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EUROPE

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FEBRUARY 1998

HOW GREEN IS EUROPE?

**Taking a Tough
Stand on the
Environment**



ESPOO-FINLAND

A HIGH-TECH CITY CLOSE TO NATURE

Since Finland joined the European Union in 1995, a vast new marketplace of more than 70 million people has been opening up in northern Europe, encompassing Scandinavia, the Baltic countries and Russia as far as the Moscow region. At the hub of this rapidly developing region lies the capital of Finland, Helsinki, and within the greater Helsinki area lies Espoo.

A VITAL PART OF THE HELSINKI METROPOLITAN AREA

As Finland's second biggest city, with a population of 200,000, Espoo forms a vital part of the Helsinki Metropolitan Area. Yet it possesses a distinct, dynamic personality of its own, which is a unique blend of sophisticated technology, avant-garde architecture, an international atmosphere and great scenic beauty. It offers closeness to nature just a 15-minute drive west of downtown Helsinki, and less than half an hour away from the International Airport. On its southern edge, Espoo borders the Gulf of Finland, dotted with 165 islands, while forests and lakes stretch away to the north.

SCANDINAVIA'S LARGEST TECHNOLOGY CENTER

Otaniemi, the core of the high-technology zone in Espoo, forms the largest concentration of technology-related research and business in all Scandinavia. It is home to the Helsinki University of Technology, the Technical Research Center of Finland, Innopoli Technology Center, and many other research institutes.

A growing number of high-tech companies, both from Finland and abroad, have earned Espoo the name of the Silicon Valley of Finland. Drawn by the wealth and quality of scientific resources and research, some 500 high-tech firms are located in the city, with 73 per cent of the industrial labor force working in the high-tech field.

Among the strongest high-tech sectors in Espoo are computer technology and software production, and telecommunications, in which

Finland has long been a global leader. It is no surprise that Nokia, the leading cellular phone manufacturer, has its head office in Espoo.

Other important high-tech branches in Espoo include environmental technology and biotechnology, both fields that show great promise for the future, and the pharmaceutical industry, represented by such major players as the Orion Group, Finland's largest health-care company.

WELCOMING GLOBAL BUSINESS

Espoo has been something of a pioneer in business development in Finland. Its forward-thinking attitude has paid dividends. Some 400 international companies have chosen Espoo as their base of operations in Finland. Many also find it the ideal springboard for doing business with the rest of Scandinavia as well as with Russia and the Baltic countries. Major multinationals with operations in the city include Hewlett-Packard, Digital, 3M, Compaq, Siemens and Xerox.

North American firms represent 30 per cent of foreign-owned business in Espoo, far in advance of all other countries. They are attracted by the skilled, well-educated workforce, the strategic location

to the new markets of northern Europe, the wide choice of first-rate premises available, the excellent infrastructure and low corporate taxes.

But perhaps just as important as the favorable business environment, is the safe and healthy living environment the city provides. With English schooling offered, many cultural and sporting events, plenty of clean air, land and water, Espoo is not just a prime location for international business. It is also a wonderful place to come and raise your family.

For more information on all that the City of Espoo has to offer, please contact:
Ms. Pirjo Latva-aho Business Development Manager: Tel: +358 9 869 2260 Fax: +358 9 869 2445



The beautiful shoreline of Espoo is growing into a real gold coast for companies, with Nokia's and Neste's head offices next to each other. These two leading Finnish firms and the scenic beauty of the site have attracted many other technology-oriented companies.

EUROPE

MAGAZINE OF THE EUROPEAN UNION



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Letter from the Editor

In his article, "How Green Is Europe," Martin Walker, reporting from Brussels, writes that "Europe is already on track to beat its own self-imposed target for reducing global warming emissions to below 1990 levels." And the British, who hold the presidency of the EU Council until June, have promised to "put the environment at the heart of all our policies."

Ambassador Hugo Paemen, the head of the European Commission's Washington delegation, senses a cautious optimism after the Kyoto environmental conference. He welcomes the coming debate in the US and around the world on the Kyoto agreements.

Will fierce competition among European airports benefit the transatlantic traveler? Bruce Barnard, writing from Brussels, looks at the heavyweights, middleweights, lightweights, and the up-and-coming contenders among the European airports. Besides looking at Europe's busiest airports—Heathrow and Frankfurt—*EUROPE* focuses on the airports of the future and the smaller airlines popping up from Dublin to Rome.

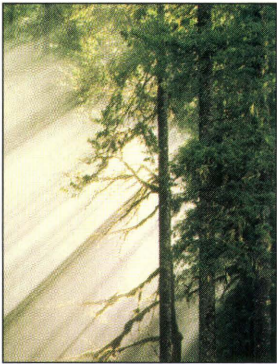
European firms are successfully running American airports. Amsterdam's Schiphol airport is part of a consortium that is managing JFK's international arrivals terminal, and BAA, another European firm, has a management contract to run the Indianapolis airport, including its shops and fire protection.

On the other side of the coin, Barnard reports that US firms are "running the show" in European transportation. "Wisconsin Central Transportation operates virtually the entire British rail freight business," writes Barnard. "UPS and Fedex are expanding rapidly into Europe."

Finland is experiencing good economic growth, but what is the cost to the average citizen who faces the threat of unemployment? Thomas Romantschuk, writing from Helsinki, looks at Prime Minister Paavo Lipponen's government and its "impressive economic results" and also looks at the growing discontent brewing in the country over some of the government's harsher fiscal policies.

Elizabeth Pond profiles Poland as it prepares to join the EU in the early part of the next century and analyzes the "atypical" new prime minister, Jerzy Buzek.

"You can't escape Stockholm" declares our Sweden correspondent, Ariane Sains, as she discusses how the Swedish capital is planning many impressive events as the city begins its reign as Europe's 1998 Cultural Capital.



How Green Is Europe? Cover photo: Finns are serious about preserving their forests, which provide timber as well as beauty.

Robert J. Guttman

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

EUROPE

Publisher

Søren Søndergaard

Editor-in-Chief

Robert J. Guttman

General Manager

Anne Depigny

Managing Editor

Peter Gwin

Editorial Assistant

Susan J. Burdin

Contributing Editors

ATHENS: Kerin Hope

BERLIN: Wanda Menke-Gluckert

BRUSSELS: Lionel Barber, Bruce Barnard,

Dick Leonard, Martin Walker

COPENHAGEN: Leif Beck Fallesen

DUBLIN: Mike Burns

THE HAGUE: Roel Janssen

HELSINKI: Thomas Romantschuk

LISBON: Alison Roberts

LONDON: David Lennon

LUXEMBOURG: Alan Osborn

MADRID: Benjamin Jones

PARIS: Axel Krause, Ester Laushway

ROME: Niccolò d'Aquino

STOCKHOLM: Ariane Sains

VIENNA: Susan Ladika

WASHINGTON, DC: Barry D. Wood

Design

The Magazine Group, Inc./Glenn Pierce

Advertising Information

Fran Grega

tel. (410) 897-0297

fax (410) 897-0298

Interns

Lone Ryg Olsen, Alexandra Rammer, Mónica Vallejo

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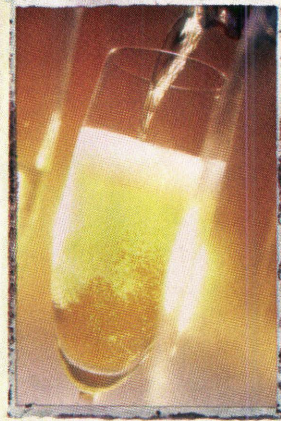
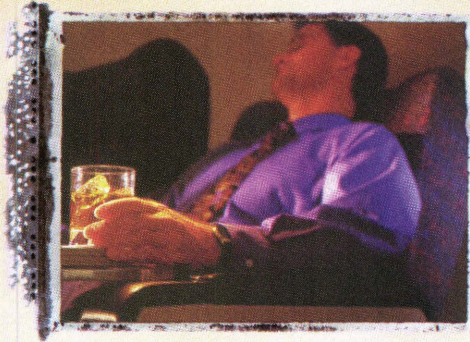
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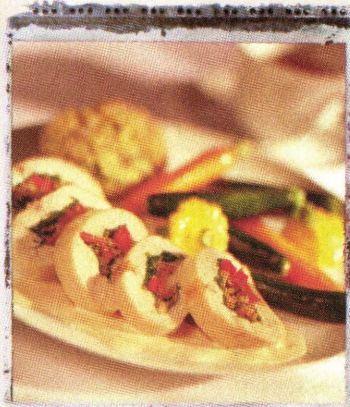
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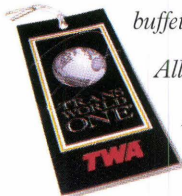
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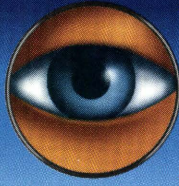
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

The British presidency of the EU Council of Ministers started on January 1. For some observers, the biggest surprise was that Sir Stephen Wall was still in charge of the United Kingdom representation, becoming chairman of COREPER, the influential committee of permanent representatives that handles the day-to-day running of the Union and undertakes the essential groundwork for all ministerial meetings.

Wall, it was widely believed, would be replaced, once British Labor MPs had settled themselves into their ministerial portfolios. It was believed he was too associated with the policies carried out by their Tory predecessors. He had personally been very close to them, having served as foreign affairs advisor to John Major and as principal private secretary to three successive Tory foreign ministers. Indeed, the incoming foreign secretary, Robin Cook, had earlier been overheard saying that he would sack Sir Stephen.

Nothing further was heard of such threats, although Wall was effectively "on probation" until the Amsterdam summit last June. By then it was evident that he had impressed his new "masters" with his capacity to put over their more cooperative line and that he had quickly established a good personal relationship with Cook.

Wall had, in fact, wrongly acquired a reputation as a Euroskeptic, and it is pretty clear that—though as a civil servant he loyally followed

the line laid down by ministers—he is happier with himself since receiving a more positive mandate. He is certainly more cheerful and relaxed than in the days when he was called upon to obstruct EU decision making in response to the ban on British beef exports.

Born 51 years ago, in the London suburb of Croydon, Wall was educated at Roman Catholic boarding schools, and subsequently at Cambridge University. According to his own account, he was "hopeless" in all school subjects except modern languages, and he therefore decided at an early age that he would either become a foreign correspondent or a diplomat.

The first option palled when he heard a famous reporter, Ren Cutforth, declare in a radio interview that foreign correspondents led a dog's life. So he chose to pursue a career in the Foreign Service, though he did explore other possibilities while at Cambridge in case he failed the service's entrance examination. As a raw recruit, aged 21, he was lucky to be sent within the first few weeks to New York, where Hugh Foot (elder brother of the Labor Party's former leader), was leading the British delegation to the UN. Wall speaks warmly of his first boss, who devoted a flatteringly large amount of time listening to his views, which, he ruefully recalls, was not always the case in his subsequent more senior postings.

These included Ethiopia in pre-revolutionary days (1969–72), where he was sent

to a school to learn the predominant language of Amharic and found himself the only non-missionary among the students; Paris, in 1972–74, where he was private secretary to Ambassador Christopher Soames; Washington, in 1979–83; and Portugal, where he was ambassador from 1993–95, immediately before his appointment as permanent representative in Brussels.

In between these postings, he filled increasingly demanding posts in London. One of these was in the Downing Street press office during the prime ministership of Labor's James Callaghan. This, Sir Stephen recalls, was a highly educational experience. "Before meeting the press," he says, "we would agree on a line, only to discover that it would survive for only about three seconds after the first question was put." He had to learn how to think fast on his feet and how to deal with journalists, an essential requirement in his present post.

Working in the Foreign Office newsroom as a secretary was Catherine Reddaway, with whom Wall conducted a whirlwind romance and married in 1975.

After working for Callaghan, Wall joined the private office of Foreign Secretary David Owen in 1979, working particularly on the Rhodesian problem. This he recalls as the most intellectually exciting period of his career.

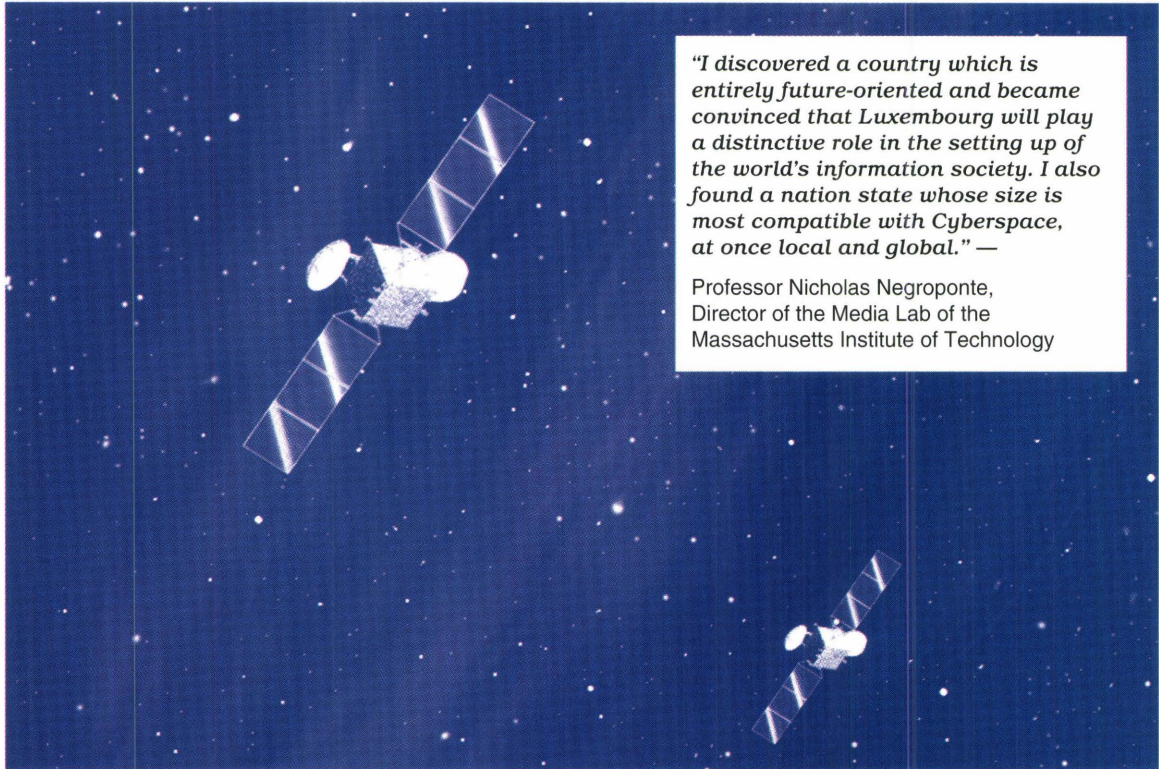
As a man who has been able to work amicably with politicians from opposing po-

litical parties, Wall is well placed to reconcile the substantial differences between the EU member states over several of the important issues that will arise during the British presidency. Two crucial dates are marked in his calendar. In mid-March, the first meeting of the pan-European conference, bringing together all the prospective candidates for EU membership will be held in London, followed shortly afterward by the formal opening of negotiations with the first six candidates.

And in the first weekend in May a special summit will be held to take the crucial decisions on which countries will enter economic and monetary union on the opening day of January 1999. The United Kingdom, which will not be included, will preside over this historic conference. Prime Minister Tony Blair has promised to do this impartially and to do everything possible to help achieve a successful launch of the single currency, the euro.

The success of both these meetings will depend to a considerable extent on the preliminary groundwork that Wall has been able to accomplish in Brussels. At the same time, he will have to juggle a myriad of other issues that will come up for decision during the six-month period. It will certainly be the busiest and most daunting six months in his life, but this modest, friendly, yet highly competent man seems quietly confident that everything will turn out all right.

—Dick Leonard



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EU ONLINE

AIRPORT NAVIGATION

A traveler's first and last stops on foreign soil often can be a confusing and aggravating experience. It's a familiar scene at major airports: throngs of people—many jet-lagged—from various corners of the world fumbling with passports and looking for their luggage, transportation, a currency exchange, or the nearest duty-free shop. Airports are often seen as places to endure not enjoy. But Web users can eliminate at least some of the hassle with a virtual visit before leaving home. Airport Web sites are becoming more common and more relevant to travelers—with maps, information on services, and even flight data.

A helpful clearing house for most of the airport Web sites is Airports on the Net (www.multiweb.net/~mdn/airports.html). This no-frills site simply lists links to sites of some 100 airports, mostly in the United States or Europe. This is much faster than using a search engine, especially if a trip includes stopovers in several airports.

The quality of the sites varies a great deal. The Frankfurt Airport site (www.frankfurt-airport.de), for example, has an extensive list of services, such as banks, dry cleaners, a post office, and even a children's playground. It also includes a ticker at the bottom of the home page detailing any urgent news, such as a flight cancellation. Flight departure and arrival times are featured along with gate information. Clicking on the gate number connects visitors to a map highlighting the gate's location. Copenhagen's site (www.cph.dk/), although a bit slow to download, offers similar features.

But some of the largest airports have less than useful Web sites. London's busy Heathrow Airport (www.baa.co.uk/heathrow/airport/airpopt.html) merely lists airlines operating out of the airport and provides a few maps of the terminals. On a recent visit, the site's creators did promise a redesign, however.

Charles de Gaulle Airport in Paris (www.cyber.fr/roissy/index.html) is not even mentioned on Airports on the Net because it is available only in French. And a link to the Austrian Airports Directory (www.business.co.at/pilots) turns out to be more of a guide for pilots than for passengers.

Airports on the Net could stand a rating system so passengers would know

provided temperature readings and satellite pictures that should help when packing for an overseas trip.

USA Today, oddly enough, is the most informative place to find out about weather in Europe. The site (www.usatoday.com/weather/basemaps/eut1.htm) features five-day forecasts—in both Fahrenheit and Celsius—for about 70 European cities in addition to a satellite

picture of the whole continent. A month-to-month weather almanac for the largest cities gives travelers a chance to factor temperature and precipitation into vacation planning months in advance. The site also provides links to sites with travel information about each country. Although *USA Today* is known for its splashes of color and informational graphics, the site is unexpectedly lacking in Web gadgetry. The frequent updates and range of information more than make up for lack of style.

Weather.com (www.weather.com) has big shoes to fill given that its parent is the popular Weather Channel. The site includes US and international forecasts, maps, a skiers' report, an allergy report, breaking weather news, and a few feature articles. By clicking on International City Forecasts and then entering the desired city, Weather.com reveals current temperature in Fahrenheit, wind, humidity, and an animated weather graphic, all of which are updated several times each day. A three-day forecast—with expected highs and lows—is updated once a day. Its list of European cities is nearly as extensive as *USA Today's*. The ski report, which seemed like a nice feature, was unimpressive. It promised listings from five European countries but listed only eight resorts in all the countries combined. The conditions also were several days old. And on a recent visit, many of the pages related to Europe were labeled "weather damaged" and were inaccessible.

Intellicast (www.intellicast.com) keeps track of slightly more than half the European cities *USA Today* and

From	To	Fare	Save
FROM NEW YORK CITY	TO PHOENIX	\$ 123	\$ 378
FROM LOS ANGELES	TO LAS VEGAS	\$ 76	\$ 76
FROM ATLANTA	TO SAN FRANCISCO	\$ 62	\$ 246

which airport sites offer up-to-date, practical information and which are bare bones. The airports themselves would profit from following the Frankfurt-Copenhagen model and using their sites as passenger resources. It might not ease the frustration over lost luggage or last-minute flight delays, but at least travelers would know where to find a decent lunch and souvenirs for the kids.

WORLD WIDE WEATHER

Cable television gave rise to the idea that viewers could find out current weather conditions on a different continent almost as easily as what's happening in their backyards. The Weather Channel—with its 'round the clock temperature readings and satellite pictures—became a hit. The Web takes that concept a step further—no waiting for the broadcast to cover the snowstorm in Iowa when you want to know about the heat wave on the French Riviera. *USA Today*, Intellicast, and the Weather Channel have taken the lead in Web weather technology and have

Weather.com monitor. Unfortunately, the current temperature and three-day outlook are reported only in Celsius. That's a bit of a hassle for those who are not metric-minded. Intellicast does provide helpful information for skiers. Its European ski report recently featured only France, Switzerland, and Austria but included dozens of resorts and daily updates.

Travelers to London or Paris can find the weather basics on any of these sites—although they might have to do a bit of calculating on Intellicast. But as it stands, *USA Today* offers the greatest number of European cities and seemingly the most reliable access to worldwide weather data. How much stock travelers should put in the forecasting is another issue altogether.

SITES OF THE MONTH: CARNIVAL

A party on a Tuesday in the dead of winter makes perfect sense when what follows are 40 days of prayer, some fasting, and general lack of merriment. That party, Carnival or its American incarnation, Mardi Gras, has grown into a weeks-long celebration, and most of

today's revelers aren't too concerned with Lenten practices. They come for the parades, the masked balls, and the music that have made Carnivals into internationally known spectacles.

Venice and Nice host two of the most widely known Carnivals, but other European cities have events worth attending—Cologne, Patras (Greece), Madrid, Brussels, and towns throughout Italy. Tourist Web sites largely have failed to showcase these events, however. The Travelocity Web site (www.travelocity.com) has brief descriptions of all the celebrations. It mentions the "Battle of the Flowers" at the Nice Carnival, for example, in which flower-covered chariots parade down the picturesque Boulevard des Anglais. The entries include beginning and ending dates for Carnival and a telephone number for the local tourist office. But there are no dates for the parades or balls and no advice on where to stay.

A search of the Epicurious site (travel.epicurious.com/travel/a_homepage/texthome.html) on the word carnival also reveals several entries, some of which include telephone and fax numbers not listed on Travelocity. Venezia net (www.doge.it/calend/98.htm) gives a rundown of Venice Carnival events—including the elaborate Doge's Ball—but doesn't include exact times.

New Orleans has jumped on the Web marketing bandwagon with several sites dedicated to Mardi Gras. Two sites are both fun and informative. FatTuesday.com (www.fattuesday.com), put together by Mardi Gras guidebook writer Arthur Hardy, includes parade schedules, a look back at the festivities' 19th century origins, a description of the parade groups, or krewes, and pictures from Mardi Gras past. The official site for the events (www.mardigrasday.com) includes a lesson in Mardi Gras lingo, video from last year's parades, and Cajun recipes—such as crawfish étouffé and jambalaya.

European cities and international travel Web sites clearly aren't pushing to lure foreign crowds to Carnival. Maybe the lack of publicity adds to the intrigue. But with Carnival taking place during the low travel season, tourist officials most likely will be inviting visitors to mark their calendars if not to attend a ball at least to be part of the spectacle.

—Christina Barron

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Transportation

EUROPE'S TOP



AIRPORTS

Europe's airports are in a state of flux as they are swept up in the slipstream of an "open skies" regime that is radically reshaping air travel across the continent. Five years ago, Europe's airports basically handled aircraft and were run by state-owned bodies. Competition was rare, service standards mixed, and real profits nonexistent as governments treated airports as convenient cash and job cows.

Today, Europe's airports are learning to behave like any other business as liberalization, privatization, and competition sweeps through the industry. Some are quoted on stock exchanges while others are being groomed for sale. Berlin-Brandenburg International, due for completion in 2010, will be Germany's first privately owned large airport project. Smaller, out of the way airports, which scratched a living from vacation charters are now attracting scheduled services.

Europe's airports have become big business, tracked by analysts at the big investment banks. With air travel booming, there's no shortage of business—Salomon Brothers, the US investment firm, estimates European airports need to spend between \$65 billion and \$80 billion on infrastructure over the next 15 years. The opportunities are there, but the jury is still out on who will be the winners and the losers in the airport war.

The European airport industry resembles the boxing business with the heavyweight title being fought between the two main London airports, Heathrow and Gatwick; the Paris twins, Orly and Charles de Gaulle; and Frankfurt, with Amsterdam trying to make the weight. The middleweights, Rome, Madrid, Zurich, and Copenhagen are fighting to hold on to their long-haul flights as airlines concentrate on a few super hubs. The third tier airports, on the periphery, like Helsinki, Oslo, Stockholm, Athens, and Dublin, are desperately trying to hold on to their long-haul connections. Lastly, there's a new breed of unglamorous featherweight airports, like Luton, north of London, which have prospered from the rise of new US-style low-cost, no-frills carriers.

London Heathrow remains Europe's largest airport—56 million passengers in 1996—the busiest international hub in the world. But as congestion slows its growth, its stablemate London Gatwick—24.3 million passengers in 1996—is fast closing the gap. Yet only a few years ago, airlines fought tooth and nail to avoid being "relegated" from Heathrow to Gatwick. Frankfurt, the leading airport in continental Europe, handling 38.8 million passengers in 1996, got a windfall dividend from the opening of new travel markets in Central and Eastern Europe and the former republics of the Soviet Union. Paris also is well placed to maintain its third ranking position because of its location, a large domestic market and an indulgent government.

These airports have built up their commanding positions on the back of large domestic markets, which makes the success of Amsterdam all the more remarkable because its domestic market is less than 15 million people. But thanks to farsighted planning, aggressive marketing, and careful attention to passenger needs, Amsterdam is a constant thorn in the side of its bigger rivals. Nearly 45 percent of the 27.8 million passengers who passed through Schiphol in 1996 were in transit compared with 29 percent at Heathrow.

Will Fierce Competition Benefit Travelers?

BY BRUCE BARNARD

Competition is so fierce that Frankfurt has called for the establishment of a national airport holding company to market all German airports.

High-speed railways linking Paris, Brussels, Amsterdam, and Frankfurt will make it easier for airports to poach long-haul passengers from their rivals.

The big airports are still registering double-digit growth, but they face tough challenges—too few runways, overflowing terminals, and increasing public opposition to their expansion plans. The situation is so critical that governments are thinking the unthinkable. Do we want to grow anymore, Dutch politicians pondered in public during a heated national debate over Schiphol's future.

Schiphol hit on a typical Dutch solution to its growth plan by unveiling a \$17 billion plan to move its runways to an artificial island in the North Sea, six miles from the coast and connected to its current site by an underground



Overcrowded terminals is just one of the factors driving airlines and passengers to cheaper, smaller airports.

magnetic train link. Other proposals include moving part of the present airport's operations to a large lake north of Amsterdam or building an overflow

charter and freight airport on an artificial peninsula near Rotterdam.

Schiphol is running out of time. It will hit a government-set ceiling of 44 million passengers a year in 2003 instead of 2015 as originally envisaged. Schiphol's efforts to appease local environmentalists risk alienating its airline customers. A ban on night flights last October drew warnings that home carrier, KLM, would be forced to move to another European hub—Stansted, north of London, is a possibility. Strict noise limits also were responsible for Federal Express dropping Schiphol and building its European hub at Charles de Gaulle in Paris.

Smaller airports face similar problems. Cologne, for example, lost DHL Worldwide, the leading air express operator, to Liege in Belgium largely because of its strict environmental standards. Paris, London, and Frankfurt face similar restrictions, but they at least have space to expand elsewhere

Transatlantic Travel by the Numbers

By Melanie McLeod

A Whole Lotta Travelers

Americans to Europe	8,251,000
Europeans to US	9,165,000

Who Sends the Most Visitors to the US?

UK	3,105,341
Germany	1,972,485
France	989,705
Italy	552,376
Netherlands	434,104

Travel Industry Association

Don't Leave Home Without It

The average US traveler to Europe spent \$87 per day. Europeans spent an average of \$109 per day in the US.**

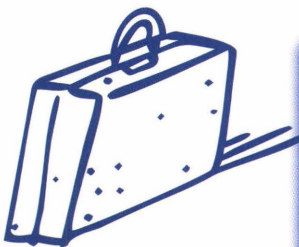
The Busiest Airports: Europe

	travelers
London Heathrow	56,037,798
Frankfurt/Main	38,761,174
Paris Charles de Gaulle	31,724,035
Amsterdam Schiphol	27,794,873
Paris Orly	27,364,985

The Busiest Airports: US

	travelers
Chicago O'Hare	69,153,528
Atlanta Hartsfield	63,303,171
Dallas/Ft Worth International	58,034,503
Los Angeles International	57,974,559
San Francisco International	39,251,942

Airports Council International



Biggest and Fastest

The Boeing 747-400 seats 420, making it the largest airplane making the transatlantic trip. More than 100 carriers worldwide currently fly the 747.

The Concorde continues to be the fastest means of transatlantic transport, traveling at 1,350 miles per hour. It makes the trip between New York and Paris in three and a half hours and between New York and London in three hours and forty minutes.

British Airways operates seven Concorde with two flights a day to London. Air France has six Concorde with one flight a day to Paris. Although the plane's manufacturers, British Aerospace and Aerospatiale, have ceased building new planes, they continue to manufacture parts for the 13 planes still flying.

Afraid to Fly?

About 17,000 US travelers sail to Europe each year.
US DOT

inside their national market.

The big airports face a sizable cash loss in mid-1999 when duty-free shopping for passengers traveling within the 15-nation EU is abolished. BAA, the owner of Heathrow and Gatwick, stands to lose \$120 million a year in profit because it makes more from duty-free sales than from aircraft landing fees. Last year its shops were responsible for a fifth of all perfume sales in Britain, and Gatwick boasts the busiest McDonald's in the country. Frankfurt is much less exposed to duty-free, but its most lucrative income stream—ground handling—will be thrown open to competition in 2002.

The big players are pampering passengers to retain their rankings. Schiphol offers everything from a sauna to a glitzy casino while Heathrow will introduce a high speed rail link to downtown London next year that will take only 15 minutes, less than a third the time by subway.

The highly publicized difficulties of the major hubs contrast with the spectacular rise of smaller airports served by the budget airlines.

The no-frills carriers have chosen small airports for their low handling charges and lack of congestion. And the fact that some of them are an hour's drive from the cities they serve hasn't deterred European passengers accustomed to paying the highest fares in the world.

Ryanair, the Irish airline, is doing roaring business to out-of-the-way airports. Its Dublin-Brussels service actually calls at Charleroi, an hour's drive east of Brussels, its Paris-bound planes land at Beauvais. Passengers heading for Oslo, actually get off at Torp Airport in Sandefjord, 60 miles south of the Norwegian capital.

Probably the most successful small airport is City Airport in the former London docklands, which is a hit with bankers, traders, insurers, and com-

puter workers, who are just a quick cab ride away from planes flying to 18 European cities.

Other airports are less lucky, victims of the trend by airlines to consolidate their long-haul services on select hubs. Swissair stirred up dominant linguistic rivalries when it ended intercontinental flights at French-speaking Geneva and transferred them to German-speaking Zurich.

The big winner from these upheavals is the European air traveler who can look forward to bigger and better airports. Milan has just got a newly expanded airport at Malpensa; Athens is looking forward to the opening of the Sparta Airport; and Berliners really will feel at the center of Central Europe when Berlin-Brandenburg International opens at the turn of the century. ☺

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

Why Do Flights Leave at Night?

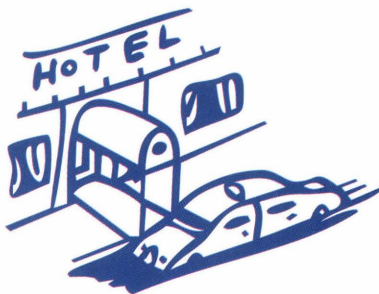
Flights to Europe from the US are scheduled to depart in the evening mainly for two reasons—cost and logistics, says David Stempler, president of the Air Travelers Association. When a plane leaves the US and lands in Europe the next morning, it is then cleaned, checked, refueled, and restocked so it can make the return flight to the US later that day. This schedule allows the airline to use one plane instead of two. Also, Stempler says when a flight arrives at London's Heathrow airport, for example, there are usually connecting flights passengers must catch. So, if the flight didn't arrive until later in the day, connecting flights would be harder to make.

Now, however, some airlines are offering daytime flights to Europe. Stempler notes that transatlantic travel is composed mostly of business travelers, and with cell phones and laptop computers, business travelers can work productively on the plane. Furthermore, leaving at night to arrive the next day decreases productivity due to jetlag, so the day travel is considered the "jetlagless" way to travel, according to Stempler.

Baby Boomers Love to Travel

The average age of US men traveling to Europe was 47.3 years; women were 45.2.

Average age of European men visiting the US was 41.7; women were 38.7.**



Biggest Spenders**

UK	\$6.42 billion
Germany	\$4.02 billion
France	\$1.83 billion

On the Road

Of US travelers to Europe, 28.3 percent rented an auto during their trips, while 43.8 percent of Europeans visiting the US rented cars.

Top European Destinations for Americans

	US visitors
UK	2,821,000
France	1,849,000
Germany	1,601,000
Italy	1,429,000
Netherlands	743,000
Spain	610,000
Austria	476,000
Greece	457,000

Travel Industry Association

*all figures are International Tourism Association 1996 unless noted otherwise **1995 figures

Europe Leads Global Airport Race

EU Firms dominate the duty-free market

By Bruce Barnard

Europe's airports are spreading around the world as they transform themselves from mere runway operators to global service companies. The big players are buying stakes in foreign airports, taking over their management, running their shopping malls, and installing sophisticated equipment. And this is one sector where Europe is trouncing the US. In fact, the US is one of the most promising markets for expansion-minded European airports.

Management of foreign airports "is turning out to be an excellent export commodity," according to Hans Smits, president of Amsterdam Airport Authority, one of Europe's most successful airports.

Airports represent a lucrative market. Airports will have to spend around \$350 billion over the next 10 years to cope with the expected doubling of air traffic, according to the World Bank. Activity will pick up over the coming year as privatization spreads with airports from Argentina to Russia being put on the block. Ancillary activities, such as ground handling, long the preserve of the airline authority or national airline, are being opened up to competitive bidding in the European Union at the turn of the century.

The front-runners in the global airports race are BAA of Britain, the world's biggest commercial operator—it owns seven airports in the UK—and Schiphol Amsterdam. Both have taken direct stakes in foreign airports and struck management deals overseas.

Europe's national airports are under intense commercial pressure to expand their activities and geographical reach to compensate for a slowdown in their core domestic businesses. That pressure is sure to grow as newly privatized airports become accountable to shareholders and as second-tier airports take traffic from the increasingly congested major hubs.

The end of duty-free shopping within the European Union in mid-1999 will shut off a valuable revenue stream. In 1995 duty-free shopping at Europe's airports and seaports generated nearly \$7 billion out of a global total of \$12 billion. BAA, which derives more than 40 percent of its profits from duty-free shopping, is determined to retain this valuable business, mainly by overseas expansion.

"The development of duty and tax-free retailing is essential to BAA's strategy to become the most successful airport company in the world," said chief executive John Egan.

BAA fleshed out that strategy last year with the \$671 million acquisition of Duty Free International of the US, catapulting it to second place in the world duty-free shopping league, behind LVMH, the French luxury goods firm, which bagged top spot after taking a controlling stake in San Francisco-based DFS. Following the US deal, BAA reckons that only 25 percent of its total tax-free sales will be hit by the EU's abolition of duty-free shopping.



The huge profits European airports reaped through duty-free shopping will be sharply curtailed in 1999 when duty-free goods will no longer be available to travelers not leaving the EU.

European airports are winning management contracts because of their superior quality. Airports like Schiphol and Heathrow have consistently topped the respected *Business Traveler* annual poll. In the latest poll published last October, Singapore Changi came in first followed by London Heathrow, Amsterdam Schiphol, London Gatwick, and Zurich Kloten. Heathrow topped the duty-free shopping poll followed by Schiphol and Changi. US airports were also ranked in the best category but dominated the worst placings, with New York JFK scoring less than Moscow and Lagos in some categories. This poor showing has prompted European airports to market their savvy across the Atlantic.

Schiphol set the pace when a consortium in which it has a 40 percent stake clinched a 30-year contract last May to manage JFK's international arrivals terminal. The group, which includes US investment bank Lehman Brothers and project developer LCOR JFK, also won a \$1 billion deal to build a new terminal. Schiphol plans to export its time targets across the Atlantic: maximum walking time from parking lot to check-in—10 minutes, maximum check-in time—15 minutes, maximum immigration time—6 minutes.

BAA was a losing bidder for the JFK contract, but it is building up a solid American presence. It has been running Pittsburgh's airport's retail activities since 1992, raising average passenger spending from \$2.4 to \$7. Last year it signed a 10-year management contract to run the Indianapolis airport, including shops, maintenance, transport, car

parks, police, and fire protection. BAA guaranteed savings of \$32 million during the period. If the US ever privatizes its airports, BAA's local experience will give it a front seat at the auction.

The front-runners are facing stiff competition from other revenue-hungry European operators. Air Rianta, operator of Dublin's airport, became the world's third-largest duty-free operator last year after clinching a lucrative contract to manage and buy all goods for 12 duty-free shops in Hong Kong's new airport.

European airports also are building a commanding lead in the specialized equipment market. Frankfurt Airport scored a breakthrough when it sold a computerized baggage system to Singapore Changi.

Europe is also leading in the privatization race. Schiphol took a small stake in Vienna to prevent Frankfurt from dominating the fast-growing East European market. BAA bought into Naples' airport, and Ireland's Aer Rianta is a member of a consortium that acquired a holding in Dusseldorf airport.

European airports have also been at the forefront of global privatization programs, with BAA and Schiphol again setting the pace by taking stakes in Australian airports and bidding for soon-to-be privatized South African airports.

The Europeans are being challenged by US firms such as Lockheed, Airport Group International, and Ogden Aviation. But this is one global business where Europe is beating America. ☹

AMERICA Delivers in Europe

US transport companies are building a big lead

By Bruce Barnard

American firms are colonizing large tracts of Europe's transport market as the continent embraces competition. The American presence is everywhere. Sea-Land, the container shipping line, operates the world's first robotized terminal in Rotterdam; CSX, the railroad company, is hauling freight across Germany and into Spain; the distinct UPS livery is a common sight from English village lanes to Italy's autostradi; and a US firm has a stake in an innovative transalpine train service between Munich and Verona.

The US even has faith in European projects shunned by the Europeans themselves. Thus US banks are the biggest creditors/shareholders of Eurotunnel, the financially stricken Anglo-French operator of the Channel Tunnel. And budget airlines, Virgin Express and Ryanair, turned to New York, not Europe, to float their shares. Swedish, Norwegian, and Greek tanker owners increasingly are also opting for New York listings.

All this would have been impossible just five years ago when Europe's transport industry was hermetically sealed from competition, fragmented into national markets and largely state-owned. While American banks, fast-food restaurants, and car plants have been part of the European landscape for decades, the transport sector is only now opening up to outsiders.

And now that it is being opened up, American firms are using their 20-year head start in air, trucking, and rail deregulation to break into new markets while the Europeans are still ad-



justing to the new environment. And like other US firms, from autos to pharmaceuticals, that began to cross the Atlantic in the 1960s, American transport firms regard Europe as a single market. That explains why Europe's biggest truck-leasing firm and refrigerated warehouse operators are both US-owned.

Europe is virgin territory. While President Jimmy Carter launched an "open skies" regime back in 1978, Europe threw open its market only last April. While US trucking was deregulated in the 1970s, European firms must wait until next July for the freedom to operate anywhere they want in the 15-nation EU. Meanwhile, the railway industry is still fighting a rear guard action against liberalization.

The US serves both as a role model for Europe's low-cost, no-frills airlines who take their inspiration from the success of Southwest Airlines and as a warning to the established carriers of the dangers of not responding quickly enough to deregulation. Europe's "open skies" regime has spawned a new breed of upstart carriers, such as Britain's EasyJet and Debonair, Ireland's Ryanair, and Italy's Europe One, all of which have copied Southwest's policy of cutting out the frills and flying to smaller second-tier airports. One low-cost operator, Brussels-based Virgin Express, is actually run by a former Southwest executive, Jonathan Ornstein.

The US's more adventurous can-do attitude is most evident in the railway industry, where American companies have seized the opportunities of privatization and liberalization sweeping the sleepy industry.

While the US has nothing to teach Europe—home of France's high-speed TGV and Germany's sleek ICE expresses—about passenger trains, it is revolutionizing the EU's rail freight business.

Wisconsin Central Transportation, a medium-sized company based in Rosemont, Illinois, operates virtually the entire British rail freight business and recently spread to the continent by acquiring the company that hauls cargo through the Channel Tunnel. Its British unit English Welsh & Scottish Railway (EWS), which hauls 90 million tons of cargo a year, aims to triple rail freight's UK market share in the next 10 years.

And while Europe's railways seek refuge from liberalization, CSX, the largest US railroad, has formed a joint venture, NDX Intermodal, with NS Cargo of the Netherlands and Germany's Deutsche Bahn to run nonstop freight trains across Europe. This partnership is nothing short of revolutionary as cross-border voyages by a single firm are almost unheard of in Europe.

Locomotives and their drivers must be changed at borders, and voltage, signaling, and even safety rules change from country to country.

The arrival of US companies is welcome news

US banks and shareholders jumped on the financially stricken Eurostar to save the Anglo-French operator Eurotunnel from huge financial losses.

for EU officials struggling to push freight from congested roads to underutilized railtracks. European Transport Commissioner Neil Kinnock has warned rail freight risks extinction within 15 years unless railways adopt a more commercial, customer-oriented attitude. Rail's share of the EU freight market more than halved from 32 percent in 1970 to less than 15 percent in 1996, and it is still falling.

US firms are shaping up as the most unlikely saviors of Europe's rail freight business. Mr. Kinnock has urged European companies to follow the example of European Rail Shuttle, an independent operation hauling containers from Rotterdam into the European hinterland, in which Sea-Land, the US shipping line, is a partner.

UPS is among the most prominent supporters of the railways, struggling to import its winning US formula. It ships 29 percent of its US land traffic by rail, equivalent to 3,500 trailers a day. In Germany, its biggest European market, rail accounts for only 2 percent of its traffic, or a mere 30 trailers a day.

The US has built an unassailable lead in sectors it has "invented" such as air express. Companies like UPS, DHL, and Federal Express have spread across Europe. UPS already has invested \$1 billion creating a pan-European operation with 24,000 workers and is spending a further \$1 billion on information and sorting technologies.

Europe's \$30 billion-a-year express market is experiencing double-digit growth and will overtake the US by 2005, according to Carl Steffan Neumann, an analyst with consultants McKinsey & Company. While Europeans are defending their home turfs, they can't match the global reach of their US rivals. But they are fighting back: KPN, the Dutch telecoms and postal group, became a global player after its \$1.8 billion acquisition of the Australian TNT Express.

The US presence is growing fast as Europe's transport cartels crumble and local companies retreat to their core activities. One of the biggest players, GE Capital, paid nearly \$200 million last year to add Britain's Central Transport Rental Group to an earlier acquisition, TIP Europe, to consolidate its position as Europe's largest truck/trailer leasing firm.


US firms are active in smaller, low-profile areas. American Port Services, which is quoted on the London Stock Exchange, is building a car import terminal at the Belgian port of Zeebrugge, and Wabash National Corporation, a wagon manufacturer, owns 25 percent of a Munich-based firm operating a transalpine rail service with the US firm's equipment.

US firms are often quicker to spot niche openings than their European rivals. Ogden Aviation of New York, for example, is the second-largest ground handler at Amsterdam Schiphol airport and is active at smaller German and Eastern European airports, positioning itself for the introduction of free competition at all EU airports at the turn of the century.

So far there's no sign of waning US interest. GE Capital and Penske Logistics Corp. recently formed a pan-European distribution business chasing annual billings of \$500 million, and Denver-based Security Capital Industrial Trust became Europe's biggest refrigerated transport firm in December with a \$395 million acquisition of Sweden's Frigoscandia.

The US invasion isn't very visible because trucking and railways don't have high profiles like movies and autos. But that will change when a US airline decides to buy a European carrier. And that, say industry watchers, will be sooner rather than later. ☺





Although the policies of Prime Minister Paavo Lipponen's government appear to have improved Finland's economy, high unemployment figures continue to pull down his popularity.

Finland

Lipponen Implements Tough Policies

By Thomas
Romantschuk

On the eve of taking over as head of the government, Finland's prime minister, Paavo Lipponen, is reported to have said, in a somewhat private discussion, "Now it's time to put things right at any cost." He seems to be a man of his word. Naturally one can argue over the definition of "right," but Mr. Lipponen's coalition government has rigorously endeavored to achieve its policy objectives. Few, however, would have predicted Mr. Lipponen's seeming indifference to some of the side effects created by his determination.

Due to the structure of its electoral system and constitution, Finland is generally governed by coalitions. The current cabinet includes members of Mr. Lipponen's Social Democratic Party as well as conservatives, liberals, moderate leftists, and greens. Of the serious parties, only the rural Center Party remains to form the opposition. This situation gives the present government two advantages. The first is that it has fairly broad support in parliament. The second is that the coalition partners share an easily identified common denominator—the wage earner. By looking after the interests of the vast majority of Finns—that is people living on their own salary rather than on a government handout—the members of the “Red-Blue” cabinet (as it has been nicknamed) can govern without having to move too far from their ideological beliefs.

The results are impressive. Never before has Finnish production and GNP reached current heights. Revenues and profits are climbing to unprecedented levels. The Helsinki Stock Exchange and its HEX-index appears to grow in strength by the day. Indeed, American investment funds have invested heavily in Finnish companies.

Perhaps the most important sign of the Finnish economy's health can be found among the country's banks. In the early 1990s, Finland suffered through a deep economic crisis, leaving virtually no one untouched. The treasury had to lend banks approximately \$10 billion worth of capital in order to avoid a national catastrophe. Now that the banks are back on their feet, they are beginning to repay the treasury. Another positive sign is the foreign trade balance, which has shown a surplus for the seventh year in a row and has yielded a healthy foreign currency reserve. This reserve is allowing Finland to slowly diminish its foreign debt.

Finland's trade with Russia, which initially collapsed when the Soviet Union came apart, is now back on track. Inflation has been the lowest within the EU for at least two years and has remained below the EU average despite some moderate pressure on prices. Interest rates are also down. The Bank of Finland's basic rate as of late last year was 4 percent. The unions have remained moderate in their demands for higher salaries, and the government has been able to introduce some reduc-



New Hanseatic League. One particularly interesting scenario to emerge from the EU's Agenda 2000 is the virtual transformation of the Baltic Sea into an EU bounded waterway. When Poland and Estonia become members in the EU and association agreements are signed with Lithuania and Latvia, the Baltic Sea borders—with the exception of a small bit of the Russian coastline—would be part of the European Union.

The Baltic poses an especially useful means of exporting the wealth of natural resources from the region to points throughout Europe and beyond. Just the forest resources in Finland and Sweden equal those contained in the rest of the EU countries combined. These forests form the westernmost part of the “Taiga” conifer belt, which stretches all the way through Siberia and contains half of all the world's pine trees.

Controlling the Baltic shores, however, is not a very new idea. In the 17th and beginning of the 18th century, Sweden nearly achieved the same goal. But long before the Swedes tried to do it using force, a coalition of smart traders was able to control almost everything on the Baltic coast for some 200 to 300 years. Founded by north German towns and merchant communities to protect their mutual trading interests, the association called the Hanseatic League, or the Hansa, dominated commercial activity in northern Europe from the 13th to the 15th century.

The league developed gradually when German cities in the 12th century began to form *hansas* (an old German word for “alliances”) to protect their traders from marauding barons along land routes and pirates upon the seas. Gradually more towns joined the league, forming an effective network stretching from Reval (today's Estonian capital Tallinn) in the northeast to Cologne in the southwest. The Hansa even sent ambassadors to London and Novgorod, Russia. It is uncertain how many towns comprised the league at the height of its power in the 14th century, but historians estimate it was close to 100.

Trade and security drove the Hansa to secure the region's bountiful natural riches for the rest of Europe. Today's EU strategy for a northern dimension is not that far from the Hanseatic creation.

The Finns refused to sign the land mine ban because of the difficulties and costs associated with defending their 788-mile-long border with Russia. (At right: a land mine found in Angola.)



FINNISH FOCUS

Not Alone on Land Mines. In the beginning of December last year, representatives from more than 125 states gathered in Ottawa, Canada, to sign an agreement banning the manufacturing, trade, and use of anti-personnel land mines. All the EU member states signed with one exception—Finland. Finland, however, was not alone in not signing. The US, Russia, and China, as well as most of the Middle East countries and Cuba did not sign the agreement.

Washington had earlier indicated that the US could sign providing one exception was made for the Korean peninsula, where the thirty-eighth parallel, the boundary between North and South Korea, is among the world's biggest minefields. The exclusion of Korea was, however, not accepted, and the US did not sign the agreement.

The Finnish position is somewhat similar to that of the US. Regardless of the current good relationship between Finland and Russia, the 788-mile long border dividing the two countries is too immense to be defended cost-effectively without land mines.

The Finns argue that the border also constitutes the northeast border of the European Union, which adds further responsibilities. They also point out that the Finnish mines pose no threat to civilians since they are not hidden in the ground but rather safely stored in depots.

International pressure to sign the ban has increased since last year's Nobel Peace Prize was awarded to the popular anti-land mine movement (ICBL). Finland's leaders also face significant domestic support for signing the treaty, but until the money has been found to invest in alternative defense systems, the president and the prime minister will not allow the foreign secretary, Ms. Tarja Halonen, to sign.

tions on the direct state tax, which is still among the highest in the world.

With such omens of prosperity, one might think Finns would be roundly praising Mr. Lipponen's government. But there is the other side of the coin. Unemployment lingers at close to 13 percent. Before the 1994 recession, 6 to 8 percent unemployment was seen as dangerously high. During the recession, the jobless figure exceeded 20 percent—more people than the total number of soldiers who had defended the country against Stalin's Red Army attack in the winter of 1939.

Mr. Lipponen's government, however, is not to be blamed for this sudden loss of jobs. As a matter of fact his party was in opposition when things started to go wrong. In fact he led the criticism of then prime minister Esko Aho, leader of the Center Party, and promised boldly that he would halve unemployment if he won the next elections. Since his 1995 election victory, Lipponen has made little progress toward that goal and now has about one year left to fulfill his campaign promise.

Even if he succeeds it will probably not be enough to secure a victory in the next parliamentary election in 1999. The fact that unemployment remains high and has been so for a very long period of time (more than 10 percent for more than six years) has created a new situation in Finnish society. For the first time in living memory, some Finns are living below the poverty line. Working Finns, who traditionally could rely on lifetime employment, suddenly find themselves unemployed, and the social safety net no longer sufficiently protects people against poverty. Without the help of the Salvation Army, churches, and volunteer organizations, many people simply could not make ends meet.

It's not just the working class that is feeling the pinch. Many well-educated Finns working in depressed economic sectors are out of work. Architects and construction engineers have been especially hard hit. Thousands of bank personnel have been laid off. The picture gets even gloomier looking at younger workers. The unemployment among people less than 24 years of age is some 25 percent.

With concern over employment hanging over its head, the government is also facing some emergent protest groups, including some which are em-

Even with high unemployment, Helsinki exhibits signs of prosperity.



ploying increasingly violent methods. The Animal Rights Association has claimed responsibility for breaking into fox-breeding farms and freeing the animals into the forest (although since they were raised by humans, they die in the wild). Groups of skinheads have beaten up Somali refugees.

In addition to these problems, the government, and especially Mr. Lipponen's party, has been hit by a major scandal when Ulf Sundqvist, a bank manager and a former chairman of the prime minister's Social Democratic Party, was prosecuted for negligent management. After accepting an arbitrator's recommendation that Mr. Sundqvist be forced to pay only a minor part of the damage but face no prison sentence, the minister of

finance, Ms. Arja Alho, who had jurisdiction in the matter, was forced to resign.

Although many government observers agree that Alho's decision amounted to the best possible solution for everyone involved, the government's handling of the affair showed a lack of understanding of public relations and communications.

Despite all these problems, Mr. Lipponen's government has seemed to turn a deaf ear to all words of warning. Voices raised in the parliament appear to have no or little effect. The government seems not to notice and continues to govern with the help of the cadre of professional civil servants. Few Finns deny the necessity of most of the measures taken by the government to shore up the economy, but the speed of the actions combined with the government's seeming indifference to the plight of those adversely affected and the fears of those worried about their future are all contributing to a growing

opposition.

History will probably show that Mr. Lipponen and the present government did most of the right things in order to put Finland on the right track, just as he promised. But history will probably also show that all this was done with little effort to explain the process to ordinary Finns and with total indifference of the press.

In summing up Mr. Lipponen's governing style, an old Social Democrats Party official said, "He has surprisingly quickly adapted all the faults for which he constantly criticized his predecessors when he was not in power himself." ☹

Thomas Romantschuk is EUROPE's Helsinki correspondent.

Major Merger. This month the Finnish parliament will debate, and most probably approve, the country's largest industrial merger. This consolidation of Neste and IVO, both state-owned, is interesting in many ways. Neste is an oil producer, refiner, and distributor with a stake in other energy fields like solar energy and batteries. The company is not limiting its business to Finland only. Neste is particularly interested in the Baltic states and Russia, where it is building up a network of gas stations. IVO, the national power company, is trying to extend its reach beyond Finland's borders by buying other power companies, mainly in Sweden. In merging Neste and IVO, the only competition in Finland's energy industry would come from international oil giants like Exxon, Shell, and the Russian TB-Oil. On the electricity side, the new Finnish conglomerate would compete with Sweden's Vattenfall and several minor local energy producers.

FINNISH FOCUS

Economic analysts and government watchers expect the merger to speed up the privatization process of the state-owned energy industry. Neste is already publicly listed, and an offering of the new holding is anticipated in the near future.

Analysts are especially interested in the new conglomerate's joint venture with the Russian natural gas company Gazprom (registered in Finland as Gasum). The venture bolsters the efforts to connect the Russian gas network to a European network through a pipeline over Finland and Sweden. Between the Neste-IVO merger and the Gazprom joint venture, in combination with future exploitation of the gas under the Barents Sea, a very interesting picture of the Finnish energy industry seems to be emerging.

—Thomas Romantschuk

Poland's

Will Poland thrive in the EU?

BY ELIZABETH POND

Forget steel tariffs. Forget the kit cars. Forget the ban on Polish milk exports to the European Union. The big issue in Poland today is the attitude of the Polish Roman Catholic Church toward the EU. And the big news is that the church recently dropped its resistance to Poland's joining the European Union.

The shift is "the most important event of this past year," asserts one West European diplomat involved in EU enlargement. It signals far more than just a controversial modernization of Poland's medieval church hierarchy. In political terms, it augurs assimilation into the mainstream of the sometimes xenophobic right that reveres the Polish church. And it suggests that the magnet of EU membership is working, as hoped, to pull Central Europe's largest country into community with Western Europe.

The change in the church's attitude is best expressed by Primate Jozef Glemp. In a sermon in mid-1995 he condemned the EU as an anti-Polish conspiracy that would bring pornography, divorce, and unbridled sex to the land. But last fall, after two years of quiet discussion within the hierarchy, he asserted that the church is "not afraid of a united Europe. On the contrary, it is looking to the process with hope." And the new government's head of EU policy, Ryszard Czarnecki—a Christian Nationalist who used to proclaim that Poland would not go to Brussels on its knees—now praises Catholic Ireland for integrating its economy into the EU without losing its identity.



Polish Prime Minister Jerzy Buzek (left) and President Aleksander Kwasniewski appear to have Poland on track for EU membership.

With the church's change of heart, Poland is now ready to consider joining the EU on its economic and political merits. And so far these look overwhelmingly advantageous to Poles. So high is public support for EU membership—better than 75 percent for both the EU and NATO—that a few voices are already warning against unrealistic expectations.

On the face of it, the current degree of EU-phoria in Poland is astonishing, since suspicion of Europe has been so widely articulated. The priests' misgivings were reinforced by the fears of small farmers—constituting a quarter of the work force—that their produce would be swamped by cheaper West European imports. The Peasant Party, the junior partner of the center-left coalition that governed from 1993 to 1997, insisted on protection for crops and animals. The Solidarity Election Action, which took half the Peasant Party's electorate in 1997 and is the senior partner in today's government, has the same instincts. Worry is rife that open EU property rights will let rich Germans buy out former German lands in what is now western Poland. Moreover, skeptics of membership caution that Poles should worry that Poland's infant modern industries may not be able to survive open competition.

Yet Poles are convinced that with a long-term transition into the EU's single market, they can survive and even

“Euphoria”

thrive. It's not so much that they expect largesse; they fully understand that the Common Agricultural Policy must be cut sharply in order not to be bankrupted by Central European peasants. Much more to the point, they expect their whole vibrant economy to lift the standard of living from its current 31 percent of the EU average. “If we are near a decision of Polish acceptance by the year 2001, we can probably expect an inflow of investment of \$3–3.5 billion a year,” anticipates a Polish diplomat. “This would help speed up modernization

and slow down inflation,” he adds.

To be sure, out of deference to obsolescing steel workers, Warsaw is dragging its feet on reducing tariffs on EU steel imports next year as originally promised, from 9 percent to 3 percent. Poles complain that the EU finds some sanitary reason to bar Polish export of live animals whenever the season rolls around—and as of this writing Warsaw was fighting to end the EU ban on “unhygienic” Polish milk. Also, Warsaw has bargained hard for a generous EU interpretation of local content in the factory that Hyundai is establishing in Poland for future auto exports to Western Europe.

At times the dickering may exasperate the European Commission, but basically Poland is well on its way to membership. Last summer the Commission report card on candidates accorded Warsaw 4/5 on a scale of 5 in general democratic and market criteria, and 4 in its specific capacity to assume EU membership obligations. Poland is already a stable democracy, the report said, with institutions guaranteeing the rule of law, human rights, and respect for minorities. The economy has been growing since 1992, with an average increase of more than 6 percent in the last three years. The budget deficit has been cut to less than 3 percent of GDP—with 1.5 percent targeted for 1998. Inflation, running to 20 percent in 1996, is coming down and should reach a single digit this year. The current accounts deficit on trade—two-thirds of which is already exchanged with the EU—is growing, but is not dangerous. A sound regulatory system has spared Poland the crash of confidence in, by contrast, the Czech stock exchange. And substantial progress has been made in legislating EU standards on taxes, companies, intellectual property, accounting, and financial services.

What remains to be done, according to the Commission report, is improving the judicial system; combating corruption; applying EU norms in agriculture, environment, and transport; liberalizing capital movements; opening up public procurement; reforming pensions, social security, and the banking system; restructuring and privatizing steel and other lingering state industries; and modernizing agriculture.

All this is already the stuff of normal politics, however. With the church on board, what is at issue now is not EU entry, but only the terms of entry. ☺

Elizabeth Pond, based in Bonn, is the author of The German Question and Other German Questions.



Cardinal Jozef Glemp says the Catholic Church in Poland “is looking to the process (of a united Europe) with hope.”

Prime Minister Jerzy Buzek

By Elizabeth Pond

attempts to bridge Poland's philosophical gaps.

Whatever Prime Minister Jerzy Buzek is, he is not typical. He is a Protestant, in a land that for centuries has equated patriotism with the Polish Catholic Church. He moved to Warsaw at age 57 from the province of Silesia, while most of his colleagues either come from Warsaw or else gravitated to this power center early on. And he is modest in a political profession that thrives on boasts.

Beyond that, he is a chemistry professor, a speaker of English, German, and Russian, an excellent institutional manager who tends to stress organization over content, and co-author of the economic program of the governing coalition's senior partner. He is, in addition, a trusted advisor of Marian Krzaklewski, the populist leader who hammered three dozen right-wing parties together to win a plurality of 34 percent in last fall's elections. All told, he is further evidence of what former US ambassador Nicholas Rey calls Poland's surprising "bench depth" in top-rate officials.

At this early stage, expectations about Buzek differ greatly. "I hope he will form an alliance with [Finance Minister Leszek] Balcerowicz, [Foreign Minister Bronislaw] Geremek, and [Defense Minister Janusz] Onyszkiewicz," comments one supporter of the Freedom Union, the party of old Solidarity intellectuals that holds these three top posts in the new coalition government. He anticipates that Buzek's pragmatism will pull him in the direction of the Freedom Union's acceleration of successful market reforms.

No, worries another Freedom Union supporter obversely, "He'll just do what

Krzaklewski tells him to do." The skeptic refers to the open secret that Krzaklewski fully intends to run things from behind the scenes, let the prime minister take the public heat for any grievances, and then use the clout of his new Solidarity Election Action to run for the presidency in the year 2000.

Already Buzek has been buffeted by personnel fights between the two very different parties in the coalition. Policy has been tough enough; announcement of the new government's program in mid-November had to be delayed beyond the scheduled hour in order to finalize the last details. But turf fights





Observers describe new Polish Prime Minister Jerzy Buzek as a pragmatic leader, although expectations as to the direction he'll take the government differ greatly.

have been even fiercer, especially under an unusual system in which each party gets to name half of the top officials in each of the main ministries—and keep them there, in the suspicions of many, as spies and tattlers on the coalition partner.

If anyone is able to bridge the free-market and the more populist philosophies of the center-right coalition, however, it will be Buzek. He is moderate, and his nomination as premier over more militant Catholic nationalists was a relief to the coalition's junior partner, the Freedom Union. He gets on well with others, but he has the steel to have

organized the Solidarity underground in Silesia when the trade union was banned in the 1980s. Presumably he can adjudicate the continuing fights over the rough compromise that will let the Freedom Union write strict economic policy, but give the Solidarity Election Action a near ban on abortion, ratification of the four-year-old Concordat, and a purge of officials associated with the political Left in the security services.

Buzek may be called upon as well to bridge gaps between the trade unionists, Christian nationalists, Lech Walesa's coterie, and more than 30

other groups that came together to form his party. In particular, as economic rationalization closes many mines in his home region of Silesia, he will have to explain to labor activists why the Solidarity Election Action is not carrying out the more *dirigiste* and expensive job policies it advocated in its campaign platform.

It's a tall order. But commentator Adam Krzeminski expresses a widespread hope that Jerzy Buzek will measure up to the task. He asks rhetorically, "Will even Catholic Poland, with a pinch of Protestant ethic, now don the spirit of capitalism?" ☺

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Inside EUROPE

FEBRUARY 1998

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EU NEWS

ENLARGEMENT UPDATE

The European Union's pledge to enlarge to the former communist countries of Central and Eastern Europe marks an historic step toward ending the cold war division of the continent.

The dilemma for the EU is that the very act of enlargement risks creating new dividing lines between countries such as the Czech Republic, Hungary, and Poland, which are on a fast track for membership, and those such as Bulgaria and Romania, which are on a slower track.

Ensuring that enlargement remains an inclusive process is a strategic imperative for the EU. This is one reason why EU leaders decided at the Luxembourg summit in December to convene a European conference of present and would-be members on March 12 in London, ahead of the formal launch of enlargement negotiations set to begin March 30 under the British presidency of the EU.

The European conference would include the 15 EU member states, the 10 applicants from Central and Eastern Europe, and Cyprus and Turkey. It could also include Norway, which has twice rejected EU membership but retains a strong interest in closer relations; Malta, which has put its application for membership on hold; and Switzerland, an economic powerhouse that could help to seal the EU's external frontier through cooperation on money laundering and other criminal activity.

The approach has a certain logic, drawing on the inspiration of former French president François Mitterrand, who invoked the vision of a wider Europe built around a confederation of nation states after the fall of the Berlin Wall in 1989. However, the conference has turned out to be fraught with difficulties, chiefly because of Turkey's own application to join the EU.

Turkey has demanded that its application for membership should be treated on the same basis as those put forward by the 10 Central and Eastern European applicants: The Czechs, Poles, Hungarians, Estonians, and Slovenians—as well as the Cypriots—

compose the "first wave" opening negotiations in April; and the Bulgarians, Latvians, Lithuanians, Romanians, and Slovaks make up the second tier.

EU leaders in Luxembourg rebuffed Turkey's claim for equal treatment. They declared that Turkey was "eligible" for membership, but the heads of government made clear that Turkey had to meet certain conditions.

These conditions included a call for Ankara to respect the World Court's rulings on territorial disputes with Greece in the Aegean; to improve its human rights record; and to meet EU demands that the Turkish government put pressure on Rauf Denktaş, the Turkish Cypriot leader, who is refusing to join the internationally recognized Greek Cypriot government in accession talks with the EU in the spring.

Prime Minister Mesut Yılmaz's threat to introduce a partial trade embargo against EU countries deemed hostile to Turkey's application, as well as his warning that Turkey might consider withdrawing its application to join the EU, has hurt Turkey's relations with the Union and raised questions about the usefulness of the European conference.

Now it is up to the British government, which took over the rotating presidency of the EU from Luxembourg on January 1, 1998, to defuse the row. British officials insist that there is still a role for the European conference since it is the sole forum for bringing together all countries that have a "vocation" to join the Union. They draw a distinction between those countries that are involved in preparing for active negotiations on membership and Turkey, whose association agreement with the EU dates back to 1963, which is preparing for membership in the longer-term.

In practice, this distinction looks difficult to sustain. Turkey is being asked to apply pressure on Mr. Denktaş to support the Greek Cypriot government's negotiation to join the EU, but it has no guarantee that it will be treated on the same footing as key neighbors, such as Bulgaria and Romania, former Ottoman provinces. Nor is it being treated as a long-standing NATO member whose weight de-

EU NEWS (CONTINUED)

rives from its geopolitical location on the borders of the Middle East, the Caucasus, as well as oil-rich Iran and Iraq.

Moreover, the European conference, which will convene once a year at heads of government level and once a year among foreign ministers, looks like a one-sided deal: Turkey is invited into a waiting room with former communist countries once deemed the enemy, but it appears to have no clear prospect of joining them in the chamber for accession negotiations.

The more optimistic view is that the conference would offer Turkey a foot in the EU door. The Ankara government would be involved in discussions on energy, transport, immigration, justice, and home affairs, and other subjects that would go beyond its customs accord with the EU. The possibility of a dynamic process of cooperation is there, but it will require goodwill on all sides.

—Lionel Barber

LUXEMBOURG LINGERS LONGER

The tiny Grand Duchy of Luxembourg has an uncanny knack of being in the right place at the right time in the European Union's history. In the past, Luxembourg has held the EU's rotating presidency during momentous occasions, notably the drafting of plans to create the single market and in the run up to the Gulf War when it was the EU's spokesman. It also played a key role in shaping an embryonic Maastricht Treaty for the incoming Dutch presidency in the second half of 1991.

The latest Luxembourg presidency, culminating in a summit in December was no exception. Luxembourg hosted EU leaders when they took the historic decision to expand into the former communist half of the continent, selecting five nations—Poland, Hungary, the Czech Republic, Estonia, and Slovenia, plus Cyprus—to start fast-track negotiations to join the EU. The summit also agreed to approve the membership applications of five other former East Bloc countries—Bulgaria, Romania, Latvia, Lithuania, and Slovakia—which will start negotiations at a later date.

Eastern enlargement will begin formally in Brussels on March 30 with a meeting of the foreign ministers of the 15 EU countries, the 10 Central and Eastern European applicants, and Cyprus.

INSIDE EUROPE

Correspondents

Lionel Barber, Bruce Barnard

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

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By the time of the next Luxembourg presidency, the EU likely will have added a few new members.

—Bruce Barnard

ASIA CRISIS HAS LITTLE EFFECT ON EU

Asia's financial crisis appears to have had relatively little effect on the European economy, claims European Commission President Jacques Santer.

"Of course we are concerned about the crisis. But on the other hand we must say at this moment there is no real impact of this crisis on the economic development of the European Union because our whole trading relationship with Asia is 9 percent," Santer said while visiting Tokyo during an EU-Japan summit.

Jacques Santer highlighted that although European banks have the world's biggest exposure in loans to Asia, the money is mainly in the "strong" economies of Hong Kong and Singapore.

COMMISSION ACTS TO CLEAN UP INTERNET

The European Commission expects to implement a plan this year aimed at curbing illegal use of the Internet. The plan calls for establishing a network of hot lines for users to call when they come across illegal sites, such as those promoting pedophilia, terrorism, and racism. Callers would alert the network, which would be composed of access providers, consumer organizations, as well as specialized police services.

The Commission's plan is also designed to promote a safer Internet environment for children by encouraging access providers, schools, and parents to use filter and rating systems to screen objectionable material from children.

ENGLISH TAKES THE LEAD

English appears to have emerged as the dominant EU language. A survey of more than a billion document pages translated at the European Union shows that 42 percent were created in English, compared with 40 percent in French. The Commission survey, conducted over the past two years, shows 6 percent of the documents were created in German, with Spanish and Italian next at about 3 percent each.

IRAQ FACES AIR STRIKE THREAT

Secretary of State Madeleine Albright met with European leaders to discuss the deteriorating situation in Iraq. Even as she spoke with European foreign ministers, Secretary Albright and other senior US administration officials spoke openly about the possibility of unilateral US air strikes against Iraq. France, Russia, and Turkey continued to look for a diplomatic solution, but US officials did not hold much hope. "We would welcome [a diplomatic solution]," said Marc Grossman, assistant secretary of state for European and Canadian affairs. "But I must say we are skeptical given the past Iraqi behavior."

WHAT THEY SAID

"I do not know any single market functioning properly with 14 different currencies. Therefore the single currency, the euro, can give a new development to the single market. The second of May will be an historic moment for Europe because, first of all, you will have a real achievement of the single market."

—*Jacques Santer, president of the European Commission, in an interview with EUROPE in Washington, DC in December. The EU countries that meet the criteria to join EMU will be selected in a special ceremony in Brussels on May 2.*

"We have to make sure that the Kyoto agreement is ratified."

—*Robin Cook, British foreign minister, in a speech entitled "Europe and America: The Decisive Partnership" delivered last month at the European Institute in Washington, DC.*

"Across Europe, we all want clean air

to breathe, clean rivers and drinking water, healthy sustainable seas around our shores alongside continued economic prosperity."

—*John Prescott, British deputy prime minister, declaring that the environment would be a top priority during the United Kingdom's six-month presidency of the European Union.*

"This charter of partnership underscores how far your nations have come."

—*President Bill Clinton talking to the leaders of Lithuania, Estonia, and Latvia at the White House in January after signing a charter of partnership pledging American support for their aspirations to join NATO.*

"Whoever fails to export stability to Algeria today will import instability in the form of big movements of refugees tomorrow."

—*Klaus Kinkel, German foreign minister, discussing the violence*

in Algeria that, according to press reports, has left more than 65,000 civilians dead in the last six years.

He spoke after the recent fact-finding European mission to Algeria.

"Everyone must do his own homework for EMU. The date is decided, and the grades will be given that day and not before. At the moment there is little sense in philosophizing on what others will do. We must wait calmly for the fateful date."

—*Helmut Kohl, German chancellor, responding to speculation on which EU countries will be selected to join EMU in May.*

"May Cuba with all its magnificent potential open itself up to the world, and may the world open itself up to Cuba."

—*Pope John Paul II speaking during his historic visit to Cuba.*

BUSINESS BRIEFS

Airbus, the four-nation European aerospace consortium, is on a roll. It booked record sales in 1997 and is moving closer to building a new plane to challenge arch rival **Boeing's** 747 jumbo jet. Airbus took 460 firm orders last year—including a 124-plane contract from **US Airways**—a rise of 41 percent on the 326 aircraft ordered in 1996. All told, the consortium recorded \$29.6 billion worth of orders in 1997, giving it 40 percent of the world market compared with its traditional 33 percent share. "We are now well on the course to achieving our objective of a consistent 50 percent market share in the next century," said Jean Pierson, Airbus managing director.

Meanwhile, plans to build a 400-600 seat aircraft to end Boeing's monopoly of the large plane market, are proceeding well, according to Manfred Bischoff, chief executive of **DASA**, Airbus's German shareholder. The decision to launch the so-called

A3XX will be taken in early 1999. "When the A3XX is on the market, we want every second aircraft sold to be an Airbus," Mr. Bischoff said.

DASA and its Airbus partners, **Aerospatiale** of France, Spain's **CASA**, and **British Aerospace**, will invite other European firms to participate in the A3XX project. **Saab** of Sweden and the Dutch **Stork** group are likely partners, and Japanese manufacturers also will be involved.

•••

Europe's top companies shrugged off the Asian financial crisis to clinch lucrative trailblazing contracts in the region. **ABB**, the Swiss-Swedish electrical engineering group, won a \$660 million order to build a giant gas-fired power plant in Taiwan, its second big deal in the country in less than a year. **GEC-Alsthom**, the Anglo-French engineering firm, got a \$155 million contract to supply trains to Singapore.

Even more impressive, **Laporte**

Electronics, a British materials group, is building a \$25 million microchip plant in Taiwan to challenge the Japanese on their home turf. It is the first Asian move for Laporte, which has a 70 percent share of the European market for 12-inch silicon wafers and 30 percent of total US sales.

European firms also remain bullish on China with investments spreading into new industrial sectors. **Stora**, the Swedish forestry group, made its first move into the country, buying a majority stake in a 120,000-ton-a-year plant in Jiangsu province. **Reckitt & Colman**, the British consumer products group, will also soon open its first Chinese factory, making household cleaners and insecticides.

•••

SAP, the German business software group, also sounded bullish on Asia when it unveiled plans to boost its payroll by 40 percent in 1998, creating 5,000 jobs including 2,000 in

BUSINESS BRIEFS (CONTINUED)

Germany. The announcement was the latest testimony to the spectacular success of the Heidelberg-based group, which is one of the few European companies in a fiercely competitive sector dominated by US giants like **Microsoft** and **Oracle**. Established by former **IBM** employees in 1972, SAP boosted sales last year by 60 percent and its stock market value by 150 percent to \$31.5 billion.

The decision to increase its domestic work force provided a tonic for a country suffering high unemployment. Ironically, the company says it may have to cut its expansion plans in Germany if it fails to recruit sufficient software engineers. The bulk of the jobs will be created in SAP's largest markets, the US and Japan.

•••

KLM Royal Dutch Airlines sparked another frantic search for alliance and partnerships among European airlines by beating off last-minute challenges from **Swissair** and **Air France** to team up with **Alitalia**. The deal is mutually beneficial. KLM, which pioneered transatlantic partnerships with its alliance with **Northwest Airlines**, boasts a large global network and a small home base, while Alitalia has a big domestic market and a relatively modest international presence. The alliance, which will take effect in November, will generate "some hundreds of millions of dollars" a year, according to KLM chief executive Leo van Wijk.

British Airways kept up the pace, forging an alliance with **Lot Polish Airlines** in a bid to create a central European network to challenge **Lufthansa**, the German carrier. Earlier, BA teamed up with **Finnair**, prompting **Scandinavian Airline System (SAS)** to acquire **Air Botnia**, the Finnish domestic airline.

The spate of new alliances narrowed the options for Air France which has been slow to team up with European partners. The airline is heading for further controversy after the government unveiled plans to sell about 30 percent of its capital to private investors. Air France also may swap shareholdings with **Delta Air Lines** and **Continental Airlines** of the US with which it has partnerships.

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One of the most familiar sights in the United States will soon be on view in Europe too. **Wal-Mart** has made its first move into Europe with the purchase, for an undisclosed sum, of the privately-held **Wertkauf** supermarket chain. The German company's 21 stores generated \$1.4 billion. But Wal-Mart is determined to grow in Europe's biggest retail market.

Wal-Mart is being joined by another well-known US name, **Borders**, the book and music retailer, which is building its first British outlet, a US-style superstore on London's Oxford Street. Borders moved into Britain last year with a \$89 million acquisition of London-based **Books Etc.**

•••

European drug stocks soared after the announcement that pharmaceutical giants **Glaxo Wellcome** and **SmithKline Beecham** are in merger talks.

•••

Ciba Specialty Holdings of Switzerland outbid **Hercules** of the US in a fierce takeover battle for **Allied Colloids**, the British specialty chemicals firm. The \$2.3 billion purchase was the first big move by Ciba since it was hived off last year following the merger last March of its parent **Ciba** and **Sandoz** to form **Novartis**. Allied's main activity is in water treatment additives, which have a bright future because of the imposition of tougher environmental standards.

•••

Leading European oil companies, including **Royal Dutch Shell** and **British Petroleum** face a fresh challenge in their efforts to exploit Russia's vast oil resources after the merger of two privatized oil companies created the country's biggest producer.

The new company, **Yuksi**, created by the merger of **Yukos** and **Sibneft**, will have annual revenues of \$8 billion and output of 1.3 million barrels per day, about 22 percent of Russia's total production. This puts it third in the world league after **Exxon** and **Shell**.

Yuksi will compete directly with BP and Shell, which have partnerships with Russian operators **Sidanco** and **Gazprom**, and is expected to seek ties with Western groups, with Exxon

and **Elf** of France tipped as the most promising partners.

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The restructuring of Germany's financial services sector gathered pace with the merger of three banks to create the country's second largest publicly owned bank. The merger of **Sudwest LB**, **L-Bank**, and **Landes Girokasse** will create a company, based in Stuttgart, with total assets of \$235 billion, ranking just behind Germany's biggest public bank, **Westdeutsche Landesbank**.

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Chase Manhattan won a prestigious contract to manage Norway's \$15 billion petrol-dollar nest egg. The fund, set up to ensure Norway will be able to finance its generous cradle-to-grave welfare system when its oil and gas reserves dry up, is expected to grow to \$28 billion by the end of 1998 and \$60 billion by 2001.

Until now, the fund has invested only in overseas government bonds, but the Norwegian government wants to diversify into other investments in Europe, North America, and selected Asian nations.

•••

Luxembourg's economic development group rang in 1998 with news of two North American investments. First, **Husky Injection Molding Systems**, based in Bolton, Ontario, announced a five-year, \$185 million expansion of its manufacturing facilities in Dudelange, which will double the company's work force at the plant to nearly 600 employees. Then in late January, **Nimbus CD International**, an independent manufacturer of compact disks headquartered in Charlottesville, Virginia, announced it will establish a facility in Luxembourg.

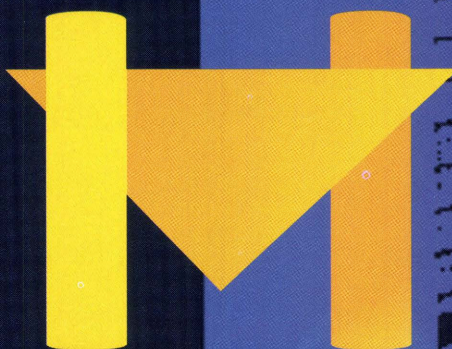
Both Nimbus and Husky cited Luxembourg's central location within the European market and efforts made by Luxembourg's economy ministry as factors in their decisions.

Another factor they might have considered is cost of living. A recent survey published by **Union Bank of Switzerland**, based on a basket of goods (food, clothing, electricity, rent, etc.), ranked Luxembourg city's living expenses the fourth-lowest in the EU, behind Athens, Madrid, and Milan.

—Bruce Barnard

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Fax : 33 (0)1 41 90 45 30

HOW GREEN IS EUROPE?

TAKING A TOUGH STAND ON THE ENVIRONMENT

The big green question for the European Union after the Kyoto global warming summit is whether it will go ahead anyway with its ambitious negotiating target at Kyoto for a sweeping 15 percent cut in greenhouse gases by the year 2015. The Kyoto deal was, on the face of it, more modest, agreeing that the EU would cut them by only 8 percent.

There was, however, some small print in the Kyoto agreement. The original EU offer was to cut the three best-known gases, and the Kyoto compromise requires the 8 percent cuts to be achieved with six separate

gases. This gives the EU an escape clause from the massive public expectations that its original offer of 15 percent aroused.

“There is no doubt that Europe took the lead for a safer planet at Kyoto,” says Tony Long, who runs the Brussels policy office for the World Wildlife Fund. “And after the EU said those targets could be achieved at reasonable cost, we and all the other environmental groups will be rallying public support to make them fulfill that offer, even if other countries are less responsible or the US Congress fails to ratify the Kyoto treaty. Europe can afford its contribution to a green planet.”

BY MARTIN WALKER



The EU countries continue to look for ways to exploit environmentally friendly sources of energy, such as wind.

Environment

"were very carefully calculated."

Europe is already on track to beat its own self-imposed target for reducing global warming emissions to below 1990 levels by the year 2000. Three unexpected factors contributed to the success, says Mr. Henningsen. The first was Britain's shift from coal to gas-fired power stations, which would allow Britain to claim a 6 percent drop in greenhouse gas emissions by the year 2000. Then the closure of obsolete and dirty factories in East Germany meant the Germans were on track for a 12 percent cut in emissions. France's nuclear power stations were performing "better than expected," reducing the need for power from fossil fuels. Finally, the European recession had kept down energy demand in other countries.

The biggest cuts in emissions—some 300 million tons of carbon dioxide—are expected to come from the steady modernization of power stations, their switch to cleaner fuels, and the increasing exploitation of power plants delivering both heat and electricity. One third of that, a cut of 100 million tons, is expected to come from renew-

able energy sources, with the Commission citing Denmark as an example, where 5 percent of electricity comes from wind power.

Europe has already set a new target, proposing to generate 10 percent of its electricity from renewable resources by the year 2015. The real hope for growth is in wind power, with the new Danish technology to install windmills at sea, in shallow waters up to 45-foot deep. Winds are stronger and more reliable over the ocean, and the new Danish windmills avoid the "landscape pollution" that has made California's windmill forests at Palm Springs so controversial.

After the power stations, transport is the next big sector expected to deliver cuts, totaling 180 million tons of carbon dioxide. One hundred million tons of this are expected to come from more fuel-efficient cars, with another 50 million tons from the EU-inspired shift to rail freight and fuel-efficient trucks and aircraft. Consumers are supposed to deliver another 100 million tons from more efficient household appliances and electric motors and new building insulation standards.

Europe's proposed 15 percent cut in greenhouse gases would require a drop of 800 million tons of carbon dioxide emissions. Achieving that goal would cost between \$15–21 billion, or between 0.2 and 0.4 percent of European GDP in the year 2010, and could be attained through existing technology. This proposal was the result of a long study the European Commission prepared before Kyoto, and the EU's director of environmental quality, Jorgen Henningsen, says those estimates

Cautious Optimism After Kyoto

BY AMBASSADOR
HUGO PAEMEN

Critics on both sides of the global warming debate have been quick to denounce the results of the recent Kyoto conference—and the role of the US government in making that agreement possible. As is always true in such negotiations, all of the parties involved had to give up something or other to get something. But the Kyoto agreement is the best evidence yet that the global community can and will resolve its differences on this vital issue. That victory could not have been won without strong and determined leadership from the United States.

I find it particularly hard to believe that so many critics—from both the US business and environmental communities—would try to portray the US negotiators at Kyoto as hapless pushovers, unwilling or unable to resist the demands of their counterparts from other countries. Many nations might wish

that were true. However, as the European Union's lead trade negotiator during the long and difficult talks that led to the birth of the World Trade Organization, I have learned the hard way—through countless hours of haggling around a table—that US negotiators are among the toughest in the business.

Securing what was won at Kyoto will require ratification by the US Senate. The debate will no doubt be vigorous, the political battle close and hard-fought. Yet, rather than fearing such a debate, we should

welcome it. As any trade negotiator knows, reaching an agreement is not even half the real job. Making the provisions legally binding and enforceable is by far the harder part.

We should have little doubt the domestic debate in the United States will prompt the drafting of a tough set of implementing agreements, ensuring that all components of the Kyoto protocol stick.

And more importantly, the coming debate should help Americans and Europeans better understand the

common challenges they face. Americans sometimes argue that Europeans have a special interest in protecting the



Former EU trade negotiator Hugo Paemen now heads the European Commission's Washington Delegation.

"Some of these goals may have looked too ambitious when they were first set," says EU Environment Commissioner Ritt Bjerregaard. "But we have just seen the new Mercedes-Ford agreement to produce a fuel cell engine, and other car manufacturers are developing electronic cars and hybrids that use very small engines combined with batteries. The technology is becoming available, perhaps just in time."

Europe is now committed to environmental policies by law. The new Amsterdam Treaty requires that "the environment must be integrated into all EU policies (including funds and projects) in the perspective of sustainable development." The EU's Common Agricultural Policy is now being reformed in a way that links farm payments to environmental targets. But this will be a real challenge as the Union enlarges into Eastern Europe, much of it devastated by the pollution of the old Soviet-inspired central planning system. ☹

Martin Walker is a EUROPE contributing editor and the Brussels bureau chief of the Guardian.

THE UK PRESIDENCY AND THE ENVIRONMENT

Tony Blair's new Labor government came into office last May promising to "put the environment at the heart of all our policies" and has pledged to do the same during its six-month term as president of the European Council.

The crucial area will be to impose strict and enforceable eco-rules into the Common Agricultural Policy, which consumes almost half of the whole EU budget. With the fervent backing of Europe's potent green lobby, the United Kingdom wants to start shifting farm funds from market intervention to sustainable rural development and make all livestock payments dependent on meeting environmental standards.

As a leading international aid donor, the UK is also hoping to integrate the environment into the EU's overseas development program, currently running at \$7 billion a year. For a start, this will mean hiring more ecologists. The EU now has one environmental staff member for every \$1.4 billion it spends through the Lomé Convention, while the World Bank now has one for every \$12 million spent. (This difference is due mainly to the EU's practice of subcontracting its aid through nongovernmental organizations rather than administering it directly.)

The UK is already expected to strengthen the EU's framework biodiversity strategy, to make its provisions mandatory, and to press for a tougher water quality directive. But as ever, ambitions can clash with local reality. Even while the UK is urging a stronger habitat policy to protect conservation areas, the UK government is under fire for redrawing the boundaries of special areas of conservation in the Scottish Highlands to allow the building of a funicular railway to help a local ski resort. The EU has blocked the use of its funds for the project pending an investigation. That kind of clash is becoming common, as the EU tries to make member states live by the new green rules.—*Martin Walker*

environment because we live in close quarters, so to speak, and thus have less room to foul our own nests. In this light, European support for effective action to reduce pollution can be portrayed as strictly a matter of self-interest.

It is true that many Europeans, the Dutch for example, have reasons deeply rooted in their geography and history to fear the consequences of global warming, such as a rising sea level. But so, too, should the people of Florida, a state which at no point is more than 90 feet above the current sea level. Residents of Dade County have at least as much reason, if not more, to be personally concerned about global warming as do the residents of Rotterdam.

Many business leaders are expressing deep concern about the ability of US industries to meet the technological challenges raised by the Kyoto agreement. To be sure, rapid progress will be needed to ensure the required reductions in greenhouse gases do not impose unacceptable economic costs. But in my discussions with European business executives, I find they are absolutely certain their US counterparts will not only rise to the challenge, but will

grab—and expand—a sizable share of the growing markets in environmental technology and services. Any other outcome would defy the history of the past decade, which has seen American companies seize determined technological leadership in so many other areas.

Indeed, one of the more exciting possibilities raised by the Kyoto agreement is that it will give further impetus to the development of a common transatlantic technology pool. While it is not widely realized, the integration of European and American industries—the auto industry, for example—has advanced to a degree almost unimaginable just a few years ago.

Misleading comments have been made by those who believe the Kyoto agreement does not require the world's poorer countries to do enough to control their greenhouse gas emissions. Leaving aside the fundamental unfairness of forcing the developing world to forego the economic benefits of industrialization—benefits that the developed world takes for granted—it should be recognized that the United States scored a major victory in Kyoto by obtaining an agreement in principal to allow the trading of emission rights.

By anchoring market principles firmly in the Kyoto accord, the administration achieved one of its major goals.

True, most developing countries have not yet fully accepted this idea, which would allow countries and companies to buy and sell the right to produce certain levels of greenhouse gases—much as US companies now trade their permits to produce sulfur dioxide, the key contaminant causing acid rain. But popular pressures are also rising in the developing world to control runaway environmental degradation. I have little doubt that these countries ultimately will come to recognize the benefits of the US approach.

For all the current pessimism about the prospects for Senate ratification of the Kyoto protocol, I see grounds for cautious optimism. After all, tremendous obstacles already have been overcome to reach this point. Europe has much to contribute to the coming debate—and to the solution of this pressing global problem.

Ambassador Hugo Paemen is head of the European Commission Delegation in Washington, DC.



In general, the view of most MEPs was that Environment Commissioner Bjerregaard's efforts had done wonders for the EU's self-confidence and its claim to lead the world in environmental protection.

mit and got a large measure of its ideas taken on board. This was at least partly because the European Parliament had acted as a counterweight to the US Congress, stiffening the resolve of the European negotiators and ensuring that their approach in Kyoto had full democratic backing.

Ken Collins, the chairman of the Parliament's environment committee, agreed. "Politically the outcome is better than many of us feared it would be," he said. But it would be "absolutely disastrous" if the deal were rejected by the American Senate. To prevent this the EU should step up the momentum prior to next year's Buenos Aires conference.

The German spokesman for the European Parliament's Socialist group, Rolf Linkohr, praised Ms. Bjerregaard, saying that Kyoto marked "a high point of EU diplomacy." But there was now a need for the parliaments in the 15 member countries to work more closely together to counter what he called the "very coordinated presence of the Americans."

Mr. Linkohr thought that the original EU target for a cut of 15 percent in emissions should be reinstated to give Europe a new global identity at the forefront of environmental protection. The timetable for implementation of the Kyoto agreement should be made "binding," he said.

And if any of the signatories defaulted? Mr. Linkohr dared to use the loaded word "sanctions," but he was the only one to do so, and he did not follow the idea through in any detail.

In general, the view of most MEPs was that Ms. Bjerregaard's efforts had done wonders for the EU's self-confidence and

its claim to lead the world in environmental protection. But this was an early reaction, coming within a day or two of the conference. As Mr. Collins said, "We need to do a lot of reflection now, and there is a need for a much fuller debate."

This is promised early in the New Year when Mr. John Prescott, the British deputy prime minister who represented the UK in Kyoto, will address the European Parliament as the EU president minister. ☐

Alan Osborn is EUROPE's Luxembourg correspondent.

Her hair pulled back uncompromisingly, her half-moon glasses flashing, she spoke in English or her native Danish with equal self-confidence. Ritt Bjerregaard, the European commissioner for the environment, savored her finest moment as she reported to the European Parliament on the Kyoto conference.

The European Parliament Supports Kyoto Accord

BY ALAN OSBORN

The agreed protocol was, she told the members of the European Parliament (MEPs), "history in the making" and "an international milestone in international environment policy." To be sure the outcome was not ideal and a lot more work would have to be done to win US Senate ratification. It was regrettable that bigger cuts in gas emissions could not have been pressed out of the Americans and Japanese, as the EU had wished.

But Ms. Bjerregaard's point—and it was one that almost all the MEPs present supported—was that for the first time the European Union had taken a clear lead at a world sum-

SWEDEN

A PRIZE INVESTMENT OPPORTUNITY

As the home of the Nobel prize, Sweden has always believed in excellence. It is the leading industrial nation in Scandinavia, recognized for its advanced technology, high quality manufactured goods and skilled labor force.

In the 1990's it has emerged as one of Europe's most attractive countries for foreign direct investment, with the United States as its largest international investor. In fact, in 1995, when Sweden joined the European Union, it drew more US investments than any other country. Some 500 American companies, including multinational giants like Coca-Cola, IBM, Microsoft and Upjohn, are now established on Swedish soil.

Besides its EU membership, the abolition of currency exchange controls and restrictions on foreign acquisitions of Swedish companies have helped the Swedish economy to become one of the most competitive in Europe. Deregulation in a number of sectors, including telecommunications, transportation and electricity, has further improved Sweden's business climate. It now has one of the world's most liberal and

efficient telecom markets, at an exceptionally low cost. Its electricity supply is plentiful and even cheaper than in the United States. The corporate tax rate has been reduced to 28 per cent and is now one of the lowest in Europe.

Sweden's highly trained labor force has made great strides forward in productivity, and has become the leader in several sectors, such as electrical machinery, paper products and metal products. The growth in productivity has greatly reduced labor costs, particularly for skilled staff like technical engineers, who now cost considerably less than in most European countries.

With its economy well on the way to meeting the criteria for European Monetary Union, and easy access to expanding EU markets and the Baltic region, Sweden is ideally positioned, both economically and geographically, to be Scandinavia's prize business location.

For more information on what Sweden offers foreign investors, please contact: Invest in Sweden Agency, ISA; Tel: +46 8 676 8870; Fax: +46 8 676 8888; Internet: <http://www.isa.se>

The screenshot shows a web browser window titled "Invest in Sweden Agency". The address bar contains "http://www.isa.se". Below the address bar are navigation buttons: Back, Forward, Home, Reload, Images, Open, Print, Find, and Stop. There are also search buttons: "What's New?", "What's Cool?", "Destinations", "Net Search", "People", and "Software". The main content area features the ISA logo and the text "Invest in Sweden Agency". Below this is a row of four images: a person working, a mobile phone, a train, and the European Union flag. The text reads: "The purpose of ISA is to facilitate foreign direct investment in Sweden. ISA provides information about Sweden to assist foreign investors and companies wishing to expand or establish a business in Sweden." The website URL "www.isa.se" is displayed at the bottom. On the right side, there is a sidebar menu titled "What ISA can do for You" with buttons for: Site Map, Search, Facts & Figures, Report 1997, Investor's Guides, Industry Sectors, County Profiles, Municipality Profiles, Press Releases, Case Stories, Useful Addresses, Contact ISA, Order Publications, and Home. The browser's status bar at the bottom shows "http://www.isa.se".

Stockholm

Stockholm

By Ariane Sains

Cultural Capital '98

The theme is "You can't escape Stockholm 98!" and the color is orange.

During Stockholm's year as Europe's Cultural Capital, the city will welcome visitors with a diverse range of Swedish culture—including architecture and art exhibits, concerts, films, and dance performances.

With the Swedish capital taking over as Europe's cultural center this year, Rorschach-like blobs of orange, the promotion's symbol, dot the city. So completely does orange dominate that there is even discussion about repainting the Royal Palace's rather drab brown in that hue.

City parks are getting face lifts as are landmarks, such as the illuminated glass fountain at Sergels Torg, in front of the city's cultural center. Much of what's planned is intended to introduce the rest of Europe to Sweden's long history, with architecture serving as one of the main themes.

"It's been very difficult to get a discussion going about how the city should look in the future," admits Kaj Torstensson, of the city building department.

Planning won't be limited to Stockholmers, or even Swedes, however. In May, the city will host an international conference on cities and their future. Torstensson promises that both the conference and the Cultural Capital events in Stockholm will be unusual.

"What's fun about this is that we really don't know too much about what's going to happen," he says. "Much of it will be very spontaneous."

But Swedes are also known for being organized. Planning for the cultural year started in 1994, with a budget of \$59.7 million. More than 300 events and exhibitions are planned this year.

Some 4,500 ideas were received by the committee organizing the Cultural Capital year. This was far more than expected, and there has been criticism that smaller projects and more rural parts of the country are being ignored in the focus on Stockholm. As a sop, the committee arranged a group of regional projects.

In northern Sweden, the Umea International Jazz Festival will mark its thirtieth anniversary as part of the cultural year. The county of Jamtland, also to the north, will host a storyteller's week, and in Vaster-norrland county, a dance festival is planned.

South of Stockholm, the city of Norrkoping will host the multimedia production *Midnight in the Industrial Landscape*, which will celebrate the city's industrial heritage. Many of the old factory buildings in the city have been restored and many more will be part of the cultural exposition.

Carin Fischer, secretary general of Stockholm '98, claims the projects show the breadth of Sweden's cultural diversity.

Stockholm itself will host art exhibits, concerts, dance performances, and fireworks among other events. The biggest contemporary art exhibit, *Archipelago*, named for the



By getting Stockholmers involved, city planners are hoping to avoid the mistakes of the 1950s and 1960s, when dozens of historic buildings were razed in the name of progress. Ironically, the newly renovated cultural center is in the middle of the area that was decimated.

Stockholm archipelago with its hundreds of islands extending far into the Baltic Sea, has a scope much broader than that. Danish, Austrian, and American artists are also participating in the exhibition, which took \$2 million to put together.

Art will be shown in seven areas, rang-

gawara will be featured, as well as Japanese films and architecture.

Family is singularly important to Swedes, and for most, family means children. So it's not surprising that each month of this cultural year will have a special children's theme.

Director Suzanne Osten hopes the project will give adults, especially schoolteachers, a better understanding of children's creativity.

"Those teachers who have never had their own artistic experiences and who do not want to leave room for children's creativity or for art in the schools are a difficult problem," she observes. "They distrust and resist creativity. I would give anything to transform school into a place where children can go with the triumphant feeling of being needed."

And, in keeping with the architectural theme of events, children will be given hammers and saws to build their own house. Working with architects, the 9 to 12-year-olds will design the building. When it's finished, during September, the "Month of the Architect," a party is planned, and the children will get a chance to see firsthand whether their construction holds up.

In May, 10,000 children from around the country will come to Stockholm to visit such cultural institutions as the Royal Dramatic Theater and the Stockholm Opera and to show off their own musical and dramatic skills.

Not exactly children, but still young, are a group of Swedish theatrical directors who will be featured during 1998. The idea is to prove that Sweden has more than just Ingmar Bergman to offer.

Whether visitors get that message—and whether the myth of Stockholm as a city of nothing but buxom blondes and polar bears in the street is exploded—remains to be seen. And, with so many tourists expected to invade the city, it also remains to be seen whether the slogan "You can't escape," will become apocryphal for city residents. But regardless, Stockholm '98 is sure to shine a little northern light on the coldest corner of Europe. ☺

Ariane Sains is EUROPE's Stockholm correspondent.

Stockholm has spruced up its parks and historic landmarks for its Cultural Capital year.

ing from the Museum of National Antiquities to the electricity plant at the Skansen outdoor museum, designed by architect Ferdinand Boberg. New shows will open every other month, and the idea is to display art in areas outside the usual museums. It will also showcase artists who may be well known by their peers but not by the average visitor.

"You don't necessarily have to like everything," says David Neuman, *Archipelago's* coordinator, "but you should feel that the exhibits are carefully conceived and respect the ideas behind them." Neuman predicts that as a result of the shows, interest in Swedish art will live on long after 1998.

While not part of Europe, Japan will be spotlighted in Stockholm as part of the EU-Japan project, which is a cooperative effort between the Japanese and organizers of the Cultural Capital projects throughout Europe. The avant-garde Japanese choreographer Saburo Teshi-



CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

PARIS

PAPA GOOSE

February may look and feel like the depths of winter, but the first stirrings of spring are already being felt in the animal world. While some migratory birds are still heading further south during particularly cold spells, certain species of geese will start flying back up north from their winter quarters this month. As they cross over France, many of them will be shot out of the sky by the battalions of hunters who pursue fur and feather with unbridled enthusiasm for more days of the year than anywhere else in Europe—right from the middle of July until the end of February.

A couple of years ago, Christian Moullec, 35, a French meteorologist who prefers his goose on the wing instead of cooked, decided that he would personally try to steer some birds out of harm's way. Inspired by the work of Konrad Lorenz, the Austrian zoologist who won the 1973 Nobel prize for his studies of animal behavior, Moullec was certain that he could make geese follow him on new, safer flight paths, which they would then stick to automatically in the future. All he had to do was convince them that he was their dad.

Winning a gosling's filial affection is actually very easy. Lorenz, who was often filmed being followed around by a gaggle of devoted geese, proved that chicks will bond with the first creature that they see after hatching. So Moullec obtained a clutch of barnacle goose eggs from a hatchery in Brittany, assisted at their birth, and raised them as if they were his own. He ate, slept, and swam with the goslings, and learned how to fly a microlight, so he could lead his protégés on a short test flight when it came time for them to migrate for the winter.

In September 1996 he and his brood took to the skies, Moullec flying at the head of a perfect V formation that winged its way northwest, covering 400



Christian Moullec, flying a microlight, leads his geese on a safer flight path across France.

miles in eight days from the Cantal region in the heart of France to Brittany, near the Loire River estuary. Each night he would sleep in a camper van, with the geese bedded down beside it; each day he would have people staring open-mouthed up at the sky. "Sometimes when I landed, people would come running, thinking that I was being attacked by a bunch of crows," he said. "Others believed that the birds were tethered to my microlight by string."

Moullec's maiden migration was such a success that he now wants to fly further afield, and accompany flocks of lesser white-fronted geese, which are on the brink of becoming extinct, from Lapland in Sweden to safe wintering grounds in the Netherlands. The normal winter quarters of these geese are near the Black and Caspian seas, where there are nearly as many trigger-happy hunters as in France. If Moullec can redirect them

on their very first migratory flight, they will memorize the flight path and stick to it faithfully in following years.

Swedish and American scientists have been working on similar projects to protect endangered birds like the trumpeter swan and the white crane, and an American student, Kirk Goolsby, has migrated to South Carolina with young Canadian barnacle geese, using a microlight like Moullec. Their shared passion has made Goolsby and Moullec fast friends, and they plan to make their next flights together. The pair of winged foster fathers believe that they could pilot about 40 young lesser white-fronted geese from Sweden to the Netherlands every year. The only real obstacle at this stage is funding. The Cantal region, where Moullec lives, has agreed to pay for the building of the microlights, but other sponsors are still needed to finance the expedition.

On the Internet site for APOM, the French Association for the Protection of Migratory Birds (<http://www.cfi15.fr/apom>), there are some wonderful photos of "Papa" Moullec in flight with his flock, and a plea for sponsors to help keep him flying. It is the kind of heartwarming cause that might easily appeal to a bird lover on Valentine's Day.

—*Ester Laushway*

THE HAGUE

THE LIRO AFFAIR

A shameful event that took place almost 30 years ago, has cast a dark light over the way the Dutch handled the possessions of their Jewish compatriots who returned after the Second World War. It turned out that in 1968 public servants of the Dutch finance ministry had sold among themselves, at rock-bottom prices, small personal belongings that Jews had been forced to hand over before they were deported by the Germans.

Compared with widely publicized controversies regarding Nazi gold and dormant Swiss bank accounts thought to belong to Jews, the Dutch affair represents a significantly smaller amount of money. But it reveals a new view concerning the way the Dutch, both individuals and the government, dealt with Jewish possessions after the war.

The LiRo Affair, as it became known, emerged in late 1997 with the discovery of archives, which were thought to have been destroyed long ago, in an abandoned Amsterdam mansion where for years an agency of the finance ministry was located. The archive contained detailed information of goods—jewelry, household belongings, silverware—that Dutch Jews had been forced to hand over before they were deported to the concentration camps. For this purpose, the Germans used a Jewish-owned bank, the Lippmann-Rosenthal Bank, that was confiscated by the Nazis during the German occupation of the Netherlands in 1940. The Germans ordered the LiRo Bank to administer all Jewish possessions, money, shares, savings, and also personal belongings and jewelry.

After the war, the bank's administration was charged with the task of returning these possessions to the survivors of the war or to their heirs. It proved to be an arduous affair that lasted into the early 1960s. Generally speaking there

was a reluctance to accommodate the Jewish survivors, not just on the part of people who had taken Jewish possessions left behind during the war, but also on the part of the Dutch government. For example, last year, in the wake of the protests over Swiss bank accounts thought to belong to Jews, it was revealed that many life insurance policies were never paid to the surviving heirs of Dutch victims of the Holocaust. Reluctantly, Dutch insurance companies started to review these cases.

It also turned out that the government had refused to return Jewish-owned art collections that were confiscated by the Germans. After the war, some of these collections went to national museums, rather than to the proper owners.

The discovery of the supposedly lost LiRo archive sparked a new discussion about the way Dutch society dealt with the Jews and Jewish possessions in the postwar period. The affair got even more painful when days later it was revealed that the employees of the finance ministry agency, in 1968, had auctioned among themselves the last remaining personal belongings that had been confiscated during the war by the LiRo Bank.

Maybe because it concerned such personal items, like small pieces of jewelry, and it showed such a heartless, greedy attitude on behalf of those employees that the Dutch public was stunned. Gerrit Zalm, the current finance minister, appeared shocked when he publicly acknowledged that indeed these sales had taken place and ordered an immediate investigation into the affair.

The revelations about the way the Netherlands dealt with the return of Jewish possessions troubled the generally held national image of who among the Dutch had been the "good guys" and who had been the "bad guys" during the German occupation. For many years, the Dutch held onto a black-and-white dichotomy regarding the war years. Those who collaborated with the Nazis in one form or another were the bad guys, while all others were considered good compatriots, even though only a small minority was involved in active resistance. Now, it is becoming clear that there were many shades of gray between outright collaboration and resistance. People tried to resist, to survive, to accommodate, and many benefited, albeit in small ways, from the plight of the vic-

tims. More than 50 years after the end of the occupation, this shameful picture is finally becoming publicly accepted.

—*Roel Janssen*

LONDON

BEEF FARMERS GET MILITANT

The frustration of British cattle farmers as they watched their livelihood being threatened first by the mad cow health scare, and then by competing cheap beef imports, finally erupted into violence at year end.

British beef has been barred from global export markets since March 1996 because of fears that beef can transmit a killer disease, BSE. Then in 1997 the strong state of the pound sterling sucked in cheap imports.

The spark that lit this deadly combination was the government's refusal to increase compensation to the badly hit farmers. Downing Street said "vast amounts of money" had already been pumped into helping the industry cope with BSE.

Angry cattlemen blockaded ports, stopped trucks, and dumped Irish beef into the sea. This is common enough behavior for French farmers, but it has never been seen before in the United Kingdom.

Many were waving banners and placards saying, "If the French can blockade, so can we."

Imports of beef attracted by the strength of sterling helped to depress the prices local farmers receive for their cattle. The price of a large cow at slaughter has dropped from around \$1,444 to \$990.

Imports from Ireland (30,000 tons) and the Netherlands (10,000 tons) were up 75 percent in 1997, while imports from Germany (5,500 tons) rose by almost 250 percent. There was also a flood of beef from Uruguay, Argentina, Australia, and even Botswana.

"It is disgraceful that the government is allowing imports on such a large scale when British farmers are facing bankruptcy," protested a Scottish farmer.

The militant action begun by Welsh farmers soon spread to ports around the island and even into Northern Ireland. The normally conservative farmers said they were protesting because "we see no way out."

The Labor government demonstrated

New King's Road Programs Encourage Independent Discovery

The Finnish Tourist Board has announced some of the programs offered on the historical King's Road this summer. The King's Road, originally extending from Stockholm west to Oslo and east through the southern coast of Finland to St. Petersburg, was used by Kings and Czars from the 13th century onward. The new programs highlight an independent approach to traveling through Finland either by regular bus service, self-directed drives or bicycle tours.

The bus program is seven-days and starts at \$450 per person, land only. It allows the client to choose which sites they wish to visit. Some of the suggestions provided include visiting Turku, Turku Castle and Turku Cathedral. Lunching on the Aura River on a steamboat while en route to the spa town of Naantali is another suggestion.

The bicycle tours offer six nights accommodation with half-board, detailed tour description with maps and luggage transport. The tour starts in Helsinki and covers the route in blocks of daily 25-30 mile rides. The prices start at \$995 per person, land only.

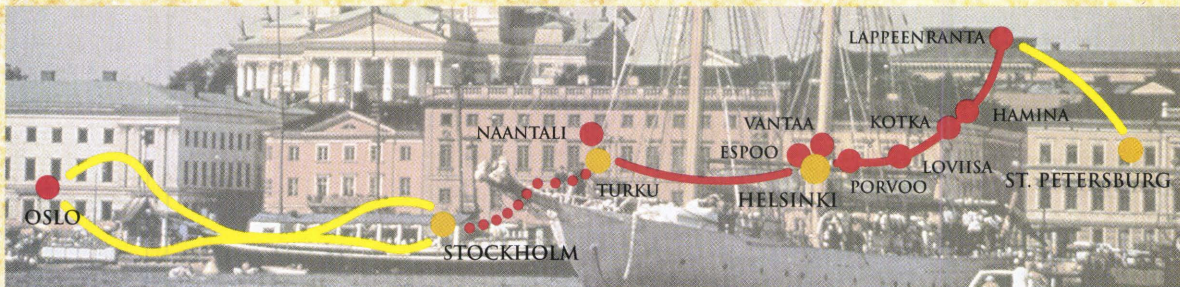
Hertz offers its own King's Road map and King's Road rates. Use the code KRR when booking. For more information, contact the Finnish Tourist Board at 1.800.FIN.INFO or 212.885.9700.



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that it is no more adept at handling the beef issue than its predecessor. A few days after the protests began, the government announced a prohibition on selling any beef on the bone.

The government announced the ban after scientists said that the agent that causes BSE, and its human equivalent Creutzfeldt-Jakob disease (CJD), could be transferred through the spinal column and bone marrow of cattle.

It quickly emerged that the risk was "negligible," in the words of the government chief medical officer, Sir Kenneth Calman, who nonetheless insisted on the ban, to the further outrage of the farmers.

The European Commission in Brussels proved less than sympathetic to the plight of the British farmers. The EU demanded the immediate restoration of free movement of goods and threatened the government in London with legal action if it did not prevent the harassing of truck drivers.

"Incidents of this kind may jeopardize the proper functioning of the internal market," said Mario Monti, the internal market commissioner.

With British farm incomes estimated to have fallen nearly 40 percent in 1997, it will not be surprising if we see further militant action.

—David Lennon

COPENHAGEN

PREPARING FOR ANOTHER VOTE

The Danes may yet surprise. But all polls agree that the first part of the campaign ahead of the May 28 referendum on the Amsterdam Treaty in Denmark has given the supporters of ratification a significant lead. Though narrowing, it is still in the double digits, and the opponents of ratification have been disorganized and have yet to show their hand, a situation completely different from that of 1992, prior to the Danish no to the Maastricht Treaty in June of that year.

The most obvious explanation is that Prime Minister Poul Nyrup Rasmussen has successfully convinced the majority of his own party that the Amsterdam Treaty is no threat to Danish sovereignty, but rather a reflection of the Social Democratic policies of his own party and his personal efforts to include employment and environmental priorities. He

has launched a strongly emotional campaign, imploring the Danes to vote for peace symbolized by the enlargement of the EU and refraining from using the economic arguments that have been characteristic of earlier Danish campaigns.

The opponents of the Amsterdam Treaty are also using emotional arguments. The two right-wing parties that are campaigning against the treaty claim that Denmark will lose crucial sovereignty. The parties on the Left agree but add that the welfare state and the egalitarian values associated with it will be compromised if the treaty is ratified. The sovereignty issue is also the main platform of the two Euroskeptical groups in the European Parliament, the People's Movement Against the EU and the June Movement. But there is no coordinated campaign.

The Danish supreme court may inadvertently contribute to the final phase of the campaign. It is expected to deliver its judgment on whether or not the Danish ratification of the present Maastricht Treaty is unconstitutional perhaps as early as March but, at any rate, before the referendum. If the court rules that ratification is incompatible with the Danish constitution, which stipulates that sovereignty may only be transferred to international bodies within specifically defined limits, this would be a legal bombshell, not just in Denmark, but in the European Union, which would have to respond to the sudden Danish non-ratification of the Maastricht Treaty and perhaps even the illegality of Danish membership in the European Union retroactive to 1972, when Denmark first voted to join the EU.

Such an outcome is so theoretical that it has not hitherto seriously been discussed in Denmark. The Danish supreme court has never defied a strong parliamentary majority and declaring all referenda since 1972 null and void would create a constitutional impasse. But the plaintiffs in the case, 11 Danish Euroskeptics, have been allowed access to hitherto classified documents in the Danish ministry of foreign affairs, and they hope that they will compromise all governments since 1972, which have included at one time or another all the political parties in the Danish parliament that support ratification of the Amsterdam Treaty. Any damaging information to emerge would provide a platform for an emotional appeal to the Danes not to trust

their political leaders now or in the future, when European integration may deepen.

—Leif Beck Fallesen

STOCKHOLM

BLOWING HOT AND COLD FOR NUCLEAR POWER

Long hours of darkness still cloak Stockholm in March, and city dwellers still burn small, welcoming window lamps to brighten the gloom.

For Swedes, having light in the Nordic dark is a visceral need. But where that light will come from in the next century, and what it will cost, have now become serious political issues, likely to influence the outcome of the September elections.

Some 18 years after Swedes voted in a referendum to decommission nuclear power, the Swedish government wants to get the process started. But Sweden's 12 nuclear reactors generate 50 percent of the country's electricity, and it's not clear how that power will be replaced.

Industry and Commerce Minister Anders Sundstrom says energy conservation will help make up some of the difference and that he has ambitious plans for conservation education.

But because Swedish electricity is cheap, the average Swede doesn't think about turning the lights off. Moreover, the cheap price means the majority of homes use electric heating.

On top of that, Sweden has some of the most electricity-intensive industry in Europe, with its forest products companies, metal-working factories, and car manufacturers. Industrialists say cheap power helps offset higher transportation costs from Europe's northern corner, a competitive advantage that will disappear with a nuclear shutdown.

In all, Sweden is second only to Norway as the greatest per capita consumer of electricity in Europe.

What's ironic about the government's decision to do away with nuclear power is that it was at least partially motivated by the need to win votes in September. But many voters no longer appear interested in a shutdown.

The Federation of Swedish Industries claims that 78 percent of Swedes are against decommissioning reactors now. Moreover, the federation and the government's political opposition argue that

nobody knows what it will cost to stop the reactors. Some estimates put the cost as high as \$5.2 billion.

"The taxpayers still don't know what the cost will be, other than that it will be gigantic," says Peter Weibull Bernstrom, a Conservative member of Riksdagen, the Swedish parliament. Bernstrom comes from the southern province of Skane, home of the two Barseback reactors, which the government wants to shut down first.

Conservative members of parliament argue it's economic suicide to shut down well-running nuclear plants and drive up the price of electricity. But Sundstrom says that it's time to develop renewable energy sources. During a debate on the subject, he rebuked Mikael Odenberg, the Conservative spokesman on energy issues, telling him, "Boys who never take chances never get to kiss the pretty girls."

Countered Odenberg: "Many freezing Swedish girls are going to have to be warmed by the government's energy policy."

—Ariane Sains

BRUSSELS

REMEMBERING THE REVOLUTIONS

During 1998 the one hundred fiftieth anniversary of the famous "Year of Revolutions" will be celebrated. In 1848, from one end of Europe to the other, popular movements sought to overthrow kings and governments and change national boundaries. Apart from France, where King Louis-Philippe was tumbled from his throne, all the revolutions failed.

Nowhere more ignominiously than in Belgium, where a republican uprising, assisted by invading French supporters,



The Brussels cafe where exiled German socialists gathered 150 years ago is now the luxury restaurant Le Cygne.

was put down by the Belgian army at the ominously named village of Risquons-Tout (which translated from French means "let's risk everything") near the French frontier, with the loss of 12 lives. Otherwise, the peace of the country was scarcely affected by the momentous events of the year, though European and world history was later to be greatly influenced by a 12,000-word document that was being written in Brussels and was published in London in February 1848.

This was the *Communist Manifesto*, with its ringing conclusion: "Let the ruling classes tremble at a communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Workers of the world, unite!" Karl Marx wrote these words in his home in the rue de l'Alliance in the Brussels quarter of Saint Josse, where he was

living in relative poverty with his aristocratic wife, Jenny Von Westphalen.

They had come to Brussels in 1845, having been expelled from France for political agitation, and Karl later described his time there as the happiest in his life. It was not to continue long after the publication of the manifesto. The Prussian government pressured the Belgian authorities to take action against Marx, and on March 3, both he and Jenny were arrested and deported the following day.

Marx never returned to Brussels except for a meeting of the First International in 1867. The sole public acknowledgment of his stay is a plaque on the wall of a small house in the rue d'Orleans where he briefly lived. The cheap café in the Grand'Place where he met with other exiled German socialists is now the internationally renowned luxury restaurant, Le Cygne.

As for the Belgian Communist Party, which was quite strong both before and after World War II, its support rapidly dwindled in the 1980s, and it

has ceased to function as a political party. Its former leaders, however, proved more effective as capitalists than as political campaigners, and the rump organization still controls a number of valuable investments, including a profitable printing business.

—Dick Leonard

MADRID

SPANISH SEX, LIES, AND VIDEOTAPE

A blurry and badly-shot videotape allegedly showing a prominent newspaper editor cavorting in ladies' lingerie with a woman who is certainly not his wife is roiling Spain's political and media

circles and providing gist for the country's comedians and cab drivers.

Someone anonymously mailed the video to journalists and politicians, and many believe it is an effort to besmirch *El Mundo* editor Pedro J. Ramirez, who brought down a host of leading politicians during the previous Socialist administration by exposing corruption and other scandals in his newspaper.

Although those who have seen the eight-minute tape say the quality is so bad that it might or might not be Ramirez, the editor himself has not exactly denied that he is the man in a corset and stockings playing love games.

Ramirez' newspaper, which is one of Spain's most respected dailies, claims the woman purposely enticed him into the tryst in a bedroom where they were filmed from a closet. She told a judge who is investigating the case that she received \$340,000 for the afternoon's work.

Writing in his paper, Ramirez, 46, said that Socialist bigwigs who are under indictment for carrying out a clandestine dirty war against members of the Basque terrorist group ETA in the 1980s in a scandal that *El Mundo* helped uncover are behind the affair.

They, however, deny any involvement in making or distributing the video.

The scandal first broke when a small circulation Madrid daily ran photos from the video but then was stopped by a judicial order, which also applied to television stations, which were eager to broadcast the footage.

And the case keeps getting stranger. The judge probing the case asked to be removed after a witness he was questioning said other videos existed and that one might feature the very same magistrate.

There has been a lull in revelations concerning the alleged cross-dressing editor and his lady friend, but Spain is eagerly expecting more details and waiting to see if there are any new videos starring other prominent figures.

—Benjamin Jones

BERLIN

BABY BENZ FACES THE MOOSE

Insults are sure to be added to injury. Pictures of an overturned Mercedes A Class model alongside its driver being led into an ambulance appeared in the

press around the world. The embarrassing publicity was a shock for the prestigious Stuttgart-based Mercedes-Benz and its customers—for whom the Mercedes star is the symbol of quality, reliability, and safety. But the disaster has also evoked jokes and *Schadenfreude*. "It may sound like a paradox," comments the daily *Süddeutsche Zeitung*, "but Mercedes-Benz with its A-Class disaster has been socked for its past innovations and activities. The public and journalists expect miracles of this company. Dreams and wishes enhanced by gigantic and excellent advertising have been interrupted. After all, Mercedes-Benz had promised no less than the reinvention of the automobile. And when a very good car with a specific weakness turned out,

That liberated space, but inevitably raised the car's overall height. Young engineers with a lot of enthusiasm but under tremendous pressure have been working on the A Class. Never before has a Mercedes been developed with such great use of computer programs and driving simulations. Marketing was also a concern. Since Mercedes-Benz is respected around the world as a luxury marque, how would consumers react to such a small vehicle at an affordable price?

Clever advertising and the car's inspired engineering gradually eroded these doubts. By the time the A Class was given its first road tests last June, it seemed clear the company had come up with a winner and potentially had rewrit-



The "Baby Benz" made its debut into the economy car market but not without encountering a few bumps along the way.

the high expectations had to collapse. The jokes, running gags, and caricatures were inevitable." Seldom has so proud a company been so humbled.

Mercedes-Benz put the A Class into production after only 32 months of development. Over the years, cost and competition pressures have forced shorter and shorter development times. It must also be remembered that the A Class is Daimler-Benz's first move into the smaller, economy car market. The company has never built such a small vehicle with front-wheel drive. The car's small dimensions forced its designers to adopt the revolutionary solution of placing the engine partly under the passenger cabin.

ten the book on how small cars should be designed. But trouble came when on October 21 last year, the Swedish automobile bimonthly *Teknikens Varld* subjected the compact "Baby Benz" to the same tests undergone by 40 other cars sold in Sweden. The car flipped over during the so-called "moose test" driving maneuver, which simulates swerving to avoid the animals on Swedish roads.

There is no doubt the notorious moose test left more than a dent in the image of the Stuttgart car maker. While recalls of new vehicles are not uncommon, the expectations of a car "Made by Mercedes-Benz" are particularly high. Jürgen Schrempp, chairman of Mer-

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cedes parent corporation, Daimler-Benz, alluded to such sentiment when he pronounced, "What's at stake is nothing less than the reputation of the Mercedes star." The company's response to the disaster has been adept if slow at the outset. It halted A Class deliveries, which began last October, until February. This would allow it to redesign the chassis, lower the body, and make room for wider tires. Daimler-Benz announced at the beginning of last December that it was also equipping its subcompact car with ESP (Electronic Stability Program) as a standard feature. Engineers of TUV (Technical Inspection Authority) of Büblingen tested the effectiveness of the ESP system under extreme steering maneuvers and declared that "both in the slalom test and in the moose test, the ESP-equipped A Class remained comfortably under control and showed no critical reactions at high speeds." As from February 1998, the A Class will include ESP at no extra cost. "This will make my Baby-Benz the safest car," says Christel Rupp confidently, who like many others, has not canceled her order.

In full-page ads and on German television, Mercedes-Benz admitted that it had goofed. "We should like to thank our customers most warmly for their loyalty. You have given us the chance to remedy a mistake."

—Wanda Menke-Gluckert

DUBLIN

YOU SAY POTATO, IRISH SAY PASTA

The humble potato, once the staple diet for millions of Irish people, is rapidly losing its premier position as the country's preferred starch. Ireland's increasingly wealthy citizens, with a growing interest in Continental Europe and international cuisine, are steadily ignoring the floury tuber and opting instead for the headier delights of pasta, rice, and other dishes.

In 1845, the year before the potato blight struck and caused the Great Irish Famine, 2 million acres were planted. By 1847, it was down to 220,000 acres.

Today, just more than 150 years on, potato production has fallen by 97 percent to less than 59,300 acres, according to a survey by Ireland's Central Statistics Office. The CSO says small farmers pre-

fer grazing cattle and sheep to pursuing the harder and more labor-intensive potato growing.

But the Irish are still on top of the European Union league for potato eating, consuming 308 pounds a year per person, compared to 304 in Portugal or 229 in the United Kingdom. At the bottom of the EU list are Denmark and Finland with a mere 125 pounds per person.

Potatoes are easily cultivated, grow in virtually any type of soil, and are still the fourth-most important crop in the world—trailing wheat, rice, and maize. The world's biggest producer is China, which two years ago harvested 295 million tons, compared with 1.2 million tons in Ireland.

In spite of a bad press in the affluent weight-conscious world, potatoes are a very healthy food, each "spud" containing an average 120 calories. The potato is also a rich source of fiber and vitamin C.

Potatoes were known to have been grown in Peru at least 2,000 years ago and were brought to Spain by 16th century Spanish explorers. Popular lore has it that the potato was imported to Ireland by the English explorer and nobleman, Sir Walter Raleigh, who lived for a time in the southern Irish town of Youghal, in County Cork. By the 1840s, millions of very poor Irish people lived almost exclusively on potatoes, hence the massive number of deaths and devastation caused by the potato blight and the subsequent famine.

Tim Ryan, a farming journalist who has studied the decline and fall of the Irish potato, says the variety grown during the famine was a rather ugly "lumper," which today exists only in Scotland. Ryan says it is "soapy and of poor taste" and, strangely, none is stocked in Ireland where the variety played such an important historical role.

Ireland's food minister, Noel Davern, says structural changes within the EU framework have seen a greater concentration of production in the hands of larger producers, with smaller producers moving out of production.

Davern says preliminary results for last year show an overall decline of between 5 and 10 percent. But the country's 1,700 commercial growers have reported good crops and prices for 1997, unlike 1996, when oversupply caused a severe drop.

Paddy Barry, a lecturer in crop husbandry at University College, Dublin, says if the 1996 experience was to be re-

peated, even more commercial growers would go out of business. Barry also says the decline is likely to continue because of increasing international competition.

Modern cold-storage techniques mean that main crops can retain their quality year-round. The high costs of transport have hindered export sales, but there is some trade for seed potatoes to Cyprus, Egypt, the Canary Islands, and Israel.

The Irish Horticultural Board's chief executive, Brendan O'Donnell, says the country is 95 percent self-sufficient in potatoes, but perhaps ironically, there are imports from Cyprus and Egypt, where it is possible to grow two or three crops in the same year.

—Mike Burns

ROME

DI PIETRO CHOOSES A SIDE

Whatever Antonio Di Pietro may become in his new political career, he has surely lost the affection of at least some Italians. From now on, some will like him and others won't.

What a difference six years and a political election can make. It was only in 1992 when as a judge he began the "Clean Hands" investigation—a nationwide judicial operation that led to the arrest of many corrupt Italian politicians and businesspeople. For most Italians, who were starved for someone to expose the country's endemic political corruption, Di Pietro, a former policeman with a gruff manner and a permanent five o'clock shadow, became a national hero known affectionately as "Tonino."

His popularity was such that for a few years his likeness even showed up among Italian Nativity scenes. It wasn't uncommon to find a tiny Di Pietro dressed in a judge's robe standing next to Joseph, the Virgin Mary, and the three Wise Men among the figurines of Neapolitan artisans.

Those times are gone. Only a few years have passed, but it seems like an era has passed. Today Antonio Di Pietro is being attacked on all sides, although he doesn't seem to worry. What has happened? Why has he lost the approval of a good portion of the country?

The reason is simple. He has chosen sides, politically speaking.

After resigning from his judicial post, Di Pietro became a "technical" minister



Former "Clean Hands" judge Antonio Di Pietro finally entered the fray of Italian politics, winning a senatorial seat in Tuscany.

(which in Italian government is one without political affiliation) of the public works ministry, which had been a focal point of his investigation. In that position, he learned an important lesson: In order to gain visibility, he couldn't remain above the fray; he had to choose a side.

After resigning the post, political parties began to court him ferociously. On one side stood the progressive list, headed by the Party of the Democratic Left, the former communists, and its leader Massimo D'Alema. On the other side the conservative right wing of post-fascist Gianfranco Fini and Silvio Berlusconi, the magnate of Italian private television.

Unexpectedly, D'Alema won out. It was unexpected because it was no secret that Di Pietro's political ideas are definitely conservative. The political right wing was offended. Members of the Left grumbled about a non-aligned personality joining its side. But D'Alema dug his heels in and fought for Di Pietro's acceptance. Observers say that D'Alema cleverly calculated that it would be better to have someone like Di Pietro on his own side than to have him as an adversary.

Soon after Di Pietro made his affiliation known, a senatorial constituency

opened up in Tuscany, and the ruling Olive Branch coalition (of which the Democratic Party of the Left is a member) chose Di Pietro as its candidate. Despite the fact that Di Pietro hails from southern Italy and has no ties to Tuscany, he won an overwhelming victory.

As soon as he was elected, Tonino immediately made it clear that he considers the senatorial chair a sort of trampoline that will launch him to new heights. Maybe—so political reporters are rumored—even to the presidency, since the seven-year mandate of Oscar Luigi Scalfaro is about to expire.

—Niccolò d'Aquino

LUXEMBOURG

JUNCKER RIDES HIGH

It doesn't often happen, but in December, at the end of the debate in the European Parliament on Luxembourg's presidency of the EU in the latter half of 1997, there was a spontaneous round of applause. The members of the European Parliament (MEPs) were acknowledging, first, the sheer efficiency of Luxembourg's handling of EU affairs. The tiny country had to plan and carry out scores

of ministerial meetings and two full-scale heads of government summits as well as representing the European Union in numerous international councils.

Now consider that the Luxembourgers did this with a civil service work force smaller than that required to run most American state capitols. You'd have understood if they had wanted to take things slowly, but on the contrary, 11 EU directives were approved during the six-month period compared to the normal seven or eight.

A number of factors are at work here. One is experience. The Luxembourgers have been around since the original European Common Market was created nearly 50 years ago. They know how the institutions work and relate to each other. They understand instinctively which buttons to press to get results.

A special factor this time round, moreover, was that the European Commission in Brussels was also headed by a Luxembourger, Jacques Santer. There was a personal, top-level chemistry between the Commission and the EU presidency that has not occurred in recent years.

Luxembourg also gets results because it has no lumbering national agenda to bring into EU councils. It has no grandiose thoughts about leading Europe in this or that direction. It simply wants the existing machinery to work with maximum efficiency. But there's another spinoff from being a tiny unassuming member of a club of heavyweights: the ability to find compromise, to offer solutions that bruise no egos or cause no loss of face.

The master of this is Luxembourg Prime Minister Jean-Claude Juncker, whose youthful frame belies his long experience of European diplomatic infighting. Summing up his country's handling of the EU presidency, Mr. Juncker took special pride in the "jobs summit," which put the problem of unemployment much higher on the EU agenda, and his handling of the enlargement issue in a way that—the special case of Turkey apart—left everybody happy.

The MEPs went along with this, but many felt that Mr. Juncker's biggest achievement was to head off a blazing row between the United Kingdom and the other members over the creation of a new exclusive committee to run the European single currency from 1999.

British Prime Minister Tony Blair's attempts to secure UK membership on

the committee or to confine it to a narrow role were unavailing. Yet there was none of that shrill recrimination that this correspondent recalls from a couple of years ago when the British press reaction to monetary union plans proposed by Mr. Santer were so strident that the Luxembourg confessed "you'd think World War III had broken out."

Mr. Juncker's reputation stood so high at year's end that many people were beginning to talk him up as a candidate to head the new European Central Bank and thus end the rift between France and

the Netherlands over who should run the single currency.

Mr. Juncker is enough of a politician to find such talk flattering but probably too much of one to please the bankers, who will require satisfying that the currency is impartially managed.

A big job in Europe certainly looks possible for Mr. Juncker, though he may decide that his best contribution could be to win the 1999 elections for his Christian Democrat Party and cement Luxembourg's standing as the European Union's chief "fixer."

—Alan Osborn

PROTESTING GENE-ALTERED CORN

Austrian environmental groups are up in arms over a request by the American seed producer Pioneer to plant genetically engineered corn at 10 test sites around the country. In the latest in a series of skirmishes designed to keep genetically modified food and agricultural products out of Austria, environmentalists staked out Pioneer headquarters and

NEWSMAKERS

With Jacques de Larosière retiring from the presidency of the European Bank for Reconstruction and Development (EBRD), a rash of eager candidates has signaled their willingness to take his place in London. Set up after the fall of the Berlin Wall, the EBRD was designed to help former communist regimes make the transition to market economies with capital subscribed from Western and Asian countries. It was the brainchild of Jacques Attali, a former aide to the late French president François Mitterrand.

As its first president, Attali proved to be not so much gifted at raising money as at spending it, primarily on the bank's sumptuous headquarters and on perks, such as a private jet and a personal chef. Attali was soon replaced by the far more frugal de Larosière. He quadrupled the bank's business in five years, without increasing costs, and instituted a lending program.

Now the house that one Jacques built and another one put in order is waiting to welcome its third boss, who will have to be voted in by the more than 60 governors of the bank, spread out as far as Australia, Hungary, Korea, and Mexico.

The list of potential applicants is nearly as far-ranging. Italy's prime minister, Romano Prodi, has indicated that he

believes the job should go to the Italian foreign minister, Lamberto Dini, while President Clinton favors two names from Eastern Europe: Poland's central bank governor, Hanna Gronkiewicz-Waltz, and Hungary's György Suranyi, another central bank head. Two former finance ministers potentially interested in the posi-

tradition of having one of their own direct the EBRD and are putting their support behind two candidates: Banque de France boss Jean-Claude Trichet and Philippe Lagayette, who has just resigned as head of the Caisse des Depots, the central deposits agency.

One of the above will soon be riding the marble-clad elevators of the EBRD in London and earning a gross annual salary of \$320,000, while some of the others will be free to pursue an even more coveted title, to be chosen in May: head of the new European Central Bank.

•••

Among the 2,593 athletes from 67 countries who have signed up for the Winter Olympics in Nagano is Prince Albert of Monaco. He is part of a four-man team competing in a sport you might not expect to find on the sunny Mediterranean coast: bobsledding.

Smaller than

Monaco's delegation are those of one athlete each representing Bermuda, Brazil, Iran, Luxembourg, and Uruguay. At the other end of the scale is the United States, which is sending the biggest team—207—followed by the host country Japan with 166 and Switzerland with 163.

•••

The silver spoon in his mouth has never stopped Baron Ernest-Antoine



Prince Albert (far right) represented his country at the Nagano Olympics as part of Monaco's four-man bobsledding team.

tion are Pedro Solbes from Spain and Jean-Claude Juncker, now the prime minister of Luxembourg. Also interested are the Belgian finance minister, Philippe Maystadt; Hans Tietmeyer, head of Germany's Bundesbank; and a name you might remember as having wielded some influence in the former Soviet Union—Mikhail Gorbachev.

The French are keen to continue the

bombarded Consumer Protection Minister Barbara Prammer with postcards urging her to shoot down the proposal.

After weeks of attack, Pioneer decided to run up the white flag and withdraw its application—at least for now. Pioneer Saaten, a daughter company of Des Moines, Iowa-based Pioneer Hi-Bred International Inc., wants to test the seed, which is genetically modified to ward off attacks by an insect known as the European corn borer. The larvae of the insect eats into the stem of the corn so the stalk breaks, decreasing yields and increasing the risk for disease, said

Felix Rudolph, country manager for Pioneer.

In mid-December, Pioneer filed an application seeking permission to allow farmers to test the genetically modified seed at 10 sites in the provinces of Burgenland, Styria, Upper Austria, and Lower Austria. A decision must be made by mid-March, but the request already has met with a barrage of criticism and questions.

There have to be easier places to do this than in Austria, where a battle against genetically engineered products has been waged for months. Last spring,

more than 1.2 million Austrians signed a petition urging the government to ban genetically modified food and agricultural products. Although the government has yet to take steps along those lines, genetic engineering remains an emotionally charged issue with the Austrian public.

"We strictly say no" to the planting, said Stefan Schennach, spokesman for the Greens political party. "There's too much risk."

The corn seed in question has been genetically engineered to contain the bacteria bacillus thuringiensis (BT),

Seillière, 60, the new head of the CNPF, the French national employers' federation, from speaking his mind. A descendant on his mother's side of the Wendel steel dynasty of Belgium and of a long line of bankers on his father's side, the baron was educated at Harvard and at ENA, the elite graduate school that furnishes most of France's top civil servants and managers. He worked in several ministries, even sharing an office for two years with **Lionel Jospin**, before taking over the family holding company.

Tight-lipped about his private life, the aristocratic Seillière is frankly outspoken in his criticism of the French government's decision to impose a 35-hour work week. He qualifies it as an "idiotic," "traumatic," and "brutal" blunder, which he intends to fight tooth and nail. He believes that it is time to break with the long tradition of moderation and discretion that characterizes French management and make the CNPF an effective lobbying body.

"Companies in France are the most regulated, the most heavily taxed, and the most subject to social charges of any developed country," he states, and predicts that "if the French truly believe that what is good for business is bad for the country, well then we might as well pull the plug!" To stop that from happening, Seillière plans to speak out loud and clear and not let himself be muzzled by any government, right or left. On January 1, 2000, halfway through his mandate, he will ask the employers' union to give him a vote of confidence, based on how effective he has been at representing them, or he will step down.

•••

Right in the middle of preparing for his final Olympic competitions in



Italian skier Alberto Tomba took time out from his Olympic training to "Slalom for Peace" in Sarajevo.

Nagano this month, Italian ski champion **Alberto Tomba** took time out for a charity "Slalom for Peace" on one of the slopes outside Sarajevo. The last great peacetime sporting event to be held in the devastated city was the 1984 Winter Olympics, when Tomba was only 18-years-old. Since then Sarajevo has held the world stage with bloodshed and destruction, and even now that the guns are silent, the city is still living through a bleak aftermath. Unemployment hovers at around 50 percent, and the average monthly salary is only \$145.

Tomba, who visited Sarajevo during the war, is hoping to raise money for a ski center near the city, where its young people could go instead of wandering the streets. **Amira Kapitanovic**, the head of Bosnia's delegation at the Atlanta Olympics, said the gala event will help to revitalize the country's skiing infras-

tructure. "Alberto was very good to us during the war," he said. "He brought us food and clothing. Now we are working on coaching programs."

Other skiers who have promised their free participation in the race include **Thomas Stangassinger** and **Thomas Sykora** from Austria and **Tom Stiansen** and **Finn Jagge** from Norway.

•••

The \$2 million it cost to defend **Louise Woodward**, the 19-year-old British au pair convicted of causing the death of eight-month-old **Matthew Eappen**, was paid by **Bertil Hult**, the CEO of one of Sweden's biggest private companies.

Hult, 56, is the founder of EF, the company that sent Woodward to the United States. Besides being a nanny tycoon, Hult also deals in educational tours for the over-55s, international language schools, and summer travel for high school students. His company's

which is designed to kill the corn borer. Pioneer tests regularly for corn borers at 40 Austrian locations, and the insects have been found in 40 percent to 100 percent of the plants, Rudolph said.

But Austrian farms are too small to make it cost-effective to hire helicopters or purchase huge tractors to spray for the corn borers, he said. Pioneer, based in the village of Parndorf, hopes that using the genetically modified seed will "make it secure so every year farmers will have a high yield and products of

high quality."

But the Greens and environmental groups like Greenpeace and Global 2000 argue that no one can predict the impact of genetically engineered corn.

Susanne Fromwald, who is leading the charge against BT corn for Greenpeace, said international studies have shown plants that have been genetically modified to contain the bacteria can kill off more than just their intended foes. Both harmful and beneficial insects may be killed by the bacteria. In addition,

studies have shown that toxicity can build up in the food chain, while insects' resistance to the bacteria may increase.

Rudolph counters that even in nature, plants and animals develop resistance to various substances, and no one claims the BT corn will cure the problem of the corn borer forever.

The resistance Pioneer is encountering with its genetically modified seed may trigger problems within the European Union. The seed already is being tested in the 14 other EU countries, and

NEWSMAKERS

Continued

main competitor, the Japanese-owned Berlitz company, is less than a quarter the size of his personal empire. Although Hult refuses to say what EF is worth, conservative estimates put its value at around \$655 million.

A severe dyslexic, Hult studied mathematics at university but never finished his degree. Instead, he launched a business importing cheap clothing from Eastern Europe. On one of his buying trips to Budapest he crashed a dinner hosted by the Swedish ambassador and found himself sitting next to a woman who boasted about all the money her son was making by taking school groups to France to learn French. It was the "eureka" moment for Hult.

"The concept of combining travel and fun with language education was a good one," he thought, but decided to concentrate on English as the most useful language. In 1965 he set up European Holiday Schools, now called Education First (EF). A couple of years later he started expanding his business from Sweden to Germany, and from there to the rest of Europe, soon followed by the United States and Japan, which are now his two biggest markets. He currently has his eyes on Russia and Eastern Europe.

The Woodward case has been costly for his au pair program in terms of negative publicity, but Hult hopes to ride out the storm by setting even tougher guidelines for EF au pairs than those demanded by the American authorities. Eighteen-year-olds (Louise Woodward's age at the time of baby Matthew's death) will not be allowed to look after infants younger than the age of two.

•••

As the first woman in the world to head an airline, **Barbara Cassani**, 37, the CEO of British Airways new budget carrier, tops the growing list of female American executives directing European operations. Other Yankee imports include **Marjorie Scardino**, head of Pearson, the media group, **Rose-Marie Bravo** at Burberry's, the luxury-goods retailer, and **Frances Seeger**, Sony's director of public affairs in Brussels.

Cassani joined BA just after it was privatized in 1987 and quickly worked her way up through several positions in the US and Britain to become US general manager in New York before being chosen to launch BA's new no-frills carrier. She is a 13-hour-a-day workaholic, with no false sentimentality about the time she has to spend away from her two small children. She has a cheerleader's insistent cheerfulness, with a loud, hearty, and frequent laugh.

Her plans for the new budget airline include giving it "a fresh smell, something new and clean and fresh," and more practical ideas, such as undercutting existing budget fares and including European routes already served by competitors if the traffic will bear it. She would like to simplify check-in procedures, which she says are long and incomprehensible to many passengers. "Sometimes the desk staff are tapping away at a keyboard for five minutes, and you think: 'What are they doing? Checking my bank balance?'"

The rival that Cassani most admires is the 20-year-old granddaddy of low-cost air travel: Southwest Airlines in the US. She hopes to beat, not just match, their "lovely blend of simple style, friendly people, and low fares."

•••

No one has hitched his wagon to the

stars more successfully than **Robert Earl**, 46, the London-born founder of the Planet Hollywood restaurant chain. Having made a personal fortune approaching \$750 million out of selling up-market fast-food in a movie set atmosphere that offers the exciting possibility of glimpsing a real, live star, he has now decided to spread some of his wealth around. Earl has donated \$1.6 million to the British Labor Party, apparently with no strings attached.

He certainly does not need anyone to do him any favors. Planet Hollywood is one of the most successful food "experiences" on earth, drawing in capacity crowds of stargazers in such major European cities as London, Paris, Berlin, Barcelona, Zurich, Moscow, and—most recently—Prague. Its global colonization is proceeding at such a pace that if there is not one near you already, chances are there will be soon.

After graduating from the University of Surrey, Earl launched himself in the food-and-entertainment business by staging medieval banquets for Americans. From there he went on to become a half-partner in the now legendary Hard Rock Café chain, before creating Planet Hollywood. Besides its trademark decor of movie props and donated costumes, each outlet offers the exciting possibility of sighting one of the real live stars who endorse it: **Arnold Schwarzenegger**, **Sylvester Stallone**, **Bruce Willis**, and **Demi Moore**. Customers love it, and Earl is now so astronomically rich that he leads a stellar lifestyle himself, with a palatial home in Florida, a mansion in London, and a private jet for his incessant travel. Someday soon he may buy himself a mountain, but in the meantime, he is giving **Tony Blair** and friends a welcome helping hand.

—Ester Laushway

France is expected to offer it to farmers beginning this spring.

Once the seed is accepted and registered in one EU country, other member countries are required to follow suit, Rudolph said. But if Austria balks, the conflict could escalate.

—Susan Ladika

L I S B O N

PRE-EXPO '98 CULTURAL FEST

When it staked its claim to hold the Expo '98 world fair this year—the International Year of the Oceans—Portugal played up its glorious maritime past of the 15th and 16th century Age of Discoveries. But for the 100-day cultural festival that it hopes will attract visitors in the period before Expo starts in May, it is taking a different tack.

The organizers have dubbed the festival “A Voyage to the 20th Century” and have mostly stuck to their theme in events ranging from music through cinema to children’s theater.

Although most events don’t depart far from Lisbon’s normally quite varied bill of cultural fare, some highlights are out of the ordinary.

Visitors have the opportunity to see the work of Pina Bausch, a German choreographer, whose much-admired Wuppertal Dance Theater visited Lisbon last September. The group returns in mid-May with a piece dedicated to the Portuguese capital and commissioned specially by the event’s directors.

Many visitors might find the performances of plays by August Strindberg and Tennessee Williams inaccessible since they are performed in Portuguese. But some might be able to appreciate the less wordy Samuel Beckett play, *Happy Days*.

But the festival’s strong point is non-verbal, with an impressive series of concerts of 20th century music, including works by Stravinsky, Ligeti, and Gershwin. There is also a performance of specially commissioned songs written by contemporary composer Michael Nyman.

Anyone wanting to know more about the 100-day festival, which starts February 12, or the tickets or visitors passes available can phone (011) 35-11-849-0100 or visit the Web site www.expo98.pt/festivaldoscemdias.html

Expo '98 itself, which is expected to draw millions of visitors to see the international pavilions, shows, and aquarium,

starts May 21 and lasts for three months.

—Alison Roberts

A T H E N S

GREEK SHIPS FLAG OUT

Greek shipowners describe themselves as the “taxi drivers of the sea.” They still control the world’s largest merchant fleet, but an increasing number have decided that it costs too much to keep their vessels flying the Greek flag. In the past year, more than 150 ships have been removed from the Greek registry and placed under flags of convenience, such as Liberia and Panama.

As a result, the number of Greek-flag ships has dropped to fewer than 2,000 for the first time in more than a decade. This compares with a total of some 3,200 ships in the Greek-owned fleet, which are operated by shipowners based in Piraeus, London, or New York.

The main reason for the flights from the flag is that Greece’s Socialist government requires Greek-flag ships to employ a certain number of Greek officers and crew. They command much higher wages than the Asian seafarers, who crew most of the world’s oceangoing merchant fleet.

After several months of tough negotiations earlier this year, the shipowners managed to persuade the merchant marine ministry that Greece’s fleet could only remain competitive if the crewing regulations were eased.

Last June the ministry ruled that Greek-registered ships had to have three or four ratings and five to seven officers who were Greek nationals. In the past, 60 percent of the crew had to hold Greek passports. But this compromise failed to satisfy the shipowners, who have continued to take their ships off the registry on the grounds that costs are still too high at a time when the market, especially for dry cargo, is less buoyant. Many Greek owners would still prefer to employ a Greek captain and first mate, but argue that the requirement for ratings should be removed altogether.

The government is unwilling to make further concessions because it is under strong pressure from the influential federation of seaman’s unions.

Shipping is still one of the pillars of the Greek economy, earning several billion dollars yearly in foreign exchange. Despite the flight from the flag, the Greek-

registered fleet remains the world’s third-largest, after Panama and Liberia.

More ships are now managed out of Piraeus as a new generation of shipowners has become established in Greece. Foreign banks have flocked to Greece to provide specialist ship-financing services for local owners.

But the number of Greek seafarers has steadily diminished over the past two decades as tourism and other service industries developed, making it easier to find jobs at home. There are now only about 25,000 Greek ratings and officers, compared with more than 70,000 in the 1970s.

However, most ships that have left the registry have been older vessels operated by smaller shipowners. As a result of the flight from the flag, the average age of the Greek-registered fleet is around 11.5 years. The average age of the ships that flagged out was as high as 26 years.

Greek owners went on a buying spree in 1994–96 as world trade picked up, especially in Asia, and spent about \$7 billion on acquiring more than 1,000 secondhand vessels between 1994 and 1996. Last year, Greek owners spent an estimated \$3 billion on buying 326 ships. But two-thirds of them were registered under flags of convenience.

—Kerin Hope

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ARTS & LEISURE

The Grand Chessboard: American Primacy and Its Geostrategic Imperatives

By Zbigniew Brzezinski; Basic Books; 215 Pages; \$26

The world is a safer place with a democratic United States dominant across the globe militarily, economically, technologically, and culturally. The critical area for the next few decades where American dominance will be "ratified or challenged" will be in Eurasia stretching from Portugal to Japan, asserts Zbigniew Brzezinski, the former national security advisor to President Jimmy Carter and author of several well received books on foreign policy.

The author's comments on the future role of Europe in a world dominated by the United States are quite revealing. As he says, "At this stage, suffice it is to say that in the western extremity of Eurasia, the key and dynamic geostrategic players are France and Germany. Both of them are motivated by a vision of a united Europe..."

However he feels "London has largely dealt itself out of the European game." It is a retired geostrategic player, resting on its splendid laurels, largely disengaged from the great European adventure in which France and Germany are the principal actors." The current British government headed by Tony Blair would disagree vehemently with these comments especially during the British presidency of the European Union, which runs until June of this year, where they are stressing their pro-European credentials to the fullest.

What is America's view toward European unity? The author argues that the Americans are ambiguous. He writes, "Ambiguity regarding the degree of American support for European unity also extends to the issue of how European unity is to be defined." Brzezinski goes on to argue for "unambiguous and tangible American support for Europe's unification."

"America's commitment to Europe's unity," he writes, "will continue to ring hollow until America is ready not only to declare unambiguously that it is prepared to accept the consequences of Europe becoming truly Europe but to act accordingly."

Although the author doesn't see "a powerful and politically single-minded Europe... in the foreseeable future," he believes that "it is conceivable that at some point a truly united and powerful European Union could become a global political rival to the United States." Until such time as a "larger and more united Europe emerges" the "United States will have to work closely with both France and Germany in order to help such a more united and larger Europe emerge."

Brzezinski's keen observations on why France and Germany want and need a united Europe under the European Union seem to be right on the mark. "France seeks reincarnation as Europe; Germany hopes for redemption. For France, Europe is the means for regaining France's past greatness" because, he asserts, "France is no more and

no less than a middle-rank European power." On the other hand, "Germany sees in its fervent commitment to Europe a historical cleansing, a restoration of its moral and political credentials."

While much of the rest of the book focuses on Russia, former Soviet republics, and Asia, the author makes a very good observation when he points out that when we speak of Europe there is such an entity but when we speak of Asia there is really no such thing as there is no corresponding organization in Asia to the European Union.

Will any European nation ever become a superpower? Not according to the author of this informative and provocative book. "America is not only the first, as well the only, truly global superpower, but it is also likely to be the very last."

—Robert J. Guttman

Finland: Europe Finnessed

A Celebration of Finnish Culture in New York City (through June)

Finland: Europe Finessed has already become bigger than anybody imagined, a grand celebration of Finnish culture in New York. The original plans called for a much smaller event to mark the one hundredth anniversary of the birth of Finnish architect and designer Alvar Aalto and to help celebrate the eightieth anniversary of Finnish independence. The plans, however, soon grew into a seven-month campaign for Finnish culture, combin-

ing performances and exhibitions of Finnish music, film, dance, contemporary art, design, and cuisine to be held at venues throughout the city.

"It was snowballing, and before we knew it, we had a big thing going on," says Petra Tuomi, press officer at the Finnish Consulate General.

The result is that until June Americans will have to travel only as far as the northeastern border of the US—not Europe—to experience Finnish culture firsthand.

The response has already been overwhelmingly positive. Lincoln Center performances featuring the work of Finnish composer Jean Sibelius sold out immediately.

"There have been very few events about Finland in the US, so people find Finnish culture exotic," surmises Ms. Tuomi.

Many consider the Aalto retrospective (at the Museum of Modern Art February 19–May 19) to be the main event. "This is an absolutely unique opportunity. We are showing the first comprehensive exhibition in the US of Alvar Aalto's work, and it will only be shown in New York," declared Peter Reed, associate MOMA curator for architecture and design, who says he considers Aalto one of the "four major modernists of the 20th century."

The exhibition will include several large-scale constructions and video tours of buildings designed by the architect, as well as objects, furniture, and photographs.

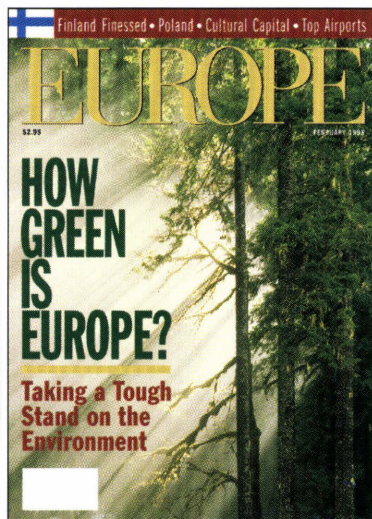
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—Lone Ryg Olsen

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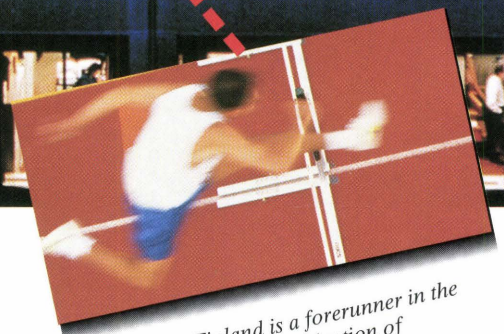
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Telecom Finland Ltd

Teollisuuskatu 15, FIN-00051 TELE, FINLAND
Tel. + 358 2040 65547, Fax + 358 2040 3891

Hong Kong
2/F Shui on Centre
6-8 Harbour Road
Tel. + 852 2824 8402
Fax + 852 2824 8408

Germany
Parsevalstrasse 9B
D-40468 DÜSSELDORF
Tel. + 49 211 4177 10
Fax + 49 211 4177 177

The Netherlands
Postbus 22070
NL-3003 DB ROTTERDAM
Tel. + 31 10 288 9955
Fax + 31 10 202 2892

Belgium
Lozenberg 23
B-1930 ZAVENTEM
Tel. + 32 2 714 8686
Fax + 32 2 714 8687

Russia
Fintelecom
Ul. Mayakovskogo 22
191104 ST PETERSBURG
Tel. + 7 812 272 0087
Fax + 7 812 275 6712

Sweden
Finlandsgatan 10
S-16422 KISTA
Tel. + 46 8 5060 3000
Fax + 46 8 5060 6050