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October 1998

European Politics

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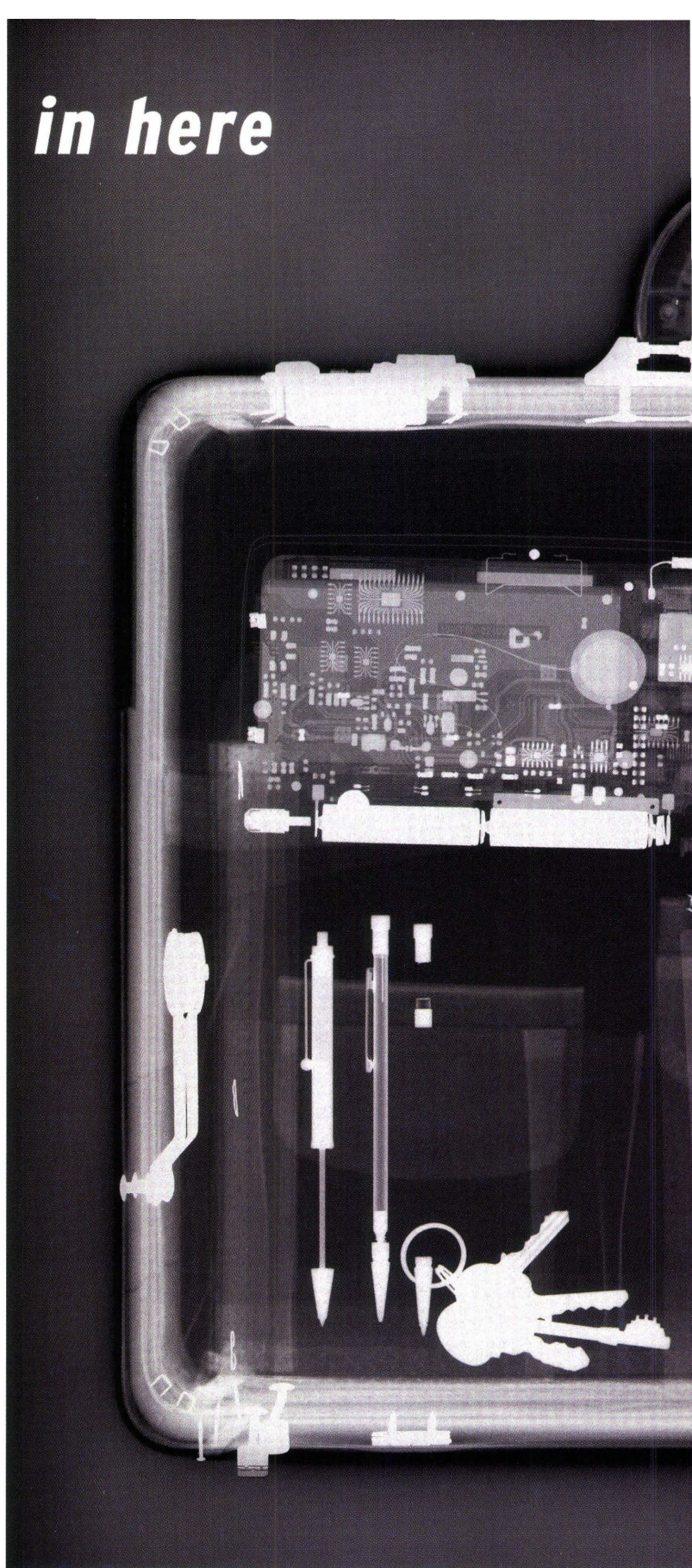
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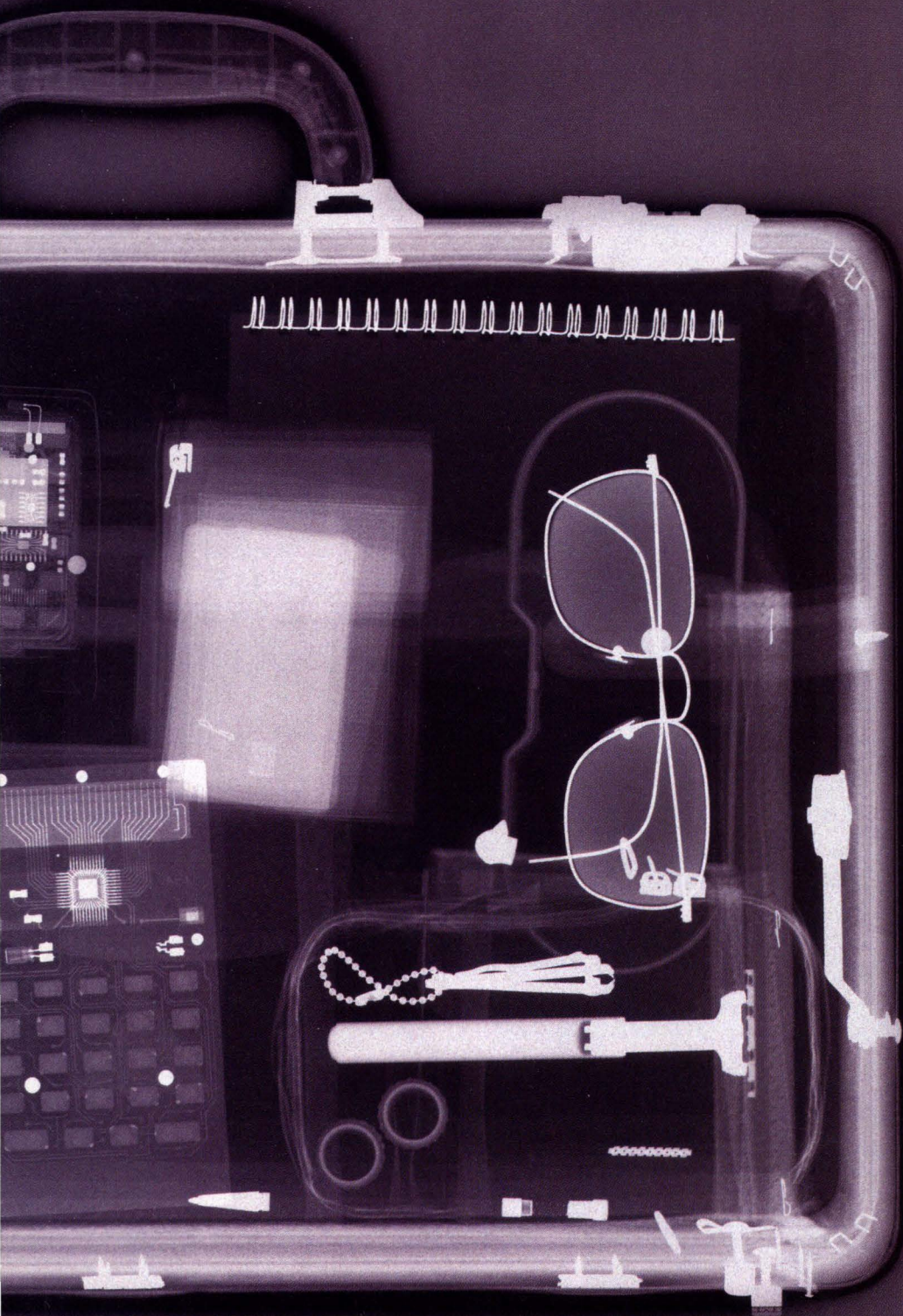
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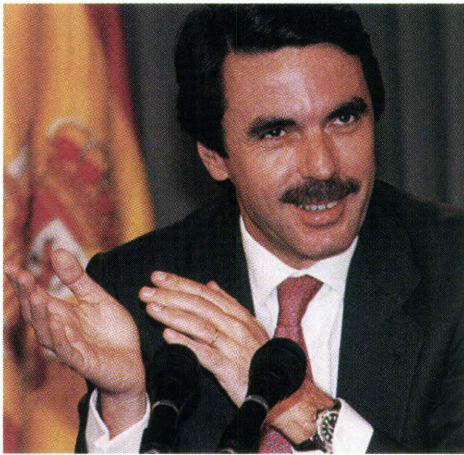
answers

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EUROPE

MAGAZINE OF THE EUROPEAN UNION



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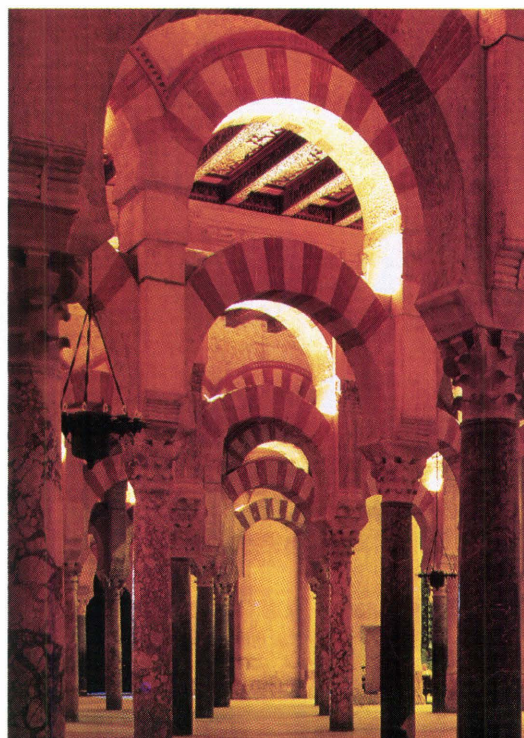
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Letter from the Editor

As the United States gears up for its November elections, *EUROPE* looks at politics across Europe. We profile all fifteen of the EU countries and look at their respective forms of government and the top political leaders. Contributing editor Martin Walker, writing from Brussels, sees a shifting political tide transforming European politics. As he states, "A distinct shift from a broadly center-right Europe to a broadly center-left array of governments has taken place." Yet, as Walker points out in his articles the socialists are becoming more conservative in their views as we approach the next millennium.

Walker profiles the recent German election and explains why the German people decided it was time for Helmut Kohl to go after sixteen years in office. *EUROPE* looks at Gerhard Schröder and how he might change German foreign and domestic policies.

EUROPE also explores the growing power and influence of the European Parliament, which, Walker writes, now "sees itself as an equal player in the European process with the Commission and the Council."

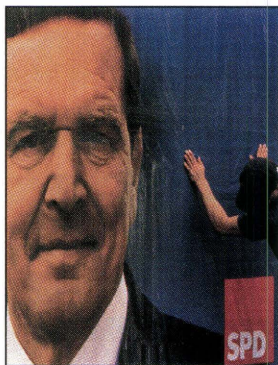
Best-selling author Jeffrey Archer, whose works includes *Kane and Abel*, *Honor Among Thieves*, and his latest bestseller, *The Eleventh Commandment*, discusses the possibility of his running in the year 2000 for the newly created position of mayor of London. The former deputy chairman of the UK's Conservative Party presents his views on the upcoming mayor's race, the euro, and the European Union in addition to his thoughts on writing.

"Spain is doing well," comments Spanish Prime Minister Jose Maria Aznar, and our Madrid correspondent, Benjamin Jones, reports, "the Spanish economy is one of the fastest growing in Europe." Jones writes about Spain's booming economy and dropping unemployment.

Spanair, a joint venture between Spanish and Scandinavian airlines, is competing against Iberia, not only in Spain, but internationally. *EUROPE* interviewed the airline's director general to find out why he believes smaller airlines can compete against the bigger and better-known companies and have a bright future in the new deregulated European airline industry.

Telefonica, the Spanish telecom, is becoming a global player and is revolutionizing the telecommunications industry in Brazil. *EUROPE* analyzes Telefonica's new strategy and previews how other European telecom firms are extending their reach across the globe and giving their American rivals a run for their money.

Claire Bose gives our readers an insight into Andalusia and how this beautiful southern region of Spain provides a glimpse of the once great Moorish civilization.



Social Democrat Gerhard Schröder will become Germany's new chancellor, ending Christian Democrat Helmut Kohl's sixteen-year tenure.

Robert J. Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

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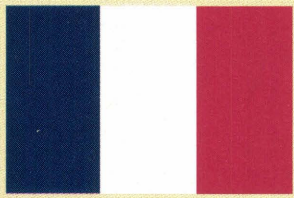
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Reuters has contributed to news reports in this issue of *EUROPE*.



FRANCE'S

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

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

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

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

JDT: TOYOTA, Japan's largest manufacturing company, has selected France as the site for its second European automobile plant. The decision follows similar moves by DAIMLER-BENZ, FEDERAL EXPRESS, IBM, GENERAL ELECTRIC, GENERAL MOTORS, all drawn by features that have made France the third largest host country in the world for international direct investment and the leading host country in the euro

zone. The accumulated total of direct investment stocks in France rose from \$23 billion in 1980 to \$184 billion in 1997.

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

And the move to Europe's new single currency, the

euro, in which France and Germany have played a central role, will create a host of additional new opportunities for international investors.

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

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

Significant advances have been made recently in the sphere of taxation with the implementation of a compet-

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

Q: World-wide communications are expanding so fast that it's hard to keep up with the latest advances. How is France placed in

INVESTMENT AMBASSADOR

this dynamic, high-technology sector?

JDT: A major decision was taken in Europe on January 1, 1998: the deregulation of telecommunications. That will have a huge impact both on the level of service and on the industry in general. It is a very positive phenomenon, which will lead to decreased prices in telecommunications exactly as has been the case in the United States.

In certain other high-tech fields France is already in the fore-front. For example, we are responsible for about 80 per cent of the world's pro-

duction of smart cards, which are extremely useful tools in many fields. In the United States, for instance, the level of card fraud can be cut by at least one-half billion dollars if you add a microchip to the magnetic stripe control, as we have done here in France.

On the other hand, we have been late entering the Internet field, because we were still using its precursor, the Minitel. It was used by more than 6 million people and offered 25,000 different services. But now, that technology is outdated and we are making up for lost time and taking great strides for-

ward with the Internet. The same thing has happened with the other main communications development—mobile phones. Two years ago we had only 1 million mobile phones, now we have 8, and we will reach a level of 20–25 million very soon. Very positive is the fact that France has been chosen by Federal Express to establish its European hub in Paris Charles De Gaulle airport. That will be a major boost for electronic commerce.

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

JDT: The Invest In France Mission provides international investors with:

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

France : A competitive base for the euro zone

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

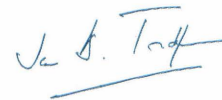
The decision follows similar moves by DAIMLER-BENZ, FEDERAL EXPRESS, IBM, MOTOROLA, PHILIPS, GENERAL ELECTRIC and GENERAL MOTORS, all motivated by the features that have made France the world's third host country for direct inward investment.

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

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

array of sub-contractors.

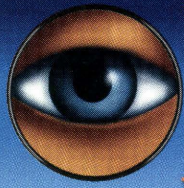
France is a country of the future, with a strong industry and open to international business.



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



EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

It was an open secret in Brussels that much important EU business was put on hold until after the German federal election, on September 27. This holding pattern was due, not only to the possibility of a change of government, but mainly to the fact that until the election was out of the way, no German politician—of whatever party—was willing to put his cards on the table over a number of tricky negotiations that need to be concluded by the end of the year.

Not least do these concern the budgetary provisions for the next seven-year period, beginning in 2000. The Commission has set out its broad proposals in the policy document *Agenda 2000*, in which it concluded that it would be unnecessary to raise the current expenditure limit of 1.27 percent of the gross national product of the European Union. In fact, spending is at present running well below this level, but fears had been expressed that with the prospect of six or more new members being admitted during the seven-year period it would be difficult to maintain this limit.

The Commission estimates, however, that, on the basis of a growth rate of 2.5 percent in the EU and 4 percent in the applicant states, the total available resources will rise by 24 percent during the period, while projected spending will grow by only 17 percent. This would provide a substantial margin for unexpected contingencies. The probability is that the European Council, when it meets

in Vienna in December, will accept the Commission's overall representations.

Yet there is a gaping hole in the Commission's document. It makes no proposals for amending the present sharing of costs between the member states. Ever since the European Community was founded in 1957, Germany has paid the lion's

share—that is the difference between their financial contributions and the benefits they receive from the Common Agricultural Policy and the EU's structural funds, notably the European Regional Fund and the European Social Fund. Unofficial figures recently released by the German government are shown in the accompanying table:

Member States' Net Contributions After British Rebate

NET CONTRIBUTORS			NET BENEFICIARIES		
	population in millions	contribution in \$ billions		population in millions	contribution in \$ billions
Germany	81.7	11.6	Spain	39.3	7.0
Netherlands	15.5	2.78	Greece	10.5	4.8
United Kingdom	58.6	2.67	Portugal	9.9	3.2
Italy	57.7	1.5	Ireland	3.6	2.7
Sweden	8.9	0.81	Belgium	10.2	2.1
France	58.1	0.46	Luxembourg	0.4	0.9
Austria	8.1	0.23	Denmark	5.2	0.2
			Finland	5.1	0.1

share. For many years, it made no complaint about this—it was easily the richest of the larger states and was eager to demonstrate its deep commitment to European integration. Since German reunification in 1990, there has been a gradual change in German attitudes. It is no longer one of the richer states in per capita terms, and the costs of reunification have been a heavy and continuing burden on its budget. In recent months Chancellor Helmut Kohl has repeatedly insisted that Germany's net contribution should be reduced.

There are no official figures about the net payments and receipts of member

states—that is the difference between their financial contributions and the benefits they receive from the Common Agricultural Policy and the EU's structural funds, notably the European Regional Fund and the European Social Fund. Unofficial figures recently released by the German government are shown in the accompanying table:

It shows that Germany pays substantially more than its 'fair' share—twenty-five times as much as France, for example, which now has a markedly higher per capita GNP. It is not the only country with a legitimate grievance—the Netherlands, with a population only a quarter of the United Kingdom's actually pays slightly more, and six times as much as France. Sweden, also, in relation to its size, pays somewhat more than most.

On the other side of the table, Belgium, Luxembourg, Denmark, and Finland—all of which have a higher than average GNP—are net beneficiaries, as are the Irish,

whose relative wealth is sharply increasing. Yet all these countries are small in size, and even if they were to become net contributors it would not do much to ease the burden on Germany and the Netherlands.

The inescapable conclusion is that France should pay more. As one of the richer EU states, with a population of 58 million, which is similar in size to the UK's 58.6 million, equity would suggest that the French should put rather more into the common pool.

How should such a redistribution of burdens, which Germany and the Netherlands are demanding, take place? One option—though it is not a popular one—is to provide for special rebates similar to those enjoyed by the UK since 1984, when an earlier dispute about excessive British contributions was resolved. The alternative would be to reshape the balance between the four resources that make up the EU's budget—customs duties, agricultural levies, value added tax (VAT) payments, and contributions based on member states' GNPs. By sharply increasing the proportion of funds provided by the fourth element, the worst discrepancies could be reduced, though not altogether removed.

Either way there will be hard bargaining this fall and winter before an agreement can be reached. If there is no agreement the whole budgeting future of the Union will be in jeopardy.

—Dick Leonard

EU ONLINE

TO THE POLLS

This year's elections in Germany drew the attention of newspapers and magazines worldwide as Helmut Kohl unsuccessfully sought a fifth term as chancellor. On the whole, European politics get scant coverage in mainstream media in the United States. Political Resources on the Net (www.agora.stm.it) keeps tabs on governments, political parties, and elections of even the smallest countries.

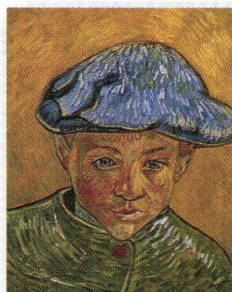
Political Resources gives a mini civics course along with results of the most recent elections. It explains the government structure and the electoral process. In Spain, for example, the site indicates that Jose Maria Aznar was elected prime minister in 1996. His Popular Party controls nearly 40 percent of the Congress of Deputies, which is elected for four-year terms by proportional representation. Those who want an explanation of where the Popular Party stands in the political spectrum can click on a link to the party's Web site or the site of any other major political party. Other sections detail government agencies, non-governmental organizations, and media outlets. Aside from a few maps, Political Resources has little visual appeal. Nevertheless, it is current—many pages are updated weekly. In addition, its well-rounded perspective makes it the clear winner for political coverage worldwide.

SITE OF THE MONTH: VIRTUAL VAN GOGH

When the National Gallery of Art in Washington, D.C., opens its Van Gogh retrospective this month, visitors to the museum will see the largest collection of the artist's paintings to appear outside of the Netherlands in a quarter century. Within a few weeks of the October 4 opening, the exhibition will target a far greater audience with the collection appearing on the National Gallery's Web site. The site offers the best of multimedia almost making Internet visitors feel

as if they had set foot inside the gallery.

The Van Gogh exhibition will follow some half-dozen other collections transformed into virtual tours on the National Gallery's Web site (www.nga.gov) over the past year. After outlining the hardware and software necessary to take advantage of the visual and audio enhancements, Web visitors get an introduction to the exhibit selected. Then the technology kicks in. Viewers can practically walk through the exhibit—enter a room, move closer for a better view and a more detailed explanation of some works, and breeze by oth-



ers. Clicking on a doorway transports the viewer into the next room. The site also taps into the audio tour of the exhibits for some of the paintings in which the curator explains features or background about a particular work of art. Those with slower speed modems, however, probably will find the

sound quality lacking.

The 'real' Van Gogh exhibit moves from Washington to Los Angeles in January, but the virtual show is expected to stay on the Web site at least through April.

—Christina Barron

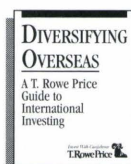
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VALENCIA LAND OF OPPORTUNITIES

A STRATEGIC LOCATION

The region of Valencia, on the eastern coast of Spain, is ideally placed at the center of the Mediterranean Arch. It is both a rich and fertile land and a widely diversified industrial base, which lies within easy reach of the rest of Europe. By plane, it is only 30 minutes away from Madrid or Barcelona, and two and a half hours from Brussels.

Its excellent transport infrastructure also makes it a natural gateway to African and Latin American markets. Two international airports, an efficient rail system, an extensive highway and road network, and five commercial ports link the Land of Valencia with the rest of the world.

A STRONG ECONOMIC BASE

Valencia's thriving agriculture represents 13 per cent of Spain's entire agricultural production and one third of its national exports—and all this is achieved on less than 5 per cent of the country's cultivated land. Besides the strength and prosperity of its agriculture, Valencia has a diversified industrial environment in such traditional sectors as ceramics, toys, fashion, chemicals, textiles, furniture, and, of course, agribusiness.

In addition to these traditional industries, international companies like Ford, Bosch, British Petroleum, Mitsubishi and Gec-Alsthom have been attracted by the dynamism of the region. Constant progress and modernization combined with an exceptional quality of life make Valencia an attractive proposition for foreign investors.

The tradition of commerce, which has been a distinctive characteristic of the region for centuries, continues to thrive, and the competitiveness of its products speaks for itself: More than 13,000 companies in the region export their goods globally.

AN ADVANCED EDUCATION SYSTEM

A well-developed education system, with several international schools, including American, English, German, Scandinavian and French, as well as five universities, all guarantee a well-educated and technically skilled workforce.

A SPECIAL GOVERNMENT PROMOTION PLAN

The regional government of Valencia has been promoting R&D investment for many years and as an added encouragement, it has set up a network of technological institutes, each one specialized in a particular industrial sector of the region. The great benefit to investors is that these institutes allow an immediate transfer of precise, up-to-date information to companies.

Companies that establish their main base in Valencia or wish to use the region's strategic location as a springboard to other markets can count on excellent technical and human resources, as well as a multitude of services and financial incentives offered by the government. The economic development agencies of the region specialize in addressing the needs of international investors.

AN EXCEPTIONAL QUALITY OF LIFE

The Land of Valencia is a particularly privileged place in which to live and work. It has 250 miles of Mediterranean coastline with wonderful beaches. The pleasant climate, the many well maintained hotels and restaurants, the extensive sports and leisure facilities, which include 16 golf courses, and the cultural diversity make Valencia one of the most popular tourist destinations in the world.

For business, Valencia is one of the most attractive and dynamic regions of the European Union. It offers ideal conditions for industrial development and is an excellent gateway to other markets. For pleasure, it is equally inviting. Its beautiful setting on the Mediterranean, its famous cuisine and the warm hospitality of its people all combine to make the Land of Valencia a true Land of Opportunities.

For more information, please contact the Instituto de la Exportación, IVEX, in New York at tel. (212) 922-9000 or fax (212) 922-9012.

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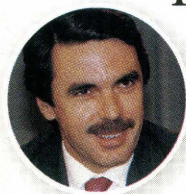
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Spain's

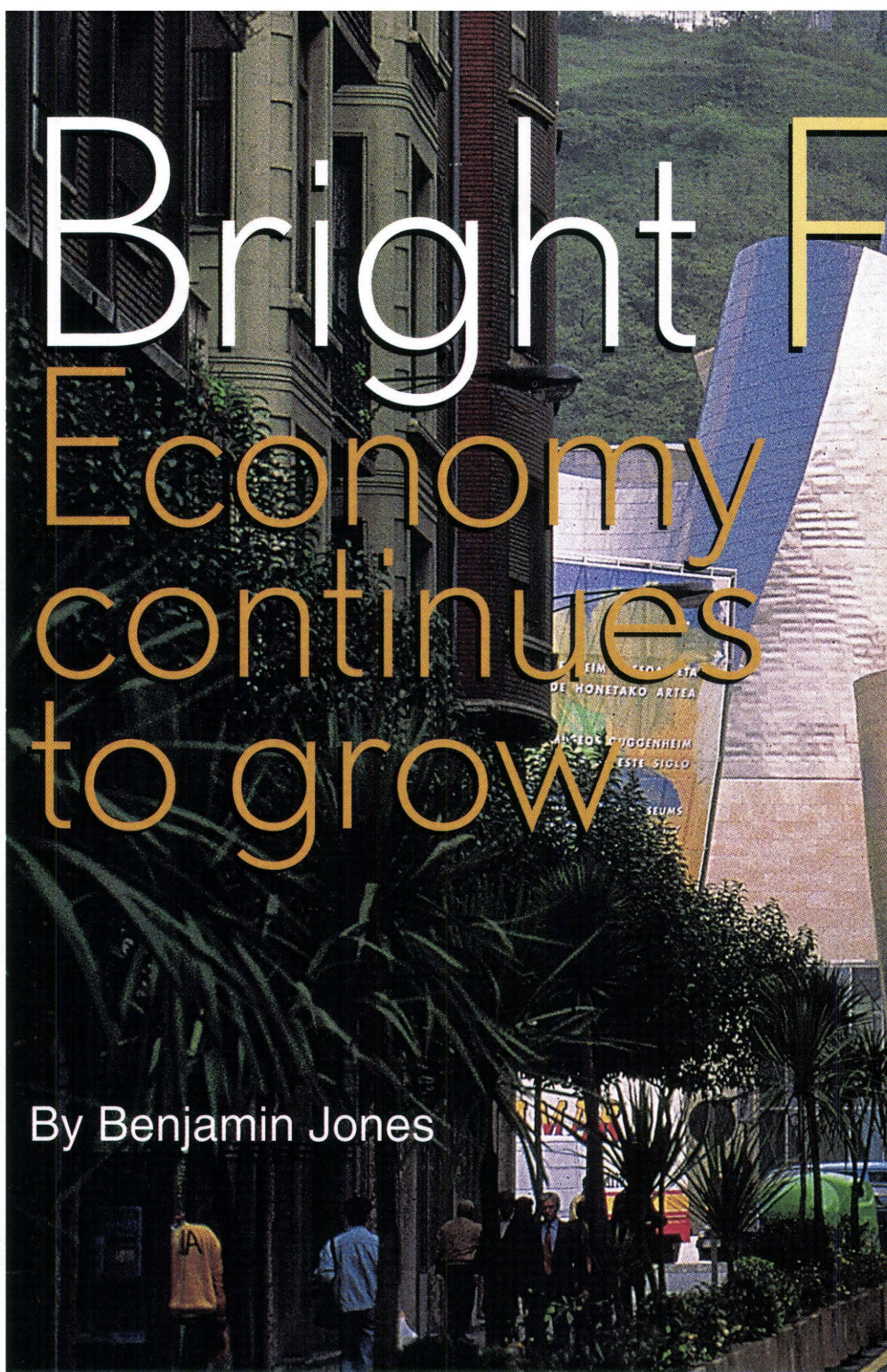
“Spain is doing well,” is perhaps Prime Minister Jose Maria Aznar’s favorite, and most famous, phrase and since he first uttered it at a press conference last year the words have entered the national consciousness.



Jose Maria Aznar’s favorite, and most famous, phrase and since he first uttered it at a press conference last year the words have entered the national consciousness.

And it’s largely true. The Spanish economy is one of the fastest growing in Europe, the country will be among the first tier of nations to join the euro currency regime, unemployment is dropping, Spain is gaining more respect internationally, and while the country’s soccer team disappeared from the World Cup rather quickly, this year the men’s and women’s tennis titles at the French Open were both taken by Spanish players. Meanwhile, the new Guggenheim Museum Bilbao, located on the banks of the Nervion River, has created a stir in the international art world. The titanium-clad museum opened its doors a year ago and was hailed by the *New York Times* as a burst of “optimism.”

Aznar’s catch phrase is directed



Bright Economy continues to grow

By Benjamin Jones

most of all at the economy, and in its two years at the helm, the center-right government’s team has managed to steer a prudent course while preparing Spain for entry into the single currency through cutting the budget deficit to some 2.2 percent of the GDP, lowering interest rates and putting a cap on public spending.

Predicted economic growth of 3.7 percent is expected to continue into next year, according to the secretary of state for the economy, Cristobal Montoro. “We’re assured of a growth cycle

of between 3.5 percent and 4 percent for 1999,” he claims. There is even room, he argues, for further lowering the current interest rate of around 4 percent.

In the first six months of this year, business profits were up an average of 13 percent over the same period in 1997, and foreign investment in the first quarter more than doubled to \$4.3 billion compared to last year, the economy ministry proudly announced.

Spaniards are having a ball. Lower interest rates mean big ticket items

uture



The Guggenheim Museum Bilbao, located on the banks of the Nervion River, opened its doors a year ago and was hailed by the *New York Times* as a burst of "optimism."

like homes and cars are cheaper, and the increased prosperity translates into packed shops and restaurants, exotic vacations for middle-class families, and tonier schools for those being privately educated. The painful days of the recession in the early 1990s, which came hard on the boom years triggered by Spain's 1986 entry into the European Union, are fading from memory.

Unemployment, at 19 percent, is still the highest in the EU, although it is showing signs of falling for the first time in many years, and Spain now gen-

erates jobs faster than the rest of its European partners. But a recent report by the Organization for Economic Cooperation and Development said the government could do even more to reduce the jobless rate by freeing up the labor market and getting rid of the red tape involved in starting up a new business.

Politically, things are just rubbing along for Aznar. Halfway through his four-year term, the former tax inspector has clearly grown into the job and has lost much of the stiffness in public that critics made much fun of in his early

days as prime minister.

But he still has problems connecting with the people. A recent poll in the leading Madrid daily *El Pais* found that, on a scale of one to ten, the majority of those questioned rated Aznar a so-so five, dead even with his predecessor Socialist Felipe Gonzalez. Even more disconcerting, Aznar's score was lower than those given to his team members—Interior Minister Jaime Mayor Oreja, Economy Minister Rodrigo Rato, and Foreign Minister Abel Matutes.

In parliament, his ruling Popular

Party's (PP) shaky coalition with the regional Basque and Catalan parties is under constant strain. There have been some embarrassing charges that PP appointees act like ideological bullies in some government agencies, and there was a feeling that Aznar's team needed to perhaps position itself more to the center of the Spanish political spectrum.

Against this backdrop, Aznar fired his chief spokesman, Miguel Angel Rodriguez, in July, his first cabinet-level change since coming to office. Although the latter claimed he was leaving of his own free will, it was understood that Aznar and other senior ministers were tired of Rodriguez' constant sniping at the Catalans and his inability to "sell" successfully the image the government wanted to present. So they pushed him out.

The main opposition to Aznar's government remains the Socialists. In April, they chose charismatic former public works minister Jose Borrell as their candidate for the next elections. The move was not only a snub to Gonzalez' handpicked successor as party secretary general, Joaquin Almunia, it also turned the Socialists leftward.

Borrell, a trained aeronautical engineer from Catalonia, is a firm advocate of state meddling in the economy and greater social justice. With his boyish good looks, active demeanor, and polished speaking skills, he could give Aznar a run for his money in the next general elections. Recent opinion polls indicate the two parties are running just about even in popular support.

When might these elections be? They are not scheduled until the year 2000, but many believe Aznar could call an early vote to take advantage of the feel-good factor and economic good times and try for a true parliamentary majority instead of the uneasy alliance with the regional parties on which he must now rely.

The only real dark cloud on Spain's—and Aznar's—domestic horizon is the northern Basque region and the decades of terrorism there. This year the terrorist Basque separatist group ETA marked the thirtieth anniversary of its first killing.

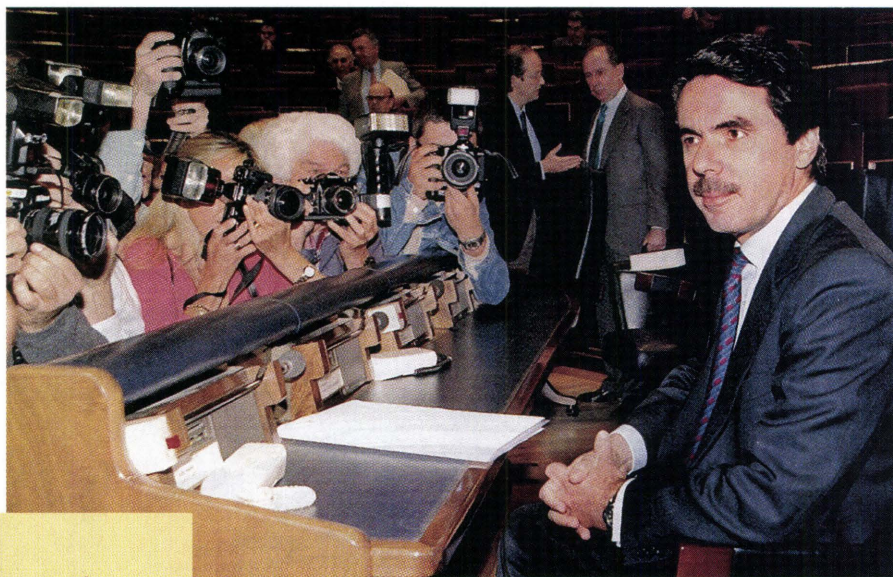
The organization has murdered almost 800 people, mostly members of the Spanish security forces, during its campaign for an independent Basque homeland.

Over the past year, the violence has gotten particularly nasty with Aznar's ruling party clearly in the terrorists' sights. ETA shocked Spain and the world in July 1997, when it kidnapped a young, Basque Popular Party town councilman and threatened to kill him unless authorities moved ETA prisoners to jails closer to their homes in the

Gonzalez administration and his deputy were found guilty of charges related to a shadowy, government-run death squad that targeted suspected ETA members in the mid-1980s and was responsible for killing twenty-eight people.

Outraged at the verdict by the Spanish Supreme Court, which tried the case, Gonzalez defended the innocence of his former underlings, put himself back on the registry of practicing lawyers, and signed the pair's motion to appeal.

Analysts said that Gonzalez, who



Spain's Prime Minister Jose Maria Aznar continued to deliver his positive message during his state of the nation address last May.

The only real dark cloud on Spain's—and Aznar's—domestic horizon is the northern Basque region and the decades of terrorism there.

Basque region. After the government refused, the politician was found in a forest with two gunshot wounds to his head and died soon after.

Millions poured into the streets across the country to protest the death and demand that ETA stop the slaughter but to no avail. Since then, the gunmen have killed five more local Popular Party councilmen.

Moreover, the war on ETA made other headlines. In August, a former interior minister in the

some tip to be the next European Commission president, was not only endangering his own reputation, but also that of the entire Socialist Party.

Internationally, Spain is respected as a thoroughly engaged member of the EU, NATO, and other partnerships. Spaniards now head NATO, UNESCO, and the International Olympic Committee, and another, Carlos Westendorp, is the chief international troubleshooter in Bosnia.

"It's a long way from the Franco years when Spain was isolated internationally and almost wasn't mentioned in polite company," says a senior Western envoy in Madrid. "Now you can't visit Geneva, Brussels, or any of those diplomatic entrepôts without tripping over a Spaniard." ☺

Benjamin Jones is EUROPE's Madrid correspondent.

Can you imagine what could fit
in a hat ?





Spain

The Man from Catalonia New Socialist leader takes charge

By Benjamin Jones

For several days last May, many Spaniards were tuned in to the annual state of the national debate in parliament when the prime minister boasts of his government's achievements and defends its record against the slings and arrows of the opposition. However, this year few were really paying much attention to what Prime Minister Jose Maria Aznar had to say. They were more interested in hearing the **new kid on the block**, Socialist electoral candidate **Jose Borrell**, who will almost certainly face Aznar in the next general elections, which are due by March 2000.

Most analysts gave Borrell fairly good marks for his performance in the debate during which he came on loud and Left as he slammed Aznar's center-right government for allegedly hiding negative economic data in its bid to ensure Spain's entry into European monetary union and gutting social programs.

Borrell accused the Aznar administration of "treating Spaniards' rights and liberties as if they were commodities" subject to the laws of the free market.

"But for us," the Socialist leader thundered, "some things are not commodities" and listed education, social security, health care, and state-owned enterprises as sectors that the government was harming for reasons of ideology.

It was all vintage Borrell, a one-time

minister of public works in the Socialist government of former prime minister Felipe Gonzalez. He was chosen as the party's electoral candidate in a surprise result at a party congress just a month before his debut appearance at the state-of-the-nation debate.

Borrell, a prematurely graying but handsome fifty-one-year-old Catalan, beat out Gonzalez' choice, Socialist Secretary-General Joaquin Almunia. The bitter contest exposed deep party rifts, which leaders must move to heal if they stand any chance of ousting Aznar and his Popular Party in less than two years' time.

Indeed, Aznar's men were glad of Borrell's victory, as they believe his leftist policies would backfire among vot-

The Socialist Party's new electoral candidate, Jose Borrell, is expected to face Aznar in the next general elections in the year 2000.

ers and help defeat the Socialists again. But a spot opinion poll carried out just two days after his triumph at the party congress showed Borrell would defeat Aznar if the elections were held immediately. However, support for the Socialists has since waned and both parties enjoy approximately equal support.

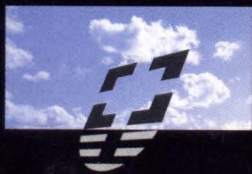
The man from Catalonia is clearly one to watch. The son of a small town baker, Borrell studied aeronautical engineering and economics and did post-graduate work in both Paris and at Stanford University. He met his French wife during a youthful sojourn on an Israeli kibbutz.

Critics across the entire spectrum of Spanish politics accuse Borrell of clinging to old-fashioned and largely discarded leftism and championing big spending and big government as the sure cures for society's ills. Analysts predict that when the time comes to mark their ballots, most voters will opt for the current office holder. Borrell, of course, hopes it will turn out differently. ☹

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Spanair: the

Spanish-Scandinavian joint venture takes off



Crowds of would-be travelers donned Spanish garb and gathered at Washington Dulles Airport last November, as the airline gave away 266 roundtrip tickets to celebrate its new Washington-Madrid route.



“Travel better and pay less,” declares the director general of Spanair, Carlos Bravo, in his headquarters near the Palma, Mallorca airport. “Small airlines can provide better services than bigger airlines. Our prices are 10–15 percent cheaper than Iberia’s.”

Spanair, which is not exactly a household name in the United States, is an excellent example of the new deregulated airline industry that is being established across Europe. At one time, if you wanted to travel to Spain or within Spain you would have only one choice—the state-owned airline Iberia. But no more. Thanks to deregulation of the European airline industry, small airlines like Spanair are popping up all over Europe to compete with the long-established, state-owned heavyweights. For example, Ryanair is taking business away from Aer Lingus, the state-owned airline in Ireland. Upstarts EasyJet and

Debonair are luring passengers away from British Airways in the United Kingdom.

What makes Spanair a prototype of the future of the European airline business is that it is a truly ‘European’ airline, with SAS, Scandinavian Airlines System—the airline of Denmark, Sweden, and Norway—holding a 49 percent interest in the company. Spain’s largest travel agency, Viajes Marsans, owns the other 51 percent.

Spanair has 2,200 employees worldwide and a fleet of twenty-four Boeing-McDonnell Douglas aircraft. The ten-year-old airline, which started as a charter company, now has regularly

scheduled flights from Washington, DC to Madrid.

“Washington, DC wasn’t being served on a nonstop basis to Spain,” remarks Mr. Bravo. “And we felt Washington Dulles Airport was a good gateway to the United States. Dulles is a user-friendly airport. We now have five weekly flights from Washington to Madrid. Sixty percent of our passengers are American citizens flying to Spain for a mix of business and leisure.”

Mr. Bravo believes that the trend in Washington toward traveling to Spain is increasing and says Spanair is continuing to look for ways to gain name recognition and market share. He cites a new joint marketing agreement with United Airlines, which he expects to increase both Spanair’s business and their name recognition in the US market.

Taking a page from airlines such as Southwest and Virgin, Spanair is trying to adopt a witty marketing approach. “We consider ourselves an airline with



Sky's the Limit

By Robert J. Guttman

a sense of humor," laughs Mr. Bravo. Indeed, the inaugural ceremonies last November 30 at Dulles Airport saw hordes of travelers dressed in Spanish garb to take advantage of a clever Spanair advertising gimmick. The airline offered free Washington-Madrid roundtrip tickets to the first 266 passengers who came to the airport "dressed in a costume representing someone or something from Spain's colorful culture and history."

"The crowds were enormous," says Mr. Bravo. "One family came dressed as different ingredients in paella, such as rice and shrimp. Other people dressed up as Don Quixote, matadors, soccer players, and flamenco dancers."

Spanair also asked passengers to write the company with ideas for making flights more relaxing. The ideas ranged from having bowling in the plane's aisles to bingo contests conducted by the flight attendants.

While Spanair may be the airline with a sense of humor, it is clearly a

successful business that is taking passengers away from Iberia. "We definitely compete against Iberia domestically in Spain," says Mr. Bravo. "We are very active against Iberia in the Madrid-Barcelona route, which has the most traffic in all of Europe, 3 million passengers a year."

Mr. Bravo sees a bright future for small airlines and believes firms like his can compete quite effectively in the new deregulated European airline market. However, he says that co-shares with the larger airlines are important. "Our co-share with SAS, which is very cost-efficient, has doubled our number of passengers between Copenhagen and Barcelona. We hope to begin a co-share agreement with Lufthansa that will increase our number of passengers from Frankfurt to Madrid."

In addition to flying to Rio de Janeiro, Spanair also flies to Havana and offers charter flights to New York, Moscow, Prague, and Warsaw.

Mr. Bravo sees the introduction of

the euro as "a positive thing" for his company. "The large number of currencies is too complex," he says. "The euro will make our transactions much simpler. Overall, the European Union is good for business. Public opinion in Spain supports the EU."

Spanair, which emphasizes its passenger services not found on larger airlines, is part of the new wave in European airlines. Spanair is a European joint venture combining Spanish and Scandinavian airline firms; Spanair is finding routes not being serviced by the bigger airlines; and Spanair is an example of the new entrepreneurial non-state-owned airline industry. Spanair and other new and dynamic airlines across Europe are rapidly changing the airline industry and giving consumers a better and broader choice of flights, not only within Europe, but around the world. As they say, the sky is the limit. ☺

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

European

telecom companies extending their reach

By Bruce Barnard

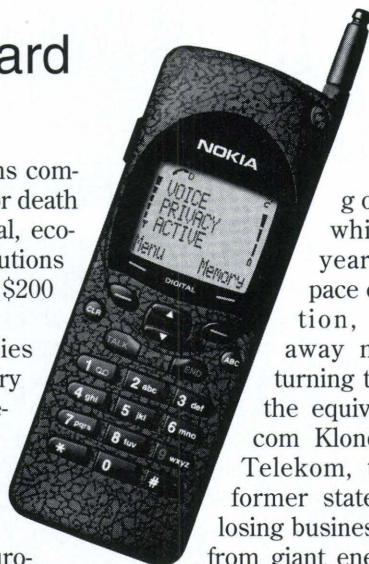
Europe's telecommunications companies are locked in a life or death struggle to survive political, economic, and technological revolutions that are changing the face of the \$200 billion a year business.

The state telecom companies that have dominated the industry since the invention of the telephone are being privatized and stripped of their lucrative monopolies just as nimble newcomers move into their home markets. The final stage of European telecommunications deregulation, which took effect in January, triggered a competitive war that has caught the industry off balance.

Meanwhile, Europe is making every effort to prevent the huge US telecom industry from dominating the global market. British Telecom has forged a global venture with AT&T; Telefonica of Spain has taken control of Brazil's largest fixed-line phone company; and Swisscom of Switzerland is being privatized in October in Europe's biggest share sale of the year.

Europe's telecom manufacturers also are holding their own. Nokia of Finland is on target to overtake Motorola of the US this year as the world's biggest maker of mobile phones. Equipment manufacturers Alcatel, Siemens, and Ericsson are successfully competing head-to-head with US rivals for big-ticket contracts around the world.

The United Kingdom, which pioneered liberalization in the 1980s, now looks tame and staid compared with continental European markets. Changes that took five years in the UK are being telescoped into twelve months in Germany and two years in France, Europe's two largest markets.



The German government, which sought for years to slow the pace of EU liberalization, has stripped away most controls, turning the country into the equivalent of a telecom Klondike. Deutsche Telekom, the lumbering former state monopoly, is losing business to all comers, from giant energy and industrial conglomerates that are using their in-house networks to provide public services to small upstarts offering customized services via the Internet.

Deutsche Telekom is reckoned to have lost more than 5 percent of its customers to private operators in the past two years. By contrast, BT still retains around 85 percent of its domestic market twelve years after deregulation.

The free market zeal of formerly cautious governments, despite the threat of big layoffs at the telecom monopolies, reflects their fear that Europe will fall behind the US and Asia unless it is equipped with the most advanced telecom technology and top service standards.

The European industry has to keep pace with new developments or face relegation to the second division in the \$600 billion global telecom industry. The big operators are responding to the erosion of their domestic market—analysts reckon they will lose between 25 percent and 35 percent of their home business within ten years—by expanding overseas and chasing the fast growing corporate market.

Europe's small and medium-sized telecom companies have pinned their

survival hopes on forging alliances with the big players, trading access to their domestic markets and sometimes equity stakes in return for a linkup to the global networks of the big guns.

The gap between US and European telecom companies has increased dramatically in the past year, following a wave of mergers.

WorldCom paid \$37 billion for MCI; AT&T is planning a \$45.5 billion alliance with TCI, the US's largest cable television operator; and Bell Atlantic and GTE are joining forces in a \$53 billion partnership.

In July, BT kept its global ambitions alive by forging an alliance with AT&T that will generate yearly revenues of \$10 billion and profits of \$1 billion by offering voice and data services to multinational corporations via an Internet-based network. KDD, Japan's leading international carrier, which recently acquired Conos, a German service provider, is tipped to join the alliance.

Multinational business accounts for less than 10 percent of the global market, but it is expected to grow from \$40 billion to \$200 billion within ten years. Moreover, while traditional long distance voice telephony is growing by 8 percent yearly, data transmission is surging by 20 percent.

Deutsche Telekom and France Telecom strengthened their international alliance in the summer by agreeing to swap 2 percent stakes. They work together in twenty European countries and have a worldwide partnership with Sprint of the US, called Global One.

However, nothing is certain in a rapidly changing industry, and Global One's difficult startup has fired speculation that Deutsche Telekom wants to quit and team up with GTE and Bell Atlantic.

Europe's leading telecom companies have to stay the course if they wish to be among the half dozen global alliances that will dominate the world market in the new millennium. So far, they seem capable of meeting the challenge. European governments also must steel themselves to resist the inevitable calls to halt liberalization when the former monopolies begin to lay off workers and run up losses. ☐

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

BASQUE COUNTRY

A WORLD CLASS LOCATION

Twenty years have passed since the Basque Country obtained its status as an autonomous region. During that time, it has made a dramatic comeback from an industrial recession and a splendid success of restructuring what was once the industrial heartland of Spain.

EXPORT SUCCESS

With the period of industrial decay now safely in the past, and with the help of the peseta devaluations of 1993, the Basque Country is healthy and growing. The region's economy grew by 4.6 per cent in 1997, and exports are expected to reach 14 per cent this year.

The Basque government is currently making a concerted effort to find a niche for the region within the world economy. Its hard work is paying dividends. Some leading foreign companies such as Daewoo, Ericsson, Michelin, Kvaerner, and Rolls-Royce have chosen the Basque Country as a manufacturing site, while an increasing number of international majors like Daimler-Benz are using the region as an export center.

The government's commitment to foreign investment is one of the secrets of the region's economic rebirth. All the basic ingredients for attracting business have been put into place and are functioning. The Basque Region has a highly trained and motivated workforce, a good system of roads, airports and ports, and is close to major export markets.

INFRASTRUCTURE IMPROVEMENTS

A lot of money and effort have gone into improving the Basque Country's infrastructure to promote the region's economic development. Bilbao airport offers flights to many European cities, while Vitoria International Airport, with its huge cargo aprons, is fast becoming northern Spain's air traffic hub.

Located strategically close to the airport is the Vitoria Transport Center with an international railway terminal, container depot, direct access to the Madrid-France highway and a link to the port of Bilbao, less than one hour away.

Bilbao's port is the site of one of the Basque Country's most ambitious projects. Plans are underway to build an entirely new port facility with a 3-mile dock and a 5-mile cargo area. The port is expected to become operational by the end of next year.

The government has also been promoting the development of three technology parks, with the emphasis on R&D and advanced technology sectors.

INTEGRATED INDUSTRIAL POLICY

The Basque Country has had an integrated industrial policy since 1991, when the government took the decision to group the region's fragmented industrial system into high-performance clusters. The result is increases of 40 to 80 per cent in the manufacturing sector over the past four years. Today there are 13 clusters in operation in the Basque Country, including power generation, aerospace, automobile components, environment and steel.

Potential foreign investors interested in the Basque Country are invited to speak with companies who have already established themselves in the region, and



then come and see for themselves. Once they have made up their mind to invest, things move with commendable speed. As soon as the government has approved a subsidy, that money is automatically frozen and set aside for the project.

The central government in Vitoria in conjunction with local authorities coordinates all efforts to promote the Basque Country's industry. It should be approached for any large-scale projects, while smaller ones can be handled directly by the municipalities.

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Internet: <http://www.euskadi.net>

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Bilbao (Spain)*

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Fax: +34 94 479 7023*

Internet: <http://www.spri.es>

TELEFONICA

Latin America's Telephone Giant?

Like a modern conquistador, Telefonica is seeking its fortune in South America. Spain's former telecom monopoly, which was fully privatized last year, has put overseas expansion at the heart of its strategy to survive and thrive in the new era of liberalization that will dawn in its home market in January.

By Bruce Barnard

Telefonica became the leading international telecom operator in Latin America in the summer following its \$5 billion acquisition of Telesp, Brazil's largest fixed-line telephone company. Defeating a rival bid by a consortium led by Telecom Italia, Telefonica was the most active foreign participant in the privatization of twelve operating units of Telebras, Brazil's telecom giant.

Telefonica chairman Juan Villalonga was ecstatic at winning the Sao Paulo-based Telesp in a closed-envelope auction at the Rio de Janeiro Stock Exchange. "Whoever wants to be the industry leader in Latin America needs to be the leader in Sao Paulo," he declared.

The Telesp deal took Telefonica a long way toward Mr. Villalonga's goal of having 50 percent of its assets overseas.

Previous forays into Latin America, a potential telecom gold mine considered too risky by north European operators,

has already shifted 30 percent of Telefonica's assets abroad. It controls Telefonica de Argentina, Compania Telefonica de Chile, and CRT, a regional Brazilian telecoms company in the southern state of Rio Grande do Sul that wasn't part of Telebras. As well as Telesp, Telefonica led the consortium that bought the mobile phone company in Rio de Janeiro and Espirito Santo states for \$1.2 billion.

There is more to come with proceeds from a \$2.9 billion share issue last May, the biggest capital expansion operation in Europe, earmarked for further investments in Brazil.

Brazil has proved a bonanza for Telefonica. In 1997, its first full year under Telefonica's control, CRT added 400,000 customers, increased its fixed lines by more than 30 percent, and transformed a \$17 million loss in 1996 into a \$115 million profit.

Telefonica's share price in Madrid

As the European telecom market tightens, Spain's Telefonica is seeking profits in growing Latin American metropolises, like Rio de Janeiro.

has been hard hit recently by fears of financial instability in Latin America, but the company remains fully committed to the continent.

Telefonica's overseas expansion is compensating for the loss of its monopoly in Spain, Europe's fifth-largest telecom market. Its Latin American operations and mobile phone unit in Spain contributed more than half of profits—\$672 million in the opening half of the year—for the first time.

Overseas revenues surged by 12 percent to just more than \$4 billion, or 27 percent of the group total with Argentina showing the strongest growth.

Telefonica is proving there is life after the loss of monopoly. ☺

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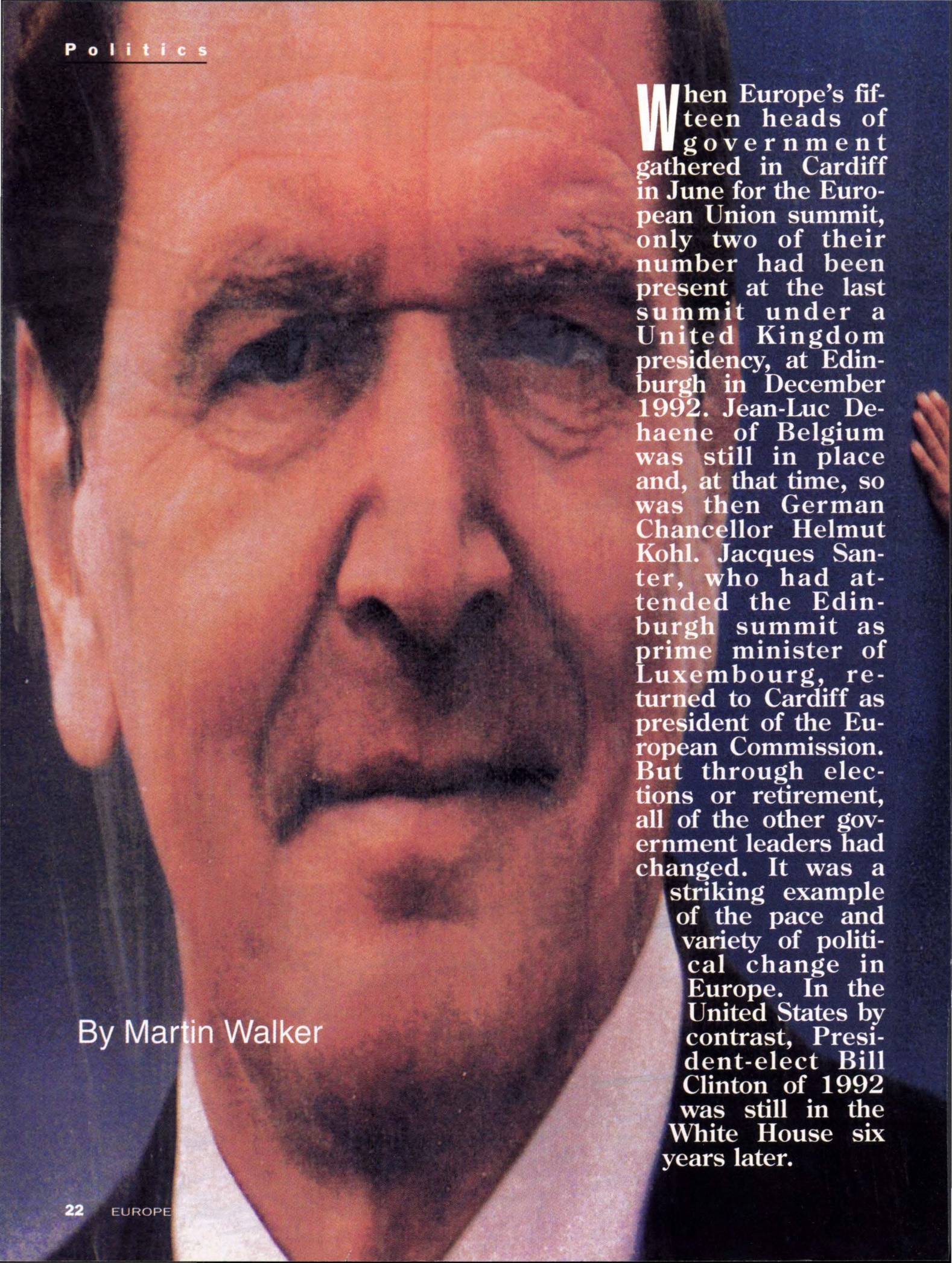
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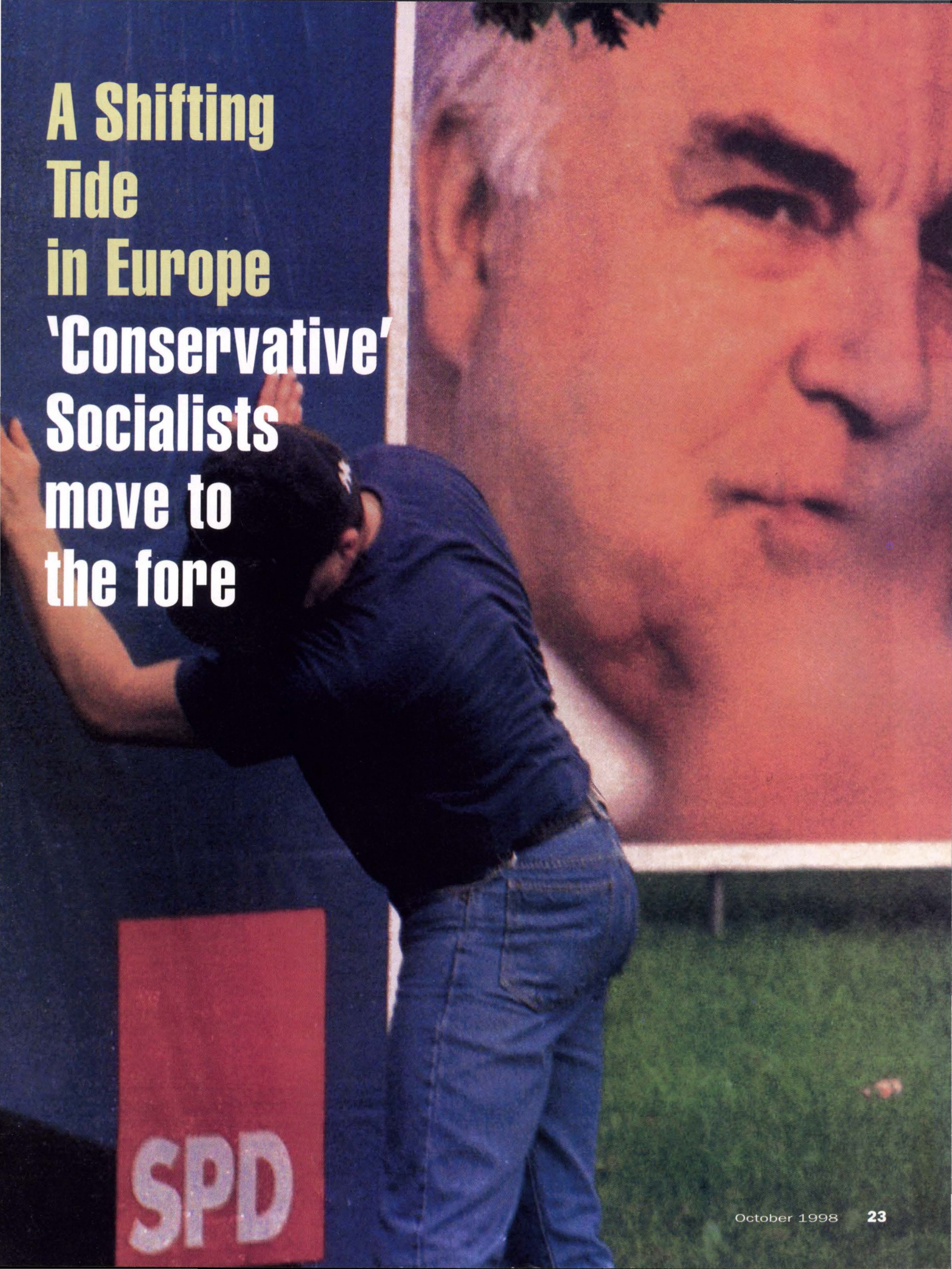


The Smart Approach to Europe



When Europe's fifteen heads of government gathered in Cardiff in June for the European Union summit, only two of their number had been present at the last summit under a United Kingdom presidency, at Edinburgh in December 1992. Jean-Luc Dehaene of Belgium was still in place and, at that time, so was then German Chancellor Helmut Kohl. Jacques Santer, who had attended the Edinburgh summit as prime minister of Luxembourg, returned to Cardiff as president of the European Commission. But through elections or retirement, all of the other government leaders had changed. It was a striking example of the pace and variety of political change in Europe. In the United States by contrast, President-elect Bill Clinton of 1992 was still in the White House six years later.

By Martin Walker

A man in a blue long-sleeved shirt and blue jeans is leaning against a blue wall. To his right is a large, close-up portrait of a man with grey hair and a serious expression. Below the portrait is a red sign with the letters 'SPD' in white. The background is a green lawn.

**A Shifting
Tide
in Europe
'Conservative'
Socialists
move to
the fore**



The 1997 Amsterdam Treaty significantly increased the constitutional powers of the European Parliament.

In Germany, Social Democrat leader Gerhard Schröder finally brought the Kohl era to an end after sixteen extraordinary years in power, longer than Konrad Adenauer. However, the recession, which took German unemployment in 1998 to its highest point since the Great Depression of the early 1930s, was a heavy political burden for the Kohl administration. It will be remembered, with German reunification as its high point, as the most significant political reign in Germany's postwar history.

In Belgium, beset with political scandals and the long-running crisis in law enforcement, which followed a series of pedophile murders, the government looks ill-placed to win the next elections, which must be held within the year.

These changes in Europe's political landscape were not and will not be limited to personnel. A distinct shift from a broadly center-right Europe to a broadly center-left array of governments has taken place. This did not attract much attention outside Europe until two years ago, when the United Kingdom's Tony Blair won his landslide election victory. In 1996, Italy voted its center-left coalition led by Romano Prodi into power. In France, Lionel Jospin's Socialists, with Communist support, won their majority in the National Assembly the following year.

However, the shift of the political tide

had begun much earlier, largely in response to the stubborn economic recession of the early 1990s. Greece was the first to turn to the Left, in 1993. Within twelve months, the Netherlands had rejected the Christian Democrats, who had been continuously in power since 1918 (with a brief break for World War II), and installed a Social Democrat-Liberal coalition. Finland and Portugal elected their Social Democrat governments in 1995. Now, with the Social Democrats returning to power this autumn in Germany, Europe's turn leftward is almost complete, with only Spain's conservative government standing against the tide.

This broad agreement of Europe's voters that it was time to give the center-left a chance at governing is relatively unusual and suggests to some optimists that at last a Europe-wide political sensibility is emerging. This impression is reinforced by the degree to which Europe's Social Democrats have changed. Rather like President Clinton's decision in the US to campaign as a "New Democrat," the center-left in Europe has abandoned much of the old ideological rigidity and has embraced free markets and free trade.

A distinct shift from a broadly center-right Europe to a broadly center-left array of governments has taken place.

Spurred by the need to cut budget deficits, which was a requirement to qualify for the new single currency, the center-left governments have ruled with classic economic orthodoxy. Spending has been cut and taxes raised—despite double-digit unemployment—with a watchful eye on the judgements of the international financial markets. The traditional links with the trade unions have been weakened, and banks, national airlines, and public utilities have been privatized, and whole industries—from telecommunications to financial services—have been deregulated to increase competition in Europe's single market.

The EU's special jobs summit in Luxembourg in 1997 agreed to a coordinated Europe-wide effort to bring down unemployment. But instead of adopting the traditional Keynesian remedies of deficit spending to create jobs through public works, they instead followed the supply-side agenda pioneered by Ronald Reagan and Margaret Thatcher in the 1980s, pledging to cut payroll taxes and promote small businesses and entrepreneurs and create a venture capital industry. Labor market flexibility, rather than jobs for life, became the watchword. In the UK, where Tony Blair was elected under the banner of "New Labor," even the party's traditional name was changed to symbolize the distance from the statist and interventionist past.

It is not yet clear whether this tendency toward a broad policy consensus in Europe represents the arrival of a genuinely Europe-wide political sensibility, or whether it is part of a global conversion to the free market system. The real test will come next year, in the first elections for the European Parliament since the 1997 Amsterdam Treaty significantly increased the Parliament's constitutional powers. Long the weakest link in the EU's tripartite system of the Council where the national governments meet, the Commission, which proposes and implements EU policies, the Parliament was not even elected until 1979.

Parliament's powers have grown slowly since then, but the Amsterdam Treaty grants it wide powers of co-deci-

Inside EUROPE

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EU NEWS

SOCIAL DEMOCRATS WIN GERMAN ELECTIONS

Social Democrat Gerhard Schröder will be the next German chancellor. On September 27, he beat incumbent Helmut Kohl, a Christian Democrat (CDU), who had held the office for the past sixteen years. His party, the Social Democrats (SPD) won a majority of seats in parliament, with 40.9 percent of the votes. The CDU-CSU coalition was second, with 35.1 percent.

Despite some troubles caused by radical proposals earlier in the campaign, the Green Party managed to earn 6.7 percent of the vote. Five percent of the vote is normally needed to earn full status as a parliamentary party. The Free Democratic Party (FDP), a small partner of the CDU-CSU coalition, won 6.2 percent. The Party of Democratic Socialism (PDS) earned 5.1 percent of the vote, the first time that this outgrowth of the former East German communist party won enough votes to jump the hurdle.

The real German question was never going to be answered by the election campaign, largely because democratic elections are seldom good at giving complex answers. They can endorse change or block it, and Germany seems to have voted for just a little change, *bitte*. Not too much, for fear of making a good *Burger* or *Hausfrau* nervous. Elections can say yes or no to tax cuts, and this time both candidates for the chancellorship offered some modest cuts. Moreover, they can say yes or no to the great climacterics of national life: Should Germany be reunited? Should the trusty old D-mark give way to the unknown new euro? But those big issues were settled long before the election.

Beyond the electoral promises and the newly imported American-style hoopla of the Social Democrats' campaign, most Germans told pollsters they were really worried about jobs, their money and their future in what suddenly seemed a most uncertain world.

They had seen the great German job machine falter under the double strain of financing the absorp-

tion of the old East Germany and the 1990s recession. They had seen their peaceful and prosperous European neighborhood roiled by the war in the Balkans, whose tragic evidence in refugees came to Germany more than to any other country.

And they had seen the menacing old Soviet enemy turn briefly into an apparently tamed Russian bear. However, in the final weeks of the German election campaign, Russia suddenly reverted to a dangerous, barely governed anarchy, undergoing the nightmare of hyperinflation. And all Germans know what hyperinflation did to their own Weimar Republic seventy years ago.

And so the issue of the election changed in mid-campaign. It had begun with the question; after sixteen years in office, was it finally time to trade in Helmut Kohl, at sixty-eight years-old, for a younger model? It became, as the Russian economy imploded: was the world suddenly looking so dangerous that it was safer to stick with reliable old Helmut, with his fondness for comforting cream cakes and his old cronies from Mainz and his decisive way in the big moments like the fall of the Berlin Wall?

These were questions that the fifty-four-year-old candidate Schröder was determined not to answer during the campaign. He had studied the successful campaigns of Bill Clinton and Tony Blair and learned to avoid substance and explicit promises. He knew there was a national sense of discomfort after sixteen years of Helmut Kohl, and he played to that. He knew that the presence of over 4 million Germans out of work, in a population of less than 80 million, was Kohl's weakest point, so he called him 'the unemployment chancellor' in their last big parliamentary debate, and won the duel on points.

And Schröder knew that most Germans were nervous not just about the left-wing traditions of the Social Democrats, but about the possibility that they might have to govern in coalition with the Greens, so his constant theme was re-assurance. He waved aside the wilder Green promises of tripling the gasoline taxes. Schröder's goal was neither left nor right, but just like Clinton and Blair he promised 'the new mid-

EU NEWS (CONTINUED)

dle', that would be social democratic enough to cut unemployment, and conservative enough not to raise taxes.

It was a cautious stance for a man who rose to prominence in the Young Socialists of the 1960s as a radical firebrand, and who fought bitterly with his party's leader Helmut Schmidt over the decision to re-arm NATO and bring American Pershing missiles onto German soil in the early 1980s. "I have learned to give up the old idea from Hegel that when theory and reality clash, reality is wrong," he grinned in one television interview. "Reality is usually right."

Schröder was always hard to pin down. As political leader of Saxony, he sits on the board of Volkswagen, and seems at ease with businessmen, and talked passionately of "radical reform for more economic flexibility and more market-oriented incentives". At the same time, when one of his local steelworks almost went bust, he nationalized it to save jobs. "Our German model which combines a productive economy with an integrated and peaceful society can maintain its superiority over other systems."

The one certainty was that this was an election about generations. It was a choice between the cautious old Kohl, who remembered the hunger of the last winter during World War II and his gratitude for American food parcels, and Schröder, the child of a poor single mother who grew up in postwar prosperity to join the angry student generation of 1968. Schröder and Germany have come a long way since then, but this election provided few clues to the way they are heading now as the Schröder era begins.

—Martin Walker

THE MEN BEHIND THE CANDIDATES

The strangest feature of the German elections was the way that the two most intriguing, and some would say most powerful politicians in the country did not run for the chancellorship. But it was clear from the start of the campaign that the two deputy leaders, Wolfgang Schäuble of the Christian Democrats, and Oskar Lafontaine of the Social Democrats, would remain pivotal figures.

The opinion polls were clear that Schäuble, the Christian Democrats' leader in parliament, remained the most popular single politician in Germany. He is now the frontrunner to become chairman of the CDU now that Helmut Kohl has said he will not seek reelection as party leader. Indeed, had Kohl retired a year ago, the quietly spoken and affable Schäuble, fifty-six, might have won the election. Arguing that Germany needs 'prudent change', he speaks and looks a generation younger than his leader, Helmut Kohl, despite being confined to a wheelchair since a crazed assassination attempt.

And thereby hangs a coincidence. Oskar Lafontaine was also the victim of a failed assassination, though with a knife rather than gun. He and Schäuble share a mutual respect as well as a chilling experience. Above all, they seem to be two men who know where they stand politically. Lafontaine is an unreconstructed Social Democrat, who likes to berate 'billionaire capitalists', criticizes free markets as fixed against the ordinary family, and thinks the German economy needs even higher wages and no slashing of the welfare system. Their interaction is likely to be one of the key influences on the new Schröder government and on how the new opposition responds to it.

WHAT THEY SAID

"We rule on! We have taken the country out of crisis. We have fought."

—Göran Persson, Sweden's prime minister, after his Social Democrats won 36.5 percent of the vote in Sweden's national elections last month. The total represented a more than 8 percent drop in support from the previous election, four years ago, but it proved likely to be enough to keep the party in power.

"I think it is much better to have an ill Russia than a healthy Soviet Union."

—Vaclav Havel, president of the Czech Republic, commenting on Russia's current financial problems on his recent trip to Washington, DC

"We should not be afraid to think radically and fundamentally. We need to commit ourselves today to build a new Bretton Woods for the next millennium."

—Tony Blair, UK prime minister, speaking at the New York Stock Exchange, about the need to redesign the rules governing the global monetary system

"It is imperative that we move forthrightly with our allies as firmly as possible to avert the humanitarian tragedy and then to get a political solution."

—President Bill Clinton, discussing the problems facing Kosovo with winter approaching

"Why not send top people from German or Austrian or other European

banking circles for a certain period of time, who can show the Russians how to organize banks?"

—Wolfgang Schüssel, Austrian foreign minister, who headed the recent EU delegation that met with members of the new Russian government to discuss ways the EU could help Russia stem its current economic problems

"European monetary union has, before it has even started, proven itself as a successful barrier against the turbulence on international financial markets."

—Tommaso Padoa-Schioppa, a member of the European Central Bank's directorate, discussing Europe being a sea of calm in the current global market turmoil

EUROPE AND THE GLOBAL ECONOMIC DOWNTURN

So far, so good. Europe has survived the Russian and Asian financial crises relatively unscathed and is still on course for a successful launch of its single currency, the euro, in January.

To be sure, the gathering global financial crisis will curb Europe's economic growth in 1999, the euro's debut year, but knee-jerk forecasts—that the project, at best, would be delayed or, at worst, crippled—have proved wide of the mark.

Indeed, Europe's resilience in the face of a potentially disastrous economic collapse or political upheaval in Russia, provided proof that monetary union will create a new economic superpower to rival the United States. Apart from slight initial weakness in the Italian lira, the national currencies that will merge into the euro barely reacted to the Russian drama. Even the Finnish markets remain rock hard although the country is a major trading partner of Russia with which it shares a common border. Euroland "is a zone of stability," according to Avinash Persaud, head of global currency research at JP Morgan.

By contrast, the Swedish and Danish currencies and the Greek drachma, which are not joining monetary union, slumped in value. The other outsider, the UK's pound, gyrated wildly, making life difficult for British exporters.

Barring a global economic meltdown, the EU is set for relatively robust growth next year, with its two essential economies, Germany and France, setting the pace. The German government admits turmoil in Russia and Asia could slow expansion but is sticking to its forecast of 3 percent growth in 1999. Even the most bearish independent economists have penciled in growth rates of around 2.5 percent. Dominique Strauss-Kahn, France's finance minister, brushed aside the doom mongers. "All the fundamental elements of the French economy are positive today. The euro brought us growth, and now it is protecting it."

Monetary union will give Euroland better insulation from external economic shocks. Exports will account for just 10 percent of its gross domestic product, as commerce between its eleven member nations, which are currently classed as foreign trade, will be booked as domestic transactions beginning next January.

And the struggle to qualify for monetary union has sculpted a lean and fit European economy with inflation tamed and budget deficits under control. Morgan Stanley Dean Witter issued a statement saying that Euroland's deficit will fall from 2.6 percent of GDP in 1997 to 2.4 percent in 1998 and 2.3 percent in 1999.

To be sure, the global economic downturn has taken its toll on European companies. The collapse in the value of Asian currencies has unleashed a flood of newly competitive imports into Europe while "overpriced" European exports to the region have tumbled, with luxury products suffering most.

German exports to Southeast Asia tumbled 19.7 percent in the first half of 1998, but this was offset by a surge in exports to its EU partners and North America. As a result, overall exports were up 12.8 percent in the first half.

The Russian crisis has led to large losses at European banks, with some estimates putting them as high as \$20

billion. The largest exposure reported was \$2.2 billion by Credit Suisse First Boston, while Deutsche Bank has some \$750 million not covered by state guarantees. The UK's Barclays Bank took a \$418 million charge to cover bad loans, and the European Bank for Reconstruction and Development (EBRD) took a \$125 million hit.

While the banks nursed their losses, it was business as usual for most other industries. Consolidation continues to sweep the continent catapulting the value of cross-border mergers and acquisitions to new highs. Meanwhile, Daimler-Benz's takeover of Chrysler, British Petroleum's acquisition of Amoco, and Airbus's sales lead over Boeing for the first time ever, all underlined Europe's challenge for global leadership in key industries.

European companies also are refusing to turn their backs on Russia, prepared to sit out the current upheavals to penetrate one of the world's most potentially promising consumer markets. ING, the giant Dutch financial services group, vowed to remain in Russia and other troubled emerging markets. "We've made a lot of money in these markets over the years, and we are not going to leave any countries where we're present," said chairman Godfried van der Lugt. And even as Russia was lurching into a financial morass, Belgium's Interbrew, the world's fourth-largest brewer, was announcing the acquisition of the Rosar Brewery in Omsk, Siberia. "We believe in the medium and long-term potential of the Russian beer market," said Interbrew chief executive Johnny Thijs.

Meanwhile, the impact of the Russian crisis on the other Europe—the former communist nations to the East—has been mixed. Those like the Czech Republic, Poland, and Hungary, which have restructured their economies and cut their trade links to Russia, have fared best. Others like the former Soviet republics of Ukraine, Latvia, and Lithuania have been hard hit.

Poland likely will grow by 5.5 percent this year, and Hungary by almost 5 percent, reflecting their success in switching their trade from the former Soviet Union to the EU. Poland ships only 8 percent of its exports to Russia, and Hungary and the Czech Republic only 4 percent. Their main market is the EU, which they hope to join at the turn of the next century.

Europe, the sick man of the world economy a decade ago, now looks like its strongman. There are dangers ahead, but the EU and the most advanced East European nations are in better shape than most other nations to survive the gathering storm.

—Bruce Barnard

INSIDE EUROPE

Correspondents

Bruce Barnard, Alisa Roth, Martin Walker

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

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PIEDMONT

AN OPEN REGION FOR FOREIGN INVESTORS

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

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

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

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

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

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

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

A: No, attracting investments is not only based on competitive advantages. A potential investor must also be able to benefit from these resources as quickly and economically as possible. In other words, to attract investments it is necessary to have public authorities working together, in order to minimize difficult admin-

istration and settlement timing. ITP is a concrete sign of the commitment of the public administration in Piedmont to encourage inward investments.

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

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

By using electronics and information technology, the traditional design of products can be changed, thereby affecting the entire manufacturing sector. Just think of how electronics is changing the automobile industry, and how much innovation it

will bring in the future. We will witness a strong growth of applied electronics within various industrial fields.

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

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

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

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



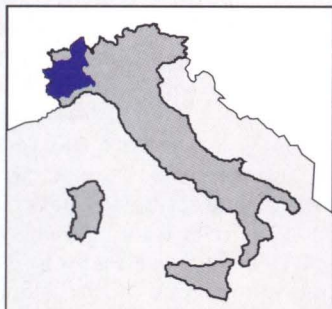
AGENCY FOR INVESTMENTS IN TURIN AND PIEDMONT
AGENZIA PER GLI INVESTIMENTI A TORINO E IN PIEMONTE



SILVANO GUIDONE & ASS.

In Italy, Turin offers you a drink.

ITP, Investments in Turin and Piedmont, is an agency created by the main public institutions and associations of private companies to attract foreign investors to Piedmont and assist them.



ITP assists investors with their project, supplying information, undertaking feasibility studies, and selecting **incentives and loans**.

ITP seeks the **best locations** for industrial, retail and services use.

ITP assists investors with all forms of authorizations, acting as a **one stop shop**.

ITP's services are offered **free of charge**, its mission being to support business projects bringing quality and excellence to Piedmont.

Having a drink together is a nice way of starting a business relationship. Speaking about drinks, Martini & Rossi, one of the world's largest drinks producers, has always been based in Piedmont.

ITP

INVESTMENTS
IN **TURIN** AND **PIEDMONT**



EUROPEAN UNION

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Carl Bildt's Moderate Party failed to convince voters to oust Goran Persson's Social Democrats in Sweden's September elections.

sion with the Council and an effective veto over the next Commission president. The Parliament showed this year, during its US Congress-style hearings into the proposed board for the new European Central Bank, that it now sees itself as an equal player in the European process with the Commission and the Council.

Europe's political parties seem to agree that the new Parliament must be taken seriously and have pressed strongly for the party system to grow from the nation states into a European system. On the eve of the Cardiff summit, at a meeting of the socialist and social democratic heads of governments and opposition leaders, Tony Blair won unanimous approval to establish a new working group to make the PES (Party of European Socialists) something more than the current coalition of convenience within the European Parliament. The goal is to hammer out a common ideology, dubbed by Mr. Blair "the Third Way," which formalizes their move toward the electable center and which is also intended to strengthen ties with the US Democratic Party.

The traditional links with the trade unions have been weakened, and banks, national airlines, and public utilities have been privatized...

Europe's conservatives have also been preparing for this new politics of Europe-wide parties. Their own EPP (European People's Party) has hitherto been a very loose grouping within the Parliament, used mainly as a way to maximize influence in the process of selecting the Parliament's committee chairmen. The UK's Conservatives were not even full members. However, on the eve of the Cardiff summit, the

EU's conservative heads of government and parties also met and took the controversial step of bringing Silvio Berlusconi's Forza Italia into their ranks.

Dutch and Belgian Christian Democrats opposed this bitterly, claiming that Forza Italia were populists of dubious democratic credentials. They were overruled, thanks to the influence of Spain's prime minister, Jose Maria Aznar, Germany's Helmut Kohl, and the British Conservative Party leader William Hague, the first leader of his party to attend one of these conservative summit gatherings. Their motive was to add the twenty votes of the Forza Italia MEPs to the EPP numbers, in the hope of winning an EPP majority

in the European Parliament next year.

In short, the Parliament is now taken seriously by the parties as a political force. Moreover, influential Europeans appear to agree. France's Jacques Delors, who preceded Jacques Santer as president of the European Commission, has proposed that Europe's political parties should each put forward their own candidate to be the next Commission president as part of their election campaign. He argues that this would give a powerful democratic legitimacy to the new 'Mr. Europe', and would also intensify this process of Europeanizing party politics. This suggestion may be premature, and the member states do not like the idea of giving up their own current power to nominate the next Commission president. Nevertheless, the Delors plan underlines this growing trend to define common EU policies.

It is important not to overestimate this trend. Even though the Social Democrats won this year's election in Germany, it is far from certain that their ideological colleagues in Austria, Belgium, Finland, and Portugal can maintain power in the spate of elections that will take place within the next eighteen months. Europe remains a political entity in embryo, still marked by distinctive national features and political traditions.

Think of an America in which California, Texas and Ohio were constitutional monarchies, like the UK, Sweden, the Netherlands, Denmark, and Spain. Think of Rhode Island being a Grand Duchy, like Luxembourg. Consider a political system in which Florida and Pennsylvania used their own distinctive election system, based on the kind of proportional representation used in Germany. Also, ponder the implications of Michigan being governed like Italy, by a coalition whose largest single party was only recently converted from communism and whose previous government coalition included a party that traced its roots back to Mussolini's fascists. One of the few familiar contours of the European landscape to an American, familiar with power being shared between White House and Congress, is the French system. An elected and powerful president, the center-right Jacques Chirac, finds himself governing in opposition to an elected Socialist prime minister.

But the complexity does not stop there. Consider further an America with a different currency in each state, and of a California that drags its feet over the attempt to forge a new single currency, and constantly harks back to its 'special relationship' with Japan across the ocean. Ponder an America in which the second and third-richest states, Texas and New York, possessed nuclear weapons, but the richest, Cali-

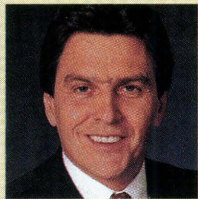


fornia, did not. Add to this confusion a Texas that insisted that the main force of economic and political gravity lay with relations to the poor and populous south, while New York and Michigan insisted that the real issue was a menacing and unstable neighbor to the north.

All these differences argue that a United States of Europe is still far distant, even should it ever emerge. More-

POLITICS '98

A Guide to Europe's Governments



AUSTRIA

FORM OF GOVERNMENT: republic

HEAD OF STATE: President Thomas Klestil

LEGISLATIVE SYSTEM: bicameral, Bundesrat and Nationalrat

CURRENT

GOVERNMENT: Social Democratic and People's Party coalition

LEADER OF GOVERNMENT: Chancellor Viktor Klima (above), Social Democrat

LAST ELECTION: December 1995

NEXT ELECTION: by September 1999

SYSTEM OF ELECTION: proportional representation



BELGIUM

FORM OF GOVERNMENT: constitutional monarchy

HEAD OF STATE: King Albert II

LEGISLATIVE SYSTEM: bicameral, Senate and Chamber of Deputies

CURRENT

GOVERNMENT: center-left coalition

LEADER OF GOVERNMENT: Prime Minister Jean-Luc Dehaene (above), Christian Democrat

LAST ELECTION: May 1995

NEXT ELECTION: by May 1999

SYSTEM OF ELECTION: proportional representation



DENMARK

FORM OF GOVERNMENT: constitutional monarchy

HEAD OF STATE: Queen Margrethe II

LEGISLATIVE SYSTEM: unicameral, Folketing

CURRENT

GOVERNMENT: left of center coalition

LEADER OF GOVERNMENT: Prime Minister Poul Nyrup Rasmussen (above), Social Democrat

LAST ELECTION: March 1998

NEXT ELECTION: March 2002

SYSTEM OF ELECTION: proportional representation



FINLAND

FORM OF GOVERNMENT: republic

HEAD OF STATE: President Martti Ahtisaari

LEGISLATIVE SYSTEM: unicameral, Eduskunta

CURRENT

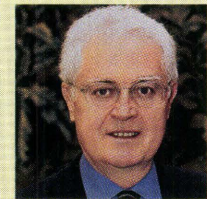
GOVERNMENT: center-left-green coalition

LEADER OF GOVERNMENT: Prime Minister Paavo Lipponen (above), Social Democrat

LAST ELECTION: March 1995

NEXT ELECTION: March 1999

SYSTEM OF ELECTION: proportional representation



FRANCE

FORM OF GOVERNMENT: republic

HEAD OF STATE: President Jacques Chirac

LEGISLATIVE SYSTEM: bicameral, Senate and National Assembly

CURRENT

GOVERNMENT: Socialist-Communist coalition

LEADER OF GOVERNMENT: Prime Minister Lionel Jospin (above), Socialist

LAST PARLIAMENTARY ELECTION: June 1997

NEXT PARLIAMENTARY ELECTION: by March 2002

SYSTEM OF ELECTION: single member constituencies, direct election



over, one of the most striking features of the new politics of Europe is that the traditionally most pro-federalist country, Germany, is starting to resemble the reluctant United Kingdom. Former Chancellor Helmut Kohl demanded a new budget arrangement to limit the net payments Germany makes to the EU budget, just as Mrs. Thatcher did fifteen years ago. Mr. Kohl was far more polite about it, but he and other German politicians insist that their country can no longer afford to continue paying 60 percent of the net payments to the budget. Germany pays 30 percent of the entire \$90 billion budget, but gets in return only 15 percent of EU spending.

Moreover, on the eve of the Cardiff summit, then Chancellor Kohl and President Chirac sent to their summit host, Prime Minister Blair, a joint letter

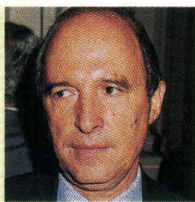
which stressed that "it cannot be the goal of European policy to establish a central Europe state." The letter also echoed traditional British concerns about bringing Europe closer to its people. The two leaders stressed the need for more 'subsidiarity,' the principle that decisions should be taken whenever possible at national or local level, rather than in Brussels.

That explains why Margaret Thatcher would have enjoyed the Cardiff summit. But so would Charles de Gaulle. Those twin advocates of a Europe of nation states jealously guarding their traditional grandeur and their constitutional prerogatives against the federalist tide could claim to have won the argument. A mass conversion seems to have taken place among Europe's heads of government. They all now preach subsidiar-

ity, clawing back the decision-making power from Brussels. And they all now echo Tony Blair in talking of a Europe that moves "closer to its people," and what they all seem to mean is strengthening the role of national governments.

There is an inherent tension between the European political system, which is coalescing in the European Parliament, and this determination by the national governments to keep the reins of power in their own hands. Looking at the way the US Constitution is designed to maintain just such a tension in the deliberate balance of powers between Congress, White House, Supreme Court, and the individual states, this need be no bad thing.

But these countervailing new currents in Europe are not flowing in a vac-



GERMANY

FORM OF GOVERNMENT: republic
HEAD OF STATE: President Roman Herzog
LEGISLATIVE SYSTEM: bicameral, Bundesrat and Bundestag
CURRENT GOVERNMENT: center-left coalition
LEADER OF GOVERNMENT: Chancellor Gerhard Schröder (above), Social Democrat
LAST PARLIAMENTARY ELECTION: September 1998
NEXT PARLIAMENTARY ELECTION: September 2002
SYSTEM OF ELECTION: mixed proportional and direct election



GREECE

FORM OF GOVERNMENT: republic
HEAD OF STATE: President Costis Stephanopoulos
LEGISLATIVE SYSTEM: unicameral, Vouli
CURRENT GOVERNMENT: Socialist
LEADER OF GOVERNMENT: Prime Minister Costas Simitis (above), Socialist
LAST PARLIAMENTARY ELECTION: October 1993
NEXT ELECTION: by October 2000
SYSTEM OF ELECTION: direct election



IRELAND

FORM OF GOVERNMENT: republic
HEAD OF STATE: President Mary McAleese
LEGISLATIVE SYSTEM: bicameral, Senate and Dail
CURRENT GOVERNMENT: center-right coalition
LEADER OF GOVERNMENT: Taoiseach Bertie Ahern (above), Fianna Fail
LAST PARLIAMENTARY ELECTION: June 1997
NEXT PARLIAMENTARY ELECTION: by June 2002
SYSTEM OF ELECTION: proportional representation, single transferable vote



ITALY

FORM OF GOVERNMENT: republic
HEAD OF STATE: President Oscar Luigi Scalfaro
LEGISLATIVE SYSTEM: bicameral, Senate and Chamber of Deputies
CURRENT GOVERNMENT: left-center coalition
LEADER OF GOVERNMENT: Prime Minister Romano Prodi (above)
LAST ELECTION: April 1996
NEXT ELECTION: April 2001
SYSTEM OF ELECTION: proportional and majority representation



LUXEMBOURG

FORM OF GOVERNMENT: constitutional monarchy
HEAD OF STATE: Grand Duke Jean
LEGISLATIVE SYSTEM: unicameral, Chamber of Deputies
CURRENT GOVERNMENT: Christian Democrat-Socialist coalition
LEADER OF GOVERNMENT: Prime Minister Jean-Claude Juncker (above), Christian Socialist
LAST ELECTION: June 1994
NEXT ELECTION: June 1998
SYSTEM OF ELECTION: proportional representation



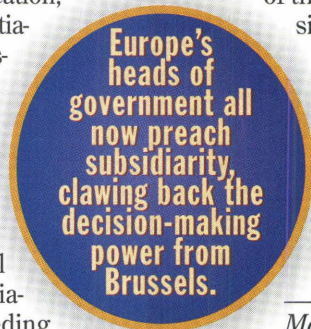
uum. They move in a political and economic context transformed by the two dramatic changes that will govern Europe's future. The first is the coming of the single currency. From January of next year, eleven of the EU's fifteen members will conduct a common monetary policy through the European Central Bank, and their own banks and shops and bills and paychecks will start running their accounts in the euro alongside each national currency. In January 2002, the new euro notes and coins come into use, and the likelihood is that by then the UK, Sweden, Denmark, and Greece will be poised to join the euro system.

But even as that change is being absorbed, Europe itself will be redefined by the enlargement process. At some point in the coming decade, the fifteen member states are scheduled to be

joined by five and perhaps seven new ones. Detailed accession negotiations are underway with Poland, Hungary, the Czech Republic, Slovenia, Estonia, and Cyprus. This will take the current EU population of 372 million to 436 million. After its latest elections, the island of Malta resumed its application, and after a series of negotiations on problems of transport and the free movement of labor, the final hurdles to Swiss membership are being cleared away.

Such a Europe of twenty-two nations will not be the limit. Negotiations for entry are proceeding at a slower pace with Lithuania, Latvia, Romania, Bulgaria, and Slovakia. Once they join, the population of

the EU will be within a whisker of 500 million, almost double that of the United States. So the political landscape of Europe today is but a snapshot, a single frame of a long-running film the outcome of which we still cannot know. However, the main themes of the unfolding drama, the tension between the familiar nation states and their traditional prerogatives, and the forces that seem destined to evolve a common European politics to match its common currency, are already well established. ☪



Martin Walker, based in Brussels, is a EUROPE contributing editor and the European editor of The Guardian.



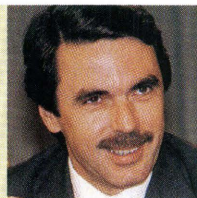
NETHERLANDS

FORM OF GOVERNMENT: constitutional monarchy
HEAD OF STATE: Queen Beatrix
LEGISLATIVE SYSTEM: bicameral, two chambers of States-General
CURRENT GOVERNMENT: center-left and liberal coalition
LEADER OF GOVERNMENT: Prime Minister Wim Kok (above), PvdA
LAST ELECTION: May 1998
NEXT ELECTION: by May 2002
SYSTEM OF ELECTION: proportional representation



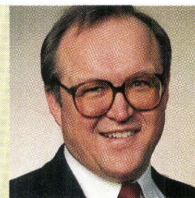
PORTUGAL

FORM OF GOVERNMENT: republic
HEAD OF STATE: President Jorge Sampaio
LEGISLATIVE SYSTEM: unicameral, Assembly of the Republic
CURRENT GOVERNMENT: Social Democratic
LEADER OF GOVERNMENT: Prime Minister Antonio Guterres (above), Social Democrat
LAST ELECTION: October 1995
NEXT ELECTION: by October 1999
SYSTEM OF ELECTION: proportional representation



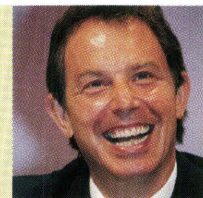
SPAIN

FORM OF GOVERNMENT: constitutional monarchy
HEAD OF STATE: King Juan Carlos
LEGISLATIVE SYSTEM: bicameral, Senate and Congress of Deputies
CURRENT GOVERNMENT: conservative coalition
LEADER OF GOVERNMENT: Prime Minister Jose Maria Aznar (above), Popular Party
LAST ELECTION: March 1996
NEXT ELECTION: by March 2000
SYSTEM OF ELECTION: proportional representation



SWEDEN

FORM OF GOVERNMENT: constitutional monarchy
HEAD OF STATE: King Carl XVI Gustaf
LEGISLATIVE SYSTEM: unicameral, Riksdag
CURRENT GOVERNMENT: Social Democratic coalition
LEADER OF GOVERNMENT: Prime Minister Goran Persson (above), Social Democrat
LAST ELECTION: September 1998
NEXT ELECTION: September 2002
SYSTEM OF ELECTION: proportional representation



UNITED KINGDOM

FORM OF GOVERNMENT: constitutional monarchy
HEAD OF STATE: Queen Elizabeth II
LEGISLATIVE SYSTEM: bicameral, House of Commons and House of Lords
CURRENT GOVERNMENT: Labor (social democratic)
LEADER OF GOVERNMENT: Prime Minister Tony Blair (above), Labor
LAST ELECTION: April 1997
NEXT ELECTION: by May 2002
SYSTEM OF ELECTION: single member constituencies, the most votes wins



Fear & Loathing

ON THE EUROPEAN CAMPAIGN TRAIL

Political consulting is becoming a global business

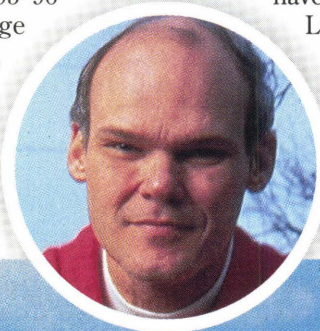
By Peter Gwin

With the approach of America's November elections, political campaigns across the country are shifting into high gear for the final stretch run. Television ads roil the airwaves, radio spots blare slogans, and campaign workers scurry door-to-door pronouncing their candidates' virtues and their opponents' shortcomings. It has become as American a tradition as football season and Thanksgiving. It has also become a big business. The Federal Election Commission reports that more than \$2.7 billion was spent on party politics at the federal, state, and local levels during the 1995-96 election cycle. This large figure is not surprising, says Herbert Alexander of the Citizens' Research Foundation at the University of Southern California,

when one considers that the US holds more than 500,000 federal, state, and local election campaigns every four years. Many Americans might find it surprising, however, that high-tech, hardball politics—which many of them consider one of the more unseemly byproducts of our democracy—has become a lucrative export commodity.

American campaign consultants are taking their expertise to European political organizations and beyond. Exactly how many American political consultants are working in Europe is difficult to determine. Many politicians worry that their opponents will try to use the fact that a foreigner is on their payroll against them. As a result, many consultants remain mum about their foreign activities. Several declined to be interviewed for this article.

One notable transatlantic alliance has been forged. Clinton-Gore consultants James Carville and Stan Greenberg have formed a joint venture in London with Labor Party ad man Phillip Gould. [The usually loquacious Mr. Carville and his partners declined repeated requests to comment for this story.]



James Carville, a Clinton campaign veteran, has set up shop in London.

One consultant who isn't shy to discuss his foreign forays is perhaps the man who started the trend, Joseph Napolitan. "I started working overseas in the 1960s," says the gravel-voiced Massachusetts native. A veteran of the Kennedy and Johnson campaigns, Napolitan realized that basic political techniques could be applied in other countries. He began by visiting Europe every few months, stopping in to visit political parties, advertising agencies, and polling companies. "I got to know a bunch of people," he says, "and when they started looking around for American consultants, I was the only one they knew."

In 1968, Napolitan along with Michel Bongrand of France founded the International Association of Political Consultants. They invited a small group of seasoned political campaign managers from fifteen countries to Paris for an informal gathering. Over a few days, they traded information and opinions about electoral politics and campaign methods. At the end of the meeting, they decided to form the IAPC, which today includes more than 100 professionals from twenty countries working in a variety of political activities in North and South America, Europe, Asia, Africa, and Australia.

IAPC member Phil Noble may be among the most active American consultants in Europe, having worked for clients in thirty-three countries, including the UK, Germany, the Netherlands, Italy, Greece, the Czech Republic, Slovakia, and Estonia. However, he credits his first consulting job in Sweden with boosting his European business.

"[My] first big break, if you will, was in 1991," says Noble, who is based in Charleston, South Carolina and speaks with the unhurried accent of a Southern storyteller. "I had met [Social Democratic campaign manager] Bo Krogvig at a conference, and he asked me to come to Sweden. I worked with the Social



Democrats from early '92 through the election in '94. They went from losing by their biggest margin in twenty-five years to winning by their biggest margin in twenty-five years. As fate would have it, the last few weeks of the campaign [then prime minister] Carl Bildt knew he was losing, so he tried to find some emotional issue to ignite the election. He decided to make me—the American consultant—

tants should play advisory roles and offer new ideas. In Britain, for example, he worked for the Labor Party, whose candidate was not particularly well known at the time and suffered low “favorable” poll ratings. “I recommended the production of a political (film) biography of [former Labor leader] Neil Kinnock,” he says. “That’s something that had never been tried over there.”

new ideas. Three or four of them are really brilliant, three or four are ok, and three or four are just dumb. And what’s interesting is you don’t know which are brilliant and which are dumb.’ And I said, ‘you’re exactly right. That’s *your* job—to figure out what is appropriate and what will work in your culture, in your political environment, in your communications process.’ What hap-

“There are markets in Eastern Europe for political consultants which did not exist ten years ago.”

the issue. He was yelling about the American consultant. Well, the Swedish Social Democrats...had invited people from parties all over Europe and all over the world. On election night, all they knew was that the Social Democrats went from a big defeat to a big victory and the [outgoing] prime minister was saying ‘that guy is responsible.’”

Nevertheless, why would a European candidate running, for example, in a parliamentary system want to hire an American unfamiliar with the subtleties of another culture and different electoral process? Ultimately, says Napolitan, it comes down to the principle that “every campaign is different, every campaign is the same.”

“We have elections in the US all the time,” he says. “A country like Britain can go five years without having a general election. France can go seven. [Campaign consulting] is not a full-time job over there, as it is over here. We have literally thousands of elections for governor, mayor of a large city, senator, Congress...every two years in our country. Consequently, we are on the cutting edge of political technology and strategies.” Noble agrees with this theory. “I had a conversation with a prime minister who was sixty years old, who had been through about ten campaigns in his whole career.” By comparison, Noble says that his firm works on about ten campaigns in one election year in the US.

Although they bring a wealth of experience, Napolitan cautions that Americans have to be especially careful about how they approach a foreign campaign. “I believe it’s a mistake for any American to go in and try to run a campaign in Europe or anyplace else,” he declares. “I think the political campaigns should be run by the nationals of the country in which they’re conducted.” Napolitan believes US consul-

However, Napolitan quickly adds that new ideas and a wealth of campaign experience can be nullified by ignoring cultural nuances. “We might say, ‘look, this technique worked in the United States,’ but it just simply is not something that would work in that country because of the culture.”

Language presents another problem. “You can’t really down deep understand the culture until you understand the language,” says Noble. “That said, English is the modern Latin. It’s the language of business; and it’s increasingly the language of politics.” Napolitan agrees, “Some people on the campaigns that I would encounter didn’t speak English, but at the highest levels—the candidates, the campaign managers, the top people—all spoke English.”

However, current IAPC president Rick Ridder cautions, “Never assume that your English is their English, even in an English-speaking country.” Ridder, who is based in Denver, wrote a pamphlet for the UK’s Liberal Democrats about door-to-door canvassing and was surprised to learn when he received his copy in the mail that it had been titled *A Guide to Knocking Up*.

For the US consultant, working with a foreign political party tends to be a long process. “We generally start working with parties a year, two, or three before an election,” says Phil Noble. “You don’t fly in with a slogan and fly out with a check. You don’t do that in the US, and you sure as hell don’t do that in Europe. You really start out looking at everything they do: what are their tools, what are their strategies, what are their techniques? How are they organized? You start throwing ideas back and forth.”

Furthermore, he says it’s a learning process. “One [European] client said to me, ‘every time we talk, you have ten

pens with consultants like me is that the longer you work in a particular culture, your ratio of good ideas to bad ideas hopefully improves.”

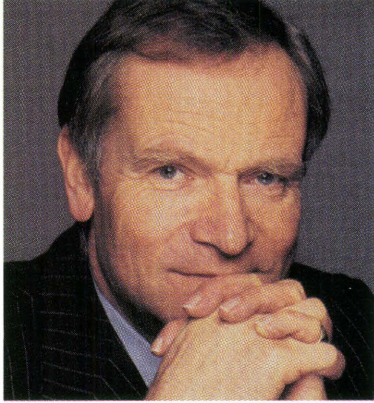
With all their campaign experience, are Americans destined to dominate the worldwide campaign industry? Phil Noble doesn’t think so. “It is wrong to say that American consultants are the only ones traveling the world doing this,” he says, listing off consultants from Australia, Europe, and Latin America who have worked all over the world, including in the United States. “The political consultant-communication world is becoming globalized,” he says, “just like everything else in the world is becoming globalized.”

This globalization is becoming evident in practical ways—specifically through campaigns using the Internet. One US consultant described a European campaign in which the Internet played a critical role. In the evenings, the local campaign staff conducted telephone polls and e-mailed the raw data to a US firm specializing in compiling statistical information. The firm immediately organized the data and e-mailed the results to the US consultant. He analyzed it, wrote a report offering his recommendations, and e-mailed it back to the campaign headquarters in Europe before the staff arrived the next morning.

In this age of the global marketplace, political consulting appears to be a worldwide growth industry. “Look at it this way,” says Rick Ridder, “there are markets in Eastern Europe for political consultants which did not exist ten years ago.” He adds, “On any given day, I can be talking to three or four different continents with clients or potential clients.” Face it, he says, “Democracy is a booming business.” ☺

Peter Gwin is EUROPE's managing editor.

Jeffrey Archer



EUROPE INTERVIEW

Jeffrey Archer, one of the best-selling authors in the world and an unannounced candidate for mayor of London, spoke with *EUROPE* editor-in-chief Robert J. Guttman about the creation of an elected mayor for London and the campaign that is to come. The former deputy chairman of the United Kingdom's Conservative Party also discusses the euro, the European Union, Princess Diana, and the art of writing.

Why are you running for mayor of London?

The race isn't for another couple of years. The race is going to be in May 2000, so it's a long way away. What I'm doing, and I've spent the last year doing, is learning about London, finding out its problems, seeing everybody from the commissioner of police to the director of traffic, from streetwise to center point, from Royal Track to Clogs Coaches, from the London Tourist Board to the London Drug Rehabilitation Center. I've tried very hard to talk to all these people about the problems they are facing and see what they think their job is and why it is needed. But I'm yet to make a decision whether I will run. And two years is such a long time away.

How long is the mayor's term?

Four years.

Why hasn't London had a mayor?

It's a very good question. I suppose, historically, it's because it's had a mayor of the City of London, and thirty-two other mayors, and no one's thought it really necessary to have a mayor for the whole

of London. It's quite a revolutionary concept on behalf of [Tony] Blair and one that I approved of when he was in opposition. And I supported it immediately when he announced it as prime minister. My party didn't. Then my party changed its mind and decided to support it.

Would there be an election campaign? Would it be like running here in the United States?

Yes, we're going to have 5.5 million people voting. It will be a very, very big campaign. [London] is the largest city in Europe.

So, the new mayor would instantly become one of the top leaders in not only the UK but Europe.

Unquestionably.

Why would you want that job?

I've reached that age when I have everything else. I don't need to work ever again in my life. I could go and live in the Bahamas and drink piña colodas. I could have a very easy life. I could do the other things I love, like visit art galleries and go to the theater and watch

cricket matches. But I would actually like to *do* something. I would actually like to run a big organization.

Why were you spending time with the mayor of New York, Rudolph Giuliani?

I spent a week with Giuliani in New York, which was quite fascinating, watching the way he ran City Hall and the way he prepared for the upcoming election, which of course he won. Morning, noon, and night he allowed me to be in his office with him watching everything he did, which was extremely generous of him. And I did learn a tremendous amount. He is very much a hands-on politician. He's very much an instant-decision politician. They are very rare. He just makes a decision.

He's changed the image of New York.

Totally. In six years, he's done it. It's amazing.

Are there things you learned from watching Mayor Giuliani that you would use if you become mayor of London?

I learned a lot, but London is not New York. London is a different city. It's a more tolerant city, and it's a different city, it's a European city... And you can learn things. The zero tolerance thing is interesting. I have my own campaign called "Total Respect," where you respect the police and the police respect you, you respect teachers and teachers respect children. We're different.

Do you have a campaign motto or theme?

"Make it Happen." There's a lot to be done in London. A lot to be done. We have great traffic and transport problems, massive traffic and transport problems. We have a tube system which needs \$1.5 billion spent on simply the infrastructure, and needs another \$7 billion over the next fifteen years to take it into the next century, and the government has no money to give it. And if the mayor hasn't got the authority or ability to raise money by either leasing out or by having some form of partnership, as has been suggested by Deputy Prime Minister John Prescott, then nothing will happen. It will just crumble.

Are you going to have to be nominated?

Yes, there will probably be primaries for the first time ever, for both parties, and one will have to become, first the

candidate of one's party, and then in my case fight the Labor Party for the job.

Are there any other people in your party who are interested?

There have been lots of rumors, but no one's come forward other than a man called Steve Norris, who left Parliament at the last election. On the other side, there have been six or seven—Glenda Jackson, Ken Livingston, Tony Banks, even Chris Smith, and Frank Dobson. Of course, it's two years away... I think I'm the only one who is focusing.



Lord Jeffrey Archer (right), along with Simon Hughes MP (left) and Minister for London Nick Raynsford MP (middle), campaigned for the creation of a mayor of London prior to the May 7 referendum.

When would the primary be?

The primary will be May 1999 and the election May 2000.

Do you think London can remain Europe's financial capital if the UK doesn't join the euro?

Of course. We are leading on the euro already. People are dealing in the euro in Britain first and foremost. Of course London can lead. London is the best financial market in the world. It's led the world for a thousand years, and (laughing) no misfits like you from America or more recently in Frankfurt are going to take our place.

So, London is ahead of New York?

Of course it is!

Can London trade euros without being in a country that's a part of EMU?

The senior bankers who I've been seeing in the City tell me that the rest of Europe is treating London as the center

to trade in the euro. I mean, there are bankers in London who quite rightly say, "look, you stay right out," and you have nothing to do with it. In time, you will become less and less relevant. It may be true, I don't know.

What is your view of the euro?

I'm an agnostic rather than a believer or a disbeliever. I have a tendency to think we'd be wise to not go in on the first run, see if it works, and make a decision, because the one thing we will know, we will know in two years time, some say earlier. The deputy governor of the Bank of England told me two weeks ago that he thought it would be earlier, but we will know in two years' time whether this has been a success or a failure and whether we have to be a part of it.

What's your view of the European Union?

It's here to stay. I very much want expansion, but realize that we cannot pay for every other country in Europe. They must get themselves able to join [in order] to gain membership to the club because they can afford to gain membership to the club. Hungary might make that fairly soon. But I can't see this great dream of the Ukraine being a member of the European Union within five years. I just don't see that or Turkey, for example. Turkey will have to do an immense amount of work on human rights before it would even be considered.

Will countries benefit from EU membership?

I see countries that would benefit greatly from Europe, I mean, Greece, Spain, Portugal, Ireland. You only have to travel in those four countries to see how different they are now from ten years ago. And that has been European Union money. I was in Ireland last week, and they were talking about the entire economy booming. And indeed, Dublin does look remarkably successful.

What do you think about your party, the Conservative Party? Are they always going to be against European unity?

I don't know. William Hague, the leader of the party, has made it absolutely clear that he is skeptical, to say the least, about whether the euro is good for Britain and whether it can possibly work. I go back to what I said earlier: Only time will tell.

Do you think it's good for the UK to be waiting outside while this is happening?

Well, we did that in coming into Europe, but that was partly De Gaulle's fault. You know, I was actually in Parliament when we entered Europe. I voted in the House of Commons for us to be a member of the European Economic Community.

So, you're fairly pro-European?

Oh, yes. I see no future outside Europe. We're a small country in the North Sea, with a great history, but it's a great *history*. Frankly, that history died, some would say in 1919, but the kinder people would say in 1946. When Roosevelt was dealing with Stalin, not taking altogether a great interest in what Churchill said, we had to realize we were no longer a world power. We went on believing we were a world power. We're still a world influence. There's an incredible difference. And we see that whether the role Margaret Thatcher played with Reagan and the role currently Blair is playing with Clinton. I'm sure if you were to say to Reagan, or to Clinton, "which country do you feel most at ease with," I think they'd both say Britain.

Do you think most Britons would say they feel more at ease with Europeans or with Americans?

Britons [would say] with Americans.

Is there an entity called 'Europe'?

There is now, yes. Oh, yes. You've got to remember our grandchildren will not be wallowing in this nostalgic rubbish that our grandparents understandably are suspicious of.

Will there be a unified Europe and all these countries will become regions of that single entity?

I hope not. I hate the political idea of a European president. I hate the political idea of a European Parliament running Europe. I hate all of that. I hope we'll keep our individual countries. But from an economic trading point of view, Britain has no future if it cannot trade within Europe on equal terms to other European countries. No future at all.

What do you think of Tony Blair?

He's had a very good first year. He is still immensely popular. He will, of course, come up against some things he is unable to conquer next year and the year after. It's happened to every

prime minister in history. It's not going to suddenly not happen to him. And it will be interesting to see what big decisions he makes.

What do you think of conservatism? Is it a spent force?

I remember being told when Michael Foot was leader of the Labor Party that we would never see the Labor Party in power again. They were broken, they were finished, it was all over. The only thing that could really harm the Conservative Party is if the Labor Party brought in proportionate representation. I don't doubt that could harm us. But I don't think the British people will tolerate that. If we have a referendum on it, I think they'll say no. I may be wrong. But no, no, no. Of course, we'll come back. We were whacked in 1946 and told we'd never come back.

How do you see the trend around Europe of socialists in power?

Well, they are not socialists, are they? And that's part of the problem. When I first joined the Conservative Party, you were a scab if you believed in free enterprise, if you believed in initiative, if you believed in running your own thing. Now the Labor Party have taken it on. You can't expect me to join them. They are the ones who should be joining us!

Is Labor becoming more conservative?

Yes. Oh, yes. If you look at the Labor leaders across the world, not Europe, you will see that they are taking on privatization and taking on free enterprise as if it were their own mantle.

What do you think are going to be the major political issues in the next few years in the UK and in Europe?

In the United Kingdom, it will be Europe. In Europe, it will be the single currency, and what the next stage is. What does the modern German and the modern Frenchman see Europe in twenty years time? Because if they have the triumph of the euro working, and they are being perceived to be right, they will go to Jacques Delors' dream of the federal Europe. I believe.

If the euro fails, then what?

The Conservative Party will suddenly look very powerful indeed, as the party that was very skeptical about it. William Hague will look as if he had vision, as if

he saw something the others missed.

Do you think European politics and UK politics is becoming more Americanized?

Yes. Going for a mayor of London is going in an American direction.

When I interviewed Sir Martin Gilbert, he said there has been no time in history that a country has ever been as dominant as the United States. Do you think that's healthy for the world?

I agree with it because of the demise of Russia. And while we wait for China to keep lunging forward, of course, America is the most important nation on earth. Do I think it's a good thing? Well, I certainly rather it was America than Russia. I'd rather it was America than China, certainly.

The outpouring of grief for Princess Diana all over the world, especially in the UK, what core did that hit?

When it happened, I remember saying to NBC, standing in the mall, looking at Buckingham Palace and saying to the NBC interviewer that "if she was here, she wouldn't believe it." I mean, it took everybody by surprise. Nobody understood it at the time.

What did she touch?

She understood your worries, your problems, and was able to articulate them. She was stunningly beautiful, everybody knew that. She had a common touch, the like of which most politicians would kill for. When she was with people, particularly children, they knew it was real. She adored children. She had terrific empathy and terrific ability to make contact...She used to slip out in the middle of the night and go to hospitals, things like that. She talked to me about them regularly.

On Northern Ireland, do you think the peace accord is going to hold, and do you think it was historic?

Very unwise for any politician to say he thinks a peace accord will hold. But for the first time ever, we have been told clearly by the people of Ireland that they want it to hold. Therefore, one does give it a better chance, yes.

What happened this time to make it come together?

I think we owe a great deal to President Clinton. I think the walk through the

streets in Northern Ireland and Ireland allowed people to come out onto the street in large numbers and say, "yes, please, sort it out," or "help sort it out." And I think, with the help of Senator Mitchell, we have a great debt to the American people, and to Clinton and Mitchell, for playing a big part in the settlement.

What about the prime ministers of Ireland and the UK?

John Major, Tony Blair, and both of the Irish prime ministers must be praised as well. And Mr. [John] Hume.

People think, "oh, writing seems so simple," yet very few people reach the stature of selling hundreds of millions of books. Are you just incredibly disciplined, or what do you attribute it to?

I am very disciplined, ruthlessly disciplined. I write from 6:00 to 8:00 in the morning, from 10:00 to 12:00, from 2:00 to 4:00, and 6:00 to 8:00. Go to bed at 10:30, rise at 5:00. First draft takes me six to eight weeks. I write 15 drafts, everyone handwritten. A book takes 1,500 hours. Every word is handwritten. There are no shortcuts.

You don't put it on a computer?

I can't type. No. It's put on for me by a secretary, who gives me it back typewritten. I then work on it in pencil. But I'm incapable of using any modern technology in that way. I like writing, and I like the feel of having done it myself. I like that, feel good about that.

How many books have you actually sold, do you know?

In Britain, I know it's just over 25 million. In America, I know it's about 40 million. In Japan, it's about 8 million. It makes up to about 120-130 million.

Are you in the top five of bestsellers?

Yes.

Who also would sell in that range? Grisham?

Grisham. King. Clancy.

They are all basically storytellers.

Correct, we tell a simple story.

So, when people read your latest best-seller, *The Eleventh Commandment*, what do you want them to get out of it?

Entertainment. ☺

The Moors' Last High

Andalusia offers a glimpse of a once-great civilization

Cordoba's ancient Moorish mosque, the Mezquita, is the largest in Europe.

"Well you may weep like a woman, for what you could not defend like a man!" Thus said the sharp-tongued dowager Aisha to her son Boabdil, Sultan of Granada, last of the Moors, as he looked mournfully back across the Vega plain to see the Catholic Kings' royal standards flying over the Alhambra palace he had just surrendered.

Last winter, I was captivated by this passage in Salman Rushdie's *The Moor's Last Sigh*. Determined to find out more about the Moors and their lost empire, I decided to visit the land from which Boabdil fled.

In fact, the Moors were a mixture of Arabs and Berbers who invaded Spain early in the eighth century and swiftly extended their empire from the Mediterranean in the south to Asturias in the north. The heart of their empire was al-Andalus, now Andalusia, and the three most important cities Cordoba, Seville, and Granada; cities that once rivaled Baghdad and Damascus as centers of learning and commerce. Throughout their seven-century domination of the Iberian Peninsula, the Moors faced a constant threat from the Christian north, particularly from Ferdinand, king of Castile. In 1056, Ferdinand proclaimed himself emperor of Spain and initiated a reconquest, to rid Spain of the Moors, with his marriage to Isabel of Aragon in 1469 further consolidating his power. Isabel and Ferdinand's religious fervor, which led

them to become known as the Catholic Kings, fuelled the Christian Reconquest and subsequent Inquisition. The Kingdom of Granada had survived all other Moorish strongholds by some two centuries, albeit precariously, but the demands of the Catholic Kings grew greater year by year until finally, during the spring of 1491, Isabel and Ferdinand themselves arrived, along with 150,000 troops, to demand the Sultan's surrender. The Alhambra endured under siege until January 2, 1492, when Boabdil finally capitulated without resistance. The last of the Moors was gone.

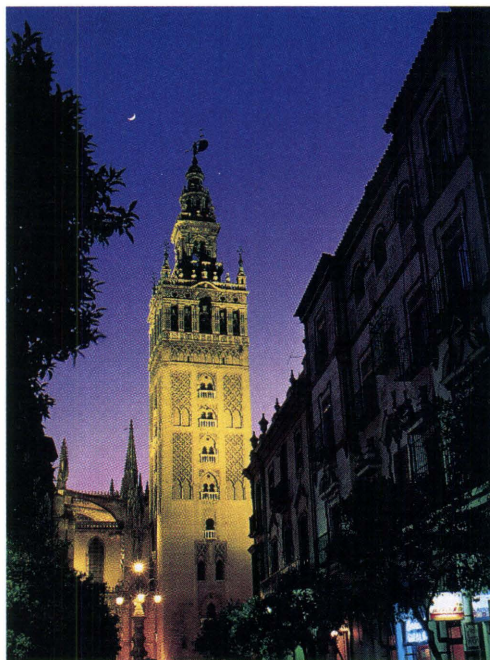
Gone, but not forgotten. Andalusia is still rich in Moorish heritage, with many historic monuments remaining today. Regional trains and coaches link Granada, Cordoba, and Seville with the Mediterranean coast, and now that a high-speed train, the AVE, links Seville and Cordoba to Madrid, all three cities are easy to include on any holiday itinerary.

Seville is rich in both Moorish and Christian history. The city boasts the world's largest cathedral, wherein lie the remains of Christopher Columbus (although this, like his birthplace, is open to dispute). The cathedral was built in the fifteenth century, on the same site as the mosque and all that remains of the latter is the Giralda, now the cathedral's bell-tower. It is possible to ascend the Giralda, once used as a lookout and for calling the faithful to prayer, for unparalleled views of the city. Adjacent to the cathedral lies the Alcazar, or fortified palace, still used by the Spanish royal family during their visits to the region. The interior apartments are small and cool, often opening onto garden patios, ornamented with fountains and plants. The tiled walls shimmer with rich color, especially blue, which represents water, the element most important to the Moors. Indeed the Spanish word for tile, *azulejo*, is derived from the Moorish *azul*, meaning blue. Decorative tiles are to be found all over the region, not only in historic monuments but also in family homes. If you see an open doorway, it is always worth looking in, particularly in Cordoba, to glimpse an oasis-like tiled patio.

Cordoba was, for a long time, the first city of al-Andalus, and is now best known for its mosque, the Mezquita, Europe's largest and most beautiful. The tranquility of the mosque's Patio de los Naranjos contrasts with the busy hub of the surrounding cobbled streets. The patio once

contained fountains for use before prayer, but now only the orange trees remain. The Mezquita itself is breathtaking; column upon column, arch upon arch, the beauty of the mosque lies in its uniformity and simplicity. The *mirhab*, or prayer

The belltower of Seville's famous cathedral is all that remains of a once-great Moorish mosque.



Andalusia is still rich in Moorish heritage, with many historic monuments remaining today.

niche, indicates the direction of Mecca and is decorated with intricate mosaics in gold, rust, and green. Following the reconquest, the mosque was converted into a Christian church in 1236, and some three centuries later a Renaissance cathedral was constructed in the center.

The last Moorish stronghold to fall was Granada. Perched on a hill above the city, against a backdrop of the Sierra Nevada mountains, is the Alhambra, which takes its name from the Arabic *Al Qal'a al-Hamra*, meaning red fort. The Casa Real, or royal palace, is richly decorated, with tiles, carved wood ceilings, and marble pillars. The palace is divided into three sections—one each for business, diplomacy, and family. At the center of each section lies a grand open courtyard containing pools or fountains and plants. The Palacio de Carlos V seems out of place amid the Moorish ruins. It was

started in the sixteenth century, but never finished and now houses a museum. Across from the Casa Real are the summer palace and the Generalife gardens, a maze of trees, plants and yet more fountains. The oldest building on the hill is the Alcazar, the castle, which looks out across the fertile plains.

Spring and fall are probably the best times to visit Andalusia, since the dry heat from the Sahara often makes the summers unbearable. With the exception of Semana Santa (Holy Week), when flamboyant processions draw huge crowds in all three cities, accommodation is always easy to find. There are plenty of good quality hotels and pensiones, and for those traveling first-class, a stay at a luxurious parador is a must. Whenever you visit, it is often best to follow the Spanish example and take advantage of the long afternoon siestas, and it is essential to sample the food and drink of the region. *Churros*, similar to hot savory doughnuts, are a staple for breakfast with either *café con leche* or *chocolate* (very thick and very sweet). *Gazpacho* is the typical Andalusian soup, made from tomatoes and

served chilled, and in Cordoba, you will find a local variation, *salmorejo*, garnished with serrano ham and hard-boiled eggs. Jerez wines (i.e. sherry) are the most popular, ask for a *fino* in Seville, but remember to ask for the local *montilla* in Cordoba. Both go particularly well with tapas, served in most bars throughout the day.

Finally, recommended reading for the trip: In addition to Rushdie's *The Moor's Last Sigh*, joint winner of the 1997 European Union's Aristeion Literary Prize (but actually more about India and the spice trade rather than the Moors of Spain), pick up Washington Irving's *Tales of the Alhambra* and prepare to be enchanted by the author's evocative stories written during his stay at the Alhambra palace. ☺

Claire Bose writes about books and travel for EUROPE.

CAPITALS

AN OVERVIEW OF
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CAPITALS

PARIS

FRENCH CHOKE COCA-COLA'S PLANS TO SWALLOW ORANGINA

What is round, orange, and particularly popular with youngsters? In the States, at this time of year, a likely answer is jack-o'-lanterns, but in France, all year round, it is Orangina. The fizzy orange drink in the fat little bottle is the second-most popular soft drink here, with 8.3 percent of the market share, a brave showing against the American giant Coca-Cola, which has gulped up nearly half the French soda pop market.

Last December, Coca-Cola announced that it was buying Orangina from its parent company, the French drinks firm Pernod-Ricard. The \$840 million it was prepared to pay surprised Wall Street, which had estimated the going price to be around \$600 to \$700 million. Coke is thirsting after the bubbly orange beverage to help it expand worldwide into the non-cola sector, which is gaining ground while the cola market is French receding.

Particularly in the United States, where the average person guzzles forty-eight gallons of carbonated soft drinks per year, (six times more than is sipped in France), the development potential for Orangina is enormous. An all-natural product, it is likely to appeal to the current fashion for healthy food. Its distinctive bulb-shaped bottle and the fact that it needs to be shaken to mix in the pulp at the bottom also make it fun to drink. Its name is blessedly easy to pronounce in a variety of languages, and as a final attraction for Coca-Cola, Orangina is made after a secret formula, invented more than sixty years ago by Dr. Trigo, a pharmacist.

Orangina, in its turn, sees Coca-Cola's global distribution network and staggering advertising budget as the chance of a lifetime to establish its presence around the world. Jacques Pfister, chairman of

Orangina, believes that "Coca-Cola is the best, everywhere." He says that on the international marketplace, where Orangina currently sells 26.5 million gallons per year, "it's not a matter of just multiplying sales by two or five or even ten. With Coca-Cola, we can sell between 530 million and 790 million gallons per year!"

These are bold dreams for the fizzy orange drink that was first concocted in 1936, when Léon Beton discovered Dr. Trigo's orange concentrate at the Marseille Fair, mixed it with soda water, and baptized it Orangina. In 1984, Orangina became part of the Pernod-Ricard group, and within the last decade, it has run some outstandingly original and funny advertising campaigns, particularly for its latest product, Orangina Red, launched in 1996.

The blood orange color of Red has inspired an award-winning series of commercials, starring a chubby-faced actor dressed as an Orangina bottle, who pursues teenagers with a chainsaw. The diabolical bottleman's escapades are far more hilarious than horrifying and have been a tremendous hit, particularly with French adolescents, who tend to love fake gore.

Orangina's sassy creativity blended with Coca-Cola's financial clout would result in a potent cocktail both companies are eager to try. The deal would have gone through months ago had it not been for a loud objection raised by Coke's archrival, PepsiCo. It complains that the sale would give Coca-Cola well more than 50 percent of the French soft drinks market, which amounts to a near monopoly. An even bigger problem for Pepsi is that Orangina has been distributing Pepsi products for the past six years in French gas stations, cafés, hotels, and restaurants—including McDonalds. Once Coca-Cola takes over, that distribution agreement, which accounts for 50 percent of Pepsi's annual profits in France, would end.

Since May, French competition authorities have been poring over the

Orangina-Coca-Cola dossier to come up with a non-binding recommendation to the government on whether or not the sale should be allowed. Their ruling, finally handed down in September, was that the Orangina buyout would indeed give Coca-Cola an unfair competitive advantage in fizzy drinks sales outside the home. To everyone's surprise and Pepsi's glee, Dominique Strauss-Kahn, the French finance minister, seconded the Competition Council decision on September 17 and turned down Coca-Cola's bid for Orangina "in its present form." He softened the blow somewhat by adding that "the door remains open to a new proposal."

Coca-Cola is now "evaluating its options" and is expected to come up with a revised offer. In the meantime, Orangina continues to be shaken by what the *Wall Street Journal* dubbed "pulp friction," but it still hopes that in the near future it will find to just what extent "things go better with Coca-Cola."

—Ester Laushway

VIENNA

NEW YORK IMPORTS AUSTRIAN TEACHERS

Along with waltzes and Wiener schnitzel, Austria has a new export to the United States—mathematics and science teachers. This fall, two dozen young Austrian teachers will unpack their calculators and notebooks in New York City public high school classrooms in a program designed to help counter New York's teacher shortage, while providing jobs for those who might otherwise be unemployed.

Each year, hundreds of teachers graduating in Austria can't find jobs. In contrast, the New York City Board of Education is scrambling to fill as many as 200 math and science teacher vacancies for the 1998-99 school year.

Putting two and two together, City

College of New York Professor Alfred Posamentier came up with a solution to help the school systems on both sides of the Atlantic. Posamentier, a mathematics education professor who frequently teaches courses at Vienna's universities, teamed up with Austria's education ministry in an attempt to balance out the supply and demand.

After founding the Austrian-American Educational Cooperation Association, hundreds of fliers were handed out at Austrian universities. They read: "If you can read this, have we got a deal for you." Immediately, the phone started ringing off the hook.

In just two days, the group fielded 300 calls. Education ministry officials pared the list down to fifty-one candidates, focusing primarily on those with backgrounds in physics and math. Eventually, thirty-nine participated in a videoconference with members of the New York City Board of Education, where their knowledge of English and their university majors were put to the test. The board chose twenty-four Austrians and one German to teach in New York.

Among those selected was Andrea Unger, a biology teacher from Hallein, a small city near Salzburg. She will spend the year teaching at the Franklin Roosevelt High School in Brooklyn.

The twenty-eight-year-old said that in Austria, students just sit and listen to what the teacher has to say. In New York, "I would like to learn a different way of teaching, a better way of communicating between students and teachers. I want to work with pupils so we both discover what the students should learn."

These fit in with the goals of Austria's education minister, Elisabeth Gehrer, who sees the program as a way for Austrians to pick up new teaching skills. "The communications ability and the teamwork of teachers in American schools is much further developed," she said.

Coming from a country with only 8 million residents and an extremely low crime rate, Unger said she is concerned about teaching in New York, but she isn't afraid. Last year, a student in a small Austrian village gunned down a teacher. "These things happen everywhere," Unger said.

For their year in the Big Apple, the teachers will earn an average \$30,000 and must take two university courses—one on American culture and the other

on American teaching methods. The teachers will have the possibility of extending their New York stay for up to six years.

—Susan Ladika

ROME

SUCCESSFUL SICILIAN STORYTELLER

A good rule for book reviewers might be to avoid foreign writers' books, which are rarely translated satisfactorily and are thus never fully appreciated outside of their native readerships. The rules, however, especially those relating to art, are made to be broken, especially when a writer's work goes beyond mere literary achievement and reveals important social aspects of a nation. Seventy-three-year-old Sicilian author Andrea Camilleri presents just such a case. For the last seven to ten months, six of his titles have topped the Italian booksellers' lists.

This stocky septuagenarian became a writer after he retired from a career as a television and radio director (most of it spent at RAI, the Italian public network). Finally free from media bosses and producers, the moody Camilleri started doing what he always wanted to: writing about the Sicilian way of life in such a way that shows all Italians are Sicilians at heart.

All of his books take place in an invented small Sicilian town, Vigàta, which is a thinly veiled Porto Empedocle, the city on the Sicilian southern shore opposite the North African coastline, where he was born. Some stories take place during the last century. Others are modern, featuring, Salvo Montalbano, as the protagonist: a tough, grouchy, and sometimes even grotesque police officer, who comes from the hard-boiled-but-honest school of detectives.

Camilleri's writing style is fast-paced, pleasant, and easy to read—an indication of his director's roots. He interweaves Sicilian words and idiomatic expressions in his Italian texts. Unfortunately, most of this flavor will be lost in a foreign translation.

Camilleri, however, is not a regional writer or a folklorist. Throughout all of his books—which are all mysteries containing lots of murders and a few shrewdly placed sex scenes—he pursues at least three political and social aims.

First, he tries to show that not all Sicilians and Italians are members of the Mafia and to illustrate how good and honest people behave and manage to survive in crime-ridden societies. Second, Camilleri attempts to explain that the seeds for much of Sicily's current social and political situation were sown last century by the newly formed Italian government, which sent non-Sicilian police officers, military commanders, and administrative clerks to Sicily as punishment for their ineptitude or corruption. Third, he analyzes the intricate but unwritten codes of behavior by which Sicilians are expected to abide. However, this last theme is not unique to Sicilians. All modern Italians—no matter what their language or dialect happens to be—have to contend with negotiating an unwritten world of subtle but binding social, political, and cultural "rules of the game" in their everyday lives. It is, perhaps, this last theme that has attracted a wide Italian audience to Camilleri's work.

The author, however, has not completely abandoned his former profession. Camilleri, who is married with three grown daughters, teaches theatrical direction and screenplay writing at the Accademia d'Arte Drammatica Silvio D'Amico in Rome. Furthermore, his former network, RAI, has plans to produce a movie based on his Detective Montalbano stories.

—Niccolò d'Aquino

LONDON

DIANA—ONE YEAR AFTER

Diana, Princess of Wales, the People's Princess, died in Paris on August 31 last year in a terrible car crash that shook the world and drew an emotional response from the British that contradicted all stereotypes of the English as cold and unemotional.

People wept openly over the brutal finality of her death in a tunnel beneath the river Seine. Strangers talked to strangers; millions placed flowers, cards, and toys outside the palaces of London.

A year later, there is still debate over how to commemorate the remarkable, fairy-tale life and sudden, premature death of the flawed princess whose image was instantly recognizable anywhere in the world.

The most tasteless was the margarine company that put Diana's name on its product. The most hailed is the memo-



Parisians gathered in remembrance on August 31 above the entrance to the tunnel where Diana, Princess of Wales, was killed last year.

rial at her childhood home and burial place. The most controversial is the government-sponsored proposal to place a memorial fountain beside Kensington Palace, her London home.

On the first anniversary many people asked if the remarkable public response to her death has left any permanent change. There is no real evidence that people are any kinder to each other; there has been no surge in the number of people volunteering for charity work; and touching is still an awkward exercise for many.

But the memories linger on: the memory of the innocent, unspoiled, perfect English rose who married Prince Charles, the heir to the throne, in 1981; the memory of the divorced mother striving to find happiness and a new role; the memory of the world's most famous princess physically comforting the damaged and the sick, touching, holding, hugging the leper and the AIDS victim.

One memorial already established and attracting pilgrims is at Althorp. Earl Spencer, her younger brother, who made such a moving speech at her funeral, had the site constructed on the estate, which has been the Spencer's ancestral seat since the civil war of 1642-48.

When the transformed eighteenth century stable block opened to the public in July, acerbic arts critic Brian Sewell wrote, "The material on view is exactly what the skeptic feared—video and film clips accompanied by suitable mood music, photographs, letters, clothes, jewels, and memorabilia—frocks and rocks, so to speak."

Then the critic surprised everyone by writing, "but the skeptic is disarmed, for

some indefinable quality in presentation silences any accusation that all this is vulgar kitsch—it is the material of kitsch and could easily be mawkish, but it is all so understated that those words simply do not come to mind."

This triumph of quiet reserve and understatement in the English tradition does offer hope for future projects.

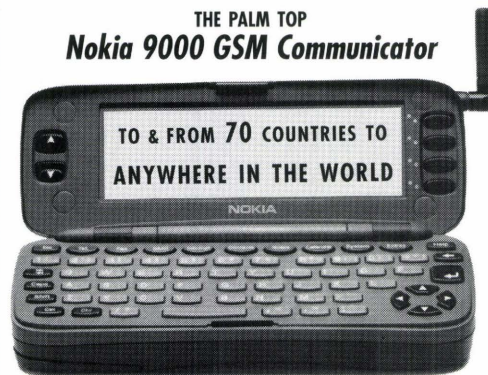
The Diana Princess of Wales Memorial Committee set up by Prime Minister Tony Blair to examine appropriate ways to honor her memory has received more than 7,000 letters with close to 10,000 ideas. Among the most popular ideas is a memorial garden around the late princess's home at Kensington Palace in London's Kensington Gardens, one of the palaces where mourners came to lay flowers in the week after her death.

The committee proposed that a small part of the park be enhanced in "a simple and sympathetic way" through adding a fountain to a nearby pond.

The local residents are objecting because they fear it will bring huge crowds and more pollution to their neighborhood. Seems for some people, NIMBY (not in my back yard) is more powerful than the memory of their former royal neighbor.

Did I say her death seemed to have caused little permanent change? Well I was wrong. One very noticeable change is that her former husband Prince Charles, who always seemed as awkward with public displays of emotions as she

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was demonstrative, can now be seen smiling and laughing with his sons, and can you believe it, actually putting his arm around them.

Now that is a clear legacy of the princess whose death touched the hearts of all of us.

—David Lennon

LUXEMBOURG

CELEBRATING SAINT WILLIBRORD

It was raining on the morning of Whit Tuesday this year in the small Luxembourg town of Echternach, close to the border with Germany. On the square in front of the great basilica that dominates the skyline, thousands of penitents stood as bishops and other high dignitaries of the church intoned Latin texts and offered prayers to the memory of Saint Willibrord, founder of the famous abbey more than a thousand years ago.

The skies cleared. Trumpets, flutes, drums, and fiddles were taken out of their wrappings. People lined up into marching groups, each person holding on to a white handkerchief to link him or her to the marcher at the side. The first band struck up a jaunty, hypnotic tune, and the celebrated *Springprozession* began its route through the town's narrow, cobbled streets.

The word "spring" here refers not to the season but is the German word for "jump," and it immediately identifies the first of several unique aspects of this annual celebration. The marchers move forward in a kind of skipping motion: half march, half dance, turning every few steps to face toward the left, then to the right. Hymns are sung, prayers are chanted, but above all else is the insistent music of the jig, starting up anew every few minutes as bands made up of strings, brass, woodwinds, and even accordions take up the melody.

The overall mood is a curious blend of festivity and piety. There is joy on people's faces, but the endlessly repeated music and the strict motion of the dance allow for no improvisation or variation. Often in the few moments between the end of the tune and its restart, an eerie silence, marked only by the shuffling of thousands of feet, grips celebrants and observers alike.

The marchers wear simple white shirts or blouses with black trousers or skirts. They range in age from tots barely walking to elderly penitents some

with walking sticks and some in wheelchairs. Many carry banners bearing the name of a Christian association or order.

Little is known about the origins of this spectacle that may be unique in the Christian world. Professor Sepp Simon, a local historian and lecturer, accepts that the dance could have evolved from pagan rites or may echo a distant form of therapy, dating from a time when epileptics were "cured" by being forced to dance to exhaustion.

Every year, thousands of pilgrims from France, Germany, the Netherlands, and Belgium walk to Echternach to attend the Springprozession. This year's attendance also included visitors from Canada and South Africa. It was a special occasion—the 1,300th anniversary of the founding of the abbey in the year 698 AD.

Saint Willibrord is one of the great figures in the spread of Christianity throughout Central Europe and is revered in Luxembourg as a national icon. Surprisingly, given the name, Willibrord was actually an Englishman, born in Yorkshire and educated in Ireland. By all accounts he possessed great powers of persuasion, charming or cajoling landowners into handing over extensive properties to the church and creating an abbey that served for centuries as a focus for religious learning and the production of illuminated texts and codices.

The remains of Saint Willibrord, who died in 739 AD, are contained in a white marble sarcophagus in the crypt of the basilica that bears his name. The giant church, under whose vaulting roof the Whit Tuesday marchers assemble for a devotional service when the procession is over, stood intact on its present site for more than a thousand years until it was largely destroyed, in somewhat mysterious circumstances, by dynamite in 1944.

The building you see today is a painstaking reconstruction carried out between 1949 and 1952 with remarkable fidelity to the original. It serves not just as the memorial to Saint Willibrord but as the location for cultural and religious events, including many concerts and recitals in Echternach's famous international music festival in July. Saint Willi-

brord's abbey is today a grammar school.

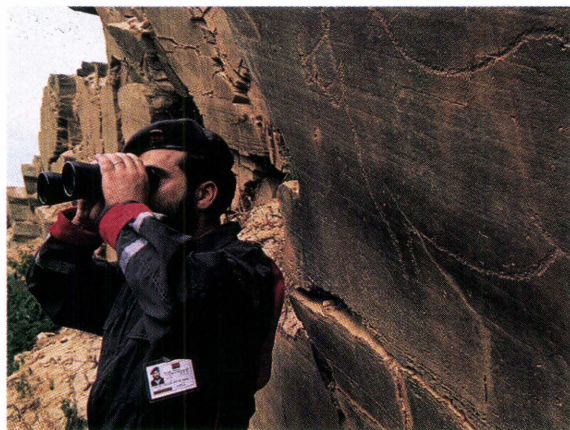
—Alan Osborn

LISBON

STONE AGE ART SAVED

The Côa Valley, in northeastern Portugal, is one of the most breathtakingly beautiful areas of mountain scenery in the country. It is also the site of the largest open-air Stone Age art site currently known in the world, which until two years ago faced inundation by a hydroelectric dam.

It was early 1996 when the recently installed Socialist government reversed its predecessor's policy and halted the dam's construction. It faced stiff opposition from the state-owned electricity utility, Electricidade de Portugal, which at the time was readying itself for privatization.



Stone Age drawings in the Côa Valley were saved when the government canceled a dam project.

The government's next step, in August of the same year, was to create an archeological park to ensure the drawings would be properly maintained and studied, and to control the flow of visitors. The outlines of horses, bison, and other beasts incised on panels of slate—about 150 of them along the valley—were expected to attract thousands of visitors in the coming years.

The decision to cancel the dam was not made purely out of charity. News of the drawings' discovery had spread, generating Portugal's first non-political civil protest campaign and stirring up concern among experts abroad. To pacify locals who had hoped the dam would bring money to this underdeveloped region, the government also promised an investment package to boost tourism.

This August, Portugal's culture minister, Manuel Carrilho visited this remote region to take stock of the project's first two years. At a press conference in the park's headquarters, the town of Vila Nova de Foz Côa, he spoke of his pride that one of Europe's poorest countries had opted to safeguard something of tremendous cultural value instead of pressing on with unbridled development.

But not everyone is satisfied. Locals say most of the 40,000 outsiders that have visited the park in the past two years have left little in the town beyond the odd bit of litter. They also complain that the government has not kept its promise of investing \$135 million in the region through to 1999. Little of that sum, it turns out, was new money. Of projects that are new, several have been delayed, such as the youth hostel to be built in Vila Nova, which is woefully short of hotel accommodation. Also, the fact that the park still awaits its central museum and research center has capped the number of visitors.

Officials respond that it is all a question of time, that the park holds out hope of economic development in the medium and long-term that the dam, once constructed, could never offer.

—Alison Roberts

THE HAGUE

GAY GAMES FINANCIAL FLOP

Gay Games 1998 was supposed to show Amsterdam's preeminence as the gay capital of the world. Instead, the event proved to be a financial disaster for the organizers, and the city of Amsterdam will have to pick up the bill for the losses—probably more than \$1 million.

After Vancouver (1990) and New York (1994), Amsterdam worked hard to organize this summer's Gay Games. The city government aggressively promoted Amsterdam's fame as a gay-friendly city, hoping to attract large numbers of affluent gay tourists. Though some questioned whether organizing a special event for gay and lesbian athletes would actually further the gay agenda, the population generally showed a positive attitude. Many local politicians, among them Amsterdam Mayor Schelto Patijn, strongly supported the event.

Amsterdam has a reputation as a city that has a positive relationship with its gay and lesbian constituencies, and the city hosts an annual gay pride boat pa-

rade along its venerable canals. Moreover, the Netherlands has taken a progressive stance toward homosexuality, with the new government having announced plans to legalize marriage contracts between same sex partners.

Prime Minister Wim Kok and Mayor Patijn along with an impressive number of participants from many country delegations attended the opening ceremony in the Amsterdam Arena. The event began with a dazzling musical show featuring Dana International, an Israeli transvestite singer, as the main attraction.

A good beginning notwithstanding, the Gay Games soon faced financial difficulty. Although presented as a kind of Olympics for homosexuals, the games are not about beating world records or winning gold medals. The athletic competitions are considered a fun excuse for the gathering, while cultural events, films, shows, and parties constitute a

major portion of the event. While the participants hailed the spirit of openness and turned out in large numbers for the fancy parties, the athletic events were poorly attended. Amsterdam counted on about 15,000 participants and 200,000 spectators, but far less turned out. Like in Vancouver and New York, Amsterdam's organizing committee was headed for bankruptcy.

The organizing committee was endowed by a foundation, whose director was dismissed on the opening day because of financial irregularities. It was discovered that the budget of about \$7 million, was showing a deficit of approximately \$2.5 million. As an emergency, the city of Amsterdam extended a guarantee for \$2.5 million, major sponsors chipped in another \$125,000. The main sponsor of the event was KLM, the Dutch national airline (nicknamed GayLM for the occasion).

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The city council decided the games would continue and that the city would absorb the financial losses. After all, Amsterdam had to keep its image as the gay capital of the world. But it cost the city dearly.

—Roel Janssen

DUBLIN

BYE BYE GAYBO

Admittedly, it happened in the journalistic silly season, but editorials in two national newspapers and the type of treatment usually reserved for presidential obituaries seemed to be going a little too far.

However, that's how the Irish media treated an announcement by Gay Byrne that he would quit his daily radio program (on December 24) and his weekly television show (June next year).

His Monday–Friday morning radio program has been a feature of national radio for twenty-six years. His weekly *Late Late Show* has been the most consistently popular television program in Radio Telefis Eireann's (RTE) schedule for almost thirty-seven years.

Byrne, sixty-four years old, says he wants to take it easy. He deserves to. After all, he's been at it since his teenage years. He started in Irish radio, spinning discs on sponsored programs. Then he moved to England, anchoring a twice-nightly television show for Granada Television in the northern city of Manchester and did the first interview with four young men from Liverpool called *The Beatles*.

Back home in Ireland for the startup of the country's first television station, Byrne rapidly established himself as the quick-witted anchor of the Saturday night *Late Late Show*, a mixture of glitzy song-and-dance items from international celebrities and local talent and more serious interviews.

His ability to tackle taboo subjects incurred the wrath of conservative church leaders and politicians. One of the latter once remarked, "There was no sex in Ireland before Gay Byrne."

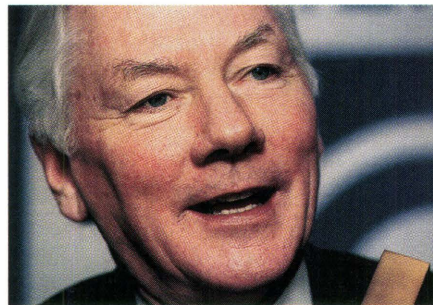
Certainly Byrne opened the closed windows of Irish life. His show sparked scores of controversies. He used a similar formula for his daily radio program, which began in 1972 as a three-month experiment and, over the years, has become Ireland's leading talk show.

Byrne, a committed churchgoer, was

christened Gabriel, but this was shortened to Gay when that word had a different meaning. Over the years it was extended to "Gaybo."

His distinctive voice on radio has been part of Irish life for so long that most people felt he was part of their daily routine. The Dublin *Sunday World* declared, "Almost uniquely among radio interviewers, he knew the value of when to speak and when to remain silent."

One of the least-known aspects of Byrne's life was his work for the poor and underprivileged. He has raised vast amounts of money through a charity



Irish broadcaster Gay Byrne is hanging up his microphone after more than twenty-six years.

fund he started via his radio show. It has helped scores of disadvantaged people, but Byrne modestly plays down his role.

Now he is hanging up his microphone, although he refused to say that he will never again work in television or radio. "That is not in my mind," he said. "If something attractive comes along I will do it, but I have been at the frontline in broadcasting all my life, and I think it's time now to duck back into the wings."

—Mike Burns

BERLIN

ANGST OVER ANGLICIZING

Mark Twain in his essay "A Tramp Abroad" complained bitterly about "the awful German language" and wrote that "a person who has not studied German can form no idea of what a perplexing language it is."

Indeed, the language of Luther and Goethe is riddled with so many rules governing grammar and spelling that even native speakers are often confused when placing commas or hyphenating words or deciding how many of the same consonants can be lined up next to each other in a compound noun. An attempt, therefore, to simplify the German language seemed an admirable exercise.

More than ten years of deliberation by linguists, lexicographers, pedagogues, and philologists have produced a reform that for some is too exhaustive and for others irrelevant. For a start, the experts have reduced the number of rules governing the use of commas from a magnificent 52 to a mere 9. They have ordered a change of spelling for 185 words (out of 12,000) to reflect better their etymological roots. Furthermore, they decreed that the spelling of foreign words should be Germanized.

The reform has been approved at the highest level, by the cultural ministers of Germany, Austria, Switzerland, and Liechtenstein and by representatives of German-speaking minorities scattered across the European continent. They did not, however, expect such a fierce opposition in Germany.

The issue escalated into something of a modern *Kulturkampf*. Opponents of the controversial reform, who include many of the country's authors and leading newspapers, protested that "bureaucrats...are telling the German people how to write." However, efforts to stop the introduction of the mini reform into schools beginning last month failed when the Constitutional Court ruled that the language reform did not need parliamentary consent.

On the other side, some language experts say the reform does not go far enough. Strangely enough, Germans easily adopt Americanized vocabulary and watch with amusement as France fights the invasion of English words. *Super*, *blue-chip*, *boom*, *status symbol*, and *summit* have all found their way into German vocabularies. Moreover, Germans wear *jeans*, *t-shirts*, and *pullovers*, *kids* like *fast food* and *long drinks*. They go *jogging* and stay *fit*.

Germans have also invented some words that sound English but aren't. A male mannequin is called a *dressman*; and once a German *teen* turns twenty, he or she is called a *twen*; and on German television a presenter is a *showmaster*.

The use of English in the telecommunication industry is widespread so the Institute for German Language in a letter to Ron Sommer, chairman of Deutsche Telekom, criticized the telecom giant for allowing the German language to decay in a "grotesque manner." The object of its complaint are Anglicizations such as *CityCall*, *HolidayPlus-Tarif*, *GlobalCall*, and *GermanCall*. Professor Gerhard Stickel, the institute's director, acknowl-

edges that “language purism” in German does not have a good tradition, but even the institute is unwilling to follow France’s example of laying down laws against “Franglais.” In response, Deutsche Telecom says that the use of Anglicizations is a feature that is apparent in all countries—it is rather an expression of the zeitgeist.

The Germans, it seems, are taking pride that at least some “Germanisms” have traveled the other way.

—Wanda Menke-Gluckert

MADRID

SAVING DONANA NATURE RESERVE

If all goes according to plan, by this month one of the worse ecological disasters in Europe will be largely cleaned up, and threats to a spectacular nature reserve in southern Spain from water and mud laced with deadly heavy metals will, hopefully, be just a horrific memory.

Late one night last April, a dam holding back waste water from an iron ore mine collapsed, spilling an estimated 176 million cubic feet of toxic water and sludge containing lead, zinc, magnesium, and mercury into the surrounding water systems just south of the Andalusian capital city of Seville.

Making matters worse was the proximity of the spill to the nearby Doñana Nature Reserve, a 185,000-acre park visited each year by 6 million migratory birds, including flamingos. The reserve is also one of the last places in Europe where lynx, otters, and eagles still survive in a natural state.

Authorities moved quickly to throw up dams and levees designed to channel the waste toward the sea and keep to a minimum damage to the nature reserve and surrounding ecosystem. At the same time, the Canadian-Swedish firm operating the mine pledged to pay the costs of the cleanup and pay damages to the estimated 45,000 people—mostly farmers and fishermen—whose livelihoods suffered.

In one day, environmentalists collected 14,300 pounds of dead fish, and authorities were worried that the migratory birds would feed on the poisoned frogs, fish, and other water creatures and die, wiping out an entire generation of wildlife.

Days later, after a cabinet meeting to

discuss the disaster, Environment Minister Isabel Tocino announced the government would spare no effort to save the Doñana Nature Reserve and set up a crisis committee of European Union, national, regional, and local Spanish officials, along with ecologists, farmers, and others affected, to coordinate a response.

At the same time, the Spanish National Scientific Association calmed many fears when its experts said that there were methods to return the area to normal so that fish, birds, other wildlife, and farming could all thrive again but that it would take a lot of time and money.

Around \$30 million, to be exact, according to the environment ministry, and some of that was spent on a new purifying plant designed to scrub out the nasty metals from 2.5 million cubic feet per day of contaminated mud before the seasonal rains begin in October.

—Benjamin Jones

BRUSSELS

FIN DE SCANDAL

The biggest trial in Belgium’s 168-year history started in Brussels on September 2. In the dock was the French arms manufacturer Serge Dassault and former Belgian foreign minister Willy Claes, who was forced to resign as NATO secretary-general after only thirteen months in office when he was indicted in 1995.

Also charged were the former vice-premier, Guy Coëme, and the former Socialist Party leader, Guy Spitaels and eight other defendants. The charges relate to alleged bribery of former Belgian cabinet ministers by arms firms seeking defense contracts. The money handed over was not for their personal enrichment but for the benefit of their political parties.

The alleged offenses occurred a long time ago. In 1988, the Italian Agusta company obtained a contract to supply the Belgian army with forty-six helicopters, and in the following year, the French Dassault company was contracted to upgrade the radar systems of the Belgian air force. The two contracts were worth more than \$500 million, and the prosecution alleges that some \$6 million turned up in secret bank accounts opened on behalf of the two Belgian Socialist parties.

Claes was economics minister, and Coëme was defense minister at the time,

and the suggestion is that they improperly influenced their colleagues to award the contracts. Spitaels is accused of receiving secret donations from Dassault. The former head of the Agusta company, Raffaele Teti, should also have been in the dock, but he died of a heart attack two weeks before the trial opened.

It is expected to last at least three months, and the accused, if convicted, face prison sentences of up to five years. It is likely to dominate Belgian politics during this period and could severely damage the electoral prospects of Jean-Luc Dehaene’s left-center government in which the Socialists are in coalition with the Christian Democrats. The election is due early next summer, and the chances are that the Socialists will take a drubbing unless the defendants are exonerated.

Nor will there be much relief for hard-pressed Belgian citizens once the trial is over. Two further major trials, each with strong political overtones, will follow within the next year or so. One is of the notorious alleged serial murderer and pedophile, Mark Dutroux. The other concerns the contract killing of another former Socialist leader, André Cools, in Liege in 1991.

It is widely suspected that Cools was killed because he knew too much about the Agusta and Dassault bribes. Two hit men (both Tunisians) have already been convicted by a court in Tunis, but another large trial of the alleged sponsors of the murder, who include yet another former Socialist minister, Alain Van der Biest, has yet to be scheduled. Altogether, it is a somber *fin de siècle* for the Belgian political elite.

—Dick Leonard

COPENHAGEN

WHAT TO DO ABOUT EMU

The breakdown of the Russian economy in August gave the Danes a first taste of the possible costs of remaining outside the euro. Interest rates rose as the Danish Central Bank intervened in the markets to shore up the krone, and economists expressed anxiety that the disappearance of the surplus on the Danish balance of payments may augur trouble in hard times ahead.

The Danish economy is strong, so Danish market participants offered the rather mundane explanation that international investors were simply confusing

the Danish krone with its Norwegian and Swedish namesakes, both of which were under pressure for much better economic reasons. Fair or not, Denmark is judged by tougher standards than the countries participating in the euro from January 1, 1999.

Polls show that an increasing number of Danes now want their country to join the economic and monetary union (EMU) later. However, there is no clear majority, and Danish politicians are still hedging their bets. Some want the promised referendum as early as next year, but the government is unlikely to make a decision before the United Kingdom and Sweden commit themselves.

The Danes endorsed the Amsterdam Treaty at the referendum in May, but both the governing Social Democratic Party and the major opposition party, the Liberals, traditionally the strongest supporter of European integration, promised that no further transfer of sovereignty will be tolerated without consulting the people.

Perhaps surprisingly, the introduction of the euro in Denmark is not presented by its supporters as an act of integration, but rather as a pragmatic element of economic policy. The obvious explanation is that Denmark has no problem in meeting the economic criteria of joining the EMU, so no unpopular policy changes are required. The complete lack of public debate of this topic favors this interpretation.

Danish voters are notoriously fickle, not just on EU issues, so the majority of parties that will recommend the Danes to vote yes at the euro referendum fear a political backlash during the campaign, which may make the outcome less than certain. Hence, the need to have a massive advance endorsement by the polls before a date is decided.

In the meantime, the Danish government plans a virtual membership of the EMU, with the Danish currency strongly anchored to the euro. Originally, the Danes had hoped for an agreement limiting fluctuations of the Danish krone against the euro to only 1 percent, upward and downward. Some hoped that Denmark would get a better deal than others staying outside EMU, based on the better performance of the Danish economy.

A deal is being negotiated this fall and will be made public before January 1. Nevertheless, the Danes no longer expect a special deal, and permitted fluctuations may be as high as 2.25 percent, as

in the original European Monetary System. The hope that the European Central Bank will guarantee such an agreement by an unequivocal commitment to intervene in the currency markets. However, they expect that Denmark will be forced to accept a relatively larger part of the burden in such situations. Which translates into higher interest rates and slower economic growth.

There is an outside chance that the costs of not being part of the euro will be so high and so visible that the Danish electorate responds to business aspirations of early EMU membership. However, it would probably require a very serious economic crisis in the US and Europe to make Danish voters drop their skepticism. In addition, the price would seem too steep to the Danish business community.

—*Leif Beck Fallesen*

HELSINKI

HUNTING SEASON

Autumn is hunting season in Finland, and hunting is serious business in this country. Anything from moose to bear to grouse better look out as the otherwise stoical Finn suddenly turns into a bloodthirsty caveman armed to his teeth. It happens every year.

Not all Finns change from Dr. Jekyll to Mr. Hyde at this time of year, but a good many do, at least those with a valid hunting license and a rifle or shotgun, and there are quite a few of them. You need not be a landowner, a nobleman, or even particularly wealthy to practice this primeval art of supplying the family with food. It is still the right of every Finnish citizen to hunt, providing one follows a few safety rules. There is a wide range of game in Finland and plenty of land on which to hunt. (Finland has more than twice the acreage of the state of Florida but a population of less than half, which is mainly concentrated in a few centers.) In the north, hunters can hike for days even weeks without meeting a soul, providing you stay away from the roads.

Species of European grouse, such as capercaillie, heathbird, and willow grouse are the most popular wild fowl. Naturally, sea birds, like duck, eider and some more common species of wild goose, often end their careers as a delicious dish in homes or restaurants. Moose are plentiful, and hunters kill some 55,000 every year. The most com-

mon game, however, is the rabbit. There are two types of rabbits in Finland, the most common one—the jackrabbit—and the larger brown hare.

Not too long ago, a brown bear with her cub killed a jogger. This fatal incident—the first in more than 100 years involving a wild animal—has started a bitter debate for and against hunting bear, wolf, and wolverine. Some fifty licenses for bear were issued this autumn, but wolf and wolverine are still protected.

Originally imported from America, minks are raised for their furs on farms. Occasionally, some of the animals escape into the woods, which provide a favorable climate, abundant food, and few natural enemies. However, wildlife officials worry that, with their high reproduction rate and few natural enemies, minks could threaten the natural balance by taking food from and killing the young of other species. Therefore, mink hunting is widely allowed and popular.

—*Thomas Romantschuk*

ATHENS

TOURISM TOPS SHIPPING

Tourism, based on Greece's big resort islands and an increasing number of smaller islands which attract independent vacationers, has overtaken shipping as the country's leading industry. With a record 12 million visitors expected this year, earnings from tourism are projected to exceed \$48 billion.

A 12 percent devaluation of the drachma in March gave a boost to Greece's competitiveness in the Mediterranean tourist market, where its main rivals among countries offering vacations with sun, sea, and ancient ruins are Turkey and Tunisia.

While tourism officials are pleased with this summer's 15 percent improvement in arrivals, they are concerned about infrastructure weaknesses that act as obstacles to a sustained increase in Greece's tourism.

Most Greek hotels are in the budget category, and there is a serious shortage of luxury and first-class resort facilities. This summer, a series of strikes at Olympic Airways, which has a near-monopoly of flights to the Greek islands, has caused problems. In addition, island airports, which are handling many more charter flights from northern Europe, became overcrowded in high season.

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PALAIS DES FESTIVALS - CANNES - FRANCE

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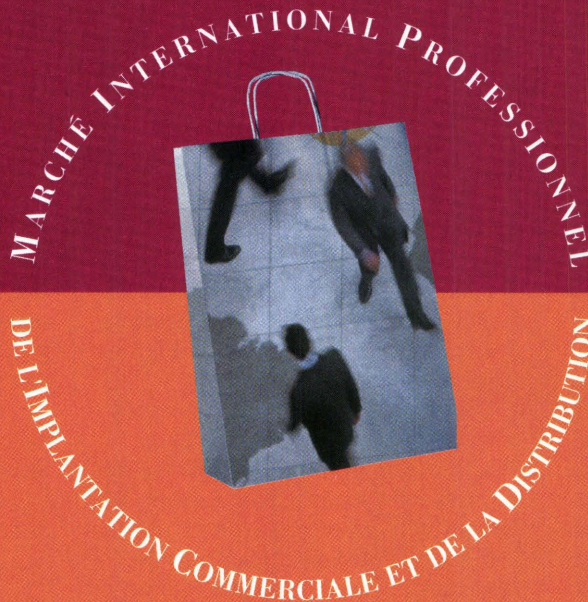
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STOCKHOLM

SWEDISH SOCIALISM REVIEWED

But changes are underway that are designed to put tourism facilities in Greece on a level with western Mediterranean destinations. For the first time, the government is actively encouraging the development of self-contained resort complexes that will stay open year-round.

"Government policy until recently was to encourage small hotel developments as environmentally preferable at the expense of big ones," says an Athens-based tourism consultant. "But that led to congestion and poor quality facilities. Now it's taken on board that well-designed resorts can contribute to preserving the environment, as well as attracting high-spending visitors."

EOT, the state tourism organization, is offering long leases on several of its prime properties around Greece to private operators. Germany's TUI group has teamed up with Grechotel, the leading Greek hotel operator, to build a resort complex in western Greece at Kyllini on a sprawling pine-forested site that is owned by EOT.

The consortium plans to invest \$48 million in transforming an old spa hotel close to the sea into a modern complex to include a sports center and golf course, a theater, and an 800-seat conference center. The consortium will add 1,000 beds in luxury and first-class hotels on the site and build twenty-five luxury villas for rent. It has a forty-four-year lease from EOT, and the government is providing a \$12.4 million subsidy for the project.

On the southern island of Crete, a group of British and Greek investors has pulled off an agreement with Toplou monastery, an Orthodox foundation with extensive landholdings in eastern Crete, to build a luxury resort on a remote but spectacular promontory. It took almost six years of on-again, off-again negotiations with government departments before the finance ministry gave permission to proceed in July.

The Loyalward group has formed a partnership with Aktor, a leading Greek construction company to develop the project. There are to be five luxury and first-class tourist villages, a marina and port, three golf courses, and a conference center. The \$825 million project, which would be the biggest foreign investment in Greece for almost two decades, will have 7,000 beds. It will also provide 3,000 jobs for local residents in an area of higher than average unemployment.

—Kerin Hope

Some years ago, at a neighborhood party in the US, I came across my Swedish husband Anders boxed into a corner by a fellow partygoer who was insistently demanding, "but how did you get out?"

Ever polite in the face of American assertiveness, Anders wore a bemused smile. "Out?" he asked. "Out from where?" Sweden, the man persisted. How had Anders managed to escape Sweden?

It developed that the reveler, who was relatively sober, *knew* that Sweden was run by die-hard communists who spat on human rights and forbade its citizens to travel to free countries like the United States. Nothing Anders said all evening convinced him otherwise. As we were leaving, his parting words were: "You're lucky to have gotten here."

In fact, Sweden has never been run by communists, but the policies of the Social Democrats who have run the country for most of the past fifty years have often been equated with communism. This is especially true in the United States, particularly when Olof Palme was prime minister and publicly denounced US involvement in Vietnam, which led to a break in Swedish-US relations that took years to heal.

But what is Swedish socialism really about? Although very different today than it was in its heyday after World War II, certain constants remain. Less than 10 percent of all enterprise—a good part of it defense related or in other sensitive areas such as energy—is state-owned. Even when the percentage was greater, the government tended not to get involved in operations, leaving business decisions to company management. While there have certainly been some exceptions to that policy, no Swedish government has ever come out with a five-year industrial plan.

Then there's the medical system. Socialized medicine is probably one of the biggest bugaboos in the States, where it's often perceived as a way to limit patients' rights to choose doctors and get treatment. Here, again, Sweden goes against the grain. Most state-run European health systems require that a general practitioner refer patients to specialists or for tests; Sweden in most cases does not. There is a nationwide health system run

by the counties, but there are also private doctors who are often subsidized.

Deductibles are set at \$117 for doctor visits, after which visits are free for the remainder of the year beginning with the first visit. There is a \$168 limit for prescription medicine. The system can be difficult to negotiate. Patients who need surgery are often forced to wait many months, ultimately costing the system more money. Medical freedom exists, however, for those who take the time to find it.

There is also a national pension plan and unemployment insurance. Day care is often without cost, and parents are entitled to a year of paid maternity leave. Fathers are required to take off a month during the twelve; otherwise, the family loses a month's payment.

Rent for apartments are set by negotiation between landlords and renter organizations, and the aim is to provide decent housing at affordable cost. While apartments tend to be small, there aren't likely to be eighteen people crammed into the space.

Socialist Sweden is far from perfect, and the humanitarian goals it was founded on seem increasingly elusive. There's a tendency to think that the government will always take care of everyone, and people are reluctant to assume the financial responsibility for social needs being thrust on them by politicians who are trying to keep the system afloat.

However, one thing's for sure. If it ever gets too bad, Anders will always be able to get out.

—Ariane Sains

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ARTS & LEISURE

BOOKS

To End A War

By Richard Holbrooke;
Random House; 408 pages; \$28

Most readers who pick up this book will be searching for the inside story of how a fragile peace was brought to Bosnia during three weeks of negotiations at a US Air Force base outside Dayton, Ohio, in 1995.

This diplomatic memoir is full of dramatic and mundane stories about how that accord was wrung from a collection of Balkan leaders who had reduced the former Yugoslav republic to tragic rubble over the three previous years. As in any major international conference, high strategy meets low order drama, in this instance, the narrator's description of how he carried marked paper napkins from one table to another to come up with a workable map that helped pave the way to a final Bosnia accord.

Behind these stories, however, is a larger theme—of America and Europe struggling with very mixed results to a post-cold war relationship.

That it would fall to Richard Holbrooke to write this story is instructive of how much improvisation rather than grand strategy has been responsible for creating the post-cold war order between the continents. Most of Holbrooke's public career has been involved in Asia, starting in Vietnam in 1962. Only by the political accidents associated with the inelegant transition to office of the Clinton administration did he end up as ambassador to Germany and then with the European portfolio at the State Department just as the Bosnia crisis was tumbling to disaster.

Whatever Holbrooke's reputation in Washington and European capitals for bluntness, bureaucratic aggressiveness, and self-confidence, this memoir is re-

markably evenhanded and fair. It is also well written, hardly a surprise for a man whose inordinate interest in journalism is as personal as it is professional.

Holbrooke hardly pulls his punches in his critique of the initial European responses to the Yugoslav and Bosnian crises, especially the 1991 comments of the Luxembourg foreign minister that Yugoslavia was an issue for the Europeans, not the Americans. Nevertheless, as Holbrooke is quick to point out, it was as big a mistake for Secretary of State James Baker to take that assertion seriously. Similarly, Holbrooke joins in the criticism of the German decision to recognize Croatia in 1991 but unlike other critics, gives it relatively less significance as a catalyst to the Bosnia war.

From his first Bosnian diplomatic missions in the summer of 1995 through the Dayton accords, Holbrooke captures the greater drama of averting a complete catastrophe. He also depicts the smaller dramas involved as European and American officials tried to figure out where they stood in a world no longer fighting a global cold war but a very nasty Balkan war.

Holbrooke's working premise is in the conclusion of this book but one he voiced throughout his tenure in the Clinton State Department—that America is as much engaged in Europe post-cold war as it was in the struggles against fascism and communism. The problem, as he sees it, is that Europe has not yet figured out how it will respond to this new era—strategically or institutionally.

Holbrooke's memoir is a tough reminder that Americans and Europeans have a lot of thinking and a lot of work ahead, not only to manage their relationship, but also to achieve the real promise of the often voiced slogan of a Europe both whole and free. This may not be Holbrooke's last memoir. He has been nominated to be the US ambassador to the United Nations.

—Michael D. Mosettig

Under the Tuscan Sun: At Home in Italy

By Frances Mayes; Broadway;
280 pages; \$13

The name of the villa is Bramasole, from the Italian words *bramare* (to yearn for) and *sole* (sun). *Under the Tuscan Sun*, poet Frances Mayes' memoir of buying, renovating, and making a home out of an abandoned villa on the outskirts of Cortona, Italy, is all about a passionate yearning for the light, the warmth, and the life that seems to radiate from a sun unique to the Tuscan countryside. From the yellow ochre walls of Bramasole, to the skin of a golden peach, which falls off "like a silk slip," the colors illuminated by the daystar gleam on every page. Like the summer's sun tea, *Under the Tuscan Sun* is steeped in light and left for the reader to enjoy.

From intimate portraits of her life with her companion Ed, to glimpses into the doorways of the village she calls home, to sweeping portraits of the changing landscape, Mayes offers skillfully crafted, evocative, and often sensuous observations her life and herself in it.

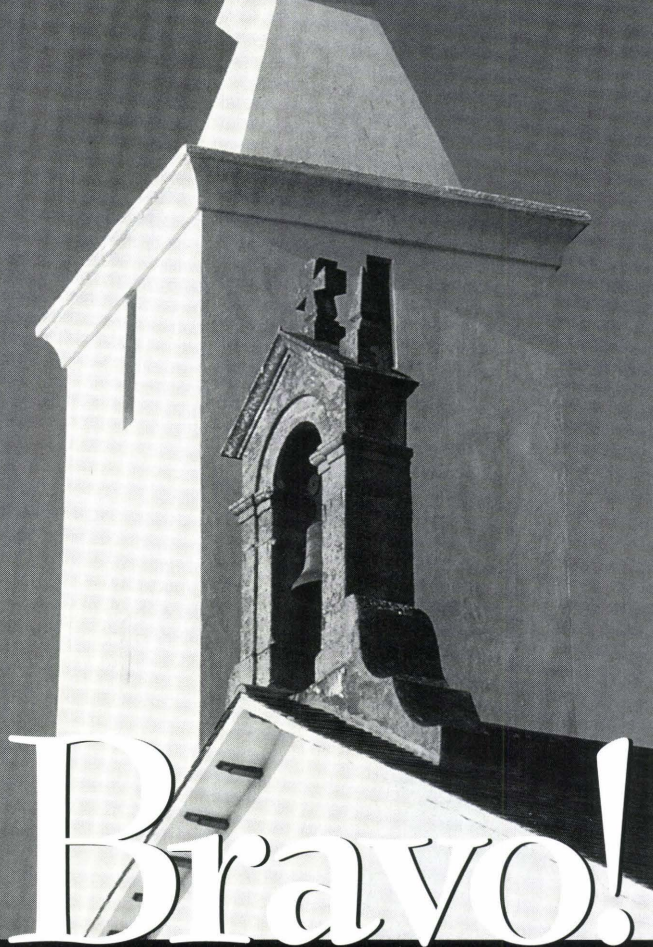
Interspersed with dozens of simple recipes, recounted as would an Italian grandmother, *Under the Tuscan Sun* gives readers the opportunity to bring a bit of Italy back into their kitchens. Readers will find themselves transported on a vivid voyage that leaves them with an acute sense of reentry culture shock each time they put the book down and return to daily life. Frances Mayes is not the only one left yearning for the Tuscan sun. Her readers yearn along with her.

Mayes is but the latest in a very long line of writers to pen Italian memoirs, but her ability to make connections to her readers' lives in simple eloquent prose, sets her book apart from the many memoirs that preceded it.

—Saskia Reilly



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The Beginning of Two Eras: Helmut Kohl (top) in 1982 during his first election campaign for Germany's chancellorship. Gerhard Schröder (bottom) campaigning in this year's election in front of a statue of former Social Democratic German chancellor Willy Brandt.



Yesterday & Today



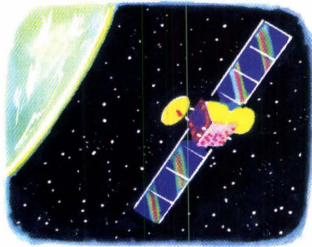
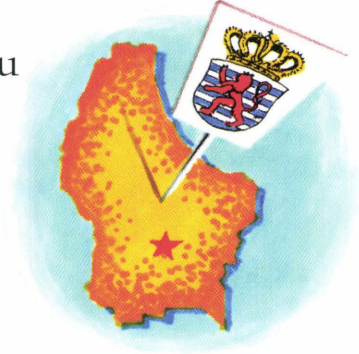


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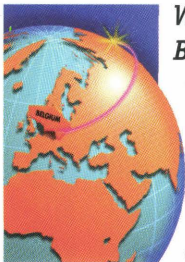
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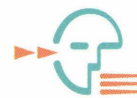
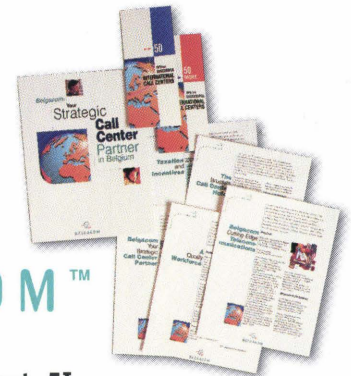
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