

SWEDISH DILEMMA • EU-US TRADE DISPUTES: WHAT'S THE BEEF?

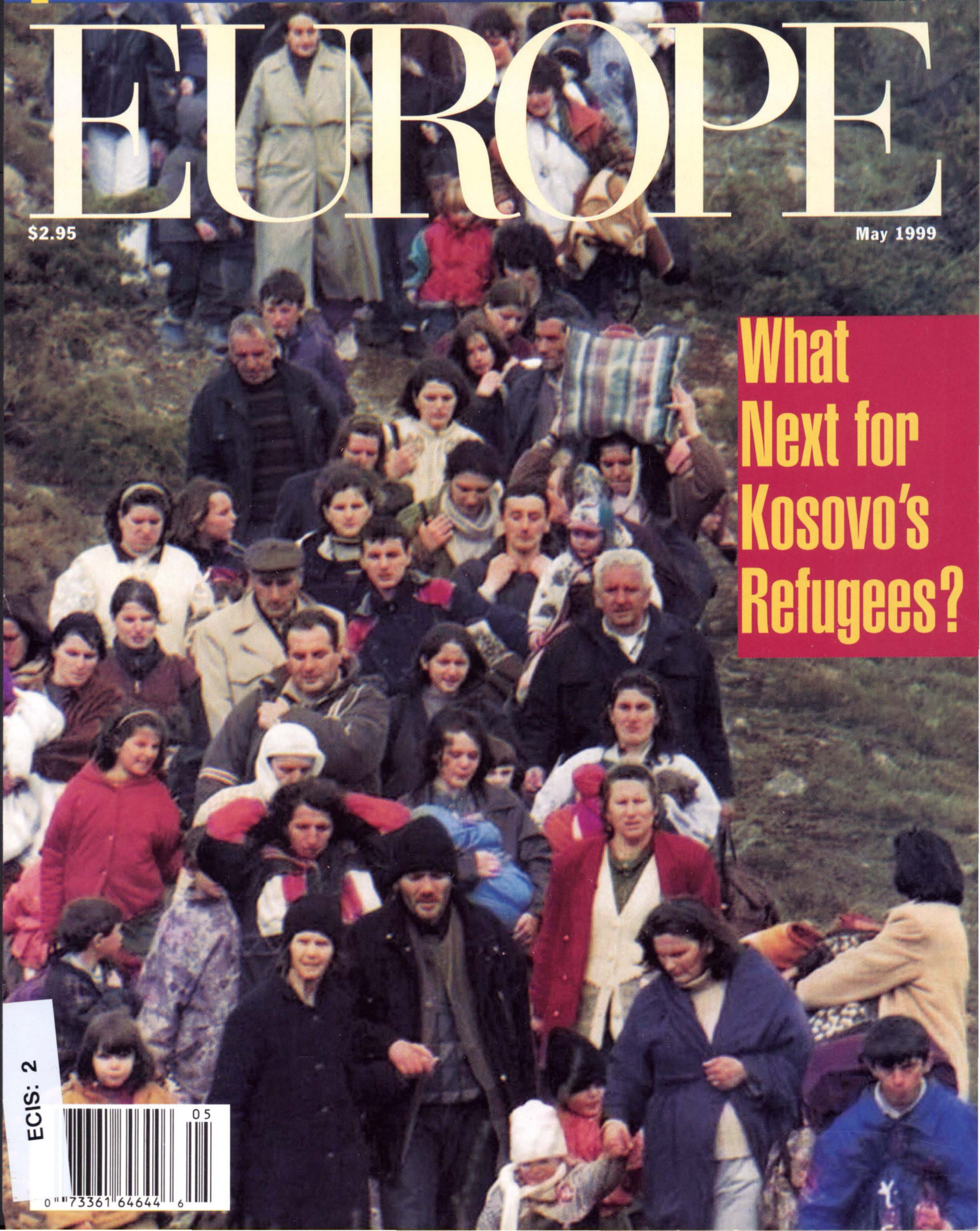


EUROPE

\$2.95

May 1999

**What
Next for
Kosovo's
Refugees?**



ECIS: 2



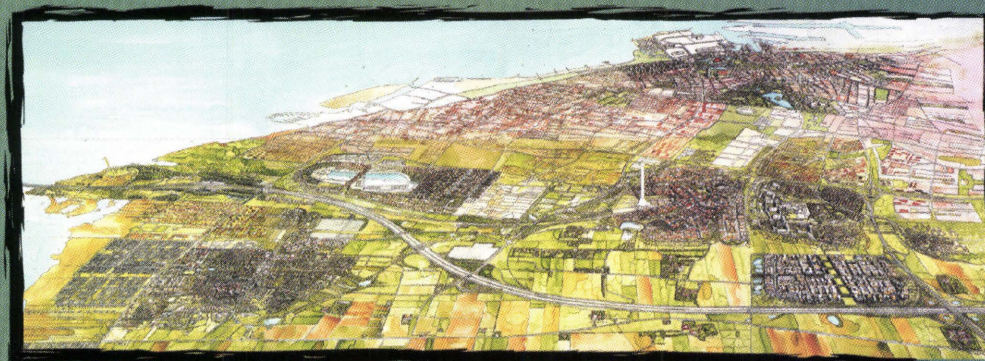
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Seven strong reasons for establishing in Malmö

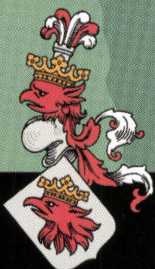
- Malmö and Copenhagen will be integrated by the Öresund Link – a new centre of development will be created
- Malmö is the administrative and cultural centre of the Scania region
- Malmö lies on the coast, surrounded by open countryside and offers excellent recreational possibilities
- Malmö has attractive development areas – Brostaden and the western harbour area
- Malmö university is a new, dynamic centre of academic diversity
- Malmö is renowned for its high quality housing
- Malmö is home to a rich cultural scene



The western harbour area



The area close to the abutment of the Öresund Link – Brostaden

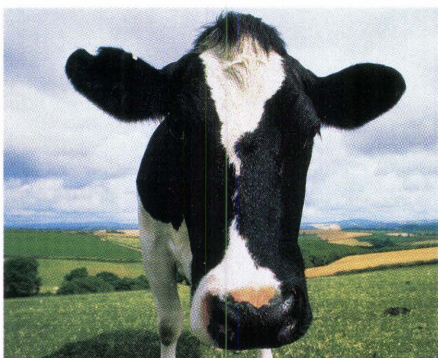


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EUROPE

MAGAZINE OF THE EUROPEAN UNION



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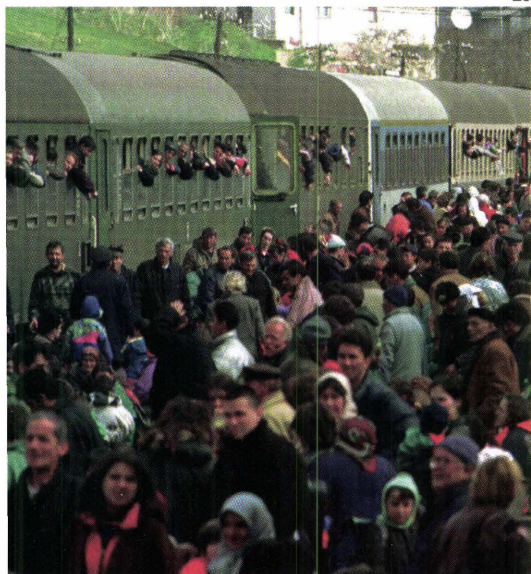
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Letter from the Editor

“**A** fury unseen in Europe since World War II has been unleashed in Kosovo. More than 300,000 refugees have poured into Albania; 120,000 into Macedonia; and 60,000 into Montenegro,” relates our Vienna correspondent Susan Ladika, who has recently returned from Montenegro. As John Hockenberry recently stated on his program on MSNBC-TV, “This is the worst humanitarian crisis in Europe since World War II.”

The air war continues across Yugoslavia by NATO planes and the refugee crisis grows by the hour. All EU countries have offered varying degrees of assistance, and EU foreign ministers pledged \$270 million to aid refugees and the nations that are hosting them. European Commission President designate Romano Prodi has vowed that Europe will play an essential role in assisting after the war ends.

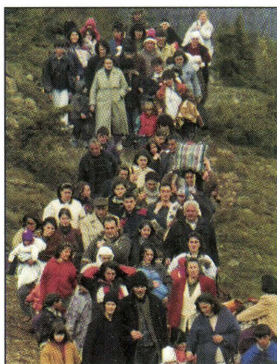
EUROPE looks at the growing refugee crisis and how the EU and the individual European countries are responding. We provide a listing of relief organizations and their telephone numbers for any of our readers who might wish to assist the refugees from Kosovo.

Is the banana dispute finally resolved between the European Union and the United States? *EUROPE* interviews Ambassador Hugo Paemen, head of the European Commission delegation office in Washington, and Ambassador Charlene Barshefsky, the United States trade representative, to get the very latest on bananas, hormone-treated beef, and other trade disputes between the world's two largest trading entities.

Lionel Barber presents an in-depth analysis of what triggered the trade rows and points out that the majority of transatlantic trade remains trouble-free. Barber, writing from London, outlines the problem areas from bananas to airplane hush kits.

This month, our new series entitled “Europe in the New Century” focuses on the European Parliament. Alan Osborn, our Luxembourg correspondent and a long-time observer of the EP, discusses the new roles the elected body will be playing in the future. With elections scheduled this June, Osborn predicts, “A new intake of members of the EP will begin a five-year term equipped with greater powers to influence European legislation than any have had before them.”

Ariane Sains, writing from Stockholm, discusses Sweden lying outside Euroland as the Swedes decided not to join the euro from the beginning.



Kosovar refugees hike toward Albanian border on April 2.

Robert J. Guttman

**Robert J. Guttman
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MALMÖ

Linked to the Future

The economic future of Europe will be written by regions and businesses – not by nations.

In the Baltic, the Öresund region will play the dominant role.

The bridge and tunnel that will connect the city of Malmö on the southern tip of Sweden with Copenhagen in Denmark, will do much more than break world records with a spectacular engineering feat. The Öresund Fixed Link will join Scandinavia to mainland Europe in a dynamic cross-border partnership, ideally placed to become a leading region for northern Europe and the Baltic area.

The potential for foreign investment in the Öresund region is tremendous, particularly near the two bridgeheads, Copenhagen and Malmö. Within the next 10 - 15 years, the European Union expects to see the Baltic develop into a northern version of the Mediterranean basin, with trade between countries in the area reaching \$330 billion by the year 2000. The Öresund region, with a total of 3.2 million inhabitants, forms the gateway to that market, and the Malmö-Copenhagen axis makes an ideal springboard for companies wanting the choice of trading in either or both northern and eastern Europe.

The future of the region begins with the new link, but it is based on a long past of close co-operation between the two sides of the Öresund strait. The Fixed Link, a combination bridge and tunnel for car and train traffic, will bring the two sides even closer, reducing travelling time between Sweden and Denmark to less than 30 minutes.

Copenhagen, the capital of Denmark, has always been a major Scandinavian business center, but for Malmö, Sweden's third largest city, the Öresund project is the final, vital stage of an impressive comeback. Just over ten years ago, it was still trying to come to terms with the decline of the shipbuilding industry. Today, its former shipyards are being converted into new commercial, residential and recreational districts.

The new suburb of Brostaden, by the abutment of the Öresund Link, and the urban renewal project of the Western Harbor, close to the city center, are the two major development areas in Malmö. The most striking project in Brostaden is the Scandinavian Tower, "Europe's highest building." Western Harbor's new lease on life will be marked by the European Housing Exhibition being held there in 2001.

Projects such as these are attracting an increasing number

of companies, also drawn by the pool of academic excellence provided by Malmö's new university. Created last summer, it has added to the high concentration of universities and technical institutions in the region. Nearby Lund University, with almost 40,000 staff and students, is the largest in Scandinavia, and the University of Copenhagen is the largest in Denmark.

Thanks in part to the 120,000 students attending these universities, the region is a European leader in biotechnology and medicine. Sixty per cent of all biomedical research in the Nordic region is carried out in the Öresund area. To increase competitiveness in this field, a Medicon Valley Academy has been established, strengthening regional cooperation between universities, industry and hospitals, as well as marketing the Medicon concept abroad.

More than 30,000 people are employed by world-renowned pharmaceutical companies such as Pharmacia & Upjohn,

Astra, Draco and Gambro, and annual exports in the biomedical field amount to over \$4 billion.

The Öresund workforce is also highly IT-literate: every other family owns a PC, and mobile phone usage is among the highest in the world. Technology-led companies such as Eric-

sson, Nokia and Motorola have located in the region, and several leading computer consultancy firms are established here.

In addition to a national obsession with everything high-tech, the Swedish share a passionate concern for the quality of the environment. Environmental technology, for example in waste treatment and recycling, has become a lucrative export commodity, particularly to eastern Europe.

The Öresund region has other strengths and advantages, not least of which is an enviable quality of life, with low-cost housing and telecommunications, a GDP per capita of over \$30,000, a low crime rate and high-quality, free education and medical care.

If you would like to find out more about becoming a part of the most exciting and dynamic development in northern Europe, please contact:

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Within Europe, the Öresund region ranks:

- No. 2 In environmental technology (after London)
- No. 3 In biomedical research
- No. 4 In FDI (foreign direct investment – around \$10 billion annually) and in scientific research and production (after London, Paris and Moscow)
- No. 8 In GDP
- No. 20 In size

EYE ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

PRODI TO LEAD COMMISSION INTO 21ST CENTURY

At the Berlin summit on March 24, it was widely agreed that Romano Prodi is a man of many qualities. However, only two attributes moved him to the top of the select list of potential candidates whom the EU heads of government considered before nominating him as the next president of the European Commission: He wanted the job and was immediately available.

These two conditions were not fulfilled by the other three top-level names considered by the summitters. Neither Wim Kok, prime minister of the Netherlands, nor António Guterres, the Portuguese premier, were entirely willing candidates, and the appointment of either would have caused severe political difficulties in his respective home country. Javier Solana, the NATO secretary-general and former Spanish foreign minister, would very much have liked the job, and he would have been a formidable rival if the vacancy had been for next January. However, it was out of the question for him to leave NATO while it was engaged in hostilities against Yugoslavia.

So—subject to the consent of the European Parliament—the amiable fifty-nine-year-old, known familiarly in Italy as “Il Professore,” will take over the reins of the Commission for the next five and a half years until January 2005.

Prodi will be the first Italian president since Franco Maria Malfatti resigned in 1972 and made himself highly unpopular by quitting his mandate halfway through in order to take up a not particularly senior ministerial post in Italy.

There is no risk of Prodi flouncing off in the same way. Although he has switched course several times in his career, he has acquired the reputation of buckling down and seeing through to its conclusion every task that he has taken on.

Born in Bologna, the eighth child in a family of nine, he was brought up as Catholic, but not one who spurned the good things of life. His Epicurean tastes extend to good food and wine, but these have been balanced by a relative simplicity in his lifestyle. He is never happier than when cycling in the Italian hills and mixes easily with people at all levels. Round faced and good humored, he could well pass as an Emilian peasant if it were not for his impressive intellectual qualities.

Educated in economics at Milan University, he completed his studies at the London School of Economics—an experience that has left him with a good command of the English language, though he speaks it with a marked accent. He became a professor of industrial economics at Bologna University and in November 1978 was recruited—as a non-parliamentary expert—to become trade and industry minister in a short-lived government led by Giulio Andreotti.



He subsequently joined the Christian Democrats and in November 1982 was appointed chairman of the giant state-owned holding company IRI, a post he held until October 1989. During this period—resisting political pressure—he succeeded in bringing the loss-making company back into profitability and presided over a program of privatization, including the controversial sale of Alfa-Romeo to Fiat.

When large numbers of Italian industrialists and politicians, especially Christian Democrats, were mired in corruption scandals in the early 1990s, Prodi emerged with a whiter-than-white reputation. The diverse center-left forces preparing to fight the 1995 election against the right-wing government of Silvio Berlusconi appealed to Prodi to head the so-called Olive Tree coalition that they had assembled. Partly due to

his towering reputation, they won the election but were only able to govern with the support of the rump of the former Communist Party. Few expected this government to last long, but Prodi succeeded in keeping power for nearly three years, a rare event in Italian politics. Eventually, he was defeated last November and was succeeded by his former ally Massimo d'Alema, himself a former Communist.

D'Alema's eagerness to nominate Prodi for the Commission presidency was undoubtedly prompted, in part, by his

When large numbers of Italian industrialists and politicians, especially Christian Democrats, were mired in corruption scandals in the early 1990s, Prodi emerged with a whiter-than-white reputation.

desire to remove a redoubtable rival from the Italian political scene.

During his time as premier, despite all expectations, Prodi succeeded in transforming the Italian economy to such an extent that Italy was able to meet the criteria for the

single European currency, and Italy was among the eleven countries that signed up for the euro a year ago. It is the courage and persistence that he showed in this endeavor that gives the best hope that he will successfully rise to the challenge of the Commission presidency.

—Dick Leonard



ECB SURPRISES MARKETS

The euro celebrated its 100th day with a bang. Just forty-eight hours before the big event, the European Central Bank cut interest rates in mid-April by a bigger-than-expected 0.5 percent. The move brought the ECB's main refinancing rate down to 2.5 percent, and the bank described its action as a contribution to creating a climate for growth in the eleven-nation euro zone.

Financial markets focused on the fact that the ECB had gone beyond the widely expected 0.25 percent cut. Many analysts recalled the similarly surprising action last December when the ECB coordinated a rate cut in the countries about to adopt the euro from 3.3 percent to 3 percent.

Put together, these two moves suggest that ECB President Wim Duisenberg takes an almost mischievous delight in wrong-footing the markets. He sounds more orthodox than the pope does when it comes to insisting on monetary and budgetary discipline; then he counters his austere reputation with a boldness that hints at a more flexible approach.

In this respect, the ECB looks suspiciously like a reincarnation of the German Bundesbank, which talked a good monetarist game but was far more pragmatic in practice. This would not be entirely surprising since Mr. Duisenberg spent the best part of fifteen years in his old job as governor of the Netherlands

Central Bank, following the Bundesbank's monetary policy line laid down in Frankfurt, and he is close to Hans Tietmeyer, the president of the Bundesbank.

Exactly a year ago, Mr. Tietmeyer persuaded Mr. Duisenberg to reject a compromise whereby he would step down in mid-2002 to make way for Jean-Claude Trichet, governor of the Bank of France. He insisted that any move to compromise his right to choose the timing of his departure would compromise the ECB's independence.

The second reason why the ECB looks like a 'new model Bundesbank' is that this was the price that the German government extracted in the 1991 Maastricht Treaty negotiations, which produced the blueprint for economic and monetary union (EMU). Without a treaty commitment to the independent status of the ECB as well as to price stability, the German government would never have agreed to the elastic language on the entry criteria that allowed debt-ridden Belgium and Italy into the EMU club.

The question is whether the Bundesbank model is likely to prove the right one in the long-run for the ECB. For while the Bundesbank enjoyed outstanding success in the 1970s in leading the fight against inflation, there are doubts whether the same approach is entirely suitable to the 1990s. Indeed, the latest ECB move may indicate that it has grasped the fact that deflation—rather than inflation—is the greatest dan-

ger in Europe today.

Growth in Germany, which accounts for one-third of the euro economy, is slowing because of faltering industrial output and depressed consumer confidence. Italy, a further 18 percent of the euro economy, looks similarly sluggish. In France, the government has also shaved its growth forecast for 1999. The risk of a substantial slowdown in the euro zone is real.

There seems little doubt that the ECB would have cut interest rates earlier had it not been for the public battle with Oskar Lafontaine, the mercurial left-wing German finance minister. Add this to the fact that the ECB has let the euro's value against the dollar slip by around 8 percent since January 1, and it is easy to construct an argument that the bank is a lot more in favor of growth than its public pronouncements often suggest.

The British government has a separate reason to believe that the ECB will be forced to develop a more flexible approach than the Bundesbank. In the view of Gordon Brown, chancellor of the exchequer, the ECB will have to become more open and transparent in its decision-making process if it is to win the support of the ordinary citizens and demonstrate a commitment to accountability.

Mr. Brown points to the British experience, where one of the first reforms introduced by the incoming Labor government was to hand over interest rate policy to a new Monetary Policy Committee at the Bank of England.

The MPC publishes the minutes of its meetings every month, allowing the markets and the public to scrutinize its decisions.

All this is anathema to Mr. Duisenberg. In his confirmation hearings last year before the European Parliament, the Dutchman went so far as to claim that the MPC's commitment to openness had actually contributed to the volatility of the pound in foreign exchange markets. He ruled out publication of the ECB's minutes for more than ten years.

To an extent, Mr. Brown's position is determined by the

There seems little doubt that the ECB would have cut interest rates earlier had it not been for the public battle with Oskar Lafontaine.

need to turn around public opinion in order to win a referendum on EMU, most likely in 2001–02. Having adopted a transparent model for the Bank

of England, he can hardly sign up to the reverse model at the ECB in Frankfurt.

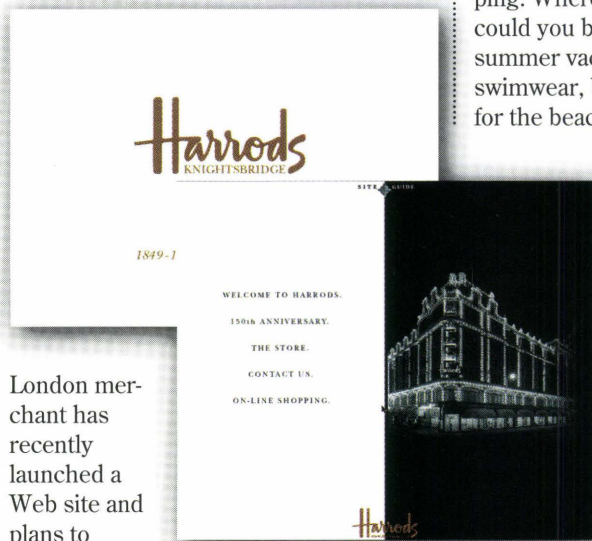
Mr. Duisenberg does not want to take any step that would compromise the credibility of his young institution, and so he cannot be too sympathetic to the British view. However, on the essential issue of accountability and transparency, even his closest admirers wonder whether he has assumed an unnecessarily rigid position.

—Lionel Barber

EU ONLINE

STORE STRUCK

Harrods, the grande dame of department stores, marks its 150th anniversary this year. Although it may have been innovative in the nineteenth century, Harrods is playing catch-up at the end of the twentieth century with thousands of retailers that have expanded into electronic commerce. The venerable



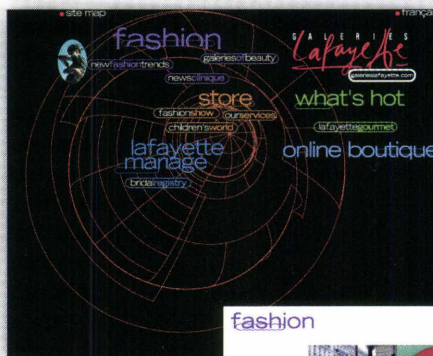
London merchant has recently launched a Web site and plans to begin selling its wares over the Internet within the next few months. Some of Europe's other department stores—like Marks & Spencer and Quartier 206—are also establishing a presence on the Web, but so far only Galeries Lafayette has used its site for product sales as well as promotion.

Harrods' flagship store in the Knightsbridge section of London has become a fixture on the tourist itinerary, competing with monuments, churches, and museums. That international following could make for brisk sales when the store offers merchandise over the Internet. For now, the site (www.harrods.co.uk) offers maps of the store and descriptions of several departments—among them women's clothing, toys, and its renowned food halls—along with panoramic views using Quicktime technology. It features the dates for the next of its frenzied semiannual sales (July 7–17) and a greeting from owner Mo-

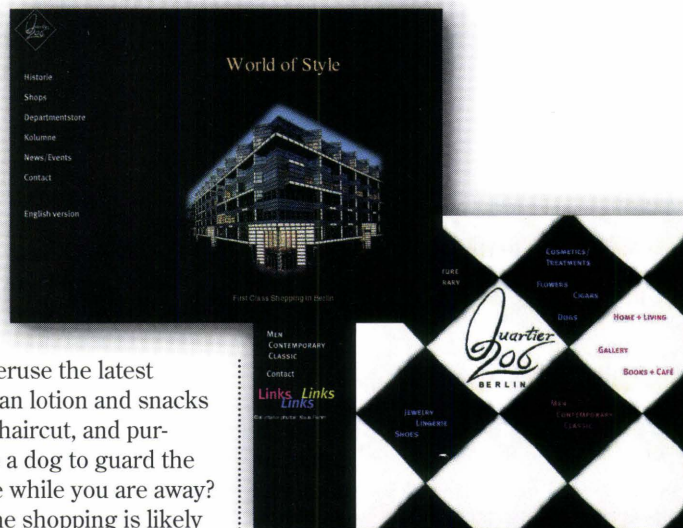
ammed al-Fayed. The most interesting section focuses on how the store began as a small grocer, expanded to clothing, and later became the epitome of one-stop shopping. Where else could you book a summer vacation, peruse the latest swimwear, buy suntan lotion and snacks for the beach, get a haircut, and purchase a dog to guard the house while you are away? On-line shopping is likely to be somewhat more limited.

Marks & Spencer, another London-based retailer without the high-end clothing and gifts of Harrods, has put together a colorful site (www.marks-and-spencer.co.uk) that focuses on the season's trends in fashion, housewares, and even

wine. Photos on the home page link to a tiny sampling of what the store stocks in departments like women's career clothing or cosmetics. Prices in British



pounds are included for most items. Visitors can sign up for e-mail notification when their fa-



vorite departments are updated. Shopping on-line is not available, but a trip to London isn't the only way to experience Marks & Spencer. A searchable database on the site lists branch stores in a dozen European cities as well as in the Bahamas and Bermuda.

Newcomer Quartier 206 is Berlin's answer to the post-cold war upscale department store. The building on the city's famed Friedrichstrasse was designed by I.M. Pei's architectural firm and opened in 1997. The store's Web site (www.quartier206.de), which is accessible in English and German, includes a look at women's haute couture and classic clothing for both men and women. The photos, however, focus more on the stylish interior of the store than on the clothes themselves. Beyond clothing, the collections are a bit quirky. Although there is no mention of a children's department, dogs have their own section of the site. A click reveals canine models sporting the latest knitwear. If nothing else, the Quartier 206 site makes viewers curious about exactly what is for sale in the Berlin store.

Paris-based Galeries Lafayette currently offers the largest and most interesting site



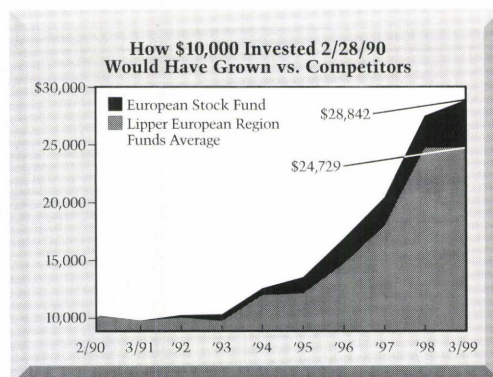
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(www.gallerieslafayette.com) of its peers. Available in French and English, the site gives a visually appealing presentation of the season's trends, whether a modernist look for women's clothes or rose-hued lipstick. Virtual visitors can e-mail the store for an invitation to one of the free fashion shows or an appointment with a personal shopper when next in Paris.

SITE OF THE MONTH: FRENCH OPEN

Springtime in Paris conjures up images of outdoor cafes, walks along the Seine, and red clay. Perhaps the clay only comes to mind for fervent tennis fans who will pack the stands at Roland Garros starting May 24 or prop themselves in front of the television for a look at the world's elite players. In keeping with the demand for multimedia sports coverage, tournament organizers have set up a Web site that captures some sights, sounds, and all the stats of the French Open fortnight.

With a team of IBM designers behind the site (www.frenchopen.org), one expects a well-designed site, which it is. Navigating is easy, and there is a good mix of text and photos. The scoreboard is updated every two minutes and can be searched by event—singles and doubles for men, women, and juniors. Also included are several daily news stories, a photo gallery, the draw and schedule, a history of the tournament, and information on how to get there.

As for the bells and whistles you might also expect from IBM, there are a few. Some interviews with players include video footage. The "Netcam" uploads pictures from matches that appear on the site within seconds. Oddly, IBM-designed sites for Wimbledon, the US Open, and the Australian Open are more technologically advanced. They include live audio broadcasts, chat rooms with players and other fans, and virtual tours of the tournament site. The US Open even includes an interactive tennis game with crowd noises and radar-clocked serves. The major omission here, however, is the lack of French flavor. The site is available in French, but that's about the only concession. There's no feel for who comes to the event and what it's like to spend the day at Roland Garros. If the tournament organizers opted for pared-down gadgetry, they should have insisted on adding a bit of the aestheticism for which Paris is known.

—Christina Barron



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What's the Beef?

EU-US
Trade
Relations
on the
Eve of
the 21ST
Century

By Lionel Barber

These days, the European Union and the United States look like a partnership in peril. A series of damaging disputes over trade has begun to disrupt transatlantic relations, putting at risk the interest of other countries and the world trade order.

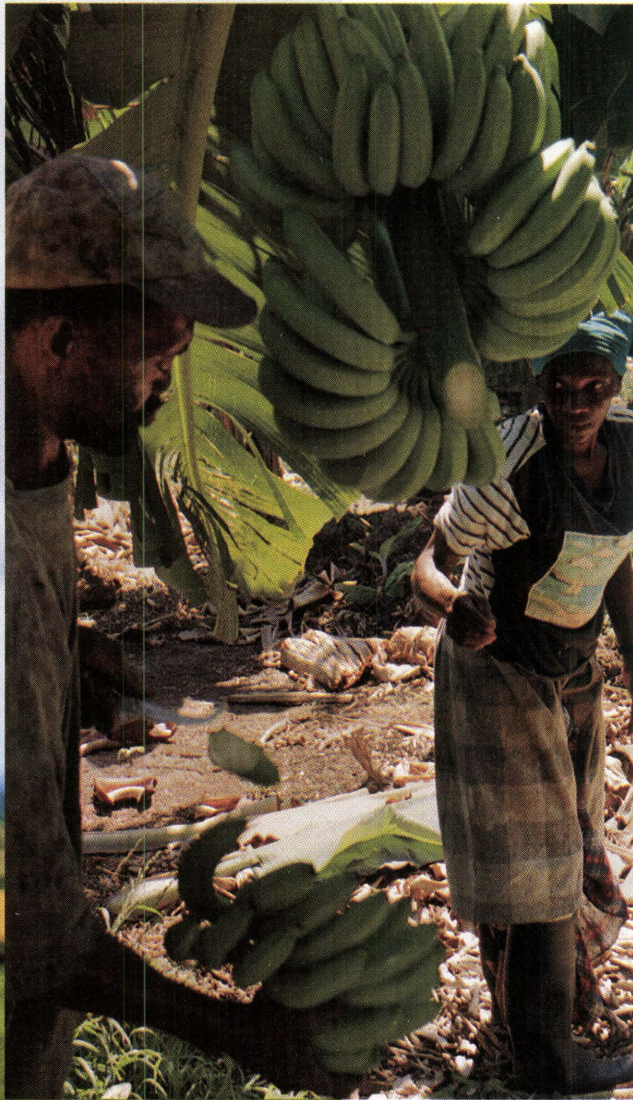
The highest-profile dispute centers on trade in bananas. Washington's complaint is that the EU failed to comply

with a ruling by the World Trade Organization against a European import regime that favors fruit from ex-colonies in the Caribbean at the expense of Latin American bananas distributed by American companies.

In early March, US patience finally snapped, and Washington began preparations to impose sanctions on more than \$500 million of EU exports. The US actions—which targeted such European products as Scottish cashmere, Italian pecorino cheese, and French linens among others—triggered a storm of protest. In early April, the

WTO supported the US claims against EU banana import policies. However, the WTO arbitration panel rejected the US damage estimate of \$500 million and set a lower figure of \$191.4 million.

The immediate concern is that the trade problems could spread. The US has long fulminated against the EU's ban on hormone-treated beef. It does not have much sympathy for Europe's reluctance to embrace genetically-modified food. Furthermore, it is worried about an EU directive on data privacy and proposed aircraft noise regulations that appear to target US airlines.



Workers pick bananas in Saint Mary's parish, Jamaica. Jamaica is one of the Caribbean countries involved in the trade dispute concerning banana imports.

The EU's ban on hormone-treated beef is one of the trade issues disrupting the transatlantic relationship between the US and the EU.

EU diplomats are frustrated that these disputes have escalated to the point where they could inflict lasting damage on the transatlantic relationship. As one veteran negotiator told the *Financial Times*, "Ninety-five percent of day-to-day trade and investment is trouble-free. The problems start when politicians and bureaucrats become involved."

There is little doubt that the bulk of the two-way trade across the Atlantic—worth more than \$300 billion—is free of the niggardly disputes that have erupted over the past twelve months.

Little doubt, too, that trade conflicts often break out in the run-up to US presidential campaigns where candidates have a habit of playing to sectoral interests in the primary contests with low voter turnout.

Yet there are several reasons to believe that the transatlantic trade relationship is suffering from several weaknesses that owe as much to mutual misunderstanding as mutual hostility.

- There is resentment in the US that the EU is doing little to stimulate

domestic demand, leaving America as the sole locomotive of the world economy and the "importer and consumer of last resort" in the wake of the Asian financial crisis. These frustrations might ease now that the European Central Bank has lowered interest rates and if the German economy picks up; but it will not eradicate the unease over the ballooning US trade deficit, especially with China. The feeling in Washington is that Europe needs to pick up the slack.

- The Clinton administration is furious that the Europeans have little appreciation of the wider repercussions of the banana dispute. Europeans often tend to belittle the dispute, attributing it largely to the power of Carl Lindner,

the boss of Chiquita and a big contributor to the Democratic Party. Yet the administration points out that the WTO must be seen to enforce its rules. Without this guarantee, the protectionists in Congress will simply turn their backs on the organization and thereby leave the global trade order without a credible arbitrator.

- The US accuses the Europeans of an exclusionary attitude to the single market in areas such as audiovisual services and agriculture. Officials believe this attitude matches an inward-looking mentality that leaves the EU obsessed with "Euro-building" with scant interest in its repercussions to the outside world. Europeans, by contrast, accuse the Americans of supporting European integration only to the point where the EU does not threaten US economic interests.

- The Europeans remain frustrated with the US tendency toward unilateral trade sanctions, such as the Helms-Burton Law, which seeks to punish foreign companies investing in Cuba, and the D'Amato Act, which attempts to crack down on investment in Iran and Libya. These laws are symptomatic of a "shoot first and ask questions later" attitude to trade relations, says one British diplomat.

- The EU is also wary of US efforts to use its political muscle to engineer one-sided trade deals that favor US companies at the expense of Europeans. This technique was especially true of the first four years of the Clinton administration when officials sought to manage trade with Japan, and it has also aroused suspicions during Mr. Clinton's second term regarding relations with China.

As the millennium approaches, commentators on both sides of the Atlantic are pressing for closer institutional ties between the US and EU in order to head off such disputes.

This idea may be overly ambitious. Trade conflicts are, after all, inevitable even between close allies. The lesson of the past few months is that, beyond the brinkmanship, everyone must recognize there comes a point when the protagonists must decide when to draw back from the edge. ☹

Lionel Barber is a EUROPE contributing editor and the news editor for the Financial Times.

Beef Bananas Other Trade Skirmishes

A succession of skirmishes has developed into broader trade battles between the United States and the European Union. The following is a closer look at the disputes involved.

Bananas

The World Trade Organization has told the EU that its banana regime—which favors fruit from ex-



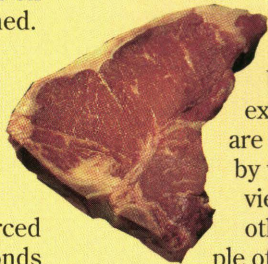
colonies in the Caribbean at the expense of Latin American bananas distributed by US companies—is illegal. But the Europeans have dragged their feet, partly because the WTO rules on compliance are ill defined. The Europeans have condemned the US sanctions—equivalent to 100 percent duties on a range of luxury European goods—which have forced exporters to deposit bonds to the equivalent sum. However, the US refrained from collecting the duties until the WTO produced its delayed report on the damage done to the US by the offending banana

regime. In early April, the WTO supported the US in the banana dispute but issued a lower annual damage estimate.

Hormone Treated Beef

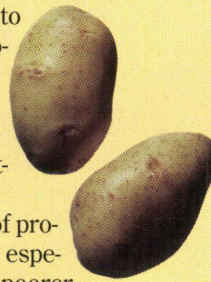
The European Union has imposed a ban on hormone-treated beef. The ban reflects widespread public unease about food safety after the outbreak of mad cow disease in the United Kingdom and other countries in Europe. The difficulty is that Americans appear comfortable with eating hormone-treated beef.

Meanwhile, US beef exporters are outraged by what they view as another example of European protectionism in agricultural trade. The EU has hinted that it does not intend to lift its ban on hormone-treated beef by May 13, the required WTO deadline.



Genetically Modified Food

The same food safety doubts affect genetically-modified foods, which US companies such as Monsanto have pioneered as a cheap and cost-efficient means of production, especially in poorer countries. In Britain, the popular press has stoked fears about the safety of such foods with horror stories about poisonous potatoes and unhealthy “super-tomatoes.” Prime Minister Tony Blair’s government has been forced on the defensive.



Aircraft Noise

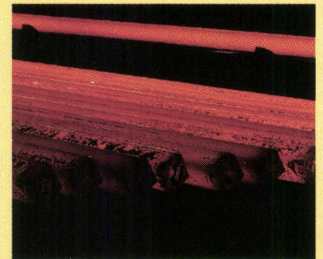
The European Commission has proposed reducing airport noise by banning aircraft fitted with



“hush kit” mufflers. The US says the move would discriminate against its aviation industry. Congress has responded by threatening to deny landing rights for the Concorde, the aging supersonic passenger jet built by Britain and France.

Steel

A House of Representatives proposal to legislate quotas on steel imports has been gathering pace, much to the discomfort of European producers. The protectionist move stems



from increasing pressure of imports, particularly from Asia where the combination of currency devaluations and overcapacity has proved damaging to domestic US producers. 

—Lionel Barber

Charlene Barshefsky

US Trade Representative



Ambassador Charlene Barshefsky, the United States trade representative, was interviewed in her Washington office by *EUROPE* editor-in-chief Robert J. Guttman immediately following the WTO ruling on the EU's banana importation policy. Ambassador Barshefsky discusses the banana ruling, other trade disputes, such as hormone treated beef and genetically modified food, and the general state of trade between the United States and Europe.

How would you define the overall US-EU trade relationship?

The overall relationship is very, very strong. Certainly in trade terms, it is an extraordinarily productive relationship, about \$400 billion annually in trade flows, another \$600 or \$700 billion in two-way investment. It is a very strong, productive, mutually beneficial relationship. The fact that we share many common values assists in the overall relationship. We speak a common language. We're both notice and due process oriented. We're both—there are obviously some breaches on our side and on Europe's side, but generally speaking, we both take quite seriously our obligations, stemming from a common perception of our legal responsibilities one to another.

It's a very strong relationship. The press tends to focus on the disputes because that makes good copy, but if you consider how large the trade relationship is, probably 99 percent of the trade investment flows are absolutely problem-free. And it would be wise to keep that in mind.

Where the US and Europe had fallen short—and I think we have corrected this—is that neither the US or Europe

had a defined trade policy, one to the other. We, as you know, embarked upon a transatlantic agenda with Europe to define, if you will, the present and the current bounds of the trade relationship and its future prospects. And from that, we moved to the transatlantic economic partnership...I point it out here simply to say that I don't think that either the US or Europe can take the trade relationship for granted. There are many ways the trade relationship and investment relationship can be improved, and we should strive to do that, and we should do that bilaterally with each other. This administration has been particularly good—and the European Commission as well—at recognizing that we ought to have an affirmative, proactive trade policy, one to the other, and that kind of proactive approach had in years past been lacking.

Was the WTO ruling on bananas a complete victory for the United States?

We feel entirely vindicated. It's clear that we were. First off, on the substance, we have said repeatedly that Europe's minor changes to its banana regime did not render it WTO compli-

ant. The panel has again agreed. So, this is now the fifth panel ruling the EU has lost on its banana regime. With respect to the arbitration, we are particularly gratified. First by the fact that the arbitrators agreed with our reading of the rules; that is, we had a complete right to take the action that we were proposing to take because our reading of the rules is in fact correct. Second of all, that the panel could also opine on the substance of the EU regime, which they found again to be violative. And third, because the panel gave us a number, it is less than what we asked for, but we will comply fully and we have revoked our suspension of liquidation on anything in excess of the panel amount. And, of course, retaliatory duties will be imposed on the rest. This is complete vindication of the US position and it underscores the wisdom of our approach, which is to focus on the need for compliance with panel rulings.

Is the banana case closed?

Europe should comply. We still believe that a negotiated settlement is the preferred option. We have been pursuing a negotiated settlement on bananas now for 20 months, with numerous proposals made along the way to the European Commission. We still believe that's the best solution, and our door remains open to a negotiated settlement of the issue. But, the clear message of the panel is if there is noncompliance, the prevailing country can exercise its WTO rights and take retaliatory action. And that is what we are doing in the interim.

Is the US going to impose \$191 million worth of tariffs?

Yes.

How much will the tariffs on the goods be?

100 percent. You do it by tariff line item...Whatever countries from Europe export that particular tariff item to the United States, those countries are subject to the duty.

Is the US singling out any countries?

The retaliation list focuses more prominently on products from countries like France, Spain, Portugal—those who have been unwilling to negotiate a substantive resolution of the underlying matter.

Are any EU countries excluded from the tariffs?

Denmark and the Netherlands are excluded from any retaliatory duties because they have persistently voted against the EU banana regime.

Some EU officials have wondered if, as a goodwill gesture, the US

would do away with the tariffs.

No. As a goodwill gesture to Europe? No. The goodwill gesture that would be most helpful right now from Europe is an agreement to sit down and seriously negotiate the underlying issue in dispute. But the United States, as we have said repeatedly, will continue on the course that has been set by Europe's failure to comply with the panel ruling.

How long do these tariffs remain on?

Until compliance occurs.

EU trade officials have said their banana policy is not a trade issue, but rather a development issue in trying to help poorer Caribbean nations. Do you agree or do you see it more as a trade issue?

Two points. First of all, we have said repeatedly that this case does not challenge the Lomé preferences given by Europe to the Caribbean countries or to its former African colonies. We fully support trade preferences for the Caribbean and for the African nations that export bananas. That's number

one. And number two, this is absolutely a trade issue. This is nothing other than the taking of import licenses from US distributors of Latin bananas and handing them over to several European companies in a discriminatory manner. This case is not about the development of the Caribbean or the development of African nations, because we fully support the preferences granted to them by the Lomé Convention, and indeed, we provide those countries similar tariff preferences. The issue has to do with European discrimination against US distributors of Latin American bananas and against Latin American banana producers. Remember, we are one of the complaining parties here. There are five countries—Latin American countries—that have joined in this case.

Some people have suggested this is mainly a domestic American political problem because of contributions to political parties from fruit company executives?

Tell the six panels that this is a political case. Six panels. Two in the GATT system and now four panel rulings in the WTO—the original panel, the appellate body, the arbitral panel, the Ecuador panel. Six panels have ruled the EU regime to be internationally illegal. This is not a US domestic political case. This is a case of European trade discrimination, pure and simple.

EU leaders are going to be meeting end of this month with Chinese leaders about opening up their markets. Do you feel that the EU and US are in agreement on what China needs to do in order to join the WTO?

I would say largely, yes. We and Europe have worked quite closely on China's accession. Our negotiating teams work closely. We have tried to coordinate, if you will, our requests of China. I think our requests are quite consistent with each other. And this has been a very productive way of proceeding. That is to say, the US is not undercutting Europe; Europe is not undercutting the United States. We present a much more united front, and most important, we are giving the same message to China. That is: minor market openings will not suffice [and] market opening in one sector but not an-

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other will not suffice. And that substantial progress will need to be made on market access and on rules in order for China to be in a position to accede to the WTO.

What do you see as the key issues in November for the WTO's ministerial meeting in Seattle?

There are three dimensions to the Seattle ministerial and three dimensions to any new round that is launched at Seattle. One is the need for significant trade liberalization...agricultural trade will form the core of that. But there will be many issues—tariffs, procurement—a range of issues that will be put on the table...Second, ongoing progress will be critical. That is to say, while negotiations are proceeding and indeed even in the lead-up to Seattle, that new market opening agreements be reached so that the process of market opening does not stop for the years during which a round proceeds...And the third dimension has to do with institutional reform of the WTO. This is an organization that needs to become more transparent. Dispute settlement should become more transparent. It is also an organization that should have a more cooperative relationship with organizations like the IMF, the World Bank, the ILO, the other multilateral institutions whose agendas intersect with that of the WTO.

Are you perplexed that the EU seems to be so concerned over hormone-treated beef?

This is another reason that the banana series of rulings and our actions is very important. Europe needs to understand that even if politically uncomfortable when it loses a case, it must comply or negotiate a means by which to comply. Here again, as in bananas, we have proposed a negotiated solution on the beef issue. Europe has thus far not responded favorably on our proposals, but we think, here again, a negotiated solution presents the best alternative. Failing that, we're going to be in exactly the same situation on beef that we were in on bananas. If that's what Europe would like to precipitate, then its continued noncompliance will surely accomplish the aim.

What about the similar problem of genetically modified food? Do you

have any response to the Europeans on this topic?

We're particularly worried about Europe's approval process for bio-engineered products, whether it's soybean varieties or corn varieties. Europe's process is highly politicized. It is opaque and conducted in a manner designed to promote protectionism. We have asked for a review of its product approval process. We think that's extremely important, but the process as it stands now is quite unacceptable.

Is the Clinton administration worried about subsidies to Airbus?

We remain very concerned about subsidies to Airbus, as well as the manner in which Airbus might be combined into a single entity and the potential forgiveness of huge sums of indebtedness.

What is happening with hush kits (a type of muffler used to reduce noise on older aircraft)?

Here again we see Europe acting unilaterally, just as with bananas and beef, now hush kits... The International Civil Aviation Organization has said that it disapproves of the way that Europe is handling this issue. The issue of noise abatement is a multilateral issue and should be resolved in the International Civil Aviation Organization. We have urged a multilateral resolution to the issue, and in the meantime have made various proposals to Europe. And here again, Europe is flouting multilateral rules.

Why do you think the EU is being unilateral when it should be multilateral?

That's a good question to pose to the EU. We would urge the EU to get back on board in the multilateral track here on all of these issues. We have quite consciously moved US trade policy toward multilateral dispute settlement. We have brought thirty-one WTO cases. In years past, those might have been Section 301 cases. There were all WTO cases. We have lost four very sensitive WTO cases. We have complied in each instance. We have moved policy toward the multilateral because we believe that, in the long run, it is in the best interest of the US. And now we see Europe departing from the multilateral and taking extraordinary unilateral, non-complying action in the face of repeated losses by dispute settlement

bodies. This is a reversal that the global trading community can ill afford, and that the US cannot tolerate.

If you listen to what the EU says, it sounds like they're multilateral, but you are saying their actions are not matching their words.

The actions are not matching the rhetoric. This is absolutely clear. Absolutely clear. I know of no country that has required six panel rulings on a regime and to have the losing country, the six-time losing country, refuse to alter the regime. I can think of many countries whose trade regimes have been put to the test even more severely than this. But I can think of none that at the end of the day has been this intransigent and destructive of the process as what Europe is doing now in these cases.

Do you think the Transatlantic Economic Partnership (TEP) is a good framework for the next century?

I think it's a very good framework. It's intended to be quite productive, results-oriented framework in which we can make progress on specific trade issues bilaterally and, where appropriate, can then take the fruits of that work to the WTO or to the OECD by way of suggestion. For example, we're looking at the question, is it possible to negotiate a model mutual recognition agreement for the professions with respect to services trade. This is a very difficult area, but if the US and EU can develop a model, this would not only be good bilaterally, but we would take that suggestion to the WTO. So we are looking at a variety of issues where we can produce concrete results for ourselves, that is to say for US and Europe, as well as, where appropriate, areas in which we can jointly make suggestions to the WTO. And this two-step process will, over time, prove to be very, very wise and extremely productive.

Should the EU be shouldering its economic weight in the international arena more?

There is a concern among many in the US that Europe's surpluses reflect a lack of investment-led growth in Europe and that Europe would do well to increase significantly its investment-led growth. ☺

Hugo Paemen

EU Ambassador to the United States



Ambassador Hugo Paemen, the European Commission's head of delegation, was interviewed in his Washington office by *EUROPE* editor-in-chief Robert J. Guttman. Ambassador Paemen discusses overall EU-US trade relations, the WTO, bananas, hormone-treated beef, trade deficits, and a host of other trade-related topics.

How would you characterize European Union-United States trade relations today?

It's certainly the most integrated and the most interdependent relationship which exists in the world. It's also the most diversified. And for that reason, probably the most complex relationship in the world because it's not limited to trade and investment, which is enormous, but it goes far beyond that. It goes into issues of domestic security. Nearly all our member states are also linked to the United States in other organizations like NATO.

What is your analysis of the WTO ruling on bananas? Is it a clear defeat for the EU?

It's clearly a statement that our present banana regime is not in conformity with the rules of the WTO. That does not mean that it solves the problem. The basic problem being how can we give an answer to some of the poorest countries in the world that want to sell bananas and have nearly only bananas to sell, but can't do it in competition with the rest of the world? The proof is that the US does not import any bananas from those countries.

Do you think there are going to be more appeals or is the banana

issue going to be laid to rest?

It's for the members to decide. I think there will not be an appeal. But even if there is an appeal, it's time now that we look not at the procedural aspects, but at the substance of the problem, which is the one I mentioned. We have a limited, small number of countries in the world that depend up to 65-70 percent of their export receipts on bananas, and none are competitive. And as far as we are concerned, it's only about 20 percent of our consumption of bananas. Eighty percent of our consumption of bananas come from Latin American countries where the American companies are present. We have to see exactly what it is—it's a limited problem. It's a small number of countries, the poorest countries of the world, and on our side it's only about 20 percent of our consumption of bananas. That really should not lead to a trade war between the European Union and the United States.

Will the EU overhaul its banana regime policy in light of the WTO ruling?

They have to see what they can do, and the best thing would be that we have now a serious discussion with the United States and other countries on the substance of the problem, and not on the procedure.

You say it's only 20 percent and it's only the poorer countries. Is this basically not a trade issue but a humanitarian issue?

Yes. For us, the conflict which we had was between our development policy and our trade policy. In light of the trade policy, we have to give the same treatment to everybody, and we cannot give preferential treatment in terms of tariffs which would allow those poor countries to export bananas to the European Union. For development policy reasons, we think we owe them this preferential treatment, and we owe it to them to reserve a small part of our market. The US says they don't mind our preferential treatment, but they are not ready to accept its consequences.

Are you amazed how the issue has gotten out of hand?

It got out of hand because we lost sight of the substance of the problem, and we concentrated too much on the procedural, legal litigation aspect of it.

A *Business Week* editorial states, "The simple truth is that the European Union has not been acting in good faith and is undermining the credibility of the WTO." How would you respond to that?

Well that's exactly not understanding our dilemma, which was the one I mentioned between our development policy and our trade policy. Perhaps we were not smart, but it's not true that we did not act in good faith. We said that we wanted to give preferential treatment to what we call the ACP countries. But

perhaps we did not do it in the right way. It's also true that we did not convince the United States of the main objective of our development policy in this case.

So it became more of a trade issue rather than a development issue?

Yes. We lost sight of the development policy side of it.

What is your overall view of the WTO? Is it working as effectively as you would like?

It works very well. And our litigious cases have a tendency to hide an overall trade situation, which is very good, especially between the United States and Europe. Trade is increasing. Investment is increasing. So the overall situation between the United States and Europe is in very good shape.

What will happen in the upcoming talks between the European Union and China. Should China be in the WTO?

We have said from the beginning that we prefer China to be in rather than stay out. At the same time, we said that it had to be done on commercially viable terms, and we have there given a very good example of close coordination and cooperation between the United States and Europe. We have compared notes on a nearly permanent basis, and if China comes in, which I think will happen now very soon, it will come in on terms which will make it a good member of the club.

What do you think are going to be the key issues of the WTO ministerial meeting in Seattle in November?

First of all there is already a work program which has been worked out during the Uruguay Round. This is the so-called built-in agenda of the Uruguay Round negotiations. Secondly, there's a whole series of new issues which have opened up since the conclusion of the Uruguay Round. Those broader horizontal issues, like the relationship between trade and environment, trade and labor rights, trade and competition, certainly will be very prominent in the ministerial meeting in Seattle.

Do you favor a new round of millennium trade talks?

I think it's good to have a round. But we

have to look for the balance between the day-to-day work of the WTO, which has to continue, and on the other hand, the usefulness of a round from time to time. Don't forget that the WTO has now in its statutes that it will have a ministerial meeting every two years, so there is an occasion for WTO to review at a political level the work that is being done by the organization on a day-to-day basis. It's for the member states to decide how the balance between the day-to-day work of the organization can be improved by organizing more general global, multilateral talks from time to time. But clearly, the necessity of having multilateral rounds is now less than it was before the WTO existed, because then we did not have the system of a permanent organization with bi-annual ministerial meetings.

Why is there such concern in Europe over hormone-treated beef? Don't most scientists say it's safe?

We had a bad experience in Europe with scientific evidence. With the mad cow disease, we thought we had scientific evidence, that there was no negative impact. It appeared after a while that some scientists had been wrong. So there's more reluctance in Europe today vis-a-vis scientific evidence to admit that we have final scientific certainty than there is in the United States. And this has created a trauma which makes all these problems in relation with biotechnology much more sensitive in Europe than in the United States.

So the hormone-treated beef concern is based on the mad cow scare?

The overall context and the way in which public opinion reacts to these issues is very strongly influenced by the bad experience of the mad cow disease, yes.

You recently proposed an idea about labeling. Can you explain that?

At the end of the day, what we should have as a basic approach is that it is for the consumer to decide what he wants to eat or does not want to eat, given that there is not a major public interest to defend or not to let in certain products. But in overall terms, it is for the consumer to decide what he wants to eat

and what he does not want to eat. And the best way to do this is to introduce labeling and to tell the consumer what is in the product. Then if a consumer wants to pay more for having better quality or a product which he thinks is safer than another product, that's for him to decide.

How would the labeling work?

How the label will have to be formulated, that has to be looked at each time. The United States is a country of labels. There are many more labels on products sold in the United States than in Europe, and that's good. So we think that the label has to say what is in the product, as it is done here for other products. And then the consumer has to be in the position to make the choice.

What about genetically modified food? This is becoming a big issue overall.

It's in the same order of preoccupations. There is a reluctance in Europe, vis-a-vis genetically modified organisms. We have much less integrated in our daily lives the results of biotechnology. Also, because we don't have an agency like the Food and Drug Administration in the United States, which has the confidence of the American citizens. When the Food and Drug Administration in the United States says to the American citizen, "This product is safe," American citizens will consume the product. We don't have an agency, an organization in Europe which has the same kind of authority and reputation of scientifically sound judgment.

Does Europe need an organization like the US Food and Drug Administration?

Perhaps we could consider it, yes.

Could you explain the US and EU's dispute over hush kits?

The hush kit is an example of legislation which the Europeans have worked out based on their specific experience, which is that in general airports are much closer to cities in Europe than they are in the United States. Again there is much greater sensitivity in Europe vis-a-vis the noise pollution produced by airports than in the United States. The US government and the US industry only woke up to this issue when our legislation was in the last

A Country in Transition **Swedish** Firms Seeking Shelter Abroad

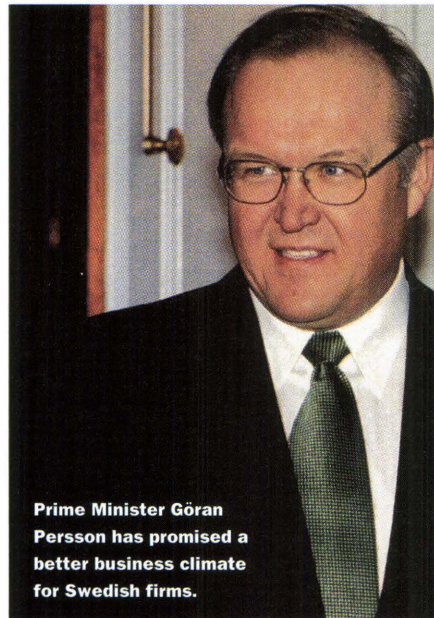
By Ariane Sains

With its panoramic sweep over Stockholm, it's tough to find a better view than the one from Franco Fedeli's office at Icon Medialab. But Fedeli, president of the Internet consulting company, is willing to trade the view for an office in a country with tax regulations that are kinder to entrepreneurs.

"Three of the company's four founders don't live in Sweden anymore, for tax reasons," Fedeli says. Icon was started in March 1996. Today, half the company is owned by Swedes who either live abroad or have foreign-incorporated companies that own the stock, to avoid Swedish taxes.

Icon is hardly alone. While Sweden's 28 percent corporate tax rate is one of the lowest in Europe, marginal income tax rates can be close to 60 percent. That makes it tough to recruit foreign employees and keep Swedish ones. Lately, it's also been one of the factors making it tough to keep companies in Sweden.

Their taxes used to pay for decent health care, schooling, and pensions, but Swedes increasingly believe that is no longer so. Perhaps more than many European nations, Sweden today is a country in transition. While the politicians grapple with the flight of top-drawer companies and entrepreneurial firms to kinder tax climates, the Swedish



Prime Minister Göran Persson has promised a better business climate for Swedish firms.

citizens are grappling with radical and constant changes in the social welfare system.

A rash of mergers and planned mergers has focused attention on Swedish tax regulations, labor law, and the general business climate. Companies that have moved or plan to move their headquarters out of Sweden include: pharmaceutical company Astra, which plans to merge with Britain's Zeneca; forest products company Stora, which merged with Finland's Enso; Nordbanken, which merged with Merita Bank, also of Finland; and information technology company Enator, which plans to merge with Finnish counterpart Tieto. There is also concern that Ford, which recently purchased the Volvo car division, will move production abroad.

The Swedish Social Democratic minority government is promising both more money for health care and other welfare benefits and a better business climate, not least for smaller companies. But actions have yet to match words.

In January, with considerable fanfare, Trade and Industry Minister Bjorn Rosengren set up a committee to develop a plan for Sweden to stimulate growth, especially for small and mid-sized companies. The group included the head of the Metal Workers Union, Goran Johnsson, as well as major Swedish corporate leaders such as Michael Treschow of Electrolux, Leif Johansson of Volvo, and Goran Lindahl, of the Swedish-Swiss ABB group. Fedeli joined at the last minute to represent the high-tech entrepreneurial interests.

The business leaders want lower income taxes, an improved higher education system, and for Sweden to join the European monetary union immediately. They also want to get rid of the so-called double taxation on shares in which corporations pay tax on dividends before they're paid out and then shareholders pay tax on the same dividends when they get them.

However, when the committee presented its results, there were few concrete proposals. Not long after, four members of the group—Fedeli; Treschow; Leif Johansson, chief executive of Volvo; and Lars-Eric Petersson of Skandia—went public in an opinion

article for the daily paper *Dagens Nyheter*, charging that Prime Minister Göran Persson had deliberately misstated the committee's position on income tax cuts to the press.

Fedeli, who had said he believed Rosengren truly wanted to help Sweden change course, was especially disappointed. While the Swedish government worries about high-profile industrial companies such as Volvo moving out, "in silence all this service industry has moved out of Sweden because of tax reasons," says Fedeli. And he believes more companies will be leaving.

Swedish companies are increasingly stepping sideways within the Nordic region to avoid Swedish regulations. Merita-Nordbanken and Stora-Enso are two examples of companies that incorporated in Finland to avoid the double-dividend taxation, to be located in an EMU country, and to avoid mandatory union representation on their boards.

"We have a lot of talent," Bildt laments, "but the rest of the world is changing faster than Sweden is. So the gap is increasing."

The Federation of Swedish Industries also points to what it considers alarming statistics about a Swedish brain drain. Engineers are increasingly taking jobs outside the country and are not moving back.

Despite repeated government promises, "Basically, nothing has changed that could break the downward trend of the Swedish economy," federation officials said in an open letter to members of parliament. They argue that with more flexible labor policies and lower taxes, Swedes today could have a per capita income 60,000 kronor (\$7,500) above today's average and as many as 800,000 jobs could have been created since 1970.

The federation is also angered by the government's decision to begin decommissioning Sweden's twelve nuclear reactors, which produce about 50 percent of the country's electricity. By European standards, that electricity is

cheap and helps to offset higher transportation costs to the markets in the rest of Europe, something industrialists believe is vital if Sweden is to remain competitive.

Former prime minister and leader of the Conservative opposition Carl Bildt charges that relations between the government and the business community are worse than they've been at almost any time since the end of World War II "and worse than in most other European countries." Bildt too predicts that more companies will be moving abroad, which he says would not be so worrisome if there were more start-up companies to replace them.

"We have a lot of talent," Bildt laments, "but the rest of the world is changing faster than Sweden is. So the gap is increasing."

Says Fedeli, "If Sweden is going to survive, you have to think in terms of the Nordic countries, Europe, the world." **E**

Ariane Sains is EUROPE's Stockholm correspondent.

Outside Euroland

Virtually from the time they voted to join the European Union in 1994, Swedes have had an uneasy relationship with Brussels. Unlike the neighboring Finns, who take the attitude that they joined the EU for better or worse and that membership means the whole package including joining the European monetary union (EMU), Swedes keep vacillating.

Sweden did not join EMU from the beginning and political signals change almost daily about if—or when—it will. But that has not stopped Swedish banks from offering euro-denominated mutual funds and Swedish businesses from loaning and bookkeeping in

euros nor has it stopped Swedish companies from registering their headquarters in countries—notably Finland—that are part of Euroland.

Lack of enthusiasm over EMU may be the most visible symbol of Sweden's lukewarm EU feeling, but there are plenty of other conflicts. One of the most debated issues is that of Swedish *offentlighetsprincipen*, the policy of open documentation versus EU secrecy.

Sweden has one of the world's strongest freedom of information laws. Once a letter, report, or document is received by a public agency, the government, or members of parliament and

is recorded as having been received, it becomes public information. While politicians and bureaucrats may sometimes try to get around the law, there are also strong mechanisms for pursuing information.

The divergence between Swedish and EU policy was vividly demonstrated in January, when European Commission's President Jacques Santer wrote a sharply worded letter to Swedish Prime Minister Göran Persson. In it, Santer criticized Persson's critique during a radio interview of the Commission's decision to fire the accountant who first brought to light the Commission's financial abuses.

Persson made public

Santer's letter, even before it was officially registered in Stockholm. Santer was outraged, charging Persson with undermining the European Union. Sniffed one of Santer's aides, "This isn't how we do things in Brussels."

While Persson's move was calculated to win political points at home, it still illustrates the fundamental Swedish belief in open government, and it won praise from his political opponents.

"How did they think they could write secretly to the Swedish prime minister?" marvels Per Gahrton, a Swedish Green member of the European Parliament, who is not often in agreement with Persson. "It's really to his credit that he made it public. But there's such an enormous cultural gap."

—Ariane Sains

Volvo

END
OF AN
ERA

By Ariane Sains

It was the end of an era. As cameras flashed and shareholders looked on, Ford CEO Jacques Nasser and Volvo CEO Leif Johansson shook hands and Volvo Cars was no longer a Swedish company.

When Volvo and Ford announced a \$6.25 billion merger plan in February, it set both the business community and ordinary Swedes reeling. While Volvo may be an upscale, albeit boxy, image of safety and performance for Americans, in Sweden it is truly “the people’s car.” Models range from the basic to top of the line. For generations of Swedes who grew up with Volvos and still talk lyrically about the early models, the idea of the company being in foreign hands is difficult to swallow.

Meanwhile, business leaders point to the merger as yet more evidence that Sweden cannot support domestic industry and worry that it will mean the loss of both Volvo’s production and that of subcontractors.

More than any other company, Volvo represents Sweden. Just as in the United States, the saying was “As GM goes, so goes America,” in Sweden the same sentiment applied to Volvo. The company is also the crown jewel of Göteborg, Sweden’s second city, on the west coast. Johansson, a Göteborg native, admits he thought long and hard about a sale to foreigners and that it would be difficult to be known as the man who sold Volvo’s car division.

“But we determined that this was the best deal,” he says. The Swedish government sought to put the best face on the deal, saying it would give Volvo



resources to grow. The political opposition, however, was quick to criticize the buyout. Volvo subcontractors are also upset. Lars Holmqvist, director of the suppliers’ organization, Fordonkompo-

nentgruppen, estimates that “60 percent of Volvo’s suppliers will have a problem servicing Ford.” He says they are not equipped to supply such a large company and cannot compete with Ford’s established suppliers.

Union leadership is reacting cautiously. Bertil Jonsson, head of the Swedish Trade Union Confederation, remains firm that production must not be moved out of Sweden, but ultimately the union’s position will be determined



Ford CEO Jacques A. Nasser (left) and Volvo CEO Leif Johansson (right) shake hands on the \$6.25 billion sale of Volvo’s car division. (top) Volvo’s first car, the “Jacob,” in 1927.

by the result of negotiations with Ford as the new owner.

Ford management has promised that production will be kept in Sweden and that Volvo will retain its uniquely Swedish character. In fact, that cachet is part of what Ford wanted. Nevertheless, Nasser is also known for cost-cutting and streamlining. Volvo already had a stringent cost-cutting program underway; it remains to be seen how much further Ford will take that.

One indication that Ford is serious about maintaining the Volvo brand is that Tuve Johansson will remain as director of Volvo Cars within Ford, and Ford management has indicated that the job is not simply transitional.

If Volvo offers Ford a premium brand name, one step below Jaguar, Ford in turn gives Volvo access to the capital it needs to build the brand in the next century. Volvo is struggling to bring sales up to 250,000 cars a year and to build US market share. Johansson believes Ford will be instrumental in helping with that as well as spreading distribution in Mexico and Latin America.

Auto analysts say that the Volvo-Ford merger is just one small piece of the consolidation rapidly going on in the auto industry and that a car company Volvo's size cannot survive in today's market. Furthermore, the cash from the sale gives Johansson a war chest to build up Volvo's truck business through acquisition of one or more larger companies.

Many Swedes, however, will never look at Volvo quite the same way again; truly, this is not their fathers' Volvo. ☺

If Volvo offers Ford a premium brand name, one step below Jaguar, Ford in turn gives Volvo access to the capital it needs to build the brand in the next century.

Swedish Firms Find Customers in US

You are standing in the sofa department at Ikea trying to decide between the green fabric with yellow polka dots and the red fabric with blue butterflies. You would like to get your husband's opinion, so you whip out your Ericsson cell phone and give him a call. Then you get in your Volvo and drive home, where you and your husband relax over an Absolut and tonic (he favors the currant-flavored version, while you prefer yours pure) sipped from Orrefors crystal glasses.

With Swedish companies increasingly visible in the United

States, it is sometimes hard to know if you're in New York or Stockholm. And they are in good company with a variety of other Nordic brands, such as Finnish textile maker Marimekko; Nokia, the Finnish competitor to Ericsson; Georg Jensen, the Danish jeweler long established in the US; and of, course, Denmark's Lego.

While companies such as Ikea aim at the mass market, most Nordic marketers in the States go for a niche and/or upscale audience. That helps keep margins high and offsets transportation costs. When it comes to furniture, jewelry, and crystal, it

also enhances the idea of Scandinavian design—a phrase that is actually a misnomer since Danish design is as different from Swedish as Georg Jensen is from Ikea.

Not all Nordic marketing efforts are successful, however, especially when it comes to food. Swedish crispbread has proved reasonably popular in the States, but Swedish caviar—fish eggs blended into a paste you squeeze out of a tube—has definitely not. It may be, as one potential purveyor puts it, “the Swedish answer to peanut butter,” but Americans evidently prefer Skippy.

—Ariane Sains



Furniture retailer Ikea is one of the Swedish companies gaining visibility in the US.

Corporate

Europe's
Love
Affair
with

America

Dutch insurer Aegon recently purchased San Francisco-based Transamerica Corp.

I
ca

By Bruce Barnard

Corporate Europe's love affair with America has reached new heights of passion with transatlantic spending scaling record highs as companies seek a presence in the world's biggest market to complete their transformation into global players.

In the past fifteen months, European firms have spent close to \$300 billion buying US companies, dwarfing investments of \$49 billion in 1997 and \$57 billion in 1996. There is no sign yet that Europe's ardor is cooling, with several large deals in the pipeline covering sectors as diverse as insurance, steel, supermarkets, and computer software.

The spending spree consolidates the world's largest trade and investment relationship and puts into perspective high-profile rows over beef hormones and bananas worth barely \$600 million,

which pales beside the growing interdependence of the US and European economies.

European investment supports approximately 6 million American jobs and an additional 1.5 million are created by US exports to Europe, according to European American Business Council estimates last year. The figures have to be updated almost weekly to keep up with the rapid-fire pace of European mergers and acquisitions activity in the United States. The size and variety of European purchases is spreading, underlining the fact that few US companies or sectors are safe from unwanted bids.

Daimler-Benz's \$40 billion "merger" with Chrysler, the number-three US car manufacturer, and British Petroleum's \$61 billion swoop on Amoco involved mature industries where Europe has achieved parity with the United States. But the \$62 billion takeover by the United Kingdom's Vodafone Group of AirTouch Communications in early 1999 was in an industry where the US had until recently led Europe.

European firms are prepared to pay top dollar to buy their way into new high-tech sectors by acquiring well-established US companies.

The latest takeovers were sprung by European manufacturers of traditional telephone equipment for US companies pioneering digital technology used in global telecommunication networks that carry telephone, video, and computer traffic simultaneously. Siemens, the German group, spent around \$570 million buying two start-up firms, Argon Networks and Castle Networks, and took a stake in a third, Accelerated Networks, before moving on to negotiate a deal worth \$1.2 billion for the network equipment arm of 3Com. Alcatel, its French rival, splashed out \$2 billion for Xylan Corporation and \$350 million on Ascend Communications, adding to its 1998 acquisition of Texas-based DSC to create a new US Internet division.

The UK's General Electric, Ericsson of Sweden, and Nokia, the Finnish mobile phone group, have also ac-

quired US Internet firms, taking total European spending to more than \$10 billion in the Internet sector in the past six months. Some industry analysts suggest, however, that Europe has waited too long to catch up with US heavyweights like Microsoft, IBM, and Compaq.

In some sectors, such as chemicals and pharmaceuticals, European firms have closed the transatlantic gap or even overtaken their US rivals and are well positioned to spring more mega-mergers.

The United Kingdom remains the most globally minded European nation, overtaking the US in the cross-border takeover rankings for the first time in eight years in 1998. British firms launched takeovers worth \$127 billion last year, or a quarter of the global total, edging US firms into second place with deals worth \$124 billion, according to a survey by KPMG, the accountancy firm. Moreover, despite the lure of Europe's new currency, the euro, and the seven-year-old single market, the US accounted for 80 percent of investments by British firms.

The Netherlands also is keeping up the pace, bidding to reclaim second place in the US foreign investment rankings from Japan. With their multinational companies, which long ago outgrew a miniscule domestic market of only 15 million, the Dutch are balancing US acquisitions with forays into Europe. Among the most recent deals were insurer Aegon's \$9.7 billion purchase of San Francisco-based Transamerica Corporation, which made it the second-largest life insurer in the US, and the \$1.75 billion acquisition in February by supermarket group Ahold of Pathmark Stores, which has 132 outlets in and around New York. The deal came only four months after Ahold paid \$2.8 billion for Maryland-based Giant Food and will hoist its US revenues to more than \$20 billion this year.

Companies in Germany and France, Europe's biggest economies, have been slower to invest in the US, but they are now making up for lost time as they

seek to establish a global presence. Deutsche Bank's \$10.1 billion bid for Bankers Trust is expected to flush out US bids by its leading domestic rivals, Dresdner Bank and Commerzbank. French banks also are tipped to cross the Atlantic after the dust settles on the audacious \$37 billion double-barrel bid by Banque Nationale de Paris for Paribas and Société Générale, which were planning their own merger.

In some industries, Europe is trouncing the United States. Daimler-Chrysler, Renault, and Volvo account for nearly 60 percent of truck sales in the US and that figure will rise to around 78 percent if Volvo confirms industry speculation by buying Chicago-based Navistar.

In other sectors, Europe reacts to US initiatives. The recently announced alliance between tire maker Goodyear and Sumitomo Rubber of Japan trig-

lion bid for VLSI Technology, a California manufacturer of semiconductors used in mobile phones and other electronic equipment. If successful, it would be Philips' second large investment in the US within a year, following the \$800 million purchase of ATL Ultrasound, a Seattle-based maker of diagnostic equipment. Alcatel also is eyeing fresh acquisitions in the US to play a leading role in the mushrooming data communications market and bolster its defenses against rivals like Lucent Technologies. Alsthom, the French electrical engineering group, plans to double its US revenues to more than \$2.2 billion and boost its US work force from 3,000 to between 10,000 and 15,000 over the next five years.

Meanwhile, the mega merger between Daimler-Benz and Chrysler that dominated 1998 is already paying dividends, with the new firm turning in a

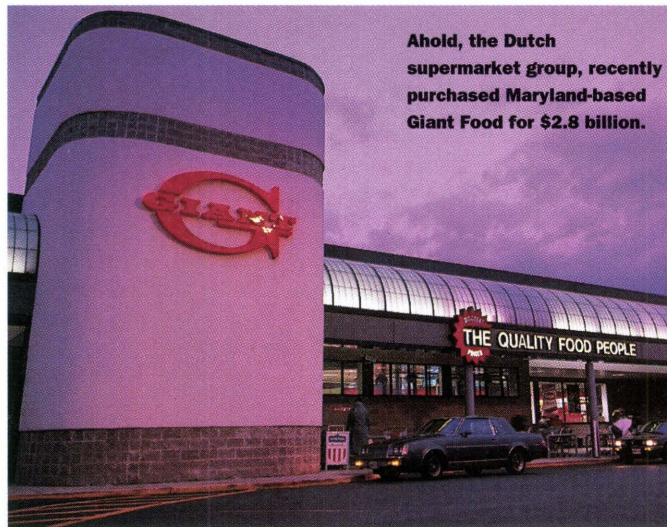
net profit of \$5.7 billion in 1998, up 29 percent on the combined results of the separate German and US firms in 1997. The company confidently repeated earlier pledges that the merger will deliver higher sales, profits, and annual synergies worth as much as \$2.8 billion in three to five years.

It is against this bullish backdrop that European firms in almost every industry are buying into the US market. Among recent eye-catching deals were the \$380 million takeover of Pinkerton by Sweden's Securitas; Scottish Power's \$11.3 billion offer for PacifiCorp, a Seattle-based utility; and Britain's National Express's near \$60 million investment in two mid-west school bus operations. There are more in the pipeline, with British Steel looking to spend \$750 million on a US steel distributor and National Express seeking its third bus company.

With an increasing number of companies in Europe's two biggest economies, Germany and France, losing their inhibitions about crossing the Atlantic, the merger wave has a long way to go before it crests. ☺

With an increasing number of companies in Europe's two biggest economies, Germany and France, losing their inhibitions about crossing the Atlantic, the merger wave has a long way to go before it crests. ☺

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



Ahold, the Dutch supermarket group, recently purchased Maryland-based Giant Food for \$2.8 billion.

gered a knee-jerk counter partnership between Italy's Pirelli and the US's Cooper Tire and Rubber.

To be sure, European firms have suffered setbacks in the US, often because they paid too much for their acquisitions or didn't do their homework. Philips, the Dutch electronics giant, pulled out of a joint mobile phone venture with Lucent Technologies after only a year. British Airways' involvement with US Airways soured, and Alcatel is laying off around 10,000 American workers over the next two years.

But these setbacks haven't soured the American Dream for European firms. Philips, for example, quickly bounced back by launching a \$777 mil-

Europe's Changing Business Culture Engulfed by a Wave of Hostile Takeovers

By Bruce Barnard

Why do European firms choose to invest across an ocean rather than just over their borders? Cross-border European takeovers and mergers trail transatlantic transactions despite the continent's increasing attractions, notably a single market now in its seventh year; the successful launch of the single currency, the euro; massive multi-billion dollar privatizations of state companies; and sweeping deregulation of monopolies.

That is about to change, however, as continental Europe is engulfed by a wave of hostile takeover battles pitting Olivetti against Telecom Italia; Banque Nationale de Paris against Société Générale and Paribas; and top French businessmen François Pinault and Bernard Arnault sparring over Gucci, the Italian fashion house.

The US's main attraction is its sheer size. It is the world's largest single economy with the biggest concentration of giant corporations—three-fourths of the world's top 200 companies are American. Globalization has increased the attractions of the US to European companies seeking critical mass to compete with US and Japanese firms with far bigger domestic markets.

European chemicals, pharmaceuticals, and oil companies were the first to move across the Atlantic, mainly setting up US units rather than buying local firms before moving on to takeovers. That process has moved into a higher gear, with BP's \$61 billion acquisition of Amoco last year, and spread to new industries, such as cars, with Daimler's \$40 billion merger with Chrysler.

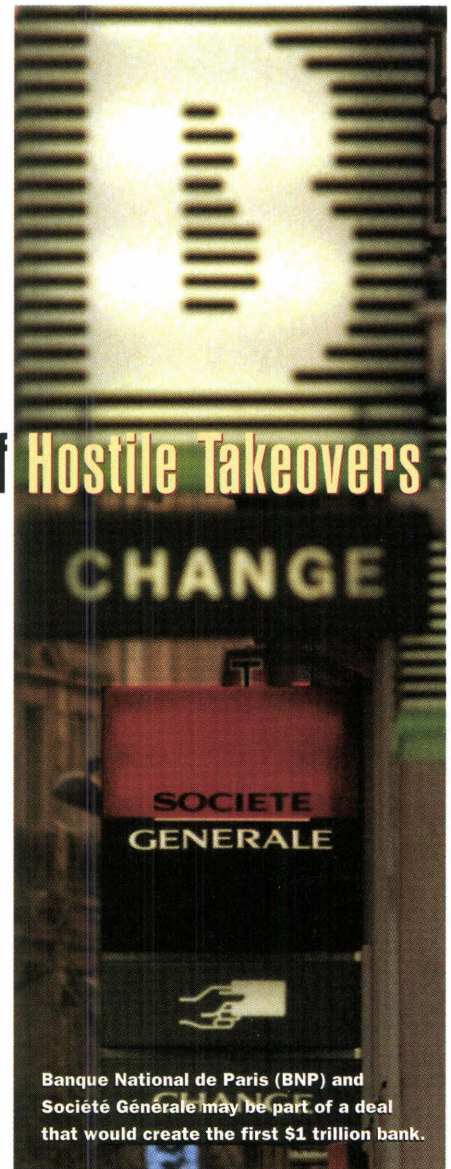
Europe's enthusiasm for the US now embraces almost every sector from financial services (one of the biggest banks in the Chicago area is the Dutch ABN-AMRO group) to fast food (Burger King is British owned). The nationality of the buyers also has broadened with French and German companies finally moving across the water.

One of the key attractions of the US for foreign firms is the sheer ease of mounting takeovers compared with continental Europe where hostile bids are taboo and extremely rare until very recently, not just across borders but within national markets. Until recently some countries, such as Germany, the Netherlands, and Switzerland, had never seen a hostile bid. Moreover, only eleven hostile takeovers have succeeded in continental Europe in the past ten years, according to IFR Securities Data.

The US has become even more popular as European firms embrace an Anglo-Saxon business culture with its emphasis on shareholder value. Large German companies are listing their shares in New York to broaden their appeal to investors, and small high-tech start-ups are tapping the venture capital markets.

Part of the US's appeal stemmed from the weakness of the dollar against European currencies, which made American companies relatively cheap to buy. However, the dollar's strength against the euro and the surge in American stock prices has not dampened Europe's enthusiasm for investing in the United States. The fact that a stronger greenback and the raging bull market reflect the underlying strength of the US economy compared with the anemic performance in Europe has simply multiplied the US's attractions.

Europe, however, is changing with a



vengeance. Olivetti's audacious \$58 billion bid for Telecom Italia, which is Italy's largest company and five times the size of Olivetti, stunned the financial establishment and is expected to trigger a spate of copycat deals. The \$38 billion hostile bid by Banque Nationale de Paris for Société Générale and Paribas also marked a watershed in France, relegating the government, which normally has a say in corporate maneuvering, to the sidelines. What made it even more unusual for France, was that Société Générale and Paribas were in the process of a friendly merger talks to create Europe's second-biggest bank. A successful BNP bid would create the world's first \$1 trillion bank in terms of assets.

The outbreak of mergers and acquisitions fever in Europe is not likely to lessen the attractions of the United States. The bigger companies that are being formed will be in a stronger position to strike across the Atlantic. ☺

Ørestad

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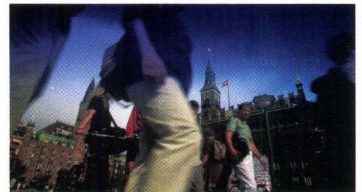
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EUROPE

update

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WHAT THEY SAID...ABOUT KOSOVO

"Nobody wants us. We have no country anymore and will be refugees forever."

—*Linda, a resident of Pristina, Kosovo's capital, who recently fled to Macedonia*

"We must act to save thousands of innocent men, women, and children from humanitarian catastrophe, from death, barbarism, and ethnic cleansing by a brutal dictatorship; to save the stability of the Balkan region, where we know chaos can engulf all of Europe."

—*Tony Blair, British prime minister speaking to the British Parliament*

"The refugee flow from Kosovo may well continue and even intensify in the coming days."

—*Hans van den Broek, European Union commissioner*

"I think that the policy remains that the first priority is to keep these people, as much as possible, in their

region. I strongly believe that because the situation is so volatile even if you lift 50,000...Milosevic can push (out) another 100,000 tomorrow morning."

—*Emma Bonino, European Union commissioner*

"The weather is extremely cold. We don't have full access to the area, and there's now a possibility of health hazards."

—*Paula Ghedini, United Nations High Commission for Refugees representative in Macedonia*

"This new exodus, refused by most of the refugees, will lead to separating them further from their land, their villages, and the cities where they have the right to return and live freely in peace."

—*Jacques Chirac, president of France*

"As fast as European countries take refugees from

Macedonia, that is how fast the problem will end."

—*Lupco Georgievski, prime minister of Macedonia*

"So numerous are the refugees—according to the United Nations' conservative estimate nearly 400,000 people have fled Kosovo in the past two weeks—that all means have to be used to care for them.... This is all the more important because the exodus is largely the result of ethnic cleansing."

—*Financial Times editorial, April 7, 1999*

"Some of the images seem to belong to the not-so-recent past. Summary executions, collective punishment, forced expulsion of tens of thousands of families, frightened children separated from their parents, endless lines of desperate refugees: following Sarajevo and Srebrenica, Kosovo has entered the long

and bloody list of tragedies that bring dishonor to the outgoing twentieth century."

—*Elie Wiesel, author and Nobel Peace Prize winner*

"Slobodan Milosevic and his forces are in the middle stages of a genocidal assault."

—*Bob Dole, former senator*

"It all brings back memories of decades ago. To see those people leave their homes with nothing, no clothes, no papers—especially the children. They (Serb-led troops and police) are assassins."

—*Josette Ausseray, woman in Creteil, France, collecting staples to send to Kosovo refugees*

"This is the worst humanitarian crisis in Europe since World War II."

—*John Hockenberry, MSNBC television reporter speaking from Albania*

REPORTER'S NOTEBOOK

Montenegro Stuck Between Serbia and NATO

Montenegro may be the junior partner in the Yugoslav federation, but in many respects, its mindset is worlds away from that of neighboring Serbia. While Serbia is trying to form an alliance with Russia and Belarus, Montenegro's reformist government is calling for closer cooperation with the European Union and NATO's Partnership for Peace program.

Montenegro's government has declared its neutrality in the standoff between NATO and the regime of Yugoslav President Slobodan Milosevic and has taken in more than 60,000 refugees from Kosovo since NATO airstrikes began. That is in addition to the tens of thousands who were in the republic from the wars in Bosnia and Croatia and earlier fighting in Kosovo.

"These are the tragic consequences of an irrational policy of confrontation with the entire world," Montenegrin President Milo Djukanovic said in a televised address

shortly after the start of NATO attacks. "Force will not bring peace, neither to Kosovo nor to Serbia nor Yugoslavia. I appeal to all in the country and the international community to return to a peaceful agreement on Kosovo."

Yet, peace has been lacking in Montenegro since NATO airstrikes began. Djukanovic foes rally regularly in the capital, Podgorica, protesting against his moderate policies and NATO intervention.

Many fear Milosevic will use the turbulence in the Balkans to overthrow Montenegro's elected leaders and install those more to his liking. Milosevic has received stern warnings from the international community. In a press conference, Secretary of State Madeleine Albright said any attempt to overthrow Djukanovic "will have the most serious consequences."

Milosevic already has axed Montenegro's more moderate military leaders, replacing them with hard-line commanders. The military now is trying to enforce con-

scription, something the Montenegrin government had largely ignored.

The military also has attempted to prevent Montenegrin media from broadcasting and printing news from the West and has detained television crews from Germany's ZDF and the United Kingdom's BBC. In those instances, the Montenegrin government intervened, securing the release of the television crews and preventing punitive action against local media.

Since taking office last year, Djukanovic has done his best to integrate himself with Western leaders. He's traveled to Washington, Brussels, and many other capitals, reiterating the tiny republic's commitment to democratic and economic reforms.

"The basic problem is that Serbia is an authoritarian power and Montenegro stands for democracy and parliamentary government," said Bozidar Jaredic, Montenegro's minister of information.

The West has tried to underscore its support for the Montenegrin government,

sparing the republic from NATO airstrikes as much as possible. The European Union pledged \$270 million to aid refugees and the countries that are hosting them, including Montenegro. In addition, the US government agreed to send \$10 million for the republic to pay salaries and pensions.

Before the breakup of Yugoslavia, Montenegro's spectacular coastline was a thriving tourist destination, drawing thousands of visitors from as far away as the UK and Germany. Now, even domestic tourism is at a standstill. International sanctions cut off Montenegro from outside markets, and many tourists shied away, resulting in losses of more than \$5 billion, Jaredic said.

In recent years, a movement has been brewing in Montenegro to secede from Yugoslavia. Two referendums voted it down. Today, analysts say about 40 percent of the population would favor such a move.

Susan Ladika, reporting from Montenegro.

EU NEWS

EU Considers Banana Options

The European Union is mulling reform of its controversial banana import regime, which favors growers in former French and British colonies after the World Trade Organization (WTO) agreed with the United States and several Latin American producers that it violates global trade rules. Despite the ruling, the EU stressed it will continue to favor banana imports from the Caribbean and Africa. "It is lawful for us to make it possible for producers in these countries to enter the EU more easily than those of other countries," said European Commissioner Sir Leon Brittan.

The WTO judgement and its authorization of US sanc-

tions of \$191.4 million on European goods marked the climax of a six-year transatlantic dispute that teetered on the brink of a full-blown trade war. It also represented the first real test of the ability of the fledgling WTO to referee rows between its two biggest members. It was only the second time authority to retaliate against a member country was granted by the Geneva-based WTO, or its predecessor, GATT, in their combined fifty-one year existence.

The WTO, however, gave the EU some leeway. Its arbitration panel confirmed that the EU could give preferential duty-free treatment to bananas from African, Caribbean, and Pacific (ACP) countries under a waiver from WTO rules. But it said the quota and licensing systems

designed to favor the ACP growers discriminate illegally against Latin American producers and US-based marketing firms like Chiquita and Dole.

The EU says it is currently studying a way to make its banana regime comply with WTO rules.

Awaiting the New Commission

The European Commission has a new president-designate but is still nineteen commissioners short of its twenty-member headcount. Romano Prodi was the snap choice of EU leaders to succeed Jacques Santer within ten days of the mass resignation of all twenty commissioners in March in the wake of a critical "wise-men's" report on financial

mismanagement and cronyism within its ranks.

While European leaders unanimously chose the fifty-nine-year-old former Italian prime minister to head the EU's executive body at a summit in Berlin, the current commissioners have stayed on in a caretaker capacity until replacements are nominated by EU governments and approved by the European Parliament.

The lengthy approval process means the new Commission may not be in place until the fall, leaving a power vacuum in the EU at a turbulent time in its history.

The European Parliament was due to vote on Mr. Prodi's appointment in early May, and he could face a second grilling in August when the Strasbourg assembly meets again to confirm the president and

the nineteen other commissioners. To complicate matters, the composition of the European Parliament will change between the two meetings as it faces an EU-wide election on June 10.

Moreover, the Amsterdam Treaty, which was due to come into force in May, gives the Parliament greater authority over EU legislation and the legal power to veto the appointment of a Commission president. It also gives the president discretion over the appointment of new commissioners as well as more leeway over dividing portfolios between them. This change makes the Commission more independent of the horse-trading of jobs by member governments that fostered cronyism in the institution.

There are fears of a clash between Parliament and EU governments if some of the caretaker commissioners who were untainted by the wise-men's report are reappointed to serve in the new Commission for another five-year term.

France gave a foretaste of the challenges facing Mr. Prodi when he starts to put his team in place by lobbying to secure one of the most powerful Commission posts—competition policy—for one of its nationals.

Mr. Prodi promised MEPs fundamental reform of the

Commission with the new watchwords being greater efficiency, absolute transparency, responsibility, and full accountability.

In his debut appearance before the Parliament in Strasbourg, Mr. Prodi said Europe must build political unity as well as monetary unity. "The single market was the theme of the 1980s; the single currency was the theme of the 1990s. We must now face the difficult task of moving toward a single economy, a single political unity."

Mr. Prodi called for closer coordination of EU tax policies, more majority voting in the decision-making Council of Ministers, and a common foreign and defense policy.

Euro Rate Cut

The European Central Bank's decision to cut its key interest rate by half a percentage point to 2.5 percent in mid-March, ten weeks after the launch of the European single currency, the euro, provided a urgently needed boost to European industry.

In a bid to establish its credibility with financial markets, which feared it would yield to outside pressure, the ECB had resisted calls from center-left European politicians for lower interest rates to boost economic growth and

reduce unemployment. The sudden resignation of Oskar Lafontaine, the German finance minister and the leading critic of the ECB, paved the way for the rate cut.

The rate reduction on its own will have a minimal impact on the euro zone economy, which will struggle to reach 2 percent growth in 1999. Economists say governments must launch a supply-side campaign, concentrating on labor market reform, to make inroads into the EU's average 10 percent unemployment rate.

—Bruce Barnard

EU-Latin Summit

Trade, aid, and political development will be on the agenda when European Union leaders and their Latin American counterparts meet June 28-29 in Rio de Janeiro for a summit aimed at redefining bi-regional relations.

In preparation for the meeting, the European Commission issued a report emphasizing what the EU wants to achieve in Latin America in the period 2000-2006 and how the Europeans would refocus their concerns of the recent past.

EU diplomats say that, in the five-year period ending this year, the EU was primarily aiming at promoting bilateral trade agreements with the Latin American nations

and trying to move away from a relationship with many of the countries in the region based on aid.

Moreover, that policy was largely a success as at present, the EU has finalized or is currently negotiating liberalized trade accords with all the Latin American governments, except for Cuba for political reasons.

The EU and Latin American leaders attending the Rio summit will adopt an action plan on future relations focusing on three areas: political and strategic, economy and trade, and cooperation or aid, says Francisco Da Camara Gomes, the European Commission's director for Latin America.

EU leaders would also like to strengthen their economic and trade ties to the more developed nations in the region, such as Mexico, Chile, Brazil, and Argentina, and ease access to the European market for the poorer countries in Central America and the Andean region, such as Bolivia, Peru, and Ecuador.

Annual trade between the two regions amounts to some \$55 billion. European investment into Latin America is growing despite the recent financial turmoil in Brazil, one of Latin America's largest economies.

—Benjamin Jones

BUSINESS BRIEFS

The planned \$91 billion merger between **Deutsche Telekom** and **Telecom Italia** would create "Europe's global telecommunications powerhouse" reaching into twenty-six countries with 72 million local phone lines covering one quarter of the European Union's population.

The mega-merger faces many hurdles, including a tough anti-trust probe, but even if it fails the European telecoms market will never be the same again. The deal,

triggered by an unwanted \$65 billion bid by **Olivetti**, the Italian telcoms group, for Telecom Italia, represented a bold attempt by former monopolies to defend their domestic turfs as scores of new companies take advantage of the newly deregulated market to build up a sizeable European presence.

Ron Sommer, the chief executive of Deutsche Telekom, also claimed the merger would create a European company able to compete with the big US operators.

"We have missed out on Silicon Valley in Europe. We do not want to miss out on Telecom Valley."

•••

Airbus stepped up its attack on **Boeing** at both ends of the market, seeking Japanese involvement in its program to build a super jumbo jet to break the monopoly of the Boeing 747 and unveiling plans for a 107-seat jet to compete head on with the 100-seat Boeing 717.

The four-nation European aircraft manufacturer is forging

links with Japanese parts makers in a bid to get them to put up some of the \$10 billion launch costs of its planned 550-seat super jumbo jet. Airbus also wants to expand its sales in Japan, where it trails far behind the US manufacturer. The European consortium has sold only seventy-three jets to Japanese carriers compared with nearly 550 sales by Boeing.

Airbus is said to have got commitments from at least six airlines for more than 110 firm orders worth some \$4

BUSINESS BRIEFS (CONTINUED)

billion for its planned 107-seat plane, known as the A318. The Boeing 717 has been selling slowly with only 115 sales over the past three years.

Meanwhile, Airbus won a victory against Boeing in its home market by clinching a contract worth up to \$3.6 billion with **New Air**, a new low-fare US airline, for twenty-five A320 jets with options for twenty-five and purchase rights for a further twenty-five.

Warren Buffett, the legendary billionaire American investor, caused a stir on the London stock market following reports he was targeting one of the United Kingdom's most famous firms, **Marks & Spencer**, a high street retail chain that has recently fallen on hard times.

The Omaha-based investor confirmed he had been accumulating shares in an unnamed British company in recent months, but he wouldn't say what sector it was in or when his stake would surpass the 3 percent mark that would force him to divulge its identity.

Mr. Buffett visited Europe in April in search of part ownership of corporate jets in **Executive Jet Inc.**, which he bought last year for \$725 million. Only 1,100 of the 9,000 business jets in the world are based in Europe, and Mr. Buffett said his plan to sell partial stakes in planes could lift European ownership to 20 percent.

Meanwhile, the planned merger between **Kingfisher**, one of the UK's largest stores groups, and **Asda**, a leading supermarket chain, creating the country's largest retailer with annual sales exceeding \$27.5 billion, stoked speculation that **Wal-Mart** stores, the world's biggest retailer, is about to spring a major European acquisition.

A British merger was long expected as firms build their defenses against a possible move by Wal-Mart. The Arkansas-based firm said it wants to expand in Europe following its purchase of two supermarket chains in Ger-

many; however, Wal-Mart officials said the company has no plans to move into the United Kingdom.

Kvaerner, the financially troubled Anglo-Norwegian construction and engineering combine, is pulling out of shipbuilding, putting its thirteen yards in Europe, Russia, the US, and Southeast Asia on the block as part of a wider restructuring aimed at returning the group to profitability.

The decision will lead to the break up of the world's third-largest shipbuilding group with 10,000 workers and a product range spanning luxury cruise liners, sophisticated liquefied natural gas carriers, containerships, and offshore oil and gas vessels.

The sale includes the old Philadelphia Naval Yard, which is being transformed into a commercial shipyard, and disposal of other assets, such as paper and pulp facilities. The move will shrink Kvaerner to two-thirds of its current size with 25,000 of its 80,000-person payroll being transferred to the buyers.

Kvaerner's problems, which brought it close to defaulting on its loans, stemmed from an overambitious expansion program that climaxed with the \$1.4 billion purchase in 1996 of **Trafalgar House**, a British conglomerate whose interests included **Cunard Line**, owner of the QE2 cruise liner.

Eurotunnel, the Anglo-French operator of the Channel Tunnel, is seeking a US partner to develop its fledgling telecoms business. Eurotunnel, which made an operating profit last year for the first time since the tunnel opened in 1994, moved into the telecoms market in 1996, taking advantage of deregulation to market the spare capacity on its own fiber optic network. The company hopes the business, which generated revenues of \$14.3 million last year, will attract US firms that do not yet have European operations.

Ericsson, the Swedish telecommunications group, consolidated the invasion of the US Internet market by European equipment manufacturers with a \$450 million acquisition of **Torrent Network Technologies**.

The deal was Ericsson's third in the US in the past year and took its spending to more than \$800 million with more acquisitions likely as it seeks to challenge established North American players such **Cisco** and **Nortel** in the fast-growing Internet market.

Nokia of Finland, Germany's **Siemens**, **Alcatel** of France, and the UK's **General Electric** have also bought US Internet-based equipment suppliers in the past twelve months.

Six out of ten Western firms say customs red tape at border crossings, ports, and airports is hampering trade with Central and Eastern Europe, according to a poll of top multinationals. Those numbers, however, represent an improvement on the poll by **DHL**, the express parcels group, eighteen months ago when nine out of ten companies encountered problems.

One exporter said it was asked to provide the Latin name for a shipment of potatoes although the Mediterranean growers did not know the name themselves. Another firm said customs turned back a consignment of goods because the computer printout of the shipment details was on the incorrect colored paper.

Border officials in the former Eastern Bloc see their role as policemen rather than customs authorities, but the situation is improving with only 20 percent of shipments hit by customs delays com-

pared with one-third eighteen months ago. The most straightforward customs are in the five countries applying for EU membership—Poland, Hungary, the Czech Republic, Estonia, and Slovenia.

Germany's **Dresdner Bank** was poised to acquire a major US investment bank to keep pace with its archrival **Deutsche Bank**, which is finalizing its \$10.1 billion purchase of **Bankers Trust**.

Dresdner is planning to raise more than \$1.5 billion in capital and convert its bearer shares to registered shares, which would enable a stock-financed merger or acquisition. "We have an inexhaustible war chest," according to Bernhard Walter, the bank's chairman. Dresdner "is past the phase of deliberation and analysis" in its plans to expand, he said.

Talks to acquire **PaineWebber Inc.**, the US investment bank, fell through last summer, and attention has since focused on **J.P. Morgan, Lehman Brothers**, and **Donaldson, Lufkin & Jenrette**.

Dresdner, which lost its position as Germany's second-largest bank, following the recent merger of **Bayerische Vereinsbank** and **Bayerische Hypotheken & Wechsel Bank**, is also mulling acquisitions in Europe.

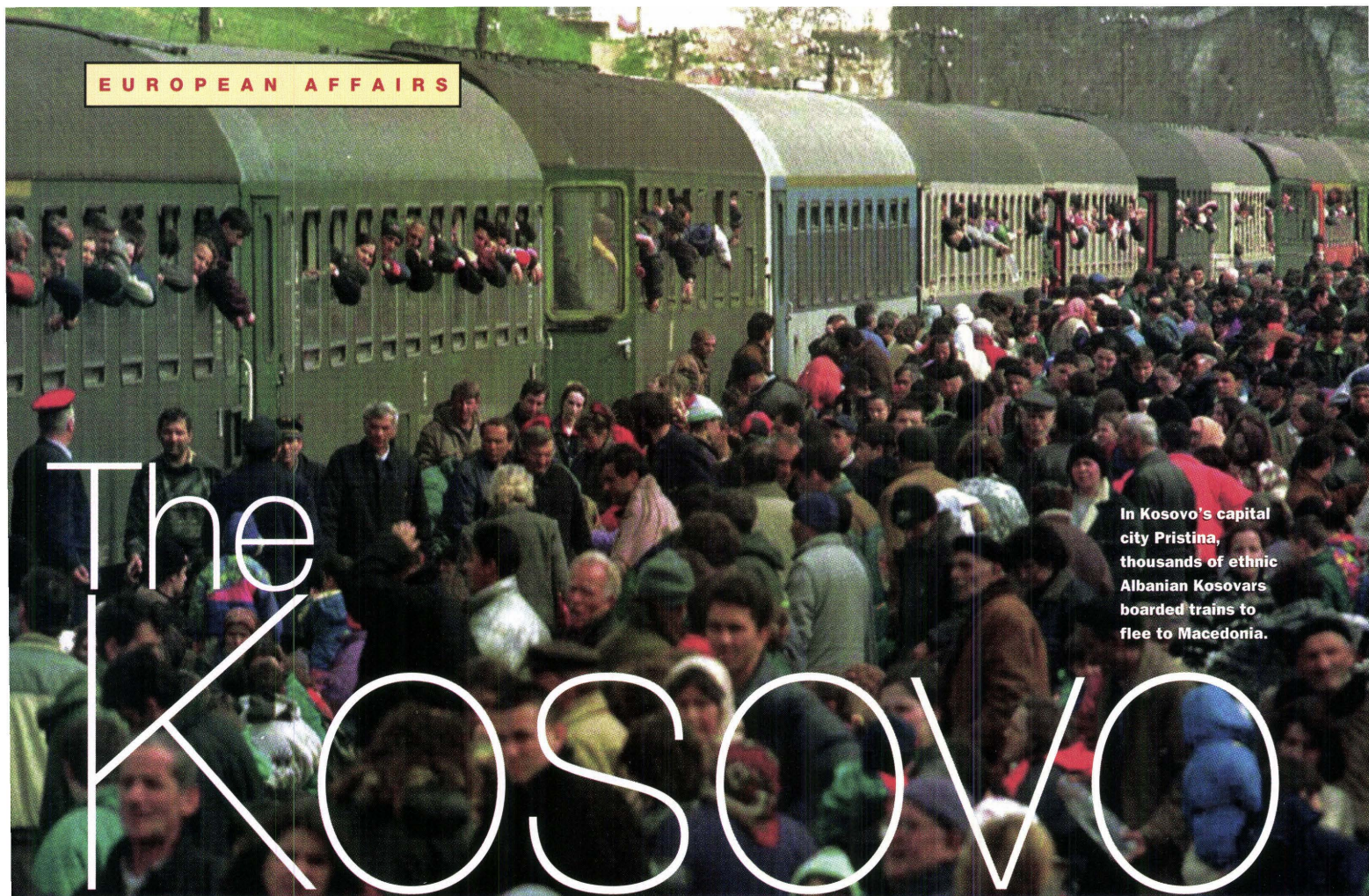
Ford Motor Company's love affair with Europe continued with a \$1.6 billion acquisition of **Kwik-Fit Holdings**, the continent's largest car repair chain, following hard on the heels of its \$6.5 billion purchase of Sweden's **Volvo** cars.

Bruce Barnard, reporting from London and Brussels



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In Kosovo's capital city Pristina, thousands of ethnic Albanian Kosovars boarded trains to flee to Macedonia.

The KOSOVO

Crisis Refugees test Europe's resolve...again.

By Susan Ladika

It's like stepping half a century back in time. People herded by the hundreds into railroad cars, waving feebly or staring resignedly at passersby. Ancient women in headscarves and bent old men trudging mile after mile, clutching skimpy bags filled with their meager possessions.

This time, however, it is not Nazi soldiers sending millions of Jews, Gypsies, resistors, and others to their deaths. It is Serb military, paramilitary, and police units, forcing hundreds of thousands of ethnic Albanians to flee their homes in the southern Yugoslav province of Kosovo, into a surging sea of uncertainty in neighboring Albania, Macedonia, and Montenegro.

Majen Kelmendi, a Kosovar television journalist, remarked that the scenes of the ethnic Albanians' plight were reminiscent of scenes from the film *Schindler's List* in which German industrialist Oskar Schindler provides a safe haven to more than 1,000 Polish Jews sent to a concentration camp during World War II. However, "I didn't

meet one Serb 'Schindler' who was ready to help," recalled Kelmendi during a press conference in London with British Foreign Secretary Robin Cook.

Instead, the Kosovo Albanians were shunted out of the country and dumped on the doorsteps of some of Europe's poorest nations. A province of 2 million people—90 percent of them ethnic Albanian—became a wasteland, with more than a half-million fleeing or deported in a matter of days and up to 400,000 more internally displaced.

While Serb politicians are quick to point their fingers at the West, blaming NATO airstrikes for triggering the exodus, tens of thousands of Kosovo Albanians started fleeing the province months before as fighting flared between Serb forces and the independence-minded Kosovo Liberation Army.

Clashes over Kosovo are nothing new, dating back more than six centuries. Once the heart of Serb territory, the Serbs suffered a bitter defeat at the hands of Ottoman Turks in 1389, and the area remained under Turkish rule until 1912.

In 1987, an obscure politician named Slobodan Milosevic used a speech in Kosovo to stir up the Serb nationalism that eventually propelled the breakup of former Yugoslavia. Two years later, Milosevic was elected president of Serbia. He soon revoked Kosovo's self-rule and put Serbs in positions of power. In 1997, Milosevic became president of Yugoslavia, which by then comprised Serbia and Montenegro.

After chafing under years of Serb control, the rebel Kosovo Liberation Army began to take things into their own hands early last year, targeting the hundreds of soldiers and police patrolling Kosovo. Clashes, along with alleged massacres of ethnic Albanian civilians, left more than 2,000 dead in a year of fighting.

Despite extensive talks in France designed to bring peace to the war-torn province, only ethnic Albanian leaders signed a peace accord. Yugoslav officials refused, triggering NATO airstrikes starting March 24. Since that time, reports of atrocities committed against Kosovo civilians have horrified

Kosovo Aid

The following agencies are accepting contributions to aid refugees from Kosovo:

American Jewish Joint Distribution Committee
212-885-0832
American Red Cross International Response fund
1-800-HELPNOW
Baptist World Aid 703-790-8980
CARE International 1-800-521-CARE
Catholic Relief Services 1-800-736-3467
Church World Service 1-800-297-1516, ext. 222
Direct Relief International 1-800-676-1638
Doctors Without Borders/MSF 1-888-392-0392
Doctors of the World 1-888-817-4357
Food for the Hungry International 1-800-2-HUNGER
International Aid Inc. 1-800-968-7490
International Medical Corps 1-800-481-4462
International Orthodox Christian Charities 410-243-9820
International Rescue Committee 1-877-REFUGEE
MAP International 1-800-225-8550
Mercy Corps International 1-800-852-2100
Oxfam America 1-800-77-OXFAM
US Committee for UNICEF 1-800-FOR-KIDS
World Relief 1-800-535-5433
World Vision 1-888-511-6565

the world. Although fighting and Serb government policies have kept foreign journalists and aid agencies out of the province, those who have fled repeatedly tell tales of ethnic cleansing.

A fury unseen in Europe since World War II has been unleashed in Kosovo. Executions, rape, torture, torched houses, erased identification, stolen property—it is a litany repeated over and over again. Among the most gruesome are evidence of mass graves and reports of ethnic Albanian women herded into an army training base, where they were raped and murdered.

Yet, Serb leaders categorically deny war crimes and ethnic cleansing reports. Their protests fly in the face of tales, such as those of Kelmendi, who recounted how ethnic Albanians in Kosovo's capital, Pristina, were deported. Police, banging on doors and shooting into the air, gave residents minutes to leave their homes.

"We were driven like cattle through all the city" to a railway station at the outskirts of town. "The whole of Albanian Pristina was there," Kelmendi said.

He waited nine hours, then was crammed on a train for a fifty-mile journey that lasted seven hours. "We were like sardines on the train. There was no

air and no water."

Gazmend Pula, head of the Kosovo branch of the International Helsinki Federation for Human Rights, managed to flee Pristina by automobile with his family just before airstrikes began. He now is at the organization's Vienna headquarters, while his wife and daughter remain in Macedonia, and other family members are in hiding in Pristina.

"It's a hellhole down there. There's no end in sight." He blames much of the chaos on NATO attacks. "They were so superficial and so irresponsible and so reckless in this plan. There's a standoff now between NATO and this criminal regime of

Milosevic."

While international officials have expressed shock at the savagery of Serb retaliation, Pula said he warned of that scenario months ago at a British Foreign Ministry conference.

Since airstrikes began, more than 300,000 refugees have poured into Albania; 120,000 into Macedonia; and 60,000 into Montenegro. Serb forces then sealed the borders with Albania and Macedonia, pushing thousands of people back into Kosovo.

"There will be no Albanians left if nothing is done soon," Pula said. He, like many, fear the Kosovo Albanians will be used as human shields to protect Serb forces from NATO attack.

Even the treatment of Kosovo Al-

banians outside the province has triggered criticism. Swamped by the sudden influx, Macedonia kept refugees for days at a squalid border camp with no sanitation and little food, water, and medication. Dozens died from exhaustion and exposure.

In the middle of the night—without notifying international aid workers—Macedonian soldiers broke up the camp, busing some refugees to Albania and sending others on airlifts to Turkey. Families were separated in the confusion, and some people were forced onto flights.

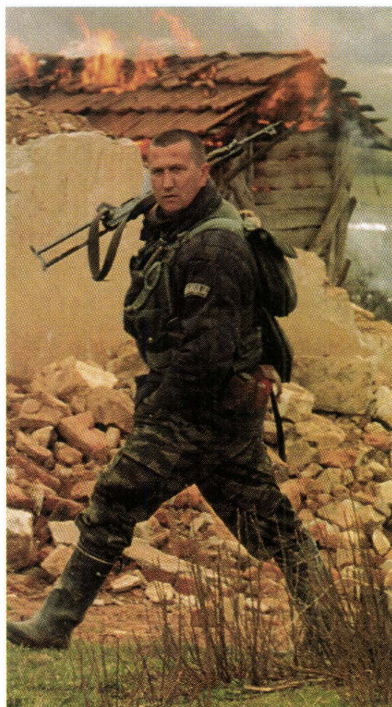
Now NATO, which had 12,000 international troops in Macedonia poised to serve as peacekeepers in Kosovo, has taken on many relief efforts, from transporting aid to setting up refugee camps. Another 8,000 soldiers are en route to Albania to take on a similar role.

NATO is working hand-in-glove with UNHCR, which is formally in charge of the relief operations. "We were unprepared for the sheer numbers of people swarming across the borders," concedes UNHCR spokesman Fernando del Mundo. The agency is responsible for coordinating efforts of all relief organizations.

An outpouring of international support has prompted UNHCR to table its initial call to airlift masses of refugees

from the region, although several thousand have already left for Germany, Norway, and Turkey.

Most refugees would prefer to stay in the Balkans, so they can quickly return home when the fighting ends. Albanians "are much happier in their home in poor living conditions, as long as they can be free and safe, rather than in a wealthy country," Pula said poignantly. "I'd rather be home." ☺



In March, a Serb soldier walks through a burning Kosovar village in the Drenica area.

Susan Ladika is EUROPE's Vienna correspondent.

Refugee Relief

EU, UN and Others Respond

From food to forklifts, blankets to bottled water, aid by the ton is flowing into the Balkans, providing a bit of relief for refugees from the war-torn Yugoslav province of Kosovo.

Initially caught off guard by the half-million ethnic Albanians either fleeing the fighting or being shipped out by Serb forces, governments, international aid agencies and military planners are mounting an aid operation on a scale unseen in Europe.

United Nations agencies have received pledges for \$138 million in aid from more than thirty countries, and the International Red Cross is requesting \$100 million.

While the bulk of the aid comes from the world's wealthiest countries, even impoverished nations are helping. Bangladesh pledged \$50,000 for relief efforts, while Russia is sending scores of trucks laden with food and medicine to Montenegro—the junior partner in the Yugoslav federation—which has taken in 60,000 refugees.

Since NATO airstrikes began March 24, Serb forces have shoved ethnic Albanians out of Kosovo. Besides Montenegro, more than 300,000 have poured into Albania, 120,000 into Macedonia, and nearly 25,000 into Bosnia, some of the poorest places in Europe.

Overwhelmed local officials couldn't cope with the influx, and the United Nations High Commissioner for Refugees called for the refugees to be dispersed to other countries. However, an outpouring of assistance, and perhaps the reluctance of some European nations to

take in refugees, has effectively tabled the request.

Among those opposed to airlifting refugees is Emma Bonino, the European Union's commissioner for humanitarian aid, who argues sending refugees to other countries reinforces Yugoslav President Slobodan Milosevic's policy of ethnic cleansing. "We should not disperse people all over. We should not cooperate in any way with ethnic cleansing," Bonino said.

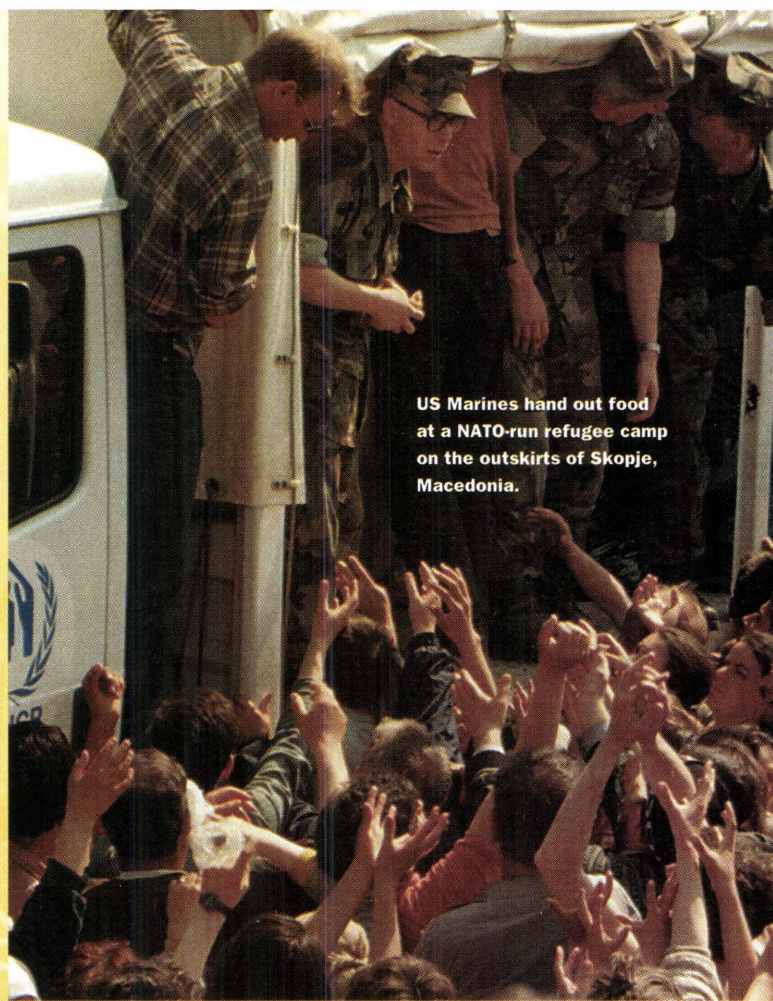
Only a limited number of countries have agreed to take in refugees. Among them are Turkey with 20,000; Germany with 10,000; Norway with 6,000; Austria with 5,000; and Poland with 1,000.

While the United States, Canada, and Australia have offered to take Kosovars, those moves are on hold because UNHCR would prefer the refugees remain closer to home.

Other countries have said they'll take refugees at UNHCR's requests. Until that time, "We are in favor of the refugees being helped in the region itself," said Arrien Lekkerkerker, spokesman for the Dutch Foreign Affairs Ministry. Instead, the Dutch government has committed millions of guilders to relief agencies and promised millions more to help Macedonia with structural development.

The United Kingdom has poured millions of pounds into relief efforts and is helping with airport logistics and aid coordination and transport, said Nicola Savage of the Department for International Development.

Although the UK could accept several thousand temporary refugees, she said, "Our immediate objective is



US Marines hand out food at a NATO-run refugee camp on the outskirts of Skopje, Macedonia.

to save lives and prevent further suffering."

Austria already has agreed to take in 5,000 Kosovars, compared to the 95,000 refugees accepted during the Bosnian war. Germany will accept 10,000, versus 350,000 from Bosnia.

Alexander Benedikt of Austria's Foreign Affairs Ministry said, "Austria is of course willing to receive refugees, but it should be in line with the number of refugees taken in by other European countries." Austria also has set up a camp in Albania to house 5,000 refugees.

All EU countries have offered varying degrees of assistance, and EU foreign ministers pledged \$270 million to aid refugees and the nations that are hosting them. More than half of the money will go to provide humanitarian assistance for the Kosovars, with the remainder to help the governments of Albania, Macedonia, and Montenegro cover costs of

caring for the refugees.

The German government, which currently holds the EU presidency, also unveiled a plan, entitled "Balkan Stability Pact," designed to bring peace and prosperity to the region. The first priority is ending the war in Kosovo, and then a political and economic outreach program could be put in place. "We must launch an effective peace process which creates the conditions for a stable and peaceful development of southeastern Europe through democratization, increasing economic prosperity, and strengthening regional cooperation," the proposal said.

Balkan nations could join a "round table" to deal with issues such as border conflicts, protection of minority rights, the return of displaced persons, and economic development, with long-term goals of EU and NATO integration the rewards for cooperation.

—Susan Ladika

KOSOVO

Overrun with Ghosts of Conflicts Past

By Peter Gwin

Contrary to the current widespread television images, Kosovo is a beautiful country. Westerners tune into flickering video images of a war-ravaged land of smoking villages, bomb-damaged cities, and roads lined with refugees, but these pictures belie a fertile region ringed by green mountains and containing verdant forests, rolling plains, and dramatic limestone gorges. Kosovo's fatal flaw is that it lies on the geopolitical fault line where Eastern and Western civilization meet. This location has ensured that its history has been complicated and bloody.

Historians from both East and West point to the fourteenth century Battle of Kosovo Polje as the Rosetta stone for understanding the Serb people and what Kosovo means to modern Serbs. Indeed, the province appears to have derived its name from the battle. Translated from Serbian, *Kosovo Polje* means the "field of the blackbirds." Although the battle has been recounted and interpreted in different ways by a variety of historians, all agree it reverberates as the defining event in Serbian history.

The Serbs

Perhaps a relevant question then is who are the Serbs. Historians are hard-pressed to identify the exact origin of the Serb people. They are certain, however, that they were part of the Slavic tribes that occupied parts of central Europe and probably first descended into the Balkans—which dating back to at least the first century A.D. had been part of the Roman Empire—in the early 600s A.D.

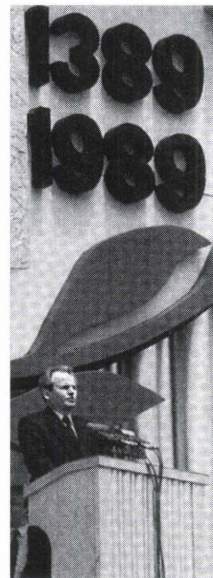
The Serbs grew in strength and number and conquered the land in the 1160s, driving out the Bulgarian czars

who had been ruling Kosovo. For the next 200 years, Serbs ruled the region, culminating with the reign of Dusan, who was able to expand the Serb kingdom to include the lands from the Danube extending well into northern Greece. After Dusan's death in 1355, Serbia descended into a civil war between its noblemen. Two decades later, two noblemen emerged as the dominant leaders, Lazar Hrebeljanovic and Vuk Brankovic, both of whom would be immortalized in Serbian history at the Battle of Kosovo Polje.

The Field of the Blackbirds

Only a few facts about the battle are undisputed: The Ottoman Empire in its western expansion came to Kosovo in 1389. On June 28, the Turkish forces led by the Sultan Murad and his sons met the Serbian forces of Prince Lazar and Vuk Brankovic joined by soldiers sent by Bosnian King Tvrtko on an open plain northwest of Pristina. The intense fighting inflicted heavy losses on both sides, and both Lazar and Murad were killed. At battle's end, the Turks held the field. Murad was succeeded by his son Bayezid, who briefly retreated into Ottoman lands to consolidate his succession. Lazar's son Stefan later became a vassal under the Turks.

Virtually all the other details of the battle remain under debate. For example, the number of soldiers participating in the battle ranges wildly depending on the source, from 15,000-500,000 for Lazar and 27,000-60,000 for Murad.



Slobodan Milosevic speaking at the 600th anniversary of the Battle of Kosovo Polje. (Opposite) Painting by Valda depicting the battle of 1389.

More intriguing, however, remains the question of how Lazar and Murad were killed. Again, accounts vary depending on the source, although one popular version describes a desperate act of Serb heroism. As the battle turned against the Serbs, one of their noblemen, Milos Obilic pretended to desert to the Turkish forces. When he was brought before Murad, Obilic pulled out a hidden dagger and killed him.

What is certain, however, is that in death Lazar was transformed into a martyr for the Serbian Orthodox Church and the Serb people. Soon after the battle, his body was exhumed and reinterred at the monastery at Ravanica (later to be moved outside of Belgrade). His legend was enhanced and perpetuated by Orthodox monks who wrote a narrative of his life

and death as well as a special liturgy that was used to commemorate the battle's anniversary. Notably, among these writings was a speech, recorded by Serbian Patriarch Danilo, that Lazar supposedly delivered to his troops on the eve of the battle. In it he exhorts his men, "It is better to die in battle than to live in shame. Better for us to accept death from the sword in battle than to offer our shoulders to the enemy...sufferings beget glory and labors lead to peace."

End of the Ottoman Era

The Ottomans were to dominate Kosovo for the next 500 years, but by the seventeenth century, signs began

to emerge that their grip on the Balkans was slipping. In late 1689, a small Hapsburg army captured the Kosovo region, and many Serbs joined the invaders, pledging loyalty to the Austrian emperor. However, the victory was short lived, as the Ottomans counter-attacked in 1690 and drove the Austrians northward into central Hungary. Thousands of Serb refugees fled with the Austrians in what has since become known in Serbian lore as the 'Great Migration'. In 1699, the Hapsburg-Ottoman conflict ended with the Ottomans retaining control of their ter-

the so-called Great Powers (Austria-Hungary, Britain, France, Germany, Italy, and Russia) negotiated the division of the region.

Austria-Hungary annexed Bosnia, much to the displeasure of Serbs throughout the Balkans. On June 28, 1914, the anniversary of the Battle of Kosovo, Serbian nationalist Gavrilo Princip—in an act that harkened to Obilic's heroic sacrifice—assassinated Archduke Ferdinand, setting in motion the First World War.

At its end, the Kingdom of the Serbs, Croats, and Slovenes was created from

Serbia and Montenegro as well as land from the former Austria-Hungary Empire and included Kosovo and Macedonia. In 1929, the kingdom became known as "Yugoslavia" (literally the 'South Slavs'). However, little more than two decades after its creation, the flames of the Second World War swept through the region. Yu-

On June 28, 1989, the 600th anniversary of the Battle of Kosovo, Milosevic was helicoptered into Pristina, where he delivered a rousing speech to a crowd of Serbians.

goslavia was divided among the Italians, Germans, and Bulgarians—all of whom held a piece of Kosovo.

During the war, the leader of the Yugoslav Communist Party Josip Broz Tito, a metal worker turned activist, led the Partisan forces in an uprising against the occupiers, promising at the war's end a united and egalitarian Yugoslavia. However, in the years following the Second World War, ethnic Albanians, who had been living in Kosovo for generations, had difficulty realizing the benefits of Communist equality. Although they constituted an increasing majority in the province—due to a high birth rate and other ethnic groups leaving for better opportunities in more prosperous parts of the country—they held the smallest percentage of party positions and jobs.

By 1974, the situation had changed substantially. Tito had made some statements supportive of equal rights for the Kosovo Albanians, and a new Yugoslav constitution was enacted giving the autonomous provinces of Kosovo and Vojvodina much more power over economic decisions. Albanians increasingly held political positions and good jobs, and an Albanian-language university was established in Pristina. However, hostility between the Albanian community and the Serbs in Kosovo continued to fester, with the Yugoslav army and police units cracking down on Albanian protests.

The Rise of Milosevic

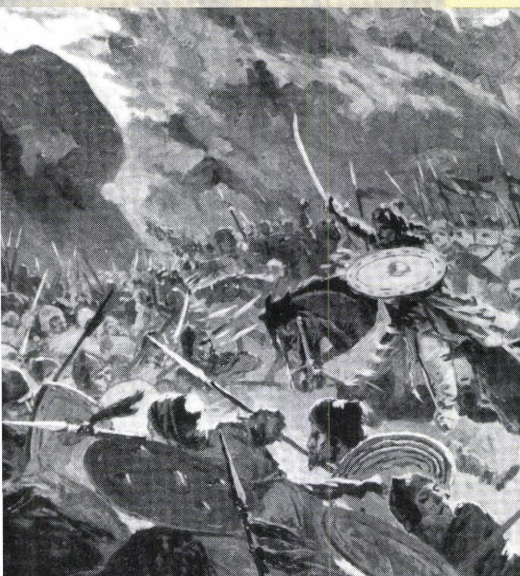
After Tito's death in 1980 and with the decline of communism in Eastern Europe, Yugoslav politicians increasingly exploited nationalist issues to gain support. Slobodan Milosevic, the former president of a Belgrade bank, proved especially adept at the practice and emerged as the leader of the Serbian republic's powerful Communist Party. In Kosovo, he recognized the issue under which all Serbs could unite. In 1987, one diplomat remarked to the *Washington Post*, "He seized power on the basis of that one issue."

In June of 1988, Lazar's body was exhumed from its resting-place near Belgrade and began a yearlong tour of Serbian villages, ending with its return to Ravanica on the 600th anniversary of the prince's martyrdom. Huge crowds dressed in black turned out to view the coffin.

By the following spring, Milosevic had orchestrated passage of constitutional amendments repealing Kosovo autonomy. As Belgrade celebrated with street parties, tanks and riot police fought protestors in Pristina.

On June 28, 1989, the 600th anniversary of the Battle of Kosovo, Milosevic was helicoptered into Pristina, where he delivered a rousing speech to a crowd of Serbians. His words from that day portend the events that would unfold over the next ten years, "Six centuries later," he told the crowd, "we are in battles and quarrels. They are not armed battles, though such things should not be excluded yet..."

Peter Gwin is EUROPE's managing editor.



ritory below the Danube, but it marked the beginning of a 200-year retreat from the region.

In 1804, Serbs in the Belgrade region revolted setting the stage for an independent Serbian kingdom. By 1815, the Turks had effectively put down the uprising, but the sultan, who was consumed with modernizing the empire, decided to allow a measure of Serbian autonomy. Although technically still under the authority of a Turkish prince, Serbian independence grew. By 1878, the Serbian mini-state had effectively become independent, although it did not control any of Kosovo.

The 20th Century

The Balkans marked the beginning of the twentieth century with a series of bloody campaigns. In 1912, Serbia joined by Montenegro invaded Kosovo, driving out the Turks and laying waste to Albanian villages that had grown up throughout the area. Eventually, the Turks were ousted from Europe, and

The Euro Parliament



(Opposite) In 1979, the citizens of the European Community's nine member countries voted for members of the European Parliament. (Left) On July 17, 1979, President of the European Commission Roy Jenkins addressed the first session of the first directly elected European Parliament.

European

Past, Present, and Future

By Alan Osborn

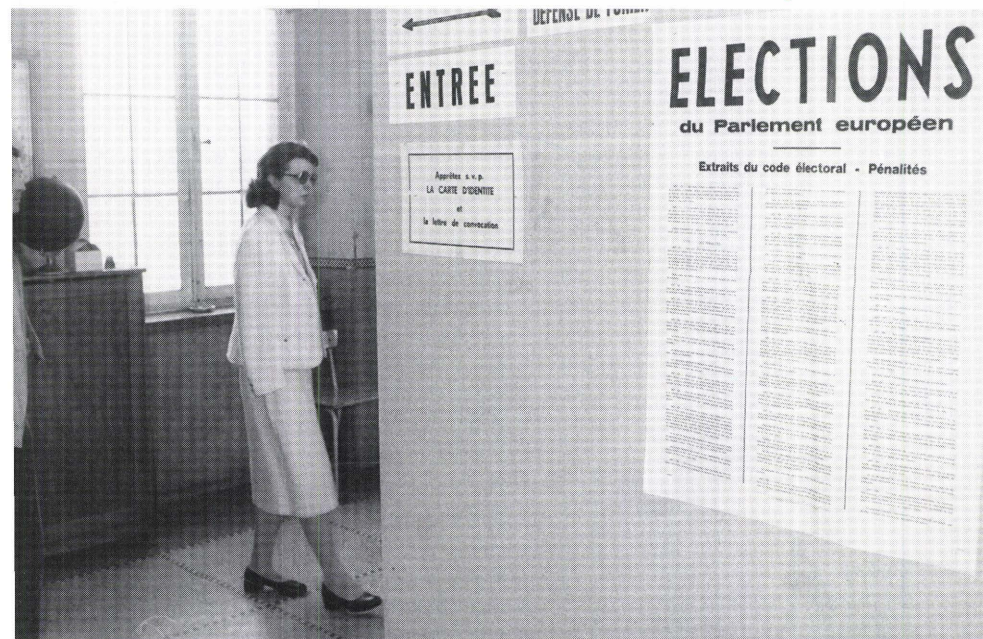
time in Strasbourg in 1952. Five years later, the six member countries signed the Treaty of Rome to create the European Economic Community, which included a European Parliament of 142 members, all of them representatives of their national parliaments seconded to Europe. In 1973, the United Kingdom, Denmark, and Ireland joined the EEC bringing the Parliament's strength to 198.

In June 1979, another vital part of Schuman's plan fell into place when members of the EP were directly elected by voters rather than being nominated by governments. Two years later, Greece joined the EEC followed by Spain and Portugal in 1986. With the entry of Austria, Finland, and Sweden in 1995, the European Parliament was expanded to its present size of 626 members.

At the same time that its size increased, so did the EP's powers. Originally, the Parliament was conceived as little more than a consultative assembly with some limited scope to change the direction of EEC spending in certain areas. However, the body gained significant new responsibilities with the signing of the Single European Act in 1986, the Maastricht Treaty in 1992, and the Treaty of Amsterdam in 1996.

As a result, members of the European Parliament (MEPs) now have the right to make decisions on an equal footing with the Council of Ministers (i.e. the member governments) over more than two-thirds of all EU legislation, to ratify international agreements and the entry of new countries into the EU, and to dismiss the European Commission—though not individual commissioners.

These were hard-won gains, reflecting the longstanding distaste of governments in most EEC member countries for any increase in the powers of the European Union. Moreover, the Parliament had to struggle for years with a public perception that, at best, it was an ineffective talking shop and, at worst, an extravagant waste of taxpayers' money. Its reputation was not aided by the practice of many political groups to treat Strasbourg as a kind of comfortable retirement home for faithful party servants. For some thirty years, the media in most EU countries has more or less ignored the EP except to ridicule its pretensions or attack its members' lavish lifestyles. Voter



Past

Fifty years ago, the great minds of Europe, determined to do all in their power to prevent another war between France and Germany, hit on the idea of merging the coal and steel industries of the two countries and those of their immediate neighbors and vesting control over them in a supra-national authority. Thus was born the European Coal and Steel

Community, complete with a "common assembly" of seventy-eight representatives of the peoples of France, Germany, Italy, the Netherlands, Belgium, and Luxembourg.

Would those pioneers have been surprised to find that their part-time technical assembly has grown into the European Parliament of today? Probably not. Right from the start, provision was made for "elections by direct universal suffrage" to the assembly in line with the vision of the French statesman Robert Schuman to create, step-by-step, a grand European union.

The ECSC assembly met for the first

turnout in European elections has, except where compulsory, been derisory.

Nevertheless, the Parliament has made its mark. In 1989, for instance, the EP was able to exploit divisions within the EU governments to push through much tougher standards for auto emissions than many countries wanted. MEPs led the way in forcing through an EU ban on baby seal skin imports from Canada, following powerful lobbying by conservationists. By introducing a procedure to question individual European commissioners on their work, the EP has helped open Brussels policymaking to public scrutiny. Internationally, the EP has served as a forum for speeches by many world leaders. In many complex and technical policy areas, EP committees have produced expert and highly influential reports.

These accomplishments have occurred in spite of the handicaps under which the EP labors and which make it so utterly different from any other parliament on earth. Here are 626 MEPs from fifteen countries, divided into nine major political groups, covering the spectrum from communism to neo-fascism, representing 370 million constituents, and speaking in eleven languages. They have no powers to raise or lower taxes, no pork-barrel favors to bestow, no direct scope to lobby ministers. Small wonder, perhaps, that no politician has ever dominated the EP, no speech has ever made history for its vision or grandeur or wit.

The Parliament's struggle to win influence and acceptance, moreover, is further burdened by its inability to settle on a single place of work. This is not its fault—the choice of Strasbourg as the major seat was a political decision made by the EU member governments. The fact remains that, while most sittings are in the French city, the Parliament's day-to-day work is in Brussels and much of the administration takes place in Luxembourg where, ludicrously, the library is located. The \$150 million annual cost of shuttling people, documents, and machines between the three centers plus the costs of renting the assembly buildings is one reason why the EP is far and away the costliest public institution in the world to maintain on a per capita basis.

The present European Parliament, elected in 1994 and now at the end of its

five-year term, is precisely balanced between right and left. The largest single group is the European Socialists with 217 of the 626 followed by the center-right European Peoples Party with 173. Each of the main parties can command sufficient support from sympathetic groups to prevent the other from promoting a partisan agenda. In practice, political differences are glossed over for the sake of getting an agreed text, though this will usually be bland.

As for the individual MEPs, there has been no single outstanding figure in the past five years. The late financier and conservationist Sir James Goldsmith would make spectacular entrances after flying in on his private jet. The famously bespectacled Greek folk singer Nana Mouscouri now sits quietly with her country's right-wing New Democratic Party. The former student revolutionary Dany Cohn-Bendit, or "Danny the Red," works assiduously for the German Greens. A sprinkling of former French and Belgian prime ministers adorn the ranks of the major parties. But none of them, it seems, was ever able to expand on his or her former reputation. Nor could it be said that anyone really rose through the ranks to go on to higher things in their own country afterward.

Present

Many people firmly believe that the dramatic resignation of the entire twenty-strong European Commission in March and the subsequent chorus of demands for EU institutional reform marked the finest hour in the history of the European Parliament. Wasn't it the Parliament that forced the resignation by threatening to sack the Commission? Wasn't it the Parliament that triggered the whole business by demanding a report from a committee of independent experts on allegations of fraud and lack of accountability in Brussels? Wasn't it the Parliament that had been hounding the Commission over negligence and mismanagement for the past year?

Yes, yes, and yes again. MEPs

walked tall in March, basking in the kind of media acclaim never before seen in the EP's almost half century of existence. Political leaders in the assembly crowded with self-satisfaction, calling it a triumph for democracy and suggesting that a fundamental shift of power within the EU had been signaled.

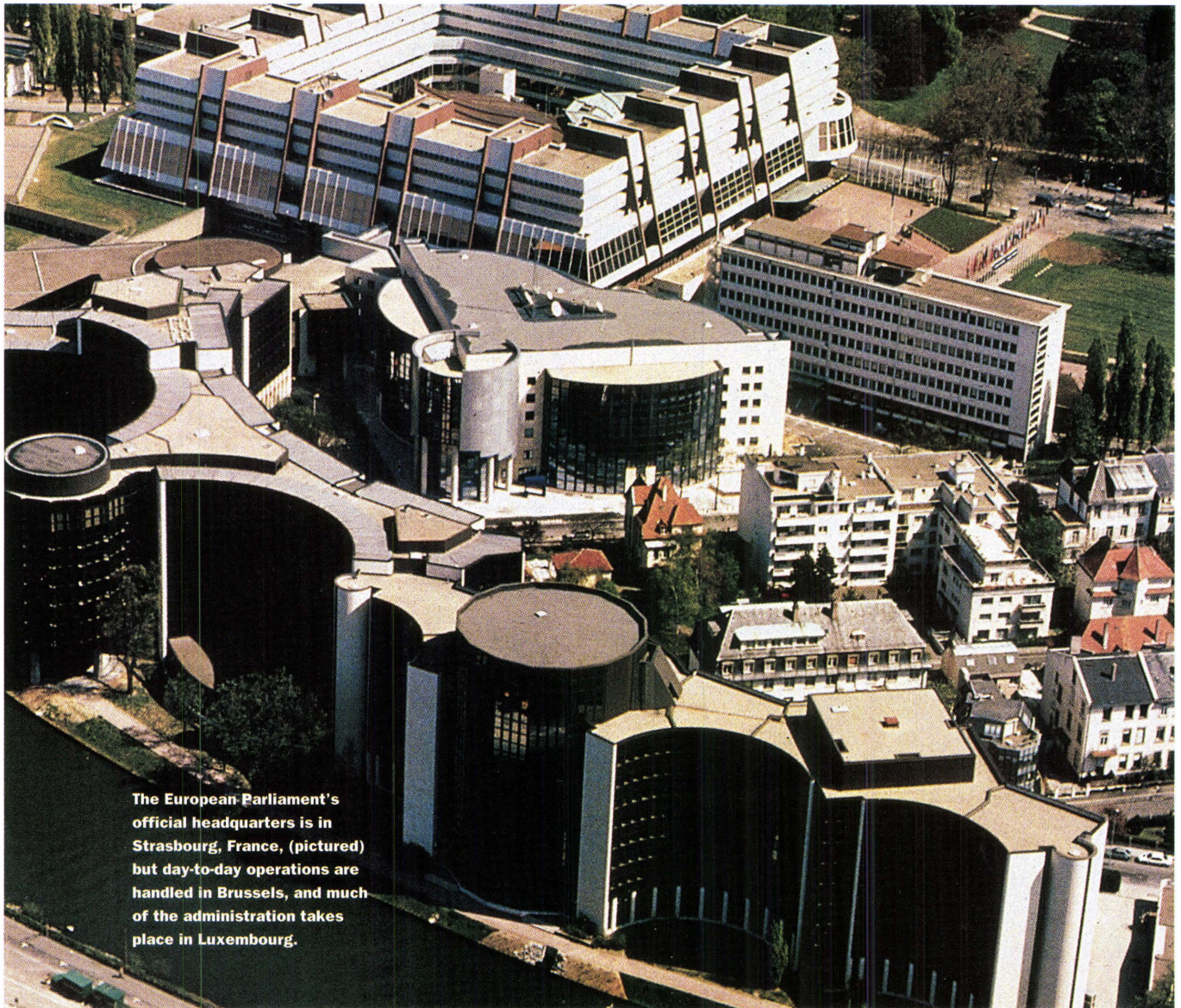
The precise sequence of events that led to the drama in Brussels is less flattering to the EP, however. Following the Commission's refusal to hand over papers relating to corruption charges last December, the Socialist Group, the largest in the EP, tabled a motion of censure against the Commission, which, if carried, would have forced the latter's resignation. However, when the vote came in January, the Socialist Group leader, the British MEP Pauline Green, said she would not support it. Most of her group followed her example, voting instead to set up an independent committee to look into the corruption and mismanagement charges.

The censure motion subsequently failed, and the Parliament was fiercely denounced by the media—not for the first time—as spineless. Ms. Green and her allies were accused of yielding to pressure from their governments to back down, the suggestion being that the latter were trying to protect Edith Cresson and Manuel Marin, two of the Commissioners at the center of the allegations who also happened to be socialists.

What no one could have predicted then was that the report ordered by the Parliament would prove so savage in its criticisms that a censure vote by the EP became inevitable, though even then the Parliament's leaders dithered at the last minute. When, at last, they decided to go for it, the Commission got the message and resigned first.

But if the EP can be accused of a certain waywardness at times, one should not belittle its lengthy campaign to maintain pressure on the Commission over allegations of incompetence and fraud. Without that, there would have been no crisis in March, no resignations, and no change in the settled order of business, and there are few to say that the EU would be the better for it.

The 626 MEPs who collectively brought about this situation have now come to the end of their five-year term. Some will come back again following the elections in June, but it will be to a different assembly—different in conpo-



The European Parliament's official headquarters is in Strasbourg, France, (pictured) but day-to-day operations are handled in Brussels, and much of the administration takes place in Luxembourg.

sition and different in the status it is accorded by the other EU institutions and by the European public. It will be a rare candidate who fights the June elections without believing that he or she is vying for a job that carries far more power and respect than it did three months ago.

This substantially enhanced authority is perhaps the most significant bequest to its successor of the 1994-99 Parliament, under the presidency for the past two-and-a-half years of the Spaniard Jose-Maria Gil-Robles.

However, even without all that has happened this year, the outgoing Parliament could legitimately claim to have broken fresh ground and extended democratic control in the European Union. Important enlargements of the EP's powers provided for in the Maas-

tricht and Amsterdam Treaties—notably the right to “co-decision” with the EU Council of Ministers (i.e. the EU member governments)—will only fully come into play later this year, as will the Parliament's role in debating the conduct of the European Central Bank every quarter.

The past five years have given a taste of the kind of political institution that young, impatient, and ambitious members can make of the European Parliament. The EP of recent times has been less willing than any before to accept without challenge the Commission's ideas on farm spending and other budget items. It has pushed the case for human rights in outlandish parts of the world to a degree that has embarrassed many member governments. It has produced reports and passed reso-

lutions cracking down on tobacco advertising, dubious selling practices, health and safety hazards at the workplace, and drug labeling, among other issues. It has fought tenaciously to sustain the European film industry. It has raised women's issues to an extent never before seen in the EP—one in every four MEPs is a woman. One measure of the EP's clout and expertise is surely enumerated by the increased number of lobbyists in attendance at its sessions, which has risen five-fold since 1994.

In the wake of the EP's triumph in March, there have been suggestions that the assembly's powers be formally increased, perhaps giving it the right to approve the appointment of individual commissioners and to dismiss them if the need arose. This idea does not

travel well in the UK or France, however, even if Germany and some smaller countries like it.

London and Paris have long been suspicious of the EP, feeling it to be capricious in its opinions and preoccupations. Even under Tony Blair, the UK remembers the frequent embarrassments that the EP delivered to Margaret Thatcher in her time.

What is inevitable though is that MEPs are going to be taken more seriously in the future. The new Parliament will have more powers than any before it, and while one cannot predict the June election results, it is surely a matter of common sense to assume that the new intake will want to use them to the full. After the publicity given to the events in March, the public will expect no less.

A lot will depend on the voter turnout for the elections. Traditionally, EP elections have been a huge turnoff in countries where people are not obliged to vote. The big question is whether the events in March have stimulated people's faith in the European Parliament as the body to put things right in Europe or whether they have merely served to tarnish all the EU institutions.

Future

The idea of a single government for Europe in the foreseeable future is fanciful. EU-idealists may long for a "United States of Europe," but even the most visionary of them do not talk of doing away with the national Parliaments, at least not in public. Nevertheless, every year the European Union marches a few steps closer toward a kind of federation.

At what point that process will end is impossible to predict, but what is certain is that the stronger the EU institutions become then the greater the need for a powerful European Parliament to exercise democratic control over them.

Later this year, a new group of MEPs will begin a five-year term, equipped with greater powers to influence European legislation than any have had before them. They will be entitled to



Pauline Green (left), the leader of the EP's European Socialists, with fellow party member and former president of the EP Klaus Hänsch.

amend, approve, or veto some two-thirds of all policies originating in the European Commission—effectively sharing decision-making powers in these areas with the Council of Ministers.

Public esteem for the Parliament has risen strongly because of its role in ousting the Commission in March. Suddenly the EP elections in June have taken on new significance. It will be no great surprise if the new MEPs demand still greater powers as a matter of priority.

Specifically they are likely to seek the right to interrogate and, if necessary, veto individual commissioners nominated by the member countries. As things stand today, they can only do this to the Commission president. The MEPs will also want the power to dismiss individual commissioners; whereas at present, they can only sack the entire team.

These are not unreasonable requests, and they will probably be met before long. More difficult will be answering the EP's longstanding demand to be allowed to originate legislation, currently the prerogative of the Commission. This step will certainly be one too far for the British and French governments to allow in the foreseeable future.

Still farther off is the power of the EP to raise taxes—the mark, as many see it, of a true parliament. Here we are straying into federal territory, though it must be a realistic ambition for the longer term.

But the more MEPs reach for greater powers, the more they will have

to recognize that their own act can stand some cleaning up. The relentless media attacks on the EP for lavish junketing and extravagant overseas trips are substantial, and the scrutiny will continue. Above all, perhaps, the MEPs will have to intensify pressure on the EU member governments to agree to a single permanent site for the Parliament. The present ludicrously expensive monthly shuttling between Strasbourg and Brussels, not to mention the huge cost of maintaining facilities in Luxembourg, is an open target for the EP's critics.

At some stage, the EU will have to ask itself what it is to be at the end of its voyage. A single state, a loose alliance of independent countries, or something else altogether? There are no precedents. The good ship of European Union sails on in uncharted waters.

But today, thanks to the extraordinary events in March, these issues are being discussed. After about thirty years of treating the EP with ridicule, contempt, or indifference, the European media is, for the first time, seriously considering its role and discussing ways of increasing its powers. In just about every EU member state, there is greater recognition of the European dimension to government than there has ever been before and in many of them a clear willingness to see the EP take on added responsibilities. ☐

Alan Osborn is EUROPE's Luxembourg correspondent.

The Neckar River Valley

Germany's never-ending corridor of unexpected delights

By Kenneth C. Danforth

The German university town of Heidelberg, located in the picturesque Neckar Valley, remains a popular tourist resort.

Germany's Neckar River rises on the eastern slopes of the Black Forest and flows for 248 miles across fruitful fields, around verdant hills, and through numerous towns until it reaches the mighty Rhine at Mannheim. On the way, it passes the great industrial city of Stuttgart and the famous university town of Heidelberg.

Everyone has heard of Stuttgart, home of Daimler-Benz and Porsche. Since Sigmund Romberg's *The Student Prince* was first performed in 1924, the very name of Heidelberg has conjured enough of a romantic image to make it a favorite among North American bakeries.

Stuttgart and Heidelberg deserve their renown, for different reasons. But Stuttgart is so large and economically important that it does not rely on the Neckar for its fame. Heidelberg, with its castle and ancient stone bridge featured in myriad posters, rewards any visitor with visual delights—and the sight of busloads of regimented tourists lining up on the bridge so they can take identical shots of the castle.

The Neckar River is navigable there, and excursion boats ply the waters upstream and downstream from Heidelberg.

But southward, farther up the river, lie treasures not so often savored by foreign visitors. Medieval villages are strewn along the banks of the Neckar

like structured fondant. Castles perch on the wooded upper slopes, keeping watch over the river, which loops around the hills to reveal new prospects no matter what means of conveyance the traveler is using.

In the Neckar Valley, over the years, the more I've explored the more I've learned about yet other places that beckon to me. The valley is a never-ending corridor with many doors. Every time you open one, you see not only the expected delights but, off to one side, more doors opening to yet other enticements.

Honored among the Neckar sites is Tübingen, a beautiful university town first mentioned in a document in 1078. It is a delightful center for exploring the

upper Neckar by foot, bicycle, rail, bus, or car. Cobblestone lanes little changed from medieval times wriggle uphill from the Neckar River to converge at the colorful central marketplace.

Tübingen's marketplace, or *Marktplatz*, dominated by the town hall and Neptune Fountain, serves as the popular hub, with crooked spokes striking through the town in every direction. The marketplace is one of the most beautiful in Europe. Almost every building in Tübingen is half-timbered, with an average height that seems to be about five stories. With their lofty gables and peaked roofs, many of them lean against each other for mutual support and seem to hover over the narrow lanes.

Here Johannes Kepler tried to calculate the elliptic orbit of the planets; Hermann Hesse began learning the book trade; and an impressive array of poets, scientists, and philosophers made intellectual contributions far beyond what could be expected from a town of modest population.

Tübingen was fortunate enough to emerge from World War II undamaged, so what you would have seen a century ago you can see today.

On my first visit, I asked a young woman in the delightful old pub, *Wirtshaus Lichtenstein*, where the university was. She replied, "The whole city is the university."

The university is, in fact, sprinkled among ancient old-town buildings, but also among relatively newer buildings dotted along *Wilhelm Strasse*, just outside *Lustnauer Tor*, one of the old city gates. Founded in 1477 with only 300 students, its enrollment has grown to more than 25,000.

The town hall, or *Rathaus*, which looms over the *Marktplatz*, is one of Germany's grandest. Dating back to 1435, it is distinguished by the great sixteenth-century clock tower and 1876 murals that fill the spaces between the mullioned windows. These paintings make the facade a work of art that a gazer can study for



Tübingen's Marktplatz is dominated by the town hall and the Neptune Fountain.

Tübingen was fortunate enough to emerge from World War II undamaged, so what you would have seen a century ago you can see today.

days without seeing everything that it has to offer.

Up a steep, cobblestone hill from the *Marktplatz* looms Tübingen's mighty sixteenth century castle, *Schloss Hohentübingen*. It was built on the foundations of one that was started in the eleventh century. At 1,220 feet, it rests on the highest of the city's seven hills. The approaches to the castle—up a sinuous garden path on one side or the steep stone street on the other—afford dramatic views. In the middle distance, one beholds the red and gray tile rooftops of Tübingen, all dotted round with green trees.

Moss thrives on the roof tiles, and small terraces thrown helter-skelter across the residential heights give glimpses of the good modern life that can be lived in a medieval setting in Europe.

Farther afield, big round hills wrapped in coppices and meadow grasses give visual evidence of Tübingen's delightful size: The green and refreshing environs begin at the town's very doorsteps. As one climbs higher in the town, the vantage points increase, with every turn offering another prospect. At last, through the castle walls, the views all around become truly panoramic.

Nature has not been forgotten in Tübingen. The Old Botanical Gardens, just outside the city wall, are wonderful enough. But the city elders, not content with one big green park, built the New Botanical Gardens only a few years ago.

And, just outside the city walls on the downhill side is a beautiful island in the middle of the Neckar. Along the willow-hanging banks float long wooden punts, which anyone can rent for unhurried excursions up and down the gentle river. On warm summer evenings boaters adorn their bows with lanterns that lend a mellow, firefly glow to the diminishing twilight. The island itself is graced by stately avenues of 200-year-old plane trees that form the beautiful *Platanenallee*—a favorite place for joggers, lovers, dreamers, and

mothers with baby carriages.

For easy half-day excursions, I recommend two lovely towns not far away, Bebenhausen and Rottenburg.

Bebenhausen, to the north, is a bucolic gem. I walked the four miles from Tübingen to Bebenhausen in an autumn mist, enjoying the golden trees that rose from the fields on either hand. Bebenhausen takes up less space than a football stadium, so it is easy to explore every lane from every direction. Cistercian monks came to this little nook of Germany in 1185. Their cloister and abbey are the biggest buildings in Bebenhausen today. Otherwise Bebenhausen has only private homes, two small hotels, three restaurants, old stone walls, and lots of lovingly tended private gardens.

Surrounding Bebenhausen and spreading out to the north is Naturpark Schönbuch, a vast, 38,443-acre network of woodland and pastoral footpaths well marked with signpost maps. Walking there is only moderately demanding, and one can hike for days while seldom covering any one section twice.

Rottenburg, upstream to the southwest, is only eleven minutes away by train. A short walk from the train station takes one to the town bridge that spans the quietly flowing Neckar. Small-scale passenger boats, inspired by whimsy and barely large enough for two people to sit in, are anchored out in the current. A walk around town is pleasant, partly because it contains no "must-see" monuments. I did wander into serene Saint Martin's Cathedral just in time to hear a youthful choir rehearsing with the aid of perfect acoustics.

Returning to Tübingen, one might consider a visit to one of the best art galleries in Germany, the Kunsthalle. Its reputation is such that it has been able to garner major exhibitions of the works of Cézanne, Degas, Renoir, Toulouse-Lautrec, and Egon Schiele.

On my next visit, I plan to fill in some blanks on my map of the Neckar Valley and explore Hirschhorn, Heilbronn, Neckarzimmern, Eberbach, and other reputed treasures. The friends and guidebooks that first lured me to Tübingen did me a great favor, so I look forward to seeing the rest of their recommendations. ☺


Kenneth C. Danforth profiled Genval in EUROPE's March issue.




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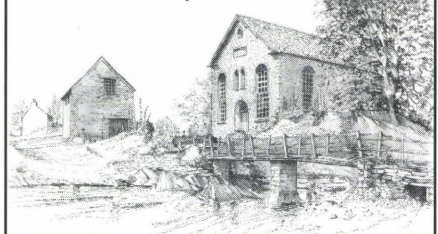
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CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

ATHENS

GREEKS AND SERBS

NATO's bombardment of Yugoslavia has caused strong popular reaction in Greece, which traditionally has close ties with Serbia.

While Prime Minister Costas Simitis and his Socialist government say they are seeking a political rather than military solution to the Kosovo conflict, Greece is firmly backing NATO. As part of the country's policy of closer integration with Europe, Mr. Simitis stressed

banian refugees from Kosovo who were pushed out of Macedonia into southern Albania. The government has shipped plane-loads of medical supplies and food to Macedonia, where an estimated 120,000 refugees from Kosovo have arrived. Greece is also prepared to take in 5,000 Kosovo refugees who would be sheltered in the north of the country.

Mr. Simitis's approval rating has jumped since the start of the airstrikes, according to opinion polls. The government has given him strong backing. Senior cabinet members, including George Papandreou, the foreign minister, and Akis Tsochatzopoulos, the defense minister, have condemned Yugoslav President Slobodan Milosevic's policy of ethnic cleansing in Kosovo.

Nevertheless, public opinion is firmly on the side of the Serbs. A series of demonstrations outside the US and British embassies included an all-night vigil staged by Greek artists and entertainers. Aek, a leading Greek soccer team, traveled to Belgrade to play a friendly match with a local team,

but the event turned into a giant anti-NATO demonstration as spectators poured onto the pitch.

Trying to keep a balance, the Simitis government appealed for a pause in the airstrikes over the Orthodox Easter holiday and approved \$3 million in humanitarian aid for Serbia. Greece is promoting a plan for the European Union to provide a "mini-Marshall Plan" type aid package for the southern Balkan countries, which face devastating economic consequences as a result of the Kosovo conflict.

What makes the Greeks and the Serbs so close? History, always important in the Balkans, is one reason. Serbs

and Greeks fought together against Turkey and Bulgaria in the Balkan wars early this century. During World War I, Greece granted a haven on the island of Corfu to the Serbian government-in-exile. During World War II, both countries fought against Nazi German invaders. Even when Yugoslavia was under communism, trade and tourism flourished between Serbs and Greeks.

Even more significant is the role of the Orthodox Church, which has a powerful influence on shaping public opinion. Archbishop Christodoulos, head of the Orthodox Church of Greece and one of the country's most popular personalities, has called for support of "our Orthodox brethren in Serbia," and local churches have organized an extensive humanitarian aid effort to support Serbian victims of the NATO bombardment.

The Serbian community in Greece, estimated at around 40,000 people who live mainly in northern Greece, is small by comparison with the more than 400,000 Albanian immigrants who work around the country, mostly in unskilled jobs. Some hold Albanians responsible for a rising crime rate, and popular sympathy for the immigrants has diminished.

—Kerin Hope

PARIS

NOT ONE FOR THE BOOKS

The late president François Mitterrand would not have liked Albert Poirot. On March 17, Monsieur Poirot, inspector-general of France's libraries, submitted a report to the French minister of culture, Catherine Trautmann, in which he judges the Bibliothèque Nationale de France (BNF)—France's national library—Mitterrand's last grand architectural project, to be a colossal white elephant.

Conceived in 1988, as a glorious monument to mark the final phase of his long reign, the ailing Mitterrand intended the BNF to be "one of, if not *the* biggest and most modern library in the world." Its



Reacting to NATO's bombing campaign against Serbia, the headlines of some Athens newspapers used phrases such as "NATO Criminal," "Killers," "The Foreign Injustice" and depicted President Clinton as Adolf Hitler.

that "Greece's interests are overwhelmingly with our allies."

The only NATO member in the Balkans, Greece has refused to participate in the strikes against Yugoslavia on the grounds that it cannot attack one of its neighbors. However, its armed forces are providing logistical support for AWACS surveillance aircraft operating over Yugoslavia at air bases in western Greece. The 12,000-strong NATO force in neighboring Macedonia, with a mission to become a peacekeeping force for Kosovo, is supplied through Greece's northern port of Thessaloniki.

Greek troops and relief agencies are setting up camps for more than 7,000 Al-



The late French president François Mitterrand attended the inauguration of his last grand building project, France's controversial national library.

design and construction were rushed along to allow him to inaugurate the building in the spring of 1995, just weeks before the end of his last term of office (and as it turned out, only three months before his death).

Since then, the BNF has proven itself an epoch-making edifice indeed but in ways Mitterrand never imagined. Immense it is—of that there is no doubt—and fitted out with the latest technology, but its size and sophistication have drawn more criticism than admiration. Poirot's report is just the latest in a long series of bad publicity, which began even before the BNF was built.

Of twenty designs submitted, Dominique Perrault's four grandiose glass towers, in the shape of open books, appealed most to the president's love of majestic symbols. The thirty-six-year-old Frenchman clinched the architectural competition by also evoking "a cloister, garden, and forest"—images that went straight to the romantic side of Mitterrand's soul.

Two years later, Perrault was sent back to the drawing board with his *très grande bibliothèque* design. A rumor ignited by the French press had spread like wildfire that the light and heat pouring into the transparent towers was likely to turn them into flaming infernos, with the literature of centuries reduced to ashes. Perrault revised his plans: allowed for two-thirds of the books to be

stored underground, added wooden shutters to protect the remaining third from "roasting" in the sunlight and reduced the overall height of the towers by twenty-five feet.

Condensation was, and continues to be, another source of anxiety, difficult to control because of the huge plates of glass covering the library's façade. Weighing 900 pounds each and consisting of two sheets of glass with an air cushion in between, they have to be pressurized just the right amount to avoid either having a mist forming on them or having them shatter.

As the four towers rose, so did their cost, and by the time a feeble but proud Mitterrand inaugurated the barely completed building, hastily furnished with a few books for authenticity's sake, the French government had invested \$1.3 billion. For that sum, it got a library that houses 11 million books, employs 2,850 people, and has reading stations for 2,000 researchers and 1,700 ordinary citizens. It is run by a hyper-sophisticated computer system, which cost \$120 million and controls everything from the catalogue and the ordering and delivery of books to the access to different parts of the library—even to the washrooms.

The banks of computers are named after famous French writers: Malraux looks after training and paying the staff, and Hugo, as in Victor, is in charge of tracking down requested titles. Unfortu-

nately, like Hal in *2001: A Space Odyssey*, these computers decided not to cooperate when it mattered most—on the final grand opening day last October, when the BNF was meant to be fully functional. Four days after the official opening, the computers went on strike. Books were either not found at all or delivered to the wrong place, and an exasperated public was held hostage because even the exit turnstiles refused to budge.

Soon after the computers, the staff of the BNF went on strike. It was at this point, last November, that inspector-general Poirot was called in as a trouble-shooter. His March 17 report reveals a pitiless eye for detail. Every defect of

the BNF's design, administration, and technology is noted. He describes the "interminable hallways" (no direct passage links the four towers, making a walk from one to the other a fine aerobic exercise), the paradoxical lack of space for books in the vast building and the general "gloom" of the working environment. Unlike the public spaces, resplendent with designer chairs and plush red carpet, the areas of the BNF reserved for the staff consist of bare floors, cramped offices, and nowhere to meet for coffee and a chat. Poirot points out the insufficient maintenance (one solitary locksmith responsible for 10,000 doors), the faulty air conditioning, and reproaches the "excessive centralization," "authoritarianism," and "secrecy" that characterize the management style of the BNF.

Even before his report landed on her desk, cultural minister Trautmann had decreed that the library's research rooms shall stay closed on Monday mornings until the end of June. This time would be used to train the staff on how to handle Hugo and his colleagues so that they will not stage a massive revolt again.

People in glass houses perhaps should not store tomes, but when all the controversy and criticism finally die down, the BNF will still stand as a reminder of Mitterrand, a man who usually managed to have the last laugh.

—Ester Laushway



Wilfried Martens took offense when the Flemish Christian Democratic party refused to give him the top spot on their list for the European elections.

BRUSSELS

MARTENS REFUSES TO RUN

The political career of Wilfried Martens, Belgium's longest-serving prime minister (1979–91), appears to be coming to a sad and bitter end. Since 1994, he has been president of the European People's Party and leader of the European Parliament's Christian Democratic-led group, which has 201 members and is a close rival of the Socialist group, which has 214. Now his own party, the Flemish Christian Democrats (CVP), has refused to give him the top position on their list of candidates for the European elections on June 13.

Instead, they have chosen Miel Smet, the fifty-four-year-old labor minister who was originally a protégé of Martens and enjoyed close personal relations with him. Martens, the CVP decided, should have second place, which would certainly have assured him of re-election, as the CVP are virtually certain to win at least four seats. Yet Martens took the decision as a personal insult and announced that he would refuse to stand if it was not reconsidered.

He stubbornly refused to change his mind, even when appealed to by José-Maria Aznar, who as Spain's prime minister is easily the most influential Christian Democrat in the European Union since the defeat of former German chancellor Helmut Kohl. Aznar personally assured Martens that, if he stood for re-election, he would back him for the presidency of the European Parliament

in three years' time. As the presidency effectively rotates between Socialists and Christian Democrats, such backing would virtually have assured Martens a post that would have been a fitting climax to his career.

Martens will try and hang on to the presidency of the EPP, which gives him the right to preside over the periodic Christian Democratic summits, attended by the prime ministers of Spain, Belgium, and Luxembourg and the leaders of Christian and right-of-center parties in all the EU countries. It is, however, far from certain that he will continue to be acceptable in this position without a parliamentary mandate.

The bureau of the CVP has confirmed its earlier decision and—in view of Martens' obduracy—proceeded to fill the first five places on their list without him. Ostensibly, they made their choice because they wanted to have a woman at the head of the list. In reality, it was the culmination of a long vendetta against Martens by critics within his own party.

This ill will stemmed from his period as prime minister when several of his party colleagues felt he had sided too often with French-speaking ministers in the center-left coalition he led. After the 1990 election, they refused to renominate him as premier, and after several months' deadlock, he was succeeded by Jean-Luc Dehaene, previously his closest colleague. Martens would happily have carried on as foreign minister or even as president of the Senate, but even these were denied him, and he went off to the European Parliament.

Martens has publicly accused Eric Van Rompuy, the Flemish minister for economic affairs, and his brother, Herman Van Rompuy, the budget minister, of conspiring against him. Others have said that this earlier rejection was prompted, in part, by Martens' action in facilitating King Baudouin's thirty-six-hour abdication in 1990 so that the ultra-Catholic monarch could avoid signing the act legalizing abortion.

More recently, he has upset some left-wing Christian Democrats by recruiting Silvio Berlusconi's right-wing Forza Italia party into the EPP. He also offended fellow Catholics by leaving his wife of thirty years, Lieve Vershroeven, and at the age of sixty, fathering twin daughters by his second wife, Ilse. His colleagues are blaming Ilse for his self-destructive obstinacy.

—Dick Leonard

LONDON

ANOTHER FOOD SCARE

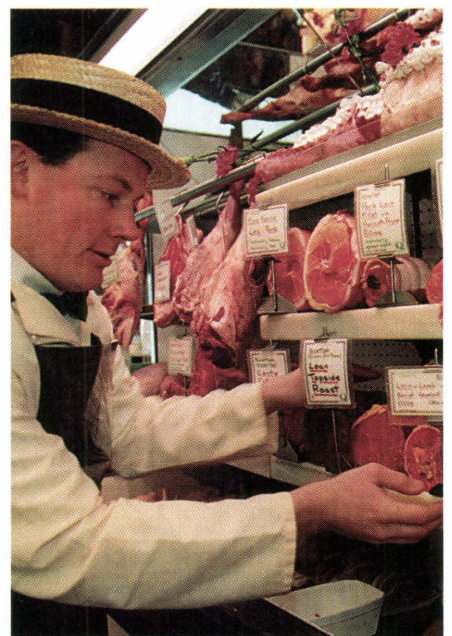
It seems the British do love a food scare. The latest to hit the headlines involves genetically modified foods, GM for short. Supermarkets have pulled products off their shelves; officials have issued statements; and scientists are again being accused of interfering with nature.

Remember mad cow disease, which hit the headlines three years ago and triggered a global panic over fears that eating British beef could cause a fatal brain disease? Those with longer memories will recall the hysteria over eggs and salmonella and the even earlier row over milk and *lysteria*.

The current question is whether the UK suffers from more unnatural interference in its food production process, or are the British more vigilant in detecting the way modern farming methods are "mucking about with our food"?

Over the past few months, there has been growing public concern that genetically modified foods are potentially harmful to humans and could threaten our environment. Unfortunately, as any scientist will admit, genetic engineering includes a considerable uncertainty factor.

Prince Charles, who is an organic farmer, attacked GM food. Government ministers tried to take the side of the sci-



A west London butcher displays organically produced beef in his shop.

entists, but their case was somewhat undermined when the caterers to the House of Commons decided not to use GM foods.

Sainsbury's, one of the UK's largest supermarket chains with 400 stores, has set up an international consortium of food retailers and industry experts to establish validated sources of GM free crops, products, and derivatives. "This move will enable Sainsbury's to eliminate all GM ingredients from its own label products in response to customer demand for GM-free food," stated a company press release.

US food companies that grow and process vast crops of soybeans have refused to separate GM from normal beans. "We always wanted GM and standard crops to be separated and were extremely disappointed when this did not happen with the US soybean crop," said Sainsbury's environmental manager Alison Austin.

In the view of scientists, GM crops offer a real and positive means to feed large human populations. Given that world population grew from 2.3 billion in 1945 to 5.8 billion today and will inevitably reach 10 billion, that seems a laudable goal.

Many conservationists disagree. They genuinely distrust and fear a world of "recombinant technology" where science is seen to play God with the building blocks of life.

There certainly appears to be a communication problem. Scientists are seen as villainous 'Dr. Strangeloves' who have gone too far in their experiments. Many in the public believe that there needs to be some restraint or control over how far scientists, and the giant corporations that employ them, can go in modifying food.

Geneticists point out that since the dawn of time people have always transported, sorted, and selected plant genes. "Plant breeding is a foundation skill of civilization. For ten millennia, farmers and breeders have manipulated genes across species boundaries, incorporating them into new plants," says botanist Dr John Akeroyd.

While the debate rages on, the food retailers aware of the sensitivities of their customers are gradually eliminating GM ingredients from their product lines, and shoppers have one more thing to look for in the small print on the product package.

—David Lennon

SANTER RUNS FOR EUROPEAN PARLIAMENT

It would be wrong to say that Jacques Santer got a ticker-tape reception when he returned to his home country of Luxembourg after resigning as president of the European Commission in March. The Luxembourgers do not go in for hero worship. What Mr. Santer got was something altogether more to his taste—the kind of quiet, warm welcome home that a much-traveled member of the family might get after years abroad. Mr. Santer is extremely popular in Luxembourg, and while the media in other countries foamed and spluttered about his lack of leadership in Brussels, the Luxembourgers preferred to list his achievements, confident that the judgement of history would be in his favor.

Many felt that the abuse heaped on Mr. Santer for failing to spot or take action over allegations of fraud and mismanagement in the Commission and appearing not to understand what all the fuss was about was way over the top. When he answered a reporter's question about granting favors to his wife's family, he answered that he was "whiter than white"—a quote that was later distorted by some in the media to seem as if he was brushing aside all criticism of the Commission. All this can be partly explained, at least where the British press is concerned, by the fact that Mr. Santer did not turn out to be the kind of Commission president he was supposed to be.

This situation goes back to 1994 when British Prime Minister John Major vetoed the nomination of the Belgian leader Jean-Luc Dehaene as Commission president because, the British let it be known, he was too "federalist," too keen on a united Europe. Mr. Santer was preferred as a kind of quiet, undemonstrative technocrat who could be relied on not to make waves.

Bad call. Mr. Santer quickly showed himself to be as zealous in the promotion of Europe as any Commission president before him, and he suffered for it in the rabidly Euro-skeptic UK press. Even the supposedly serious papers ridiculed his

ideas and predictions over European monetary union. It got worse, of course, when he was proved right. "You'd think World War III had started," remarked the Luxembourg government spokesman after one attack.

In his last public appearance in Brussels as Commission president, Mr. Santer said his years there would be remembered for their achievements and not for the fraud scandal. This sentiment is a bit wishful. Nothing like the mass resignation of the commissioners in March had ever been seen before, and whether or not it was justified, it will define the Santer Commission. However, there is truth in Mr. Santer's assertion that the achievements had been overlooked.

No doubt part of the reason is that they all served to advance the cause of Europe. Under Mr. Santer, the Commission drew up the blueprint for introducing the European single currency, prepared its launch in the teeth of unrelenting skepticism, and ensured its successful debut on the world currency markets. At the same time, the Commission began negotiations with six European countries for entry into the EU and put together the bold package of farm and

budget reforms finally agreed upon this spring. Except for the fraud report and its consequences, this Commission would possibly have gone down as one of the most successful of all its predecessors.

Back home in Luxembourg in March, Mr. Santer infuriated his critics by announcing his decision to run for office in the European Parliament in the June elections. As the top candidate on the Christian Social Party (CSV) list, he is sure to get in. The idea that the discredited head of the Commission should immediately join the body that had effectively ousted him was one that many outside Luxembourg found breathtaking in its audacity.

Inside the Grand Duchy, the move has been warmly welcomed, except by those who stand to lose politically. The truth is that Mr. Santer's candidacy is likely to increase the vote for the CSV, not only in the European elections, but also possibly in the general election in



Outgoing European Commission president Jacques Santer now plans to run for the EP.

Luxembourg to be held at the same time.

Yes, there will be sympathy votes in Luxembourg for a man believed to have been treated unfairly in Brussels. However, most of his support will come from those who regard him simply as a good politician, genial in manner and shrewd within, who ran out of luck at a critical moment. His time on the European stage is not over yet.

—Alan Osborn

MADRID

ROCKY RELATIONS OVER GIBRALTAR

Again, European Union partners Spain and the United Kingdom are squabbling over that piece of land located at the southwestern tip of the Iberian peninsula—Gibraltar. This latest brouhaha, in a dispute that stretches back almost three centuries, involves fishing vessels, allegations of drug running and money laundering, and steamed Gibraltarians waiting hours to get across the border into Spain.

It all began in January when Gibraltar

seized a Spanish trawler that was said to be fishing illegally in the colony's waters. In retaliation, Madrid ordered border controls tightened for those wanting to enter Spain from "the Rock," forcing drivers to wait for hours while their papers were checked and customs regulations meticulously enforced. The Spaniards also announced they would not recognize the validity of Gibraltar drivers' licenses and threatened to bar Gibraltar-bound planes from Spanish airspace.

British tabloids, as is their custom when the Union Jack is being trampled on by foreigners, came out swinging and some of Parliament's more jingoistic members even called for the Royal Navy to steam south to the strait, fly the flag, and show who's boss.

Then at a European Union summit in Germany, Spanish Prime Minister José-Maria Aznar handed a report to his British counterpart, Tony Blair, containing allegations that Gibraltar is a European version of some sleazy Caribbean dope republic where gangs sheltering behind shell corporations smuggle drugs and launder money.

More specifically, the report detailed Spanish seizures of Gibraltar-registered

yachts that ferried cocaine and hashish from nearby North Africa and designer drugs to Europe, a Madrid newspaper claimed in its story on the Spanish document.

The report was the latest in a long history of charges leveled by Spain that Gibraltar officials ignore international and European Union rules and regulations on a host of issues, including banking, as Gibraltar is an offshore banking center.

At one point in the latest row, Spanish Foreign Minister Abel Matutes announced he was not taking calls from his British colleague Robin Cook, who wished to defuse the diplomatic spat before it got worse.

Almost certainly, this latest flare-up will die down, as have many previous ones in the past. Britain was ceded the 2.5-square mile territory under the terms of the Treaty of Utrecht in 1713, and Spain has been trying to get it back since. In 1969 under General Francisco Franco, Madrid shut the border to Gibraltar, and it wasn't reopened again for fifteen years.

In defending its control of the colony, the UK says it will go along with the wishes of the 30,000 residents, and in several referendums, they have voted overwhelmingly to remain British.

—Benjamin Jones

VIENNA

BOMBER SENTENCED

Austria's version of the Unabomber, Franz Fuchs, was sentenced to life in prison for a series of racist bombing attacks between 1993 and 1996 that killed four and injured a dozen, including the former mayor of Vienna.

In his most deadly attack, four Gypsies were killed in 1995 when they tried to remove a racist sign tacked up in the village of Oberwart. Attached to the sign was a powerful pipe bomb, which exploded, killing the men.

Most of Fuchs' targets were minorities or defenders of minority rights, including Helmut Zilk, who was mayor of Vienna in 1993 when a letter bomb sent to his home exploded, destroying his left hand. Since the attack, Zilk appears in public with his hand covered with elegant scarves that match his neckties.

Fuchs' other victims included religious leaders, media personalities, doctors, and politicians and included two at-

Gibraltarians experienced lengthy border delays after the Spanish government tightened up border controls.



tacks in Germany. One police officer lost his hands while trying to remove a bomb placed in front of a bilingual Austrian-Slovenian elementary school in 1994 in the city of Klagenfurt.

More letter bombs, which did not explode, were sent around the country. Their targets included the stepmother of then-interior minister Caspar Einem; the director of the Catholic charity Caritas; and the UN High Commissioner for Refugees office in Vienna.

Although it remains unclear why the forty-nine-year-old Fuchs, a reclusive engineer who lived with his parents, carried out the twenty-five bombing attacks, he claims to be a member of the obscure Bajuvarian Liberation Army, which wants to reunite the German-speaking people from Bavaria, the Alps, and along the Danube River.

However, prosecutors argue Fuchs acted alone, and the Bajuvarian Liberation Army was purely a figment of his imagination. Since his arrest in February 1997, the bombings have stopped.

The defendant was barred from attending much of the five-week-long trial in the southern city of Graz, after his repeated nationalistic, anti-foreigner outbursts in the courtroom.

Fuchs, himself, was the victim of one of his own bombs. Two women traveling in a car near his hometown of Gralla called police from a mobile phone to say that a man was following them and acting suspiciously.

When law enforcement officers stopped Fuchs' car, he picked up a bomb lying on the seat next to him, and the device exploded, ripping off both his hands and slightly injuring the two officers. A search of Fuchs' home following his arrest turned up a number of pipe bombs.

Fuchs will serve out his sentence in a prison for the mentally disturbed.

—Susan Ladika

DUBLIN

LOCAL COMPANY BECOMES INTERNATIONAL POWER PLAYER

It began in 1987, with the Irish economy going through a worrying wobble. The government, with unemployment soaring and desperate to correct the spin, introduced a national recovery program. A whole range of (eventually successful) corrective measures were adopted, not least a deal that allowed

quasi-state organizations greater commercial freedom provided they could create new jobs and generate badly needed revenue.

One of those taking up the challenge was the national utility company, which saw opportunities in expanding its existing overseas consultancy but until then had been restricted in developing the scope of its commercial operations.

Electricity Supply Board International (ESBI), a commercial subsidiary company of the state-owned Electricity Supply Board (ESB), was born and ESB became the 100 percent shareholder in ESBI.

Twelve years later, ESBI is now involved in projects in some thirty-five countries around the world—from Russia, Vietnam, and Malaysia to Lebanon, Iceland, and Guatemala. It has offices in Abu Dhabi, Brussels, Hanoi, Houston, Kuala Lumpur, London, Prague, and Tokyo and employs more than a thousand staff. It has annual sales heading toward \$137 million.

Not bad for a parent company that began life, in 1927, as one of the fledgling Irish state's first stabs at state-run enterprise. With German expertise, it set up the Shannon River hydroelectric plan, which is still operating.

At home, the soon-to-be-privatized ESB manages one of the world's most sophisticated electricity infrastructures and provides light and power to every home and industry in the Republic.

Abroad, it provides a multidiscipline engineering consultancy and employs 600 engineers, environmental consultants, and other professionals in planning, design, construction, operation and maintenance of all aspects of utility operations.

In more than eighty countries around the globe, the Irish have helped to solve electricity project problems.

Latest to join the list of those seeking ESBI expertise is Ukraine, where ESBI has won a \$2.16 million contract to develop a national energy efficiency program. Since 1992, Ukraine has suffered an energy supply crisis because of its dependence on imported oil and gas (mainly from Russia) and progressive increases in its energy prices. Ukraine's energy efficiency levels are well below international levels, and energy consumption per unit of GDP is more than twice the rate of Western Europe.

ESBI is in some ways an international trouble-shooting company. It is also a major influence in helping reconstruction in war-torn countries. Two projects

offer notable examples: In Vietnam, ESBI is helping to produce a master plan to support its rapid economic growth. In 1993, after seventeen years of war, the company began work in Lebanon to help revitalize the electricity supply systems.

After four decades with the ESB, managing director Michael Hayden says ESBI's success is due to an abstract factor—a cultural empathy between the Irish and local populations. “The breakout from a small, rural, closed economy is not that far away from us [in Ireland],” he says. “And I think we have appreciation of the challenges that face these countries. When I go to Africa, I can see almost exact parallels with the Ireland of thirty or forty years ago. You can empathize...and it's helpful to them.”

—Mike Burns

LISBON

CELEBRATING TWENTY-FIVE YEARS OF DEMOCRACY

The twenty-fifth anniversary of Portugal's radical but non-violent revolution has provided an opportunity for the country to take stock of how far it has come since those turbulent days.

State President Jorge Sampaio has made clear that he wants the events marking the silver jubilee of this most significant event of the country's recent history to stretch over the full twelve months. He also wants the celebrations to involve the public much more than the formal ceremonies of recent years. Although his post is a ceremonial one, Sampaio brings to it the credibility of a man who was one of the student leaders who were such a thorn in the side of the dictatorship that ruled Portugal until 1974.

In recent weeks, however, considerable controversy has erupted over the screening of a television series about António Salazar, the man whose word was law for four decades, and by proposals to promote to general some of the army officers who masterminded the coup that overthrew the regime he founded. In the process, these events and the reactions they provoked have demonstrated that not everyone sees the events of 1974 in the same light.

The documentary series, broadcast by the independent television company, SIC, has drawn accusations of revisionism for allegedly sketching a partial and

even sympathetic portrait of the Salazar regime. Since the regime imprisoned and tortured thousands of its opponents and forced many others into exile, it is hardly surprising that any sign of historians or journalists being soft on it riles those who struggled against it.

The proposal to promote some of the army officers who managed the coup has also sparked lively debate. Some of “the colonels”, as they collectively became known, were consumed by the revolutionary turmoil they had created, ending up without either military or political careers or even in jail, accused of fomenting terrorism. Although later pardoned, they remained political outcasts despite their earlier services to the nation.

Nevertheless, commentators are nearly unanimous in agreeing that, twenty-five years after the coup that deposed Salazar’s mildly reformist successor, Marcelo Caetano, democracy is well entrenched in Portugal.

Coincidentally, this year is full of election campaigning, with June’s elections to the European Parliament followed by national parliamentary polls in October. The candidate who heads the Socialist Party’s list for the European elections is Mario Soares, the former anti-Salazar resistance leader. It was Soares’s canny leadership of the Socialists in the decade after the 1974 coup that prevented the Communist Party from gaining the upper hand in Portugal, and he later went on to become the first non-military state president since the revolution. Now, he has shed his long-cherished image of being above political parties to pursue his goal of European integration. It is understood that he only agreed to head the Socialist list once talks between the officials of various EU left-of-center parties made clear that he had a fair chance of being made president of the European Parliament after the elections.

If he is chosen for the post, it will be a further symbol of how Portugal has integrated itself into the European mainstream—not least by qualifying for and adopting the common European currency.

In another interesting coincidence, the twenty-fifth anniversary of the revolution falls in the same year as the bicentennial of the birth of Almeida Garrett (1799–1854), the driving force behind the Romantic movement in Portugal and often described as the father of modern Portuguese literature. The liberal ideas that he and his works promoted were eagerly embraced by the small but thrust-

ing bourgeoisie, and helped light the flame of radicalism within the armed forces that later broke out in the form of the 1974 coup.

—*Alison Roberts*

COPENHAGEN

ISLAND GETAWAY

Travelers seeking a different Danish experience than the standard tour of Copenhagen might want to try the island getaway of Bornholm. It is a Baltic island with beautiful beaches and shoreline that is rocky and quite unlike anywhere else in Denmark.

Geographically and geologically, the island is much closer to Sweden and Germany than it is to Denmark. Though the 45,000 inhabitants of the island do not like to be reminded of the fact, the local dialect sounds very much like Swedish to other Danes. In fact, the Swedes occupied the island during part of the seventeenth century after they defeated Denmark. Today, the people of Bornholm correctly and proudly stress that they rebelled and threw out the Swedish occupiers.

History is one of the major attractions of the island. Hammershus Castle, now in ruins, dates back more than 700 years and was one of the largest and strongest fortifications in the Baltic Sea until its walls were made obsolete by the technological advances of gunnery in the seventeenth century. Local farmers started to cart away the bricks during the eighteenth century. What remains is still impressive, and the cliff-top view of the sea remains stunning.

The martial tradition of the island is visible everywhere. Churches were fortified, and the so-called “round churches” with battlements are unique to the island. All the sights can be reached by car within an hour from Roenne, the island’s capital. However, many families with children prefer to rent bikes and ride along the more than 100 miles of specially constructed bike paths. Others take a bus and proceed on foot on the paths that crisscross the island. Hikers tend to favor the forest of Almindingen in the center of the island, one of the oldest and least exploited in northern Europe. There visitors can climb the highest point on the island, the Rytterknaegten, which although only 500 feet above sea level still offers a worthy view.

The food on Bornholm is traditional

Danish fare, wholesome and healthy. The specialty is Baltic salmon, which is smoked and served warm. The salmon is wild, and connoisseurs insist that it is far more tasty than farmed salmon from Norway and elsewhere. However, the combination of cheap farmed salmon and ever decreasing quotas has severely decimated Bornholm’s traditional fishing industry.

An hour’s boat ride away await the two small islands of Christiansoe and Frederiksoe. The latter was home to the easternmost fortress of the Royal Danish Navy in the Baltics until 1850 and features two defense towers, a church, and a lighthouse. There are no roads and no cars, and there are only 120 people living there, including a number of artists. There is no hotel, and the islanders provide no alternative accommodation.

Perhaps Bornholm’s unique selling point as a tourist destination is its rural ambiance. Nightspots are open in season, but this is not an island for the jet set. For anyone who can’t cope with quiet relaxation, it is a comfort to know that Copenhagen is only half an hour distant by air and six hours by ferry.

—*Leif Beck Fallesen*

ROME

ITALY’S DONKEYS AND ELEPHANTS

The not-guilty verdict in the US military trial of the Marine pilot whose low-flying jet cut a cable car line resulting in the death of twenty innocent tourists in Northern Italy has had political repercussions between Rome and Washington. Although it did set off angry protests in Italy, it has not, however, spoiled the overall good relationship between Italy and the United States.

The depth of this relationship can in some ways be measured by the fact that several American traditions have migrated across the Atlantic. Most recent among these is former prime minister Romano Prodi’s decision to choose a drawing of a donkey as the symbol of his newly formed political organization. Prodi’s donkey is drawn in a modern, easy style, appearing happy and youthful as it impertinently bucks its hind legs. By comparison, its American cousin is clearly older and more thoughtful, but the allusion to the American Democratic Party is obvious.

BERLIN

ART LOVERS HEAD FOR COBURG

For art lovers visiting Germany, the former *Residenzstadt* of Coburg in Northern Bavaria is a must-see attraction. Coburg was for several centuries the seat of the Saxe-Coburg-Gotha ducal family. The imposing 900-year-old Veste Castle, which is also called the “Franconian Crown,” still dominates this town of 45,000 inhabitants. The castle, which is surrounded by a triple line of ramparts, persists as one of the largest and best-preserved fortifications in Germany. Now visitors stroll through an English park, which extends from the town below all the way up the slope to the castle, a gentle approach that belies the daunting challenge faced by opposing armies when the castle served its military purpose.

Notably, it is from the Veste that Coburg gained its first claim to fame. In the sixteenth century, it was the southernmost territory of the Saxon margraves. The margraves were the protectors of Martin Luther, the reformer and creator of the modern German language. From April through October 1530, Luther stayed at the Veste while the imperial authorities in Augsburg tried to arrive at a compromise between the Protestants and the Catholic Church. The rooms where he spent his time writing have been carefully preserved, along with his portrait by Lucas Cranach the Younger.

The Veste museum contains a trove of historical treasures, including famous collections of weapons and engravings, Germany’s most important glass collection and a wealth of period furniture, porcelain, and silver. The art collection boasts a Pieta from 1320, a Bamberg Madonna from 1360, paintings by both Cranachs, as well as Dürer and Rembrandt engravings.

With Luther’s departure, the castle was all but forgotten for a couple hundred years. Some lavish baroque ceilings were constructed in the ducal residence, but otherwise Coburg remained unconscious of its significance until the end of the eighteenth century. Thanks to the clever Duke Frederick Anthony, the Saxe-Coburg-Gotha family emerged as an important political family, which by way of marriage provided kings, queens, and prince consorts to almost every royal house in Europe. One of them was Prince Albert, the consort of Queen Vic-

tor. Queen Victoria had a special affection for the place, which had nurtured both her mother and her beloved husband. She visited Coburg many times and was reported to have loved the intimacy of the small and romantic Schloss Ehrenburg, where she had Germany’s first water closet installed.

Since Coburg was spared the destruction of World War II, it has been able to retain many of its historic buildings and original beauty. A statue of Albert stands on the market square flanked by the Renaissance Stadthaus and the Rathaus, first erected in the sixteenth century and later rebuilt.

Several castles were built on the outskirts of Coburg, including Schloss Rosenau, the summer residence of the dukes and the birthplace of Prince Albert. Neustadt, a town devoted to doll manufacturing, has a museum with 1,000 folk-costumed dolls and a toy show portraying fairy tales. Neustadt also features a “goat” that announces the noon hour from the Rathaus. The recorded “baa baa” is sounded in memory of a medieval tailor who saved the town from a siege by sewing himself into a goat skin and frolicking on the ramparts to convince the enemy that the defenders had plenty of food.

Admirers and collectors of figurines, plates, and bells by Sister Maria Innocentia Hummel can go to the W. Goebel Porzellanfabrik at Rödental (located a few miles north of Coburg). Visitors may watch over the artisans’ shoulders as they model, fire, glaze, and hand paint their delicate wares.

—Wanda Menke-Glückert

THE HAGUE

PROTESTING DUTCH STREET VIOLENCE

On a cold and rainy Saturday night in January, a silent march of thousands of people dressed in white t-shirts and carrying white flowers in their hands walked through the streets of Gorkum, a small Dutch provincial town. The procession, which included two members of the cabinet, marched to a small street and deposited a sea of flowers and burning candles at the entrance to a popular local café. At the same time, church bells rang, and the public transport in many Dutch cities was halted for a minute. Public and commercial radio stations interrupted their programs for a minute of

The ex-premier’s group comprises a coalition of moderates and progressives, including Senator Antonio Di Pietro, the former judge who headed the early 1990s “Clean Hands” investigation, which signaled a change in Italian politics and brought about the arrest of numerous politicians. Di Pietro’s involvement may explain a certain nervousness that seems to haunt the corridors of Massimo d’Alema’s government, the first ever headed by an ex-Communist. Previously, Prodi had led the Olive Tree coalition, which governed thanks to D’Alema’s backing. When the coalition crumbled, Prodi left, and D’Alema was able to form a new government. Italian political analysts say that by remaining in the political arena, Prodi could potentially siphon support away from D’Alema. Such worries, it is speculated, led D’Alema to push for Prodi’s nomination as president of the European Commission.

Regardless of how it all ends up, the birth of Prodi’s ‘donkey party’ represents a sign of significant change in Italian politics. Surveys show that Italians are tired of the difficulties created by having several minor political parties, each with its own agenda, run the country. It is no coincidence that the conservative opposition—which is headed by Silvio Berlusconi (the television magnate and himself an ex-premier) with support from Gianfranco Fini (the leader of the former Fascist party)—is rumored to be considering adopting the elephant as its symbol. The choice of the US Republican Party’s mascot seems improbable, but just the fact that it is being talked about is significant.

In other words, Italian politics could see the end of the ‘botanical era’ (the new Communists’ oak tree, the Progressives’ olive tree, the Socialists’ carnation, the Christian Democrats’ white flower, the Liberal-Republicans’ ivy) to make room for animals. Just as long as this does not mean that politics are destined to become a zoo.

—Niccolò d’Aquino

By comparison, its American cousin is clearly older and more thoughtful, but the allusion to the American Democratic Party is obvious.

silence. In cyberspace, a Dutch Internet service provider organized a virtual 'torch march.'

These actions were all part of what is fast becoming a national movement against street violence or, as it has been dubbed in the Netherlands, 'meaningless violence'. The sad occasion for the Gorkum march was the murder of two teenage girls who had gone out to a local music bar and had been killed in a drive-by shooting.

The resulting outrage was felt all over the Netherlands. Last year, two cases of street violence had already stirred national emotions. In Leeuwarden, a provincial capital, a teenager was kicked to death when he tried to interfere in a sudden fight between his friends and a group of young, unknown passersby. A male student was also killed in Amsterdam after a street gang attacked him for no apparent reason. In both cases, the drama occurred on a weekend night, when crowds of youngsters go partying in town. Usually, alcohol is consumed (the Dutch legal drinking age is sixteen years old), and some use soft drugs.

In any society, of course, murder happens with a certain frequency. However, it was previously unheard of in the Netherlands for high school or college students—for that matter, youngsters in general—going out on a Friday or Saturday night to fall victim to arbitrary acts of violence. Yet, with increasing frequency, young people walking in the entertainment areas of towns or going home after a night of fun risk being attacked. Sometimes, the violence even occurs in daytime.

After the murder in Leeuwarden, a local police officer made a public appeal to protest this kind of street violence. It soon became a movement of grief for the victims and their families and of indignation toward the deterioration of public safety. One way or another, it was felt, violence should be halted.

Then in January, the shooting in Gorkum occurred. Three men, who had been denied access to a bar, decided to come back and take revenge by emptying their guns on the entrance door. Inside, three schoolgirls about to leave were hit. One was killed instantly, another died then next day, and a third was injured.

Emotions were heightened by the fact that the three suspects were Turkish immigrants and one of them owned

an illegal soft-drugs shop that the municipality had tried to close in vain. However, there was no outcry against immigrants. The local Turkish community was shocked just like everybody else. Though it is known that particularly Moroccan youth gangs cause a lot of trouble in some Dutch cities, street violence is not a question of minorities, as evidenced by the fact that Dutch hooligans committed the senseless killings in Amsterdam and Leeuwarden.

Officials are taking measures to prevent further disasters. Metal detectors are being installed in bars and discotheques, and video cameras overlook streets of entertainment areas. There is increasing discussion about wider police competence to search individuals for the weapons. Carrying firearms and knives is illegal in the Netherlands, though it seems that their possession is increasing alarmingly and is related to drugs, crime, and illegal immigrants.

Most important is the massive public outcry against street violence and violence in general. As the mayor of Gorkum said in a speech at the march to remember the two girls, "If a democracy does not stand up against these kinds of threats, if a society cannot protect its citizens, it is in danger."

—Roel Janssen

HELSINKI

THE CZAR'S FISHING LODGE

Not everyone is aware of the fact, that Finland once was a part of the Russian Empire. In 1808, Czar Alexander I issued an order to attack Finland to wrench her from Russia's hereditary enemy Sweden, which had ruled Finland for more than 700 years. But Alexander believed that the Finns could be troublesome if they were completely integrated into the Russian Empire, so he allowed them extended autonomy. He decreed that the Swedish law of 1734 would remain in force and took the title Grand Duke of Finland. Subsequent czars ruled the country until the Russian revolution in 1917 when Finland declared its independence.

Czar Alexander III, who ruled 1881–1894, was especially fond of Finland, and in 1889, he had a log lodge built on the banks of Langinkoski rapids near the town of Kotka. The imperial family would make the short voyage across the Gulf of Finland from their summer home in Saint Petersburg and there escape the

strictures and formalities of protocol and court. At Langinkoski, they led reasonably 'ordinary' lives. The czar enjoyed carpentry, and photos show the czarina (formerly Dagmar, Princess of Denmark) peeling potatoes in the kitchen—albeit with the assistance of naval officers.

After Alexander's death in the Crimea in 1894, the czarina never returned to Langinkoski, and the new czar, Nicholas II, visited only once.

When Finland gained its independence in 1917, the new Finnish government took over the lodge, although not much was done with it, and it began to deteriorate.

In 1933, a group of private citizens formed the Langinkoski Society to save the lodge for posterity. Under government oversight, the society has restored the lodge to its original state and operated a museum on the property for the last sixty-six years. In 1989, the society celebrated the lodge's centennial and welcomed Tihon Kulikkovsky-Romanoff, grandson of Czar Alexander III and Czarina Dagmar, and his wife Olga as the guests of honor.

In the winter, Alexander's fishing lodge hibernates, but from the beginning of May through the end of August, the museum is open daily from 10 am to 7 pm. During September and October, it is open only on weekends. The museum also serves as a restaurant for special occasions. So if your family has Russian roots and your daughter is getting married, call and make a reservation for an extra special celebration. Tel. 358-5-2281050.

—Thomas Romantschuk

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ARTS & LEISURE

FILM

THE LEGEND OF THE PIANIST ON THE OCEAN

Starring: Tim Roth, Pruitt Taylor Vince, Clarence Williams III; directed by Giuseppe Tornatore; produced by Francesco Tornatore; written by Giuseppe Tornatore; distributed by Fine Line Features; scheduled for release in the US June 18.

Combine an enormous luxury ocean liner, crystal chandeliers, ballrooms, and other touches of turn-of-the-century elegance with a captivating soundtrack. Is it *Titanic II*?

Actually, it is a new Italian film. *The Legend of the Piano Player on the Ocean* features similar ingredients, but it could not be more different from James Cameron's hit film. Not insignificantly, the featured vessel, the *Virginian*, stays afloat for more than forty years, traveling back and forth across the Atlantic straight through the First and Second World Wars.

The creation of renowned Italian director and Oscar-winner, Giuseppe Tornatore (*Cinema Paradiso* and *Mediterraneo*), *Legend* is an Italian film with an international cast that includes British actor Tim Roth and French actress Melanie Thierry. Based on the slim novella *Novecento*, written by best-selling Italian author Alessandro Baricco (*Silk*), the film version tells the story of a young man named Novecento, played as an adult by

Tim Roth, who becomes famous both as a pianist and for the fact that he had never set foot off the *Virginian*.

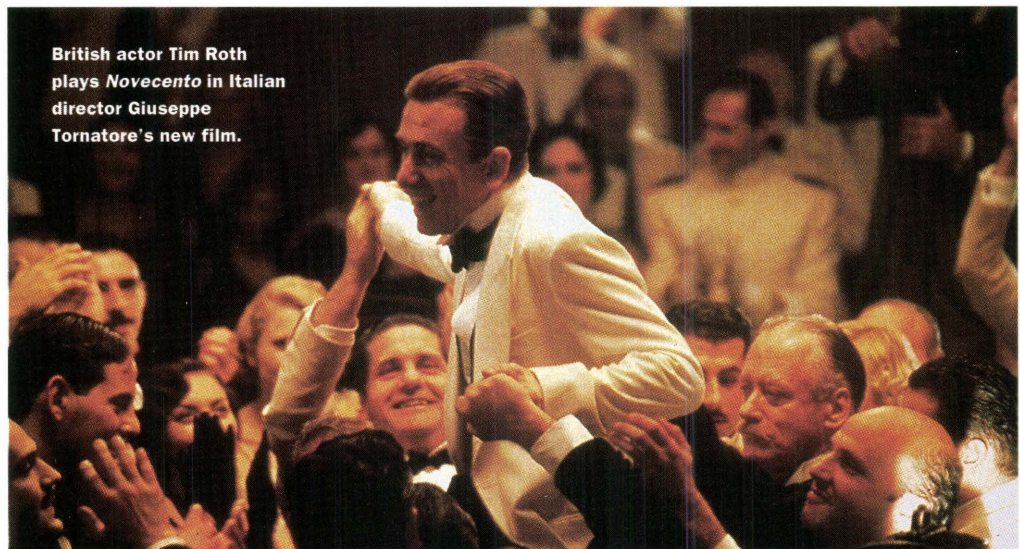
Danny Boodman, who stokes the burners deep in the belly of the *Virginian*, finds a baby in an empty lemon crate on the first day of the year 1900 and names him Novecento (which means 900 in Italian). Boodman raises the boy aboard the ship until tragedy strikes, and Novecento becomes the adopted child of the entire

of the ship's orchestra, he entertains the first-class passengers, who dance to his music in the elegant ballroom. In the second and third-class lounges, he enlivens the long voyages and comforts homesick travelers to the New World with music from the Old Country. His fame travels beyond the *Virginian*. Travelers book passage just to hear him play as they cross the Atlantic.

Not everyone is thrilled with Novecento's fame. Star

urges him to leave the ship and live a normal life.

Although *Legend* depicts the end of an era, it comes at time when many in the film industry see a new beginning for Italian cinema. Following the respectable success of 1995's *Il Postino* and the recent Oscar-winning triumph of Roberto Benigni's *Life Is Beautiful*, Tornatore's film is likely to attract a broader audience among US filmgoers when it opens this summer than would normally be the



British actor Tim Roth plays Novecento in Italian director Giuseppe Tornatore's new film.

crew, leaving the captain at a loss for what to do with a child with neither a birth certificate nor a legal nationality. Remaining on the ship, which began as a way to avoid legal complications, becomes Novecento's way of life. Even as an adult, he finds himself unable and unwilling to leave the only world he has ever known.

While on board the *Virginian*, Novecento learns to play the piano. A child prodigy, he plays for anyone who will listen. As a member

jazz pianist Jelly Roll Morton decides to book a passage to salvage his own reputation as the "world's best piano player." Dressed in white linen and wearing a diamond stud in his front tooth, Morton challenges Novecento to a duel of the keyboards in one of the film's most compelling scenes.

Max Tooney (Pruitt Taylor Vince), a trumpet player on-board the *Virginian*, narrates the story through a series of flashbacks. Max, Novecento's closest friend, continually

case for an Italian film. Tornatore, however, is no stranger to American movie fans. His 1990 film, *Cinema Paradiso*, proved widely popular in the United States and won the Oscar for best foreign film. With *Legend*, however, Tornatore has changed his palette—replacing the quaintness of small Italian towns with the glamour of a luxury ocean liner and exclusively Italian actors with an international cast—yielding a magical, if not titanic, result.

—Saskia Reilly

YESTERDAY

&

TODAY



OBI WAN AND OBI TWO

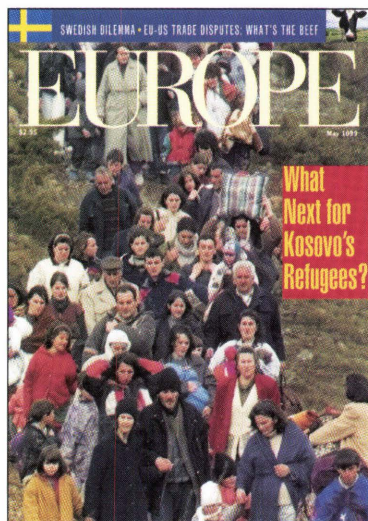
Having trained to become a Jedi Knight and learned the ways of the "force," the character of Obi-Wan Kenobi continues to duel the dark side of the force.

British actor Sir Alec Guinness originated the Obi-Wan Kenobi character in the 1977 film *Star Wars*, which—it now turns out—is the fourth of what will be six episodes in the saga. Guinness, who was nominated for an Academy Award for his performance, went on to portray the wizened Jedi master in Episode V: *The Empire Strikes Back* (1980) and Episode VI: *Return of the Jedi* (1983). Sir Alec, now eighty-five, began his film career in 1946 and has since appeared in more than sixty movies. In 1957, he won an Oscar for best actor for *The Bridge on the River Kwai* and was knighted in 1959.

On May 19, some twenty-three years later, filmmaker George Lucas will unveil his much anticipated first episode, *The Phantom Menace*, with Scottish actor Ewan McGregor as the young Obi-Wan Kenobi. McGregor has appeared in the movies *Trainspotting* and *Emma*, and more recently in *A Life Less Ordinary* and *Velvet Goldmine*.

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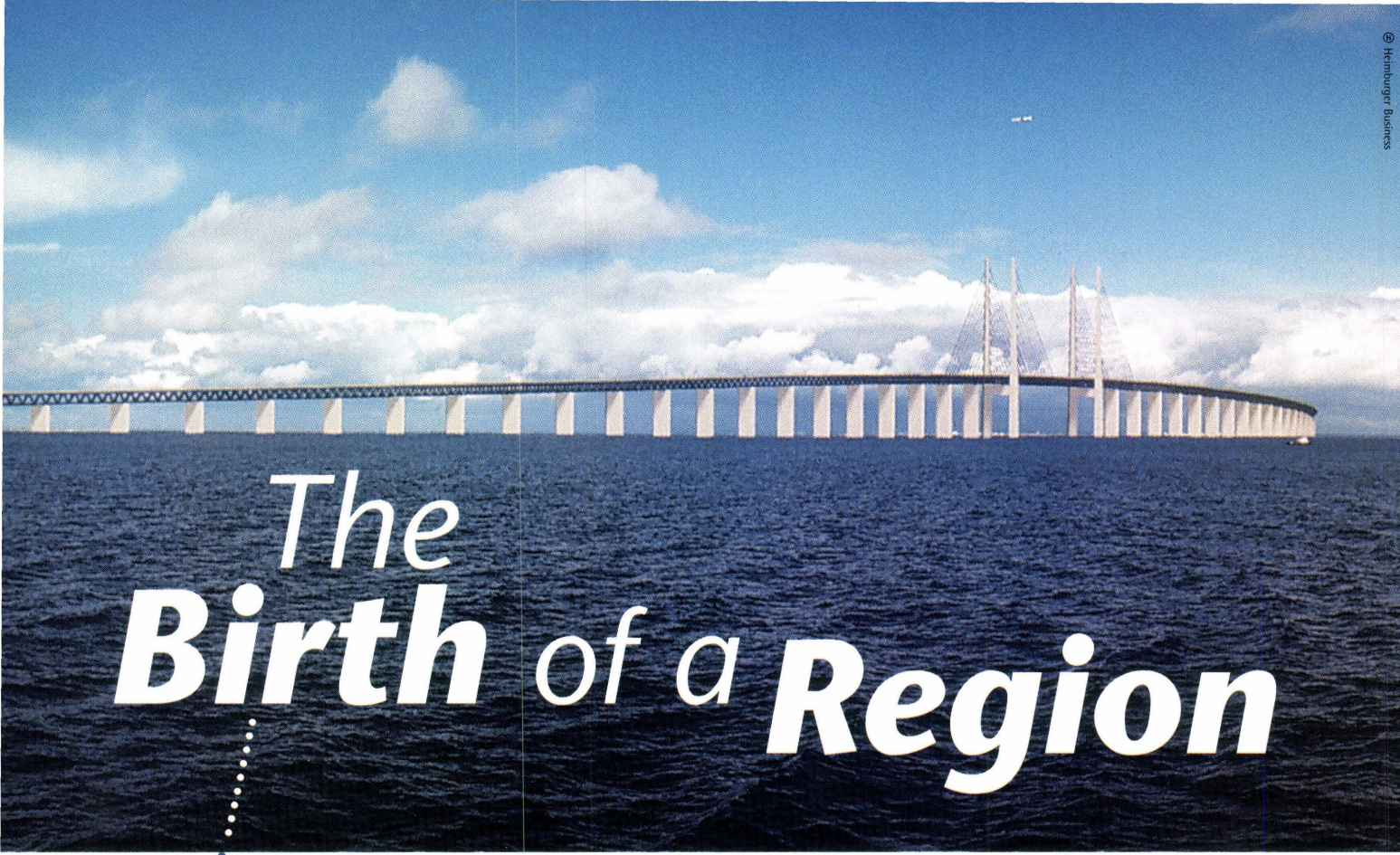
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The Birth of a Region

The Øresund Region

Denmark and Sweden are currently in the process of merging their adjoining areas of the Øresund straits into one region. On completion in 2000, a spectacular 16 km span of bridge, tunnel and artificial island will unite Copenhagen with Malmö, the third largest city in Sweden.

As part of an bilateral government investment programme exceeding US \$15 billion, the project includes new underground train systems, railways, motorways, cultural institutions and high-tech development centres.

The vision is to create a new inviting metropolis – »The Human Capital« – that will make the Øresund Region world-renowned for its high returns on investments in people. The goal is a regionally integrated environment:

- Where people matter
- Where you discover life
- Where capital grows
- Where you find time to be yourself

Try us out. Copenhagen Capacity and Region Skåne are official organisations assisting foreign companies to get established or invest in the Øresund Region. Our services are always free of charge.

Facts on the Øresund Region

- 4th in research and development in Europe
- 8th most popular convention site in the world
- 1st globally in quality of life
- 5th in GNP per capita worldwide
- 6th largest international airport in Europe
- 3rd in Europe in biomedical science and industry – Medicon Valley



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