

Schröder Era Begins • After Wye, Now What?

European High Technology

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# EUROPE

December '98/January 1999

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Frankfurt (Oder) for Microelectronics



# East Brandenburg

## Daring to be the best!

Either the East Brandenburg region, to the east of Berlin, is on its way to becoming a world leader in micro-electronics, or its main golf course is going to be very crowded!

So certain are local authorities that the region's capital, Frankfurt on the Oder river, is simply THE best location in the world for a microelectronics investment, that they are making a unique offer: prove them wrong, and you win a luxury golfing weekend, including a free training session with one of Germany's top golf pros.

The bold challenge is characteristic of the confident, creative marketing style the region's two-year old Investor Center is using to attract foreign firms. Interested investors are picked up from Berlin-Tegel airport by helicopter to give them a bird's-eye view of an area determined to be a high flyer in high technology.

The red carpet treatment alone is very inviting, but there are other, solid business reasons that make East Brandenburg extremely attractive. Before the re-unification of Germany, the area employed 8,000 people in the research and production of semiconductor elements and integrated circuits. Many members of the local administration, including the mayor of Frankfurt himself, have worked in the field and know first-hand the special needs of the microelectronics industry.

A team of 180 R&D professionals, headed by the American physicist Abbas Ourmazd, have combined their expertise to lead the Frankfurt-based IHP (Innovations for High Performance microelectronics) — and the East Brandenburg region with it — to world prominence. A publicly funded institute with a long-standing reputation for research excellence, IHP has a hands-on, innovative approach, focusing on wireless communication, networking and multi-

media, and using its high-quality research as a means to a practical end: supporting high-tech where it exists, re-igniting it where it once was, and kick-starting it where it is not.

In joint R&D projects with over 30 companies, IHP sends its experts to work on-location with customers for extended periods. Recently, IHP staff volunteered to run a graveyard shift to retrain unemployed engineers in the latest technology. The institute is also experimenting with start-ups and joint ventures in which employees can take personal shares. In response to the increasing interest its work is generating in Germany and abroad, IHP is extending its facilities. Construction has begun on a state-of-the-art clean room and a new institute building.

Martin Wilke, head of the Investor Center of East Brandenburg, considers IHP one of the key attractions of the region: "The new \$200 million IHP facility under construction in the Technology Park is a sign that Brandenburg is serious about re-establishing high-tech here."

Other factors in the region's favor include its proximity to Berlin, the generous financial incentives offered, and the precedent set in Dresden (chosen by Siemens for its new wafer fabrication plant), which has put Eastern Germany on the map as a prime development site for the rapidly expanding microelectronics industry.

And then there is the personal touch, in which East Brandenburg excels. Its inventive advertising campaign has already won a response from over 150 interested companies. Martin Wilke and his team are ready to give each of them a warm welcome, individual advice and assistance along every step of the investment process. One thing they are not planning to do is play a lot of golf!

*"People, power, water: that is what you need in the silicon business, and Frankfurt (Oder) offers them all. Supremely motivated skilled people, eager to succeed, highly cost-competitive, reliable power, and rivers of water. Plus world-class infrastructure and R&D support. Come, and you will get a warm, personal welcome. I know; I have experienced it myself."*

American physicist,  
Professor Abbas Ourmazd,  
Director of IHP (Innovations  
for High Performance micro-  
electronics) in East Brandenburg.

# EUROPE

MAGAZINE OF THE EUROPEAN UNION



10

## GERMANY

**The Schröder Era Begins.** Germany's new red-green government takes shape. *Wanda Menke-Glückert* **10**

**Lafontaine Emerges as Power Broker.** New finance minister and leader of the SPD Oskar Lafontaine is shaping Germany's new government. *Carola Kaps* **12**

**The Greens.** New Vice Chancellor and Foreign Minister Joschka Fischer has led the Green Party into power at last. *Wanda Menke-Glückert* **14**

**The Kohl Legacy.** Helmut Kohl's sixteen years in power left an indelible mark on Germany and Europe. *Lionel Barber* **16**

**Return to Berlin.** The city's Jewish population is growing. *Alisa Roth* **18**

## HIGH-TECH

**High-Tech Titans.** European firms are unveiling twenty-first-century products. *Bruce Barnard* **20**

**Searching for Silicon Success.** European regions are building their own technology centers. **23**

**SAP.** Germany's software powerhouse. *Peter Gwin* **26**

## MIDDLE EAST

**After Wye, Now What?** Charting the road to peace after the Wye River talks. *Martin Walker* **28**

**Interview.** European Union Middle East envoy Miguel Moratinos discusses the EU's role in the peace process. **30**

## TRAVEL

**Potsdam.** Spies, stars, and Sans Souci. *Ester Laushway* **33**

## DEPARTMENTS

**3 Letter from the Editor**

**4 Eye on the EU**

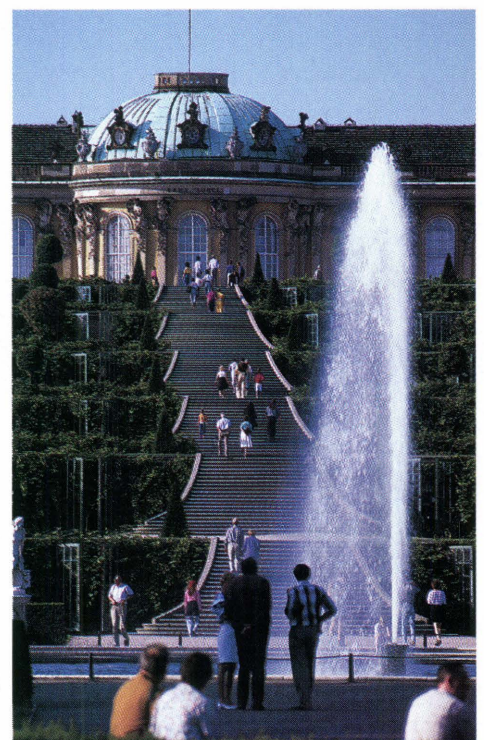
**6 EU On-line**

**8 Countdown to the Euro**

**36 Capitals**

**47 Arts & Leisure**

**48 Yesterday & Today**



33

20



# Letter from the Editor

There's no doubt that Europe's high-tech market is on the verge of explosive growth. The information technology and telecoms market alone will grow by 8.3 percent this year to \$460 billion and by 7.9 percent to \$497 billion in 1999. This is the first time in ten years that it is growing faster than the world average," writes contributing editor Bruce Barnard in his article "High-Tech Europe."

Not only is Europe becoming a major player in the world high-tech market, but its companies are producing their own versions of Bill Gates as proof that they have arrived. Hasso Plattner, co-founder and co-chairman of German software giant SAP is one of Europe's richest men (his 20 percent stake in SAP is valued at nearly \$7 billion). Plattner's company offers a shining example of Europe's new high-tech titans. *EUROPE* profiles SAP, newly listed on the New York Stock Exchange, and discusses how it and other European high-tech firms, such as Nokia, Ericsson, and Vodaphone, are growing rapidly and competing globally.

European regions are attempting to create their own Silicon Valleys. From eastern Germany to Sophia Antipolis in the south of France to Silicon Glen in Scotland, our correspondents report on high-tech regions expanding throughout Europe.

The Schröder era has begun in Germany, but as both of our German contributors point out the man holding the real power in the new government may not be the chancellor. Carola Kaps, correspondent for the *Frankfurter Allgemeine Zeitung*, looks at the new "brash and self-assured Finance Minister Oskar Lafontaine" and his performance in office.

In addition to profiling the power of Lafontaine in the new German government, *EUROPE* presents a detailed look at the new foreign minister, Joschka Fischer, and a history of the Green Party and its extraordinary rise to power as partners with the SPD in the new coalition government.

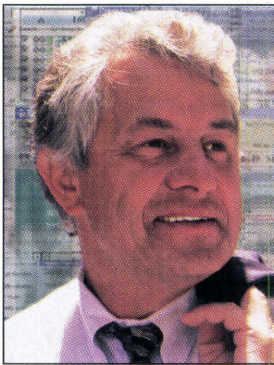
Alisa Roth, a visiting fellow in Berlin, writes about the growing Jewish population in Berlin and how it is transforming the new capital city of Germany.

Miguel Moratinos, the EU special envoy to the Middle East peace process, spoke with *EUROPE* during the Wye River peace talks. He outlines the European Union's growing role in the Middle East.

Ester Laushway, our Paris correspondent, grew up in Berlin and describes how the nearby town of Potsdam has grown into a vital tourist area today.

Lionel Barber, news editor of the *Financial Times* in London and a leading expert on the euro, begins a new column called "Countdown to the Euro" where he will explain the ins and outs of Europe's new single currency.

The *EUROPE* staff wishes all of our readers a Happy New Year.



SAP Co-Chairman and CEO Hasso Plattner

Robert J. Guttman

Robert J. Guttman  
Editor-in-Chief

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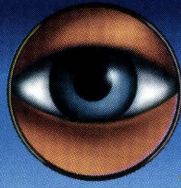
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Reuters has contributed to news reports in this issue of *EUROPE*.

# EYE ON THE EU



Profiling  
Personalities and  
Developments  
Within the  
European Union

**M**ichael Emerson, a fifty-eight-year-old British economist, is a familiar figure on the Brussels scene. For many years, he worked for the European Commission, at one time in the private office of Roy Jenkins, when he was president of the Commission, and subsequently in the directorate-general for economic affairs. Here he was the author of two highly influential reports—one paving the way for the single market, the other for the single currency.

In 1991, he was sent to Moscow as the first ambassador of the European Union to the Soviet Union—and subsequently to Russia. He returned in 1996, when he left the Commission to take up a senior academic post at the Center for Economic Performance at the London School of Economics. This year he returned to Brussels as a senior research fellow at the Center for Economic Policy Studies.

In October, he published a highly impressive book, which within a few days of its appearance had an electrifying effect on Brussels opinion. Released in London by the Macmillan Press and in New York by the St. Martin's Press, *Redrawing the Map of Europe* was immediately sought out by members of

the European Commission. Commissioner Erkki Liikinen, who oversees budget issues, described it as “a very inspiring book. A major intellectual achievement.”

In short, its theme is that it is time for the European

## Redrawing the Map of Europe



Union to think big. Its leaders need to see the entire European continent and its contiguous regions as a pan-European whole, rather than as a series of concentric circles having less and less in common with the core, the existing membership of the European Union. Otherwise, the serious risk exists that the EU's “cosmos” (or center of stability) will be surrounded by a disintegrating area of “chaos” to its east and south.

This area of potential chaos comprises three overlapping regions—the north (Russia, Ukraine, Belarus), the southeast (the Balkans and Turkey), and the Mediterranean countries on its eastern and southern

shores (currently part of the Barcelona partnership process). Emerson believes that their situation—and the EU's—could be greatly improved if, as a first step, they were all to be offered the prospect of membership of a much wider free trade area, with a firm timetable for trade barriers to be removed as each individual partner was ready for it. This all-European free trade area, which would absorb the rump of EFTA, would eventually graduate into an all-Euro-

pean economic area (a single market).

Alongside this, the European Union should take a much greater responsibility for strategic initiatives within this wider area and should extend monetary cooperation and investment initiatives—for example, the Trans-European Networks—beyond the existing boundaries of the Union and its candidate members.

It is difficult to overestimate the importance of his

book. It is based on a deep understanding of the historical, geographical, economic, cultural, and religious roots of modern Europe and the sources both of conflict and integration. He believes that the present configuration of both interlocking and rival organizations to which European nations and their neighbors belong—he lists eighteen different combinations—should be greatly simplified. He also argues that the EU should take the lead role in proposing a more straightforward, coherent, and comprehensive pattern for the new millennium.

The next two years should provide an ideal opportunity for redrawing the map, he argues. In 1999, a new European Parliament will be elected, and it will also be the fiftieth anniversary of the Council of Europe, which has the most comprehensive membership and which, Emerson believes, is undervalued. The Helsinki EU summit in December 1999 will be an excellent occasion for producing a fresh agenda for a wider European order, thus giving a firm mandate to the new European Commission that takes over in January 2000.

Emerson's farsighted but practical ideas are further developed on a Web site ([www.nirvanet.com/en](http://www.nirvanet.com/en) and select Europe from the “Understand” menu) from which a fascinating series of twenty-four colored maps illustrating his thesis may be downloaded.

—Dick Leonard

# DistriPort

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and close to other European  
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goods distribution. Handling  
of high quality steel products  
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# EU ONLINE

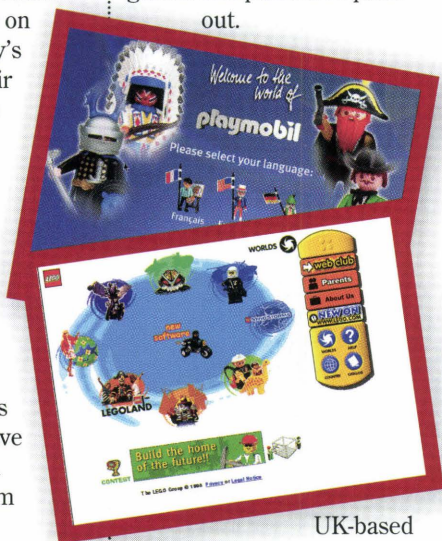
## TOY STORY

Saturday morning television used to be an advertising nirvana for toy makers. Children entranced by their favorite cartoons were inundated with ads for the latest doll or action figure. Thanks to cable, cartoons are on at all hours, and today's kids might spend their Saturdays surfing the Internet instead. Toy manufacturers have also moved to the Web so they can help ensure their newest product makes Christmas wish lists around the globe.

Several of Europe's largest toy makers have come up with colorful sites that aim to inform and entertain. The Swedish toy company Brio features its popular wooden train sets on its Web site ([www.brio.se](http://www.brio.se)). Visitors to the site can find pictures of the interchangeable engines, tracks, bridges, and tunnels that have become a staple of preschool-age childhood over the past forty years. Brio also takes Web visitors on a tour of its Lekoseum, or toy museum, in Osby, Sweden. The fifteen-year-old museum features displays of classic toys, a re-creation of Santa's workshop, and an area for hands-on play with plenty of train sets.

Playmobil ([www.playmobil.com](http://www.playmobil.com)), a twenty-year-old German company that specializes in figures and theme play sets, has a fairly straightforward Web site highlighting its simple one-two-three sets for toddlers as

well as its elaborate dollhouses, farmhouses, or pirate ships for older children. On the practical side, parents can find out where the toys are sold and where to write if parts get lost. The site also aims to attract kids with a few games and puzzles to print out.



UK-based Tomy goes a step further in gearing its Web site ([www.tomy.co.uk](http://www.tomy.co.uk)) to children. Animated sound and pictures feature Thomas the Tank and other Tomy characters moving across a portion of the screen. The site's menu is a musical keyboard that kids can use to play a few one-octave tunes. And there are desktop patterns to download as well as coloring pages to print. Unfortunately part of the "fun" section of the site is a contest only open to British residents.

Kids would undoubtedly give highest marks to the Web site for Lego, the most well-known of the European toy makers. Not only does the site ([www.lego.com](http://www.lego.com)) describe Lego building products—from the simple Duplo to more sophisticated Futuristic World and Technic

World—but it also includes several games, screen savers, coloring sheets, and other activities. Kids can join a Web club that features a personalized home page and e-mails about new toys and events. Lego fanatics can take virtual tours of three Legoland theme parks, one of which is slated to open in California this spring.

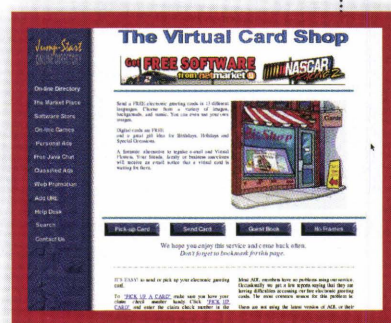
None of these companies delves into the retail end of the business on its Web site. For those who want to buy online, one of the best sources for comparison shopping is Toyzone ([www.toyzone.co.uk](http://www.toyzone.co.uk)). This British site provides a list of on-line toy stores, many of which are based in the United States. It also breaks down toys into a dozen categories and provides links to any related Web sites. A top of the week feature and gift ideas for children age one to ten round out the site. Toyzone's design is a bit jumbled, and its type is too small. But those deficiencies make credible Toyzone's claim that it lists any toy-related link for free, even if the company won't pay to advertise.

## SITE OF THE MONTH: VIRTUAL CARD SHOP

That mid-December rush to the post office to purchase holiday stamps and ensure timely delivery of handwritten seasonal greetings soon may be a thing of the past. Greeting cards have moved into cyberspace with dozens of companies offering virtual cards for any occasion.

Those with friends overseas and foreign-language speakers will enjoy the Virtual

Card Shop ([www.bizshoppe.com/cardshop.html](http://www.bizshoppe.com/cardshop.html)). Visitors choose from twenty languages and are given directions in that language on how to create a card. The first step is to select a picture. Half a dozen examples of art work are on the page, but the Card Shop has links to hundreds of other images for Christmas, Hanukkah, New Year's, birthdays, and other occasions. Visitors also can upload an image from their own computers. After typing in the name and e-mail address of the recipient, users are asked to



write a message and then choose a header for the card, background and text colors, and musical accompaniment. After a preview of the final product, any feature of the card can be changed before sending it.

Recipients do not receive the virtual card, but they get a message that includes a Web address and code needed to access the card. It stays on the Card Shop's server for two weeks, after which it will disappear. The virtual holiday card may be unthinkable to those who painstakingly write messages each year to friends and relatives, but those who think it a chore can save a bit of time and postage.

—Christina Barron



# RHINE-RUHR PORT DUISBURG

## *Bringing the World to Europe*

**G**lobal market forces are uniting the world. Due to the ever-increasing globalization of trade and commerce, market structures and dimensions are changing. In Europe, growing economic and political unification, accompanied by the introduction of a standard currency, are creating the world's largest production and trade market.

To tap the potential of this vast market and also gain access to internal European markets from one efficient location, it is becoming vitally important for non-European companies to be present in Europe.

This is where the Port of Duisburg plays a central role. Located where the Ruhr river flows into the Rhine — Europe's most important waterway — the Port of Duisburg is the geographical and logistical focal point of Europe's largest industrial region, with more than 15 million consumers in a 32-mile radius. As the world's largest inland port, which is also a seaport and a freeport, Duisburg is uniquely placed to link the markets of the world.

Whereas famous seaports such as Rotterdam, Antwerp, Bremen or Hamburg are increasingly dependant on large distribution centers in the hinterland to help them handle the growing number of containers they receive, Duisburg is a universal port, at the junction of major water, rail and road transport modes. In addition, it offers a comprehensive range of services for the storage, processing and distribution of all types of goods, making it the ideal location for accessing and developing European markets.

Rhine-Ruhr Port Duisburg is, in effect, several ports, rolled into one:

- **BulkPort Duisburg** — for bulk goods, the extensive range of services includes large-volume terminals for shipping coal and ore, tank fields for liquid goods such as chemicals and mineral oil products, specialized storage and treatment facilities for alloys.
- **CombiPort Duisburg** — water, rail and road transport modes can be selected and combined in the most favorable form, thanks to three high-performance container terminals, including a station for combined cargo transport, with daily connections to all major European economic centers.
- **SeaPort Duisburg** — because it is that rarity, an *inland* seaport — some 2,000 sea/river ships call at



Duisburg every year and link it directly to approximately 100 other ports in Europe and Northern Africa.

- **DistriPort Duisburg** — seven specialized halls projecting out over the water for the handling of moisture-sensitive goods, regardless of the weather, plus sophisticated distribution facilities ensure that products of all kinds are stored, processed, packaged and dispatched with maximum efficiency to customers throughout Europe.
- **FreePort Duisburg** — for importing high-value goods, the advantages of a tax-free zone located at the heart of the Rhine-Ruhr district are obvious, and are complemented by a range of services that includes warehousing, consigning and value-added processing.

Its versatility and unrivalled location make the Port of Duisburg an excellent site for international investors wishing to establish their company at the center of the European marketplace. Large tracts of land in prime positions are available and can be tailored to the wishes and needs of incoming investors.

The Port Agency of Duisburg is on hand to assist companies, free of charge, with establishing themselves on the European marketplace. It operates as a neutral agency, which places its expert market knowledge at the disposal of all interested investors and puts them in touch with the right contacts so that their plans can be put into action as swiftly as possible.

***THE PORT OF DUISBURG WELCOMES THE WORLD;  
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# COUNTDOWN TO THE EUR

*The first of a series of columns that will report on the implementation of the euro.*

**O**n January 1, 1999, eleven members of the European Union irreversibly fix their exchange rates, signaling the launch of economic and monetary union. It is a giant step into the unknown.

The introduction of the single currency, the euro, will have two powerful and immediate consequences: a shift to a new Europe-wide monetary policy and the creation of a single, integrated capital market.

Once euro notes and coins become the norm—officially in 2002 but possibly sooner—a third consequence will come about: the completion of the European single market, with dramatic effects on business and finance.

In political terms, EMU marks a decisive step toward greater pooling of national sovereignty, notably in macroeconomic decision-making. The creation of the European Central Bank in Frankfurt puts monetary policy in the hands of a new supranational institution, ending the de facto hegemony of the Bundesbank in Germany.

The ECB—under the guidance of its Dutch president, Wim Duisenberg—has already aggressively asserted the independence that is guaranteed under the 1992 Maastricht Treaty, insisting on its rights to direct euro exchange rate policy vis-à-vis the dollar and yen.

In the new, post-EMU world, many observers expect euro zone governments

to reassert a degree of political control over macroeconomic policy rather than allowing all power to remain in the hands of the independent professionals. This trend toward creating a political counterweight to the ECB is likely to be even stronger now that left-wing governments are in control in France, Germany, and Italy.

Achieving a sensible balance of power between the ECB and euro zone governments will be crucial to the stability and credibility of the euro, which is often tipped as a long-term challenge to the role of the dollar as the world's reserve currency.

An immediate question is whether the post-EMU order will undo some of the uneasy compromises reached at Maastricht. By far, the most important is the deal whereby monetary policy was handed over to the ECB, but fiscal policy remained under national control.

Fiscal policy is subject to the rules of the German-inspired stability and growth pact, which provides for sanctions against fiscal indiscipline. However, pressure for a more generous interpretation of the rules is already building up in reaction to the threat of global deflation. Meanwhile, some observers predict that a

degree of tax harmonization may be necessary to counter excessive tax competition in the euro zone—a theme reiterated at the October EU summit in Vienna.

In financial terms, the ECB's common monetary policy will contribute to the creation of a single, closely integrated capital market. A common currency will create a common pool of capital. The resulting greater liquidity ought to make it easier for private borrowers to issue debt and gain access to cross-border capital.

the new blast of competition is likely to herald a new wave of cross-border mergers. National stock markets, currently numbering more than twenty in the EU, will consolidate, most likely around a new axis dominated by the City of London and Frankfurt.

In terms of the ordinary consumer, the introduction of the euro will lead to greater price transparency. Because euro notes and coins are not due to enter circulation until early 2002, retailers seem unlikely to shift their prices until the last moment. However, once the shift does take place, consumers will have a huge incentive to hunt for lower costs.

The absence of currency barriers will also encourage consumers to move across borders, spurred by technological innovation, such as purchasing via the Internet. Companies that fail to seize the opportunities proffered by the new injection of competition into the single European market will fall by the wayside.

In the last resort, EMU is a tremendous catalyst for change. It will also increase tensions between companies, between governments, and between organized interest groups. These could grow if, as some fear, the initial impact of the euro could be an increase rather than a decline in Europe's chronic levels of unemployment.

—Lionel Barber

**COUNTDOWN  
CALENDAR**  
731 days until euro  
notes and coins are  
introduced  
912 days until  
national currencies in  
the euro zone will no  
longer be legal tender

*\*dates calculated  
from January 1, 1999*

Similar changes will take place in European equity markets. Many predict the emergence of a "super-league" of blue-chip European companies. Their share prices will be denominated in euros; their tax treatment will be more common.

For financial institutions,

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Furthermore, the State of Bremen can provide an incubator system via the World Trade Center Bremen, which is operated by BBI Bremen Business International.

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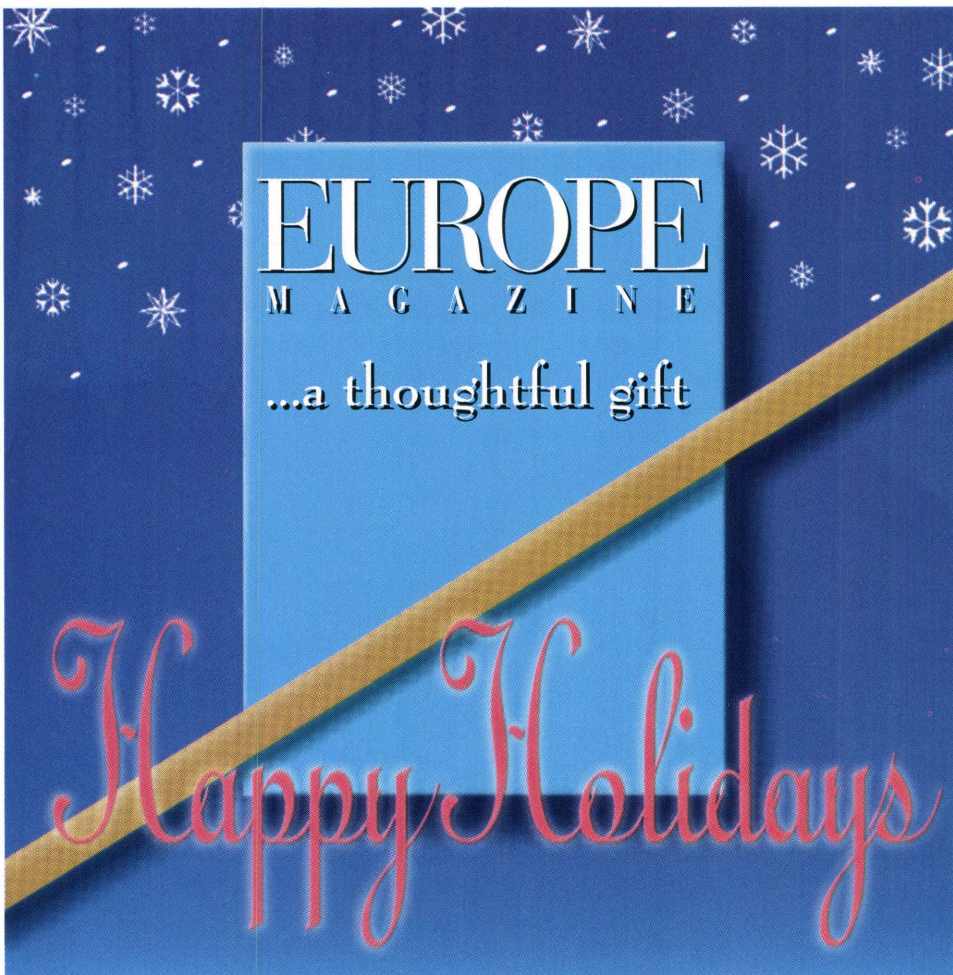
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GERMANY

# The Schröder Era Begins

By Wanda Menke-Glückert

On March 31, the renovated Reichstag will become the Bundestag's new home, returning Germany's seat of government to Berlin. Designed by architect Paul Wallot, the landmark Reichstagsgebäude (Reichstag Building) was built between 1884-1894.

**T**he September 27 election victory by Gerhard Schröder and his coalition of Social Democrats (SPD) and environmental Greens marks Germany's first red-green government at the national level and the first to be composed entirely of left-of-center parties. The new government now controls a strong majority of twenty-one seats in the Bundestag, the lower chamber of parliament, to go with the SPD's existing control of the Bundesrat (the upper chamber).

Before the elections, the Kohl government had failed to pass an extensive package of reforms because of SPD's control of the Bundesrat. Since Schröder's government faces no such legislative obstacles, it is expected to pass its own reform program that will

first target Germany's record 10 percent unemployment.

Schröder's cabinet consists of fifteen ministerial posts (one less than Kohl's) of which three are held by the Greens (foreign ministry, environment, and health). Schröder promised in his election campaign that he would not change everything inherited from Helmut Kohl's center-right government. Rather, he promised that he would "do it better" and that there would be more social justice. However, the fifty-page, red-green coalition program suggests that the changes may prove to be less effective than expected. In particular, the proposed tax plans have upset the corporate sector. Small and medium-sized business owners are especially upset and claim that the plans, if implemented, would kill jobs and frighten investors.

Political analysts say the tax plans bear the stamp of Oskar Lafontaine, the SPD's party leader and Schröder's finance minister. Indeed, many see Lafontaine as the government's behind-the-scenes powerbroker. His stocky stature and authoritarian approach to running his small home state of Saarland earned him the nickname the "Napoleon of the Saar."

Lafontaine has been a popular and controversial figure throughout the decade. He has survived an assassination attempt, a devastating election defeat to Kohl in 1990 (in which the SPD secured its lowest share of the vote since 1957), a scandal over his pension, and media attacks on his "champagne socialism" lifestyle. In 1995, his brilliant oratory led a large majority of delegates at the SPD party congress in Mannheim to dump their weak leader,

Rudolf Scharping, and elect him party leader. In doing so, Lafontaine outmaneuvered the ambitious Gerhard Schröder, then prime minister of Lower Saxony, who made no secret of his desire to replace Scharping. Since then, he has been a major voice of opposition to the Kohl government's economic reforms, preaching instead Keynesian policies and workers' rights.

However, Lafontaine's interventionist style appears to have cost Schröder at least one important ally. Jost Stollmann, a computer entrepreneur without political affiliation, was recruited by Schröder last June to become minister of economics. For many electors, Stollmann was the symbol of Schröder's "new center," and many entrepreneurs voted for the SPD for the first time because they considered Stollmann one of

their own. However, after the election, he suddenly backed out, complaining that "the modernizers" in the SPD, such as Schröder and his adviser Bodo Hombach, "were not strong enough" to prevent key responsibilities of the economics ministry from being transferred to a strengthened finance ministry headed by Lafontaine. Stollmann, an outspoken free market advocate, said that a ministry deprived of these responsibilities could not succeed in reducing Germany's 4 million jobless. He also said he could not identify with essential parts of the tax reform that he believed were anti-employment and anti-investment.

"At the moment, it is Lafontaine who determines the policy of the new government; he also dominates many personnel decisions," Stollmann said in an interview with *Die Welt*. He said he hoped for a strong future chancellor who would be able to change the present course and that he was "full of worries" about the present development.

Schröder defended Lafontaine's plans for a more powerful ministry, say-

ing he had long believed it should have similar powers to those held by the United Kingdom's treasury and France's finance ministry. When Stollmann bowed out, Schröder appointed Werner Müller, initially slated to be the energy adviser, to head the economics ministry. Müller says he is qualified for the new task, but he would have preferred to "remain the gray eminence in the background."

The ambitious Lafontaine achieved at least part of his plan to shape the post-Kohl political landscape when he forced Rudolf Scharping, his predecessor as SPD party leader, to quit the powerful position as head of the SPD's parliamentary group to become defense minister. However, Lafontaine failed to secure the job of Bundestag floor leader for Franz Müntefering, who was the SPD's secretary-general. Schröder ruled that Müntefering would serve as transportation and housing minister and Peter Struck would succeed Scharping. Lafontaine also tried and failed to appropriate the European portfolio from the foreign ministry. The Green Party's Joschka Fischer, the vice-chancellor and foreign minister, was assured by the SPD that he would have full responsibilities as foreign minister.

European portfolio or not, many political observers say Lafontaine will play the essential role in shaping Germany's European policy. The French press agrees. *Le Monde* wrote "there is no doubt" that the SPD leader will play a prominent role in Schröder's government and in the European Union. *Le Figaro* commented that "it is Lafontaine" who will conduct the new Germany's European policy at a time when Germany will preside over the introduction of the euro. Lafontaine has already called for lower interest rates to spur growth and relieve unemployment, a rare stance in a country where the public shares the central bank's fear of inflation and pride in a strong currency.

The future stability of the government will very much depend on the extent to which Schröder and Lafontaine will be able to bury their differences as well as they did during the election campaign. Now, however, both deny any such differences exist. ☹

*Wanda Menke-Glückert is EUROPE'S Berlin correspondent.*

#### GERMANY'S NEW GOVERNMENT (Front row left to right) Overseas

**Development:** Heidemarie Wieczorek-Zeul, SPD, 56-years-old, **Education:** Edelgard Bulmahn, SPD, 47, **President:** Roman Herzog, **Chancellor:** Gerhard Schröder, SPD, 54, **Vice-chancellor and Foreign Minister:** Joschka Fischer, Greens, 50, **Interior:** Otto Schily, SPD, 66, **Justice:** Herta Däubler-Gmelin, SPD, 55, (Middle Row) **Housing and Transport:** Franz Müntefering, SPD, 58, **Health:** Andrea Fischer, Greens, 38, **Chief of Staff:** Bodo Hombach, SPD, 46, **Finance:** Oskar Lafontaine, SPD, 55, **Environment:** Jürgen Trittin, Greens, 44, **Defense:** Rudolf Scharping, SPD, 51, **Family, Seniors, Women's, and Youth Affairs:** Christine Bergmann, SPD, 59 (Back Row) **Labor and Social Affairs:** Walter Riester, SPD, 55, **Agriculture:** Karl-Heinz Funke, SPD, 52, **Economics:** Werner Müller, no party affiliation, 52





Oskar Lafontaine, the SPD's party leader and Chancellor Schröder's finance minister.

# Lafontaine Emerges as Power Broker

By Carola Kaps

Whatever one might think about the new German government of Chancellor Gerhard Schröder, one thing seems certain: Boring it is not!

Never before has a newly elected government been bombarded with as much criticism right from the start. The first 100 days are not yet completed, but there is hardly a group that has not raised its voice in anger over disappointing tax proposals or the lack of meaningful structural reforms. Even the unions are not fully satisfied the way things are going. Business confidence

is down, and the "five wise men"—the Council of Economic Advisors—have just published in their latest assessment of the state of the German economy a rather devastating analysis of the governments' policies or the lack thereof.

Thanks mainly to the brash and self-assured finance minister, Oskar Lafontaine, the world was treated to a rather astonishing opening performance. Within days after the election and even before his official confirmation, the former governor of the Saarland and head of the Social Democratic Party (SPD) had taken on such revered

institutions as the Bundesbank and the European Central Bank (ECB), by openly criticizing their prime focus on price stability in view of the unacceptable high unemployment rates in most of the European member states. It is imperative, he said, that the Bundesbank should lower interest rates immediately and that the ECB should consider such a move right after the start of the European monetary union early next year. Lafontaine did not hesitate to remind the two monetary institutions that their highly treasured political independence was by no means sacro-

sanct and that even independent Central Banks could not and should not move in a political vacuum.

He did not stop there. In another startling move, he called for the introduction of exchange rate target zones for dollar, yen, and euro, as well as capital controls to end the "casino character" of the international financial system. At the same time, he promised more fiscal spending to spur internal and global growth, seemingly oblivious to the fiscal stability pact that his predecessor had painstakingly negotiated to secure fiscal discipline in "Euroland." The new finance minister even openly challenged the stability pact by urging the other EU member states to join forces with Germany in the creation of a public spending program for the sake of creating jobs and cutting unemployment.

However, instead of earning the applause of an increasingly social democratic Europe, as Lafontaine might have hoped for, he was flooded with criticism. Not only did the Bundesbank, the ECB, and the German public react in anger and anxiety, concern was raised as well in Brussels, Paris, London, and Rome. Despite all the talk about "new center" politics coming out of London with an eye on the social democratic

condition for exchange rate stability. Any intention to fix target zones without reasonable convergence of the real economies would be comparable to building "castles in the air," explained Lafontaine to a rather astonished press corps. Similarly, he said, he had never doubted the Bundesbank and its conduct of interest rate policy nor had he questioned its independence. Naturally, the press had misquoted and misunderstood him and had misrepresented his reasoning, he explained. He claimed, the same applied to his position toward the ECB. There had never been any doubt, that he applauded the interest rate convergence taking place on the European level and sees it going in to the right direction. He had only suggested European finance ministers had the right to question the interest rate policy of the ECB should they think a lower rate was called for and to discuss with them the right policy mix for promoting robust growth and employment.

Again, Lafontaine did not stop there. In a sudden change of heart, he even stated that the pressure on public sector finances in Europe has increasingly reduced the possibility of using fiscal policy to combat unemployment. Moreover, after having called for hefty

tacks were counterproductive and have hurt his goals instead of furthering them. By retreating for now, toning down his rhetoric, and making pronouncements that sound mainstream, he can improve the working relationship with his fellow finance ministers within Euroland and the G7, all the while waiting for the chance to push his true agenda of target zones and demand-driven policies. His recent encounter with his Italian counterpart Carlo Ciampi, where both politicians resumed their call for more fiscal flexibility within the euro zone, seems to prove the point.

This tack is rather unfortunate because Mr. Lafontaine is by far the most powerful figure in the cabinet of Chancellor Schröder. Some even say he is the true chancellor, and Mr. Schröder, despite all the harsh criticism directed at Lafontaine, did not exercise his power to put down strong economic policy guideposts in his inaugural address. Instead, as a commentator in the *Frankfurter Allgemeine Zeitung* wrote, his economic policy is neither red nor green, nor right nor left, rather it is an accumulation of gimmicks, of contradictions, a shopping bag of interventions for the sake of income distribu-

## Mr. Lafontaine is by far the most powerful figure in the cabinet of Chancellor Schröder.

soul mates in Washington and Bonn, the UK prime minister wasted no time to shoot down Germany's call for concerted fiscal expansion by emphasizing that he was all for it as long as it did not endanger British competitiveness. Even in official Washington, which quite often finds the Bundesbank too orthodox in its single-minded concentration on price stability, eyebrows were raised and questions asked. "We do not have any concerns with Joschka Fischer, the minister of foreign affairs from the Green Party, but Oskar Lafontaine troubles us," said one high ranking government official not long ago.

The rain of criticism from everywhere has certainly caught Lafontaine by surprise. However, being highly intelligent and a quick study, the trained physicist has changed course with surprising speed. After only one month in office, he already sings a different tune. He emerged from the recent Franco-German summit in Bonn emphasizing the need for more convergence as pre-

increases of the purchasing power and supporting huge pay demands by the unions, Lafontaine now is warning against wage increases that would exceed productivity improvements. He stepped back as well from his attacks on the stability pact, which he now pledges not to question when the European monetary union begins in January.

Is this astonishing Saul-to-Paul transformation for real? Or is it just a tactical retreat, cleverly orchestrated by a clever politician who only a week ago seemed to be one of the few Schröder cabinet members with deep convictions? It is difficult to believe that the man who together with his economist wife authored the book *Do Not Fear Globalization*, in which he clearly expressed all these beliefs, should have changed his views so dramatically in such a short time. Rather, it seems he has met reality and, like every good politician, has reacted in a flexible way without giving up on his core convictions. He has recognized that his at-

tion, in short, a policy that will not lead to more dynamism and meaningful employment, but will make Germany less, not more, attractive for investment.

Consequently, Mr. Lafontaine has all the room he needs to run with the economic policy, as his highly controversial tax reform package underlines. Nevertheless, some observers believe, a fight between Mr. Schröder and his finance minister is inevitable, even more so because the Greens are much more progressive in their economic thinking than Mr. Lafontaine and will eventually demand changes toward a more pronounced supply policy. One is tempted, therefore, to interpret the rather curious news out of Bonn that Mr. Lafontaine might be considered as candidate for the presidency of the European Commission as a cautious first try to promote him elegantly out of the government. ☐

*Carola Kaps is the Washington correspondent for the Frankfurter Allgemeine Zeitung.*

The

# Greens

FOREIGN MINISTER FISCHER PUTS NEW FACE ON PARTY



By Wanda Menke-Glückert

Joschka Fischer at the Green Party Congress in October.

**A**lthough the Green Party scored only 6.7 percent of the vote or forty-seven seats in the Bundestag (two seats less than in 1994), they hailed the outcome as an “historic turning point.” Indeed, when Gerhard Schröder, the SPD’s victorious candidate for chancellor, declared that “the logical consequence of the national election results is a red-green coalition,” it marked an important achievement for the party that began as a radical 1970s grassroots movement.

Moreover, it is the first ‘red-green’ coalition (referring to the coalition partners’ symbolic colors) to govern Germany at the national level and the first time a “green” party has gained significant representation in any of the major Western governments.

To get to this point, Germany’s Green Party has shed much of its radical image and has even shared power with the SPD in state (Hesse, Lower Saxony, Hamburg, North-Rhine-Westphalia) and municipal governments. However, mainstream political leaders worry that the Greens would introduce

a factor of uncertainty. The Green parliamentary group is dominated by the party’s pragmatic faction, known as the *realos* (as in realists), led by Joschka Fischer, the vice-chancellor and foreign minister in the Schröder government. The Green rank and file, who have a big say in party decisions, however, is dominated by the *fundis* (as in fundamentalists) and are more left wing. Any coalition agreement would have to be passed by a national Green Party conference.

Perhaps the most important question surrounding the party is just who are the Greens? In fact, the Green Party has



siphoned supporters and members from all parties but especially the SPD. They have appealed to the young generation and first-time voters, making their mark with unconventional dress, maverick political behavior (such as their rather impractical and since-abandoned system of exchanging their Bundestag deputies at mid-term), and a spate of unorthodox—at times outlandish—programs, policies, and theories.

Such is the legacy of the political party that began as a movement against German politics in the 1970s. When the Green movement became the Green Party in January 1980, it was the anti-party, a ragbag of feminists, pacifists, communists, neutralists, and nationalists who had strong notions of what Germany should *not* be—not tied to the Atlantic Alliance, not defended by nuclear missiles, not driven by capitalist greed, not dependent on nuclear energy.

In the early radical days, no one was better suited to lead such a loose band of apostates than Petra Kelly—a blond, frail-looking, and immensely charis-

by importing the phrase “grass roots democracy,” she showed a young generation of Germans how to clamor for greater distance from the US without using taboo expressions like “German nationalism.”

During this period, many West Germans changed their minds about American influences, and Petra Kelly with her photogenic good looks and fluent English became their enigmatic star. When NATO decided in 1979 to modernize its nuclear arsenal in Europe, Petra Kelly was largely responsible for shifting the Greens’ focus beyond ecology to unilateral disarmament, neutralism, and anti-nuclear energy. The Greens under Kelly turned the European peace movement into a genuine political force.

There were, however, other voices within the Greens. Where Petra Kelly and other fundamentalist Greens, or fundis, favored an unwavering approach to attaining the party’s goals, a wing of moderates, or realos, favored a more pragmatic approach. This group included Joschka Fischer.

In 1982, Fischer, then thirty-four, joined the Green Party. With his special knack for articulating the party’s zeitgeist, he quickly rose through the ranks to become the Greens’ leader and a strong opponent of Petra Kelly. To get to that point, Fischer had undergone a remarkable metamorphosis. The son of a butcher, he had not finished high school. By the early 1970s, he was living in a commune in Frankfurt, voraciously reading German philosophers, and working with members of a militant libertarian revolutionary group. He took part in demonstrations and street battles. While working at the Opel car factory, he tried to foment a revolt among his fellow workers and was abruptly dismissed. He became a taxi driver. Eventually his passion for books led him to work in Frankfurt’s Karl Marx bookstore.

According to Christian Schmidt, author of a recent biography about Fischer and his Frankfurt gang, “Fischer represents a whole generation of Germans who were students with revolutionary thoughts who have become dentists and lawyers. At root, he is a highly gifted opportunist who has come to believe in the virtues of reliability.” The experience of power—he was elected to the Bundestag in 1983 and

was the first Green environment minister in the state of Hesse between 1985 and 1987—completed his conversion to the merits of compromise. In his book *Reconstructing the Industrial Society*, Fischer concedes that “environment policy alone is no longer sufficient. The industrial society in its good and bad sense is our fate.”

When he first entered the Bundestag fifteen years ago, Fischer wore jeans and sneakers and called his fellow deputies alcoholics. He is now more commonly seen wearing traditional suits and loafers. Furthermore, he has swung the Greens behind the European single currency to be launched in January 1999 and sending peacekeeping troops to Bosnia.

However, the Green Party still suffers from factionalism and sometimes supports radical policies—some more popular than others. Shortly before the general election, the Greens produced a series of gaffes that cost them support among the voters. A party congress in March proposed tripling the price of gasoline to more than \$10 per gallon and withdrawing Germany from NATO. The Greens also shocked a travel-crazy nation by suggesting that Germans should fly only once every five years and that speed limits should be set on the autobahn. Jürgen Trittin, then the party’s spokesman and now Schröder’s environment minister, provoked further outrage by comparing Germany’s conscript army with Hitler’s *Wehrmacht*. Fischer and his pragmatic allies among the realos were caught off guard, but they succeeded in forcing the unpopular manifesto to be withdrawn.

The Greens’ history is plagued with such missteps. In 1983, despite gaining parliamentary seats in the Bundestag, the party suffered from crippling divisions between the moderates and radicals. In 1990, they lost all their seats when they were the only party to oppose the country’s reunification. However, perhaps the biggest turning point for the party occurred in 1992, when Petra Kelly was tragically killed. The fundis lost their powerful voice, and the realos, who wanted power and were eager to take part in actual policymaking, gained the upper hand. Nevertheless, Kelly’s creed, “a world free from masculine, patriarchal, and nuclear ideas,” still defines the ideology that holds the Greens together. ☺



**Petra Kelly brought the Green movement to international prominence in the late 1970s.**

matic young woman who was educated in the United States. As a student in the US during the late 1960s, Kelly had witnessed the race riots, anti-Vietnam protests, and political assassinations that defined politics for a generation in the US and proved decisive in her disenchantment with America. She occupied buildings at American University in Washington, DC, marched for civil rights, and generally became aware, as she put it, of America’s “ugly realities.” “I didn’t get my ideas here in Germany,” she said, “I got them there and brought them back with me.” Similarly,

# The Kohl Legacy

By Lionel Barber

The long reign of **Helmut Kohl** is over. His crushing defeat in September's general election ushers in a new generation of leaders in Germany and removes the dominant statesman in Europe.

Known as "Bismarck in a cardigan," the straight-talking Mr. Kohl will be remembered as the man who unified his country and who worked tirelessly to build a more integrated Europe in which Germans would feel prosperous and secure.

He was a towering figure—a big man with a big appetite for food and power. He could intimidate opponents, but he was also a man of peace. Few will forget the image of the chancellor walking hand-in-hand with former French President François Mitterrand on the battlefield of Verdun where several hundred thousand soldiers died in World War I.

Mr. Kohl had a fine grasp of grand strategy and an acute sense of timing. Sometimes patience bordered on prevarication. He dawdled instead of tackling the high-cost, gild mentality in the German economy; but his visionary

qualities came to the fore in the field of foreign policy. His triumph was German unification.

Mr. Kohl had never hidden his belief that, one day, Germany would be reunited between capitalist West and communist East. However, like his fellow countrymen, he doubted if this could take place during his lifetime. His historic achievement was to bring about unification on peaceful terms, thanks in large part to the trust that he built up with the two leaders who mattered most: President George Bush and Soviet Premier Mikhail Gorbachev.

On the first count, Mr. Kohl was able to draw on the credit he gained from a risky political decision he made shortly after coming to power in 1982. He faced down the pacifists in Germany and deployed Cruise and Pershing nuclear missiles to counter the SS-20 missiles that the Soviet Union had moved

into Eastern Europe. Mr. Kohl understood that deployment was vital to preserve the credibility of deterrence inside the NATO alliance and to force the Soviets back to the arms negotiating table.

The strategy worked. By the end of the 1980s, the Soviets were clearly overextended in Eastern Europe and a reform-minded Mr. Gorbachev was ready to strike a deal. In return for a loosening of Soviet control over its satellites, the Soviet leader hoped to secure massive Western aid to buy time to modernize and preserve the communist system at home.

Apart from one uncustomary lapse, when he likened Mr. Gorbachev's presentational skills to Joseph Goebbels, the master Nazi propagandist, Mr. Kohl grasped that the West held the upper hand and that, under the right circumstances, German unification was within



Helmut Kohl and French President François Mitterrand (left) created a powerful image of European unity when they walked hand in hand during a memorial service at Verdun.

the lack of economic convergence between northern and southern Europe. He viewed monetary union almost exclusively in political terms: a once-in-a-generation opportunity to bind Germany into an irreversible process of European integration.

Mr. Kohl's focus on Europe and the euro paid off. On January 1, 1999, eleven members of the European Union will launch EMU on schedule—a genuinely historic event. Yet, the irony is that both his greatest triumphs—EMU and German unifica-

tion—contributed to his downfall in last September's election.

First, Gerhard Schröder, the new Social Democrat chancellor, skillfully exploited Mr. Kohl's lack of interest in economics and his disregard for detail to portray a man out of touch and incapable of delivering change.

Second, the crucial battleground turned out to be in former East Germany. Eight years ago, Mr. Kohl's Christian Democrats won 40 percent of the vote on the back of promises to deliver "blooming landscapes;" but support collapsed in 1998 as disillusioned voters turned to the SPD and the PDS, the former communists.

Like so many powerful leaders, Mr. Kohl may have clung to power for too long. Nevertheless, his legacy is assured. Europe will miss Helmut Kohl. ☹

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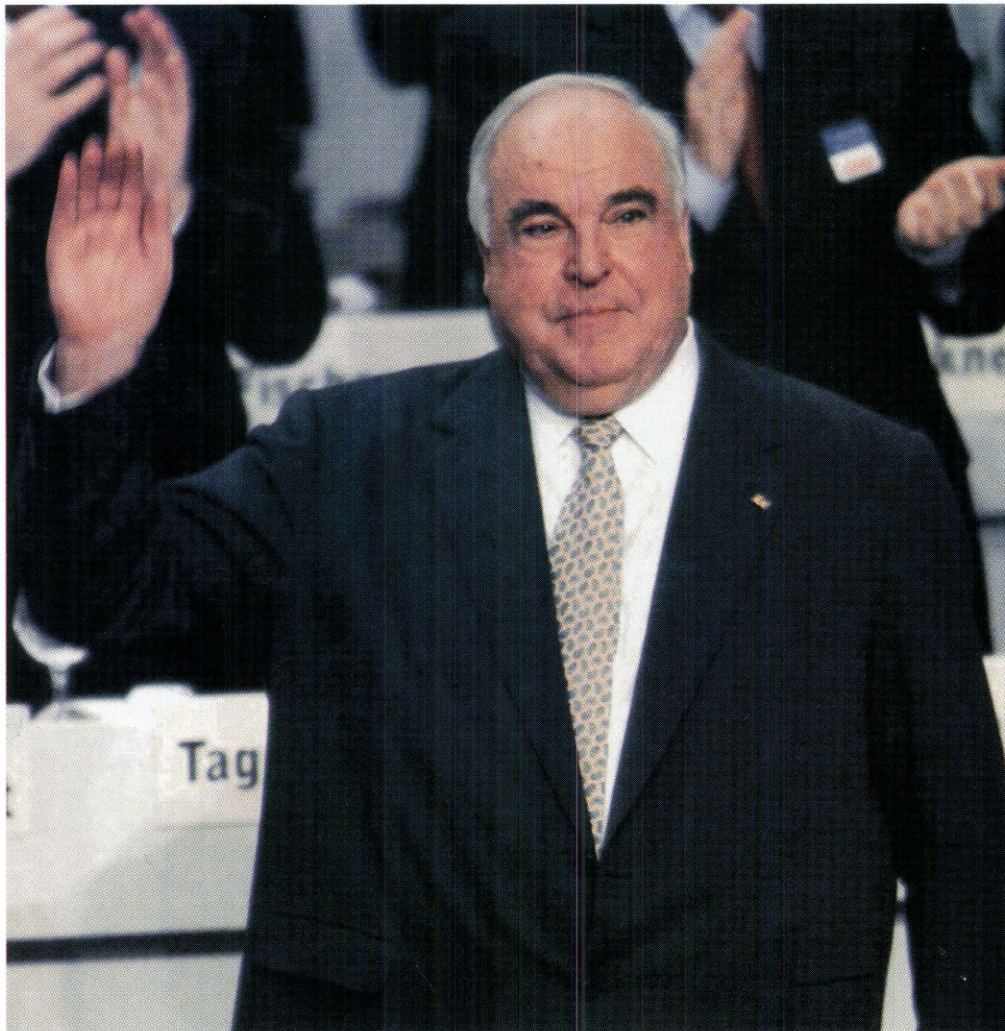
*Lionel Barber, based in London, is a EUROPE contributing editor and the news editor of the Financial Times.*

reach. In late 1989, after the fall of the Berlin Wall, he moved with remarkable speed and decisiveness. With US help, he overcame the opposition of the French and British. He finally sealed the deal after a lightning trip to the Caucasus, where he sat by a river to talk about "God and the world" with Mr. Gorbachev.

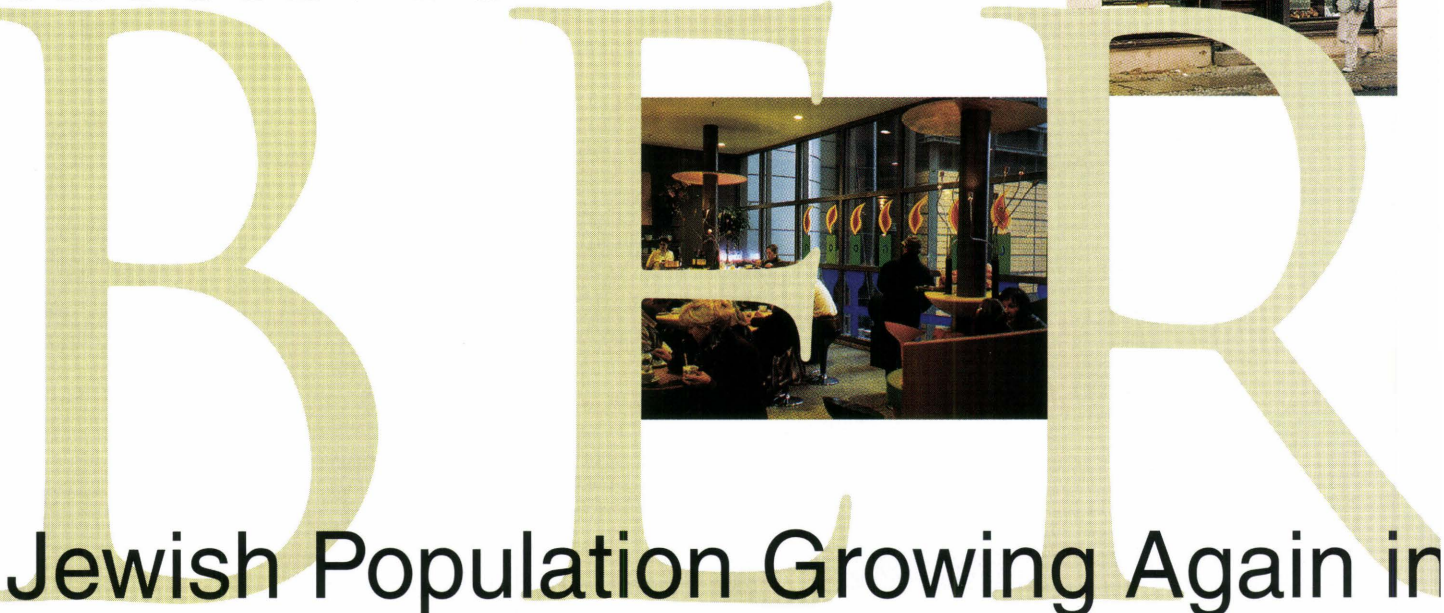
Mr. Kohl was happy to pay a price—almost any price—for the unification of Germany. First came his pledge to exchange near worthless East German marks for rock-solid D-marks at a one-for-one rate for wages, pensions, and rents. The decision, which forced most of East German industry into bankruptcy, was accepted reluctantly by the Bundesbank but pushed through as a political imperative.

The second move was to accelerate momentum toward greater political and economic integration in Western Europe, notably through the creation of a single European currency and the surrender of the D-mark, the symbol of postwar German stability and prosperity. For France, economic and monetary union (EMU) was the implicit price for accepting a more powerful and united Germany. Mr. Kohl—magnanimous in victory—agreed.

EMU became Mr. Kohl's monument for the twenty-first century. He was uninterested in the economic pitfalls, such as Europe's inflexible labor markets or



## RETURN TO



# BERLIN

## Jewish Population Growing Again in

Georgi Fogel chose a momentous day to move to Berlin. On November 9, 1989—the day the Berlin Wall fell—the Russian Jew decided not to go back to his Moscow home.

“I had wanted to go away for a long time,” he says, sitting in a stylish cafe in former West Berlin. “It wasn’t economic, though. My salary was good. I just didn’t feel at home in the Soviet Union.”

“There was always anti-Semitism [in Russia],” he explained. “In communist times, it was almost official.”

Thousands of Russian Jews have followed suit since then, almost doubling Berlin’s Jewish population to about 12,000 people. Their interest in Judaism, both cultural and religious, has resulted in a vibrant Jewish community the likes of which has not been seen in Berlin since the 1920s.

The Jüdische Gemeinde Berlin [the Berlin Jewish Community] now supports six synagogues, two full-time rabbis, a school for kindergarten through twelfth grade, an old-age home, an active adult education program, and a large youth group.

There are several kosher grocery stores, a Jewish bookstore, a number of Jewish and Israeli-style restaurants, and a variety of Jewish discussion and support groups. The recent first performance of a newly formed Russian-Jewish orchestra drew large crowds.

Berlin Jews are quick to point out that this community does not compare

to the nearly 200,000 Jews who lived in Berlin before Hitler came to power in 1933. Nonetheless, it is the first time since World War II that there has been a significant Jewish presence in the city.

The new generation of Jews has a different attitude toward its identity, one that doesn’t depend on acceptance by mainstream society, says Rudiger Mahlo, a member and former head of the Berlin Jewish Youth Group.

“The young don’t want to hide their Jewishness anymore,” he said. “If you have a problem with the Jews, then it’s your problem, not my problem.”

Second and third generation Holocaust survivors are returning to the religion renounced by their parents, said Rabbi Ehrlenberg of the Orthodox Joachimstalerstrasse synagogue in former West Berlin, adding that he regularly sees more than 150 people at his Friday night services.

Even as German Jews criticize the Russians for being “less Jewish,” the Russian influence is omnipresent in the community. At Saturday morning services, the prayers are chanted in Hebrew and the sermons delivered in German, but the conversations afterwards are all in Russian. The bulletin boards at the Jewish community offices are filled with announcements in Russian; the community’s slick monthly magazine is written in German and in Russian. The canteen in the Centrum Judaicum, the rebuilt main synagogue and home to an archive and the offices

of the Jewish Community of Germany, serves Georgian food to the mostly Russian office workers.

While some German and longer-established Russian Jews complain about the Russian presence, others feel that it is just another stage in the community’s evolution.

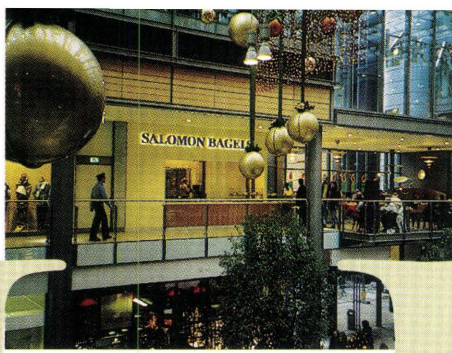
“Throughout the centuries, the [Berlin] Jewish community has lived from two sources,” said Jewish Community president Andreas Nachama. “It’s always been a combination of those who were [already] here and those who joined.”

Besides the obvious irony of Jews seeking asylum—and thriving—in Germany, there are other, more subtle ironies as well. Despite its tremendous growth, outward signs of the community are few. It is rare to see skullcaps or other signs of the faith in public. Mezuzas are placed inside doorframes, not outside. After services, prayer books and prayer shawls are carefully stowed in purses and bags for the walk home. Even the synagogues are hard to find—it is usually only the green-uniformed police officer uninterestedly standing guard, who identifies the unmarked buildings as houses of worship.

Georgi Fogel says that although Germany is much better than Russia, he still doesn’t feel like he belongs here.

“I feel like a Russian Jew living in Germany who wants to move to the States,” he says with a sad smile.

In the meantime, Jewish issues have



# Germany's Capital

By Alisa Roth

come to hold a high profile in German politics. Arguments over a proposed Holocaust memorial for Berlin have raged unresolved for several years and were even part of the debate in this year's federal elections. Federal, state, and city politicians were in obvious attendance at a Jewish New Year's party thrown by the German Jewish Community in September. Moreover, filmmaker Steven Spielberg was recently awarded the Bundesverdienstkreuz [the German medal of honor] for his movie *Schindler's List*.

"Sometimes I wonder why I should speak, if it's not even a Jewish event," said Nachama, who says that he and German Community president Ignatz Bubis are asked to speak at almost every major public event.

However, it's not just the politicians who are occupied with Judaism. The cover article of a recent edition of the Berlin city magazine *Zitty* talked about "Trendy Judaicum," the perceived hipness of things Jewish. It questioned the appropriateness of Jewish studies being offered to almost uniformly gentle German university students, of Germans eating "Jewish food" in popular Berlin restaurants, and non-Jews playing klezmer music—for mostly non-Jewish audiences.

According to Nachama, Germany is also the biggest market for Jewish books outside of Israel and the United States.

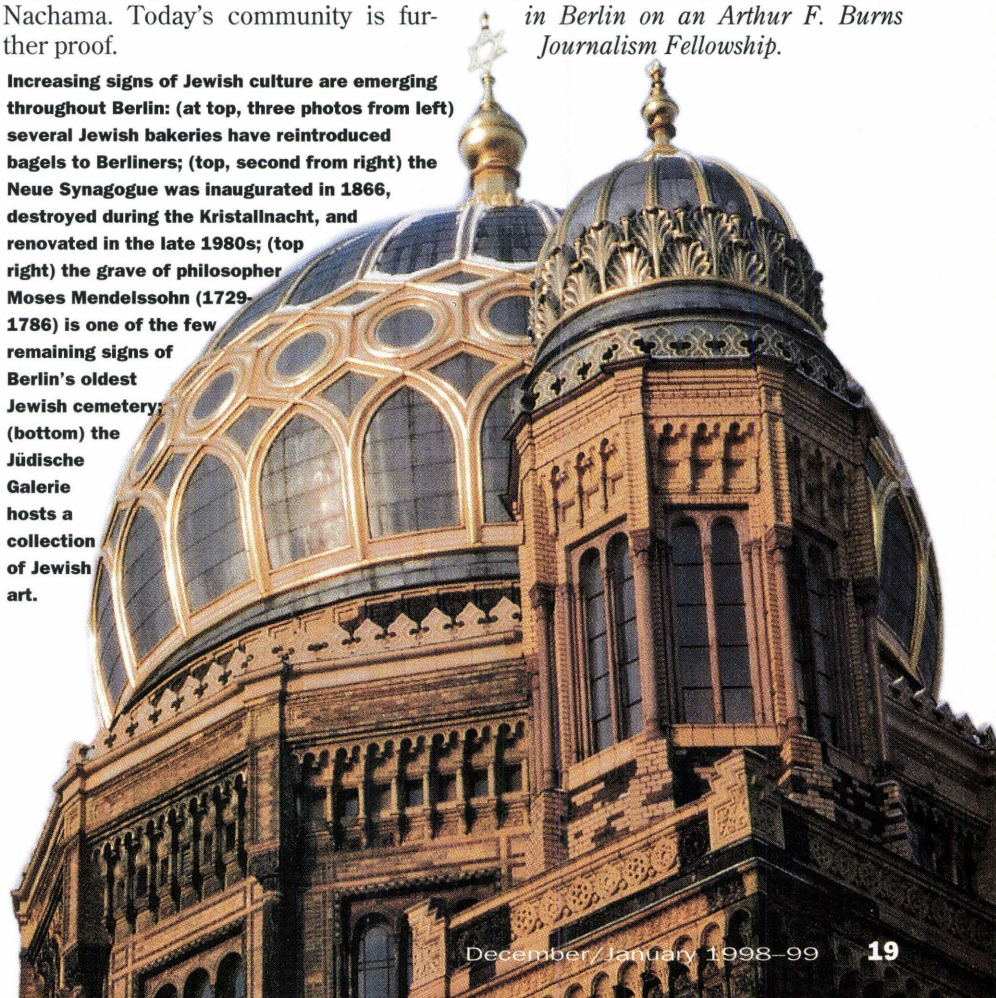
"I guess part of the population is interested in what their grandparents tried to destroy," he said. "[They want to know] why it survived and what survived and what there was before."

The reestablishment of an official Jewish community after 1945 was a way to prove that genocide didn't work, said Nachama. Today's community is further proof.

**Increasing signs of Jewish culture are emerging throughout Berlin: (at top, three photos from left) several Jewish bakeries have reintroduced bagels to Berliners; (top, second from right) the Neue Synagoge was inaugurated in 1866, destroyed during the Kristallnacht, and renovated in the late 1980s; (top right) the grave of philosopher Moses Mendelssohn (1729-1786) is one of the few remaining signs of Berlin's oldest Jewish cemetery; (bottom) the Jüdische Galerie hosts a collection of Jewish art.**

"If you had said it in 1946, 1956, even 1986, nobody would have believed you," said Hermann Simon, director of the Centrum Judaicum. "But now there are Jews in Germany."

*Alisa Roth is a journalist based in California. She recently spent two months in Berlin on an Arthur F. Burns Journalism Fellowship.*



HIGH-TECH

# HIGH-TECH

EUROPEAN  
FIRMS  
UNVEILING  
21ST  
CENTURY  
PRODUCTS

By Bruce Barnard

Is Europe doomed to be an also-ran in the high-tech race on the information highway?

For years, Europe has lagged behind the United States and, to a lesser extent, Japan and the Asian Tigers in the new sunrise industries. The rules of the game generally held that America creates the software; Asia makes the hardware; and Europe is nowhere.

Europe is a hostile territory for high-tech companies, according to critics who cite a deep-rooted aversion to risk, high taxes, red tape, shortsighted banks, a low level of entrepreneurship, and a plain lack of vision.

Europe has closed the gap with the US in other important sectors, such as automobiles, aerospace, energy, and financial services. A series of transatlantic deals, including Daimler Benz's purchase of Chrysler and BP's of Amoco, is evidence of a more muscular corporate Europe.

However, Europe seems incapable of repeating the winning formula in the



million monthly sales barrier for the first time. Nokia now regards Sweden's Ericsson group, not Motorola, as its most dangerous rival. Bill Gates, Microsoft chairman, singled out Psion, the British palmtop computer maker, as one of the greatest threats to his company's future.

Meanwhile, Nokia has just unveiled new technology for mobile phones that will boost capacity between base stations tenfold and make possible base stations so small they can be put on billboards or bus stops.

European firms sprung a surprise on their US rivals when they took second, third, and fourth place in *Business-*

time in ten years it is growing faster than the world average, according to the European Information Technology Observatory. The US market is "only marginally better" than Europe, it says. Even more spectacular, European sales over the Internet could rise by more than tenfold to \$1.9 trillion by 2001, according to KPMG, the management consultancy.

But will US firms grab most of the spoils?

European firms like Nokia and SAP have proved the US is not invincible. If a company located in the northeast extremity of Europe and a firm based in the overregulated risk averse German market can do it, there is no reason why others can't beat the Americans at their own game.

German software maker SAP is doing the unthinkable, beating Microsoft in the corporate market. In addition, the company experienced revenue growth of about 40 percent and a 30-35 percent leap in pre-tax earnings in 1998. "We are

# TITANS

Europe's High-Tech Leaders:



Philips'  
Cor Boonstra

Nokia's  
Jorma Ollila

Siemens'  
Heinrich von Pierer

SAP's  
Hasso Plattner

sunrise high-tech industries. Mounting problems at Philips, the Dutch electronics giant, which launched the audiocassette and the videocassette recorder in the 1970s and 1980s, highlight the company's loss of direction. The company has just pulled out of a costly telecom joint venture with Lucent Technologies of the US after only a year and is planning to close about a third of its 244 plants around the world over the next four years in a bid to revive profits.

Now Europe is fighting back, with firms that were virtually unknown or that didn't even exist during Philips' heyday leading the charge. The US got a wake-up call itself in October when Nokia, the Finnish telecoms group, ousted Motorola as the world's top supplier of mobile telephones. Nokia has sold more than 21 million handsets and in September smashed through the 1

*Week's* list of the world's 100 best-performing information technology companies published in November. The top European was the United Kingdom's Vodaphone Group, a cellular phone company, followed by SAP, a German business software group, with Nokia in third place.

Does the position of these firms ahead of such US legends as Microsoft, Oracle, and Yahoo signal a trend or just a freak performance? The next best placed European firm was the UK's Cable & Wireless at number twenty and only six other Europeans made the list.

There's no doubt that Europe's high-tech market is on the verge of explosive growth. The information technology and telecommunication markets alone will grow by 8.3 percent this year to \$460 billion and by 7.9 percent to \$497 billion in 1999. This is the first

not seeing a slowdown in demand," said co-chief executive Henning Kagermann.

SAP has outperformed all comers in the market for business software, which is set to reach \$25 billion in 2000 against \$9.5 billion in 1997, according to the investment bank BT Alex Brown.

Europe is also getting hip to the new electronic age, though it still lags the US in most indicators, notably the ownership of personal computers. However, the business world is setting the pace, with 92 percent of large firms with \$1 billion plus revenues using e-mail, according to a survey by the consultant group PwC. Around 72 percent have Web sites, and 58 percent have "intranets"—computer systems linking users within the business. European banks are also getting wired: Amro Bank of the Netherlands, Barclays of the UK, and Deutsche Bank and Hypothekbank & Vereinsbank of Ger-

many have joined four US banks in a \$10 million joint venture to offer an Internet identification service.

Meanwhile, British Telecom reached a significant milestone in the fall when data overtook voice conversations as the biggest user of its domestic network. "Telephone calls are being re-

competitiveness. Telecom costs in Europe are on average five times higher than in the United States.

There's no shortage of entrepreneurs in Europe despite the formidable hurdles, which range from a lack of financing to overregulation. The German telecom industry is like a

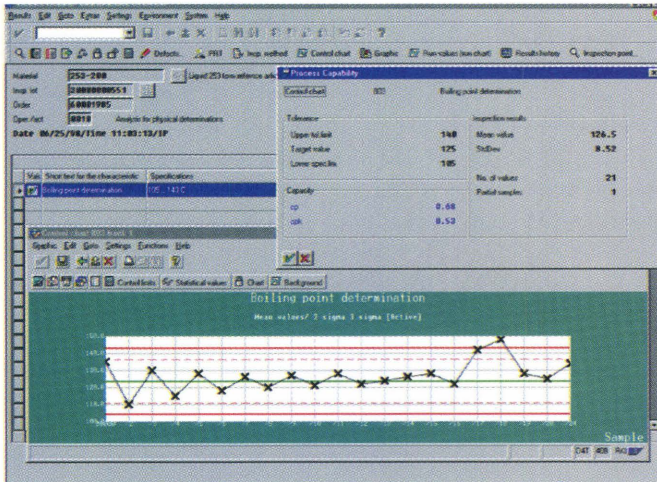
battlefield with huge utilities fighting the former Deutsche Telekom monopoly with their in-house networks and more than 100 small start-up companies scrapping for niche markets. The UK, which pioneered telecom deregulation in the 1980s, still acts as a laboratory for the continent as small firms continue to

challenge the industry giants. Peter Dawe, a businessman who made a fortune from the Internet, is planning to challenge British Telecom and other large European groups by laying a fiber optic cable network under the North Sea. Yet despite his track record

in creating the UK's first Internet service provider, he couldn't raise investment capital in Europe and had to turn to the US for funds. Raising capital could become even more difficult after some of Europe's highfliers hit the rocks. Ionica, a UK firm that launched wireless-based communications, failed, and Baan, a Dutch computer software and services group, is laying off 20 percent of its staff after its profits and shares tumbled.

Yet, the Americans are spreading across Europe before the locals can strike back. MCI-WorldCom budgeted \$800 million in 1998 to double its European "backbone" to around 4,400 miles. And even Europe's top performers like Nokia and Ericsson face tougher times as US giants Motorola and Hewlett Packard move into wireless technology to transmit data, ranging from e-mails to stock prices. Nokia is responding by ruthlessly discarding its non-core operations, and Ericsson is prowling for small acquisitions like the recent \$285 million purchase of ACC, a California-based Internet products company. ☹

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



SAP's software (above) and Nokia's cell phones (bottom) are changing the way people do business.

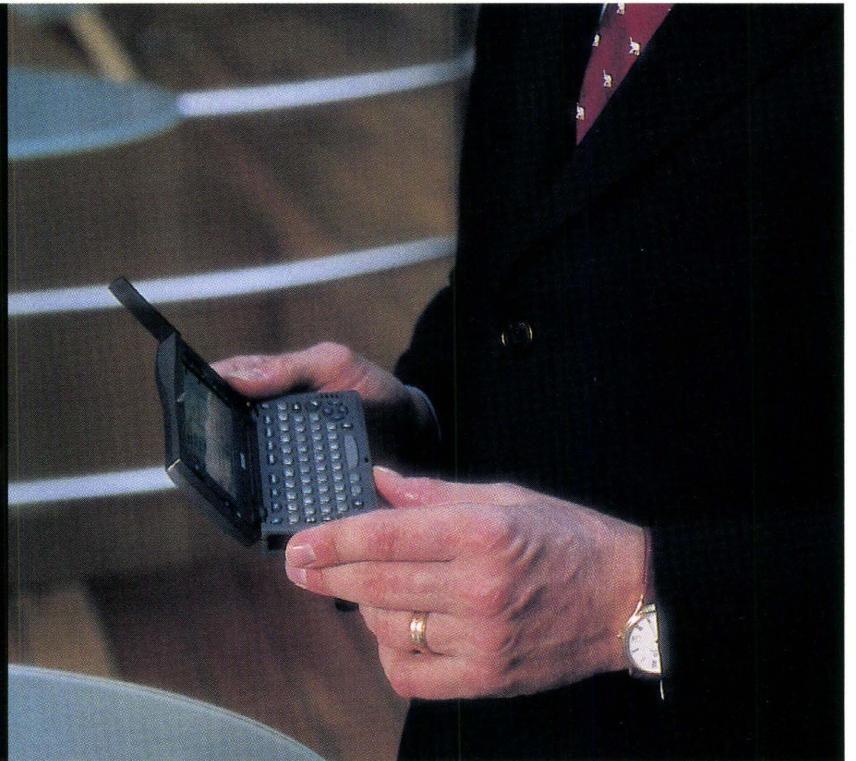
placed by e-mail transactions," according to Bill Cockburn, BT's UK managing director. The UK is fast closing the gap with the US, where data overtook voice calls in early 1997.

Europe's hopes of catching the United States rest on the gelling of its single market, the creation of cross-border companies, and crucially, the pace of liberalization. The EU telecom market was completely opened to competition only last January, but already there are 500 local "loop" operators feeding off national networks and more than 100 mobile phone operators. Ericsson and Nokia owe their unexpected success in mobile phones to the early deregulation of the Nordic telecommunication markets.

On its own, Europe's performance is impressive. Compared to the US it isn't. Craig Barrett, chief executive of US company Intel, the world's biggest semiconductor manufacturer, says Europe must slash its telecommunications costs and avoid curbs on the use of encryption technologies to maintain international

challenge the industry giants. Peter Dawe, a businessman who made a fortune from the Internet, is planning to challenge British Telecom and other large European groups by laying a fiber optic cable network under the North Sea. Yet despite his track record

Europe's hopes of catching the United States rest on the gelling of its single market, the creation of cross-border companies, and crucially, the pace of liberalization.





# Searching for Silicon Success



European regions are creating technology centers to attract investment and jobs.

Over the last twenty years, the Silicon Valley has grabbed world headlines by producing legendary high-tech companies like Apple Computer, Sun Microsystems, and Silicon Graphics. Many regions around the world have tried to duplicate the Northern Californian recipe for silicon success by attracting high-tech companies with generous packages of tax breaks, local recruiting assistance, and site development. Here follow profiles of three such regions in Germany, France, and the United Kingdom.

## HIGH-TECH TEUTONICS

A high-tech oasis has emerged in the bleak industrial desert of eastern Germany, and local officials hope it will transform the former communist territory into a European Silicon Valley. An increasing number of high-tech firms in eastern Germany are competing successfully in international markets, according to Commerzbank the leading German bank.

At the center of the high-tech renaissance is Europe's largest microelectronics project, a \$1 billion joint venture between Siemens and Motorola in a state-of-the-art semiconductor plant near Dresden that will make a new type of computer chip. AMD, a California-based chip manufacturer, has also moved into the region, creating a critical mass in high technology that has attracted nearly 400 start-up companies. The Siemens plant is operating in a harsh climate—prices for DRAM (dynamic random access memory) chips have crashed by more than 90 percent since 1995, as supply, mainly in Asia, overwhelmed demand.

However, the global chip glut is easing, and demand from the major sectors, such as personal computers, telecommunications, and automotive electronics, is rising, especially in Europe. The plant still faces a challenging future, however, as Siemens plans to spinoff its

semiconductor business as part of a massive restructuring, involving operations with annual revenues of more than \$10 billion and 60,000 employees.

Siemens' Dresden plant is at the cutting edge of a business where Europe lacks capacity. Siemens, Motorola, and Wacker Siltronic, a producer of silicon chips, are using new technology that will allow the processing of larger wafers with a 300-millimeter diameter compared with the present 200-millimeter. The bigger wafer will increase the size of production runs by 250 percent and slash costs by a third. The showcase plant is switching from production of sixteen-megabit chips to the latest generation of sixty-four-megabit chips and will concentrate on logic chips, the fastest growing market.

Commerzbank reckons Dresden's "Silicon Valley" could be generating between 5 percent and 10 percent of the state of Saxony's gross domestic product within five years. But it faces stiff competition from scores of rival high-tech regions, from Finland's Oulu Technopolis, just below the Arctic Circle, to France's Sophia Antipolis technology park overlooking the French Riviera.

Meanwhile, success is creating success. Compaq Computer, the world's leading computer maker, has teamed up with Schaeffer-IT-Logistics, a Dresden-based PC assembler, to make com-

puters locally from chips acquired on the spot market. This venture marks a radical departure for Compaq, which has so far spurned local assembly despite the loss of market share to lower priced local PCs. If the German venture is successful, it will be extended to other countries, including the United Kingdom, France, and Spain.

Success in the former East Germany has sprung from unlikely sources, such as the former military experts who in 1994 founded Deutsche PhoneSat, a satellite information systems provider. The company, which generates about 80 percent of its business abroad, plans to list its shares on New York's NASDAQ exchange.

## INTERNET BOOSTS RIVIERA

The internet has provided a major boost for Sophia Antipolis, one of Europe's leading technology parks, near Nice, which went through a lean period in the mid-1990s. The park is booming again with US Internet companies heading the new arrivals, which have filled the park to capacity with some 1,100 companies. "Internet firms have given the park new life," declares the Sophia Antipolis spokeswoman Jacqueline Mirtelli.

The earlier downturn at Sophia Antipolis, linked to a recession, meant that many skilled, multilingual information technology (IT) engineers became available. Today's incoming US firms, drawn by Internet-related business, have snapped them up.

Pierre Bricaud, head of the new Sophia Antipolis branch of Mentor Graphics, a \$500 million-a-year Oregon electronic design automation company, said, "Companies from Silicon Valley or Boston moving to Europe don't want to go to Paris, London, Munich, or another big city. Their engineers and their families are looking for sun, a very international environment, and space.

They want to go to the beach and on hikes when they're not working. That's possible here."

A host of American companies, drawn by Internet development in Europe and the fact that engineers come more cheaply than in California, have arrived in recent months. There are now some fifty US high-tech companies at Sophia Antipolis, which spreads over more than 6,000 acres of pine-studded parkland and is surrounded by some of Europe's most expensive real estate. A dozen of these companies are recent arrivals. Many early arrivals have since expanded their operations.

The latest American arrival is Packet Engines, a networking solutions provider, which has established a new European headquarters at Sophia Antipolis. "We set up because of the huge interest from companies in Europe," said Bernard Daines, president and CEO.

US companies now employ 2,500 people of the 18,000 people working at Sophia Antipolis. Aside from sales and servicing across Europe, they are increasingly engaged in the development of systems.

"We now have twenty engineers working here on software for chip design," comments Jacques-Olivier Piednoir, local engineering director of Cadence Design Systems, the \$1 billion-a-year California computer chip design company. "It is becoming increasingly difficult to hire and retain people in Silicon Valley. There's salary inflation in California, but here a top man costs 60 percent of his Californian equivalent and that includes high French social security and other charges." In addition, he says, "Our big European customers, such as Philips, Siemens, Matra, British Aerospace, and SGS Thomson, want support engineers close to them. We can fly from here quickly to just about anywhere in Europe."

Over the years, the French authorities have spent heavily on the park's infrastructure, which includes a fiber optic network. A large English-language school has opened. Wide roads now link the park with nearby Nice's international airport and the adjacent Riviera villages where employees live.

Sophia Antipolis started as a science and arts park in 1972. Pablo Picasso, who lived nearby, participated in its groundbreaking. At first, French state firms, such as France Telecom and Thomson,

located major labs there. In the 1990s, it became a major European high-tech center, similar to those in Cambridge, England and Munich, Germany.

The average size of the operations in Sophia Antipolis now ranges from 50-100 employees, where before it attracted much larger operations. Still Bay Networks, recently acquired by Nortel, has boosted its staff serving Internet-related businesses to 160. Officials say plans are in the works to double the park's size in the next few years.

### SILICON GLEN CONTINUES TO GROW

**O**n the eve of the twenty-first century, Scotland continues to grow its Silicon Glen and has slowly begun to add the critical elements that could, in fact, help it develop into a high-tech sector worthy of comparisons to its California namesake.

The seventy-mile-long corridor, stretching from Dundee in the northeast to Ayr in the southwest and encompassing Glasgow and Edinburgh, includes operations from the world's top technology companies. The area is also home to thirteen universities and several colleges and vocational schools, which inject a constant stream of skilled workers and research into the region.

The seeds for the Silicon Glen were planted after World War II. A small core of electronics companies, including IBM, built factories in Scotland during the 1950s. As heavy industries, such as shipbuilding, coal mining, and steel making, declined, Scottish officials sought to replace them with companies focused on new technologies. By 1981, the government had created Locate in Scotland (LIS), an agency designed to recruit high-tech firms to the region. LIS offered a range of incentives and tax breaks to attract prospective firms and assisted in everything from finding a site for the operations to recruiting employees to lining up local suppliers. In the intervening seventeen years, the Silicon Glen has attracted firms like Sun Microsystems, Compaq, Digital Equipment, National Semiconductor, and Motorola. In fact, five of the world's top eight computer makers now have operations in Scotland, and the region contains more than 500 software companies.

Although it has been successful in attracting manufacturing operations

and the well-paying jobs that they bring, the Silicon Glen, its critics point out, has not really lived up to the promise suggested by its name. LIS has concentrated mainly on job-creation (the electronics sector currently accounts for some 70,000 jobs) and less on research and development. The latter, critics argue, would be more likely to produce the kinds of technological advancements that have made California's Silicon Valley into a mecca for highly profitable computer and software companies of all shapes and sizes.

Scottish officials respond that the Silicon Glen has been producing a high level of research but that it has been applied or "commercialized" outside of Scotland. In fact, they say, R&D is now increasing and efforts are being made to stimulate ventures that translate the success in the lab to success in the marketplace.

Perhaps the best example of these efforts is the Alba Center for semiconductor design. Last spring, Cadence Design Systems and Scottish Enterprise broke ground on what will be a ninety-six acre campus near Edinburgh. The site, scheduled to open next fall, will be devoted to developing the next generations of semiconductors. An important part of the Alba Center will be the world's first exchange for trading intellectual property, which is essential in the development of the high-tech products. Four local universities will offer further support for the center by developing the first Masters level course devoted to chip design.

The University of Edinburgh and the Scottish government announced plans for the Scottish Microelectronics Center, which will serve as an incubator for Scottish start-up companies.

Whether a state-of-the-art chip design center or a business incubator can spark a technology gold rush in Scotland remains to be seen. But naysayers should beware. Few would have expected Nokia, a Finnish company, to top the cell phone market or SAP, a German software firm, to dominate the highly profitable enterprise resource planning software market. Perhaps a major Scottish high-tech success story does not seem quite so unlikely. **E**

*Reported by Bruce Barnard in Brussels, Alan Tillier in Paris, and Peter Gwin in Scotland.*

# Inside EUROPE

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## EU NEWS

### EU FINDS ITS ECONOMIC VOICE

When it comes to addressing global economic issues internationally, the European Union has found its voice. On December 1, following two years of debate and difficult negotiations, the eleven EU finance ministers whose countries are participating in the euro reached a milestone agreement. That voice, the agreement says, shall be a trio—the European Central Bank, the Council of Ministers, and the European Commission.

“This was the final, difficult step completing our plans for introducing the euro January 1,” a Commission official said.

Clinton administration officials have criticized the plan as unwieldy and may try to reduce the EU’s proposed representation in the regular, informal meetings of the G7 finance ministers and central bankers, known as the G7 Group. It includes the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada.

The eleven euro-zone finance ministers said the plan, while it would be discussed with allies, will go forward, and that EU representatives to the G7, the IMF, and other bodies will take up their new functions shortly. “The Community must speak with one voice,” the ministers said in a joint statement issued in Brussels.

The major obstacle among EU member governments had been the role of the Commission. However, a compromise was agreed upon in late November, which Yves Thibault de Silguy, commissioner for economic and monetary affairs, termed “a good success, a satisfying result.” A senior diplomatic official of France—which initially opposed a strong role for the Commission during the euro’s launch—stated, “we now have a workable, equitable accord.”

What in EU parlance is known as “the external representation of the Community” will consist of the following:

**The European Central Bank.** This has never been a major problem, given the startup of the bank and introduction of the euro. ECB President Wim Duisenberg already has a seat among the fourteen finance ministers and central bankers who regularly attend the G7 Group meetings. He also already has observer status on the executive board of the International Monetary Fund.

**EU Finance Ministers.** Determined to ensure a strong government presence internationally, ministers agreed to propose to the non-European G7 members that they be represented by their president, a post known as Ecofin president, which rotates every six months among the fifteen EU members. However, if he or she is from a non-euro-zone member state—the United Kingdom, Sweden, Denmark, or Greece—the next euro member in line for the presidency will become the EU ministerial delegate.

A “transitional” feature of the EU plan provides for the situation when the president is from one of the euro-zone countries but outside the G7 group. In such instances, those euro-zone members inside the G7—Germany, France, or Italy—will provide what ministers described as “support for the president of the Ecofin/Euro Eleven on a rotating basis for a term of one year.” The idea is to provide “greater continuity.” Thus, in the second half of 1999, when Finland will be in the chair, Germany, which presides in the first half, will work closely with Helsinki in helping lead the EU delegation.

**The European Commission.** Its role will be “as a member of the Community delegation in the capacity of providing assistance to the president of Ecofin/Euro Eleven,” the ministers said. Moreover, the Commission will be involved in other aspects of EU economic diplomacy, notably in bilateral relations with Russia and Asia, for example, to the extent required to enable it to perform the role assigned to it by the Treaty of Rome and other founding legislation.

The Commission also was assigned a role in preparing the G7 and other international gatherings where EU monetary and economic issues are being deliberated. Ministers agreed to “urgently” establish what they described as “a modern network of communications tools” so that preparations can be coordinated among the fifteen EU finance ministers, the Commission, the ECB, and the Secretariat of the Economic and Financial Committee.

France’s finance minister, Dominique Strauss-Kahn, until several months ago argued that the EU should be represented at governmental level by euro-members of the G7 only. French Foreign Ministry officials believed it was not a good time to bring the Commission into the

## EU NEWS (CONTINUED)

proposed trio of voices. The Netherlands, Italy, and to a lesser degree, Germany shared the French misgivings about a Commission role so soon and urged a delay.

However, Santer and de Silguy argued fervently that excluding the Commission was not only inconsistent with its role in guiding EU economic and fiscal policy, but would violate the spirit, if not the letter, of the EU's founding legislation. Outside support came from former Commission President Jacques Delors, who publicly stated that sidelining the Commission would amount to a "destabilization" of the balance between EU bodies provided for in the founding treaties.

Commission officials also argued that their president already routinely attends the G7 summit meetings of heads of state and government and that what mattered for the future was coordinating the various EU roles before international meetings to avoid what de Silguy described as "a system of multiple voices, potentially dissonant."

This is precisely what US officials fear most in the EU plan. Clinton administration sources indicated there were no plans to react officially for the time being. But these sources made it clear that the Clinton administration and specifically the State and Treasury departments do not like the December 1 agreement, preferring fewer, rather than more, Europeans at the closed-door meetings of the G7, the IMF, and bilateral gatherings when economic and financial issues are being discussed. "We support the EU move toward economic union and a common currency, and it's up to them to work this out," commented a US official, "but as a rule, in informal groups like the G7 finance ministers and central bankers, we add numbers reluctantly."

Will the United States ask the Europeans to reduce their numbers? That option is being explored in Washington, but it was not immediately clear what the other non-European G7 members, particularly Japan, wanted. One option was to accept the EU plan, but on what one official described as "a transitional basis only." This would mean negotiations would

take place in coming weeks, for as the EU ministers said in their December 1 statement, "Third countries and institutions will need to be persuaded to accept the solutions proposed by the European Union."

—Axel Krause

### GERMANY PREPARES FOR EU PRESIDENCY

The new SPD-led government in Germany will take over the rotating presidency of the European Union from Austria on January 1, 1999. Echoing their winning campaign slogan, "We are prepared," the Schröder government announced it will seek to drive forward the European integration process, take on direct responsibility for the introduction of the common European currency, and tackle unemployment as a European issue.

"Our goal is a European jobs pact, with clear and binding goals to reduce youth and long-term unemployment," the new German chancellor stated in his inaugural speech to parliament in November.

In December, Chancellor Schröder and French Prime Minister Lionel Jospin agreed to put EU reform before enlargement. Schröder said Germany would call a special summit in March to work toward the goal of completing the EU's Agenda 2000 agriculture reform program by next summer. The German chancellor reaffirmed his aim to continue working on plans for EU enlargement.

### TABD MEETS IN CHARLOTTE

CEOs from both European and US businesses met in November in Charlotte, North Carolina, for the fourth Transatlantic Business Dialogue (TABD). Launched in 1995, the TABD serves as a forum for US and European businesses to recommend initiatives for furthering transatlantic relations to their respective governments. Senior officials from both the Clinton administration and the European Commission joined delegates from the private sector. European Commission Vice President Sir Leon Brittan and Commissioner Martin Bangemann represented the European Union. On the US side, Vice President Al Gore addressed a number of high-level participants, and Secretary of Commerce William Daley, Trade Representative Charlene Barshefsky, and Treasury Undersecretary Lawrence Summers also attended.

The TABD pledged its support for the Transatlantic Economic Partnership (TEP), a recently launched initiative designed to enhance transatlantic trade initiatives, both bilaterally and multilaterally. The TABD recognized the TEP as "a constructive signal that both Europe and the US are committed to a transatlantic marketplace without barriers to trade and investment and wish to strengthen trade and economic links."

Next year, the TABD will be chaired by the Xerox Corporation on the US side and Lyonnaise des Eaux on the European side. The next CEO conference will be held in November 1999 in Europe.

Full details on the Charlotte conference can be found at the TABD's website at [www.tabd.com](http://www.tabd.com). Details of the TEP can be found at [www.eurunion.org](http://www.eurunion.org).

—Claire Bose

#### WHAT THEY SAID

**"I am pleased to announce that the Union intends to commit some 400 million ecus (approximately \$450 million) from the Community budget over the next five years."**

—Wolfgang Schäussel, Austrian vice chancellor and foreign minister, addressing the Ministerial Donors Conference on Middle East Peace and Development in Washington

**"The old ways are changing between London and Dublin. And this can spur the change and healing in Northern Ireland."**

—Tony Blair at the end of November, he became the first British prime minister to address the Irish parliament.

**"The competitive interaction of the euro and dollar will help both the United States and Europe."**

—Alan Greenspan, Federal Reserve chairman

## NOTEBOOK: THE EU AND THE PEACE PROCESS

The European Union has chosen a difficult role in the Israeli-Palestinian peace process. It is a tough but loyal friend of Israel, an advocate of a fair peace for both sides, a committed donor to the Palestinians, and the long-term consolidator of peace in the region. While the EU does not have a seat at the table, it is maintaining the conditions for the peace process to move forward by conducting a massive program of aid to the Palestinians, giving Israel access to the entire EU market and to research and development programs, and building a regional mechanism for political dialogue and free trade through the Euro-Mediterranean Partnership.

**The EU and Israel.** It is difficult to disentangle politics from the EU's bilateral relations with Israel. Nevertheless, the relationship is deep and strong. According to Ambassador Jean-Paul Jessé, head of the Delegation of the European Commission to Israel, the European Union and Israel were both born in the aftermath of World War II and from the same causes, namely untold suffering and bloodshed, the defeat of Germany, and the collapse of the colonial system. "It means," he says, "that the historic roots of Israel and Europe are interlinked."

Following the Oslo peace accords, the importance of the bilateral relationship was enshrined at the 1994 European Council in Essen, which emphasized a "privileged partnership with Israel." What this means is that in some very important areas, Israel is treated as if it is part of the European Union. In 1995, the EU-Israel Interim Trade Agreement was signed, which almost completely opened the EU market to Israel. The second area of partnership is the extension of access to the EU's public procurement market. Israel is just beginning to take note of the vast opportunities to be tapped. One sector in which they have made inroads is public procurement of telecom networks, which alone is a market of \$48 billion.

The third area in which Israel is treated as a partner is research and development. In 1996 it signed a science and technology agreement with the European Union. Furthermore, it is the only non-European industrialized country to participate in the Fourth Framework Program, the EU's five-year R&D initiative, which ended in 1998. Despite initial internal opposition over budgetary priorities (the entry fee was \$40 million), Israel has formally requested to participate in the Fifth Framework Program, and approval procedures are underway. Dr. Silvano Gregoli, first counselor for scientific affairs at the Delegation of the European Commission to Israel, reports that Israel is involved in 350 multinational projects. Given that the average composition of a typical consortium is four to five partners, Israeli participants have made more than 1,500 strong links with European partners.

On the political side, the EU's support of Palestinian self-determination does not make it popular with many nationalist and religious segments in Israeli society, which are represented in the Netanyahu government coalition. Depending on the degree of extremism and religious fervor of these groups, they view the Palestinians as a threat to the security of Israel and/or an impediment to the realization of their Biblical land rights.

Notwithstanding the common past shared by Israel and the EU, the future is even more connected by virtue of the common challenges they face in the Mediterranean region. The countries on Europe's southern border, with the exception of Israel, face low economic growth, high unemployment, and political instability. The demographics are explosive. High birth rates have resulted in an average population

age of sixteen years (the EU average is thirty-six years) and will lead to a doubling of the population in one generation. Ambassador Jessé contends that, while Israel sees itself associated with the US, in the future, it will become closer and closer to Europe because of cultural proximity, shared regional challenges, and economic integration.

**The EU-Palestinian Relationship.** There are three principal elements to the European Union's relationship with the Palestinians. The first is political support. "Europe has chosen the role of an advocate of a fair and comprehensive peace," asserts Thierry Bechet, representative of the European Union to the Palestinian Authority. "We think the current situation is profoundly untenable and have made a political decision to take a strong stand on Palestinian political rights and self-determination." This political support gives the Palestinians reassurance that they are not alone. "Psychologically, it is important for them to feel that things are not unbalanced," he comments. This also helps the Palestinian leadership win public support. "If Yasir Arafat can show that Europe supports compromises, it makes it easier for him," he explains.

The second element is providing economic assistance, which has played an important role in keeping the peace process alive. For Joseph Saba, resident representative of the World Bank to the West Bank and Gaza, the impact has been even more profound. "European money has provided substantial if not the single most important basis for building a viable Palestinian economy. In doing this, Europe has provided a psychological counterpart to the economic setbacks and economic deterioration that has occurred here in the past seven years."

The EU is the single largest contributor to the Palestinians. From 1994-1998, the EU contribution (in the form of grants from the EU, member states, and European Investment Bank) comes to \$1.7 billion. A further \$580 million comes from EU and member state grants to the United Nations Relief and Works Agency (UNWRA). According to World Bank figures, the EU provides more than 50 percent of all donor money to the Palestinians. There are 150 projects currently under implementation in five important sectors: social infrastructure, private sector development, institution building, civil society, and education. Aid will be forthcoming in the post-Wye period, says Bechet. Soon after the Wye memorandum was signed on October 23, the United States called for a donors meeting, which was held recently in Washington. A World Bank meeting will follow in early 1999.

The third element in the relationship is creating a viable Palestinian economy, which has thus far proved elusive partly because Israel maintains control over Palestinian borders, and imposes some restrictions on the movement of people and goods in reaction to fundamentalist terrorism. The instrument through which the EU presently seeks to realize this third goal is the EU-Palestinian Interim Association Agreement on Trade and Cooperation. Signed in 1997, the agreement gives the Palestinian Authority open access to the EU market. Thus far, the benefits have been limited. "The Palestinians have had success with some exports, for example, cut flowers, but their success would be greater if they had free and unhindered access to the rest of the world," says Gavin Evans, counselor at the EU Representative Office to the West Bank and Gaza. The EU is presently engaged in resolving two trade disputes with Israel over exports from the West Bank and Gaza. The first involves the removal of obstacles to the facilitation of the EU-Palestinian Interim Association

## NOTEBOOK (CONTINUED)

Agreement. The second concerns exports from settlements, East Jerusalem, and the Golan Heights.

**The EU as Peace Consolidator.** "There is no peace process...and there is no long-term solution without Europe," states Ambassador Jessé quite matter-of-factly. There are two types of peacemaking and two types of negotiation, one to deliver agreements and one to consolidate them. He believes that Europe is contributing in each of these realms.

The US has taken the lead in reaching the treaties. However, according to Ambassador Jessé, "the glue to consolidating peace is economic cooperation. Without Europe, there can be no economic cooperation." Negotiations in the peace process have taken bilateral and multilateral forms. Ambassador Jessé points out that bilateral efforts were designed to solve past problems. Multilateral efforts, as illustrated in the 1991 Madrid conference, were designed to prepare the ground for a collective future by encouraging normalization of relations and cooperation between Israel and its Arab neighbors. To this end, following Madrid, multilateral working groups were set up. Europe assumed chairmanship of the one for regional development (REDWG) and initiated an ambitious program of actions. Despite a promising beginning, in which a number of projects were launched, the deterioration

of the peace process has put things on hold. There is, however, one initiative that continues to encourage normalization and contact on a modest scale, namely the Euro-Med Partnership.

**The Euro-Mediterranean Partnership.** The European Union considers its support of Palestinian self determination to be part of a larger vision in which Israel can flourish under conditions of peace and can be an engine of growth in the region. This long-term strategy for coexistence, economic development, and peace in the region is the guiding force behind the Euro-Mediterranean Partnership. Launched in Barcelona in 1995, this is a comprehensive blueprint to establish a free trade area and then create mechanisms for political, economic, social, and cultural cooperation between the fifteen EU member states and the twelve Mediterranean partners (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey). Does the concept sound familiar? It should. "The Euro-Med Partnership was inspired by the EU experience," acknowledges Ambassador Jessé. Considering the strides to integration and regional peace made by Europe in a mere fifty years, the Euro-Med Partnership may be ambitious but not impossible.

—*Shaazka Beyerle*

## BUSINESS BRIEFS

The \$75 billion mega-merger between **Exxon** and **Mobil** shook the European oil industry and pitched the European Commission into its biggest and most sensitive antitrust investigation.

Europe provided a smaller, but strategically significant, merger on the day the US giants confirmed their alliance, with **Total** of France unveiling an \$11 billion agreed bid for Belgium's **Petrofina** to create the world's fourth-largest oil company.

The two mergers triggered fevered speculation over copycat deals as both US and European companies are forced to rethink their strategies to cope with historically low oil prices.

The Exxon/Mobil group is by far the world's largest oil company, towering over number two **Royal Dutch Shell**. **British Petroleum** will move into third place after it completes its \$48 billion takeover of Amoco of the United States.

**Elf Aquitaine** of France topped analysts' polls of the company most likely to launch an acquisition or merger. It was the frontrunner for Petrofina but balked at the asking price. Italy's 37 percent state-owned **Eni** group, Europe's fourth-largest oil company, is also expected to start looking around for a strategic partner.

But most speculation centered on Royal Dutch Shell, with analysts interpreting its decision to end talks with **Texaco** over merging their European downstream assets as a sign it wants to cut a bigger deal to catch up with Exxon. **Chevron**, **Texaco**, and **Atlantic Richfield** are seen as the most suitable partners for European oil firms.

Meanwhile, the European Commission is preparing to investigate the Exxon/Mobil deal as both companies have extensive interests in Europe, especially Exxon, which is a major player in the North Sea oil and gas industry.

•••

Europe was seized by merger mania with deals spanning sectors as diverse as aluminum and insurance to chemicals and auto parts, as leading companies jockeyed for position in the final weeks before the launch of the single currency, the euro, on January 1.

The near \$10 billion takeover by **Deutsche Bank**, Ger-

many's largest bank, of **Bankers' Trust**, the eighth-largest US bank holding company, dominated the headlines. However, other deals gave a better picture of Europe's corporate restructuring powered by the need to compete with powerful US rivals in the global market.

The chemicals and pharmaceuticals sectors set the pace as companies continued a consolidation process that still has a long way to go. The merger of the Swiss **Ciba Specialty Chemicals** and **Clariant** creates the world's biggest specialty chemicals group with a market of capitalization of \$14.4 billion, annual sales of \$12.9 billion, and 55,000 employees in 120 countries.

Germany's **Hoechst** group and France's **Rhone-Poulenc** decided to merge their drugs and petrochemicals divisions. Two French rivals, **Sanofi** and **Synthelabo**, are piecing together a \$9.6 billion alliance.

Meanwhile, **Viag**, the German energy-to-telecoms conglomerate, was eyeing a \$7.5 billion acquisition of **Alusuisse**, a Swiss aluminum group. **Generali**, the Italian insurance giant, and **Commerzbank**, Germany's fourth-largest bank, unveiled a \$1.4 billion cross shareholding. **Rauma** and **Valmet**, the Finnish engineering groups, created one of the world's biggest makers of forestry equipment and paper making machinery.

The French government also was active, transferring its 46 percent stake in **Dassault Aviation** to state-owned **Aerospatiale** in preparation for a possible merger with **British Aerospace** and **DaimlerChrysler Aerospace**.

—*Bruce Barnard*

### INSIDE EUROPE

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Bruce Barnard, Shaazka Beyerle, Claire Bose, Axel Krause

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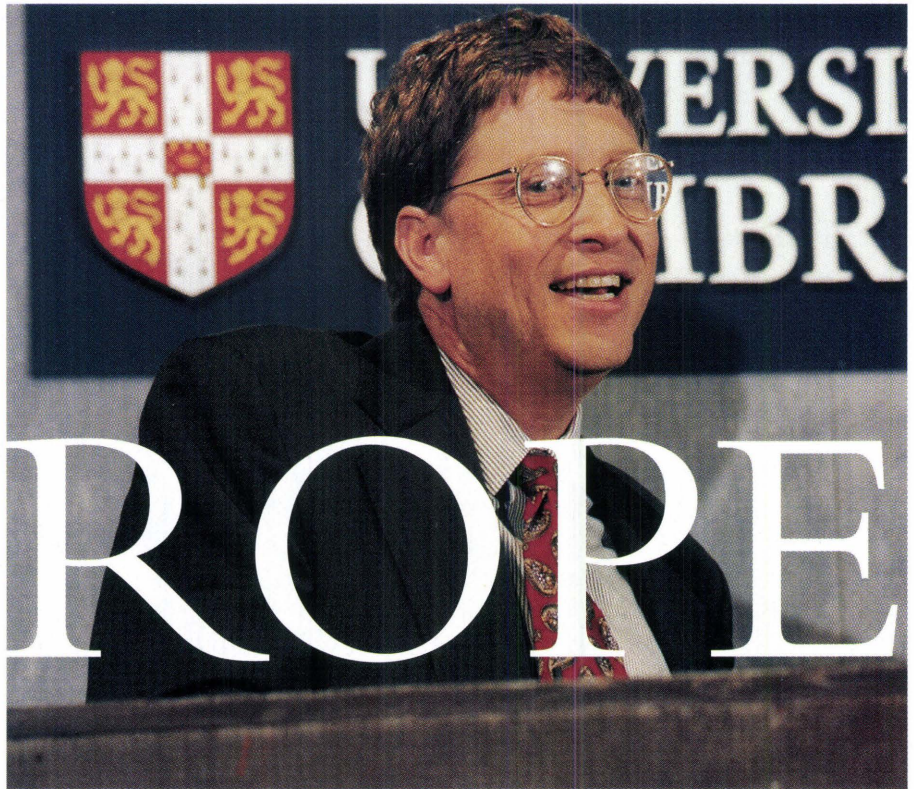
The contents of this newsletter do not necessarily reflect the views of the European Union institutions or the member states.

No doubt hoping that Europe maintains its appetite for US computers and software, Bill Gates recently donated \$20 million to build a new computer laboratory at Cambridge University.

# US

Tech Firms Tackle

# EUROPE



By Larry Reynolds

**G**rowth in the European personal computer industry outperformed all other world markets in the third quarter of 1998, according to a November study by Dataquest, a Silicon Valley-based high-tech market research firm. During this period, the worldwide PC market grew just 13.7 percent. European sales, meanwhile, skyrocketed 49 percent.

"Demand for personal computers in Europe is definitely on the upside of the growth curve," points out Chris Jones, program manager for Dataquest's PC Statistics Europe program.

Four of the top five PC sales slots in Europe are held by US firms—Compaq, IBM, Dell, and Hewlett-Packard. With 16.1 percent of the European market—and an overall 33.4 percent growth rate—Compaq is Europe's top selling personal business computer. Compaq is the number one sales leader in thirteen of the sixteen Western European countries, enjoying growth rates

of nearly 50 percent in Belgium and an incredible 96.9 percent growth in Denmark, over the past year.

"I am optimistic that the computer industry in Europe will continue to grow at double-digit rates over the next year," says Kasper Rorsted, vice president, Compaq Europe. "I also believe that Compaq will be a major beneficiary of this growth."

IBM ranks second thanks to strong sales of its popular notebook and Aptiva computers. Says Fred McNeese, director of international public relations for IBM, "Our European operations were up 16 percent during the third quarter 1998. There's no doubt Europe is a strong performer for us, and we expect it to continue to be a strong performer."

Still relatively new to the European scene, Dell captured third place in the PC market with an explosive 86 percent jump in receipts compared to last year. Such dramatic growth "makes Europe a key factor in our long-term strategy," notes a Dell spokesperson.

As Europe's appetite for PCs grows, so does the demand for software, which is expected to push Microsoft's share of operating systems to 95 percent by next year.

Interest in the Internet is also on the upswing in Europe with the number of Internet-connected computers projected to jump from 13.3 million in 1997 to 69 million connections by 2002, according to Dataquest.

"We see the potential for very big business in Europe, particularly in the small and medium-sized business markets for Internet and local area networks," says Michael Hakkert, a spokesperson for Silicon Valley's Cisco Systems, the world's leading maker of Internet routers. "We're especially excited about a joint project we're doing with England's BP to provide Internet access and managed network services to a wide variety of smaller and growing companies." ☎

*Larry Reynolds is a journalist based in Washington, DC.*



# Germany's Software Powerhouse

Richard Grasso (right), chairman of the New York Stock Exchange, congratulates SAP's co-chairmen Hasso Plattner (center) and Henning Kagermann (left) on August 3, the day the company's shares began trading on the exchange.

By Peter Gwin

If you want to visit the world's fourth-largest software firm, you will need your passport. What, you say, those arrogant computer nerds in Silicon Valley have declared their independence from the United States?

Actually, SAP AG is a *German* company. With 1997 sales of \$3.4 billion, it owns 32 percent of the \$10.9 billion-per-year enterprise resource planning software market, more than double that of its closest competitor, Oracle. In November, *BusinessWeek* pronounced SAP the third-best company overall on its inaugural list of high-tech superstars and declared that Microsoft is "playing second fiddle" to the German software maker.

So, when did Germany start producing software powerhouses, you might ask? Perhaps the answer to that question can best be traced to when Hasso Plattner resigned from IBM.

In 1972, Plattner, then a twenty-eight-year-old engineer, had been working at IBM in Mannheim, Germany for four years. During that era of business computing, software (then unimaginatively referred to as "computer programs") ran on very expensive, room-sized computers. Each pro-

gram addressed a specific business process, such as financials. A company would have a separate program for, say, manufacturing. To take information from financials and use it in the manufacturing program could be a complicated and time-consuming procedure. At IBM, Plattner and four colleagues began developing a type of computer program that joined a company's financial and manufacturing systems, so information could easily transfer back and forth between the two. Big Blue, however, passed on the idea, and the five left to form their own company.

In the intervening two and a half decades, the basic idea that business applications need to be integrated has propelled that company—dubbed Systems Analysis and Program development (SAP)—from tiny German start-up to global software giant, with 17,000 employees and products sold in more than eighty countries.

SAP's fortunes now turn on its flagship R/3 System, which is a type of software known as enterprise resource planning (ERP), but it all goes back to Plattner and his colleagues' original idea of "integration."

"SAP reflects in software the business processes inside a company," explains

Steven Smith, an SAP product marketing manager. "The R/3 System integrates the software for the processes because the business processes themselves aren't disjointed. Accounts payable affects what happens in manufacturing. What happens in manufacturing affects what happens in the financial areas. At the same time, what happens in the financial areas affects what happens in sales and distribution" and so on.

What SAP offers in R/3 is essentially a family of computer programs, called modules, that address a wide range of business operations and can all be easily integrated or made to "talk" to one another. For example, using R/3, a CEO could get up-to-the-minute information on his company's supply of raw materials, compare the efficiency of assembly lines, analyze sales trends, and hundreds of other similar types of information—all from his desktop. The system can also be made to automate tasks, such as ordering parts from suppliers when stocks run low or signaling manufacturing that the sales department has just placed a new order.

A company not ready for a completely new system can choose to implement some of the R/3 modules, which might address only purchasing



and manufacturing, for example. The same company could later choose to add modules if its needs change.

As wonderful as R/3 might sound to a CEO looking for increased productivity, the implementation can be a massive and expensive process. Although the system is based on an off-the-shelf package, it contains thousands of options that must be customized for each company. Moreover, a firm's data must be carefully transferred to the new system, and employees must undergo extensive training to use it. Furthermore, R/3 doesn't come cheap, costing from a few hundred thousand dollars for a small company to potentially hundreds of millions for a *Fortune 500* firm.

Nevertheless, SAP has attracted customers from a broad spectrum of industries, including more than half the world's top 500 companies. They include oil giants Amoco and Chevron, the pharmaceutical firm Bristol-Myers Squibb, the chocolate maker Hershey, the computer manufacturer Hewlett-Packard, the investment firm Janus Funds, the athletic footwear company Reebok, the automaker Volkswagen, and the photographic products firm Eastman Kodak.

Pharmaceuticals giant Eli Lilly is in the midst of implementing R/3 globally. "What we expect to achieve out of this is fairly simple," says David Green, the company's vice president for global business integration, "to reduce complexity and cost, better data for decision-making, increased flexibility, and ability to manage change." For example, he points out that when the system is fully implemented in 2002, it will eliminate the complications of updating databases that are spread all over the world. "The data is entered once, and it's available globally," he explains. "It may be the only software package that would allow us to do what we're trying to do, that has the scope and scalability."

SAP counts fellow software firm Microsoft as both a customer and a partner. Microsoft runs its internal production systems and its financial systems on SAP. In turn, the German company's system is compatible with Windows NT and several Microsoft Office products, such as Word and Excel.

In fact, SAP shares several similarities with Microsoft. Both companies began in the 1970s just ahead of the wave of innovations that have revolutionized computing. Both have devel-



oped market-dominating products that anticipated some of the ways computers would change the business environment. Both are led by highly competitive billionaires (Plattner's net worth is estimated at nearly \$7 billion) who have been hailed and reviled by their industry colleagues and competitors.

Like Gates, Plattner has become the celebrated face of his company, turning up at users' conferences and speaking engagements all over the world. Now fifty-four, SAP's co-chairman and CEO is said to indulge a passion for exotic sports cars and ocean racing yachts. He is also known for his enormous enthusiasm and energy, jetting between the company's headquarters in Waldorf, Germany and its R&D operations in Palo Alto, California as well as other SAP sites.

While Plattner is often hailed as SAP's technical visionary, he has benefited from a talented supporting cast, including Dietmar Hopp, one of the founders and chairman of the supervisory board, and Henning Kagermann, a former physics professor who joined SAP in 1982 and is now Plattner's co-chairman.

Certainly, two major events have played to SAP's strengths. First, Europe's move toward a single currency will have a tremendous effect on companies that want to be among the first wave of European businesses to switch their accounting to euro-based systems. Secondly, by replacing old software with an R/3 package, a company can solve its internal year 2000 problem (which will occur when computer programs using only two-digits to identify the year will be unable to discern between the year 2000 and the year 1900). Analysts say that companies eager to address both events helped drive much of SAP's 62 percent sales increase last year.

That growth continued into 1998. For the first nine months, SAP reported pre-tax profits of \$703 million, representing a 45 percent increase over last year. Sales increased to \$3.4 billion, up 54 percent from last year. In August amid great fanfare, SAP listed its shares on the New York Stock Exchange (its shares are also traded on the Frankfurt Stock Exchange). However, by October, its share

price had sunk more than 40 percent.

Randal Chin, who tracks SAP for BT Alex Brown, a Boston-based investment firm, attributes the stock's decline to several factors, including the timing of its NYSE debut. "The stock got listed within a month of the peak of the US market," he notes. "I think everyone is looking for SAP to see slower growth over the next several quarters." Chin sees the company suffering from its own success. "As they get bigger," he says, "it's harder to grow at the rate they're used to."

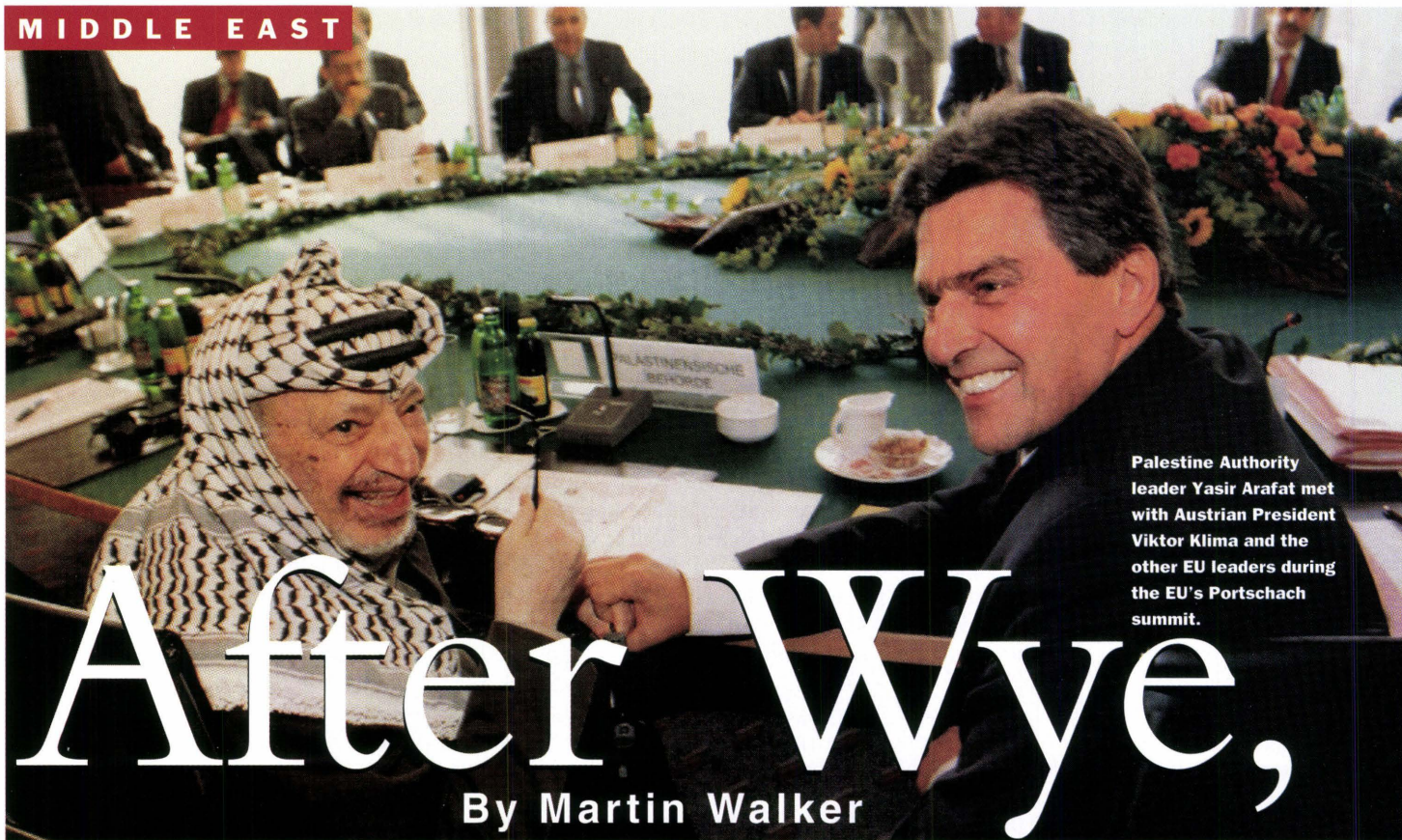
The company also faces a looming legal battle. In Delaware, bankruptcy lawyers for FoxMeyer, a US pharmaceuticals wholesaler, filed a \$500 million lawsuit against SAP, claiming that the R/3 system performed poorly, which helped push the company into bankruptcy. SAP officials say the suit is without merit and the company will vigorously defend itself in court.

Its legal concerns notwithstanding, SAP faces some difficult challenges in the business arena. Analysts point out that smaller competitors have developed products for market niches left untested by SAP, and competitors say that Plattner has fallen behind in the race to exploit the Internet. Chin, however, is not concerned. "Much like Microsoft, they don't necessarily want to be the market leader, but just when the technology reaches the curve of mainstream adoption, they're all over the market," he says. "SAP has the bulk, the resources, and the intelligence to catch up."

SAP isn't sitting still. In 1998, the company reportedly has invested \$500 million in R&D and added some 5,000 workers. Plattner has declared that the company is working to give R/3 "a friendlier face" that will make the software easier to install and use and require less training—measures aimed at reducing customers' costs. Furthermore, SAP has taken a page from Microsoft's strategy book by making parts of the R/3 source code available to software developers. The company hopes that developers will produce a broad array of software applications based on its code, entrenching R/3 as the industry standard for ERP in much the same way Windows has become the standard platform for PC software.

Perhaps Microsoft and the Silicon Valley have some competition after all. ☎

*Peter Gwin is EUROPE's managing editor.*



Palestine Authority leader Yasir Arafat met with Austrian President Viktor Klima and the other EU leaders during the EU's Portschach summit.

# After Wye,

By Martin Walker

**T**here was more than symbolism or plain courtesy behind the triumphant visit that Palestine Authority leader Yasir Arafat paid to the summit of European Union leaders in Austria, as he flew back from the peace agreement hammered out with Israel's Benjamin Netanyahu at the Wye plantation.

"*Shukra, shukra, shukra*"—thank you, thank you, thank you—Arafat told the fifteen EU heads of government at their lakeside summit in Portschach, Austria, as he paid particular tribute to the role of the EU's ambassador to the Middle East peace process, Miguel Moratinos. "It is no coincidence that I came here immediately, to speak with European leaders who are also great friends. The first fruit of our agreement at Wye will be the opening of our first Palestinian airport at Gaza, which was built with EU assistance."

Yasir Arafat told the EU summit that he would discuss with Norway the proposal for the EU to assume the chairmanship of the next international donors' conference for

Palestine, which next meets at ministerial level in Vienna in December. The EU provided \$1.7 billion of the \$2.8 billion committed so far in international

support funds for the Palestine Authority (PA), compared to \$280 million from the US. Having been the main aid donor so far, the EU is proposing that the new round of support for Palestine should focus on boosting trade and investment, within the broader context of the Euro-Mediterranean partnership, which is committed to building a Mediterranean free trade area.

The original 1993 Donors' Conference in Washington pledged nearly \$3 billion for the new Palestinian Authority. This aid from donors was all the



At a resort along Maryland's Wye River, President Clinton (center) chaired the most recent round of the Middle East peace talks between the Israeli (on left) and Palestinian (on right) delegations.

more important because successive Israeli security measures, closing the border and cutting trade and preventing Palestinian workers from traveling to their jobs in Israel, had serious effects upon the Palestinian economy in the period 1994–98. In that time, unemployment doubled from 20.3 percent to 42.7 percent, and the Palestinian Authority's GDP declined steeply year after year, by 4.6 percent in 1994, by 5.7 percent in 1995, and by 7.4 percent in 1996.

These grim economic conditions meant that some of the EU aid had to

be reassigned to finance essential emergency costs, including police and firefighters' salaries. A conference on future aid strategies organized in October by the European Parliament stressed that a priority of the post-Wye situation must be to shift EU resources to the original development goals of building schools, hospitals, roads, and water and sewage treatment plants.

The hope is that next year the results of the Wye talks will ease the security conditions and allow Palestine to develop normally. The original Oslo agreement expires on May 4 next year,

and as Arafat told the EU summit, "We will then have the right to declare our Palestinian state independent. We hope it will happen according to the agreements, and we believe in this partnership with Israel, because Palestine is the holy land for three religions—Judaism, Christianity, and Islam—which for generations lived there together. This peace of the brave should enable us to do the same again." ☐

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

# Now What?

## EU Flexes Its Economic Muscle in Middle East

President Clinton organized, chaired, and secured the diplomatic success of the Wye meeting, which revitalized the foundering peace process launched with such hopes at Oslo. However, the key to the economic viability of the new Palestine has rested overwhelmingly on European financial support and on the occasional nudge from European diplomacy.

The European Commission in January threatened to withhold economic aid unless Israel stopped blockading the Palestinian economy. As the supplier of 54 percent of all aid funds to Palestine since the 1993 Washington donors conference, the EU's decision to brandish its economic weapon was a major challenge to Israel, which provoked Israeli claims that the EU was partial to the Arab side.

Dismayed at the lack of progress, the EU also proposed that it take a full place alongside the US at the negotiating table in an attempt to revitalize the stalled Middle East peace process. EU Commissioner for Mediterranean Affairs Manuel Marin said that Europe wanted "both at ministerial level and through its special envoy, to participate alongside the US in all fora set up to assist bilateral negotiations between the parties."

The EU also demanded a new role as chief of the international economic effort in support of the peace process because it had "more experience, wider links, and a considerable political capital—the basic shareholder must be the key coordinator."

This represented the most ambitious EU initiative on the international scene since its unhappy attempt to

resolve the Balkan crisis in 1991, under the claim that "the hour of Europe is at hand." But Mr. Marin stressed that the failure of the Israeli-Palestinian talks was "contaminating" the EU's other objectives in the region, undermining its EU-Mediterranean agreements and its policy dialogue with North African countries.

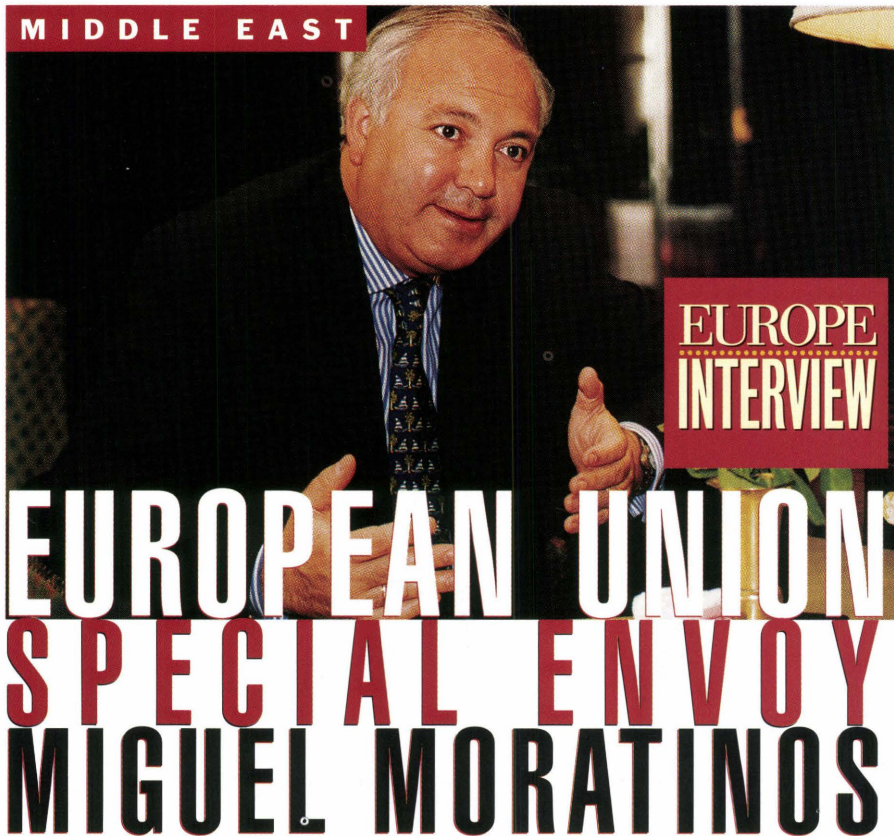
Moreover, Mr. Marin claimed that its efforts to develop the Palestine economy had been so frustrated by the failures to reach a political settlement and by Israeli security measures that "all Palestinian economic indicators point to a clear deterioration of living standards, with per capita GDP down by more than one-third." The result was "widespread international donor fatigue," and as by far the biggest aid donor, the Commission proposed a series of conditions

to be met before the EU agreed to continue its aid program, which expired at the end of 1998.

That deadline was an important impetus for the Wye talks, which closely followed the EU agenda. The most controversial EU condition was for an end to the security measures imposed by Israel to seal off Palestinian territories from the outside world, along with a demand that "the Palestinians must have open trade access to the outside world, including Israel."

"Contrary to claims that Israel's security demands stiff restrictions on the Palestinian economy, Palestinian economic development will be Israel's best security guarantee, both in the long and short-term," said Mr. Marin.

—Martin Walker



Miguel Angel Moratinos, the EU special envoy to the Middle East peace process, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman while in Washington, DC attending the Wye River peace talks on the Middle East. The special envoy discusses the large role that the EU is playing in the Middle East.

**What exactly is the European Union role and your role specifically in the Middle East?**

Since my appointment, the American administration has understood and has acknowledged that Europe has to be much more integrated and much more involved in the Middle East peace process. We started this new concept of 'complimentarity' between the European Union and the US in order that together we could push forward the peace process. We have to recognize that American public opinion, in general, and American academicians and think tanks consider Europe to be a second or third actor on the peace process, but it is not true. The Clinton administration has acknowledged that Europe not only has political interests, but also has certain instruments that make European participation as necessary as ever. There has been constant progress in the attitude of the United States to-

ward a much more substantial role for the European Union.

**Why is the EU involved in the Middle East peace talks?**

Europeans are the ones who organized, financed, formed, and gave the final blessing of the Palestinians' first democratic election in the whole history of the Palestinian people. And that has been considered a certain economic contribution of the Union.

Without the \$1.7 billion in EU, member state, and EIB grants and a further \$580 million to the UN Relief and Works Agency, it would be impossible to consider that the peace process could be still alive. We Europeans are succeeding in maintaining the daily life of the Palestinians. We have been delivering to the Palestinian Authority and Palestinian people 70 percent of the total amount of international aid they receive over the

last five years. Now this economic assistance has to be renewed this year. We are now at the end of five years' commitment and disbursement of the European Union assistance. From 1994 to 1998 was our five-year pledge.

**And in those five years, the EU has given more than \$2 billion?**

Yes. We already have told the Palestinians that there will be the same amount of financial resources in the future. We, of course, have now told the Palestinians we need much more efficiency in the disbursement and in the use of these funds. That goes not only in trying to get much more transparency, much more accountability, but also to get—from the Israeli point of view—a better development of the Palestinian economy. We want the Palestinian economy to have autonomy. A real Palestinian economy should have the right to export and import without any kind of obstacles. That is the way to attract investment from the private sector.

**Is the EU the largest provider of economic assistance to the Palestinians?**

We are the largest, and for that reason, we are claiming that we have to play a much more important role in the mechanism of the international coordination of this aid. We are in contact with the Americans in order to set up better mechanisms in order to make much more efficient the international assistance to the Palestinians.

**Would you consider the Europeans to be the bankers to the Middle East?**

We are not the bankers, but as [Jean Claude Juncker] the prime minister of Luxembourg [said] during Luxembourg's EU presidency, "Europeans want not to be the payers, we want to be the players." And that is what we are trying to convince the parties. We're trying to convince the Americans that Europe is not going to be asked to pay the check and then going to forget about the consequences of where the money is going. So, in order that the money is very well used, we ask for much more involvement in the political negotiations.

**Who is administering the aid to the Palestinians?**

The European Commission has very

strict rules and mechanisms to monitor all the projects and all the different programs that have been established between the Palestinians and the European Union. We have hospitals and schools; there are some financial resources that go for the payment of salaries of teachers, doctors, and police.

**Without the EU financial support would the Palestinians be in bad shape?**

They would collapse. That's true. We are the "ministry of social security affairs" of the Palestinians. So, that's what we are saying, that we don't want to continue to just witness a situation that doesn't take off. We want the Palestinian economy to take off. The time has come for real development and a political dimension, the economic dimension of the Palestinian people. The international community and the European Union cannot continue forever in this situation because even as we have disbursed more than \$2 billion, the Palestinian income per capita has decreased 30 percent since 1993. So, we can imagine that, if there is not this assistance, it would be a real disaster.

We are using certain mechanisms with the Israelis. We have established what we call a joint dialogue with Israel to overcome difficulties with the Palestinian economy in order to facilitate the export-import of Palestinian products and the flow of people and products from West Bank in Gaza to Israel and to the outside world. We hope that this joint dialogue between the European Union and Israel will produce better results.

**Many people in the US think that the European Union is pro-Arab. How do you counter that?**

That's the old slogan. What I found in certain circles in the United States is that it's a paradox. There is a society that is looking toward the future with fantastic new technology and new capacity to adapt to the new challenges of the twenty-first century. But certain people are still living in the beginning of the century or the 1960s or 1970s and do not consider any changing in Europe and nothing changing in the world. Europe now is starting to establish a common foreign and security policy. They have a special envoy. And it's neither pro-Arab nor pro-Israeli. I will quote British Prime Minister Blair, dur-

ing his visit to the region, saying that the European Union is not pro-Arab, not pro-Israeli, not pro-Palestinian, it's pro-peace. And we want to have this capacity and this right to say to the people what we consider is fair, what we consider is balanced, and what can really give the parties a better living in the future. The point is that sometimes our positions aren't as legally correct as they are morally and ethically correct...but it doesn't mean that we are pro-Arab or pro-Israeli when we have to say something that we don't consider is in the benefit of the peace process.

**How are your relations with Dennis Ross and the other United States Middle East negotiators?**

They are very, very good. We are on the phone every week, and we meet every time when we are both in the region. When I come here, we have intense talks, and we coordinate quite well. The point is that sometimes we consider as Europeans that we could even play a much more active role and that we could even be more useful for the action. We could be much more integrated in the political talks.

**What needs to be done after the Wye accord?**

A possibility is a political event—a kind of gathering that would put all the parties clearly involved, as they were involved in Madrid or in Oslo, for the spirit of going together as partners for the future of the Middle East. Something of this category is needed. It's not only a ceremony with certain protocolarian signatory, but we need something much more involving the parties, the regional parties, the European Union, the United States, in order that altogether you recuperate the new spirit and the old spirit of Madrid and Oslo.

**Please explain the Barcelona process.**

The Barcelona process is the real asset of the European Union. It is the only asset where we have together all the Arab countries sitting together with Israel and trying to look toward the future—a future on the economic field that could build a free trade area from the year 2010, a future of dialogue between culture and stabilization that would work.

**What kind of relationship do you have with Israel?**

When we support the peace process, we are supporting not only the interests of the Arab side, but also the interests of Israel. And in this interest of Israel, we Europeans will be the first to recognize the security interests of Israel are paramount for European foreign policy.

With this purpose, we have created security comity with the Palestinians in order to fight terror, and that is also of benefit to Israel. Thanks to the European Union, Israel has been establishing new relationships with Arab countries. I personally participated in establishing diplomatic relations with Mauritania, Morocco, and Tunisia. So, Europe has a tremendous role, a real decisive role for Israel, and for the future of Israel. There are problems because there are misperceptions between the two sides. But the time has come for a frank and clear dialogue between Israelis and Europeans. And both have a common future and this common future comes through this Euro-Mediterranean partnership, where Europeans and Middle East, North African people have to share the future together. And that is the real goal for Europeans and Israelis.

**What about Iran?**

We are quite satisfied that the new leadership of Iran is trying to establish mechanisms of cooperation and dialogue with the Western world. That's what has been said about Europe for many years, and we are happy now that there are certain voices in the United States that also understand now that it is better to have a dialogue than to have sanctions. That is the way the European Union has tried to establish a relationship with Iran. Iran plays a role in the peace process.

**What's the main problem in the Middle East?**

The main problem is the lack of trust and the lack of confidence between the parties. That's why the European Union plays a key role, because we have a good relationship with both sides. When I say "both sides," I mean the Arab world and Israel. The confidence of the parties is fundamental, now to create a different atmosphere between the parties. ☺



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# POTSDAM & SPIES, STARS SANSSOUCI

By Ester Laushway

When I was a little girl in Berlin, another little girl used to sing on the radio about going swimming in Lake Wannsee. I knew all the words to her hit record and wanted to go off immediately with her, to “tumble in the water, like the little fishies do”. In those days, Lake Wannsee, between Berlin and the neighboring town of Potsdam, was my dream destination.

It is still one of the most popular outings for Berliners, and beyond it lies a whole string of lovely lakes formed by the Havel River, itself wide enough in places to pass for a lake. Potsdam, the 1,000-year old capital of the state of Brandenburg, sits in the midst of that peaceful aquatic landscape like a Baroque vision. It is linked to the rest of the world by seven bridges, but its architecture—an extravagant blend of styles ranging from Dutch row houses and Tuscan villas to an English manor house and a Russian colony, as well as its manicured parks and gardens, dotted with temples, pergolas, and even a Chinese teahouse—sets it apart from everyday reality.

Just after I left Berlin, the wall was built and Potsdam became a proud, but rather sad exile. The Glienicke

Potsdam's  
Sanssouci Palace  
overlooks Sans  
Souci Park.

Bridge, which linked Berlin and Potsdam, changed into a steel border that barred the way for nearly thirty years. The red-and-white barriers at either end of the bridge were raised only a few times, when the East and West exchanged secret agents. In 1962, the Soviet Union's top spy Rudolf Abel and American U2 pilot Gary Powers walked past each other on the bridge.

After many years away and many other bridges crossed, I visited the Berlin region again for the first time four years ago. It felt strangely unreal to be standing on the Glienicke Bridge, with its marvelous views of the Havel on either side, like a scene remembered from a dream. That feeling persisted driving through the streets of Potsdam. The occupying forces had just left, and the town's beautiful villas had a deserted look.

That has now changed. Potsdam has come back to life, with renovations and new building going on everywhere. The many mansions are being discovered as ideal premises for embassies and consulates. Along the water's edge, a villa complex of exclusive condominiums is under construction. In the town center, the identical rows of houses with their finely structured facades and clean, uncluttered lines, built 250 years ago, are attracting trendy little cafés and restaurants and stylish shops. For example, the gabled houses in the Dutch quarter, the largest such settlement in Europe outside the Netherlands, specialize in art objects and modern design.

Visual appeal, at the high end of the market, is what Potsdam has always had to offer, ever since Frederick William, the "Great Elector" of Brandenburg, chose the marshy site in 1660 as his second residence after Berlin. He had the swampland drained and began building. The various Hohenzollern kings who followed, all seemed to share their ancestor's flair for town planning, and in just more than two centuries turned Potsdam into a showpiece example of how to marry architecture and landscape design. So harmonious and extraordinary is the union that in 1991 UNESCO added Potsdam to its list of World Cultural Heritage sites.

The main attraction for visitors still remains Frederick the Great's rococo summer residence, Sanssouci. The cornerstone of the "carefree" palace, quite

modest by the Prussian court's standards, was laid in 1745, and two years later the single-story building was finished. It is a gem in a perfect setting: From the park below, you can look across the great central fountain up past the six vineyard terraces on which the palace was built and beyond it to a windmill and a carefully planned backdrop of artificial Roman ruins.

The 730-acre park which surrounds Sanssouci contains several other palaces, such as the New Chambers, used as a royal guest house, and the monumental red brick New Palace, intended as living quarters for the royal family. The vast park also hides some delightful surprises, like the fantastically ornate Chinese teahouse with its gilded Chinese figures, a Neptune grotto, and a set of "antique" Roman baths built in the nineteenth century. The Orangerie, an Italian Renaissance style guest house for VIP's, a formal Sicilian Garden, French, Dutch, and English elements were all incorporated into the landscape with seamless ease and are worth taking a day to discover.

In the smaller, more recent New Garden stands the last Hohenzollern residence, the Cecilienhof Palace. Built between 1913 and 1917, it is an ivy-covered, half-timbered manor house set in an English garden. British Prime Minister Winston Churchill probably felt very much at home there when he met with President Harry S. Truman and Soviet Premier Josef Stalin in the summer of 1945 for the historic Potsdam Conference, which set the conditions for the postwar occupation of Germany and Austria.

Potsdam has seen a lot of history, but its story has entered a new chapter now, where the focus is no longer on the past, but on the future. A striking example of that new outlook is the revival of one of Europe's oldest and biggest film studios in the Potsdam suburb of Babelsberg. In 1912, production began there in an ingenious glass studio designed for shooting with natural light. Babelsberg is where Fritz Lang filmed *Metropolis*, where Marlene Dietrich showed off her legs in *The Blue Angel*, where Ernst Lubitsch and Billy Wilder worked. World War II

dimmed the lights at Babelsberg, and although production did not grind to a complete standstill, it took until 1992, when the French company Générale des Eaux (CGE) bought the old studio lots, for the cameras to start rolling in earnest again.

Today, Babelsberg Studios are part of a rapidly growing Media City, which has attracted more than 100 different media companies so far, including Columbia TriStar, multimedia firms, dubbing studios, casting, advertising and photo agencies, animation, stunt and special effects companies. It now features the largest soundstage in Europe, the largest, high-tech sound studio, and a treasure trove of props and costumes mentioned in the *Guinness*

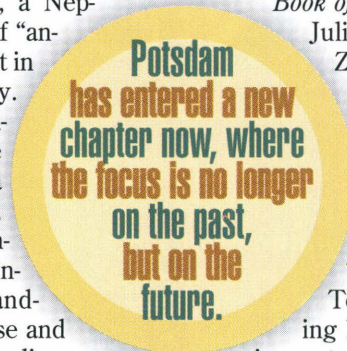
*Book of World Records*. Stars like Juliette Binoche, Catherine Zeta-Jones, Willem Dafoe, and John Hurt are speaking their lines where Dietrich once crooned "Falling in Love Again."

The public has not been forgotten, either. The Babelsberg Studio Tour, with a crowd-pleasing look at how movie magic is created, has become one of the most popular tourist attractions in Potsdam.

Media City Babelsberg has plans to keep growing until the year 2005. In 2001, another major project will reach full bloom in Potsdam. It will host the National Horticultural Show, (known as the *Bundesgartenschau*, or BUGA, if you are German). Bornstedter Field, a former military site, will be transformed into the main exhibition grounds, with a glass-domed central exhibition hall, around which a new residential district of about 4,000 homes are being built. All over town, the show's theme of "Landscape Gardening—Past, Present and Future" will be demonstrated in new parks, squares, gardens, and agricultural plots.

Potsdam is already a green and lovely place, but it has no intention of resting on its laurels. It sees the run-up to the garden show as an opportunity to dovetail urban development with landscape design—in other words, to keep on doing what it has always done best. ☺

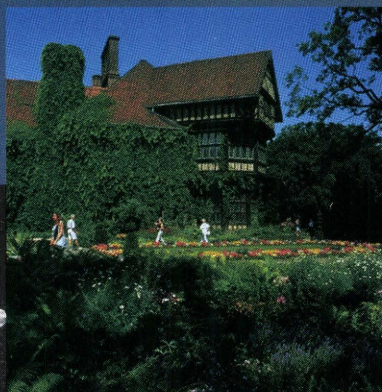
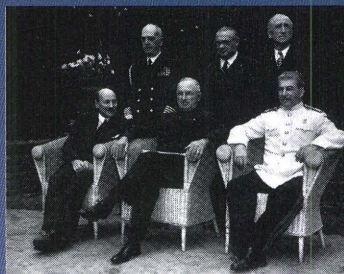
*Ester Laushway is EUROPE's Paris correspondent.*



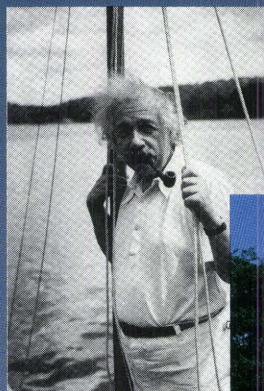


# Potsdam

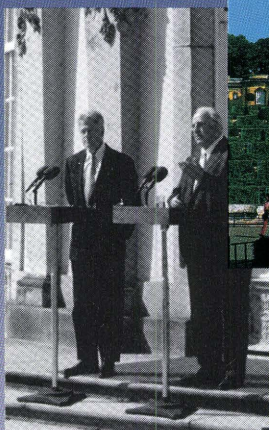
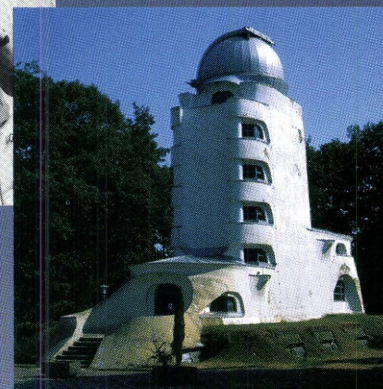
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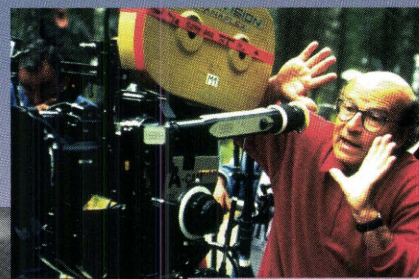
Cecilienhof Palace, scene of the famous Potsdam Conference in 1945



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## VIENNA

### CHRISTMAS MAGIC ENVELOPS THE CITY

An evening stroll past Vienna's city hall, the Rathaus, during the Christmas season is like stepping into a children's fairy tale. The spires of the Rathaus tower over ornately decorated Christmas trees and festoons of white lights give the scene an ethereal appearance.

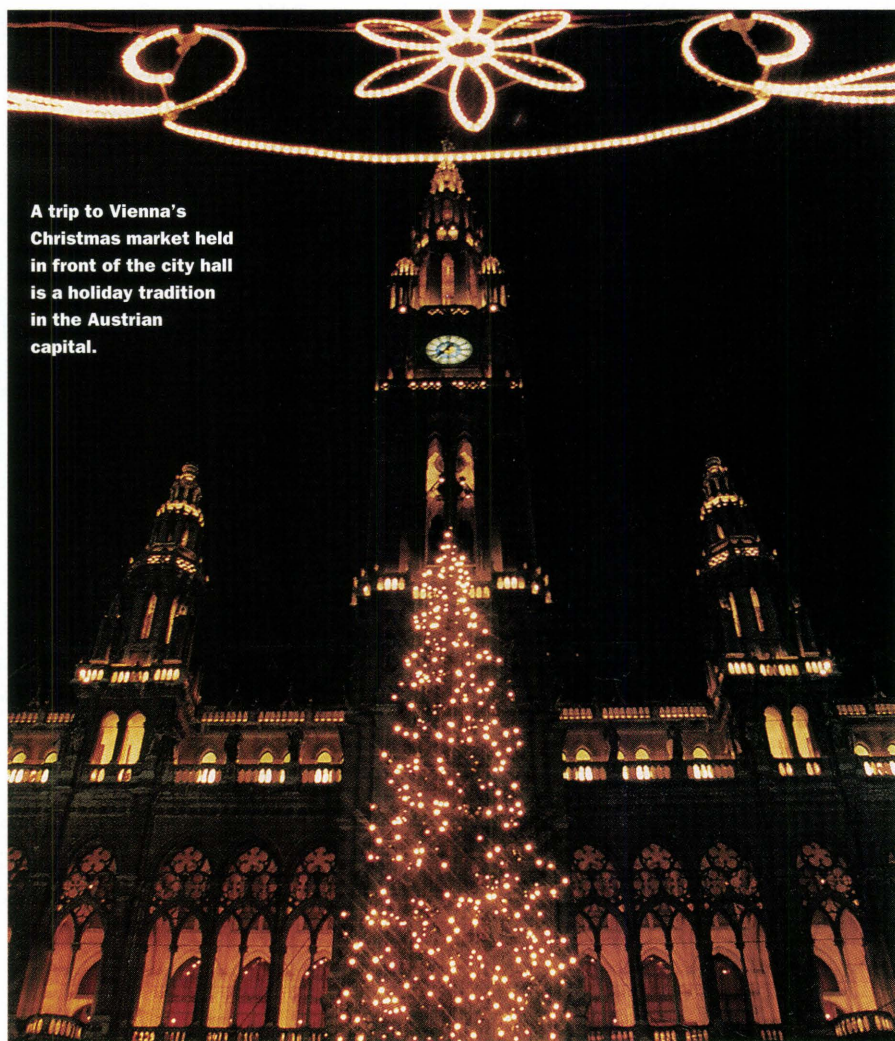
Since its founding 700 years ago, a trip to the Christmas market in the square and park in front of the Rathaus has become a holiday tradition for both residents and visitors of the Austrian capital. Small wooden booths stand side by side, brimming with handmade Christmas decorations, tasty confections, and the latest in gift ideas.

The Magic of Advent and Viennese Christkindlmarkt is open between 9 am and 9 pm from November 14 to December 24, and overflows with visitors each evening as Christmas nears.

In Austria, like many parts of Europe, the emphasis is on Christmas Eve, when families decorate their Christmas trees with candles, ornaments and tinsel, and the *Christkind* (Christ Child) makes his annual visit, bearing presents for the family.

Food and drink play an important role in the Christmas market celebrations, as visitors warm up with a cup of *Glühwein* (spiced mulled wine) or *Punsch* (spiced rum and orange juice). Decorated gingerbread hearts on satin ribbons dangle from many booths, and the aromas of roasting chestnuts, baking potatoes, and spicy sausages fill the air.

Youngsters aren't forgotten in the festivities. A tiny train chugs around the Rathausplatz, and a nostalgic merry-go-round twirls in the park fronting city



A trip to Vienna's Christmas market held in front of the city hall is a holiday tradition in the Austrian capital.

hall. Inside the neo-Gothic building, children can make gifts or bake cookies as they wait for their parents to finish their shopping.

Across the street at Cafe Landtmann, the façade is decorated like a giant Advent calendar, and a new scene is revealed each day during the countdown to Christmas.

Other famous Viennese Christmas markets can be found in the Spittelberg section of the city, and at Schönbrunn, the summer palace of the Hapsburg family, which ruled the Austrian Empire for centuries.

Spittelberg, an area of narrow lanes and charming Baroque houses, has become something of an artist quarter, and from November 19 till December 23, the artisans open up their shops at night for holiday shoppers. Meanwhile, scores of others set up booths outside, selling handicrafts, food, and drink.

The courtyard outside Schloss Schönbrunn also turns into one big Christmas market, with stands selling gifts and food. Advent concerts are regularly held on the grounds, and an exhibition of nativity scenes is held within the palace.

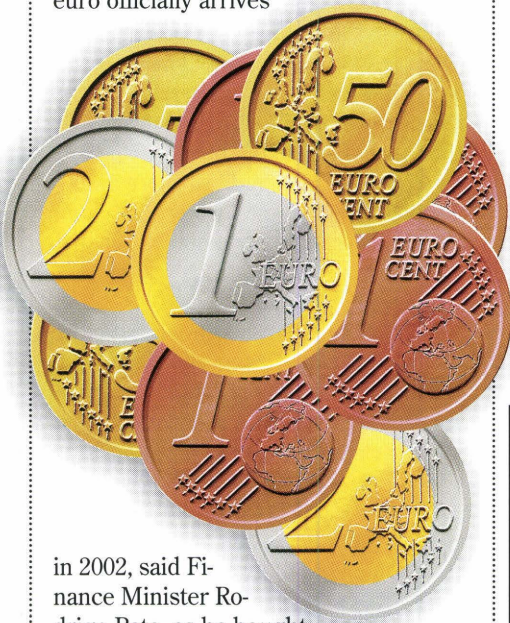
—Susan Ladika

MADRID

SPANIARDS TEST EURO COINS

A neighborhood in the southern Spanish city of Malaga got a brief peek into the financial future of Europe recently when the central government trucked in \$1.8 million in euros and allowed the 12,000 residents to spend the coins in an unprecedented experiment lasting four days.

"We are trying to determine what kind of problems may develop" when the euro officially arrives



in 2002, said Finance Minister Rodrigo Rato, as he bought euro coins at a bank and then went off to spend them in shops and bars in the Churriana neighborhood where Ernest Hemingway once owned a home.

For the experiment, residents were allowed to purchase as much as 4,600 pesetas (\$32 dollars or 27.38 euros) worth of the specially minted coins in packages of 1,600 and 3,000 pesetas and almost 200 stores, bars, and restaurants agreed to accept payment in the coins.

Authorities said they decided to use euro coins instead of bills for security reasons.

Shop windows displayed prices in euros and pesetas, and many of the locals said they were excited at being able to take part in the historic test of the new, single European currency. The euro is to be launched this January 1, but coins and bills will not be issued publicly until January 2002.

Officials in charge of the test said that while similar experiments have been held in other countries that have signed

on for the euro, this time it was more extensive because many more business establishments were taking part.

They also distributed coins in such a manner that coin collectors could not swoop into town and buy up all the euros as curiosities, as happened in earlier experiments in France and Italy.

After initial misgivings and a few headaches and glitches, most Churriana residents seemed ready to embrace the euro-future.

"This is a mess, but it's what we have to do," one elderly woman commented to reporters as she pecked away at a calculator to figure out the price in euros of 250 grams of clams.

Unlike residents of some of the eleven European Union nations that will adopt the euro, most Spaniards are eager for the single currency to succeed and predict it will mean increased investment, stable financial markets, a boost in trade, and more prosperity all around.

—Benjamin Jones

PARIS

THE EURO BUS ROLLS INTO TOWN

On October 2, a large, shrouded object on the banks of the Rhône River where it flows around the broken bridge of Avignon gathered a sizeable group of curious onlookers. What could be under the blue cloth decorated with yellow stars? A particularly shy elephant? No circus was in town, but there was a cluster of dignified men and women in dark suits, each of them holding a pair of scissors.

A few speeches later, the mystery was unveiled. The blue and yellow ribbon barring access to the bulky lump was snipped into little pieces by the local dignitaries—some sticking them jauntily into their buttonholes—and the blue shroud slipped away to reveal a London double-decker bus, repainted in the trademark blue and yellow of the European Union.

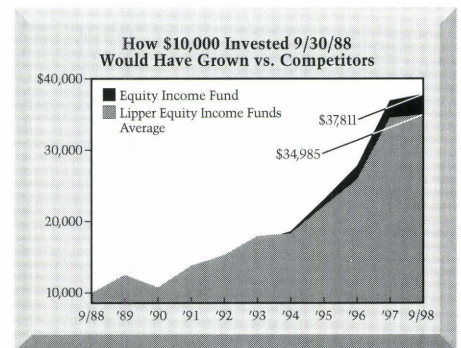
This is the Euro Info Bus, the first and only one of its kind—a rolling ambassador taking the message of the euro

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to the people of southern France. Until the European Parliament elections on June 13, the bus will visit more than sixty towns and villages located along the lower reaches of the Rhône River. Avignon was the starting point of what will be a 180-day road show, during which 1,000 visitors a day are expected to board the bus—perhaps a touch optimistic estimate, since the entire population of the smaller stopover points, like the village of Buis-les-Barronies, for example, famous for its goat cheeses, has just twice that number.

On the inaugural day, however, attendance figures lived up to expectations. Local officials and bystanders jostled each other through the door and jammed the lower level, which is a combination documentation center and cyberspace port, with two screens linked to

one of the earliest and best established banks in the region, contributed a sizeable portion of the \$185,000 needed to refurbish the bus, a 1965 collector's item from British Leyland.

That the vehicle chosen to spread the word on the euro in southern France should be a bus made in the United Kingdom, an EU country that has opted out of the first wave of EU members adopting the single currency, is an irony not lost on Cyrille Perez. He says that the London bus was chosen deliberately. "For us it was a bit of a *clin d'œil*—a symbolic wink—precisely because the UK is not part of the first group of countries to accept the euro. Practically speaking, the advantage is that the double-decker has double the space of any French bus. It's an eye-catcher as well, particularly with its blue and yellow paint job, which at-



The Euro Info Bus acts as a rolling ambassador for the new currency.

the official euro and European Parliament Internet sites. On the upper level, so many visitors tested the twenty-six-seat conference center that the bus swayed alarmingly under the onrush.

The Euro Info Bus is the husky baby of Europhile Cyrille Perez, president and co-founder of the Maison de l'Europe d'Avignon et de Vaucluse, the agency officially representing the European Commission in the Avignon region. His idea of taking the euro on the road was at once supported by the European Parliament, which realized that it would also be an excellent opportunity to inform people about the Parliament's role and the upcoming June 1999 elections. Regional and local authorities also underwrote the project, and the Banque Chaix,

tracts attention wherever it goes. Once people come to have a look at it, we can then inform them about the euro and the European Parliament."

The French public, when questioned in biannual government opinion polls, shows an average awareness of what the euro is (roughly converted, one euro equals 6.5 francs or \$1.17) and what it will mean to Europe, and 65 percent are currently in favor of the single currency. That still leaves a healthy number waiting to be convinced to hop onboard the Euro Info Bus. After southern France, there is the whole rest of the country, and in the UK, British Prime Minister Tony Blair has now spoken out in favor of the euro. This bus could run and run!

—Ester Laushway

## SUMMIT EMPHASIZES LATIN AMERICAN CONNECTION

Nineteen ninety-eight has been Portugal's *annus mirabilis*—year of wonders.

First, there was the new bridge, the longest in Europe, over the river Tagus in Lisbon. Then came Expo '98, a five-month festival that attracted 9 million visitors and was the spur for the regeneration of a swathe of Lisbon's scruffy eastern end. Moreover, in October, Portugal's second city, Oporto, hosted the Ibero-American summit, attended by leaders from Brazil, Spain, and twenty other Spanish-speaking nations. On the face of it, this gathering was more media spectacle than working conference. Hundreds of journalists spent much of their time swarming around Cuba's aging president, Fidel Castro.

As host of next year's summit, Castro was last to speak, seizing the chance to list the failings of global capitalism. However, this was not just a platform to rehearse well-known views.

Spain and Portugal, the only European Union members attending, are seeking to boost their influence within the EU and see continuing links with their former colonies as a trump card. They can act as transmission belts for an exchange of views between Latin America and the EU, outside formal talks on boosting trade between the two regions, such as the summit scheduled for next June in Rio de Janeiro.

Until the economic slump in Asia, which has had knock-on effects in Brazil, Latin Americans mainly relied on Spain and Portugal to help smooth trade talks. But amid a wider sense of crisis, the EU states came away from the Oporto summit bearing—more or less willingly—the responsibility of representing Latin American interests in other bodies such as the International Monetary Fund.

In an unscheduled address, Portuguese Prime Minister Antonio Guterres envisaged "a new system of collective responsibility in reforming world institutions." He argued that "there's no point in imposing a program of structural adjustments that causes a country to collapse."

From 1999, the Latin Americans will have formal means to check that Spain and Portugal are keeping to their

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pledges. The decision to create a secretariat was the summit's most important move, though the most irritating for the US was the unanimous condemnation of its trade embargo against Cuba.

—*Alison Roberts*

## DUBLIN

## BRITISH AMBASSADOR'S HOME FOR SALE

Perhaps it is Prime Minister Tony Blair's illustration of money-saving "downsizing" or part of the inevitable British Foreign Office cutbacks resulting from the Good Friday Peace Agreement in Northern Ireland. Perhaps it's the prospect of security problems linked to a new motorway that will shortly knife through the rolling grounds. Perhaps it's the creeping growth of new homes rapidly invading the privacy of the once green outer Dublin suburbs.

In any event, the decision to sell the sprawling Victorian residence (which has been home to thirteen British ambassadors to Ireland since Queen Elizabeth II became monarch) ends an era in British-Irish diplomatic relations.

Glencairn, which has been the British ambassadorial home since 1953, dates back to 1840—then a modest house set in a large country estate. When the owner died in 1881, it was sold to a colorful and controversial Irish judge. When he died in 1901, his family decided to sell it to an equally colorful American politician, Richard "Boss" Croker, of New York's infamous Tammany Hall—the city's Democratic organization.

He took up residence on July 28, 1904 and promptly added an adjacent forty-stall stable to the property. (There is no record of how much "Boss" Croker paid, but a very small portion of the estate was sold that same year to the neighboring Leopardstown Racecourse for only about \$15,000.)

*"It's my first time inside the house, but I've been outside the gates many times—on protest pickets!"*

The "Boss" immediately set about transforming the house and grounds, lavishing some \$150,000 on the property. Landscape architect William Shepherd—who had laid out St. Stephen's Green, still one of Dublin's loveliest parks—did a similar job on the formal gardens.

The "Boss" had a passionate love of horses and horseracing. Derby winner Orby—the only three-year-old in racing history to win three Derbies (the 1907 Epsom, Irish, and Baldoye events)—and his dam, Rhoda B. Marble, are buried in an equine cemetery in the grounds with suitably inscribed headstones commemorating their feats.

When "Boss" Croker died on April 29, 1922, his American wife stayed on until 1928, then returned to the United States. She allowed her brother to live there, unfortunately without the means to maintain the property. It became sadly neglected and, with its then 375 acres, was sold to pay the accumulated debts.

In 1939, the final link with the flamboyant "Boss" Croker was broken when his remains were removed from a mausoleum near the house and reburied in nearby Kilgobbin churchyard. The mausoleum was demolished, and a bar owner bought the estate for roughly \$12,000 and sold the stables and horses to a horseracing trainer for the same price.

The new owners gave some of Dublin's most lavish parties before the publican's young wife died in tragic circumstances. Her grief-stricken husband became a recluse, and in 1953, the house was auctioned.

The then British ambassador, after inspecting seventy houses, decided to purchase the house and its thirty-nine acres for about \$44,000. (The house and grounds are now valued at around \$51 million.)

The high walls and large grounds made it a reasonably secure home, although a high security fence had to be erected around the house and gardens in 1976 after the then British ambassador, Christopher Ewart Biggs, was killed by an IRA terrorist's bomb as he was driven from the residence to his downtown embassy.

Veronica Sutherland, who has played host to thousands of Glencairn visitors since arriving in 1995 (including "house guests" Prince Charles and Northern Ireland Secretary Mo Mowlam), is the last British ambassador to reside there. Mrs. Sutherland is due to leave shortly to be-

come deputy secretary-general of the Commonwealth.

The next ambassador, Ivor Roberts, is expected to take up residence in a more modest home in central Dublin.

The sale of Glencairn will see an end to more than a little bit of British-Irish history, including one of the highlights of Dublin's social calendar—Queen Elizabeth's official birthday party held each June in the house and surrounding gardens.

At the height of British-Irish "political difficulties," some Republican-leaning Irish politicians snubbed that garden party and other events. However, in the wake of the Northern Ireland peace settlement, many of those same protester-politicians have accepted invitations.

One such gentleman, abandoning his former principles and viewing the splendor of the interior grandeur as he sampled the queen's hospitality, told me, "It's my first time inside the house, but I've been outside the gates many times—on protest pickets!"

—*Mike Burns*

## BRUSSELS

## EUROPALIA IS RELAUNCHED

One of Europe's finest cultural festivals—the Europalia—has risen from the dead. Starting in 1969, Brussels had, every other year, acted as host to a major series of events lasting three or four months. For the last five years, the festival has been dormant.

Now it has been relaunched with a stunning program of Czech theater, film, opera, dance, pictorial art, and orchestral and chamber music. Opened in late October by a leading Czech playwright—Czech Republic President Vaclav Havel—the festival continues until January 17.

The original idea of the Europalia was to act as a showcase for the cultural achievements of each of the European Union member states. Starting with Italy, it had worked through all the existing members by the late 1980s, except for Ireland and Denmark, neither of which showed an interest in mounting a festival.

It was then decided to open it to other nations—starting with Japan, which attracted an attendance of more than 1.5 million people to a staggering array of events in 1989. Four years later, Mexico put on an equally impressive show, but then the problems began. The Soviet

Union had been next in line, but its collapse and Russia's hesitation to take over the commitment led to a gap that the Turkish government offered to fill.

When it was not ready in time for 1995, the festival was put off for a year and was then canceled with much mutual ill feeling after Belgian politicians had criticized Turkey's human rights record and the treatment of its Kurdish minority. This left the organizers to carry heavy financial losses, and it looked as though Europolia had reached the end of the road.

Yet dedicated work by the organizing committee, and ruthless cost-cutting—the budget for the Czech festival is less than one-third of the \$28.7 million devoted to the Japanese event—has enabled the event to be resurrected. The Czech Republic, as a candidate member of the EU, was anxious to advertise its wares, and two other candidates—Hungary and Poland—have already booked themselves for 1999 and 2001.

Large numbers of foreign visitors are flocking to Brussels and other Belgian cities to enjoy the current program of events. There is still time to book for the later performances and exhibitions. Details are available on the Internet at [www.europolia.com](http://www.europolia.com).

—Dick Leonard

STOCKHOLM

ELECTIONS YIELD UNSTEADY COALITION

While it may appear to be politics as usual in Sweden, with the Social Democrats continuing to run a minority government, the national election results have shaken the party to its core.

For the first time, the Social Democrats were forced to form a formal alliance with the Left, and have taken the Greens into the inner circle as well.

The Social Democrats won just 36.5 percent of the vote on September 20, a showing even Prime Minister Göran Persson acknowledged was "a catastrophe."

However, Persson chose not to resign and to retain a minority government. Although legal under the Swedish constitution, the political opposition blasted the decision, saying that the government clearly did not have a mandate.

However, while there may still be only Social Democrats in the government, Persson needed an alliance to get

bills through the Riksdagen, Sweden's parliament. He formed it with the Greens and the Left, which saw the elections double its support to 12 percent. The alliance is more formal than in any previous Social Democratic government and officially is supposed to last for the full four-year political term.

However, there are already signs that when it comes to the Left, the alliance is far from stable. On the day the government delivered its 1999 budget to parliament, Left Party leader Gudrun Schyman blasted the Social Democrats in an op-ed article in the daily newspaper *Dagens Nyheter* for not negotiating in good faith.

Ms. Schyman charged that the Social Democrats are planning to ignore the Left's social welfare program, based on comments by the new industry minister and his deputy. Moreover, she threatened to pull out of the alliance.

The alliance's strength could be tried still further in the spring, when the government presents its supplementary budget proposal. That will be a strong indica-

tion of how closely the government really intends to work with its partners and how effectively they can convince their more skeptical members to vote for Social Democratic ideas.

While there's a good chance the alliance won't last the full four-year term, Swedish business and industry still view the arrangement glumly.

"The government is now in a dialogue with two parties that are not very focused on business and growth," says Per Olofsson, director of the Federation of Swedish Industries. "So we are very concerned that there will be a set of policies that are not very good for business."

Olofsson and other business leaders expect that cuts in taxes paid by employers on wages and in the wealth tax, which they had counted on the Social Democrats to make, will be put on hold under the new regime.

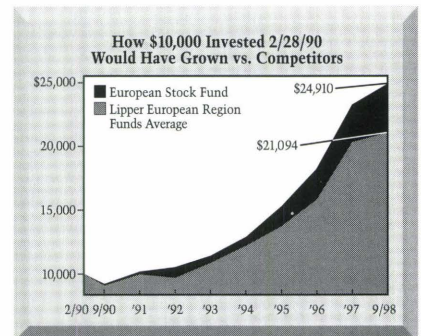
Even more worrisome to business is the fact that both the Left and the Greens oppose Sweden's participation in European monetary union (EMU) and,

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essentially, in the European Union in general.

The day after the election, Schyman was already issuing a call for a referendum on EMU. Persson has worked hard to avoid a referendum, as Swedish dissatisfaction with the EU generally has grown. However, Schyman believes the government will now capitulate, although not as early as her party would like. The Left had hoped for a referendum in June 1999, in conjunction with EU parliamentary elections.

Schyman says a decision about the common currency is a decision about democracy rather than practical finance. "What it comes down to is whether we want our monetary policy to be set in Brussels, for decisions to be made that far away," she maintains.

Moreover, she believes that if Swedes vote against monetary union, that should be the first step in Sweden's withdrawal from the European Union. Says Schyman, "If we say no to EMU, I do not think it's possible in the long run to be [an EU] member."

—Ariane Sains

## LUXEMBOURG

### NOT FANATICAL ABOUT FOOTBALL

It rained torrentially throughout the game; ninety people were arrested for drunkenness; and Luxembourg lost the match to England by three goals to nil. It was close to being a triumph.

The occasion was the European Championship football (soccer) qualifying match held in the Josy Barthel stadium in Luxembourg on October 14. The English team is not among the world's soccer elites these days, but it undoubtedly ranks as one of the European heavyweights. And Luxembourg? Let its record speak for it.

Over the past ten years, the Luxembourg team has played sixty-three internationals, winning just three of them. You have to go back to 1946 to find any kind of winning streak—the national side won two games back-to-back that year. Unhappily that was followed by thirty-two consecutive defeats, and it was twenty-two years before the next victory.

However, the surprising thing here is surely not that Luxembourg loses matches with such disheartening consistency but that it manages to put up a team at all. The country's population of 400,000

is barely one-hundredth the size of England's. It finds other uses for its money than pouring it into competitive sport, and it conspicuously lacks the craving for national success on the football field familiar throughout the rest of Europe.

This trait was vividly illustrated in 1995 when the national team pulled off its greatest ever achievement by beating the Czech Republic against all the odds with a last-minute goal. How did the locals react? "They didn't celebrate. They didn't know how to. They went home to bed," says a Luxembourg journalist.

The team that faced England in October contained just two professional players. Seven of the eleven worked in banks, another was a wage clerk, another a stage manager. The Luxembourg Football Association had to pay to secure the men's release from work to appear in the match. Prolonged training and fitness courses were out of the question.

Not surprising then that Paul Philipp, the Luxembourg coach, expressed himself as "really pleased" that his side had held England to three goals. For England, who had beaten Luxembourg by nine goals to none in 1977 and whose newspapers had been predicting "the slaughter of the part-timers," the result was a clear disappointment that even cast doubts over the future of its own manager.

Nevertheless, what happened inside the Josy Barthel stadium that night was less important than what happened outside it—or rather what did not happen. English football fans have an international reputation for violence. The Luxembourgers had experienced it and were fearful. When the English side visited Luxembourg in 1983, its supporters went on a rampage after the game, assaulting people in the streets, smashing shop windows, looting, and setting fire to cars. It was one of the most shameful episodes in international football.

The spectacle of English fans drinking throughout the afternoon preceding the match in October was an unnerving one, and when some fifty of them arrived at the stadium without tickets and tried to force their way in, it seemed that another night of violence was in the making. However, the Luxembourg authorities were well prepared. A force of about a thousand policemen, soldiers, and security men was deployed throughout the city and at the main entry points. There were arrests for drunkenness and disorderly conduct, but there were no injuries or damage.

"Most people breathed a huge sigh of relief," said Dunc Roberts, editor of the English language *Luxembourg News*. "A few drunken fans made trouble but it was nothing like fifteen years ago, and it was no worse than any football match where you get drunken people." The *Luxembourger Wort*, the leading newspaper, even praised the behavior of the English fans inside the stadium.

Few were more pleased at the outcome than William Ehrman, who arrived in Luxembourg just two weeks earlier as the new British ambassador.

—Alan Osborn

## LONDON

### PET'S PASSPORT TO REPLACE QUARANTINE

Sometimes it seems that the British love their domestic pets even more than each other. However, there has been one glaring anomaly in this regard, the law of quarantine, introduced almost a hundred years ago to ensure that no dog entering the country could be carrying the killer rabies.

Anyone importing a dog or cat to the UK has to leave it in quarantine kennels for six months, the time that rabies can take to manifest itself. This separation produced fierce but unavailing protests from people who cannot bear to be parted from their beloved pet.

For decades, pet owners have protested what they called "this monstrous and cruel law." In particular those returning home after having lived abroad or those posted to the UK for their work. One of the most recent victims was Chris Patten, the last governor of Hong Kong. Even this high ranking mandarin had to suffer the pangs of quarantine separation.

Finally, ninety-seven years after the law was put in force, a government-backed report has recommended that the quarantine law be scrapped. In future pets should be able to come into the UK from most countries, provided they have a certificate of good health, a sort of pet's passport.

This "passport" will in fact be a tiny microchip implanted in the animal's skin, which can be scanned so that a record can be kept of its state of health. Owners will be charged about \$340 for the pass-



port, instead of the \$2,600 it can cost to quarantine an animal.

About 9,000 animals, mostly dogs and cats, are quarantined each year. The Royal Society for the Prevention of Cruelty to Animals (RSPCA) estimates that another 1,000 pets are smuggled into the UK each year, and that only about 100 of them are caught by the authorities.

The RSPCA is worried that the government's statement that it may take up to three years before quarantine controls are abolished will lead to an increase in smuggling. People will feel justified in sidestepping the regulations given that quarantine's abolition has been recommended by a special committee.

The committee headed by Professor Ian Kennedy of University College London accepted that scientific and technical advances have overtaken the quarantine measure introduced at the turn of the century. It recommended that pets from the European Union and other rabies-free countries should be allowed into the UK after being vaccinated against the disease and electronically tagged.

Once the law is changed tourists, expatriates, diplomats, and service families will be able to bring their animals in and out of the country at will.

Abolition of the quarantine will be especially welcomed by blind people who, under the current legislation, are unable to take their guide dogs abroad without subjecting them to six-month's isolation on their return.

One group of people distressed by the report is the owners of the UK's eighty quarantine kennels. "If the Kennedy Report is implemented, about fifty-five kennels will have to close," says Michael Wykeham, the kennel owner who is leading the campaign. He is threatening to take their case for compensation to the European Court.

Given that there have been no cases of rabies in dogs or cats brought into the UK in the last twenty-eight years, the kennel owners will be lone voices howling against the wind of change.

—David Lennon

## HELSINKI

### WELCOME TO SANTA LAND INC.

When asked to list the categories in which Finland has established itself as a world leader, a non-Finn might correctly guess cellular telephone manu-

facturing or number of Olympic medals per capita. However, Finland also distinguishes itself by being the home country of perhaps the most famous man in the world—Santa Claus. Finns claim that Santa's lodgings are located at the polar circle close to the town of Rovaniemi, the capital of Lapland, and hundreds of thousands of children from all over the world agree.

Hundreds of international television crews have visited Santa's Finnish home, and this year, approximately one million children from more than 120 countries will write him letters, which, for a small commission, he will answer. Finland's national postal office has established a special service for this purpose only.

Other countries have laid their own claims to the rotund red fellow. The Norwegians have made some unconvincing pretensions on him. The Danes say he lives in Greenland, but the "Greenland Santa" gets less than 100,000 letters a year. The Swedes prefer to believe he lives in the town of Mora in central-Swe-

den, but not even their own children seem to accept that statement. When asked about these competing claims, Finns react with little more than a shrug.

A few years ago, a local group came up with the idea of creating a "Land of Santa Claus" amid Lapland's frozen scenery. However, the small Santa village, which was built at a considerable cost, initially failed to attract huge numbers of visitors. Finally, a group of businessmen took over the project and began marketing Santa like a brand. Playing upon the Santa Claus myth, they created a secret hiding place, a workshop, and even a Mrs. Claus. Their efforts have made their Santa an international celebrity who travels all over the world. Furthermore, some 10,000–15,000 people travel to Rovaniemi during the Christmas season to meet the 'real Santa'. Some visitors even come on a special one-day charter tour, flown in by the supersonic Concord directly from London.

In Rovaniemi, after undertaking a secret ceremony, children and their parents

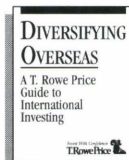
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become citizens of Santa Land and can have their pictures taken with Santa, who will most likely speak their language. Then, it is off to ride in a sled drawn by reindeer from Santa's own reindeer farm, which is also open to visitors.

In addition to the exhibits and shops at Santa Land, visitors may choose to take a Lapland day-safari and gather around a roaring bonfire. The truly adventuresome might choose to spend a night camping in a real Lappish tent or *kota*. The stars, and occasionally the northern lights, illuminate the black night sky, causing every stone and tree to sparkle under its icy coating.

However, for visitors worried about the Polar Circle's cold winter weather, never fear because Santa Land is open year-round. Summertime visitors can experience Santa's hometown during the season of never-ending daylight. Until their next visit, fans of Santa can write him a letter at Santa Claus, FIN-96930 Polar Circle, Finland.

—Thomas Romantschuk

## COPENHAGEN

### COMPETING FOR MODERN ART LOVERS

**D**anish art enthusiasts—and foreign visitors—are now being wooed by ambitious museums in the greater Copenhagen area. The State Museum of Art has just reopened after almost two years of renovation with enlarged exhibition facilities in the city center and a marketing profile that is unusual in Denmark's public sector.

North of downtown is the privately operated Louisiana Museum of Modern Art, situated on the coast of the sound with a superb view of Sweden, which lies just across that waterway. The Louisiana Museum has just celebrated its fortieth anniversary, an event marked by a special exhibition of its permanent collection of works by some of this century's best artists, including Giacometti, Kiefer, Picasso, and Warhol.

Founded by the reclusive publisher Knud W. Jensen, now eighty-two, the Louisiana Museum of Art has faced a decline in the number of visitors in recent years. Though the artistic focus of the reopened State Museum of Art is much wider, competition for the time and interest of art lovers will now be more intense.

In 1996, the last full year it was open to the public, the State Museum of Art welcomed more than 400,000 visitors. Its collection comprising some 8,000 paintings and sculptures dwarfs the Louisiana collection, which was originally housed in a villa that has since been expanded eight times and now includes underground galleries. Moreover, unlike the publicly-owned State museum, the Louisiana relies on its special exhibitions to attract large numbers of paying visitors.

The Louisiana has hung an impressive string of successful exhibitions, featuring Monet (with almost 450,000 visitors), Picasso, Chagal (twice), Dali, Gauguin. In 1998, under the new leadership of Steingrim Laursen, the museum hosted the very popular Francis Bacon exhibition. Laursen's current special exhibition is Miro, which is also drawing large crowds. However, the financial challenge of such projects remains daunting, as are the logistics of borrowing the works of art. Private foundations and corporate sponsors shoulder major portions of the costs but do not remove all the risk.

Louisiana is not just a museum, it is also a meeting place for cultural personalities and prominent speakers, including Vaclav Havel, Salman Rushdie, Günter Grass, and Susan Sontag. This has long been part of Jensen's founding vision that the politicians of the welfare state alone must not define the cultural agenda in Denmark. This is not just a highbrow vision, for the museum makes a special effort to cater to the tastes of children, with a special children's house.

There is no doubt that running a private museum will become more difficult in Denmark. A new public museum of modern art, called the Ark, is slowly taking shape south of Copenhagen, and the State Museum of Art is also determined to carve out a strong position in the same market. However, while museum directors battle for patrons, art lovers will have no reason to complain.

—Leif Beck Fallesen

## ROME

### JUBILEE PREPARATIONS TEST ROMAN RESOLVE

**Y**ou always thought that Roman traffic was a mess, right? Think bigger.

These days the Eternal City's roadways are a massive mess. Thirty-six

major construction sites all over downtown have choked off many travel routes. Some tunnels have been temporarily closed while they are widened or reinforced, and many two-way avenues have suddenly been changed to one-way to allow for repairs. Moreover, pedestrians fare no better as scaffoldings overwhelm the sidewalks while the city's beautiful *Palazzi* undergo renovation and refurbishment. Such a monumental mess can only mean one thing: Rome is getting itself ready for the Holy Year 2000.

A year from now, on Christmas 1999, the Pope will open the Holy Door and give the Jubilee's official start. It will be a year celebrating grace and remission of all sins, but it will also be an enduring schedule of masses, religious celebrations, and cultural events that will last until January 6 of the year 2001, the day of the Epiphany.

Scholars believe the word *jubilee* probably derives from the Hebrew *jobel*, meaning "a ram's horn," which is an instrument used in proclaiming a celebration. The Greeks appropriated the word as *iobelaios*, and later, it somehow became confused with the Latin *jubilo*, which means "to shout." Aside from any religious implication, shouting in despair is what Roman drivers and visitors would like to do, while trapped in the city's interminable traffic jams.

Even when the construction is complete, the traffic problems will continue as millions of pilgrims from all over the world pour into the city. Should they arrive only a few weeks before schedule, it will be impossible to accommodate them.

The Vatican—which is working closely with City Hall and Mayor Francesco Rutelli, a young, aggressive leftist politician from the Green Party—is making room in its many convents and monasteries spread all over town. Hotels and small *pensioni* claim to be already fully booked. Even the notorious skid-row establishments around Termini Central Station are being cleaned up to host pilgrims.

In the end, the Jubilee events are expected to shed light on a vexing Roman identity question. Is the city the capital of Italy, which in its present political form has existed for little more than a century, or is it primarily the Papal capital of Christianity, which is twenty centuries old? Regardless of the answer, Romans, of course, would feel more than satisfied to simply be citizens of a modern and easy to live in city.

—Niccolò d' Aquino

## THE HAGUE

## VICTORY BOOGIE WOOGIE

Publicly debating the merits of a work of art is a relatively common occurrence in the Netherlands. It is unusual, however, for the president of the central bank, the prime minister, and the minister of finance to become involved in a row about the acquisition of a painting. Such was the case this summer and early fall as controversy swirled around *Victory Boogie Woogie*, the last painting by Piet Mondrian (spelled "Mondriaan" in the Netherlands), one of the foremost Dutch artists of this century. The painting, which employs the artist's famous brightly colored rectangles and squares, remains unfinished, as Mondrian died in New York in 1944 before he completed it. Its name refers to the emergence of a vein of jazz music and the optimism building over the imminent Allied victory in the Second World War.

*Victory Boogie Woogie* is considered by some art critics to be the most important Mondrian. However, when the Hague's municipal museum, the Gemeentemuseum, which owns a large collection of the artist's works, organized its Mondrian exhibition a couple of years ago, *Victory Boogie Woogie* was conspicuously absent. That exhibit marked the start of the museum's efforts to acquire the painting and the beginning of a series of contacts with its owner, a New York collector. However, disputes about the price and the museum's lack of funds stood in the way.

Early in 1998, the most prominent directors of Dutch museums agreed that *Victory Boogie Woogie* was to be considered an essential part of the national cultural heritage and that all efforts should be made to acquire the painting. The problem was where to find the money. Certainly not from the government, as the budgets for museum collections are dismal. Art and museum insiders were convinced that politicians would never be willing to allocate a large amount of money for one single painting. Obviously, a lengthy public debate about the acquisition of the painting would only raise its price.

By coincidence, and for completely different reasons, the Dutch central bank was considering making a public gesture in the field of the arts. De Nederland-

sche Bank wanted to commemorate the historic arrival of the euro, the European currency, and mark the end of the existence of the guilder. The board of the central bank concluded that it would be an excellent idea to donate a substantial amount of money from the bank's reserves to a fund for the cultural heritage. Finding the money in its vaults was no problem as the Dutch central bank (like all others in the euro zone) would be awash with reserves that it did not need any more as monetary policy would be transferred to the European Central Bank in Frankfurt.

Nout Wellink, the president of the central bank, privately discussed the issue with Gerrit Zalm, the finance minister, who in turn informed Wim Kok, the prime minister. Both thought it was a great idea. As long as the gift was legal, they had no objections. Parliament was to be kept ignorant of the plans.

By early summer, everything came together. The New York owner was willing to sell the *Victory Boogie Woogie* for \$40 million to the

dized. However, the part of the profits that the central bank annually added to its reserves would, for once, be skipped and donated to the art foundation.

The offer, generally applauded, was unprecedented. Never had a central bank been so generous with its reserves for a non-monetary purpose.

There was also immediate criticism, particularly from parliamentarians who considered that their budget oversight authority had been circumvented. They argued that, if such an amount of public money was to be dedicated to the preservation of the cultural heritage, the elected Parliament should decide, not the central bankers.

Days later, the acquisition of the *Victory Boogie Woogie* made with the bulk of the central bank's funds was announced, and everyone in the Netherlands seemed to

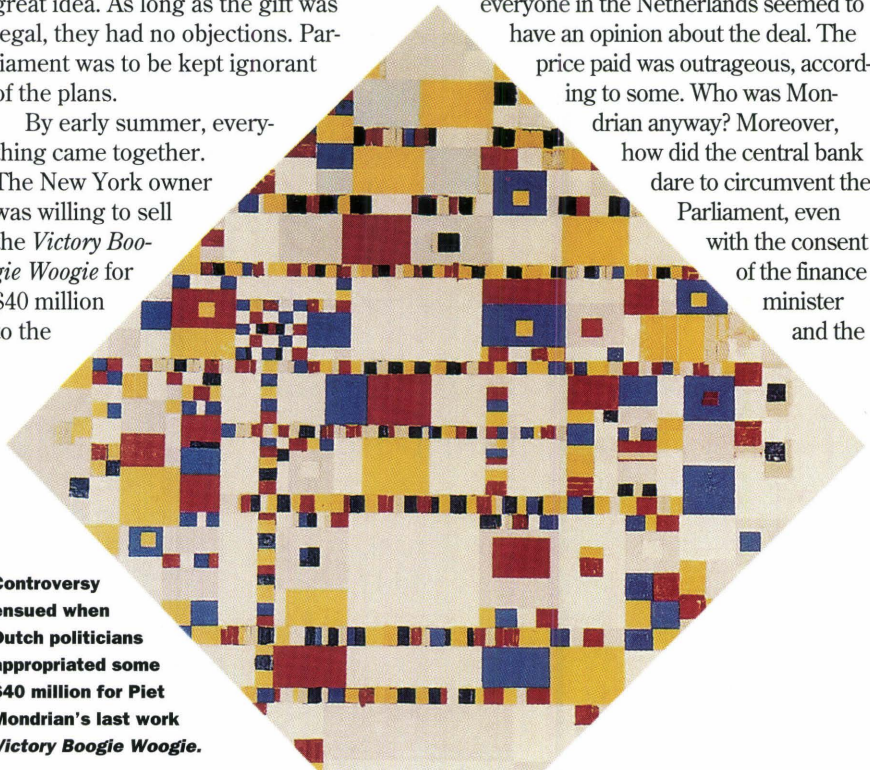
have an opinion about the deal. The price paid was outrageous, according to some. Who was Mondrian anyway? Moreover, how did the central bank dare to circumvent the Parliament, even with the consent of the finance minister and the

**Controversy ensued when Dutch politicians appropriated some \$40 million for Piet Mondrian's last work *Victory Boogie Woogie*.**

Gemeentemuseum in the Hague. Through an intermediary, contacts were established with the central bank to donate its gift to an art foundation that would buy the painting. Hastily, the central bank announced in August that it would give almost \$60 million to this previously unknown foundation. The money, it was stated, was part of the central bank's expected profit accrued over the current year 1998. The regular remittance of the central bank's profit to the national treasury would not be jeopard-

prime minister?

The national accounting office started an inquiry into the formal aspects of the case and concluded that it had not been conducted legally. A parliamentary debate ensued in which Prime Minister Kok and Finance Minister Zalm had to defend their decision. It ended with the Parliament expressing its displeasure over the broken rules and Kok promising that he would never again approve of a similar gift by the central bank. Wellink, the central banker who is now nicknamed "Boo-



gie Woogie," remained outside the debate but deeply regretted all the public fuss.

The story, however, has a happy conclusion. Late October, the renovated Gemeentemuseum opened its doors for the public with its latest, and biggest, attraction. *Victory Boogie Woogie* finally at home.

—Roel Janssen

## ATHENS

### ALBANIAN ISSUES

**W**hen Panteli Majko, Albania's new prime minister, made his first visit to Greece in November, he made a public apology for the behavior of some Albanian immigrants to Greece.

More than 500,000 Albanians—about 12 percent of the country's population—have fled turmoil at home to make a new life in Greece. The collapse last year of a series of fraudulent pyramid investment savings schemes wiped out the savings of tens of thousands of Albanian families and triggered a fresh wave of migration.

The Albanians form the biggest group in Greece's growing community of immi-

grants from Eastern Europe and the former Soviet Union. They include most members of an ethnic Greek minority that used to live in southern Albania. Since the collapse of communism, they have moved across the border to find jobs.

Things are more difficult for Albanians who have no Greek connections. They enter Greece illegally, slipping across the mountainous border and hiding out in deserted villages before making their way south. Most are unskilled workers who find jobs on farms or construction sites. Greek officials estimate that remittances to Albania, in cash and bank transfers, last year amounted to more than \$523 million.

Most Greeks are tolerant of the Eastern European immigrants, partly because of Greece's own tradition of economic migration to the US, Canada, and Australia. But the Albanians are increasingly blamed for a rise in crime levels in Athens and other cities. Albanians have been arrested for carrying out armed robberies and running protection rackets. At inner-city schools, the children of Albanian immigrants who speak little

Greek are held responsible for poor grades achieved by Greek students.

However, Mr. Majko's apology underlined warming relations between the Socialist governments in Albania and Greece. The remittances help prop up Albania's foreign exchange reserves, fuel investment in construction, and provide capital for thousands of small trading and service businesses.

Greece is disbursing a \$69 million loan to help Albania improve transport links with its southern neighbor and reconstruct businesses that suf-

fered damages during the violent aftermath of the pyramid schemes' collapse. Greek businesspeople have gradually started to return to Albania, although most companies' investment plans remain on hold. In the southeastern town of Korce, half-an-hour's drive from the Greek border, managers at clothing and food processing plants make a daily commuter trip across the frontier.

Despite the pervading lawlessness, Greek banks manage to flourish in Albania, taking deposits and making short-term loans to traders. The National Bank of Greece, which has seen deposits flood in since opening last year in the capital Tirana, last month opened a second branch in the port of Durres. It plans to open a third in Korce early next year.

For many immigrants, working in Greece is a way of recouping savings lost in the pyramid schemes' collapse. "Most people plan to go home after a few years, when they have enough money to build a house and start a business," says Arben, a house-painter who wants to set up a contracting business in Albania.

In the meantime, the Greek government is offering work and residence permits to Albanians under a scheme for registering immigrant workers. More than 150,000 Albanians have applied to register. They will have to pay Greek social security contributions, but as legitimate members of the work force they will be eligible for better-paid jobs.

—Kerin Hope

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(bottom): Robert Trippett/CNP/Archive

Photos

p. 30: Salah Ibrahim

p. 33: Tony Stone/Werner Otto

p. 36: Vienna City Hall, Austria

p. 38: Eurobus

p. 45: AP/Wide World

p. 48 (top): Granger Collection

(bottom): Super Stock

# ARTS & LEISURE

## BOOKS

### Seasons of Her Life: A Biography of Madeleine Korbel Albright

By Ann Blackman; Scribner; 312 pages; \$27

**A**lbright's greatest appeal is that she is just like us, only wealthier. She has had bad hair days and skirts with spots, runs in her stockings, a dog that was skunked. At some point, she probably even embarrassed her children. Americans see her as vulnerable, a wife rejected, a single mother who went back to work, prevailed, and raised good kids. She radiates a sense that if she can succeed at whatever happens to be the challenge of the moment, even in times of adversity, so can we," comments Ann Blackman, deputy bureau chief for *Time* in Washington, DC and author of Albright's biography.

This is definitely not the type of biography of a secretary of state that would have been written about Dean Acheson, Dean Rusk, John Foster Dulles, or for that matter on James Baker or Warren Christopher. Blackman's book does not really go into much detail on Albright's foreign policy views or any great global strategies she might have or how she will respond to the next foreign affairs crisis.

Having said all this, the author has provided an excellent overview of our current secretary of state before she became a celebrity, the title of her last chapter in the

book. In fact, the book provides a wonderful look at Europe in the years Ms. Albright was growing up. From escaping the Nazis to escaping the communists in her native country of Czechoslovakia the reader is presented with a fine history of Europe in general and Czechoslovakia in particular at mid century. One of the best

parts of the book is the profile of Albright's diplomat father Josef Korbel as the politics of Europe forced him into new diplomatic postings.

Blackman has not only written a biography of the current secretary of state but she has outlined the women's movement in the United States from Albright's years at Wellesley to her political stints with Michael Dukakis and Ed Muskie to her days as US ambassador to the United Nations. We see Albright and her other political friends, such as Geraldine Ferraro and Barbara Mikulski, rising through the ranks of power in Washington and beyond as they "formed what could be called the Old Girls' Network."

The most interesting chapter, titled "Bombshell," is about Albright finding out only recently that her grandparents had been born Jewish

and "that three of Albright's grandparents had died in the Holocaust." It strains the imagination to think that an intelligent, worldly, and curious person such as Madeleine Albright did not know about her roots in Czechoslovakia, but Blackman does present a convincing case that she actually did not.

Blackman tells the source of Albright's wealth—her divorce settlement from newspaper heir Joe Albright "left Madeleine, the onetime refugee child, a wealthy woman, many times a millionaire." She also explains how Albright and then Governor Clinton

met for the first time during the Dukakis presidential campaign and how President Clinton finally chose her to become the first female secretary of state in the history of the United States. In the final analysis, we are told, "the real story was that Clinton liked Albright."

—Robert J. Guttman

## FILM

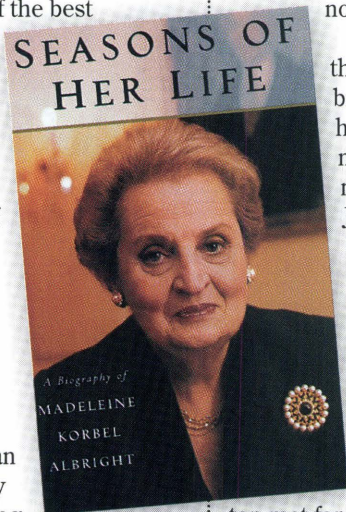
### European Union Film Showcase '98

**W**ashington DC last month played host to the American Film Institute's 1998 European Union Film Showcase. The AFI's Kennedy Center theater attracted many filmgoers all in-

tent on catching the cream of Europe's new films. Given the current boom in filmmaking in Europe (some 669 full-length feature films were produced in Europe in 1996), it is not surprising that there were offerings from all fifteen of the European Union member states. Many films arrived straight from successful showings at renowned international festivals, such as Cannes, Berlin, and Venice. Indeed, the film chosen to open the festival, *The Celebration*, from Denmark, was joint winner of the 1998 Cannes Jury Prize. Other popular films included Belgium's *The Quarry*, which won Best Film at the Montreal Film Festival, Italy's *Aprile*, a follow-up to Nanni Moretti's 1996 *Dear Diary*, and the Austrian screen adaptation of Josef Haslinger's suspense novel *Opera Ball*.

In the true spirit of European unity, a Belgian-German-British team produced *The Commissioner*, a tightly knit thriller, shot on location across Europe. No sooner has an European Commissioner arrived in Brussels to take up his new position, he finds himself at the center of a mysterious plot involving a merger between two chemical companies and the illegal production of chemical weapons. Lies, spies, bribes, and bombs almost turn John Hurt, who plays the title role, into a Euro James Bond. Sit back and enjoy the suspense and be thankful that this isn't how the Commission really works!

—Claire Bose



Yesterday

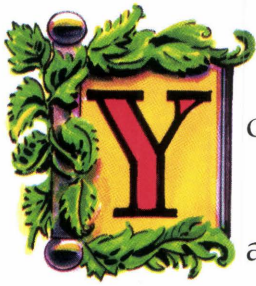
From symbol of national consciousness to symbol of German unity, the *Brandenburger Tor* (Brandenburg Gate) remains Berlin's best-known landmark. Designed by the German neoclassic architect Carl Gotthard Langhans in 1770, the gate was built between 1788 and 1791 by the Prussian King Friedrich Wilhelm II as a sign of peace. Because of its location, however, the gate has been a rallying point for ceremonies, parades, and demonstrations, as well as for battles.



& Today

In 1868, the Brandenburg Gate (top) shows no signs of the civil unrest that focused around the site twenty years before. On March 18, 1848, Berlin's workers, craftsmen, accountants, and students demonstrated for more civil rights and liberties. They marched through the *Brandenburg Gate* toward the *Stadtschloss* (City Palace), and 256 were killed manning barricades against the king.

In the 1990s, the Brandenburg Gate (bottom) belies little of its recent history. In 1961, the construction of the Berlin Wall left the site situated in the "no-man's land" between East and West Berlin. Public access was restored when the wall came down in 1989. In 1991, the gate and the statue on top, the *Quadriga*, underwent an extensive refurbishment.

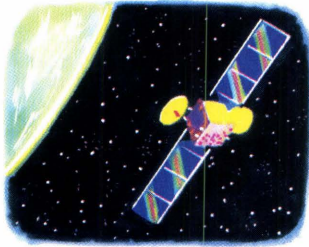
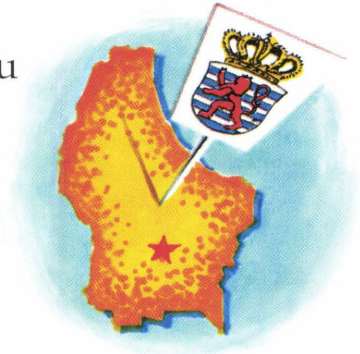


ou almost certainly know about our size (small). And

about our standard of living (high). You

have probably heard about our financial center

(strong). And you might have heard about our



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The New Berlin N° 1: Reichstag with Quadriga by night.

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**MAY 23<sup>RD</sup> 1999: THE COUNTDOWN HAS BEGUN.**

On May 23<sup>rd</sup>, 1999, the Federal Assembly will elect the President of the Federal Republic in the new plenary chamber of the German parliament, marking the birth of the New Berlin. The fascinating dome of the old Reichstag building, whose renovation was designed by Sir Norman Foster, offers unique panoramic views

over Berlin. From there you will be able to enjoy the best views of the city while the Bundestag debates directly below you. Come and visit the New Berlin and see the German capital from a totally different perspective. Berlin Tourismus Marketing GmbH, booking and information hotline: +49 (0)30 25 00 25.

DAS NEUE



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