's wretched war in the Balkans. But as America powers into its new self-confidence for the new millennium, one thing doesn't change. As Churchill once put it, "You can always count on the Americans to do the right thing—once they've exhausted every possible alternative."

—Martin Walker

SCOTLAND TO FORM ITS OWN PARLIAMENT

Scotland has voted overwhelmingly in favor of home rule. After 300 years of government from London, Scotland is to have its own parliament, with legislative powers in all of the local affairs of this proud people.

"Well done Scotland," exulted UK Prime Minister Tony Blair, when he heard the result of the September referendum on Scottish devolution. "I am absolutely delighted that the Scottish people have backed our plans. The people have had the courage and the confidence to trust themselves."

The Labor Party had promised in its elections manifesto that it would offer the people of Scotland, and Wales too, the opportunity to administer their own affairs, rather than have them dictated from the distant UK Parliament in Westminster.

The opposition Conservative Party said that it was deeply concerned that this is the first move toward the dissolution of the United Kingdom. "It's a sad night for the future of Scotland," said Conservative leader William Hague. But he added, "We have to respect the will of the people."

Scottish National Party leader Alex Salmond hailed the vote as the first step on the road to full independence and said that he expected it to come about in his lifetime.

Elections to the new Scottish parliament, the first time Scotland has had its own assembly in 300 years, will be held in the spring of 1999. As the millennium turns into 2000, the parliament will meet in Edinburgh to create a largely self-governing Scotland within the United Kingdom.

The home rule parliament of 129 members will have powers to make laws on education, health, and most other areas of policy apart from defense and foreign policy. It will also have narrow powers to alter the tax rate by 3 percent.

The Scottish vote was the first of a series of changes planned by Blair to reshape the constitution of Britain. The resounding "yes" by three-fourths of the voters strengthens the Labor government in its pursuit of a radical overhaul of the way the United Kingdom is governed.

The goal of Labor is to create regional government in the UK, bringing it into line with the rest of Europe. Wales also opted for change, narrowly voting to create their own parliament, with Northern Ireland and the English regions also being offered greater powers at a later stage. This will be a constitutional transformation of the United Kingdom.

The referendum marked the first step in Blair's agenda to devolve power away from the national government in London. "This is an important change, a real shakeup of our

constitution," explained Scottish Secretary Donald Dewar, the man tipped to become the first premier of Scotland.

The vote in early September came exactly 700 years after William Wallace, who inspired the film *Braveheart*, led the Scottish revolutionaries to victory against the English at the Battle of Stirling Bridge.

It may have been Hollywood hype, but the voters of Scotland have now demonstrated that the national pride and the national identity encapsulated in the film is still very much alive.

—David Lennon

WHAT THEY SAID

"The decision to sign a contract to develop an oil field in Iran is a commercial decision for Total alone. The company was legally fully entitled to take such a decision. The European Union remains firmly opposed to United States legislation having extraterritorial effect—notably the Helms-Burton and D'Amato Acts. Such legislation is contrary to international law. It is also counterproductive in political terms since it creates tension between Europe and the United States which makes it more difficult to work together to achieve shared political objectives in Iran."

—Sir Leon Brittan, European Commission vice president, reacting to the recent deal signed by the French oil company Total and Iran.

"Nobody accepts that the United States can pass a law on a global scale. American laws apply in the United States. They do not apply in France."

—Lionel Jospin, Socialist prime minister of France, referring to the D'Amato Act passed by Congress last year.

"The message of Agenda 2000 is that the citizens of all the applicant countries are part of the enlargement process and that the Commission will not rest until it is completed."

—Hans van den Broek, European commissioner for enlargement

"The seven years have flown. I feel very enriched. It was a very great honor."

—Mary Robinson, president of Ireland, speaking at her last public engagement in Dublin

BUSINESS BRIEFS

Adidas, the German sportswear group, is acquiring **Salomon**, the French ski equipment company, in a \$1.4 billion deal that makes it the world's second largest sporting goods manufacturer after **Nike** of the US.

The takeover, which catapulted Adidas above US rival **Reebok**, capped a remarkable comeback by

the group, which was snatched from the brink of bankruptcy in 1993 by French businessman Robert-Louis Dreyfus.

Salomon, the world's largest manufacturer of ski bindings, was forced to diversify by a run of snowless winters between 1989 and 1991, which pushed it into the red.

The French firm is well known in the US and Japan, markets where Adidas lags behind its American competitors.

•••

Adecco, the Franco-Swiss group, consolidated its position as the world's biggest temporary jobs agency with a \$387.5 million takeover of **TAD Resources Inter-**

BUSINESS BRIEFS (CONTINUED)

national, the largest privately owned employment agency in the US.

The acquisition will boost Adecco's annual North American revenues in excess of \$1 billion to more than \$3.7 billion, making it the second largest jobs agency in the US after **Manpower**.

Adecco was formed in 1996 by the merger of **Adia** of Switzerland and **Ecco** of France.

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Europe's airlines embarked on widely divergent strategies to respond to liberalization with **Lufthansa** preparing for the imminent sale of its remaining state shareholding and **Air France** facing an indefinite period of government control.

The decision of France's Socialist government to abandon plans to privatize Air France prompted its chairman Christian Blanc to resign, warning "time is running out in the savagely competitive battle of international air travel."

Lufthansa, by contrast, will be a totally private airline by year-end after the sale of the government's remaining 37.5 percent stake valued at around \$2.8 billion. The disposal, prompted by the need to cut Germany's budget deficit to qualify for monetary union, will create "psychological change," according to chief executive Jürgen Weber.

All eyes are now focused on **British Airways'** bid to get clearance from the European Commission for its controversial alliance with **American Airlines**. BA chief executive Bob Ayling said he will scrap the deal if Brussels doesn't give the green light by November.

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Italy has begun the countdown to one of the world's largest privatization programs, involving the sale of shipyards, motorways, television stations, and the national airline, **Alitalia**, by the year 2000. They are part of the portfolio of **IRI**, the sprawling state holding company set up by the fascist dictator Benito Mussolini in 1993. The government ordered the sale of IRI, Italy's fifth largest industrial company, last May.

Treasury Minister Carlo Ciampi, who is drawing up a timetable of sales, vowed to "sell everything over the next three years."

First on the block will be IRI's 36

percent stake in the loss-making **Banca di Roma** in November, followed by its 86 percent holding in **Autostrade**, the motorway network, in December. The sale of **Telecom Italia**, the state telecoms operator, has been set separately for October.

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Europe's car industry is on a roll as leading manufacturers unveil multibillion dollar investments in plants at home and overseas.

Volkswagen, Europe's leading manufacturer, is selling 6 million new shares to raise \$4.4 billion to fund further growth. Analysts are divided over whether this will be spent on new plants or an acquisition. VW denied it plans to buy into **Porsche**, the German luxury car manufacturer.

Daimler Benz, **BMW**, Porsche, VW, and its **Audi** subsidiary all reported higher output, sales, and profits in the first half of 1997 while exports rose by 8 percent.

Other car makers in an expansive mood include **Nissan** of Japan which plans to launch up to 10 new models in Europe by 2000 to improve its market share. **Toyota**, meanwhile, is close to deciding where to build a second assembly plant in Europe aimed at increasing sales by 50 percent by 2000. Industry analysts tip northern France as the most likely site for the \$1.8 billion plant.

•••

Meanwhile, **Daewoo**, the acquisitive South Korean industrial conglomerate, consolidated its position as the biggest foreign player in the former communist East Bloc with a planned \$1.3 billion investment in Ukraine over six years in a joint venture with **AutoZaz**, the largest car manufacturer.

The deal will give Daewoo control over Ukraine's entire auto industry, marking another victory in its battle with **General Motors** for supremacy in the emerging car markets in Eastern and Central Europe.

Daewoo already operates plants in the Czech Republic, Poland, Romania, and Uzbekistan.

•••

Russia plans to offer tax sweeteners to foreign oil companies in a bid to break the logjam of stalled investments by Western operators seeking to unlock the country's massive oil and gas reserves.

The Kremlin wants to align tax breaks for new oilfields with those available under internationally recognized production sharing agreements.

Parliament is expected to approve the new tax code by year-end, raising hopes that foreign oil companies, including **Amoco**, **Conoco**, **Exxon**, and **Texaco**, will revive stagnant projects.

The legal uncertainties of doing business in Russia, compounded by a hostility from old-style bureaucrats, has prompted foreign oil companies to focus on Latin America, Africa, and the Caspian Sea region.

•••

London's dominance of Europe's futures and options trading came under threat after French, German, and Swiss exchanges forged a cross-border alliance.

The move came as the **London International Financial Futures and Options Exchange (Liffe)** was bracing for a decline in trading as the introduction of a single European currency in 1999 will reduce the need for hedging.

The combined turnover of the three European exchanges, Frankfurt's **Terminbourse**, **Matif**, the Paris exchange, and **Soffex** in Zurich, exceeded the 100 million future contracts traded on Liffe last year.

Meanwhile, **Nasdaq**, the New York-based screen exchange, wooed private investors in Britain with a \$10.5 million television advertising campaign in October.

—Bruce Barnard

INSIDE EUROPE

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Martin Walker

Reuters contributed to news reports in this issue of
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Europe Invites 5 Ex-Communist Nations to Join . . . If

By J. EUROPEAN AFFAIRS

tion of grant uncertain timetable and many caveats, the European Union's governing body today formally named five former Communist countries to begin negotiations for membership. A similar invitation was made to Cyprus.



to counter this impression official in charge of Hans van den Broek, told the European Parliament that there would "not be ins and outs, but ins and pre-ins, with the possibility of the

Brussels sets agenda for new EU members

By Lionel Barber in Strasbourg

EU OKs membership talks for Eastern European five

But a Democles sword, veto power, still hovers

FINANCIAL TIMES THURSDAY JULY 17 1997

Union faces its greatest challenge as it charts expansion course into next century

No turning back from brave new Europe

By Lionel Barber in Strasbourg

EU eastward expansion: five in and five out

How long will negotiations last? The Commission's working hypothesis is that the first wave of new members will enter the Union in 2002. But that looks unlikely.

EU Picks 6 Countries for Talks This Year on Eventual Membership

By Anne Swanson in Strasbourg

Poland, the Czech Republic, Hungary, Slovenia, Estonia and Cyprus, officials said during a session of the European Parliament in Strasbourg, France. Put off were Bulgaria, Romania, Slovakia, Latvia and Lithuania.

Eastern Europe are eager to benefit from the EU's lavish subsidies and liberal trade advantages, and many have undertaken severe economic reforms to meet the membership qualifications.

Portugal and Greece—already consume a huge proportion of the group's budget. Applicants are likely to be asked to streamline their economies more than they have already.

gridlock in the Maastricht Treaty of 1991. EU leaders agreed to move toward a shared foreign and security policy. They have had no success in doing so, in part because it is

EU expansion carries high price

A minimum of \$50 billion would help newcomers compete in a borderless market

By Bruce Barnard

explains why for other East European candidates—Bulgaria, Romania, Slovakia, Latvia and Lithuania—lacked to make the grade and held out the prospect they can start talks at around the turn of the century. Turkey has also seen its accession hopes disappointed (see related story, Page 5).

Brussels unveils reforms to join east and west in EU

By Lionel Barber and Neil Buckley in Strasbourg



The European Commission yesterday revealed a blueprint for uniting western and eastern Europe in a European Union of almost 300 million people stretching from Barcelona to Bucharest and the Baltic.

was wrong to proceed with expansion in waves, along the lines of the Nato military alliance, which agreed last week to admit the Czechs, Poles and Hungarians. Bulgaria and Latvia also failed to make the Commission's short-list on economic grounds, while Slovakia was the only country rejected on

UNCHARTED TERRITORY

East and Central European politicians spent most of their time this year debating membership of NATO. The region's electorates, however, focused on a much more glittering prize: entry into the European Union.

The reason is simple: to many, NATO appears to have lost its rationale, a relic of the cold war. EU membership, by contrast, promises a future of higher living standards. In short, butter not guns.

The broad parameters of NATO's expansion and the EU's enlargement have been put in place. NATO's decision in early July to restrict membership to Poland, Hungary, and the Czech Republic was widely expected. The European Commission's announcement two weeks later that Estonia and Slovenia would join these three nations in the first wave of membership negotiations wasn't.

The Commission's list could yet be narrowed to the Big Three when EU leaders take the final decision at their winter summit in Luxembourg in mid-December. France is angry that its protegee Romania was rejected; Sweden, Finland, and Denmark wanted Latvia and Lithuania to be included with their Baltic neighbor Estonia; and Spain, Portugal, and Greece are ambivalent about the entry of nations that will compete for EU aid.

By Bruce Barnard

EU Enlargement Update

The most likely outcome is that the summit will endorse the Commission's choice, paving the way for accession negotiations to begin early in 1998. The ceremonial launch of talks in Brussels will probably be the only fixed date in the enlargement timetable. There is no date for entry, although few expect the EU to welcome its first new member before 2002 at the earliest.

The key question facing EU negotiators is whether the applicants, whose economies were in a communist straitjacket less than a decade ago, can withstand the rigors of the single market.

The latest enlargement is taking the EU into uncharted territory. The previous expansion was relatively straightforward, involving three rich, advanced countries—Austria, Finland, and Sweden—with close economic, trade, and historic links to the EU.

Eastern enlargement will be at least as tough as the accession of Spain and Portugal, which joined the EU in 1988 after seven years of tortuous negotiations. Like the East and Central European countries, both suffered decades of dictatorship, their economies lagging way behind the EU average.

The current enlargement process likely will be much more protracted and acrimonious as the EU has moved on a lot since the late 1980s.

The EU has become a much tougher, competitive bloc since the establishment of the single market in 1992, its most ambitious achievement to date. This giant border free zone of 370 million consumers has helped to make the EU more efficient and competitive but it also threatens to undermine previously protected industries, particularly in the southern member states.

The new applicants face a hurdle that would have been unthinkable when Spain and Portugal joined: a European single currency. The new members have to accept the goal of economic and monetary union even though it's touch and go whether Germany and France, the EU's most powerful nations, will qualify by the planned launch date of 1999.

There are fears the EU will be too preoccupied with the single currency project to devote much attention to the first year of enlargement negotiations.

The key question facing EU negotiators is whether the applicants, whose economies were in a communist straitjacket less than a decade ago, can withstand the rigors of the single market. Even EU countries like Spain, Portugal, and Greece have been given extra time to open up sensitive markets, like telecoms, because they are judged to be too weak to withstand competition from the richer northern member states.

The applicants may be later starters, but they have made remarkable progress in transforming their economies. Indeed, they have embraced privatization, deregulation, and open markets with a vigor that puts some EU countries to shame. Poland boasts one of the fastest growing economies in Europe, and Estonia has one of the world's most open trading regimes.

Yet despite these achievements, the applicants are still relatively poor, with per capita incomes barely a third of the EU average. A more stark statistic: their combined gross domestic product (GDP) is less than that of the Netherlands, a medium-sized EU country.

This relative poverty plus the large number of people employed in agriculture—nearly 27 percent in Poland compared with an EU average of 5.3 percent—will pose the greatest difficulties in the negotiations.

Enlargement talks won't be limited to the applicants but will also require internal reforms within the EU itself. The EU would implode unless it reforms its Common Agricultural Policy (CAP) and regional aid programs before it accepts six new member states—the Mediterranean island of Cyprus will also start accession talks next year.

The current 15 members accept they will have to pay for enlargement, but the Commission reckons the newcomers can be brought in without exceeding the EU's budgetary ceiling. Something clearly has got to give.

The negotiations are going to be tough, occasionally bitter. But nobody doubts they will deliver the historic joining of East and West. ☺

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

Why Slovenia?

SMALL COUNTRY HAS

BIG PLANS

FOR EU MEMBERSHIP

By Kenneth C. Danforth

The latest act in an ongoing morality play was staged in Strasbourg on July 16 when the European Commission named Slovenia as one of five Central European countries qualified for the next step on the road to European Union membership.

Call it the Peaceableness Dividend. While the warlike factions of Yugoslavia, principally Serbian, sought to extend their borders by terror, the Slovenes asked simply to be left alone. Now Yugoslavia is dismembered and what remains is an economic and political wasteland, while Slovenia, which never had any designs on its neighbors, is enjoying the sweet harvest of freedom. The small country's prosperity is there for any visitor to see, and economic data firmly support first impressions. Slovenia has earned widespread admiration, and the moral lesson is writ large.

Dr. Ernest Petric, who is nearing the end of his six years of service as Slovenia's first ambassador to the United States, has been able to observe his country's progress from both inside and outside.

"Europe *cannot* remain divided," he said in an interview. "Countries like mine certainly cannot stay outside. We have to find our place in this supranational construct. It will require hard work at home. We have to make some serious changes in our way of doing things and our way of thinking. But even now, 80 percent of our commercial and intellectual ties are to the EU."

Ambassador Petric talked about what EU membership might mean to his country:

"We have to open ourselves to an unprecedented degree to meet these demands. Once we are in, we will be exposed to strong winds. We are only 2 million people, and nobody else in the world speaks Slovenian. We have much more of a chance of losing our identity than, for example, France. But



Foreign tourists are again coming to enjoy the mountain views in the Socu Valley.

we are different, and we would like to remain different. On the other hand, we *are* part of the West."

He suggests that the Dutch and the Danes may offer a model for Slovenia. "They too are small countries with languages that are not widely spoken," he says, "yet they have kept the qualities that make them special. We must do the same."

The European Commission's blueprint for the next EU enlargement cites each aspirant country's ability to maintain a secure democratic government and well-functioning market economy while meeting the obligations of EU membership.

On the eve of the announcement, Slovenia's legislature cleared away a serious obstacle by ratifying its EU association agreement by a vote of 70 to 3. Slovenia had opposed EU demands that it change its constitution to allow foreigners to own property, but it finally yielded.

The other four nations—Hungary, Poland, Estonia, and the Czech Republic—are better known to most people in the West than Slovenia is. Thus, many who heard the news of the favored five may have said of Slovenia, "What? Where?" But for those who have had any dealings at all with Slovenia, its selection by the Commission is not only just but sensible.

Known as Agenda 2000, the Commission's comprehen-

sive strategy provides stepping stones toward the putatively bright shores of EU membership. On the way, trade links and political dialogue between the EU and the five Central European countries are expected to expand.

Considering how keen every Central and East European country is to join the perceived gloryland of the EU, one might expect wholesale jubilation over the European Commission's decision. For their part, however, the Slovenes are notably level-headed about the whole affair.

"The transition will take a long time for us and for others," said a Slovenian political scientist who asked not to be quoted. "We destroyed the old socialist regime. And so now we and some of our northern neighbors are trying to take a shortcut to paradise. It won't work so quickly. I would say, probably six years before we're ready to join the EU, maybe two generations before we're truly accepted as being as Western as France and Belgium. We have, you know, a general, well, *mentality* that was created over 50 years."

Perhaps fearing that his words might sound too downbeat, he added, "Let me make myself perfectly clear. I absolutely support Slovenia's entry into the EU and into NATO as well. It's just that, unlike what some of my compatriots believe, meeting the EU's demands is not like jumping into nice warm water. It's like jumping into very cold water! And besides, if you don't learn how to swim before you jump, it can be very dangerous."

However, a study of some of the facts and figures about Slovenia offers ground for optimism.

Slovenia's economy has grown steadily since 1993, and its gross domestic product is expected to grow 4 percent in 1997. Rising exports and new investment in privatized manufacturing and commercial services underpin this positive growth. The agricultural sector, with less than 5 percent of the national work force, does not signify any of the tensions that some members of the EU have suffered over agricultural reforms.

As for political criteria, the European Commission's own Agenda 2000 summary convincingly states:

"The Slovene institutions function properly, with the different powers respecting the limits on their competen-

cies and cooperating with each other. Elections in 1992 and 1996 were free and fair. The opposition plays a normal part in the operation of the institutions.

"There are no major problems over respect for fundamental rights. Some improvements are still needed in the operation of the judicial system, and in restoring property to former owners dispossessed under the communist regime. The effectiveness of the fight against corruption needs further strengthening.

"Slovenia therefore presents the characteristics of a democracy with stable institutions guaranteeing the rule of law, human rights, and respect for and protection of minorities."

The advantages of the new, more formal relationship between Slovenia and the EU are mutual. Sixty-five percent of Slovenia's exports go to European Union members, while 68 percent of her imports come from the EU, a nice equilibrium. Slovenia's top trading partners, in order of Slovenian exports, are Germany (30.6 percent), Italy, Croatia, France, and Austria. The United States ranks ninth.

Slovenia's exports are dominated by high-quality manufactured goods. Revoz, which makes Renaults, is by far the country's biggest manufacturer and accounts for 9 percent of exports. The other leading exporters are Gorenje (household appliances); two pharmaceutical firms, Krka and Lek; Sava (pneumatics); and Talum (aluminum).

Slovenian brand names that are well known elsewhere in Europe are Iskra telephones, Elan skis and boats, Fructal drinks, Radenska mineral water, and Tomos mopeds.

As reported in the May 1996 issue of *EUROPE*, "EU governments from Vienna to London, from Bonn to Lisbon are enthusiastically championing an association agreement with Slovenia." At current rates of economic growth, the magazine continued, Slovenia "could pass EU members Greece and Portugal in four or five years."

As Slovenes like to point out, in as offhand a manner as possible, their key economic indicators are better than those of Hungary and the Czech Republic, their larger, older, fellow applicants.

"We never embraced so-called 'shock therapy,'" said Ambassador Petric. "And we are in better shape than some of the countries that did. Of

course we could do things faster, even now, but that would mean unacceptable social tensions. We want to move slowly and deliberately, I think, and take care of our problems in a rational, methodical manner."

The problems to which he alluded include a creaky financial system with inadequate competition; featherbedding and a spoiled work force at many companies, including Delo, the country's largest newspaper; and corruption aided by archaic accounting methods.

One big advantage Slovenia has relative to the former Warsaw Pact nations is that, even when it was shackled to Yugoslavia, it still enjoyed its traditional openness toward Western Europe. In fact, the Potemkin prosperity Yugoslavia managed to exploit in the 1980s would not have been possible without Slovenia's reluctant contribution of 25 to 30 percent of the creaky federation's foreign exchange. (Slovenia did so with only 8 percent of Yugoslavia's population.)

With the exception of some industrial pollution in its rivers, Slovenia is remarkably pristine. Half of its area is forested, and the alpine air and rushing waters of the huge Triglav National Park are as pure as can be found anywhere in Europe. Even on the yeoman's gauge of clean, safe streets, one has only to think of Amsterdam or Munich to appreciate how very tidy Slovenian cities are.

Following years of tourists' fears of vacationing in a country so near to the horrors of ethnic cleansing, foreigners once again have been choosing Slovenia for their holidays. The number of foreign visitors grew by 14 percent last year; they outnumbered domestic tourists for the first time since 1990.

Slovenia's four next-door neighbors—Austria, Hungary, Croatia, and Italy—brought most of the \$1.2 billion tourism dollars in 1996, but tourists from the United Kingdom, the Netherlands, and the Scandinavian countries have begun to return in promising numbers.

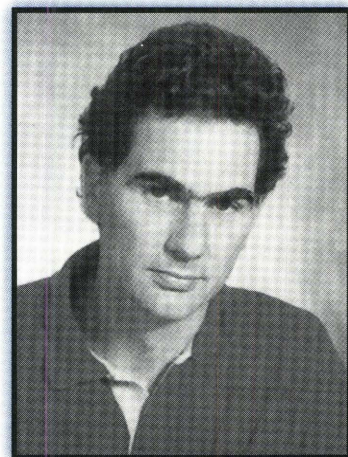
Thus, with a steady rudder and an even keel, Slovenia charts its course ever northwestward, leaving the flotsam of Yugoslavia in its wake. ☺

Kenneth C. Danforth's article, "Slovenia: Open Markets in an Open Society," appeared in EUROPE's May 1996 issue.

Nick Papandreou

Bestselling Greek Author

Nick Papandreou's first novel, *Father Dancing*, is a bestseller in Greece. Papandreou, 40, the son of the late Greek prime minister Andreas Papandreou, talks about the novel, which describes contemporary Greece from a young boy's perspective. The American-educated author (Berkeley, Yale, Princeton) spoke with *EUROPE* Editor-in-Chief Robert J. Guttman in Athens about his book; about growing up as the son of a famous politician; about Greek history and the country's future; and about his next book. *Father Dancing* will be published in the US in January.



Why did you write this book?

I like to write, and I wanted to become a writer for a long time because I'd taken a slightly different career path. This book is about Greece and growing up in Greece. It's the kind of book that you either write in the beginning of your life or at the end of your life that sort of sums up a lot of your experiences. I wrote it in a fictional form in this case.

It didn't really seem fictional. It seemed like basically your life.

It seems like it. But my life is so different than this book. I just managed to make it look very real. I could write another one like that about a kid growing up in Canada, which is also where I grew up. Obviously it's about a family and a famous person, but...most of the things are invented. That's why it's called an invented memoir. My grandmother never taught me calligraphy; there was never a guy called Manoli in our house; my sister and I never went together to hear my grandfather. But I don't like to say those things. When you watch a movie, do you really care if it's real or not? So that's my answer to that. As long as it can be read and you can enjoy it, it really doesn't matter if it's true or not because it's not a historical book. You don't come out of the book knowing too much about Greece's history. You come out maybe understanding something about the Greek mentality and Greek culture.

I read it, and you do get a feel of Greece.

Yes, you get a feel of Greece. Definitely, it's my sense of Greece, in a way. And it's the passions and the dream. In a sense it's how I really wanted to retain that dream that many of us grew up with about a progressive future. And I sort of relived that dream in a period of Greek history



which was very turbulent by writing this book. And in a sense I preserved the dream in the book. The book ends on this, an optimistic note.

What does the title of the book, *Father Dancing* mean?

Well, "dancing" obviously to dance, but it's really about how the child finds his own way of balancing himself and dancing between the private world and this public world he was thrust into. And not only a public world, but one where the passions run very high, where the son is expected to perform as the son of a very popular and a fanatically supported leader. So it's not just the son of someone well-known; it's the son of someone where the people come up to you and kiss you, as I write in the book. It was these experiences that I wanted to maintain. In a sense, when you say why did I write the book, I think it was also personal. I wanted to figure out my own internal balance between the world that is of thought and reading and loving literature and the academic world and this world that I lived. In that sense, it's a real book. It is non-fiction in that sense, that it talks about a very real world which is modern Greece.

Obviously your father, the former prime minister of the country, was a very famous person. How is it growing up as the son of a person who is running a country?

This is a period where he was still on the up, up, and up. It's when he's in his upward move. And in general the struggle toward something is a lot more fun than once you get there. And this book is about the struggle toward something. It has a lot of responsibilities because what's most important are not your personal needs. What's most important is if you're fitting into this larger struggle. So you end

up having a lot of guilt about everything you do that's fun. And that must be [the same] with children of surgeons who are emergency room doctors or of lawyers who are away all the time or any politician, really, who's away from the home. So it's really about children who have grown up without a father, not because the father left home, but because the father was busy, and the child ends up believing that there's really nothing more important than this large dream and the father's activity.

You say in your book that "politics kills love."

It does in a sense, unless they're both involved in a way. I wouldn't say "kills love." It puts a lot of strain on any relationship, family, filial, love relationship. A lot of strain. Because there's two loves. There's a love for politics and the dream, and there's the other one. There are rare cases where it could work, but it's a big strain. To be in the public eye is a big strain.

Do you see your father as the hero who saved Greece?

That's how you look at it when you're a kid. As you grow older, you realize that everyone's a human being and has a lot of faults. The public eye makes a little crack into a chasm. If there's a little fault, it looks enormously bad. If there's a positive thing, it looks great as well. And that's what the public eye does. It put the pressure on your father, and it puts the pressure on anyone around him. But more or less, the people around are like soldiers, and they have to perform.

Is it strange having a father and a grandfather who are always talked about by people and the press? Was it hard seeing your father on television everyday?

Yes, it's a little weird. You're going to have breakfast, or...someone's over for dinner, you turn on the television to watch news. Bang! There's your father. So at some point it's like he's hovering around you, and he's always around you, he's always there. And you have to learn to deal with that. And I'm dealing with that by writing not only this book, but the other books I hope to write. And even though the title is *Father Dancing*, I'd like to think of it as having some universal attrac-

tion, not only for those whose fathers and whose families are famous, but also stories about Greece, about growing up in Greece.

You seem almost like a bystander in your book. The major events that make history are going on, and you're a young child looking at it.

That's right. And it's a young child in there, but it's me, the older guy, who's trying to be a bystander as a writer and observe. This is something which is very healthy. Whenever you study something, if you have a little bit of irony about it and keep a sense of distance, then you can really understand the topic that you're studying. And looking at Greece, rather than writing about Greece in some fanatic way, I look at it as an American, which gives me automatically this distance, but as an American who really is half Greek. And I think that's why this book has succeeded, in Greece at least. It gives to the Greeks a look at Greece that they have lived, but they've never thought about. They've all lived these huge crowds. Every Greek has gone in these massive crowds that my father would gather, of 500,000 or 800,000 people shouting, with their hands up, and they really believe in something. But nobody thought of turning that into fiction. It was something just there. And it's only the outsider who can somehow transform that into a work of art, if this is that, or at least something that's readable.

Is that odd, sitting there and having a million people yelling out your last name?

Very odd. It's very odd. My reference point was really the States. I was thinking, "God, if my friend from New York was here to see this, what would he think?" There was always a strange, not ever a 100 percent feeling of being a part of it because of that American side. I was born in California. Going into little (Greek) villages and people kissing me, and I would say, "This is something they're doing because of your father. This isn't because you're a nice-looking guy or they like you." I never fell into the trap of thinking that anything I said or anything I did had some major importance. I never let it go to my head, and that was the saving grace of having the other culture and

being more firmly grounded in that reality.

What do you think your father did for Greece? Did he modernize it? What do you think his main contribution was?

Yes, I would say modernize in many ways, such as the health system. But those were the functional things. What he did is he deepened democracy and decentralized the country. The civil war ended when he came to power. That was the first time that people were no longer hunted on the basis of their politics. It was the first time that the policemen in the village no longer ran the show, and the teacher and the priest didn't run the show.

What about now, do you feel very European now that you're part of the EU?

Yes, Greece feels European. Greece also feels American to a certain extent because of that special historical link. And I think it feels independent. But it feels the strain of being a small country.

What about the book, how's it doing?

The book in Greece is a bestseller. Certainly the name had something to do with it. But the name also turned off people from buying it in the beginning. They'd say, "Who? What? Don't we have enough of these Papandreous? One of the guys wants to write a book, too?" And especially from sort of left-wingers. They wouldn't touch the book in the beginning. But word of mouth and reading the book says what it is. It's a book that has a certain humility. And the average Greek, I purposely avoided any strong ideological references that would bring up civil war memories that would look like I'm taking sides in the civil war. That's out of there.

And this is it coming out in the States soon?

It's coming out in the States in 1998. Picador is publishing. In January, I'll do a tour and hit some of the big cities, most of them where Greek-Americans live.

Are you going to write another book soon?

I have another book coming out in Greece now in the fall. It has nothing to do with this. It's mainly short stories and novellas that have to do with strange places like Algeria, Baghdad, Siberia. ☺

Thessaloniki



Flags by Pavlos is just one of hundreds of cultural exhibitions and performances featured this year during Thessaloniki's reign as Europe's Cultural Capital.

A Crowded Cultural Calendar BY ESTER LAUSHWAY

If Melina Mercouri were still alive, the fiery movie star and equally passionate minister of Greek culture, who died three years ago, would be applauding the city of Thessaloniki in northern Greece. After having played many parts in its 23-century long and varied career, the Macedonian port named after Alexander the Great's half-sister has landed the plum role of its life. As this year's Cultural Capital of Europe, an institution that Mercouri originated, Thessaloniki has never had a better opportunity to show off the many sides of its personality. This year is its chance to shine, to give full play to the many cultural influences that have molded and marked it ever since it was founded in 315 BC.

Poised between the East and the West, North and South of Europe, the city on the northern shore of the Aegean Sea has attracted a steady stream of those seeking temporary refuge or a permanent home or a new territory to conquer. It was often besieged, but only fell three times—to the Saracens, Normans, and Turks—and in spite of the successive waves of Roman, Byzantine, Slavic, Judaic, and Islamic influences that have washed over it, it has still managed to retain its own character.

Thessaloniki's architecture is a complex jigsaw of Roman remains, Byzantine basilicas, ancient walls, neoclassical mansions, medieval monasteries, Muslim mosques, and downright ugly modern apartments. But the chain-smoking taxi drivers who get upset if you wind your window down for

a breath of outside air, the parked trucks selling heaps of gigantic melons, the ouzo taverns with their intriguing choice of fish and vegetable nibbles to accompany the national fire-water, the bouzouki music vibrating through the warm evening air—these are all distinctly Greek in flavor.

As Greece's second largest city, Thessaloniki has always had to play a supporting role to Athens, which is bigger, richer, better-known on the world stage, and was chosen as the very first European Cultural Capital when the title was created in 1985. Athens has looked slightly askance at its northern, less sophisticated sister now stepping into the limelight, and being handed \$285 million to work with. Some of that epic sum, the bulk of which is coming out of the Greek government's coffers, could have been put to good

The city is forging ahead undaunted with its cultural program for 1997. It is offering something for everyone, with a wide mix of events spread over the whole year and spanning the entire spectrum of the visual and performing arts.



use in the nation's capital. As it is, the dream budget is giving Thessaloniki a golden opportunity, not just to put on a year-long show, but to give itself a major overhaul that will last far into the future.

No fewer than 230 construction projects have been announced, which represents quite an impressive face lift for a city of a million inhabitants. Much of what has been planned will be new structures—theaters, concert halls, and other cultural venues—but entire city sections will be restored, too, and historic buildings renovated. Many of the projects are behind schedule and will not be finished this year, but the long-term aim is to upgrade Thessaloniki's infrastructure and make the ancient city a modern metropolis that will be a focal point for the whole Balkan region long after its 365 days of star status are past.

While this makeover is going on, the city is forging ahead undaunted with its cultural program for 1997. It is offering something for everyone, with a wide mix of events spread over the whole year and spanning the entire spectrum of the visual and performing arts. The calendar is a colorful grab bag of opera recitals, rock concerts, folk dances, classical theater, contemporary paintings, modern sculptures, religious art, traditional songs, and poetry—a busy, varied, schedule that alternates big international stars with lesser-known regional artists and performers. All 15 member states of the European Union are participating, plus 15 other countries, including Albania, Croatia, Cyprus, Australia, Canada, the US and Japan.

At the start of the year, the works of two leading Greek contemporary artists set the stage for Thessaloniki 97. On the waterfront, a cluster of delicate umbrellas soaring into the sky was installed as the visual emblem of the city's role as Europe's Cultural Capital. The airy structure in stainless steel mesh was created by Yorgos Zongolopoulos and first exhibited at the Venice Biennale. The second curtain raiser was *Flags* by Pavlos, a paper and plexiglass rendering of the 15 flags of the EU member states, with an additional white flag representing the next country to join.

One of the most popular exhibits has been the extensive collection of Byzantine icons, including this one from the Chelandari monastery.



A Thessaloniki market near the city's landmark White Tower, which was once a dungeon.

Some of the big events since then have included a Caravaggio exhibition, attended by 50,000 visitors, and a rare icon collection, which premiered a previously unknown work by El Greco. Among the musical highlights were performances by the Beijing Opera, the La Scala Philharmonic Orchestra conducted by Riccardo Muti, and a concert by the Irish rock band U2.

The uncontested cultural coup of the year is a unique, spectacular exhibition of religious art from Mount Athos, the holy mountain to the east of Thessaloniki. For the past 1,000 years, the monastic community that lives there, cloistered from the eyes of the world, has hoarded an unrivaled treasure trove of sacred relics. Persuading 16 of its 20 monasteries to let their priceless heirlooms go on public show for the first time was a masterstroke of cultural diplomacy, which took years of delicate negotiations.

Until now, very few men and no women have set neither eyes nor foot on the splendors of Mount Athos. An 11th century edict banned "every woman, every female animal, every child, eunuch, and smooth-faced person" from the sacred mountain. Since June, when the exhibition opened, an average of 2,200 visitors a day, of both sexes, with and without facial hair, have been filing through the six rooms of the Museum of Byzantine Culture in Thessaloniki where the treasures of Mount Athos are on display until December.

Most awe-inspiring is the extensive collection of Byzantine icons—the bold, stylized paintings of saints and biblical scenes on a gold background. But there are many other marvels, too: illuminated manuscripts, carved altar doors, holy vestments embroidered in gold thread, jeweled crucifixes and chalices. The more down-to-earth side of monastic life is represented as well, with an array of tools, clothing, dishes, and implements, including a monstrous wooden wine barrel that holds 22 tons. The exhibition is rounded out by photos of the towering, starkly beautiful monasteries and the rugged mountain landscape from which they rise.

Before the Mount Athos exhibition, Thessaloniki had been getting some bad press for the internal disputes that disrupted the planning phase of its cultural program. No fewer than three managing directors and four artistic directors succeeded each other; dozens of events were canceled; and Greek culture minister Evangelos Venizelos undiplomatically called the inaugural ceremonies an "organizational fiasco."

The treasures of Mount Athos have redeemed the city's reputation, which makes up in friendly enthusiasm what it lacks in slick efficiency. True, the year's events are not as well publicized as they might be, with information kiosks sometimes closed when they should be open, and the press offices of the cultural organization all too discreetly tucked away in a private mansion, but the slightly amateur atmosphere has its own charm.

Thessaloniki is the first European Cultural Capital that is not also a capital city, and it shows a rare, disarming willingness to present itself to the world, warts and all. No one I spoke to tried to pretend that everything was running

without a hitch, but they are all proud of their city and eager to make this year a success. In keeping with the relaxed, welcoming atmosphere, ticket prices have been kept so reasonable that even big name events are within most everyone's reach.

Even without this year's crowded cultural calendar, Thessaloniki is well worth a visit for its own sake. It not only has the world's largest collection of Byzantine monuments and art, but a wealth of other treasures are also housed in its museums. My personal favorite is the stunning collection of Macedonian burial art in the Archeological Museum. The exquisitely wrought gold jewelry, caskets, and wreaths found in royal tombs from the 4th and 5th century BC are breathtakingly beautiful and perfect in every detail, down to the tiniest bird, no bigger than a fly, perched on a filigree leaf.

When you are saturated with culture, take a stroll along the waterfront, past a statue of Alexander on his legendary horse Bucephalus, and climb the White Tower, which was once a dark dungeon and then was whitewashed, in every sense, to become the symbol of the city. The bustling streets, leafy parks, and crowded squares below never seem to empty. Thessaloniki throbs with activity around the clock. People sit chatting over an iced coffee at any hour of the day, and dinner lasts until well after midnight. An ideal setting to discover some of the local specialties is in one of the tavernas alongside the Byzantine walls in the upper town—just as long as you don't mind the odd cat hoping for a handout. The city is known for its excellent seafood and pastries, but should your stomach need a reprieve from spicy Mediterranean fare, Thessaloniki even has a McDonald's, with a life-size statue of Ronald sitting outside!

From Alexander the Great to Ronald McDonald, Thessaloniki has always welcomed variety. It has its share of defects, which are frankly admitted in the printed program for 1997, but it is "not ashamed of its weaknesses, as long as there are people, money, and the will to make things better." Becoming this year's European Cultural Capital has provided Thessaloniki with all three, and it fully intends to build on the chance it has been given, so that—in the words of Greek Prime Minister Costas Simitis—"it will continue to be a 'cultural capital' of Europe beyond January 1, 1998." ☺

Ester Laushway is EUROPE's Paris correspondent.



Paradise

BY ROBERT J. GUTTMAN

in the Sea of Crete

“Greece is a place in which you can feel your emotions being heightened during your stay. This is more than any other country in the world, or as my wife, who is Canadian, says, ‘Greece is not a country, it is an emotion,’” comments Nikos Skoulas, secretary general of the Greek National Tourist Organization.

“Greece has everything in one place. It has not only the ancient culture and the mystery of Greek mythology but a varied landscape—our islands, unspoiled ecological paradises, and mountains and lakes and the warm nature of the Greek people,” relates Skoulas on the virtues of his country for tourists.

Skoulas points out that Greece is trying to upgrade its image by emphasizing its wonderful and healthy cuisine. “The Greek gastronomic tradition is very healthy. Our Mediterranean diet has as its essential base the Cretan diet, which uses olive oil and monosaturated fats that are proven champions. Greece has the lowest record in the world for cardiovascular diseases because of our healthy diet.”

Greek tourism is trying to recapture the glory days of

years gone by when they had more American visitors. To capture more North American tourists Greece is going upscale with new tourist projects, including the building of more golf courses and convention centers to attract the business traveler. Skoulas indicates that the main source of money to build up Greece’s infrastructure has been the European Union. “We will be getting close to \$1 billion in the next two and a half years from the EU for tourism infrastructure, hotel renovations, and golf courses.”

“Our country offers different things to each individual visitor. So it is important to have your own adventure in Greece,” states Skoulas.

Taking the secretary general of Greek tourism’s advice, I set out on my own adventure across Greece, from the less



The villas at Elounda Beach offer guests their own pool.

well-known Halkidiki peninsula in the north to the Vouliagmeni peninsula outside of Athens to the island of Crete, which is the southernmost island in the beautiful string of Greek islands dotting the Mediterranean Sea.

Greece has some wonderful resorts. The most beautiful resort in all of Greece is without a doubt the Elounda Beach hotel complex outside of Elounda on the island of Crete.

Elounda Beach

Crete, the largest of the Greek islands, feels like a country unto itself. Crete, the birthplace of Zeus according to Greek mythology, is a rugged land with a very stark and barren landscape surrounded by a glittering and gorgeous ocean. It reminded me of the landscape of New Mexico surrounded by an ocean.

It is difficult to know where to begin to describe the overall wonderful qualities of this Greek resort, which has to rate as one of the top resorts not only in Europe but in the entire world. The grounds are truly exquisite; the water sports are numerous; the health spa makes you never want to leave; the rooms have every convenience imaginable; the views are stunning; the Cretan food is tasty and very healthy; and the staff goes overboard in being helpful and friendly. All in all it would be hard to find a place to top the Elounda Beach.

This five-star resort hotel, a member of the Leading Hotels of the World, combines an amphitheater

for a variety of cultural events, an art gallery, a church, a museum, night clubs, tennis courts, and a number of clothing shops in its well-manicured 60 acres of "colorful gardens and tempting coves."

Elounda Beach, located on the northeastern coast of Crete, overlooks Mirabello Bay, only four miles from the port town of Aghios Niklaos. The water sport activities are a key feature of this luxurious but very unpretentious resort, which its own literature correctly calls "non-extravagant luxury." Club Nautique is the name of their full water sport center located near a white sandy beach in the middle of the resort. The instructors couldn't have been more helpful teaching guests to water-ski, sail, and swim. Elounda Beach's location within a beautiful protected bay on the Sea of Crete affords guests the opportunity to engage in all types of water activities without any fear of huge waves or unpredictable winds.

My wife, six year-old daughter, and I took a morning cruise on an old Cretan fishing boat to the nearby island of Spinalonga, which was an old Venetian fortress and not too long ago a leper colony. Spinalonga was a wonderful island to hike around with its steep cliffs and tremendous views. After our morning on the island, the fishing boat captain pulled out a picnic for lunch, and after a dip in the clear blue waters of the Mediterranean, it was time for an afternoon nap. It is interesting to note that Greeks seem never to sleep. They may take short breaks in the afternoon, but they seem to go to dinner at 11 pm and stay up until the early morning hours. After a while one gets used to these customs.

Situated on the deep blue Sea of Crete, Elounda Beach offers a wide array of water sports in addition to magnificent views.



Another day was spent windsurfing and on the banana rafts pulled by a speedboat across the bay. Scuba diving is one of the key sports of the resort, and the instructors are excellent at explaining this underwater adventure.

Staying in one of the suites, which I would have to term a personal villa with a good size private swimming pool, was an adventure of a lifetime. Swimming in our personal pool with

The bungalows along the rocky coasts feel like luxury cabins on a ship. Take a few steps out your front door and plunge into the inviting waters.

a stunning view of the Mediterranean and close-ups of the nearby mountains and eating delicious and healthy food outside on the verandah is pretty close to the perfect way to spend a vacation. We were so impressed with the Elounda Beach that we canceled our proposed trips to Mykonos and Santorini. We figured it couldn't be any better than this.

The bathrooms in the suites were so large they could be classified as dance floors. They had jacuzzis and every convenience anyone could want.

The bungalows along the rocky coasts felt like luxury cabins on a ship. Take a few steps out your front door and plunge into the inviting waters. After you have taken a swim, the room provides a library of Greek books. I managed to read *Zorba the Greek* during my visit.

Even though the resort was fully booked, it never felt crowded. With all the space, it seemed very peaceful. The only negative thing I could say is that we weren't there long enough.

Mary Robinson, the former president of Ireland, was arriving to stay at the Elounda Beach the day we were leaving. Former Greek prime minister Andreas Papandreou had his own special room that he stayed in every summer. Many famous Americans, including former presidential candidate Michael Dukakis, have stayed at this unique, comfortable, and friendly resort on the edge of the sea in Crete.

You don't have to be well known to enjoy the Elounda Beach. Its many services provide for the best of vacations so much so that it is hard to pull oneself away from the resort to go and visit the relics of the thousands of years old Minoan civilization at the Palace of Knossos. But the palace, like the Elounda Beach, is a must if you are lucky enough to visit the unique island of Crete.

Astir Palace

The best-known and most luxurious resort in Athens is actually located 18 miles from downtown on a very scenic peninsula called Vouliagmeni. The Astir Palace hotels, the Arion, the Aphrodite, and the Nafsika, according to one of the hotel directors, Georges Hadzinicolaou, are "built in such a way as to blend in with the natural environment and take full advantage of the magnificent view over the sea and the surrounding landscapes."

We stayed in the charming Nafsika Astir Palace, which is hard to find as it is hidden from view except if you approach it by the sea. The Nafsika is built into the cliff side facing the

bay. Needless to say the views from the rooms are wonderful. Watching the sunset from the hotel's balconies is a truly memorable event.

When you enter the Nafsika at the lobby level, to go to the rooms you have to go down, as the lobby is the top floor of this unique hotel, which features every modern convenience and is the most relaxing place to stay if you have business in Athens.

The hotels are very popular in the summer months for Greek society. Many well-known politicians and business people throughout Greece return to these spacious rooms every year.

Russian President Boris Yeltsin stayed at the Astir Palace on an official visit in 1992, and the Russian press was so impressed with the resort they

prominently displayed it on Moscow television every evening during his visit. Since then, Russians who have the means have come here on their holidays.

The Astir Palace features a helicopter pad, known as the "helicodrome," on its premises for guests who want to avoid Athens famous traffic jams.

The Astir Palace complex is an unbeatable place to stay in the Athens area. It certainly has the well-deserved reputation as *the* place to be while in Athens.

Sani Beach Hotel

Northern Greece is less known, and therefore not as frequented, by tourists as Athens and the islands. But the three-pronged peninsula region an hour's drive from Thessaloniki is well worth the journey. Known as the "Secret Paradise of Greece" the Halkidiki area is comprised of three prongs jutting out into the Aegean Sea. The prong nearest Thessaloniki is called Cassandra. It is on this lovely peninsula that most of the resort hotels of the region are located.

Sani Beach Hotel, calling itself the Green Garden of Greece, is one of the largest and most luxurious hotels in northern Greece. It is also one of the most environmentally conscious. According to Andreas Birner, the public relations manager of the resort, "The hotel, which began in 1962, tries to create a contemporary ecological holiday reserve in one of the last virgin areas of the Mediterranean. Our two modern hotels and our country houses in the woods blend in with the environment. Protecting the environment while providing our guests with an entertaining holiday is the idea behind the Sani Beach Holiday Resorts."

This area and the hotel beaches in particular have to be some of the cleanest beaches I have walked on. The water is also crystal clear. The hotel proudly proclaims that the beaches fly the respected blue flag of the European Union, which signifies that they have passed certain requirements to be classified as clean beaches.

Sani Beach features a jazz festival in the summertime, which attracts well-known musicians from around the world, including the United States. The resort, which attracts quite a number of German guests, is very family friendly.

If you are in Greece and are looking for a "green" vacation in a beautiful clean environment then head to the Halkidiki region and discover the many pleasures of this so-called secret paradise. ☺

CRETE



BY KERIN HOPE

Crete offers visitors something no other Greek island can—the remains of an entire civilization. The Minoans who lived on Crete in the second millennium BC built sprawling palaces, made gold jewelry and bronze weapons, and grew wealthy out of trade with the Egyptians and other ancient peoples in the east Mediterranean. Textiles and products based on the island's rich agriculture were probably the highest earners, according to archaeologists.

Crete is still one of the richest areas of Greece, thanks to exports of olive oil, fresh fruit and vegetables, and a thriving tourist industry. The island attracts more than 2 million visitors a year, more than any other region of Greece. Most are sun-and-sea vacationers, but an increasing number of tourists come in spring and fall as Cretan hoteliers and tour operators try to extend the tourist season by offering special activities.

Hikers head for the rugged mountains in the west, split with deep gorges leading down to the Libyan Sea. From the southwestern port of Palaiochora, you take a boat to the small island of Gavdos,

the southernmost point in Europe, with white sand beaches and brilliant turquoise sea.

A tour of Minoan sites takes you zigzagging across the island, from the small seaside palace of Zakro on the eastern coast, destroyed in a fierce fire 3,500 years ago, to the Psychro cave—sacred to the Minoans—high on the Lasithi plain.

The Palace of Knossos, home of the mythical Minotaur, half-man and half-bull, was partially restored early this century to preserve its unique architecture. Even though the restorations themselves are now in need of repair, it is remarkable to see these impressive ruins. You can still

According to Greek myth, the half man-half bull Minotaur lived in the Minoan palace.

look down a huge flight of stairs that once served the royal apartments.

The museum in Heraklion holds finds from more than a century of excavations around Crete, among them carved stone vases, frescoes from Knossos, ivory figurines, and carved sealstones.

Crete's later history was much less peaceful. Castles dot the island, and the huge fortifications built by rulers from Venice in the 16th century recall a long struggle to fend off the Turks.

As tourism will remain the island's primary source of income, there is growing concern about environmental issues. The Cretans are fiercely opposed to plans for building a new power station on the island, although demand for electricity is growing at twice the rate elsewhere in Greece, and there are severe power shortages in the summer tourist season.

One solution proposed is for Crete to pioneer the development of renewable energy resources to help cover increased seasonal demand. Solar and wind energy projects being launched with co-financing from the EU will eventually provide a backup source of electricity, both for hotels and smaller towns and villages across the island.

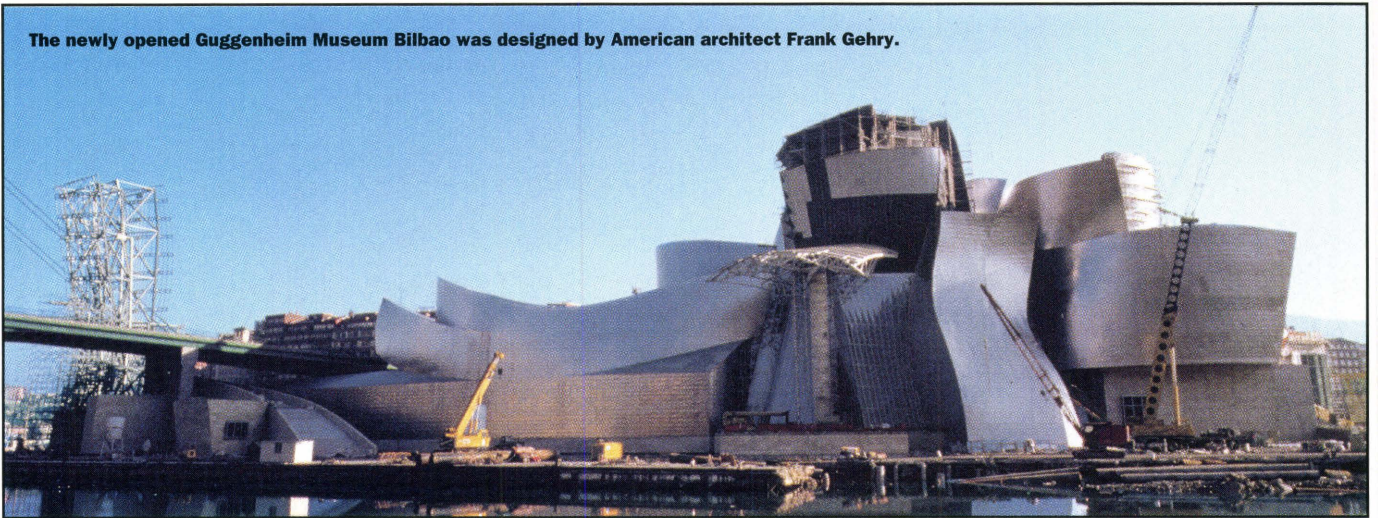
Construction of what is designed to become the world's biggest solar power plant will start later this year. A US company, Amoco-Enron Solar plans to build a five-megawatt plant that would gradually be extended to 50 megawatts. The company's Greek affiliate, Iweco Solar, will install solar panels on several hillside sites near Mires in central Crete to provide additional power for the area.

Iweco is already building in eastern Crete a series of wind farms that will feed an extra 33 megawatts into the local grid from early next year. The three wind farms will be built on mountain ridges near the fast-growing tourist resorts of Siteia, in one of the windiest areas in the east Mediterranean. ☺

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

The newly opened Guggenheim Museum Bilbao was designed by American architect Frank Gehry.



MADRID

BILBAO GUGGENHEIM OPENS

The eyes of the international arts community will focus in October on the northern Spanish Basque city of Bilbao when the multimillion dollar Guggenheim Museum Bilbao is inaugurated as the centerpiece of the city's ambitious redevelopment project.

A stunning structure covered with a crinkly metallic skin reflecting the usually gray skies, the 80,000 square-foot museum built on a 5,000-ton frame stretches along the city's Nervion River and has been called "the greatest building of our time" by no less an architect than Phillip Johnson.

Some people say the museum resembles a mess of sardines, while others see a stylized ship or a mermaid.

Designed by Los Angeles-based architect Frank Gehry, the building is to be a branch of New York's Guggenheim Museum and will house a permanent collection of modern and contemporary art as well as other works loaned by the parent foundation across the Atlantic.

As with any large urban project, the museum has drawn its share of brickbats. Local critics have been vocal in their charges that the estimated \$100

million being spent on the Guggenheim by the regional Basque government and the Guggenheim Foundation should have gone to a more worthwhile project.

Leftists in Bilbao say the funds would go a long way toward alleviating the region's chronic unemployment or other social problems, while local artists would like to see the money used to develop arts-related media and high-tech firms.

But the museum's advocates argue that the Guggenheim will benefit the city and its residents by focusing international attention on Bilbao and boosting foreign and local interest in Basque artists.

It is all part of the city's Ria 2000 project, which is transforming the desolate and rundown container port of Bilbao into a modern, attractive, and hopefully bustling neighborhood.

Other architects of international repute have been drafted to design new subway, bus, and train stations as well as a business center, a convention facility, and a concert hall.

The city clearly needs a face lift following its decline over the years from an important shipping and steel center located on the Nervion, which feeds into the nearby Atlantic.

—Benjamin Jones

PARIS

WHAT PRICE PRIVACY?

A tragic irony ruled over Lady Diana's final moments on August 31. The most photographed woman in the world, who had lived most of her adult life in the glare of publicity, hurtled to her death in a Mercedes being chased by photographers in the country that has the strictest privacy laws in Europe.

Celebrities in France are not, like elsewhere, fair game for whichever trigger-happy photographer wants to stalk and shoot them. An extensive legal arsenal exists in both French civil and criminal law to fight against unwanted intrusions into the lives of the famous.

Former French president Georges Pompidou was responsible for making the protection of privacy part of the civil code. In 1970, when the former bodyguard of film star Alain Delon was murdered in mysterious circumstances, the president and his wife were implicated in the affair. To prevent similar smear campaigns in the future, Pompidou introduced a law that allows the courts to punish any "assault on intimacy or privacy," including taking and publishing photos of anyone without their permission.

The penal code contains a similar law,

but since it takes much longer for criminal court cases to be resolved and the damages awarded are generally lower, almost all French celebrities who take legal action for invasion of privacy do so in the civil arena.

Among the stars who have won lawsuits against the French tabloid press are actresses Isabelle Adjani and Catherine Deneuve, both fiercely protective of their right to live out of the public eye. Yet the victories they have won have not proved to be as strong a deterrent as one might suppose. With damages rarely exceeding \$50,000, tabloids with massive circulation figures like *Voici*, *Gala*, and *Paris Match* simply build what they call "judicial pocket money" for the stars into their operating budget and carry on publishing photos to which they have no legal right.

Confiscating the offending publication is a far more effective punishment than any fine, but French judges practically never resort to such strong-arm tactics. So while privacy laws in France are indeed stricter than almost anywhere else, and lawsuits abound, sentences have not really been tough enough to keep the press under tight control.

Probably the best guarantee of privacy in France is to live a normal, sufficiently boring life with no whiff of scandal to put the newshounds on your trail. That and consistency—both photographers and judges have greater respect for stars who do not splash their private affairs over the front page one day and then sue a magazine the next for publishing an unflattering photo.

Elsewhere in the European Union, the press tends to be left to regulate itself. In Spain, probably in reaction to the repressive regime that formerly ruled the country, no law limits the intrusion of the press into the private life of public figures. The same is true for Germany, at the moment at least. Italy, where the term *paparazzi* was coined, has a new law prohibiting the publication of unauthorized information about someone's health or sex life, but infractions are only punished with trifling penalties.

The United Kingdom's tabloid press, who stalked Diana so relentlessly, has no legal constraints to limit its voracious appetite for scandal, in spite of past attempts to introduce privacy legislation. In 1993, when Kelvin Mackenzie, the editor of the *Sun* newspaper, was summoned before the House of Commons, he made it clear that he possessed de-

tailed information on the sexual antics of MPs, which he was quite prepared to divulge if Parliament were to try and limit the freedom of the press. His message was received loud and clear, and no new privacy laws were drafted.

Now, since Diana's death, the British Press Complaints Commission is again considering a legal crackdown, and Prime Minister Tony Blair has found a stout ally in German Chancellor Helmut Kohl. Kohl has proposed to Blair that the UK and Germany should take joint action to protect people's right to privacy.

On a European-wide level, it is generally agreed that it would be hard to draft a privacy law acceptable to all members of the EU, but a limited directive aimed at intrusive photographers is a definite possibility.

These initiatives all come too late for Lady Diana, and even if stricter laws had existed, they probably would not have made any difference to what happened on that August night in Paris. No legal constraints can keep you safe when fate is the hunter.

—Ester Laushway

HELSINKI

FINNS APPEAR EMU BOUND

When the Finnish government presented its 1998 budget at the end of August, it appeared that Finland seems to be determined to stick to the path toward membership in the European Monetary Union (EMU). The government looks to be making every effort to keep inflation and interest rates down, to grow the economy, and to reduce the deficit.

So far, the efforts have been successful, but they have come with a price—one of the highest unemployment rates in Europe. Almost 17 percent of the labor force cannot find jobs. Not too long ago 10 percent unemployment was seen as a catastrophe, but with the political-economic pendulum swinging toward the Right, even a government led by a Social-Democratic prime minister is prepared to suffer increased joblessness for "a greater cause"—a common European currency and tighter cooperation between the EU member states.

Until recently the Finnish economy was characterized by high inflation and fairly regular devaluations of the currency—the markka. It was handy for the export industry and visiting tourists, but

poison for almost anyone else, especially those interested in a stable policy with growth and few surprises. Those days are over now. There is little doubt that the Finns, or at least their present government, will make sure that no backsliding occurs. Such a position does not win many popularity points. The unions express their dissent, and many political observers have warned of the danger of an "army of unemployed." (The army metaphor raises an interesting statistic: There are more Finns without jobs than the country had in arms during the famous Winter War against the Soviet Union in 1939–40.) But the government's ready response is simply to ask their critics for alternative options, and there do not seem to be any.

The critics continue criticizing, but the rhetoric seems intended mostly for the home market, with statements like: "Finland will lose its independence" or "The currency is, like the flag, a symbol for an independent nation." Certainly the markka played a significant role for Finland, when the country broke from the Russian Empire as it was becoming the Soviet Union, but that was quite some time ago. The most opportunistic critics demand a popular referendum, but it is hard to see how the people can vote on a matter difficult even for scholars to understand and especially since the Finns already voted for a tightening European fiscal policy when they accepted the Maastricht Treaty and the EU membership in a plebiscite not too long ago. Some of the more sophisticated skeptics suggest that the whole enterprise is premature, not particularly for Finland, but for Europe in general.

Be that as it may, Finland will most probably join EMU if it materializes. It will do so for three major reasons: First there is no real alternative. Most Finns understand that EMU will affect the Finnish economy regardless of whether it is a part of EMU or not, and for the most part, they agree that it would be better to sit at the negotiating table influencing the process than to be outside EMU with an "independent currency" but with no say on the larger European economic picture. Secondly, every traveling Finn—and there are a lot of them—is familiar with both the trouble and expense of changing currency. The third reason, so far the least publicly discussed, will have more and more influence as it is explored: the security dimension. As such, EMU has nothing to

do with security policy, as does an expanding NATO, but money talks. The euro will have a much louder voice than the Finnish markka, the deutsche mark, or the Swedish krona. This is something at least the older generation will understand—especially in Finland.

—Thomas Romantschuk

BERLIN

NATION OF ASSOCIATIONS

Associations play an important social role in Germany. Fifty percent of all Germans are members of a *Verein* (association) of some sort, and there are some 100,000 to choose from. They are indeed a German phenomenon and, except in Austria, have no parallel.

Most German associations support common hobbies, forms of relaxation, and education, but for many people a *verein* simply means togetherness. Some people even say that Germany is run by associations. In his poem, “The Member,” satirist Kurt Tucholsky wrote mockingly, “I was alone. Now I am a member, a comrade, a colleague. . . Outside I was a poor devil.”

The historical origins of the *vereine* differ. The oldest—the marksman’s association—dates back to the brotherhoods founded by monks in the 14th century. In the old days the rules were very strict. To become a member, the marksman had to be of good standing and reputation and pay a handsome admission fee. The statute demanded of its members ethical conduct and calm and peaceful behavior at the shooting ground and in the drinking tent. The best marksman at the jamboree was crowned king. This has not changed. What has changed is the marksman’s costume. In the old days it looked like armor; nowadays the marksman wears black trousers, a green jacket, and a green hat. Today there are more than 13,000 marksmen groups with some 1.3 million members.

The biggest *vereine*, however, are the choral associations, which boast some 1,500 clubs with some 1.5 million members. Their history began with the foundation of a *Liedertafel* (song table) in Berlin in 1809. The associations became very popular and grew rapidly in the 19th and 20th centuries. They can be traced back to guilds during medieval times when members met in their free time to sing.

The German mountain climbing and hiking association was founded in 1883



Among the biggest and most popular German associations are those supporting soccer clubs.

in Fulda. It comprises some 2,500 local groupings totaling 600,000 members.

Apart from professional and sport associations, there are *vereine* for dog breeders, pigeon racers, friends of roses, and friends of garlic, to name but a few. And where should the first “Association of Noses” be founded? In Bavaria, of course, you can only become a member if you have a nose of at least 2.4 inches long and 1.6 inches wide. The members hold meetings in a pub and an annual session at which a new “nose king” is elected.

All the *vereine*, large and small, have to be registered at local courts, and then they may use the official abbreviation “ev” by their name, signifying a registered association, which is very important for tax exemption.

A new type of association that has developed in recent years are the *Bürgerinitiativen* (civic action groups) whose main concern is protecting the environment. These local groups enjoy widespread public support and have become politically influential.

—Wanda Menke-Glückert

THE HAGUE

FALLOUT FROM SECURITEL

Verdicts of the European Court of Justice rarely make front-page news, let alone cause a political crisis. Yet, the highest European judges, who are based in Luxembourg, have recently created a downright national scandal in the Netherlands. At stake is the compliance of the Netherlands with the rules of the

free European market of goods and services. The Dutch government had failed to report about 400 different technical regulations to the European Commission. Thus, it turned out, many of the regulations could be illegal.

It all started with the European Court’s so-called *Securitel* verdict in early 1996, which cited a 1983 EU law requiring member states to notify the European Commission of technical issues in national laws. It was a trade related matter designed to prevent EU countries from using national technical requirements as artificial barriers to free trade inside the European Union and thus, protect national industries within the internal market. Such regulations took the form of special health rules, technical specifications, and environmental standards, among others.

Last year, in a case presented by the Belgian company *Securitel*, the European Court ruled that governments that had not complied with the EU’s notification law regarding national technical requirements were liable to be challenged by citizens or companies on the application of these requirements.

It took the Dutch government more than a year after the *Securitel* verdict to acknowledge publicly that the Netherlands has huge arrears in these notifications. It was revealed that the various ministries involved, either by neglect or ignorance, had failed to report more than 400 regulations to Brussels.

Initially, there was widespread concern over what the effects of this ruling would be. Even the judges were not sure

whether, for example, persons could still be convicted for speeding or driving with alcohol since the regulations governing the measuring instruments used to enforce these offenses had never been reported to Brussels. Even the Dutch firearms law was never sent to Brussels, opening the possibility that convictions for illegal firearms possession were illegal. A number of lawyers tried to get their clients freed from jail on these grounds.

At this point the government hastily acknowledged its negligence. It was also made clear that the law and the Securitel verdict dealt with the internal market, not with penal law. So, judges continued to sentence speeders, drunk drivers, and farmers who had not complied with the manure law or with specifications for trucks.

Not only did the Dutch government blunder by not complying with the obligation to notify Brussels on all these laws, it made things worse by initially refusing to publish the entire list of laws that had not been correctly reported. It took a court action to force the government to publish these lists. That finally happened this summer. Meanwhile, the government has promised to speed up its notifications to Brussels, to close judicial holes where possible, and in general, to do better in the future.

—Roel Janssen

LONDON

OPEN HOUSE

Millions of people visit London's famous buildings every year. Buckingham Palace, St. Paul's Cathedral, and the Tower of London are on every tourist's agenda. But for one weekend in late September, hundreds of buildings normally closed to the public throw open their doors for "London Open House."

The Bank of England, the Foreign Office, and the Inland Revenue open up their secret interiors for public scrutiny, as do hundreds of private offices, religious buildings, and even television studios. Many provide guided tours completely free of charge.

This is the one opportunity in the year for architecture fans, students, and the just plain curious to explore unknown pieces of their capital, discovering architectural surprises and delights behind a building's public face.

It could be the post-modernist interior

of some great business house or the decaying mock-gothic reception area and hallways of an old hotel. The variety is endless, and it is little wonder that more than 200,000 people rush to see as many places as possible during this all too short weekend.

There are architectural walks, exhibitions, and lectures on how a building contributes to its surroundings. Famous architects and academics provide expert knowledge about the artistic, social, and technical aspects of architecture.

Open House weekend is not just a celebration of London's wealth of fine architecture, but it is also aimed at promoting public awareness of good architecture and civic pride in the capital's manmade environment.

Over the past decade, Londoners have become much more conscious of how their city is being changed by its new buildings. Prince Charles gave this awareness a public voice when he attacked plans for an extension to the National Gallery on Trafalgar square as looking like a carbuncle on the face of a loved one.

The uproar that followed has had a profound impact on the city's architecture. Fierce debates rage between modernists and traditionalists, and today no builder can get permission for a new structure of any significance without widespread public debate.

London is not alone in opening its architectural heart to the public. This is part of a European-wide celebration of the cultural wealth of the continent's cities.

There are parallel events exposing the wealth of fine urban architecture in dozens of European cities, like Paris, Brussels, Oslo, and Luxembourg.

Across the con-

tinental September is the month when the ordinary citizen can see inside the public facades, and the experts and specialists can promote public awareness of architecture and thus raise the level of the debate about the future shape of our cities.

—David Lennon

COPENHAGEN

REFERENDUM BLUES

No date has yet been published, but the Danes will have their fifth referendum in the spring of 1998. A vote in favor is a prerequisite for Danish ratification of the Amsterdam Treaty, and a no vote will trigger not only a crisis in Denmark but in the EU itself, because unanimity is required.

The polls at present show supporters of the Amsterdam Treaty ahead of opponents, but about half of all Danes have not made up their minds yet, and seven out of 10 say they don't know the main elements of the new Amsterdam Treaty. So the government and major opposition parties, who support it, are anything but happy about the opening round of the campaign.

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What is more, the skeptical mood of the Danes toward EU integration has become more widespread since the Danes rejected the Maastricht Treaty in 1992 and then ratified it with a number of opt-outs in 1993. The number of liberal and conservative voters who say they will vote no to any deepening of European integration has risen sharply, and a Conservative member of the Danish parliament, the Folketing, has publicly broken ranks with the line. Some business leaders, traditionally staunch pro-EU, have also voiced their concerns about loss of sovereignty and the Brussels bureaucracy.

The government hopes that the Danish imprint on the new Amsterdam Treaty—giving a high priority to employment and the environment—will convince the wafflers to vote yes. But social democratic arguments do not appeal to non-socialist voters, and the government has not been able to translate the success of the Danish economy into votes for its own party. The left-wing Socialist People's Party, a parliamentary supporter of the government and a "yes party" at the last referendum is now turning against the Amsterdam Treaty, though it is currently split on the issue.

Polls show that support for the enlargement of the EU is the only element of the Amsterdam Treaty that attracts bipartisan support, especially among left-wing voters. Both Prime Minister Poul Nyrup Rasmussen and his Liberal Party rival, former foreign minister Uffe Ellemann-Jensen, make this a key plank in their platforms, which are separate but influenced by a shared bout of referendum blues. Mr. Ellemann-Jensen has lost a referendum, and the prime minister has no desire to share that experience.

Fearing that scaring the Danish voters will be counterproductive, the pro-Amsterdam campaign is taking a low-key approach to the consequences of a Danish no. But the prime minister and the liberal leader agree that in the event of a no vote, Denmark cannot ask for a renegotiation or opt-outs from the Amsterdam Treaty so that the voters can vote a second time like in 1993. Opponents of the Amsterdam Treaty claim that it can and should be renegotiated to reflect their views so that Denmark can easily thrive outside the EU, like Norway, as part of the European Economic Area. Some Danes, including former European commissioner Henning Christophersen, are starting to question the wisdom of subjecting all major issues to a referen-

dum. Denmark is the only country holding a popular vote on the Amsterdam Treaty. If it is ratified, the next referendum will be on economic and monetary union. But though Denmark qualifies for membership this year, an honor shared only with Luxembourg, all polls show that Danes are not presently in favor of membership. So referendum blues are here to stay.

—*Leif Beck Fallesen*

VIENNA

CAN AUSTRIA AFFORD TO RETIRE?

Austrians are deeply worried these days—not so much about the euro or the situation in Bosnia, but about their individual financial future. Despite reassuring statements by politicians that pensions are being guaranteed, people think otherwise. According to opinion polls, roughly three out of four Austrians are convinced that the state pension system is heading toward bankruptcy.

At first sight, this doesn't look like a specifically Austrian conundrum. All over Europe, governments, economists, and mathematicians are struggling to find solutions to the problem of funding future pensions. But in Austria, things seem to be lot worse than elsewhere.

For almost half a century, successive Austrian governments have taken pride in creating a welfare state of the most luxurious kind, which included a generous pension scheme. A worker could earn in retirement up to 80 percent of his last salary, with widows receiving 60 percent. As a result, Austrians rank among the best endowed European senior citizens.

It isn't just generous remuneration but the design of the system as such that creates enormous problems. Almost 100 percent of pension commitments in Austria are based on a scheme of the pay-as-you-go type. The retired receive what is being paid in through contributions of the people working. Compensatory occupational plans in countries like Switzerland or the Netherlands, which require workers to save part of their income for their own pension, are barely existent in Austria. Less than 10 percent of the Austrian work force is covered by such additional plans (versus 80 percent in the Netherlands and more than 90 percent in Switzerland). And most of those

schemes only cover the income portion above the generous social security ceiling.

All this makes the country extremely vulnerable to demographic shifts. The forecasts are rather worrying. While the birth rate is one of the lowest in Europe, the dependency ratio is already high. In the private sector, the ratio of the number of pensions to the number of workers has risen 10 percent in the last 20 years. And to make matters worse, government schemes to favor early retirement to keep unemployment low have reduced the average retirement age to 58 years for males and 57 years for females—among the lowest for industrialized countries.

Where Austria is heading with its pay-as-you-go system is best illustrated by another statistic. On the average, young Austrians today spend 23 years in schools, vocational training, and universities (up from 19 years in 1970). Once they start work and begin paying their state pension contributions, they do so for 35 years (down from 44). And they can expect 23 years in retirement (up from 14).

Even today, social security contributions by the working no longer cover the pensions paid. Federal government transfers (taxpayers' money) already fills a gap of roughly one-fourth of the expenses.

People retiring in 20 to 30 years from now have long started to question if their retirement pay will be enough to feed them and if the next generation, few in numbers, will be able or willing to honor a contract that they had never signed.

What worries Austrians in particular, is the politicians' half-hearted approach toward reform. So far, no effort has been taken to introduce some kind of additional occupational plan, nor are any incentives being offered to encourage individual savings for one's own retirement. Most Austrians now believe they were badly cheated by social democrat governments in the 1970s and 1980s that had promised them heaven on earth. Many are aware that they will have to pay contributions not only to somebody else's pension but also put some money aside for their own retirement. Some even start to realize that maybe it wasn't such a good idea after all to have less or even no children and spend more for their own fun.

—*Reginald Benisch*

ROME

WELCOME TO ETRUSCANLAND

Can a profaner of antique tombs and a forger become a consultant for the Louvre and for Tuscany's artistic superintendent? Yes, especially if his name is Omero and he is able to reconstruct an entire ancient Etruscan city. This is what Omero Bordo plans to do starting March 1, 1998. On that day in Tarquinia, which is located on the Tyrrhenian Sea an hour and a half north of Rome, Bordo will inaugurate "Etruscopolis," a project that is a cross between an archeological Disneyland and a true time machine, allowing visitors to explore the realm of ancient Rome's first enemies.

Not everyone is fully aware of the historical significance of the Etruscans. Long before the Gauls (who have been celebrated by the French comic books starring Asterix and Obelix who wage constant battle against Caesar's legions), the Etruscans were the Romans' first relentless adversaries. The Etruscans, expert navigators, excellent craftsmen, and creators of an enviable social system, can be considered the ancestors of the Tuscans. Following their defeat by the unstoppable might of the Romans, all traces of the Etruscans disappeared. For centuries they were considered a mystery. Then, toward the end of the 19th century, archeological excavations uncovered some Etruscan tombs filled with splendid handworks that bear witness to a highly refined civilization.

Many, if not the majority, of these excavations were carried out illegally, and a term was coined for those who participated—*tombaroli* or tomb hunters. Omero Bordo, 54, is one of these. He became an expert, not only in finding and "cleaning out" Etruscan tombs, but in producing vases and handworks like those of his ancestors, which he then

passed off as the genuine article. In the end, after various run-ins with the authorities, he was employed by the superintendent for archeological artifacts of southern Etruria. "We would rather recruit him than fight him," the superintendent said. And in the meantime, his "genuine fakes" have become highly sought after. Indeed, the Louvre itself features a display of his vases, amphoras, and busts, which he faithfully recreated using the same techniques, materials, and colors (yellow, red, and black) employed by the ancient Etruscans.

But Bordo has a great love for his ancestors, not just an economic interest in them. And he has now managed to real-



Etruscan archaeological sites, such as the Necropolis in Norchia, are gaining attention in Italy.

ize his life project. Etruscopolis is the reconstruction of an Etruscan city of 2,500 years ago, a time when that civilization was at its zenith. Located in an underground cave twice the size of a football field, there are seven large tombs from the golden age of Tarquinia, which at the time was the Etruscan capital, complete with frescos and artifacts made from the same calcareous material that the ancient Etruscans used. A vast exposition of handworks is on display in another large room. "They are all made by me," Bordo proudly notes.

He has also organized a marketing and merchandising sector where many objects will be for sale. In another area, he plans to have live reenactments and demonstrations of how the Etruscans lived, with a potter sculpting pots, a smith making swords, a dancer accompanied by a lyre, and priests performing a religious rite.

Bordo sees his project serving the country in at least two ways. First, he is advancing the knowledge of Etruscan history. But on a more practical level, he says, "I'm also creating jobs."

—Niccolò d'Aquino

DUBLIN

CASHING IN

Anyone who has been involved in fund-raising knows from bitter experience that, however worthy the project, extracting donations from individuals is a difficult exercise. Promises, yes. Hard cash, no.

All the more remarkable, then, to find that an Irish organization now celebrating its twenty-first birthday has raised more than \$75 million and operates in nine countries.

The first Ireland Fund was set up in the United States in 1976 when leading American businessmen, led by Tony O'Reilly, head of the Heinz corporation, came together to raise money for projects in Ireland that advanced the causes of peace, culture, and charity.

More than two decades later, the Ireland Funds operate in nine countries—Australia, France, Germany, the United Kingdom, Japan, New Zealand, South Africa, and the United States—and are one of the largest private sector foundations dedicated to helping the people of Ireland help themselves.

Through grants ranging from a few thousand dollars to more than a million, the Ireland Funds support hundreds of projects every year in every county of Ireland.

Kleran McLoughlin, the funds' director for Ireland, says that for many projects a seed grant from the funds provides the leverage necessary to qualify for additional money from government agencies and other organizations.

McLoughlin says the funds globally represent a "Confederation of Concern" that united more than 70 million people of Irish descent throughout the world.

All of the funds' money comes from

private sources, either by donors making contributions available directly to the funds or by attending its many events. In 1995, 25,000 people supported 52 of the funds' events in 39 cities in nine countries. More than \$7.5 million was raised to support more than 250 projects.

The ongoing conflict in Northern Ireland and the need for reconciliation attract a large measure of the funds' sup-

port. But, McLoughlin says, its work goes much "to meet the challenges of building a new Ireland with competence and determination."

All of the money raised through donations, black tie socials, and other events is used to attack widespread, endemic unemployment, cross-community projects, inner city deprivation, and rural depopulation.

Education and the arts and sciences,

environmental projects, scouting, leisure centers, youth theater, a training school for puppeteers, medicines, lifeboats, and creative writing are among the hundreds of beneficiaries.

The funds' chief executive, Kingsley Alkins, says 1997 looks set to be a record-breaking year. He says it's obvious the Ireland Funds are tapping into something significant that is happening all over the world—a veritable explosion

NEWSMAKERS

As **Enrico Cuccia**, the 90 year-old chairman of Mediobanca, Italy's top financial institution, prepares to step down, the question of who will succeed him is being hotly debated.

A number of contenders are vying for the chance to step into Cuccia's well-worn shoes. The grand old man of Italian banking has been controlling Mediobanca for more than 50 years.

Front-runners for his job include **Vincenzo Maranghi**, a senior director who has been handling the daily running of the bank for Cuccia for some time, **Guido Rossi**, one of Italy's most successful businessmen, and even **Cesare Romiti**, the head of Fiat.

Romiti probably has the slimmest chance of the three, since he was found guilty this spring of doctoring his company's books—a conviction he is appealing.

Market insiders have Rossi tipped as the likeliest successor, in spite of his strong left-wing leanings, which are not shared by Mediobanca. A graduate of Harvard Law School, he is a former chairman of Consob, Italy's stock market regulator, and the current chairman of state-owned Stet-Telecom Italia, which he is pushing toward privatization.

•••

Some of Germany's senior bankers have been playing an energetic game of musical chairs. **Jurgen Sarrazin**, for example, is not only the chairman of Dresdner Bank but also holds nine supervisory board positions at mostly blue-chip companies like Banque Nationale de Paris and Nestlé.

Such a collection of responsibilities is possible under Germany's two-tiered corporate governing system, where the supervisory board represents shareholders and employees, while the management board looks after the actual running of

the company. The practice confers a lot of prestige on top executives, who end up holding a whole clutch of seats but also gives them an impossible work load. They are often so busy hopping around from one supervisory board to another that they have very little time to prepare for meetings and govern efficiently.

A draft bill due to enter the German parliament this month could change all that. The new legislation would reduce the number of supervisory board seats at most companies from 20 to a maximum of 12. For many German managers, the measure represents a welcome chance to streamline their unwieldy advisory boards.

One case in point is Deutsche Bank, whose main board members sit on supervisory boards at around 70 firms and on many other wholly owned subsidiaries. **Rolf Breuer**, Deutsche Bank's new chairman, who holds six supervisory seats himself, is planning to gradually withdraw his colleagues from their supervisory posts. A spokesman for the bank says this is being done "to cut down on the work load, but also because Deutsche Bank doesn't want to conduct industrial policy."

•••

A Frenchman has been appointed as the new president of the European Savings Bank Group.

René Barberye, 58, chairman of the French savings banks federation, Caisse Centrale des Caisses d'Epargne, is a pragmatic Parisian who does not suffer fools gladly and has little patience with empty ceremony. Unlike his predecessor, who was one of the architects of the convergence criteria for European monetary union, Barberye is not a political theorist. He is a straight-talking banker's man, perhaps just the sort who can bring savings banks from 21 different countries together to create one banking system.

•••

He may have dreamed up the Russian fast-food chain Ruskoye Bistro in an effort to compete with McDonald's and banned the use of foreign words where a Russian one will do, but when it comes to fund-raising, Moscow's flamboyant mayor **Yuri "Cannonball" Luzhkov** is a citizen of the world.

For Moscow's 850th birthday celebrations last month, Luzhkov courted foreign investors as official sponsors. A \$1.5 million deal made Coca-Cola the official anniversary drink.

Celebrations for the historic birthday, which was Moscow's first chance to showcase itself as a modern "European" capital, were impressive. Concerts by **Mick Jagger** and **Luciano Pavarotti**, a **Jean-Michel Jarre** musical laser extravaganza, an opera in Red Square, parades, and a closing ceremony in the massive Luzhniki sports stadium marked the anniversary.

For Luzhkov it was the photo opportunity of a lifetime. In spite of claims that he is intending to do no such thing, Moscow's mayor will very likely be a candidate for the Russian presidency when Boris Yeltsin retires.

•••

After a long search for the right candidate, the European Bank for Reconstruction and Development (EBRD) has finally appointed **Charles Frank**, 60, as the head of its investment banking business. Frank, vice president of GE Capital Services, succeeds **Ron Freeman**.

To celebrate his appointment, Frank went on a cruise in the Baltic with St. Petersburg as one of the ports of call. He takes up his new position this month, and although he has not gone into details about any plans, he says, "I know that the EBRD wants to do more business in central Asia."

Set up in 1991 to help former communist countries make the switch to a market economy, the EBRD at first attracted

of interest in things Irish (Nobel Laureate Seamus Heaney puts it more succinctly, "It is the manifestation of sheer, bloody genius—Ireland is chic!").

Chairman Tony O'Reilly says, modestly, the funds give donors the opportunity to make life better for a new generation in a new Ireland.

Former senator George Mitchell, brokering a peace settlement in Northern Ireland, draws on his own American

experience—the child of immigrants—which gave him the opportunity to attain high public office. He wants to give the same opportunity of peace, fairness, and advancement to the people of Ireland.

That's what the Ireland Funds are doing—from a variety of inner city projects in Belfast and Derry, in Northern Ireland, to the Barretstown Gang Camp in County Kildare (the pet project of actor Paul Newman), which operates a

summer camp for seriously ill Irish, European, and American children.

—Mike Burns

BRUSSELS

300 GRAND YEARS

Which is the most beautiful square in the world? The majority vote might well go to Venice for its Piazza San

a lot of bad press for its luxurious headquarters in London and the extravagant spending habits of its staff.

Since its flamboyant president **Jacques Attali** was replaced by the more sober and low-key **Jacques de Larosière**, the EBRD is shedding its reputation for frivolity. De Larosière believes that Frank's appointment marks an important moment in the bank's history. "His extensive experience in project finance,"



Moscow Mayor Yuri Luzhkov

says the outgoing president, "will serve the bank well as it develops its role in the transition process of our countries of operations."

With the great economic success of many former communist countries, the EBRD is having to find a new role for itself. Some commercial banks in the region see it as a rival because its dual status as a development and investment bank lets it offer better terms than other financial institutions. One of Frank's first tasks will be to reassure other bankers that he will work with them to bring more private sector investment into the region.

•••

The European Union's Brussels-based economic policy committee, along with the monetary committee, has the task of advising the finance ministers of member states in the run-up to the implementation of Europe's new single currency, the euro. Its German chairman, **Klaus Binger**, a top civil servant in his country's ministry of economics, was replaced in June by a high-ranking Belgian civil servant.

Henri Bogaert, 49, who belongs to Belgian prime minister Jean-Luc Dehaene's inner circle and has overall responsibility for the national budget, plans to take a more social view of monetary union than his predecessor did. He believes that EMU will go ahead as planned but would like more attention paid to the effect the euro will have on both salaries and job markets.

•••

For **Elisabeth Bleyleben-Koren**, 48, finances have always run in the family. She is the daughter of a former finance minister and president of the national bank of Austria, the sister of a top aide to the economics minister and the wife of a senior bank director.

Now she has joined their ranks by becoming the first woman to sit on the board of Die Erste, the country's second largest bank.

•••

Things are not going so well for **Gerhard Randa**, Austria's most powerful banker. The head of Bank Austria has been accused of being involved in a deal that gave first-refusal on his bank's shares to the German bank Westdeutsche Landesbank Girozentrale two years ago. The person pointing the finger at him in public is **Maria Rauch-Kallat**, the secretary general of the Christian Democrat Party.

Even though Randa is threatening to sue Rauch-Kallat, she has steadfastly re-

fused to withdraw her accusations. He is now faced with a difficult choice—either back down or launch himself into a lengthy legal battle. Neither option will do much to boost either Bank Austria's or Randa's reputation.

•••

Ten years ago President Mikhail Gorbachev asked five students at the Moscow Institute of Steel and Alloys to start importing computers into Russia. Today, the same group of five run one of the country's biggest financial and industrial groups. Alfa Group owns the largest commodities company in Russia; Alfa Bank is one of the fastest-growing private banks, in charge of co-arranging all Russian Eurobond issues.

The original quintet of entrepreneurs was joined in 1994 by **Peter Aven**, who is president of Alfa Bank and, at 42, one of the senior citizens of the conglomerate. Aven is a former minister of foreign economic relations of the Russian Federation and a close associate of **Yegor Gaidar**, the former prime minister. Together with him he advised President **Boris Yeltsin** on how to make the transition from communism to a free market economy. Aven also belonged to the group of seven businessmen and financiers who spearheaded Yeltsin's reelection campaign.

Right from the start, the founders of the Alfa Group thought big. **Mikhail Friedman**, 33, the chairman of the group, said they decided from the outset to run companies by international standards and "not to set up a company producing ashtrays. But we want Alfa Bank to be a universal bank, the Citibank or Barclays of Russia." Alfa Bank is now the 15th largest bank in Russia, and analysts say the Alfa Group is the country's most dynamic company, with the best potential for investment in such an emerging market.

—Ester Laushway

radio service and part-time for a national television station.

Mr. Lenner believes the use of written Luxembourgish is growing. Twenty years ago virtually all personal and family announcements in the *Wort* were in French. "Now," he says, "maybe 60 to 70 percent are in Luxembourgish."

There is, moreover, an established and thriving literature in Luxembourgish comprising novels, poetry, and drama. Children's favorites like Asterix, Tintin, and Walt Disney stories are hugely popular when rendered into Luxembourgish.

One should keep this in perspective though. A book in Luxembourgish is a bestseller if it can offload 4,000 copies.

The multilingual pages of the *Wort* present no challenge to readers in a country where children are expected to be fluent in French, German, and English by the age of 15, with many also speaking Portuguese, Spanish, or Italian. It's no surprise that Luxembourg is one of the few countries that does not dub foreign films.

Such verbal skills expose the Luxembourgers to cultural influences well beyond their own borders. It gives them a cosmopolitanism that is strengthened by the lack of a university in the country so that the brighter students are packed off to colleges in France, Germany, and even America.

This cultural diversity gives the Luxembourgers a rather lofty disdain for the squabbles over sovereignty and currencies that bedevil others in the European Union. That Luxembourg has become the EU's richest member because it has "thrown off the baggage of history" and opened its doors to former enemies, as one writer claims, can be plausibly argued.

The rising popularity of Luxembourgish is nevertheless a reminder that there is a distinctive and cherished national identity. The country speaks through its Luxembourgish affirmation: "*Mir wolle blewe vat mir sin*" (I want to stay as I am).

—Alan Osborn

LISBON

EXERCISING THE GHOST VOTE

Even if babies could vote, the northern Portuguese region of Braganza would still have 195 more voters than inhabitants. Experts believe Portugal may

have a phantom electorate of up to one million, out of a total population of just 10 million. The majority of these ghost voters are actually dead, but they linger on for posterity on the electoral rolls. Others have simply moved to a different region, and their names crop up twice.

There is no indication that the distortion between the electoral roll and reality was used to perpetrate fraud in last year's presidential election or in the 1995 general election which preceded it. The Portuguese have been aware of the scale of the problem for some time. But the government wants urgent reform of the system before two referenda due next year. These will give the Portuguese the chance to decide on changes to Europe's Maastricht Treaty and on whether to strengthen regional power within Portugal. A referendum requires a 50 percent voter turnout to be valid. If 12 percent of the electorate is fictitious, this could be difficult to achieve.

The government has commissioned a report on the problem and has set aside some \$556 million to pay for reform. But Interior Minister Alberto Costa must tread carefully since any changes would be bound to give the densely populated coastal areas a heavier political weighting at the expense of the depopulated interior. In the case of Braganza, the region would probably lose two of its four members of parliament if the electoral list were updated.

As a first step, the government's report recommends scrapping the current system where local councils compile the electoral roll and setting up a central authority to take on the task of weeding out the virtual voters.

—Samantha McArthur

STOCKHOLM

BATTLING STRESS SYNDROME

Swedes are increasingly falling victim to the extreme stress generated by living a fast-paced lifestyle. The problem of stress is so prevalent in Sweden that at least one newspaper has described it as a potential national epidemic. The symptoms of extreme stress are panic attacks or extreme anguish and may include increased heart rate, chest pains, and even blackouts.

According to the newspaper *Svenska Dagbladet*, anguish and psychosomatic indisposition have reached the level of a potential national epidemic. The paper

goes on to say that ever younger people are succumbing to stress. Work demands, raising children, caring for aging parents, compulsory social life, and intercommunication all contribute to narrow the time one needs to relax and decompress.

Physicians are looking seriously at the problem. Some are suggesting physiological reasons behind this illness, such as a lack of serotonin, an important chemical found in the brain. Another contributing factor appears to be the patient's use of alcohol and/or sedatives.

Treatment for stress is available, both professionally and through voluntary support associations. The Swedish association for people with panic attacks has more than 1,000 members in Stockholm alone.

Government money has been granted for researching the problem in addition to the efforts to cure those suffering from extreme stress. As a stress sufferer puts it, "Few people really take the time to listen too the signals our bodies are sending. One can have five bouts of the flu in a row and still not understand that the real reason is the stress time bomb has gone off."

—Thomas Romantschuk

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ARTS & LEISURE

BOOKS

Father Dancing

By Nick Papandreou; Penguin Books; 181 pages, \$7

In *Father Dancing*, Nick Papandreou has written a novel about Alex, a child observing historic as well as very ordinary events in contemporary Greece. The main character is able to observe the historic events firsthand because his father and grandfather were both leaders of Greece in their respective lifetimes.

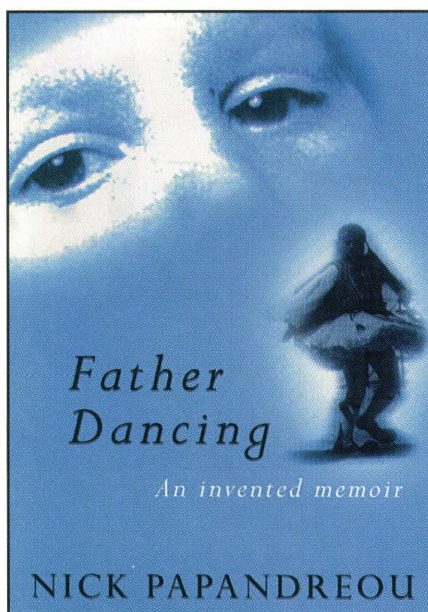
While he writes in this novel about a child observing his famous father who was the country's best-known politician, he could have been writing about any child of a celebrity. What Papandreou's book so brilliantly portrays is the view of a child watching his parent live an almost totally public life with only brief periods of being with his family.

"My childhood memories of my father are of a man at a distance," he writes. "Politics is an enemy to family, an opposing force."

Written with humor Papandreou's novel gives the reader a wonderful overview of Greece, from its social traditions at weddings and funerals to observations on his grandparents, brothers, and sisters to the numerous customs that are taken for

granted from the islands to northern Greece.

How would it feel to have armed members of the military tear up your house and seize your father and throw him in jail in the middle of the night? As a small boy the main character in this novel, Alex, watches his father being dragged away by the military for his stand against the dictators. As he puts it, "Suddenly everything slowed



down, and I felt as if I was watching a movie."

Who do you invite to your birthday party if your dad is a political prisoner? "The only kids my mother got to come to my eleventh birthday were those whose fathers were already in jail."

"The sound of the crowd is my life," Alex repeats throughout the book. He talks about crowds of more than 500,000 people shouting his last name in rallies for his father in town squares across Greece and reflects

upon how odd it is to hear people calling your name all the time when it isn't you they are coming to see.

Papandreou is at his best describing these crowd scenes. "A distant roar, a scattering of slogans, isolated cries. The beast was forming. The sight of the crowd, as I knew from my grandfather's speeches in Athens, was more thrilling than any amusement park, scarier than any thunderstorm, more violent than any war movie."

From a chapter describing a car trip with his dad from Canada to New York to one on the "day of secrets" in Greece to a funny piece on learning to speak Greek better, Nick Papandreou captures not only the spirit of Greece but the feelings of a young child with a very public father. *Father Dancing* is witty and enjoyable to read.

—Robert J. Guttman

Global Europe: The European Union in World Affairs

By Christopher Piening; Lynne Rienner; 252 pages; \$20

There has been much hand-wringing about the future of the EU's Common Foreign and Security Policy (CFSP), Brussels' version of the US State Department. The June 1997 Treaty of Amsterdam essentially maintains diplomacy as the private reserve of the 15 member states. What is noteworthy, however, is that even without a unified foreign policy voice, the EU has managed to move front and center on the world stage in a way that was

unimaginable at its founding 40 years ago.

How this has happened is the story told by Christopher Piening in *Global Europe*. Piening, a staff member of the European Parliament, spent a year at the University of Washington's Jackson School of International Studies to write this study of the European Union's role as a global actor. Perhaps reflecting his authorial perch, Piening devotes the largest chapter of his book to the EU's relations with Asia, ironically the region with which the EU has the least developed political relationship. His starting point, however, is that "trade and economic relations lie at the root of all foreign policy," so that the EU's well-developed external economic relations give it classical foreign policy might.

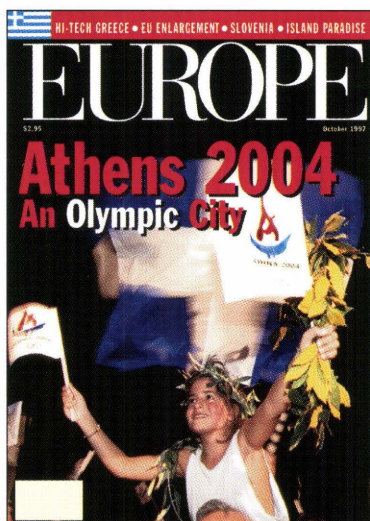
Piening need not market this debatable guns-equal-but-ter thesis to prove his point that the EU is a global power. Nor need he wait hopefully until the EU's CFSP develops teeth. As he points out, such landmark foreign policy acts as the New Transatlantic Agenda or the Barcelona Declaration on the Mediterranean were concluded without a full-fledged EU foreign ministry. They happened because the EU's increasing economic integration and its expansion to 15 members has caused the rest of the world to take notice. Success with the single currency and the absorption of new countries from Central and Eastern Europe will be the best future platform for a larger global role for the EU.

—Peter S. Rashish

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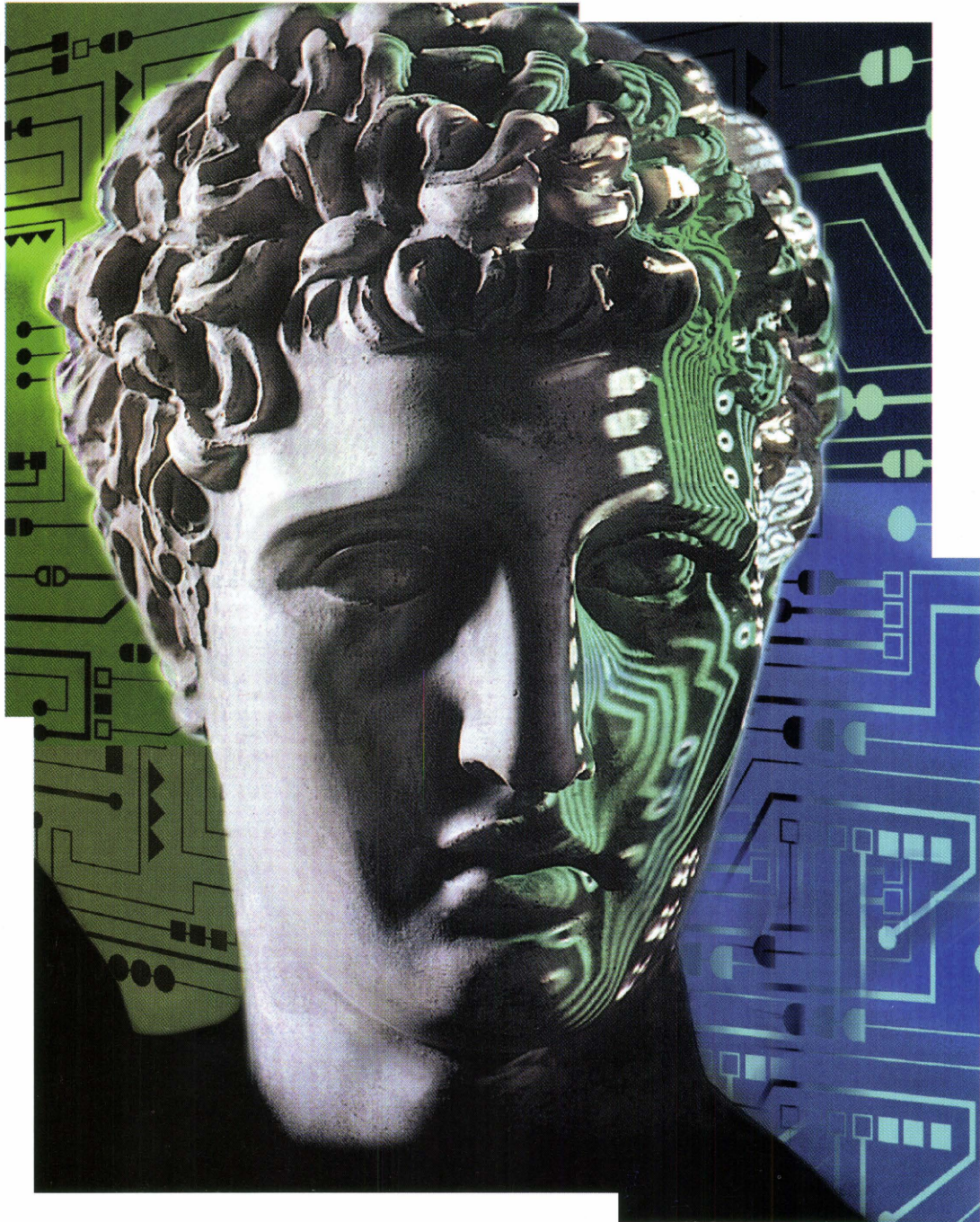
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The Greek Face of Technology

Hermes: God of Communications and Commerce in ancient Greece, sculpted by Praxiteles, 4th century B.C.



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