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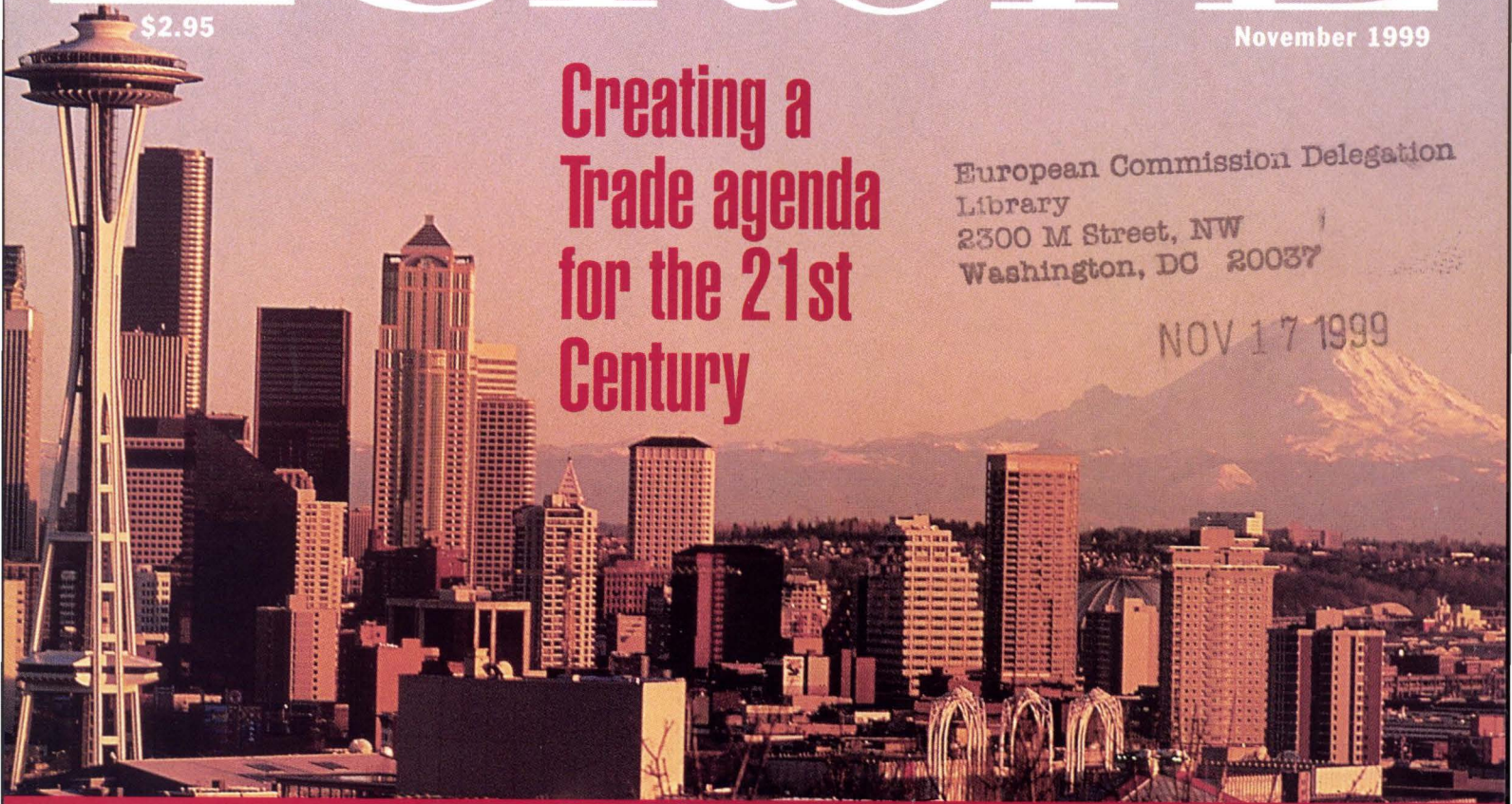
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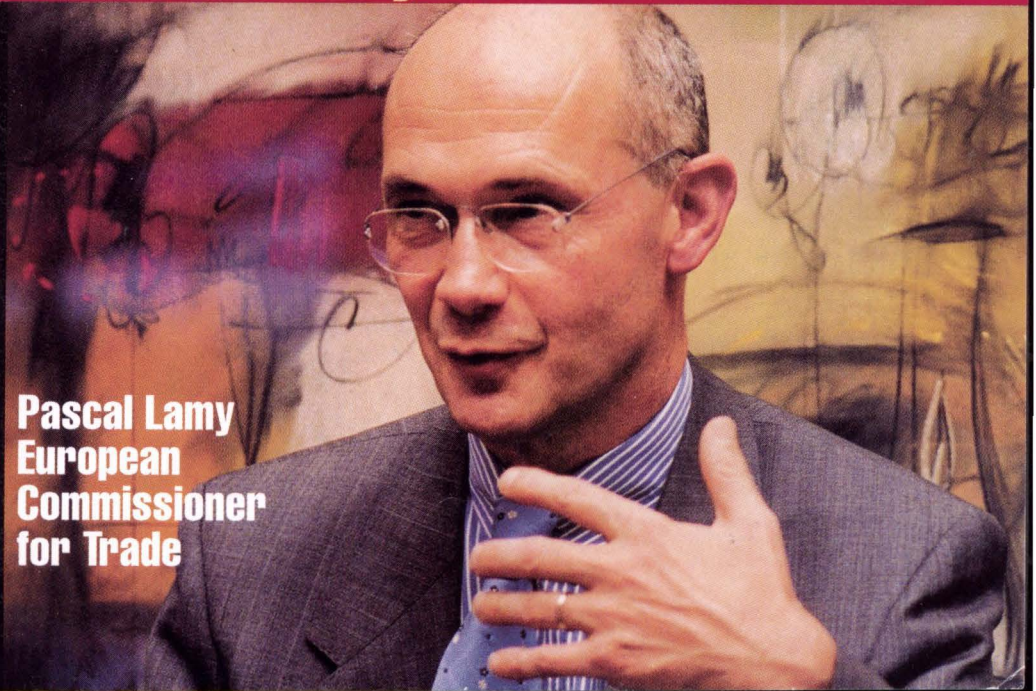
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Seattle and Beyond

“Previous trade rounds could be sheltered from the views of the outside world—not this one.”

**Pascal Lamy
European
Commissioner
for Trade**



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EUROPE

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LETTER FROM THE EDITOR

Pascal Lamy, the new European commissioner for trade relations, speaks out, in an exclusive *EUROPE* interview, about what the European Union hopes to achieve at the WTO trade talks being held in Seattle, Washington, at the end of the month. According to Lamy, the EU's main goals and priorities for this emerging round are: "First, to create fresh impetus for the liberalization of world trade. Second...the agenda has to be broad enough to include a wide range of issues, such as environment and investment."

Lamy, who comes to the Commission after a stint at Credit Lyonnais and previously served as chief of staff to European Commission President Jacques Delors, comments on some key differences between this round and past trade talks. "This time," he states, "we have an additional preoccupation—public opinions, which must be part of the exercise. Previous rounds could be sheltered from the views of the outside world—not this one. Globalization has attained a dimension that touches the lives of many people."

EUROPE also talks to the EU's agriculture commissioner, Franz Fischler, who offers his views of the upcoming trade talks.

In his article, "The Next Trade Round," Gary Yerkey, a longtime trade reporter based in Washington, DC, writes that setting the rules of international trade well into the next century "will be the goal of trade negotiators from more than 160 countries...[who] will be converging on Seattle to climb their own mountain of trade disputes within sight of Mt. Rainer."

Lionel Barber, writing from London, looks at EU-US trade from the late 1950s to the present. Barber profiles the key EU and US players involved in international trade and points out their roles in the Seattle trade talks.

Outgoing EU Ambassador to the US Hugo Paemen, a leading trade negotiator for the EU during the Uruguay Round, discusses the essential trade differences between the EU and the US today.

Bruce Barnard, writing from Brussels and London, presents a brief history of the World Trade Organization (WTO) and looks at why some groups will be protesting against the WTO in Seattle.

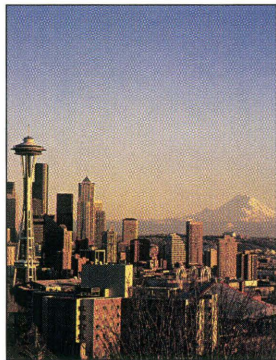
"Earthquake diplomacy" is the term being given to the warming of relations between Greece and Turkey. Kerin Hope, reporting from Athens, writes that this development was "triggered by the shared misfortune of two devastating earthquakes in the region" and has marked a "shift" in attitudes. Greek Foreign Minister George Papandreou gives his views on Greece's role in the Europe of the twenty-first century.

Poland is prospering and Elizabeth Pond, reporting from Warsaw, shows why this former communist nation is building a modern economy. In addition, we look at Europe's new "in" city—Kra-kow.

On a personal note, this marks my one-hundredth issue as *EUROPE*'s editor-in-chief. I really hope that all of our readers have enjoyed reading the magazine as much as I have enjoyed producing it. I look forward to hearing from all of our readers when we start our letters to the editor section next February. I can be reached by e-mail at Robert.Guttman@delusw.cec.eu.int. Thanks for reading. *EUROPE* will continue to grow and become even more interesting in the twenty-first century.



Robert J. Guttman
Editor-in-Chief



Trade ministers from all over the world will gather in Seattle November 30–December 3.

EUROPE

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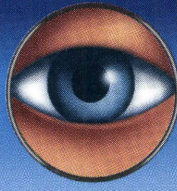
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EYE



ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

THE BALKAN STABILITY PACT

After a decade of bloody Balkan conflicts, international officials are hoping to bring a bit of peace and tranquility to the region by means of the Stability Pact. This initiative is designed to promote democracy, human rights, security, and development of a market economy in an area where these attributes often are in short supply.

By joining forces, European Union member states—along with the United States, Canada, Russia, Japan, and international organizations such as the World Bank and the European Bank for Reconstruction and Development (EBRD)—won't "react anymore...but rather have a preventive diplomacy approach," said Andrew Levy, the Brussels-based spokesman for the Stability Pact.

Although often termed a Marshall Plan for southeastern Europe, the pact signed this summer in Sarajevo, Bosnia-Herzegovina, is not designed to channel millions of dollars worth of new funding to the region.

Instead, its goal is to coordinate efforts, foster cooperation between countries in the region, and make sure resources that are already available are used in the best way possible. "I'm not saying more money won't be found," Levy said. "What I am saying is that there's a lot of money around already."

For its first steps at coordination, three working tables were set up, focusing on democracy and human rights, economy, and security. These, in turn, answer to a regional table, chaired by Germany's Bodo Hombach, special coordinator for the Stability Pact.

At a recent working group meeting in Bari, Italy, for example, the European Investment Bank agreed to draft a priority list of infrastructure projects needed in the region, which encompasses Albania, Bosnia, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, and Romania. The EBRD agreed to take the lead on an action plan for developing the private sector in the various countries.

The plans will be "individual road maps tailored to each country," Levy said.

Although Yugoslavia cannot be included in the efforts until it develops a democratic government, Stability Pact officials met with opposition leaders in October to discuss ways to aid the country, which remains under strict international sanctions.

During the session, Hungary pledged \$1.6 million to support democratic forces in Serbia.

Meanwhile, EU foreign ministers invited more than thirty Serb opposition leaders to discuss plans to aid cities run by opposition politicians. However, many stayed away, fearing they would be forced to sign a statement saying war crimes suspects would be handed over to an international tribunal.

A statement issued by an umbrella opposition organization, the Alliance for Change, said the opposition has "received enough political support and now is the time for some economic help."

In that regard, the EU ministers approved "energy for democracy" projects for the cities of Nis and Pirot, promising oil to communities run by the opposition as the harsh Balkan winter nears.

Other initiatives already in place include the media charter, designed to

gain commitments from the Balkan countries to create conditions for a free press, and the investment charter, which will work to help the countries overcome obstacles to foreign investment.

Vladimir Gligorov, an economist at the Vienna Institute for Comparative Economics, said that, although much work needs to be done before the Stability Pact has an impact in the region, it has the potential to serve as a "place to discuss things and promote regional cooperation. And [cooperation] is a strong word, given the countries we're looking at. The countries involved are heterogeneous in any number of ways."

While Levy admits it will take time to get the Stability Pact in place, it is intended to be a long-term project. "You can't solve the problems in a few months or a few years. On the other hand, you can't hide behind long-term projects. You need short and mid-term results."

—Susan Ladika

EURO ENLARGEMENT

The leaders of the European Union are expected to double to twelve the number of countries negotiating to join the bloc at a summit in Helsinki on December 9–10 that will also acknowledge

On October 27, European Commission President Romano Prodi made his first official visit to the White House.



Turkey as a candidate for membership.

This dramatic gesture, prompted by the war in Kosovo, will set the EU on course to grow from fifteen to approximately thirty member states during the coming two decades.

The European Commission, the EU's executive, has recommended that Bulgaria, Latvia, Lithuania, Romania, and Slovakia, as well as the Mediterranean island of Malta, be invited to start accession negotiations in early 2000. They would join the six "fast track" applicants that have been negotiating for the past twelve months—the Czech Republic, Poland, Hungary, Estonia, Slovenia, and Cyprus.

Romano Prodi, the new president of the European Commission, said the goal was the creation of "a new European order" that will embrace "all of us: the EU, the applicant countries, and our neighbors in a wider Europe."

The Commission made its call for a more ambitious enlargement process in its latest annual progress report on the twelve applicant countries and Turkey. It said all candidates, except for Turkey, made progress during the year toward es-

tablishing stable and robust democracies.

There is, however, a wide gap in economic progress. Cyprus and Malta were judged to be best prepared to survive the competitive pressures of the EU, followed by Hungary, Poland, Slovenia, Estonia, and the Czech Republic.

The countries currently negotiating membership form a much more homogeneous group than the six waiting to start talks. Latvia, Slovakia, and Lithuania have a reasonable chance of catching up with Hungary, Poland, Estonia, and Slovenia, according to the Commission. Bulgaria has made "remarkable progress" in the past twelve months, but the timing of its readiness to survive in the EU "stretches beyond the medium term" while Romania "has a long way to go."

Expanding negotiations to six more countries next year does not mean all twelve applicants will join at the same time. Prodi said the EU is aiming at a "fully flexible, multispeed accession process." This means Malta likely will be among the first to qualify for membership, while Romania probably won't be joining until well after 2010.

The Commission said the EU should also recognize Turkey's candidacy and join an "enhanced political dialogue" with Ankara to discuss human rights and agree to steps to bring the country's political, social, and economic system in line with the EU.

—Bruce Barnard

GREEK COMMISSIONER SPEAKS OUT ON DISCRIMINATION

On November 3, the Commission adopted a package of proposals designed to combat discrimination based on gender, racial or ethnic origin, religion or belief, disability, age, or sexual orientation. Commissioner Anna Diamantopoulou, whose portfolio includes employment and social affairs, said the package was needed to provide "a common, minimum level of protection for everyone in the Union."

"Although all the member states have some form of protection against discrimination on some of the grounds," she noted, "this package will require either a broadening or deepening—sometimes both—of the protections provided against discrimination in all member states."

The commissioner also announced she was proposing "a small-scale action program" to study the methods of combating discrimination and support cooperation between the member states.

PATTEN AND SOLANA VISIT KOSOVO

Chris Patten, the new European commissioner for external relations, and Javier Solana, the EU's high representative for common foreign and security policy, spent two days late last month visiting reconstruction sites in Kosovo. The two arrived on October 28 and toured Kosovo A Power Station, which had been heavily damaged during the fighting and has been made operational through EU rebuilding funds. They later visited the Abullah Shabani Primary School, which was also severely damaged during the war and has been rebuilt as part of an ECHO program that is rehabilitating more than seventy Kosovo schools.

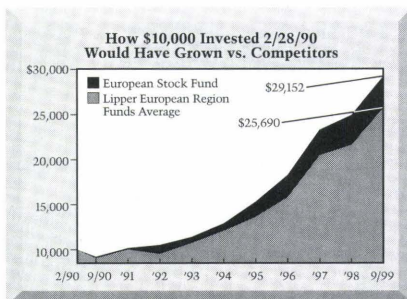
The EU released a statement saying that the joint visit emphasizes Patten's and Solana's intention to work closely together in fulfilling the EU's stated commitments in Kosovo.

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EURO NOTES

HOW STRONG SHOULD THE EURO BE?

One of the more intriguing challenges facing Wim Duisenberg, president of the European Central Bank, is how to ensure that he and his colleagues speak with one voice. In theory, the six members of the ECB's executive board should have little difficulty in sticking to a common line. After all, the Maastricht Treaty prescribes that they should be independent professionals working above the political fray, each robust enough to resist the siren calls from national capitals.

In practice, however, it is impossible for the ECB's top team—Duisenberg included—to act like monks in cells. Their words and actions are conditioned by the general political debate in the eleven-member euro zone and the thinking inside the still-powerful national central banks.

The debate over the appropriate exchange rate policy for the euro is a prime example. The Bundesbank, notably Ernst Welteke, the newly installed president, has left little doubt in recent months that it prefers a weak (ish) euro. Although Welteke voiced discomfort when the euro dipped close to parity with the dollar during the late spring and summer this year, he has signaled he is comfortable with a target range of around one euro equaling \$1.05 to \$1.08.

On the other hand, Christian Noyer, Duisenberg's deputy at the ECB in Frank-

furt, used a recent speech to the European Parliament to deliver some broad hints about his own preferences. Noyer reckons the weak euro has done much to boost euro zone exports and therefore deliver growth, but he has dropped some hints at the need to raise rates to cool inflationary pressures.

These two positions point to a reversal of the traditional positions of France and Germany in their approach to economic and monetary union. France—which incidentally looks set to achieve 3 percent growth this year, much higher than Germany—used to be much more relaxed about using the external exchange rate policy as a macroeconomic tool. Germany, especially the Bundesbank, used to voice regular concern about an overly weak exchange rate because of its potentially inflationary consequences.

The risk is that this standoff could lead the ECB into a policy that amounts to an uneasy compromise: a policy mix based on rising interest rates and a weak currency. This has led some commentators to argue that the ECB should do the exact opposite and adopt the US model of low interest rates and a strong dollar.

According to this camp, the strong dollar kept cost and prices down despite increasingly tight labor markets in the United States. It also helped to contain inflationary pressures and keep interest rates low, holding down the cost of raising capital in the equity markets and energizing the broader tech-

have a far higher proportion of gross domestic product that comes from goods exported to non-euro zone countries. A strong euro—and therefore a less competitive exchange rate—would inevitably dampen their growth.

A second argument in favor of a strong euro is that it could help to defer an ECB decision to raise rates, which Duisenberg has already hinted at by referring to a “creeping bias” in favor of a tighter monetary policy. Market expectations of a consistent approach in favor of a strong euro would result in lower bond yields, higher equity prices, acting as a magnet for capital, which would in turn help the restructuring of European industry and, ultimately, deliver higher growth.

In the last resort, however, the debate over the appropriate exchange rate policy for Europe's single currency has ramifications far beyond the euro zone. It goes to the heart of a bigger question: how to “rebalance” the world economy so that there is less pressure on the US to act as the locomotive for growth.

—Lionel Barber



New Bundesbank President Ernst Welteke

nology-driven restructuring, which has helped to deliver eight years of rising incomes.

A strong euro could also deliver other benefits. First, it could help to iron out the divergences in performance between the slower growing euro zone members, such as Germany and Italy, and the faster growing periphery led by Finland, Ireland, and the Netherlands. These countries

EU ONLINE

WEB FOUNDER DISCUSSES THE FUTURE

Tim Berners-Lee, British computer science guru and founder of the World Wide Web, has published his account of how he built the medium that launched the e-revolution and the era of the dot.com fortune. Published this fall by Harper Collins, *Weaving the Web: The Original Design and Ultimate Destiny of the World Wide Web* tells the story of how Berners-Lee created the software on which the Web is based, including the programming script Hyper Text Markup Language (HTML), which everyone from corporate webmasters to junior high school hackers use to build web sites.

The forty-four-year-old Berners-Lee is himself the son of computer pioneers. At Manchester University in the 1950s, his parents were part of the team that pro-

grammed "the world's first commercial, stored program computer."

He writes that one day he came home from school to find his father reading books about the human brain. He was "looking for clues about how to make a computer more intuitive, able to complete connections as the brain did...the idea stayed with me that computers could become much more powerful if they could be programmed to link otherwise unconnected information."

Berners-Lee went on to graduate from Queen's College at Oxford in 1976 with a degree in physics and spent a few years as a software engineer in the private sector. In his spare time, he continued to experiment with computers, cobbling together his own machine from an early microprocessor and an old television. In 1980, he moved to Geneva to work for CERN, the renowned European Particle Physics Laboratory. During off-hours, he wrote his first web-like pro-

gram called Enquire for his personal use. "[It] helped me remember the connections among the various people, computers, and projects at the lab."

In 1994, Berners-Lee left CERN and moved to Boston to direct the Massachusetts Institute of Technology's World Wide Web Consortium (www.w3.org), which seeks to maintain open standards for the Web.

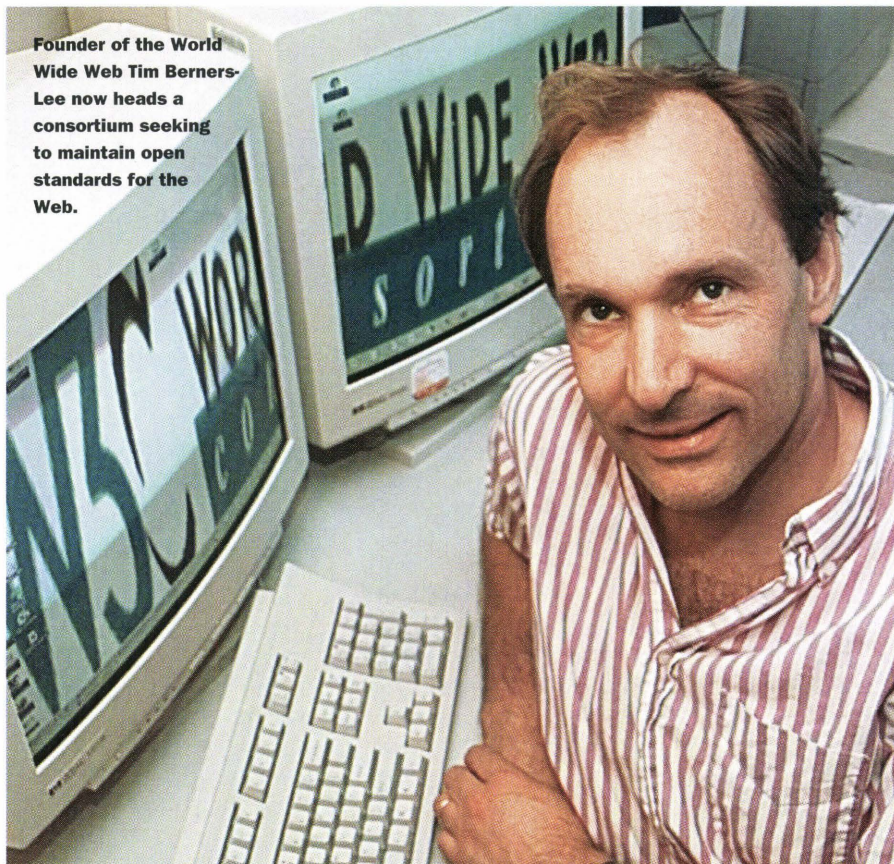
In a recent interview with the *San Jose Mercury*, he was asked if he was bothered that so many others had reaped fortunes from something he had worked to keep free and accessible to all. "This would be a problem," he replied, "if your only measure of success and happiness is financial gain." Rather, he said, "There are lots of people with millions of great ideas and, for me, seeing this thing take off and be adopted at the grass roots across the world is a pretty amazing thing."

Looking toward the Web's future, Berners-Lee appeals for users to keep an open mind. "Buying books from Amazon.com and stocks from E-trade is not all there is to the Web. Neither is the Web some idealized space where we must remove our shoes and eat only fallen fruit, and eschew commercialization."

"The vision I have for the Web," he writes, "is about anything being potentially connected with anything. It is a vision that provides us with the new freedom, and allows us to grow faster than we ever could...It brings the workings of society closer to the workings of our minds."

DANISH SOFTWARE FIRM EXPANDS TO ASIA

Jesper Balser, CEO of Navision Software, the Danish maker of enterprise resource planning (ERP) software for middle-market companies, announced the company's expansion into Southeast Asia. From a base in Singapore, which the company believes will be the region's biggest ERP market in the near term, Navision plans forays into Malaysia and Thailand.



Founder of the World Wide Web Tim Berners-Lee now heads a consortium seeking to maintain open standards for the Web.



Amazon.com chairman and CEO Jeff Bezos and Sotheby's president and CEO Diana Brooks will launch a joint venture this fall.

CLICK OF THE MONTH: E-ANTIQUING

At the mention of the Sotheby's auction house, do you envision members of the ascot-and-tiara crowd demurely signaling their bids to the auctioneer for works of art and antiques? Well, later this fall, they won't have to

leave the comfort of their mansions since the venerable auction house is preparing to launch on-line auctions. It's the same principle as E-Bay and other more pedestrian on-line auctions—although, instead of baseball cards and Barca Loungers, Sotheby's is selling, well, you know, Rembrandts and stuff.

Last January, Sotheby's, which was founded in London in 1744, made the leap into cyberspace with **www.sothebys.com**, a site devoted to information about its auctions, including catalogues, a calendar of auctions, and links to the firm's 107 offices located in 41 countries. This fall, the auction house launches a joint venture with Amazon.com called **sothebys.amazon.com**, which will offer Amazon's 10 million customers the chance to bid on Sotheby's lots. As part of the deal, the four-year-old Amazon (which, like the 250-year-old Sotheby's, also began as a bookseller) will invest \$45 million in the auction house. "In the world of valuable objects, a big problem with on-line auctions has been authenticity," says Jeff Bezos, Amazon.com's

founder and CEO. "Who better to help solve that problem than Sotheby's."

In addition to the joint site, Sotheby's plans to continue developing its own **www.sothebys.com** site. The firm is recruiting a worldwide network of professional art, antiques, and collectibles dealers who will be able to auction their objects via Sotheby's site.

INTERSHOP NETS PFEIFFER

Intershop Communications, the e-commerce software company, announced the appointment of Eckhard Pfeiffer as its new chairman. Pfeiffer, who in April resigned as president and CEO of Compaq Computer, takes the helm of the seven-year-old Intershop, which was founded in Germany and has since moved its headquarters to San Francisco. Pfeiffer, who is German, disclosed that he will be taking a small equity stake in the firm, which was floated on the Frankfurt Stock Exchange's Neuer Markt last year.

—Peter Gwin

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5N99

The Next Trade Round

The WTO gathers in Seattle to discuss new trade initiative

By Gary G. Yerkey

Next month, within sight of Mt. Rainer, trade negotiators from more than 160 countries, including the United States and the fifteen-nation European Union, will converge on Seattle, Washington, to climb their own mountain of trade disputes. Their task: to launch a new round of multilateral negotiations that will set the rules of international trade well into the next century.

Also vying for hotel rooms and influence in Seattle will be thousands of business leaders, environmentalists, consumer advocates, trade unionists, and other nongovernmental officials. US Trade Representative Charlene Barshefsky, who will chair the meeting, has said it will be the largest trade event ever held in the United States.

The Seattle meeting—being staged November 30–December 3 under the auspices of the Geneva-based World Trade Organization (WTO)—will

launch the latest in a series of negotiating “rounds” that have been held since the 1948 creation of the General Agreement on Tariffs and Trade (GATT), the WTO’s predecessor.

Until now, the most recent and easily most comprehensive set of talks has been the Uruguay Round. After seven years, it concluded in 1994 with agreements disciplining trade-distorting government behavior in sectors ranging from agriculture to banking. It also led to the creation of the WTO, which replaced the GATT on January 1, 1995.

The idea behind the talks has been to promote cross-border trade by reducing or eliminating artificial barriers imposed by governments to protect domestic industries, such as import tariffs, which act as a tax on consumer goods.

Import tariffs, in fact, have been cut by roughly 90 percent in multilateral trade talks held since the GATT was created more than fifty years ago.

Supporters of the idea say that easing restrictions on trade in goods and services (which has led to a fifteen-fold jump in the volume of world trade since 1960) has helped boost economic output and per capita income in developed and developing countries alike.

Opponents say it has cost workers thousands of jobs by making it more attractive for companies to move overseas.

Whatever the pros and cons of the idea, however, the US and the EU have been seeking to persuade other countries over the past few months to agree to launch a new round of trade-liberalization talks at the Seattle meeting next month. They argue that to do nothing now could invite backsliding by some governments on earlier commitments.

It now appears that their efforts have been successful, with most countries agreeing that a new round of WTO-sponsored talks should be launched in Seattle and run for about three years.

Perhaps the principal and certainly

Pascal Lamy



**European
Commissioner
for Trade**

the earliest proponent of the idea, former European Trade Commissioner Sir Leon Brittan, has said that a new round of talks is needed now in part to counter growing opposition to liberalized trade among some governments and the general public.

“The principle of free trade is by no means unchallenged,” Sir Leon said earlier this year. “It is a cause which still needs to be defended and advanced by practical measures.”

Sir Leon, who, in 1996, first suggested that countries agree to begin what he called at the time a new “Millennium Round” of talks in 2000, said that the financial crisis that swept through Asia, Russia, and other countries in 1997–98 revealed a “worrying tendency” among some governments to retreat behind “old-fashioned protectionism.”

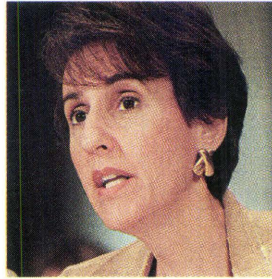
Many European governments, according to Sir Leon, have also been shying away from developing commercial ties with poorer countries—“which often seems to be a risky and time-consuming distraction”—focusing instead on “safer” markets in Western Europe and North America.

“Such reactions are understandable,” he said, “but they are misguided.”

At their first ministerial meeting, in December 1996, member countries of the WTO agreed to begin new trade-liberalizing negotiations in agriculture and services (e.g., banking and insurance) in 1999–2000. However, it was only recently that the idea of expanding coverage of the talks to include other issues gained widespread support.

The idea has been to allow countries to “trade off” concessions made

Charlene Barshefsky



**US Trade
Representative**

in one area against concessions made in another.

It will be up to the trade wonks gathering in Seattle next month—led by Barshefsky, who spent eighteen years at a Washington, DC, law firm specializing in trade law and policy before joining the Clinton administration—to set the precise agenda for the new round of WTO talks that will begin next year.

Heading the EU’s negotiating team will be Pascal Lamy, who replaced Sir Leon as European trade commissioner earlier this year. A French Socialist, Lamy, who was chief of staff for then-Eu-

Mike Moore



**Director General
of the WTO**

ropean Commission president Jacques Delors from 1985 to 1994, has said he is committed to open markets—welcome news among some in the United States who have questioned France’s dedication to the ideals of free trade.

As host of the Seattle meeting, the United States will be pressing other countries to agree to a negotiating agenda for the new round that includes efforts to further liberalize trade in agriculture and services, as well as to additional reductions in tariffs on industrial goods. The United States has also said that it will want to see improvements in the WTO’s dispute settlement process,

On October 1, protesters took over a hallway outside an auditorium at the University of Washington where WTO Director-General Mike Moore was speaking.



The Players

Personalities to watch at the Seattle meeting

Mike Moore Director General of the WTO

 Mike Moore took over on September 1 as the new director-general of the World Trade Organization. The fifty-year-old from Whakatane, New Zealand, succeeded Renato Ruggiero and became the trade body's third leader since its inception in 1995.

As a young man, Moore worked as a meat packer, a construction worker, a printer, and a social worker until 1972, when, at the age of twenty-three, he became the youngest person ever elected to New Zealand's Parliament. Since then he has held a number of high-level positions, including minister of overseas trade, minister of foreign affairs, deputy finance minister, and in 1990, he was elected prime minister.

Moore brings a wealth of knowledge and expertise to the WTO, with first-hand experience in trade negotiations and trade issues. [During his stint as trade minister, he was involved in the launch of the Uruguay Round.] He is also the author of eight books, includ-

ing *A Brief History of the Future*.

In discussing the WTO's priorities for the Seattle talks, he said, "Our goal is clear, it's better living standards for all our people. Because it's through higher living standards that we achieve better health care, superior education systems, and a safer, better environment. It's time now for me and my colleagues in Geneva and capitals to roll up our sleeves and get to work."

Charlene Barshefsky US Trade Representative

 As the principal US trade negotiator for the past two-and-a-half years, Barshefsky has been a driving force in several of the multilateral deals that have helped to open world markets for US exports. Barshefsky is known for her fast-talking, high intensity negotiating style. A graduate of the University of Wisconsin and from the Columbus School of Law at the Catholic University in Washington, she served as deputy US trade representative from May 1993 to April 1996. She has

been particularly active in building the US-EU transatlantic partnership as well as numerous bilateral deals with China and Japan.

Pascal Lamy European Commissioner for Trade

 Lamy succeeds Sir Leon Brittan as Europe's trade point man. He returns to the Commission where he served for more than a decade as former Commission president Jacques Delors' chief of staff. During his tenure in Brussels, Lamy earned a reputation as a no-nonsense taskmaster and an accomplished behind-the-scenes deal maker. After leaving Brussels, he joined Crédit Lyonnais, helping to plan the massive bank's reorganization in preparation for privatization. A well-connected French Socialist, Lamy is a graduate of France's top business school, Ecole des Hautes Etudes Commerciales, as well as its elite graduate school for public administration, Ecole National d'Administration. He is also an avid marathon runner.

William Daley US Secretary of Commerce


 Daley took over as secretary of Commerce in tragic circumstances, succeeding Ron Brown who died in a plane crash in the Balkans. Previously, Daley served as President Clinton's principal counsel in securing congressional passage of the North American Free Trade Agreement. A long-time civil and business leader in Chicago, he was a partner in a local law firm as well as president and CEO of Amalgamated Bank of Chicago between 1990 and 1993. He was educated at Loyola University and has an LLB from John Marshall Law School, Chicago.

Franz Fischler European Commissioner for Agriculture

 Fischler, who served in the Santer Commission, retains his job as commissioner for agriculture and rural affairs. He will play a big role in a new trade round alongside the equally challenging task of reforming the Common Agricultural Policy with a view to enlargement of the EU

to Central and Eastern Europe. Fischler, a former Austrian farm minister, has impressed colleagues with his knowledge of the sector. Nevertheless, he has also kept his head amid the furor caused by the mad cow disease scandal and the subsequent EU ban on British beef exports.

Yohei Kono Japanese Foreign Minister

 Veteran politician and statesman Yohei Kono is expected to head the Japanese delegation to the Seattle trade talks. When the new Japanese government was formed last month, Prime Minister Keizo Obuchi appointed Kono to head the foreign ministry, a post he had held previously during the mid-1990s. The sixty-two-year-old Kono, who is from Kanagawa Prefecture, was first elected to Japan's House of Representatives in 1967 and has since been reelected ten times. A former leader of the Liberal Democratic Party, he has previously served as the parliamentary vice-minister for education and director general of the Science and Technology Agency.

—Lionel Barber

arguing that the current system allows countries to ignore WTO rulings for too long.

For its part, the EU, whose member countries have been hit by a series of food safety scares in recent months, is likely to insist on its right to restrict imports that could threaten public health. The EU has also said it wants to ensure that the world trade community addresses issues of particular concern to the public, such as environmental protection.

US and EU officials have said that new forms of protectionism, including anti-competitive business practices, have also taken on added importance over the years and need to be addressed. Steps need to be taken as well, according to officials, to ensure that relatively new services, like "electronic commerce" over the Internet, remain free of restrictions.

Participating in the Seattle meeting—the WTO's third ministerial conference—will be trade ministers from its 134 member countries as well as representatives of more than thirty observer nations, including those now negotiating accession to the organization like Russia and China. Furthermore, the input of developing countries, which today make up roughly two-thirds of the WTO's membership, will be crucial to the success of the Seattle meeting.

Not to be outdone, the Seattle-based organization charged with managing the logistics of the meeting has been pulling out all the stops to make sure visitors to the city enjoy themselves while they attend to the business of trade.

"Seattle is a welcoming place," declares the Seattle Host Organization on its web site (www.wtoseattle.com). "Quirky or classic, there are limitless opportunities for discovery." It even claims that, contrary to popular belief, "an umbrella [in Seattle] is probably not necessary." "Rumors of rain in Seattle," it says, "are greatly exaggerated."

But then, if you were a trade wonk, would you really care? ☹

Gary G. Yerkey covers international trade for BNA's International Trade Reporter and Daily Report for Executives in Washington, DC.

A Brief History of the WTO

It's less than five years old, but the World Trade Organization has achieved greater global recognition than long-established counterparts like the International Monetary Fund and the World Bank. It will become even more visible when thousands of demonstrators take to the streets of Seattle during its ministerial conference, which is expected to launch a new round of talks to liberalize global trade.

Unfortunately, the WTO's image with ordinary people is largely negative. Some have branded it as a stooge of rapacious globalization; others say it is a protector of powerful corporate enemies of free trade. Environmentalists claim it is soft on food safety and animal welfare, and farmers from France to Korea blame it for ruining their livelihoods.

The reality is that the Geneva-based body has overcome the odds to perform its role as a facilitator of world trade, resolving disputes that threatened to slow the flow of goods and services. However, the issues are often too complex and obscure to register with the public, including those who gain from its rulings. Nevertheless, the WTO is popular with governments. It has 134 mem-

ber countries, and some thirty others, including China and Russia, are lining up to join. Yet, its members don't appear to take it seriously. An ever-increasing workload is supported with only a bare-bones annual budget of just \$80 million, or about what the IMF spends on travel.

The WTO's agenda has been dominated by spats between its two most powerful members, the United States and the European Union. It settled two important transatlantic dis-



putes, over the EU's banana import regime and its ban on hormone-treated beef, but both parties undermined its authority.

The EU has been slow to implement its rulings and exploited legal loopholes at every turn, while the US waved the threat of unilateral action. Both sides gave the impression that the WTO is their plaything, alienating the developing nations, which make up three-quarters of its membership.

Furthermore, the WTO's credibility suffered from a divisive leadership row earlier in the year over who should succeed Renato

Ruggiero as its director-general. An uneasy compromise, which involved splitting the six-year term between the two candidates, Mike Moore from New Zealand and Supachai Panitchpakdi from Thailand, did little to enhance the WTO's reputation.

Moore, who took over the helm of the WTO in August, is ideally placed to heal the rifts. The fifty-year-old served briefly as New Zealand prime minister in 1990, as trade minister in the 1980s, and was largely responsible for transforming New Zealand from an isolated protectionist outpost to one of the world's most open free market economies. As the son of a poor farming family who was a labor leader and a welfare worker before entering politics, Moore also has an instinctive sympathy for the poorer developing nations. Moore has said a successful outcome in Seattle depends on how generous the rich nations are to the developing countries. Nobody is better qualified to appeal to both sides.

In the end, however, it will likely be the EU and the US that will determine the fate of the Seattle meeting—and of the WTO itself.

—Bruce Barnard

Europe's New Trade Commissioner

By Axel Krause

he first public testing of Pascal Lamy since his confirmation as European commissioner for trade came on a sunny, October 6 in Strasbourg as about a hundred members of the European Parliament (MEPs), gathered in plenary session. Having waited to hear him outline EU goals for the Seattle world trade summit in Seattle, they started the fireworks immediately after he delivered a five-minute summary of what the EU hoped to achieve there.

Some deputies grimly warned he would be steamrolled by US trade negotiators. Others asked bluntly whether the talks wouldn't just produce more unemployment. Several questioned Lamy's abilities to deliver on Commission promises to defend EU business and farm interests, EU food safety and to insure a broad, global agenda.

Outside, an equal number of farmers, mainly from France and Germany, waved protest banners urging that "world trade does not mean the standardization of agriculture...we want to keep our European identity." Said Bernard Klein, a fifty-year-old Alsatian farmer, "We're here, because we're not sure that Lamy and (French Prime Minister Lionel) Jospin will really defend us in Seattle."

Taking notes during the two-hour grilling, Lamy again took the floor. Within a quarter of an hour, speaking crisply in French, he had assured

deputies that all vital EU interests would be defended in Seattle. What impressed influential MEP conservatives more than content, however, was his style—energetic, steady, calm, confident—reinforced by a deep knowledge of the issues plus a conviction that expanded world trade would prove beneficial for the world economy and to the European Union.

What also emerged, MEPs and observers said, was the impression that this dedicated Socialist, who lists himself in the *International Who's Who* as a "French civil servant," would prove at least as tough and successful as his venerable, predecessor on the Commission, Sir Leon Brittan. Furthermore, they came away believing that he would defend EU interests, particularly agriculture and services.

Does he consider himself French or European? "I still wear my French jersey, but over it I wear my European

jersey...for me there is no contradiction," he told *EUROPE* in his Strasbourg office afterward. "I am definitely not a protectionist."

Indeed, being both French and European reflects an acquired human dimension of this lean, fifty-two-year-old *haut fonctionnaire*, who first drew media attention when in 1984 he moved to Brussels as chief of staff for European Commission President Jacques Delors, following a decade of low-profile ministerial assignments in Paris. One of Lamy's first moves as commissioner was picking bilingual, British officials to serve as his spokesman and his top trade expert and a Belgian official to run his office; all members of his staff operate easily in either French or English. Yet, insiders in Brussels and Washington expect he will prove to be far more French than Brittan was British and that, paradoxically, this could be an asset.



The Seattle talks will be the first major test for new European Trade Commissioner Pascal Lamy.

Commented Elmar Brok, a conservative MEP since 1980 and chairman of the European Parliament's foreign affairs committee, "Our problem isn't Lamy so much as France, the most difficult on trade among all EU members." An active supporter of Lamy, Brok, who also chairs the Parliament's committee that deals with Congress, believes that the new trade commissioner, because he is a Socialist close to France's Prime Minister Lionel Jospin, "will be able to possibly change French government positions" when conflicts occur among EU members.

While that role remains untested, even his critics and American counterparts concede Lamy's credentials, contacts, and stamina are formidable. The latter trait is reinforced by a regular running regimen that includes participation in the Paris and New York marathons each year. He picked up his jogging habit in 1969 while completing

Paris' Ecole des Hautes Etudes Commerciales (HEC), France's leading business school. "I started running then because they had a beautiful park.... It is the best anti-stress exercise I have ever found." Will he compete in the New York Marathon in November? "Now it will be difficult," says Lamy, noting a hectic schedule in the weeks ahead, but when in Brussels, he plans to continue running in his favorite park.

At HEC, Lamy, who had been born in a Paris suburb to parents both of whom were pharmacists, discovered a deep interest in economic issues. "Beyond this combination of being European and a Frenchman, he is a strategist as well as an internal operator... strong in economics and business," comments Robert Zoellick, former undersecretary of state in the Reagan administration, who worked closely with Lamy preparing G7 economic summits starting in 1986, while Zoellick was working for then secretary of state James Baker and Lamy for Delors.

Zoellick, who today teaches at Harvard University's Kennedy School of Government and is an influential foreign affairs advisor to Texas Governor George W. Bush, adds that Lamy will undoubtedly prove to be a "highly effective" trade negotiator because "he is very rational, always recognizes each side has restraints, yet won't let his ego get in the way of making deals." Differing slightly from Brok's assessment, Zoellick predicts Lamy, who has remained a friend, certainly won't "transform" French government thinking on sensitive trade issues, such as protecting French culture and films but will "certainly know who to talk to in the French government to reach a solution...Pascal knows how to get things done."

He showed this ability while completing his studies at France's presti-

gious graduate school for civil servants, the Ecole National d'Administration, from which he graduated at the top of his class, and later while assigned to the Finance Ministry's Inspection Générale des Finances, its powerful auditing agency. Between 1979 and 1981, he served in the Treasury Department and, with the election victory of the Socialists, became deputy chief of staff to fellow Socialist Jacques Delors, then president François Mitterrand's first finance minister, serving in that key spot for a year. In 1983, he moved to take the same job under Prime Minister Pierre Mauroy. The following year, Delors, named president of the European Commission, asked Lamy to join him in Brussels as his chief of staff.

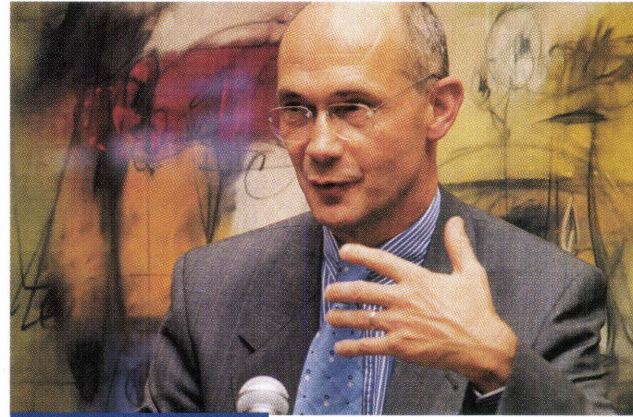
Shortly after taking over, Lamy developed a reputation in Brussels for being extremely rigorous, a virtually tireless worker, straightforward, rough on those around him he considered devious, yet faithful to loyal colleagues, and able to maneuver with great flexibility within the Commission and with the Council of Ministers. Among the media, who generally admire Lamy and consider him friendly, he earned such nicknames as "The Prussian" and "Exocet Missile." Lamy also played a key role in shaping Delors' thinking and decisions, notably the creation of the single market and, particularly, finding the deadline that became a global symbol for EU integration unity—1992.

Like Delors, he has remained a trusted advisor to Jospin and an active board member of Delors' Paris-based foundation and think tank, *Notre Europe*.

After leaving the Commission in 1994 to join France's giant, ailing bank, Crédit Lyonnais, he became deeply involved in restructuring the bank and preparing its privatization and traveled extensively in the United States, visiting clients and drumming up new business. He recalls how on a recent swing that included Madison, Denver, San Diego, and San Francisco, he reconfirmed in his own mind what he considers essential about the United States. "For me, America is a civilization of opportunity," he said in the interview, "a civilization where the prospects of opportunity come before anything else. That is highly appealing." ☺

Axel Krause is a EUROPE contributing editor based in Paris.

Pascal Lamy



**EUROPE
INTERVIEW**

EUROPE contributing editor Axel Krause recently interviewed Pascal Lamy, European commissioner for trade, in his office at the European Parliament in Strasbourg. Lamy, formerly a senior French civil servant, chief of staff for European Commission president Jacques Delors, and a banker, discusses his views for the Seattle meeting, the WTO, the EU goals, world agriculture, protest demonstrations, and transatlantic cooperation.

What is your reaction to statements by US Trade Representative Charlene Barshefsky that the term "Millennium Round," which is favored by the Europeans, conveys the wrong image and that another label is needed, in keeping with previous trade rounds named for Dillon, Nixon, Kennedy, Tokyo, and Uruguay?

For reasons of tradition and communication strategy, it is generally accepted that we give a name to each round, so it's not a bad idea that we find one for this round. But on this side of the Atlantic, we are less "millennialist" than on the other side, less worried about the sky falling on our heads in the year 2000. In short, this is not a problem for us because in Europe "millennium" does not at all have the same, somewhat frightening connotation that it might have for certain Americans.

What is your mandate from EU governments for negotiating in the new round?

Juristically speaking, a mandate will only be given at the time of the opening of the negotiations, and it will be pro-

vided (by EU member governments) as a function of the results of the Seattle conference that will launch the round.

What is the purpose of the Seattle meeting?

To get agreement on the agenda for the round, to define the scope, the parameter of the subjects to be taken up in the negotiations. We are not there yet.

A lot is being said about the agenda, but who is actually in charge of preparing the Seattle meetings?

Mike Moore (director general of the World Trade Organization). He is operating with his WTO secretariat, but it is the contracting parties, the sovereign (WTO) members, who decide to see where agreements might be negotiated. It is also true that, traditionally, the hosting country welcomes everyone, and, as a result in this case, the United States presides over quite a lot.

What is your reaction to predictions such as the new round could add \$600 billion in trade to the world's GDP?

I am somewhat skeptical of such figures since they are very general, drawn from economic studies that are also very theoretical. This being said, it is a good thing, methodologically, trying to come up with some numbers. We have done our own macroeconomic evaluations which show that, if the existing level of trade protectionism (in the world) were cut by half, we could add around \$400 billion to the world's

wealth. We are not far apart, but the numbers are still only approximations.

What are the EU's main goals and priorities for this emerging round?

First, to create fresh impetus for the liberalization of world trade. Second, in order to obtain this, a maximum number of contracting parties (WTO members), must be in agreement with that goal, which means that the agenda has to be broad enough to include a wide range of issues, such as environment and investment. In addition, this time we have an additional preoccupation—public opinions, which must be part of the exercise. Previous rounds could be sheltered from the views of the outside world—not this one. Globalization has attained a dimension that touches the lives of many people. Nowadays, fears and inquietude are being expressed that in some ways can be compared with (those that surfaced during) the building of the European Union.

Turning to themes, Barshefsky and other administration officials have been urging that agriculture, and particularly the Common Agricultural Policy (CAP), be at the center of these negotiations, claiming, as do major Latin American countries, that the CAP represents the world's largest, single distortion of world trade. What is your reaction?

This is the classic, tactical position of the United States. And it reflects a system of farm supports that, from the outset, was designed to be outside the

reach of this criticism. They (Clinton administration strategists) say they have in place a system which, while not ruling out farm subsidies—Americans generously subsidize their agriculture—relies on different methods. We understand. Little by little, we are in the process of moving our system of agricultural supports, particularly sectors considered trade-distorting, to a system of direct payments that are less so (dis-

the expense of the European model of agriculture, which must be maintained, with its unique features regarding, for example, production. Consider Japan: its situation is analogous to ours. But, admittedly, it does not have a system (like that of the EU) for subsidizing exports. America (compared to Japan) is a similar case. We all agree that agriculture is not an economic activity like most others.

involved, as I noted earlier. And this is because society has become part of the globalization process, similar to what has happened in financial markets.

Why is it then that in France, the favored target on world trade by some protest groups seems to be McDonald's and Coca-Cola, not American investment banks like Morgan or Goldman Sachs?

It's simple. Banks, like Goldman Sachs, do not spend 30 percent of their sales on advertising. Both companies you mention, like those in detergents and perfume, also have strong brand images familiar to more than 90 percent of the consumer population.

Will any of these protest movements change anything?

Yes. They are signals that need to be taken into account. My conclusion is that promoters of freer world trade should provide themselves with the means of explaining why they are going in the right direction, from a political and educational standpoint. This will force us to be convincing, meaning

What is your reaction to those predicting that there can be no serious trade negotiations until after the US elections next year?

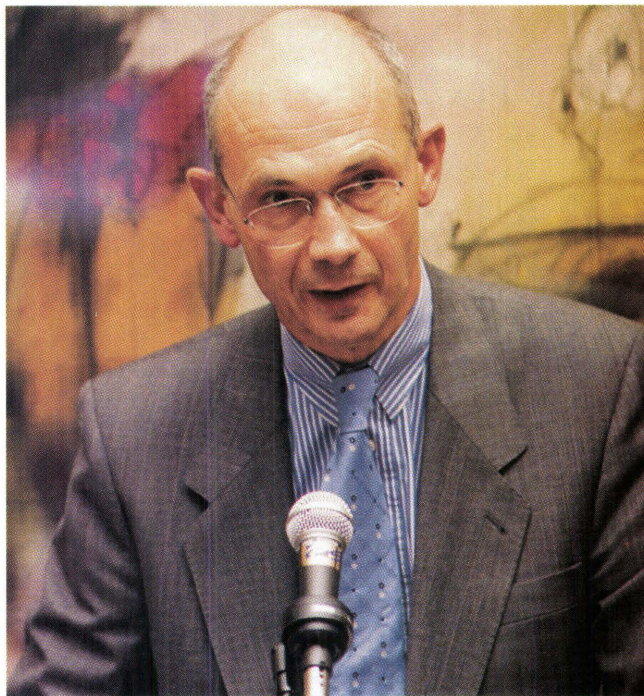
That is undoubtedly probable. Particularly if you consider that the American president needs congressional authority for the negotiations and then fast-track (authorization) from the Congress for ratification of agreements reached. In cases where concessions are made during a mandated negotiation, however, this (at the time of ratification) can pose a real, embarrassing problem.

Do you feel any headway can be made in the meantime?

Yes. There are quite a few trade-related topics that fall into this category, such as the environment, food safety, and investment, which are more long-range in nature and would not require immediate action by the American president.

In France, there have been violent farmer-led demonstrations, ransackings of McDonald's restaurants, protests against American-led globalization. Similar protest demonstrations are reportedly planned for Seattle. Will they influence the trade talks?

The first case you mention is purely French, and there have been others in France going back to 1910. While one cannot generalize, there is no doubt that the public has become far more strongly sensitive to the issues in-



torting), with a view to bringing (producer) prices in line with world levels.

One has the impression that Washington is seeking to isolate the EU on this issue in the round.

The previous administration (of President George Bush) had the same thought, and this is one of the reasons we came to an agreement for the Uruguay Round (1986–1994) that required years of negotiations. We have remained scrupulously faithful to these agreements, and further reforms of the CAP that have just been completed will allow us to continue in this same direction.

Is the CAP negotiable within the WTO framework?

No. Adjustments of the internal mechanism of the CAP can be made but not at

greater transparency, more explanations of what we are doing. The protests show how small, active minorities can obtain recognition and, thus, pose a problem.

Can the trade talks come up with some form of binding rules on genetically modified organisms?

Ten years ago, the same question was being posed with regard to the environment. Many said it would be impossible to bring the issue into the trade liberalization process. Little by little, that approach has changed, however. Similarly with regard to OGMs (genetically modified organisms), there are a certain number of principles that can be taken into account. Where it becomes difficult, notably with regard to food safety, is in the evaluation of scientific data, regulatory action, and the like. But I believe we should move forward. This could involve moving toward a system of mutual recognition of standards and of coexistence of norms applicable in various (WTO) member states.

How do you anticipate the US reaction to this approach?

My sense is that if they (the Clinton administration and Congress) are not agreeable now, they will be at some point later because American opinion is moving. And it will have moved—and



Lamy served as chief of staff to Commission president Jacques Delors from 1984–1994.

changed—by the time we have completed the round—with ratification of the agreements in three, four, or possibly five years.

Where do you stand with regard to transatlantic trade disputes, involving everything from hormone-treated beef and bananas to aircraft noise and tax havens?

They (trade disputes) have always been there. In the meantime, our trade has expanded a lot. But considering the interdependence of our economies, it is understandable that there are irritations.

That seems like a mild description of what the media regularly describes as trade war.

You may not get much attention with an article if the headline refers to irritations. If, on the other hand, you refer to war, the article attracts attention. The items and issues you mention represent only a very small part of our overall trade, about 1.5 percent.

What is your reaction to the rejection last year by the EU Council of Ministers of the proposal by your predecessor, Sir Leon Brittan, to reinforce transatlantic cooperation?

What was not accepted by the Council was his initiative for establishing a transatlantic marketplace, leading to a free trade area for services. What is referred to as “transatlantic partnership” is working. This involves promoting and expanding transatlantic cooperation beyond the EU and the US government, notably the European Commission, the Special Trade Representative, and the Commerce Department, to include business, political groups, and labor unions. It is a good idea. ☺

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Seattle's European Connections

In addition to its strong Asian ties, Seattle also attracts European businesses

By Stanley Holmes

When local Seattle businesses want to expand, many assume they look to the Pacific Rim. While Asia clearly is Washington State's largest trading partner, the Europeans aren't too far behind. In fact, Seattle's rise as a global trading hub includes significant business transactions with Europe.

This city of airplanes and high-technology offers many Old World charms to make Europeans feel comfortable. Seattle has preserved its old brick and stone buildings in Pioneer Square as well as protected the Pike Place Market from being demolished by developers. The boisterous Pike Place Market, where individuals hawk fresh fish, meats, and vegetables among restaurants, cafes, and quaint boutiques, is likely one destination that might make a European feel as if he or she has stepped back over the Atlantic.

Seattle, defined by mountains and a deep-water port, captures the look and feel of a European city. Its bustling waterfront, its posh shopping districts, and its large aircraft factories share similarities with Germany's port city of Hamburg, which also supports a beautiful downtown, is a transportation hub, and builds commercial jetliners.

Seattle's best restaurants have adopted the French ethic of creating dishes derived from the Northwest region's many delectable offerings—such as seafood, local wine, and bounties of wild berries. The annual *nouveau Beaujolais* festival draws crowds of wine fanatics. The US rebirth of espresso coffee began here, thanks to Starbucks, which calls Seattle its home. Starbucks President Howard Schultz drew his inspiration from Italy when he decided to build his espresso bar-empire across the United States.

It is this combination of international dexterity, cross-cultural flexibility, and proven ability to trade with the Chinese as well as the French that catapulted Seattle to the top of the list to host the

highest-level meeting of the World Trade Organization. Neither does it hurt to have two of the nation's biggest global traders and political contributors residing in the Seattle area. Boeing Chairman Phil Condit and Microsoft Chairman Bill Gates are cosponsoring the five-day ministerial meeting that will include ministers and delegates from 134 countries. Boeing and Microsoft have significant business ties to Europe. For that reason, many European companies share equally tight relationships with these twin peaks of global trade.

The United Kingdom is clearly Washington State's largest European trading partner, accounting for \$6.6 billion in two-way trade, according to 1998 trade statistics. That puts the British in the top five trading nations, behind Japan, Canada, China, and South Korea. However, if the fifteen European Union countries that trade with Washington State are included, then Europe suddenly becomes the state's third most important trading partner, eclipsing even China.

The British have been coming to the Seattle-area for decades thanks to Boeing's aggressive recruiting of engineers and scientists back in the early 1960s. The British consulate estimates that 65,000 British citizens live in Washington State. Most of those people are technical, computer, and scientific experts who now are just as likely to work

for Microsoft or a biotechnology firm than for Boeing. Some eighty British companies are members of the local chapter of the British-American Chamber of Commerce. And some of the United Kingdom's biggest companies have offices here, including Rolls Royce, British Telecom, British Aerospace, and Messier-Dowty.

The French also have a presence. More than thirty French-owned subsidiaries have offices in the Seattle area. Most operate as suppliers to Boeing and Microsoft, but others are involved in the nuclear-waste industry and retailing. Such marquee names as Dassault Aviation, jet-engine maker Snecma, the waste clean-up firm of Cogma, and retailers Cartier, Louis Vuitton, and perfume maker Sephora all have a presence in the Seattle area. Local French officials estimate the number of French citizens living here to be about 4,000, growing 10 percent each year since 1997.

Seattle, however, is not the exclusive domain of the British and French. The first Europeans to settle nearly 100

years ago were from Norway and Sweden. They helped pioneer the two industries that originally defined the Northwest—fisheries and wood products. Ballard, a Seattle neighborhood overlooking the Puget Sound, is considered the heart of the city's Scandinavian roots. The community still publishes local newspapers in Norwegian and Swedish. Moreover, the Norwegian and Swedish royal families, as well as top elected officials, nearly always make Ballard a stop on official visits to the United States. Add the eleven European chambers of commerce that have offices in Seattle, and it's enough to make the European businessperson feel right at home. ☺



Howard Behar (right), president of Starbucks Coffee International, enjoys his product on the steps of the first Starbucks store opened on the King's Road, London.

Stanley Holmes is an aerospace reporter for the Seattle Times.

Franz Fischler

Europe's Agriculture Commissioner



Franz Fischler, European commissioner for agriculture and fisheries, spoke with EUROPE

about agriculture and the upcoming WTO trade round, the Common Agricultural Policy, and EU-US farm issues.

What do you see as the main agriculture objectives for the trade talks taking place in Seattle?

All agree that trade liberalization boosts economic activity. Therefore, the launch of the Millennium Round is an important opportunity for WTO partners to give an impetus to the global economy at the beginning of the twenty-first century.

It was already agreed in Marrakech that agricultural negotiations—and services—would recommence as the end of the implementation period of that agreement approaches, taking into account the long-term objective of substantial progressive reductions in support and protection.

The EU fully subscribes to this process but believes the Millennium Round must address a much broader agenda than merely agriculture and services. All agree that trade liberalization is economically beneficial. It follows, therefore, that the more sectors concerned, the more economically beneficial will be the outcome. It is argued

by some that too broad an agenda will delay a conclusion to the negotiations. I see it differently. If the negotiations are focused on a very limited agenda, then there is a risk that there will be winners and losers, which will inevitably lead to the negotiations being blocked. On the other hand, if many sectors are involved, WTO partners will be able to look at the overall benefit of the final package and will have more room to maneuver in individual sectors. Therefore, broader negotiations can actually be completed more rapidly.

In terms of the substance of the negotiations on agriculture, I believe the Uruguay Round has already established an acceptable framework, and this round should build on that. Maintaining the [system of] blue and green boxes, for example, will help WTO partners to agree adjusting what are considered trade-distorting measures. This will be a crucial point for the EU.

A further important question is export assistance. The EU's export refund system is often the focus of criticism, totally ignoring the fact that, firstly, EU expenditure on this mechanism has diminished substantially and, secondly, that many of our trading partners use export assistance which is much less transparent, not subject to WTO disciplines and is actually increasing. Indeed, the EU is only using about 60 percent of the possibilities available to it under the WTO financial limit on export subsidies. Certainly the EU will

want to discuss disciplines on export assistance, and we will insist that all forms of this measure are covered by the negotiations, in particular export credits and indirect export assistance measures, such as variable marketing loans.

I believe that all WTO partners must be free to pursue agricultural policies which are best adapted to their own particularities and priorities, while avoiding or minimizing potentially trade-distorting activities. If WTO partners enter the negotiations with this in mind, rather than trying to impose their own philosophy on others, then I would be optimistic of a substantive agreement on agriculture in a relatively short time.

Americans often hear about the Common Agricultural Policy but do not fully understand it. Could you briefly explain the CAP and what the EU has done in the last year to reform it?

It is important to stress that the CAP is not merely an economic policy but also a social and environmental policy. The EU is firmly attached to its rural environment, which is defined not merely by the landscape but also by the people who live there. While the CAP was created to ensure an adequate supply of food for European people, its role has evolved beyond this purpose. With 7.5 million farms of an average size of forty acres, farming is the backbone of rural EU, from both an economic and social point of view. It is also the farmer who is



responsible for maintaining and protecting the rural landscape. There are concerns and demands of European society, and more and more the CAP is used to encourage and compensate farmers for fulfilling this multifunctional role.

The policy adjustment to support this multifunctional role essentially started with the 1992 agricultural policy reform and was substantially deepened in the Agenda 2000 reforms, which were agreed this year and will start being implemented next year. These reforms involve a gradual move away from supporting products by reducing market support and supporting farmers with direct payments. Cereal price support, for example, has been reduced by more than 50 percent through both of these reforms. Direct payments to farmers, which are more and more decoupled from production, now account for most of the expenditure under the CAP (more than 70 percent of what was traditionally considered market support). Furthermore, EU member states have been given the facility to modulate these payments and to link them to environmental considerations. Essentially, the reforms are gradually orien-

tating the policy toward rural development priorities and away from agricultural production.

Is Europe reducing its level of support for agriculture while the US is increasing its support for farmers?

In the Uruguay Round, we entered into commitments to reduce tariffs, market support, and export assistance. We have respected these engagements fully and have gone further than was required in some areas, such as on market support and export refunds. Since 1996, CAP expenditure has remained largely unchanged at about 37 billion euros (\$39 billion)—this figure excludes about 2 billion euros (\$2.1 billion) which is spent on what we call accompanying measures. Furthermore, the CAP has a fixed budget for the next seven years up to 2006 at about today's level in real terms. The US, on the other hand, which spent \$4.6 billion on direct government payments in 1996, will spend about \$22.5 billion this year, and on the basis of our estimates it could be as high as \$25 billion in 2000, i.e. an increase of almost 450 percent. This is equivalent to about \$12,000 per farm—three-and-a-half times the level for EU farms. The trend in support in the US, therefore, is in the wrong direction. Furthermore, one should not forget that in the EU we have 7.5 million farms, of an average size of forty acres, while the US has 2 million with an average size of 470 acres. It is difficult to argue, therefore, that there are social arguments to defend this level of aid per farm. Given that the US has had to provide about \$15 billion of a top-up in support to farmers over a two-year period on a policy which they only introduced in 1996 shows that, even with the economies of scale they have compared to the EU, they recognize that farmers and agriculture cannot be treated merely as another economic sector which should be left to the vagaries of the marketplace.

How long do you think the negotiations will go on?

There is an understanding that the negotiations should be completed within three years, and I believe this timetable can be respected, provided all partners enter the negotiations with a constructive approach and realistic expectations. If some countries set out with the

objective of obtaining selective liberalization in the sectors where they benefit without a quid pro quo in other sectors, then I expect the round will take much longer. In any case, I consider that it is the outcome of the negotiations which is important rather than their duration.

What do you see as the key outstanding agricultural trade issues between the EU and the US as we approach the Seattle trade talks?

While there has been a lot of media attention recently on the issues of bananas and hormones used in beef production, I have to say that both in the context of EU-US trade and EU-US relations, these issues are virtually irrelevant.

Obviously, the whole question of placing genetically modified organisms on the market is a difficult issue given the growing public concern on this. I want to make it very clear that the EU fully supports the use of biotechnology in agriculture, but we must ensure its safety and also reassure society. I feel the biotechnology industry is responsible for many of the concerns held today, as they moved forward very fast without even attempting to educate the public as to the benefits and safety of these products. Given the importance of this issue, I believe that we must discuss it in this round of negotiations.

On most issues, however, the EU and the US have a common interest, and I am optimistic we can work constructively together to ensure the success of this round, paying particular attention of course to our specific interests.

While much attention is focused on the EU and the US, what role will developing countries play in the Seattle talks concerning agricultural matters?

The EU has always been to the forefront in promoting trade with developing countries. Indeed, we are the single largest importer of food and agricultural products from developing countries—about 13 billion euros (\$13.7 billion) per year, most of which enters the EU duty-free or at very low levels of duty. We believe that this round should encourage all industrialized countries to give similar treatment to the least developed countries, whereby essentially all products from these countries should have tariff-free access by 2003. ☺

Battle Looms Over Aircraft Subsidies

By Stanley Holmes

WTO ministers may focus more on beef and bananas, but a dark cloud called aircraft subsidies hangs over their heads.

The United States and the European Union are expected to continue waging a public battle over US beef and French cheese when the World Trade Organization meets for formal trade talks in Seattle. However, they won't be fighting over commercial-airplane subsidies when the ministers and delegates from 134 countries congregate for the highest-level meeting of the WTO, from November 30 to December 3. Instead, that contentious dispute between the world's two biggest commercial-airplane makers—Boeing and Airbus Industrie—will hang over the proceedings like a dark and threatening cloud. While the cloud is not expected to burst when trade ministers gather in this rainy city, it is waiting for the right moment to drench the world court of trade with a torrent of allegations and counterallegations over the misuse of state subsidies.

For the WTO ministers to consider an unfair trade sanction over alleged violations of the 1992 bilateral treaty on aircraft subsidies, one of the ag-

grieved parties—Boeing or Airbus—would have to file a formal complaint with its respective government. No such complaint, or petition, has been filed. But Boeing officials have recently ratcheted up the rhetoric and hint darkly that they may file one against their European rivals.

Under the bilateral agreement, direct government funding is limited to

33 percent for development of future aircraft, and the loans must be repaid over seventeen years. Indirect support is limited to a maximum of 4 percent of a company's revenue.

Boeing already has conducted the studies and prepared the complaint, say people familiar with Boeing's plans. But the US aerospace giant is waiting for a strategic moment to file it.

Airbus Industrie CEO Noel Forgeard has his hands full as he tries to guide the consortium toward becoming a single corporation.



Boeing accuses Airbus of receiving government subsidies that exceed the 33 percent limit placed on the development of the A340-500/600 jetliners. The United States Trade Representative Charlene Barshefsky has requested a critical project appraisal from the Europeans but says the governments have refused to provide one for the new A340-500/600 programs—which is also required under the bilateral agreement.

Such an appraisal details the commercial viability of the programs, the expected return on investment, the actual interest rate, the loan repayment schedule, and the actual sales and deliveries that would determine the break-even point for the two models.

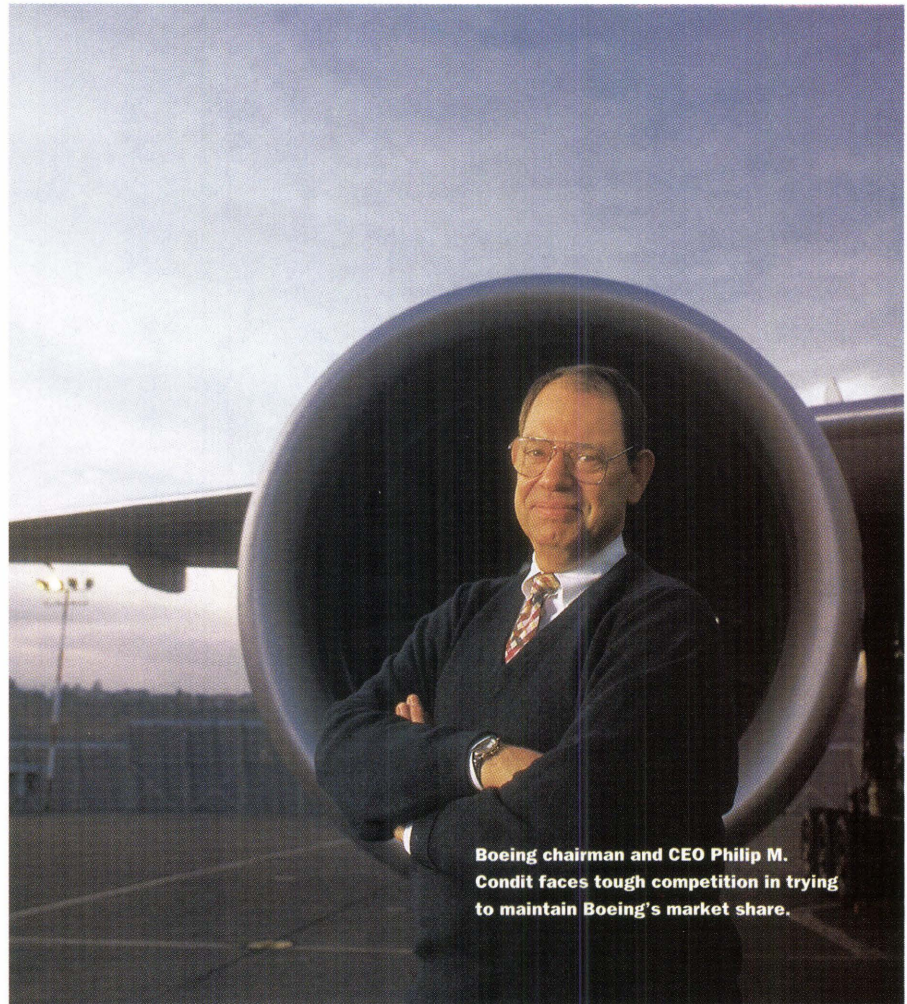
The fact that Europeans have refused to provide the appraisal lead US officials to suspect that Airbus and its four-European partners may be violating the treaty. Boeing also fears that if Airbus becomes a single corporation, the various European governments will forgive billions in debt that would allow Airbus to continue to undercut Boeing on price. Furthermore, the US manufacturer is concerned how the Europeans plan to finance the expected launch of the Airbus A3XX—a 550-seat new jetliner that would threaten Boeing's 747 monopoly.

Boeing and Airbus have been heavily discounting the price of their airplanes—some say by as much as 20 percent—in order to gain or retain market share. Boeing still controls more than 60 percent of the market, when considering aircraft deliveries and the installed base of the world fleet. Airbus, however, has been gaining ground on the Americans, winning nearly 50 percent of the new orders last year and leading this year's order race by a comfortable margin.

Officials for Airbus and its partners deny they are violating the subsidy agreement and say they have provided the US government with the critical appraisal. Airbus officials, on the other hand, point out that Boeing receives huge sums of indirect aid from the Pentagon and NASA in the form of development and research money.

Each side has been down this road before.

Prior to the 1992 bilateral agreement, a Boeing-sponsored report claimed that Airbus received more than \$13 billion of government support since



Boeing chairman and CEO Philip M. Condit faces tough competition in trying to maintain Boeing's market share.

its inception in the late 1960s. The report claimed that the real commercial market value of this subsidy was \$26 billion. The report was highly critical of Airbus and accused the European consortium of distorting the US industry because of its subsidy and ability to pursue ventures without regard to commercial rules.

Airbus responded with its own report showing that the US commercial aircraft industry received government support from the Department of Defense, NASA, and the US tax code. Moreover, in the previous fifteen years, the report estimated combined support worth between \$33 to \$41 billion.

Even so, a Boeing trade complaint is simmering under the surface and could emerge in advance of the WTO meeting, officials say.

It could come as early as November, just prior to the WTO meeting when WTO officials meet to review the WTO Aircraft Agreement. That's a time when the US could urge a revision of the

agreement. Nevertheless, such a scenario is unlikely.

Boeing, which has most of its commercial-airplane operations and corporate headquarters in the Seattle area, probably will not press a trade dispute on its home turf, officials say. The most likely event to trigger a Boeing and US trade complaint is when Airbus decides to launch the A3XX, to compete against Boeing's 747-400 in the large aircraft market. The 747 jet seats about 410 people.

Boeing controls a monopoly in the market for commercial aircraft that seat 400 people or more. The launch of Airbus' A3XX would threaten Boeing's lock on that market and would trigger a gigantic dogfight between the two competitors.

As one US trade official noted, "If Airbus launches its superjumbo, that'll be the straw that breaks Boeing's back. You can bet on a complaint." ☹

Stanley Holmes is the aerospace reporter for the Seattle Times.

Earthquake Diplomacy

Quakes shake up Greek-Turkish relations

By Kerin Hope

A new mood of optimism about Greek-Turkish relations has swept through Athens and Ankara. A shift in popular feeling, triggered by the shared misfortune of two devastating earthquakes in the region, has provided an opportunity for politicians to try to resolve disputes that have divided the two NATO allies for decades.

Greek search-and-rescue teams worked tirelessly in the ruins of Izmit and other cities affected by the disastrous quake that struck Turkey in August, killing at least 15,000 people. Non-government organizations in Greece rushed to send blankets, clothing, and medical supplies to the quake-stricken region. Greek families in the Aegean islands opposite the Turkish coast offered to host children made homeless by the earthquake. Three weeks later, a quake struck the Greek capital. With a death toll of 140, the damage, though severe, was less devastating. But the Turks were quick to respond. Television scenes of Turkish rescue experts searching for victims trapped in the rubble of a collapsed factory in Athens underlined the shift in attitudes from mutual mistrust to unstinting cooperation.

As Ali Murfit Gurduna, mayor of Istanbul and the most senior Turkish official to visit the Greek capital in a decade, put it, "A bridge between our people has already been created by the earthquakes. We want to consolidate it



and create a better basis for cooperation. Peace must prevail in our region." Last month, Dimitris Avramopoulos, his Greek counterpart, traveled to Istanbul to help to coordinate the Greek relief effort.

It is only eight months since Turkey accused Greece of supporting terrorism—when Abdullah Ocalan, leader of the PKK, the militant Kurdish separatist organization, was captured after sheltering in Greece's embassy in





(Top left) A Turkish woman sits in front of Turkish and Greek flags hanging among Greek-built prefabricated houses erected in Derince to house Turks who were made homeless during the earthquake. (Bottom left) Athens Mayor Dimitris Avramopoulos (right) inspects a collapsed building with Mayor of Avcilar Mustafa Degirmenci (left) in Istanbul's Avcilar district. (Above) The Fourlis plant in Athens was destroyed during the earthquake that struck three weeks after the Istanbul quake.

Kenya. Less than three years ago, Greece and Turkey came to the brink of war over the uninhabited islets of Imia, a clash that sparked a fresh bilateral dispute over ownership of the eastern Aegean islands lying off Turkey's Aegean coast.

Yet even before the earthquakes struck, changes were underway. After Bulent Ecevit, Turkey's new prime minister, asked Greece to endorse a bilateral agreement on combating terrorism, the Socialist government decided to drop longstanding objections to holding direct negotiations with Turkey. George Papandreou, who took over as foreign minister after the Ocalan affair, proposed talks on a broad range of issues.

Greek and Turkish foreign ministry officials have focused their dialogue on less controversial topics: boosting bilateral trade and tourism, cooperating on environmental protection, and the Balkan reconstruction effort after the

Kosovo conflict. However, trickier issues are also being addressed, such as countering terrorism, smuggling, and illegal immigration.

The aim, Greek officials say, is to establish regular contacts, develop a forum for discussion, and reach some specific agreements. The first is to be the creation of a joint Greek-Turkish team that will handle disaster relief and be based on the two search-and-rescue organizations that worked together during the earthquakes.

For the moment, the emphasis will remain on what Papandreou called "soft" issues, not the long-running disagreements over sovereignty in the Aegean and the division of Cyprus. Officials say the talks are underpinned by a comfortable working relationship between Papandreou and Ismail Cem, Turkey's foreign minister.

"It's a cautious process. Neither side wants to exert any pressure. It's a ques-

tion of locating areas of common ground and then building agreements. But it's happening in a good atmosphere," said a senior foreign ministry adviser.

Nevertheless, expectations have been raised by the new climate of rapprochement. Greek and Turkish businessmen who broke off contacts over the Ocalan affair are keen to resume cooperation. With the Balkans still in disarray, Greek companies in particular are looking to expand elsewhere in the region. Turkey offers significant opportunities, especially for northern Greek companies that are well placed to serve Istanbul and the surrounding region as earthquake reconstruction gets underway.

Greece's western partners are keen to see rapprochement bear fruit quickly. In the most significant development so far, Greece has dropped objections to EU membership for Turkey. "Greece," says Papandreou, "must be

Greece's New Commissioner: Anna Diamantopoulou

Anna Diamantopoulou, Greece's new European commissioner, spent much of last summer studying her portfolio—social affairs and unemployment. It is the biggest job a Greek commissioner has yet taken on and one that may prove decisive for her political future at home.

At forty years-old, Diamantopoulou is the youngest commissioner Greece has sent to Brussels. Several senior members of the governing PASOK party claimed she was too inexperienced for the post. But as a woman from a Socialist party in southern Europe, she fits neatly into Commission President Romano Prodi's new team.

As junior industry minister, she was responsible for handling privatization, a tricky issue for Greece's Socialists since much of their political support comes from public sector labor unions. Just before her EU appointment, she announced the completion of an eight-year program to dispose of more than 100 loss-making state companies.

The biggest challenge was to find buyers for Greece's two biggest shipyards. Located near Athens, both had been threatened with closure after years of losing money.

Both Eleusis, taken over by a group of Greek investors, and Hellenic Shipyards, managed by a UK group after a partial employee buyout, have become profitable. With ship repair contracts and

orders for new buildings on the increase, several thousand jobs at smaller yards have also been rescued.

"Greece has comparatively little industry," Diamantopoulou says, "and jobs in the sector have been shrinking over the past decade. But there is a strong base of skills to build on in the ship repair sector."

Though she belongs to Prime Minister Costas Simitis's modernizing group, Diamantopoulou's own background gives her credibility with PASOK's leftwing faction. When she was a teenager, her family spent several years in internal exile during the colonels' dictatorship, living in a remote village in northern Greece.

"There was a knock at the door just before Christmas. It was the police telling us to pack up and leave. My father had already lost his job because of his political views," she said.

Diamantopoulou became politically active as a student and worked her way up through the ranks of PASOK's grassroots organizations in northern Greece. Her big break came when she was made *nomarchis* (a provincial governor) while still in her twenties. Appointed in Kastoria, she faced a tense political situation in the province, which is located close to the border with Albania and where feel-

ings ran high between Socialists and conservatives.

"It was a grueling job. The region had severe economic problems, with traditional occupations in decline and not much opportunity for attracting new investment. And the city of Kastoria is an important Byzantine center with a number of

historic churches and other monuments in need of protection," she said.

But she gained firsthand experience of the problems faced by the mountainous areas of Greece that have suffered through being excluded from the country's steady expansion in tourism and other services. A civil engineer by training, she took time out from politics to study for a graduate degree in regional development at Athens University.

She will take a much longer break from domestic politics as an EU commissioner but expects to run again for her parliamentary seat in northern Greece. As a politician who has kept a low profile—though she is one of only four women in the Simitis government—Diamantopoulou runs the risk of being overlooked at home while she battles to establish a reputation in Brussels. But a successful spell as commissioner would push her into PASOK's front rank just as a new generation of Greek politicians prepares to take over from the party's founders.

—Kerin Hope



the cart pulling Turkey toward Europe." But before Turkey can formally become a candidate for accession, there should be some progress toward reuniting the Greek and Turkish communities on Cyprus. This, analysts say, could be a stumbling block, unless the latest UN initiative to restart talks between the island's leaders achieve a breakthrough.

President Bill Clinton will try to give a push to the Greek-Turkish relationship during a visit to the region this November. A first meeting between Prime Minister Ecevit and Prime Minister of Greece Costas Simitis is likely to take place in Istanbul on the margins of the OSCE (Organization for Security and Cooperation in Europe) summit in Istanbul. There are hopes of an agreement to reduce tensions in the Aegean by scaling back military exercises. On the business front, an agreement on avoiding double taxation could provide a strong incentive for investment.

Back in the mid-1980s, then prime minister Andreas Papandreu (the foreign minister's father) and Turgut Ozal, the Turkish president, struck up an unexpected personal friendship at the Davos economic forum in Switzerland. For a time it looked as if Greece and Turkey were set to resolve their differences. But Papandreu's personal diplomacy ran out of steam after his Socialist party, PASOK, demanded that the Cyprus issue be included in the two leaders' talks.

This time, the Socialists are less fearful about building a better relationship with Turkey. Greece is close to becoming a member of the euro zone, while EU accession talks for Cyprus are underway. The Greek economy is growing faster than the EU average, while the inflation rate trails that of Spain and Ireland. As Yannis Papantoniou, the economy minister, put it, "Greece will qualify for the euro not on political grounds but on its economic achievement. That puts us in a much stronger position with all our neighbors." ☺

Kerin Hope is EUROPE's Athens correspondent.

EUROPE

update

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WHAT THEY SAID: EU AMBASSADOR TO THE US DISCUSSES MILLENNIUM ROUND

Hugo Paemen, the European Commission's head of delegation to the United States for the last four years, retires from the diplomatic ranks this month to pursue a second career teaching and lecturing in the US and Europe. A former trade negotiator and the author of From the GATT to the WTO: The European Community in the Uruguay Round, Paemen spoke with EUROPE editor-in-chief Robert J. Guttman about what the EU hopes to achieve in the Seattle trade talks, current EU-US relations, and his time in Washington.

What does the European Union hope to get out of the talks in Seattle?

We hope that this will be the launch of another multilateral trade negotiation which will be different from the previous ones in many respects, first of all because we now have a World Trade Organization, and secondly because a lot has happened since the Uruguay Round. Clearly, globalization has made great strides, and particularly the phenomenon of globalization has now penetrated in the minds of many people. It is much more a reality for a lot of people—a good reality—but also for some people a reality which has created insecurity, uncertainty, and even for some people loss of jobs. It is going to be what I would call more of a political negotiation—not in terms that there will be party politics involved, perhaps there will within the

countries concerned—but it will be about issues which touch people much more in their daily lives than the reduction of tariffs or elimination of what we call non-tariff barriers. It is going to be about the environment, food safety, about trade and social standards, about the rules of investment, and all this is much closer to the day-to-day life of our citizens than the agendas of the previous rounds, and certainly of the initial GATTs.

What do you think the name of this round will eventually be? Does it matter what the name is?

I don't think it has great importance. There is a tradition recently that it is named after the city or country where the negotiations were started. We had the Tokyo Round started in Tokyo and the Uruguay Round started in Uruguay. We will see.

What is your view on the WTO? Does it seem to be working as it is supposed to?

The WTO has worked very well. It has established itself as the relevant international organization for international trade. A major achievement is that it has included all the developing countries. And remember that the UNCTAD was created somewhat against the GATT because developing countries felt that their interests were not taken into account by the GATT. So,

UNCTAD was a kind of anti-GATT. Now there is no anti-WTO because developing countries have joined the WTO, have joined all the commitments which came out of the Uruguay Round, and are actively participating in the negotiations. And that is another reason why this round will be different from the previous rounds, where they were still somewhat marginal. They were present in the Uruguay Round, certainly, but in the next round, they certainly will be much more active negotiators and partners than they were in the previous GATT rounds.

What do you think are going to be the key issues discussed in Seattle?

We have what we call already an in-built agenda, which is what we decided at the end of the Uruguay Round that the next round would certainly be about further tariff negotiations, further liberalization of trade in agricultural products, and further liberalization in services. That has been agreed upon already; everybody has to live up to that commitment. So, those issues will certainly become the agenda. But, as I said, a lot has happened since the Uruguay Round, and a lot of new issues have become nearly unavoidable for the next round. And those issues are the ones I mentioned, which are trade and environment, trade and social standards, investment, competition, and so on.

What about issues like e-commerce?

Another subject is e-commerce. In the Uruguay Round, nobody even pronounced the word "e-commerce." Now e-commerce will be on the agenda of the WTO. We have already a working group preparing e-commerce for the round.

You are an old hand at trade negotiations. What would you say to people who are looking at the Seattle Round or leading up to it? What should we look for as clues to how it is going? Who wins, who loses?

A good negotiation will have only winners. If someone would really have the feeling that he is losing, he would not sign up. And we cannot afford really to have losers among the bigger countries because then there will be no round. Furthermore, we cannot afford to have the developing countries be losers because that would be disruptive for the WTO. [Such an outcome] could be the end of the WTO, so that is not possible. There should only be winners, clearly.

Will talks actually begin in Seattle?

We will see. Seattle will, up to a certain point, establish the agenda for the negotiations, will enumerate the different areas, and will give indications of the ambition which participants are going for.

WHAT THEY SAID (CONTINUED)

But, of course, during the negotiations, this can be changed, can be modulated, can be enlarged. In the last trade round, nobody thought that we would end up with a full-fledged agreement on intellectual property, for instance. During the negotiations, people sometimes see opportunities which were not clearly there at the moment when a ministerial declaration is established as the agenda for the negotiations. We will have to see, but we will have more or less an idea of the scope of the negotiations after Seattle, if Seattle is successful.

What would cause the Seattle talks to be unsuccessful?

There has to be an agreement on the major objectives of the negotiation, and that is only possible when all the participants have the feeling that there is enough in it for them to start the negotiations.

What do you think are the key trade issues outstanding between the US and EU?

Everybody tells me that the major sector for possible conflict between the United States and Europe is biotechnology. And it is true that there is a difference in approach to the products of biotechnology. We have no problem in Europe with biotechnological products when we are ill and we want to become healthy again. Then we take drugs, and we even have a tendency to overdo it from time to time. But the interesting thing is that once we are healthy, a lot of us become somewhat reluctant to accept products of biotechnological processes. It is, to a large extent, a question of information, of education, and then also of establishing the right procedures to establish what is scientifically based in terms of safety for the consumer.

Are you mainly talking about the food issue now? Yes. There is not that much

of a problem on the drug side. We have an agency for drugs in Europe; the United States has the Food and Drug Administration. We haven't yet an organization for establishing the standards and the assessment procedures for food products. And our president, Mr. Prodi, has proposed that we should work on the creation of something like a food agency.

What do you think has been your main accomplishment in your four years as ambassador in Washington?

I haven't done very much personally. When you are here, you represent an organization, and our organization is the Commission. The Commission is in Brussels, and I can only reflect, as well as I can, what the Commission and what the European Union is achieving in Brussels and in Europe in general. But, clearly, over the last four years, we have had two major developments in Europe, which is, on the one hand, the single European currency, and on the other hand, the enlargement of the European Union to Central and Eastern Europe. That is, of course, something which the European Union has decided to do, which we have tried to explain as well as we could, tried to tell the United States government and the United States public that these were advantageous developments also for Americans. And that is what my job is all about.

Looking back on four years here, what are the main differences between Americans and Europeans?

We have become so similar that the differences come out more and more—by which I mean that our societies have become now so interrelated and interdependent—that we run into the small differences we were not always aware of. But that is the normal phenomenon of societies which come closer and closer to-

gether in an increasingly global world.

What do you think about the new Prodi Commission?

It is very promising, and the first actions have been very courageous, very inspiring, and have been very well received in this part of the world. They start with a great credit, and I hope they will use it very well.

Mr. Prodi is certainly a person who is very well known in the United States and in the rest of the world, is very respected both as an economist and as a politician. What he did [as prime minis-

ter] to bring Italy into the single European currency was an enormous achievement. Chris Patten and Pascal Lamy, each in his own way, have great authority in the area in which they are working. It is very promising.

What about your future? What are you going to be doing after you leave here?

I am still working on it. I will try to remain busy in one way or another. I have had some suggestions. Probably this will end up in some teaching activity, and I will do that in Europe as well as in the United States.



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PUBLISHER'S VIEWPOINT

Seattle: A Beginning, Not a Knockout Round

Colorful happenings, demonstrations, and thousands of people in the streets: that is, in a nutshell, how the majority of US newspapers have portrayed the upcoming Seattle kickoff to the Millennium Trade Round.

These trade liberalization talks, to quote President Clinton, will not be "some private priesthood for experts," but rather a chance for the trade gurus to open the gates and listen to the people—environmentalists, labor representatives, and consumer interest advocates.

Now, what do the Europeans expect from Seattle? One could answer, ironically, "to be bashed on the head for spending billions on farmers!" It is true that the European Union has been—and will probably continue to be—criticized for the financial support it grants its agriculture sector.

But in all fairness, what is wrong with that? Should the EU be demonized for its stance? Is it wrong to support the families that toil hard to

maintain a rural tradition on which—like it or not—both the European and American societies have been established?

If money truly talks, it bears noting that the US budget presently devotes \$60 billion to farm spending, which benefits less than 2 million farmers. Current EU farm spending—which, by the way, continues to decrease—represents \$40 billion for a farm population of more than 7 million citizens. The message that both sides should take from these numbers is that taxpayers on both sides of the Atlantic support their farmers.

Another popular misconception is that the EU market is not accessible. The European Union is by far the world's greatest importer of food and agricultural goods. Meanwhile, the US is the single largest exporter of these goods, a situation EU Agriculture Commissioner Franz Fischler recently characterized as "somewhat difficult to reconcile with the accusation of the EU market being overprotected."

Farm issues will remain on the table in Seattle, but EU of-

ficials emphasize that it is crucial to keep discussions constructive. The message from EU Trade Commissioner Pascal Lamy is crystal clear, "What we all have to achieve is to make politically necessary aid to farmers the least trade distortive."

Sadly, the recent transatlantic dialogue regarding bananas and hormone-treated beef has distorted the image of what, in fact, remains a strong partnership. In 1998, for instance, Europeans invested some \$482 billion in the United States, and \$434 billion crossed the Atlantic in the other direction. Simply put: European money creates jobs and wealth in the United States and vice versa. So, let's stop our family feuds over farm issues and concentrate on the challenges ahead. Seattle is not the end, but a kickoff to a process that should further facilitate trade flows, hence wealth, around the world.

It must be noted, however, that as powerful as both the EU and the US are, we are not alone in this Millennium Round. It cannot become a dual navel-gazing exercise. In

contrast to its predecessors, this trade round will be different in that it must recognize the central importance of developing countries.

Furthermore, all the parties in Seattle need to address public concerns and fears. One of these fears relates to the environment. The Europeans definitely want to breathe life into the World Trade Organization's objective of "sustainable development."

Another longstanding public concern is that freer world trade threatens jobs in developed countries and that domestic companies will move their operations abroad to less labor-conscious, lower-wage countries.

To tackle these crucial issues, the EU believes we need to promote the idea of a strong cooperation between the World Trade Organization and the International Labor Organization. In other words, this round will show whether we can all give a "human touch" to trade liberalization.

Willy Hélin is EUROPE's publisher.

BUSINESS BRIEFS

The global aerospace and defense industries are bracing for another round of consolidation as companies on both sides of the Atlantic ponder their strategies in the wake of the planned \$18 billion merger of **France's Aerospatiale Matra** and **DaimlerChrysler Aerospace (DASA)** of Germany.

The new firm, to be called the **European Aeronautic Defence and Space Company (EADS)**, will be the world's third-largest defense and aerospace group after **Boeing** and **Lockheed Martin** of the US, with annual sales of \$22 billion and 89,000 employees. It will be listed on the Paris and Frankfurt stock exchanges. EADS, which controls 80 percent of **Airbus Industrie**, will be world num-

ber two in civil aircraft after Boeing.

EADS urged other European firms to join it, especially **British Aerospace**, which was involved in abortive talks with **DASA**. **Alenia** of Italy and **Thomson-CSF**, the French defense electronics group, and **Dassault**, an aircraft maker 45.7 percent owned by **Aerospatiale**, are also tipped as merger partners.

•••

The Greek government agency **ELKE** (the Hellenic Center for Investment), which was established in late 1996 to boost foreign direct investment in Greece, has a new general manager. Appointed this fall, Haris Issaias says the timing is right to give Greece increased exposure as the

ideal location for export-oriented companies that want to reach southeast European markets. Boosted in part by Athens' selection as host for the 2004 Summer Olympics, investment in Greece is on the upswing, and Issaias, who holds an MBA from Columbia and spent twelve years at **Citibank**, intends to spread this message through a series of investment seminars and direct meetings with corporations.

•••

Volvo and **Mitsubishi Motors** forged a pioneering alliance that will boost the Swedish truck maker's presence in Asia and ease the financial problems of the Japanese vehicle manufacturer in a dramatic escalation of the consolidation re-

shaping the global truck industry.

Under the deal, Volvo will buy 5 percent of **Mitsubishi Motors** for around \$272 million, and **Mitsubishi** will acquire 1 percent of Volvo immediately, rising to 5 percent by the end of 2002. **Mitsubishi** will hive off its truck and bus activities into a separate company in which Volvo will take a 19.9 percent stake.

The alliance has enabled Volvo to steal a lead over its main rivals, **DaimlerChrysler** and **Renault**, in the fast-growing Asian market. Volvo has been setting the pace since it sold its car business to **Ford** at the beginning of the year and launched a \$7.4 billion bid for its domestic rival **Scania** to create the

BUSINESS BRIEFS (CONTINUED)

world's second-largest heavy truck maker.

•••

Arbed of Luxembourg, Europe's third-largest steel maker, plans to invest \$1 billion over the next five years to boost its global output by 40 percent. Arbed has targeted Europe and North and South America for acquisitions and

joint ventures to lift annual production from 22 million tons to around 30 million tons.

The group, which has plants in Luxembourg, Belgium, Spain, Germany, and Brazil, is especially bullish about the United States. It has annual US sales of \$1 billion out of total revenues of \$11 billion and wants to expand into "down-

stream" operations that add value to steel for use in such sectors as auto manufacturing.

Arbed squandered a chance to become Europe's top steel maker last May when alliance talks with Germany's **Salzgitter** broke down.

•••

France Telecom moved aggressively into the Ger-

man market with a \$8 billion bid for 60.25 percent of **E-Plus Mobilfunk**, the country's third-largest mobile phone operator, which also marked the widely expected rupture of its decade-long relationship with **Deutsche Telekom**, Germany's national telephone company.

EU NEWS

Far Right Makes Gains in Austrian Elections

The shape of Austria's next government remains up in the air after the far-right party, led by Jörg Haider, inched its way into second place in last month's elections, sending alarm bells sounding both far and wide.

A heavy dose of anti-foreigner rhetoric and opposition to EU enlargement, combined with repeated attacks on Austria's entrenched patronage system, stifling bureaucracy, and heavy tax burden, pushed Haider's Freedom Party to a second place finish at the polls. The Freedom Party's success moved it ahead of the conservative Austrian People's Party, which has been part of the coalition with the Social Democratic Party that has governed the country for more than a decade.

The Socialists, which saw their support slide to 33.4 percent of the vote, have pledged never to form a coalition with the Freedom Party, the big winner in the election, with support climbing to 27.2 percent, a 5.3 percent rise. But the People's Party, which received only 415 votes less than Haider's party, had vowed to go into the opposition if it didn't come in second at the polls.

If the parties' positions remain entrenched, the Socialists could try to form a minority government, or new elections could be held early next year.

While the various parties are struggling with these issues at home, they've also un-

dertaken a public relations campaign to polish Austria's tarnished image abroad.

During the election campaign, the Freedom Party plastered Vienna with posters urging voters to "Stop over-foreignerization." Another showed Haider and his new right-hand man, industrialist Thomas Prinzhorn, above the words "two real Austrians"—an apparent swipe at those who have immigrated to the country.

During campaign rallies, the telegenic Haider accused the country's Socialist finance minister of taking money from voters like a "Romanian pickpocket" and said "every foreigner, even if he's a criminal, received more support from the government than the average pensioner."

The Israeli government already has threatened to re-evaluate its relations with Austria if Haider is part of the government, while EU officials and leaders of candidate countries have expressed concern that if Haider comes to power, Austria might try to block EU enlargement.

During his election campaign, the Freedom Party stirred up fears of voters on the lower rungs of society, claiming if the EU expands eastward, 300,000 foreigners would pour into the country and steal jobs.

"He's generated a mood that is quite dangerous," said Ariel Musicant, head of Austria's Jewish community. He "worked with hatred and worked with xenophobia and worked with all those things

that we thought belonged to the past."

The European Monitoring Center on Racism and Xenophobia issued a statement saying, "The success of the [Freedom Party] in the elections in Austria has made it very clear that it is easy to stir up the vague fears and anxieties of the people and to misuse them for one's own election campaign purposes."

Now Haider is trying to tone down the uproar. At a Munich press conference, he claimed he didn't run an anti-foreigner campaign. During a visit to the European Parliament, he said "in my twenty-year political career, I've not made one anti-semitic statement," and went on to say that he didn't intend to prevent EU enlargement, just delay it a decade.

Haider argues that he has gained support because of his campaign promises, including a halt to immigration, a reduction in electricity prices and rents in state-owned apartments, and a \$440 monthly check to help Austrian families with small children.

He promised to break the patronage system, which doles out civil service jobs to Socialist and People's Party supporters, streamline bureaucracy, and reduce taxes.

Even Chancellor Viktor Klima held a press conference for foreign journalists, and tried to explain the Freedom Party's success. "Austria is certainly not a country...that has stepped to the extreme right. It is not a country of neo-Nazis, either. Most voters of the Freedom Party are not

on the far right nor are they nostalgic for the past. They expressed their dissatisfaction [for the current government] by voting for the strongest opposition party."

Clinton Visit to Promote Greek-Turkish Relations

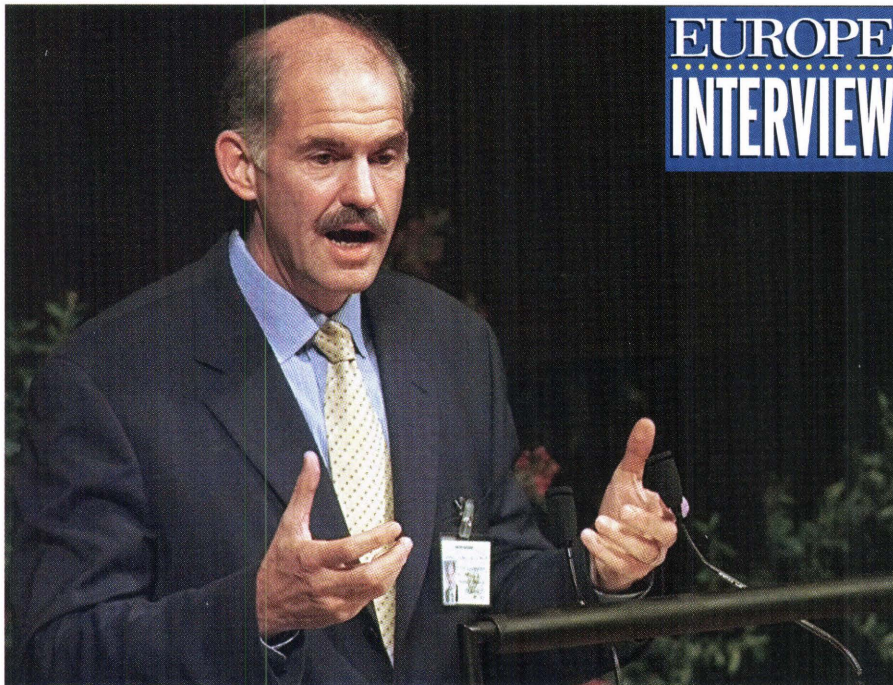
President Bill Clinton faces a tough challenge on his trip to southeast Europe this month. After a visit to Greece—where US diplomats hope a much-discussed bilateral agreement on combating terrorism will be signed—Clinton heads for Turkey to attend a summit meeting of the Organization for Security and Cooperation (OSCE) in Europe.

His aim is to persuade Glafcos Clerides, the Cyprus president, and Rauf Denktas, the Turkish-Cypriot leader, to restart talks on re-unifying the Mediterranean island. Warmer relations between Greece and Turkey—prime ministers Costas Simitis and Bulent Ecevit are set to hold their first face-to-face meeting in the margins of the OSCE summit—could remove some of the roadblocks.

Talks are underway on Cyprus's accession to the EU in the first round of enlargement. But the Turkish Cypriots, who are considering an economic union with Turkey, are boycotting them. Several EU member states have doubts about admitting a divided nation to the Union. With Greece close to lifting its veto on Turkey's EU candidacy, a settlement of the Cyprus issue looks possible.

George A. Papandreou

Greek Minister of Foreign Affairs



George A. Papandreou, Greece's minister of foreign affairs, recently spoke with EUROPE's editor-in-chief Robert J. Guttman.

What does it mean to you to be a European in the twenty-first century?

To be 'European' in the twenty-first century means to live by a fresh set of principles that are equally founded on the history of Europe and the contemporary reality now arising from the process of European unification. At the same time to be European is a great challenge. How can we maintain our common traditions, such as democracy and humanism, equal rights for all, multicultural plurality, and a strong sense of social conscience, in a new globalized world of technological advances in information and biotechnology? This challenge poses important political and ethical questions that will have a profound bearing on the future of political reforms in the European Union.

How do you think Europe will look economically and politically in the year 2020?

Given that we are living in an age of remarkable fluidity in all fields of human

activity, including international relations, it would be unwise to make predictions about the long-term economic and political future of Europe. However—purely as a theoretical exercise and taking into consideration the increasing trend toward globalization and regional unification...I could imagine the following scenario for Europe in the year 2020: After successfully achieving monetary union and, hopefully, political union soon afterwards, with a strong defense and common foreign policy component, it is logical to assume that Europe will emerge as one of the two or three most powerful economic and political forces in the world.

How will the euro change life in Europe in the new century?

The euro and the accompanying public and legal reforms, together with the subsequent stabilization of prices and currencies, will create favorable conditions for the macroeconomic environment. Consequently, investments, development, and employment will intensify and thrive. Ultimately, the citizens of Europe will themselves benefit from these economic policies. At the

same time, the abolition of costly exchange rates, both for international business and/or individual transactions, will simplify the related procedures to the benefit of all citizens. Deeper issues of cultural identity, common educational policies, and political unification will soon top our agendas.

Do you believe Europe will be a global player in the new century?

As I already mentioned, the institution of the European monetary union will lay the foundations for Europe to become a major player in the international political arena. Moreover, the imminent expansion of the European Union to include new members, such as Cyprus and several other countries in Central and Eastern Europe, as well as the prospect of political union, will guarantee that Europe plays an even greater role on the world stage during the twenty-first century. The successful accomplishment of European unification will have a positive impact, not only within Europe itself but also in global economics and international relations in general, since a unified Europe will inevitably improve international economic and political stability.

What do you see as the major threat—political, economical, or any other problem—in the new century?

There are a number of problems that might concern citizens worldwide during the twenty-first century, from national security and illegal migration to unemployment, protection of consumers, and the environment. In my opinion, one of the main problems we face is the absence or inadequacy of international organizations to deal with such issues and the weakness of our nations to efficiently deal with these issues on a national level. In today's increasingly global society, these issues go beyond national borders. They require concerted, international cooperation. And while the international community must set up the relevant mechanisms and institutions to arbitrate and intervene in such matters—this in itself poses a profound question of what our democratic institutions will look like in the future. What does 'citizen participation', or 'direct elections' or 'plebiscites', 'political parties', and 'parliaments' mean in a globalized world and in the European Union struc-

tures? I therefore believe the issue of democracy will be a major issue in the forthcoming century.

Are the Balkans as much a part of Europe as, say, France or Germany?

The Balkans are, of course, part of the European continent, but until recently Europe was divided because of the cold war. Apart from Greece, all the countries in the region were incorporated into the Eastern European communist bloc. As a result, they were condemned to remain largely undeveloped with weak or nonexistent democratic institutions. Now, with plans for European expansion underway, two Balkan countries, Bulgaria and Romania, will soon be joining the European Union. Furthermore, in the aftermath of the Kosovo crisis, the European Union has already drawn up a proposal to forge closer ties with the so-called "Western Balkans," through the conclusion of agreements that will further stability and affiliation. I believe that the incorporation of the entire Balkan region into the European Union will reduce the distance that currently separates it from Europe and thus restore unity to the whole European continent.

Can the Balkan nations join the European Union in the early part of the twenty-first century?

We must create a clear and realistic road map for all Balkan countries toward accession into the European Union. As I mentioned, two candidates, Bulgaria and Romania, are already in the process of negotiating their entry into the European Union; so they are at a more advanced stage than the rest of the Balkan nations. The European Union has set down a series of political and economic criteria that each candidate state will fulfill. In other words, each country must comply with the *acquis communautaire*. All candidates must fully comply with these common objectives. Therefore, the entry of each country depends on its individual progress in meeting these criteria. Naturally, the European Union has a duty to support the efforts of every candidate state, thus ensuring that they all join the European community as swiftly as possible.

What did the West accomplish by fighting in Kosovo?

The West reacted as it saw fit to the un-

acceptable policy of ethnic cleansing carried out by Slobodan Milosevic. While the war is over, the results of this campaign are not only the positive outcome of the return of refugees to their homeland, but we now must face a more difficult task of reconciliation, reconstruction, and democracy building. Greece expressed serious reservations about the use of military force from the very start of the conflict. Throughout the bombing campaign, I personally carried out intensive efforts to defuse the crisis and promote a peaceful resolution through diplomatic means. I believe that in dealing with re-

gional problems that inflame nationalistic fervor, we should not resort to violence of any kind. Instead, we should fight ethnic tension with the powerful weapons of mutual understanding and cooperation. Had development of the whole of southeast Europe been accomplished years before, with the help of the international community, I believe that we would have insured a safe way to avert this crisis and similar crises in the future. Therefore, all developed countries have a duty to actively and fundamentally participate in the peace and reconstruction process of the Balkans. ☺

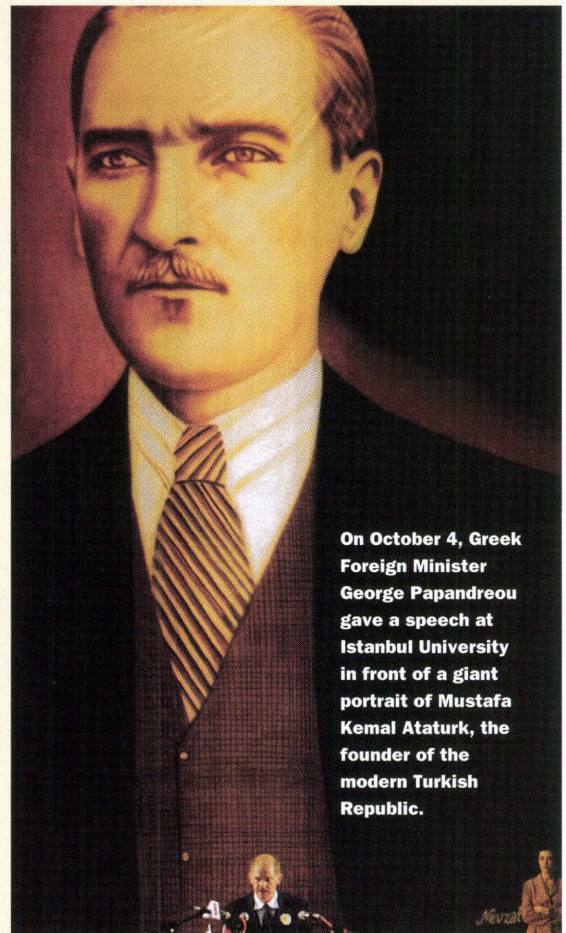
Last month, Greek Foreign Minister George Papandreou became the first high-ranking Greek official to travel to Istanbul since devastating earthquakes precipitated a thaw in the two nations' relations. The following are excerpts from a speech Papandreou delivered in Istanbul on October 3 when he encouraged both Greeks and Turks to seize the opportunity to "stop perpetuating fear and despair and begin producing security and hope for a peaceful future between our two countries."

"Last week, at the United Nations General Assembly, I joined hands with my Turkish counterpart to support a joint effort between our two countries to help the United Nations respond to natural disasters. That Turkey and Greece are suddenly able to work together on this particular issue—which affects human lives—reveals the brightness of the light that now shines down on both our countries.

I personally reject the idea that we are locked into an 'age-old' enmity, that we are part of the so-called clash of civilizations. I believe that our aspirations for the principles of democracy, security, and prosperity will overcome historical strife. We must not be slaves to history...

The end of the cold war has showed us that a civil space exists, defined by an ever deeper and ever wider European Union of states. The use of force has lost its past legitimacy. In this civil and common space, Greece and Turkey have the ability to live in peace...

I hope that the day comes when our visions will overcome our fears and hopes will become reality."



On October 4, Greek Foreign Minister George Papandreou gave a speech at Istanbul University in front of a giant portrait of Mustafa Kemal Ataturk, the founder of the modern Turkish Republic.

EU-US Trade

Past, Present, and Future

By Lionel Barber

President John F. Kennedy with EU founding father Jean Monnet.

Since the 1958 Treaty of Rome, trade has been one of the driving forces behind the political and economic integration in Western Europe. Trade has also established the European Union as a power on the world stage. In successive negotiations within GATT (General Agreement on Tariffs and Trade), the EU, along with the US, has helped to foster progress toward a more liberal trade order. The question is whether the same dynamic will apply to the meeting of the major economic powers in Seattle at the end of November, which will discuss whether to launch a new round of global trade talks.

All participants in the Seattle meeting will be conscious of the forces that have propelled world trade liberalization in the postwar period, starting with the 1967 Kennedy Round. This agreement, named after the eponymous US president, was dependent on an agreement among the original six members of the EEC to proceed with a customs union and the Common Agricultural Policy.

The Kennedy Round was the first time the European Economic Community showed that it could be an international actor, challenging the dominant role of the US on the economic stage. One of the most important results was an agreement to tackle non-tariff barriers, notably the need to set rules for the use of anti-dumping measures. It also laid the groundwork for the GATT to start compiling an inventory of non-tariff measures that cover actions that distort exports as well as those affecting imports.



Negotiations at the Kennedy Round of trade talks.

The next leap forward came with the Tokyo Round, which was launched in 1973 and concluded only six years later. The negotiations achieved large tariff cuts: the industrialized countries agreed to reduce their import duties by one-third. But the core of the round's results lay in separate multilateral agreements the aim of which was to reduce or control non-tariff distortions of trade.

The round also concluded various "codes" that signatories were expected to put into effect covering the impact of protective practices affecting developing countries, and a reform of rules on "safeguard" measures that industrialized countries adopted as short-term measures to protect their businesses from import competition.

The signatories lived up to their contractual commitments to cut industrial tariffs on schedule. They also agreed to keep their promises to resist protectionist pressures and use the GATT procedures to solve their problems. In reality, however, they were unwilling to do much more. The number of trade disputes before the GATT council—a

reliable indicator of international trade tensions—reached a record level of thirteen in 1980. Agriculture issues featured in ten of the disputes.

In the early 1980s, it became clear that the new administration in Washington led by President Ronald Reagan was interested in a new round of GATT negotiations. It was thought that a new round could help to bridge the gap between the northern industrialized countries and the poorer south and would bring to an end the niggling disputes over safeguards and other temporary non-tariff measures.

By the summer of 1985, some twenty-four countries had voiced opposition to opening a

It was thought that a new round could help to bridge the gap between the northern industrialized countries and the poorer south and would bring to an end the niggling disputes over safeguards and other temporary non-tariff measures.

new round. A year later the figure had dropped to ten, but still there was considerable ill feeling about another lurch toward liberalization. A meeting was therefore convened in Punta del Este, a pleasant seaside resort on the Atlantic coast of Uruguay. Packed plenary meetings took place in the casino of the town's only large hotel. The groundwork for the Uruguay Round was laid.

At the same time, a meeting took place in Cairns, Australia, of representatives from fourteen predominantly agricultural exporting countries who pledged to work together on key farm trade issues. The group's message was as significant as its composition, which included several high-income countries as well as developing countries, such as hard-line

Brazil, Asia and Pacific members, and an East European member.

The subsequent declaration in Punta del Este included many of the thorniest issues that had plagued trade relations between the EU and the rest of the world. These included tariffs and non-tariff measures, subsidies and countervailing measures, dispute settlement, intellectual property, and trade-related investment measures. There was also a separate section on services, such as telecommunications.

The Uruguay Round was undoubtedly the most ambitious of its kind. There were stops and starts, notably the abortive attempt to conclude a deal in Brussels at the end of 1990 that foundered over agriculture. A later deal struck in Blair House in Washington between the US and the EU fell apart after objections from France. It was only a round-the-clock effort in Geneva at the end of 1993 that reached a deal.

The significant achievement lay in a new disputes settlement procedure within a new body called the World Trade Organization (which replaced the GATT). However, the Uruguay Round also made breakthroughs in new areas, such as investment and intellectual

mental and labor standards, encouraged another push.

This time, it seems likely that the US will press hard for the EU to begin dismantling its network of agricultural subsidies. Some steps have already been made in Brussels in relation to the Agenda 2000 program, which will prepare the EU for admitting the farm-rich communities of Central Europe, notably Poland, early next century, but much more needs to be done.

rules are changing.

Today, opposition increasingly is focused among non-governmental pressure groups acting in the name of ordinary citizens and consumers troubled by issues ranging from food safety to animal welfare. These were the forces behind an international protest campaign, coordinated via the Internet, that contributed to the collapse of talks in the Organization for Economic Cooperation and Development in Paris last year on a



US Trade Representative Charlene Barshefsky will lead the US delegation at the WTO trade talks in Seattle.



Former European trade commissioner Sir Leon Brittan (left) is credited with steering the EU on a broadly open-market road.

property. Negotiators made further progress on the traditionally sensitive areas of agriculture and textiles.

After the marathon Uruguay Round, many felt it was time to take a breath. Nevertheless, the inexorable forces of globalization and the need to tackle "new" trade issues, such as environ-

In the background, however, there is also a feeling in the US and the EU that countries need to take measures to bolster public support for the open trade system. In the past, the biggest obstacle has been the determination of producers to keep their home markets closed to competition; but the ground

multilateral deal on investment.

Finally, attention is likely to shift toward the role of the WTO and its dispute-settlement mechanisms. These mechanisms for enforcing trade rules are the bedrock of the WTO's authority, but they are highly controversial. Supporters claim that they bring the rule of law to the world economy, but critics want the WTO's powers either reduced or extended to the new areas, such as environmental and labor standards.

The debate over the role of the WTO reflects in many ways the successes of the postwar era in dismantling barriers between national economies and helping rich and poor countries enjoy the benefits of an open trading system. However, it also shows how the trade debate has turned into a lot more than a dispute over quotas and tariffs. The political challenge in Seattle and beyond is formidable. ☹

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

By Kerin Hope

Rebuilding Kosovo

A race is on to provide people in Kosovo with shelter and electricity before the bitter Balkan winter sets in. The international community has pledged \$2.1 billion to rebuild the province, but much of the aid will not arrive until next spring. Meanwhile, the Kosovars themselves have been desperately working to make at least one or two rooms usable in the burned-out shells of their homes.

Aid officials admit they underestimated the resilience of the Kosovo Albanians. With more than 400,000 ethnic Albanians from the province settled in Germany and Switzerland, remittance money for rebuilding has flowed in at a rapid rate. Moreover, several EU countries that sheltered refugees from the conflict handed out cash payments to returning families. These have been used to buy building materials and replace furniture and consumer goods that were looted from their homes.

Fatmir Krasniqui, an auto mechanic who is building a new house on a family-owned plot near Pristina, said, "We've got walls up and roof timbers on. There aren't any windows, but if we can get the tiles on before the heavy rain comes, we'll be able to manage." The Krasniqui's new two-story brick home is intended to house the four-member family, but for the next few months another eight relatives will be staying in the ground-floor rooms.

Kosovo traders say business is booming. Customers are crowding in to buy at every kind of store from builders' yards to jewelry boutiques. Goods are imported mostly from other Balkan countries and Western Europe, but some traders travel as far as Korea and Taiwan in search of a bargain.

Deals are done in cash since there are no banks operating yet in the province.

The European Commission has taken the lead in providing emergency aid for Kosovo. About \$49 million will be spent on helping to rebuild homes,

paying utility workers and local government officials' salaries, and creating jobs for villagers through rehabilitation projects. By this year-end, the Commission's task force for Kosovo expects to have launched reconstruction projects



Ethnic Albanians repair the roof of a home in the central Kosovo town of Malisevo.



Ethnic Albanians construct prefabricated houses on the outskirts of the Kosovo village of Cabra, which was shelled and bulldozed by Serb forces earlier this year.

worth \$163 million. The total cost of rebuilding the province over the next three years is estimated at around \$1.08 billion.

Marco Franco, head of the Pristina-based task force said, "The biggest single project is the housing sector. And the next highest priority is to keep Kosovo lit and warm through the winter."

Almost 80,000 houses were destroyed or badly damaged during the Serbs' campaign of ethnic cleansing in Kosovo. Revenge attacks by ethnic Albanians have also taken a toll of the housing stock. Shelter kits—including plastic sheets and wood-burning stoves—are being distributed to help families in damaged homes to make them partly habitable.

A UK consortium has launched a \$65 million project to rehabilitate Kosovo's two coal-fired power stations that provide most of the province's electricity. Just one unit is operating after emergency repairs carried out by the UK military contingent in the United

Almost 80,000 houses were destroyed or badly damaged during the Serbs' campaign of ethnic cleansing in Kosovo.

Nations KFOR peacekeeping force. Production at the coal mines that supply the power complex is also being restarted. There are plans to repair a separate heating system covering much of Pristina to reduce dependence on electricity for heating apartment blocks.

UNMIK, the United Nations interim civil administration for Kosovo, has laid the groundwork for repairing the telephone network. About half the fixed-wire telephone lines in Pristina

were knocked out in NATO's bombing campaign, along with radio transmitters that linked the capital with other towns in the province. International donors will provide the \$10 million needed to rebuild the fixed-line network. Commercial operators will put in bids to set up a new cellular network for Kosovo, to be launched early next year.

However, the European Reconstruction Agency, which will replace the Commission's task force next year, will shoulder the main burden of developing Kosovo's economy. First estimates

put the budget at \$543 million yearly for the next three years. Ruitgers Wessel, head of fiscal policy, said, "It's not just reconstruction after the war that has to be undertaken. Kosovo was badly neglected under Yugoslav rule, with very little investment being made."

A Commission team is setting up basic financial structures for Kosovo to manage its own budget. A new customs service is in operation at border crossings with Albania and the Former Yugoslav Republic of Macedonia. The revenues raised will help cover salary payments for teachers, health workers, and other administrative workers. The team is also setting up a payments system for the province and preparing the ground for commercial banks to start operating. There are plans to launch a privatization program to help attract new investment in Kosovo's neglected manufacturing companies.

"The international aid is important to rebuild and give Kosovo a modern infrastructure," said Muhamet Mustafa, a Kosovo economist, "but small family companies will drive economic recovery here. We have to find ways to help them operate as efficient business units if Kosovo is to become prosperous." ☉

Poland

Prosperers

By Elizabeth Pond

Ten years after communism, Poland continues to build a modern economy while Russia struggles to remain afloat

Russia has a plunged ruble, barter trade for half of its economy, and a gross domestic product barely half its 1989 level. It has defaulted massively on debts, and there is a huge gap between the new billionaires and the subsistence poor.

In neighboring Poland, by contrast, close to 6 percent average growth over the past four years has already produced a gross domestic product 12 percent above 1989. Average wages may still be only an eighth of German levels, but they are rising fast. Already, many Poles think of themselves as middle class as did Americans in the 1950s. When Moscow's finances collapsed a little more than a year ago, the Polish stock exchange dropped initially, but it quickly recovered.

Why this stark difference? Both are Slavic nations. Both faced the same post-communist crisis a decade ago, in recession, hyperinflation, and collapse of foreign trade. Yet in one country radical "shock therapy" worked. In the other, the same announced program produced only what US academics Clifford G. Gaddy and Barry W. Ickes call a "virtual economy." Incredibly, they say, the Russian system is actually value-subtracting rather than value-adding.

"There's something on the level of

values," ventures Andrzej Olechowski, chairman of the supervisory board of Bank Handlowy, in groping for a succinct answer to the question. "In Russia the experiment failed, to tank up your car with gas and then pay. In Poland, this method was never questioned. The implicit contract is understood." Law and honesty are accepted as prerequisites for a functioning market economy.

Besides, adds Marek Siwiec, national security adviser to President Alexander Kwasniewski, Poland had the advantage of being poor in resources. Without Russia's vast oil and gas reserves, the Poles could not just exploit nature but had to work hard to create a functioning economy. Officials could not just circle around "the sack of gold" and take their cut "using all methods." Wojciech Kostrzewa, the young first deputy president of Poland's Bank Rozwoju Exportu, cites several further reasons for Poland's conspicuous success and Russia's conspicuous failure.



Polish President Alexander Kwasniewski (right) is working to bring his country into the EU next year. In May, he joined French President Jacques Chirac (center) and German Chancellor Gerhard Schröder at the Weimar Triangle summit held in Nancy, France.

"There is no one-dimensional answer. But I would prefer to explain it in terms of economics rather than history."

First, Kostrzewa notes, Poland came later to the smothering centrally planned economy than did Russia and left it earlier. In Poland "destruction of communism" began in the 1970s and 1980s, when Poles were allowed to travel abroad freely and came back from Singapore and Taiwan with hard disks and computer chips they cobbled together to start the computer firms that are now listed on the Warsaw Stock Exchange. The corollary was that "the brightest" of the Communist Party



elite understood from the imposition of martial law in 1982 “that a system that needs tanks and soldiers to keep people under control is close to its end.” When 1989 came, these people did not try to hang on to central planning.

“Second, West Berlin was eighty kilometers [fifty miles] from the Polish border, so with the removal of tariffs and non-tariff barriers and introduction of internal convertibility [in 1990], it was possible for traders to start importing [and exporting] goods on their own. They were not forced to wait until a big state organization imported the first bananas. So this part of shock therapy was visible; goods started to be available from one day to the next.”

Third, Kostrzewa continues, “the radical opening of the Polish market happened at the very time when most of the monopolies were very weak as pressure groups” because of the total discrediting of the old party hierarchy in the Solidarity years. This, in turn, meant that—“contrary to almost all of the former Soviet countries—the first government after 1989 was not driven by the ex-nomenklatura, which often in the former Soviet Union tried to delay the changes.” With fewer party apparatchiks remaining in power, Polish reformers saw far less high-level resistance than did their Russian counterparts—and it also prevented Red managers from “privatizing” their plants and become the new oligarchs.

Moreover, there is a benign political spillover. Today, says Kostrzewa, Poland’s “robust economic growth” is legitimizing democracy, and the “democratic system seems to overcome many childhood diseases of the system.”

Were Polish success and Russian failure predestined by history, then? Absolutely not, a senior American diplomat argues vehemently. It was a matter of choice as well as luck in the leadership the two countries came up with in the critical post-communist decade of the 1990s. “I do not buy the cultural inevitability thesis,” he says. “If Poland had failed, people would be writing lots of reasons why the failure was inevitable. It had no democratic tradition. It had no [commercial] tradition.”

“I don’t believe history is fate...In my opinion, more important were pro-saic politics and policies...Poland’s national mission and national salvation was [sought] through regaining Western identity. Here the West is not the alien other” to be rejected, but the touchstone to which Poland aspires. The International Monetary Fund is not seen (as in Russia today) as imposing onerous policies on the country, he says, but as helping Poles attain Western standards.

If only Russia’s post-communist leaders had taken a different tack, the outcome could have been different, he hypothesizes. “Suppose Yeltsin after 1991 had arranged for [human rights activist Andrei] Sakharov to become president, [saying] ‘you need to be the moral voice.’ Suppose he, as a liberal ex-Communist, had said, ‘My job is to support Deputy Prime Minister Gaidar in his economic reforms. We are liberated. We have our chance,’ with the subtext, ‘We are a miraculous people.’” Furthermore, he points out that Russians “could have drawn on a tradition, of commercial Novgorod, of [czarist reformers Peter Bergardovich] Struve and [Peter Arkadevich] Stolypin.”

That didn’t happen, of course. Poland and Russia chose very different paths in the 1990s. Poland prospers as it integrates into the West and the European Union. Russia rejects the West yet has not devised any other route to modernize and prosper. ☹

Elizabeth Pond, based in Cologne, is a regular contributor to EUROPE and the author of The Rebirth of Europe.

KRAKOW

City
of jazz,
poetry, and
popes

By Veronica Gould Stoddart

It is a Saturday night in the Polish city of Krakow and the cavelike Harris Piano Jazz Bar is thick with smoke and Krakovian yuppies. Clad in requisite black pants and t-shirts, in their best East Village takeoff, they knock back beers while lap dancing to the feverish sounds of the multinational Miles Memorial Band. Sitting near me, an insouciant, chocolate-lipped blonde from Vienna tosses back her head approvingly. “Who would think you could find

world-class jazz in an unlikely place like Krakow,” she finally says, a self-satisfied smile crawling across her lips. Indeed. Historic, sober Krakow, intellectual capital of Poland, birthplace of Pope John Paul II, and coronation site of Polish kings for centuries, has become Eastern Europe’s hippest new tourist destination. Moreover, visitors who have found their way to this soulful city on the Vistula River recognize it could be the next great “it” spot, perhaps even the Prague of the next decade.

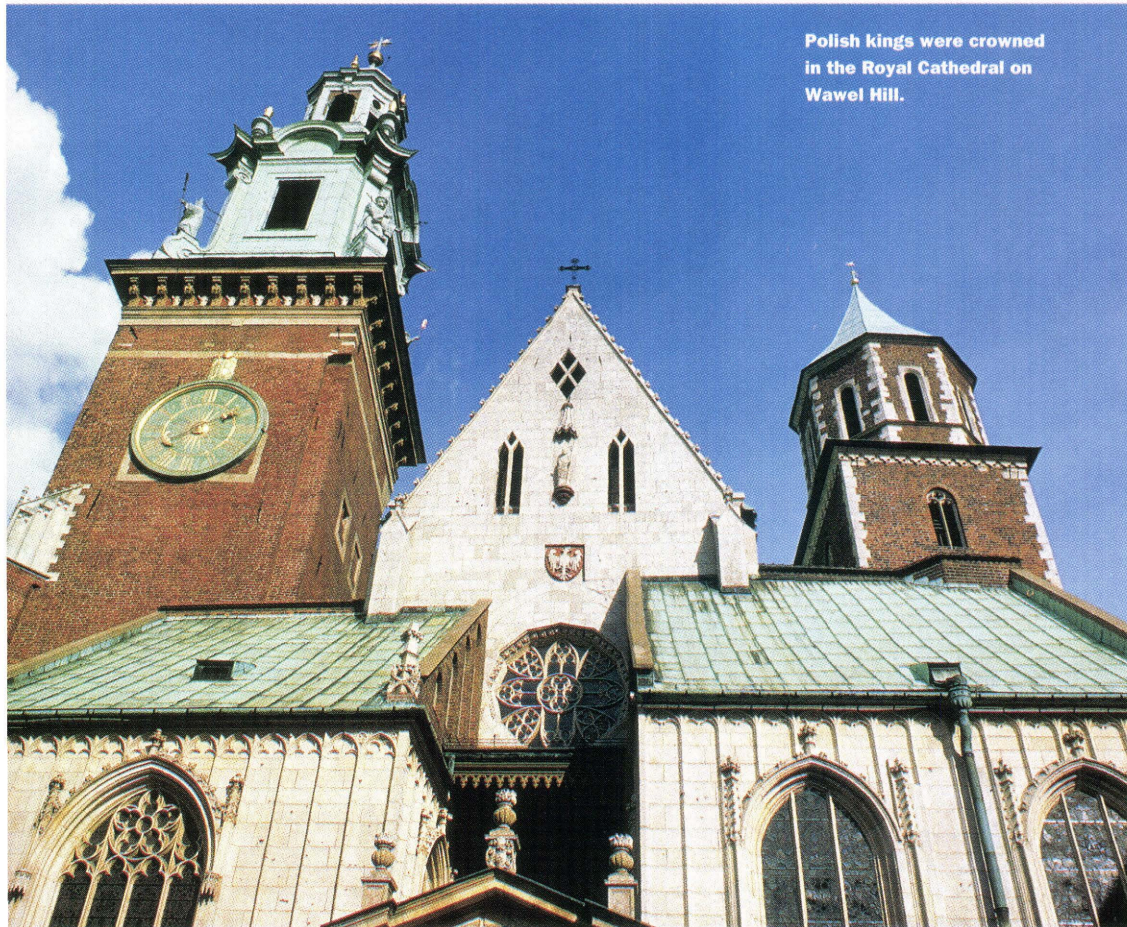
Rich in culture and glorious with history, Krakow is a place where past and present merge into a seamless whole. Reminders of ermine-robed Polish kings, cloaked merchants and traders, and medieval intellectuals, artists, and students are evident at every turn.

I start my tour at Wawel Hill, which dominates the city like an intractable sentinel. Here, for more than four centuries, Polish kings were crowned in the majestic Royal Cathedral and laid to rest in its cavernous crypts, even after the capital was moved to Warsaw in

1609. They reigned from its Renaissance-style castle, a repository of priceless antiques and the largest collection of Flemish tapestries in Europe. During Poland’s various partitions and occupations, even when it ceased to exist on political maps, this “sacred hill” became Poland’s spiritual capital, the very symbol of its national identity. No wonder author Wilhelm Feldman wrote, “To find the soul of Poland, you must seek it in Krakow.”

However, Wawel Hill tells only part of Krakow’s story. Since the city was long on major trade routes, the center of the Old Town (dating to 1257) is Rynek Glowny, Europe’s largest medieval market square. It is sliced in half by a sixteenth-century mini-mall, the Sukiennice, or Cloth Hall. The cloth merchants and artisans of the Middle Ages have now been replaced by their contemporary counterparts. Galleries and stalls selling Polish arts

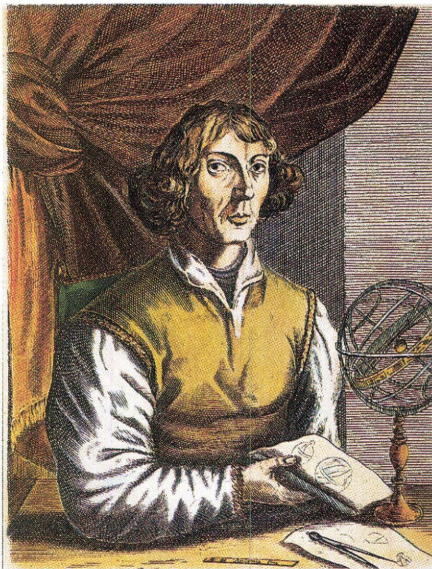
Polish kings were crowned in the Royal Cathedral on Wawel Hill.



W

and crafts line the soaring arcade, cheek by jowl.

Outside, the square forms a massive open-air stage where street performers, musicians, artists, flower and balloon vendors, and flocks of pigeons put on a lively show. Tourists mingle easily with locals as they stroll over the ancient stones, stop at one of many surrounding cafes and restaurants, or take a turn in a horse-drawn carriage. Everywhere the sounds of street accordions, church bells, and a mass broadcast over loudspeakers form a melodious background



Polish astronomer Nicolaus Copernicus (1473–1543) hailed from Krakow, and author Joseph Conrad (1857–1924) spent his formative years in Krakow.

refrain. I stop to watch a wedding party pour out of the twin-spired St. Mary's Church, which holds special significance for Krakovians. From its taller gilded tower comes a plaintive bugle call every hour, abruptly cut short as a reminder of the thirteenth-century trumpeter whose warning of an impend-

ing Tartar invasion was interrupted by a well-aimed arrow to the throat.

This city of one million takes pride in such reminders of its past, thankfully not destroyed during World War II. Its well-preserved historic architecture some 300 historical buildings and fifty-eight churches and palaces in the Old Town alone has earned it status as a UNESCO-declared World Heritage Site.

Take the handsome Jagiellonian University, founded in 1364 by King Casimir the Great as the first one in Poland, the second in Central Europe. Considered the Harvard of Poland, it



has drawn the intellectual cream of the country for centuries and turned the city into the Boston of the country with its many students. Bookstores, pubs, and even Internet cafes are alive with university types, giving the city a spirited tempo. "If anything, the city is less intellectual and even more fun now," says Polish tourism official Mariusz Moryl, an alumnus of Jagiellonian University, who has not seen the city for nine years.

But the intelligentsia have long found a welcome home in Krakow. Copernicus hailed from here; Joseph Conrad spent his formative years here; and half the living Nobel laureates in poetry reside here—Wisława Szymborska and Czesław Miłosz. Little known is that Szymborska's latest collection of poems outsold the most recent works of Norman Mailer, Gore Vidal, and John Updike combined.

In fact, good King Casimir was so enlightened he invited Jewish intellectuals and merchants from all over Europe to settle in Krakow in the fourteenth century. The city eventually became the center of European Jewish cultural life, a vibrant community that was snuffed out in World War II. No wonder Steven Spielberg set *Schindler's List* here. Now blessed with Hollywood cachet, Krakow offers Jewish theme tours that visit Schindler's factory and scenes from the movie in addition to excursions to Auschwitz-Birkenau, just an hour away.

Today, there are barely 100 Jews left

and a handful of synagogues and kosher restaurants in Kazimierz, the Jewish quarter, although there is an annual Jewish cultural festival held each June. The Remuh cemetery, with tombstones dating to the sixteenth century, is the only Renaissance Jewish graveyard still intact in all of Europe. Across the street, I have lunch at the Ariel Restaurant and listen to mournful klezmer music played by a trio trained in Israel. Most of the other diners are speaking German.

Not so at the Weirzynek, advertised as the world's oldest continuously used restaurant, dating to 1364. It is just off the main square along with enough cafes and bars to fill days of sampling their delights. The pubs, in fact, might make visitors think of Krakovians as mole people, since so many are underground, virtual warrens of catacomb-like hideaways (like the Harris Piano Jazz Bar).

And the cafes might bring to mind Austria, with their rich, whipped-cream laden pastries. In fact, reminders of Poland's days under Austrian rule abound, including portraits of Hapsburg Emperor Franz Joseph staring from the walls in many restaurants.

Since the city's golden age in the fourteenth century, international culture has been embraced here. Poland's oldest historical and art museum, the Czartoryski Palace, was founded in 1801 with Leonardo da Vinci's *Lady with an Ermine* and Rembrandt's *Landscape with the Good Samaritan*. Add Krakow's renowned International Music Festival, a thriving jazz scene, contemporary galleries, and artistic treasures galore in Wawel Castle, and it is easy to see why Krakow has been named by the European Union as one of Europe's Cultural Capitals in the year 2000. It is a testament to the indomitable spirit of this romantic city that it has survived many historical upheavals since the Middle Ages and kept its soul intact. However, it has yet to ward off a challenge of another sort: McDonald's is threatening to open a restaurant on the historic main square to much opposition. This may be the hardest fight of all, as the city tries to balance its grand history with its new identity as a tourism mecca for the next millennium. ☹

Veronica Gould Stoddart covers travel for USA Today.

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

PARIS

THE NEW FACE OF FRANCE

At first glance, it looked like your average beauty contest. The five finalists were the usual bevy of gorgeous young women, well endowed in the talent department, too. Two of them are top models; two have made their mark on television; and one is an international pop star. The winner, unsurprisingly, was the one possessing the most pneumatic curves. Where this differed from other Miss Something selections is that the judges were only concerned with what the contestants look like from the bust up and that instead of a dozen or so jury members, there were exactly 36,778 of them.

For the first time since the French Revolution, France's mayors were asked to choose the woman who will embody Marianne, the female figure symbolizing the French Republic, for the year 2000. Born in 1792, when the Republic was proclaimed, Marianne spent her early years as an anonymous working class girl, invariably wearing a Phrygian cap to show her republican sympathies and whichever face a sculptor cared to give her. As the poor but proud daughter of the people, she was baptized Marie-Anne, a name often given to the eldest girl in a family, who usually ended up going into domestic service.

One of the first famous busts of Marianne, by the sculptor Oliva, was created in 1848 and shows the noble, no-nonsense features of the kind of girl you would like to have beside you in a battle. Under Napoleon's rule, poor Marianne had to go into hiding for a while. She emerged, white-faced and determined as ever, in 1877 and since then has been a fixture in every town hall in France and in its embassies abroad.

During the swinging sixties, Marianne lost her egalitarian head and acquired a new, glamorous look. The

French model and actress Laetitia Casta was chosen to represent "Marianne," the face that will symbolize France in town halls in the year 2000.



sculptor Alain Aslan gave her the provocative pout, slanted, sex-kitten eyes, and generous décolleté of Brigitte Bardot. This first show-biz Marianne,

created in 1969, set a trend of choosing stars to personify the figurehead of the republic. The singer Mireille Mathieu inspired a wholesome Marianne with

DUBLIN

PILGRIMS' PROGRESS

bangs (1978); France's most popular actress Catherine Deneuve gave her a cool, mysterious air (1985); and *mannequin* Inès de La Fressange lent her a casual elegance (1994).

Every French mayor has the choice of which Marianne to display. Madame Bardot is still the most popular model ordered from the plaster workshop of France's National Museums, but that could change now that the mayors have cast their votes for the Marianne of the twenty-first century.

In the running, in alphabetical order, were five lovelies. At twenty-one-years-old and the youngest, Laetitia Casta is a top model for Yves Saint-Laurent. Her luscious curves filled the screen in the French film *Astérix and Obélix Against Caesar*, she is also under contract to L'Oreal and will soon be seen in a television series. Thirty-three-year-old Estelle Hallyday, married to David, the singing son of French rock legend Johnny Hallyday, is a fine-boned blonde who has strutted down the major catwalks of the world and is now starting a television career. She is a mother, too, which adds a maternal dimension to her other charms. The sultry-voiced, thirty-two-year-old Patricia Kaas comes closest to the humble origins of the original Marianne and recently performed in Kosovo, so the humanitarian vote was likely hers. Two brunette television presenters, Daniela Lumbroso (thirty-seven years-old) mother of three, and Nathalie Simon (thirty-four years-old), a former windsurfing champion, ally brains with beauty but are not such national icons as the other three.

When the results were published, it was the Corsican bombshell, Laetitia Casta, who will pout for France in the year 2000. A smaller jury drawn from the Association of French Mayors (AFM) will choose a sculptor, whose rendition of Laetitia as Marianne will be unveiled at the 82nd national mayoral congress on November 23.

Not all of France's mayors were happy with the choice of candidates they were given. One of them, Françoise Cartron, gave an interview to *Le Monde* newspaper in which she questioned that the five were truly "representative of the diversity of our society." Maybe not, but they do represent the French—or, indeed all of us—the way we would like to be: young, popular, talented, successful, and incredibly sexy!

—Ester Laushway

It all began on a bleak August night in 1879. Fifteen villagers gathered on a bitterly cold, rainy evening near the tiny west of Ireland Roman Catholic church at Knock, in County Mayo. For two hours they watched a "holy glow" on the stone church wall—an apparition, they claimed, in which they saw the Virgin Mary, St. Joseph, and St. John the Evangelist.

One hundred and twenty years later, the scene of the apparition has become Ireland's most famous shrine. The tiny church remains but is now dwarfed by a vast basilica—already the scene of one papal visit—with seating for 5,000 pilgrims. The once nondescript village is a thriving small town of 300 souls, boasting a multimillion-dollar "business."

It is, by any stretch of the imagination, a commercial "miracle" at a time when Irish religious belief is in alarming decline. Knock has become one of the pilgrimage capitals of Europe, ranking with Lourdes, Fatima, and Medjugorje on the list of must-see sacred sites.

Unlike neighboring towns, Knock's population is growing. It has a network of new roads and even boasts its own "international" airport—an airport that itself is something of a miracle.

The town's most famous pastor, Monsignor James Horan, bought a tract of mountaintop land that one Dublin politician described as "a soggy, boggy hillside." Other critics with a sharp wit claimed the first flight would be out of Knock—transporting groups of Muslim butchers to Mecca from a local Pakistani-owned mutton plant where they worked.

However, the monsignor, who has since passed away, had persuaded the Irish government to put up funding, and his airport dream became a reality. It's still not too busy, but it does fulfill a social function for vacationers and returning emigrants, as well as wealthier pilgrims.

Scores of thousands of people, from Ireland and dozens of other countries around the world, visit Knock's shrine during the spring-autumn "season." The largest numbers invade the town during the month of August, when there is a special nine-day novena of devotion to the Virgin Mary. However, even on the coldest winter days, there is still a steady trickle of visitors.

What do they seek there? Calm, spiritual uplift; prayerful guidance; and, almost inevitably, a miracle cure for incurable illness.

Someone like Marion Carroll who, ten years ago, was in the latter stages of multiple sclerosis (MS). She had begun to suffer pains in 1973. By 1978, her illness had been diagnosed as MS, and by 1986, she could only be moved in a wheelchair. She says she was completely disabled—her leg muscles wasting away, her head permanently low.

Her husband Jimmy, a soldier, and their teenage son and daughter were her chief supports. Then on September 3, 1989, she was taken by ambulance on a diocesan pilgrimage to Knock. After mass and a blessing by her local bishop, Colm O'Reilly, she says "suddenly all the pain was gone."

Shortly afterward, she was able to hold a cup of tea in previously lifeless hands. Back at her home in Athlone, County Westmeath, that evening she found she could walk again. "I said to my husband, 'Look Jim, I can walk.' And I went over to him and put my arms around him, and I never saw a man crying like that."

Although the Roman Catholic Church does not recognize Marion's cure, Bishop O'Reilly points out that this is not uncommon. "Extremely few cures are recognized by the Church—it is a long process of investigation, and it is very rare to get a decision," he says. Nevertheless, her story was featured in an Irish television documentary, and she is already the subject of one book. More than ten years later, as she goes about her normal daily routine of shopping and housework, Marion is adamant that this was a miraculous cure.

Marion and others who claim similar experiences are the nicer side of Knock. The downside is a rampant commercialism, with hotels, guesthouses, shops, and souvenir stalls cashing-in on an annual windfall from the estimated 1.5 million visitors. Souvenirs? Yes, everything from a \$20 statue of the Virgin Mary to \$15 rosary beads and tatty-tin medals, teacups, plastic holy water bottles, even sticks of a tasteless confection known as Knock Rock—all bearing the Knock Shrine "logo."

Ungodly? Vulgar? Yes, yes. Even those who administer the shrine admit there is a very fine line between providing a religious service and crass commercialism. But in an age when tradi-

tional religion appears under threat, Knock and its thousands of unwary pilgrims can still claim to be a success story.

—Mike Burns

BRUSSELS

PRINCE TAKES A BRIDE

Quite a few Belgians believe that the survival of their country depends on the monarchy. Without its unifying influence, they will tell you, nothing would prevent a partition between Flemish and French-speaking areas.

In my view, this belief is utter nonsense. The two language groups are bound together by strong self-interest and shared historical ties going back many centuries. These links would not be loosened one whit if a republic were to be declared tomorrow.

This, however, will not be put to the test. The monarchy will undoubtedly continue, and indeed has been strengthened by the news that thirty-nine-year-old Prince Philippe, the heir to the throne, is at last to marry. On December 4, he will wed the twenty-six-year-old Mathilde d'Udekem d'Acoz.

Philippe's bachelor status cost him the throne when his childless uncle, King Baudouin, died suddenly in 1993. Albert, Baudouin's younger brother, had long made it known that he had no wish to be king and would stand aside in favor of his son, Philippe. Yet, the Belgian government put enormous pressure on Albert to take the throne, arguing that Philippe was immature and that without a queen by his side would be unable convincingly to carry out his royal duties.

By all accounts, Philippe was relieved that his father would carry the burden instead, but as succeeding years have passed, Belgian monarchists increasingly have worried that the days of his bachelorhood showed no signs of coming to an end.

The prince has now confounded his critics and, at the same time, has broken the tradition followed by all six Belgian kings of marrying a foreign wife. This practice was always held to be a prudent policy, as it avoided the invidious choice of picking a bride from one of the language groups.

Philippe is marrying a Belgian woman but has neatly avoided the trap by choosing someone from an aristocratic Flem-



Belgium's Crown Prince Philippe and his fiancée Mathilde d'Udekem d'Acoz.

ish family that has put down roots in a French-speaking province. Mathilde, a speech therapist, speaks both the national languages equally well, which is more than can be said of the present queen, Paola, an Italian, whose knowledge of Dutch remains rudimentary.

The previously diffident Philippe seems finally to have made up his mind that he does want eventually to succeed his father. His marriage may well silence the growing demand that he should stand aside in favor of his younger sister, Astrid. Intelligent and outgoing, she is married to a Hapsburg and is the mother of four young children.

The Belgian constitution was amended a few years ago to enable women to ascend the throne, and many Belgians had concluded that the future of the dynasty would depend on Astrid and her progeny. Unless Philippe and Mathilde fail to produce children, this will now probably not be the case.

—Dick Leonard

THE HAGUE

MAXIMA EXCITEMENT SWEEPS THE DUTCH

The news that Prince Willem Alexander has fallen in love has swept the Netherlands into tittering excitement. His new girlfriend is a twenty-eight-year-old Argentinean who lives and works in New York. Little is known about her, except for the fact that she is described as staggeringly beautiful (subsequent photographs proved it) and that her father was the agriculture minister in the military government of Argentina in the 1970s.

Maxima Zorreguieta was discovered in early September. She turned up with the thirty-two-year-old Willem Alexander at a wedding party in the Netherlands and has been spotted with him on the royal family's yacht in the presence of Queen Beatrix. Suddenly, the entire

press—and not just the traditional gossip magazines—joined the hunt for the identity of the new royal girlfriend, which was published within a couple of days.

The government was clearly embarrassed. In the Netherlands, the royal family occupies a peculiar position. Enshrined in the Dutch constitution is the principle that the king (or queen) is inviolable and that the government bears full responsibility for matters of state. This means that the royals—the queen, her husband, and three sons—are not allowed to express themselves in public on any issue without consent of the government. At the same time, particularly on family matters, the government has to take into account the wishes and sensitivities of the royal family. Then there is public opinion, which generally holds the royal family in high esteem. Different from the United Kingdom, the Dutch are strong in their opinion that the royal family members' privacy should be respected. At the same time, it is undeniable that there is a hunger for pictures and news about any love affair involving the crown prince. After all, the future wife of Willem Alexander will eventually become queen of the Netherlands and, presumably, the mother of the heirs to the throne.

All these mixed sensitivities come together in the case of royal romance. In 1966, with the marriage of Princess Beatrix (the present queen) to a former German army officer, Claus von Amsberg, emotions ran high, and the government at that time badly mishandled the situation.

Willem Alexander, a tall, blond, athletic, and open-minded man, has been described as the most desirable bachelor of the Netherlands. He has had numerous girlfriends but has never been engaged. Last year, in what looked like the most serious relationship so far, a relationship with a Dutch common girl broke up, allegedly because she was not fully accepted by the court.

So it should have come to nobody's surprise that the rumors about a new royal girlfriend drew so much attention. On top of that, she is an Argentinean who lives in the trendy Manhattan neighborhood of Chelsea and works in New York as an employee of Deutsche Bank. However, what caused the most upheaval was the discovery that her father, a wealthy, traditional landowner, was the minister of agriculture in the government of General Jorge Videla in Ar-

gentina. During his military regime, thousands of opponents of the government disappeared. Argentina was severely criticized by the Carter administration and others for human rights violations. At that time, there was broad support in the Netherlands for the Madres Locas, the relatives of the disappeared persons.

In the Netherlands, where human rights remains a hot-button issue, the debate focused more on the background of the father rather than the girl. Parliamentarians—the Dutch Parliament has to approve a royal wedding—publicly wondered if it was acceptable that the father-in-law of the future king had been a civil member of the military government. Some suggested that Maxima should make a public statement about the atrocities of the junta before she could marry Willem Alexander.

Embarrassed by all this excitement without any official confirmation of the love affair, the government felt obliged to make a public announcement. In a unique press statement, the government press agency confirmed that Willem

Alexander and Maxima Zorreguieta were friends. The next step may be the announcement of a royal wedding or the breakup of the Maxima affair and the search for a new girlfriend.

—Roel Janssen

LONDON

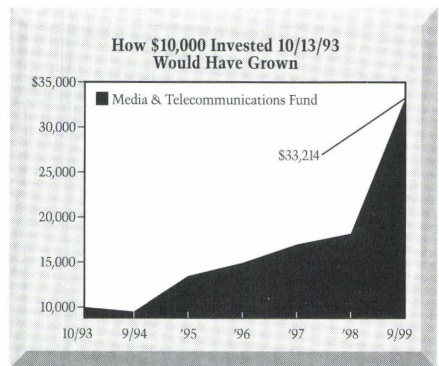
DRUG CULTURE A WAY OF YOUNG LIFE

Today, half of the United Kingdom's children are said to have tried drugs by the age of fifteen, and the authorities are worried. It is no epidemic, but drug use is becoming ingrained in youth culture, and the government wants to halt the trend.

"All the children in our schools are exposed to drugs, and the teachers simply don't know how to deal with it," says Naomi Lobbenberg, a teacher of troubled children. "I remember my own daughter asking me when she was fifteen if I had tried drugs. Well, as a child of the 1960s, I had to say yes. She asked

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me if I liked it, I told her it was just an experiment of youth. Then she confessed that she had tried pot but added that she felt guilty. I was relieved."

Naomi and her daughter may not be typical. Few parents have as open a relationship with their children; few parents are as experienced in dealing with difficult teenage situations. Most parents are unaware of the peer pressure on youth today to try drugs, and when they do learn about their children's experiments, they don't know how to handle it.

The government appointed a drug czar, Keith Hallawell, to coordinate the battle against the growing use of drugs in the United Kingdom. He was handed a budget of \$350 million and a mandate to try to coordinate the myriad bodies with responsibility for dealing with the growing drug problem. Hallawell recognizes it's a problem with no easy solutions.

Prevention is the goal, but in reality, three times as much is spent on reaction to drug misuse, enforcement, and detection—police action, the courts, and prison—as on trying to stop the problem from arising. The social and economic costs in terms of drug-related crime, sickness, and work absenteeism are conservatively estimated at \$6 billion. Other costs, such as family breakup and social exclusion, are harder to calculate.

Drug taking is highest among the poor and deprived, but there has been an explosion of cocaine use among young professionals in the twenty to thirty age group. Falling prices, improvement in the quality of the drugs available, and above all the wish to emulate celebrity users have contributed to a doubling of the number of young cocaine users in the past three years.

Hallawell wants to halve the number of cocaine users within ten years. One of his answers is to stir the consciences of youngsters by making them aware of the fact that drugs support corrupt regimes and that thousands of workers are paid a pittance and work in appalling conditions to produce the drugs.

Other professionals regard this as naive in the extreme, but they do not agree on how to combat the growing problem of drug abuse. Some argue for better education about the dangers of drug abuse; others advocate teaching young people about the safe use of drugs; and there are those who would impose draconian punishments for drug dealers, regardless of age.

The more radical say that as drugs are no longer a minority fad but part of the social fabric; therefore, the war against drugs is unwinnable. They say legalize drugs, tax them like alcohol and cigarettes, and once decriminalized and freely available, they will no longer be any greater a spur to crimes by people trying to find the money to pay for their habit than for those craving a cigarette or a drink.

The debate is growing. But, in reality, the statistics in the UK show that, while most kids try drugs, by the age of thirty most have given them up as they need to work and support a family. This presents a conundrum for those who believe a war should be waged against drugs.

"My daughter admitted that she had tried drugs," says Naomi, "but it clearly was peer group social pressure that made her try them. I profoundly wish that drugs were not available in schools, but they are. We have to educate our children in how to cope with the situation. Ignoring it won't make it go away."

Oh, and some good news. The latest British Crime Survey says that the use of party drugs such as ecstasy has declined in the UK as the "rave culture" is absorbed into the organized mainstream clubs.

—David Lennon

LISBON

INDUSTRY GIANTS FACE LIFE AFTER PRIVATIZATION

For most of this year, Portugal's two biggest companies have been bracing themselves for a blast of competition in areas where they have so far enjoyed cozy monopolies. Already, the prospect of change is having a huge impact on the Portuguese business scene. Although it is only on January 1, 2000 that the telecommunications and electricity markets open, potential competitors of Portugal Telecom (PT) and Electricidade de Portugal (EdP) have been on the starting blocks for some time.

Both PT and EdP were slow moving state enterprises until a few years ago. In July, in the last of a series of such operations, the government reduced its "golden share" in PT to 10 percent. More than 50 percent of EdP's equity has been sold to investors. The ownership changes at both companies have fostered an overhaul of their business prac-

tices, and they are now aggressively seeking new opportunities.

It is hardly surprising, therefore, that one former state enterprise—EdP—has emerged as the main challenger to the other—PT—in its core business, public telephony. EdP's telecommunications associate, E3G, has been active in the market for closed-circuit telecommunications for some months. In July, to gain control of all its telecommunications interests, EdP paid Gas de Portugal (GdP), the state gas company that is also slated for privatization, \$189 million for its 40 percent stake in the two companies' joint holding company for telecommunications. At the same time, EdP won full access to GdP's fiber-optic network for twenty years, in return for investing \$9.9 million over the period.

The changes in the electricity market are, for now, more gradual. That is partly because the industry is more capital intensive. It is also because only a part of the market has been liberalized—that for large consumers of electricity. For now, the most likely market entrants are Spanish utilities, such as the giant Endesa, which view Portugal as potentially no more than an extension of their own market.

To fight off the challenge, EdP has allied itself with Iberdrola, Spain's second-largest electricity utility. Last year, the two signed a cross-border alliance to explore business prospects in Iberia, the rest of Europe and Latin America. More recently, Iberdrola took a 25 percent stake in the new gas-fired power plant EdP is building. The latter is to maintain a 51 percent stake in the venture, with Gas de Portugal, the plant's supplier, also taking a stake.

As in this deal, the same names pop up regularly in Portuguese business. Another potential entrant to the market for public telephony, for instance, is the Sonae group, which has a finger in pies ranging from building materials to media. Last year, it burst into the market for mobile telephony with a joint venture whose other shareholders included France Telecom and—you guessed it—EdP.

The reason for this phenomenon is that there is a dearth of Portuguese companies that are large in international terms, both from the point of view of shareholders and the government, which does not want Portugal's national champions to get squashed by larger rivals from other EU countries. With market

liberalization and the creation of monetary union, it believes there is a real danger of that.

What do the changes mean for consumers? So far, they have meant lower prices in some areas, but by no means all. Last February, PT adjusted its pricing structure, slashing the cost of international calls—the market segment where it will feel the most competitive heat. Prices for short local calls actually went up, and telephone calls in general remain the most expensive in the European Union.

As for electricity, things have not all gone EdP's way. At the start of 1998, the independent electricity regulator sparked an outcry by shareholders when it lowered prices far more than foreseen in the privatization prospectus. However, with liberalization restricted to big business, households are not likely to feel major benefits for now.

—Alison Roberts

HELSINKI

WILL FINNS ELECT A FEMALE PRESIDENT?

This winter, the Finns have an extra activity to the normal winter pastimes. Or actually two, but apart from piloting Europe into the next millennium—chairing the Union—the Finns have to look for a new pilot for themselves. The six-year term for the president of the republic ends on February 29, and Martti Ahtisaari will leave office for new international challenges.

Traditionally, the job has been a coveted one. The Finnish president enjoys a fair amount of power, even if a recent change in the constitution took away the absolute power in foreign policy matters the office used to carry. For this year's election, however, quite a few potential candidates have declined to run. The most surprising non-candidacy is that of Sauli Niinistö, chairman of the National

Coalition Party (conservative) and secretary of the treasury. He simply refused to run, pleading his right to privacy as an excuse. He is a widower with an already busy schedule and is said to dislike the official duties of the head of state.

It is, therefore, possible that the conservatives would choose to back the Swedish People's Party candidate, Elisabeth Rehn, a former secretary of defense and UN-emissary in Bosnia. She actually has a good chance to become Finland's first female president. It is her second campaign for the office, and she gave Ahtisaari a good fight in the previous election in 1994.



Former defense minister Elisabeth Rehn (above) is favored to become Finland's first female president. Her closest challenger is another woman, Secretary of State Tarja Halonen (left).

Rehn is, however, challenged by another woman, Secretary of State Tarja

Halonen, who represents the Social Democrats. In fact, the only thing that can be predicted with reasonable certainty is that there will be a female head of state sworn in on March 1, 2000. Esko Aho, of the Center Party and a former prime minister, has little chance

to beat either of the two female favorites. Heidi Hautala, candidate for the Greens and member of the European Parliament, also faces extremely long odds as do the rest of the candidates from the other small parties.

The president of the republic is elected by direct popular vote, if necessary, in two rounds. One round is enough if anyone candidate gets more than 50 percent of the votes, which is unlikely.

The first round will be held on January 16. If none of the candidates wins a majority, a runoff will be held on the third Sunday following the first round, that is, on February 6. In this second round, voters will choose between the two candidates who received the top two vote getters in the first round.

Judging from popularity polls and the overall political map of Finland today, Rehn appears on track to win. She has, however, two handicaps in that she belongs to the Swedish-speaking minority, which is seen as a little foppish, and is fairly far right on the political scale. Halonen has her own handicaps. She is seen a little too folksy and leaning too far to the left. It will probably be a rather narrow race, and the television debates during the three weeks preceding the second round could prove decisive.

—Thomas Romantschuk

VIENNA

WOLF'S PROGRESSION PROCLAIMS MILLENNIUM

An air raid siren shattered the silent night, and blue, green, and purple lights illuminated the bank of the Danube River—not quite the usual start to a symphony performance. But not much is typical about *Progression*, a millennium symphony composed by Austrian songwriter and record producer Peter Wolf.

Combining lush orchestral arrangements, peppy pop tunes, narration by Austrian-born actor Klaus Maria Brandauer, and a video and light show, the debut performance at the *Klangwolke* (Sound Cloud) festival in the city of Linz was certainly a spectacle.

After Wolf strode on stage to direct the 100-piece Bruckner Orchestra, video footage of fighter planes filled screens facing the audience, and a real jet

screamed overhead, followed by a small, controlled explosion on the far side of the river.

The video served to reinforce the themes of the symphony—war and racism, ethnicity and diversity. Wolf said the aim of *Progression* is to “put a big mirror in front of us and ask, ‘where the hell are we humans nowadays?’”

Much of this was reflected in the videos, showing scenes of deforestation and pollution, followed by footage of children playing and people of various races and religions, while vocalists such as James Ingram, Cliff Richard, and Coolio sang of killings and concentration camps, breaking down borders, and celebrating ethnicity.

Ingram, who like the other performers is a friend of Wolf, said part of what attracted him to the project was the meaning conveyed in the songs.

“The songs are really deep, and they raise the question coming into the new millennium: we do great technical stuff... but have we really progressed, or did we just take a few steps back.”

Writing the symphony is new turf for Wolf, who played keyboards with Frank Zappa and the Mothers of Invention back in the 1970s, then became a songwriter and music producer, working with such name acts as Natalie Cole, Chicago, Jefferson Starship, the Scorpions, and Santana.

“I would have never thought of writing a symphony,” Wolf said. “It’s not commercially viable. People don’t have time to play an eighty-minute piece on the radio.” But after mulling over the idea with his American-born wife, Michelle, a singer and lyricist, the couple decided to give it a try. By considering each pop song as a possible single, “all of a sudden things started to make sense.”

Each of the seven movements opens with narration by Brandauer, followed by a performance by the Bruckner Orchestra, and then a pop song.

Footage of the symphony is being aired on Austrian and German television, and negotiations are under way with US television stations. A compact disk of *Progression*, with Brandauer’s narration in German, was released immediately, and an English-language version is in the works.

—Susan Ladika

STOCKHOLM

FALL IS TAX TIME

In many places, autumn is a time of cool, crisp weather; apple harvests; and the pleasure of bundling up in thick wool sweaters to walk in the woods and see the leaves changing color. In Sweden, autumn is first and foremost a time to discuss taxes. Each year, directly after Sweden’s parliament, the Riksdag,

reconvenes the government presents its budget proposal for the coming year. Invariably, it sparks heated debate about levels and types of taxation and how taxpayers’ money is being used, and this year, the fireworks have been particularly spectacular.

With government finances showing a surplus for the first time since the beginning of the decade, taxpayers are pushing for a cut in income tax. The Swedish National Debt Office is pushing the government to use the surplus to pay off principal on

the national debt instead of giving taxpayers a break. Industry also wants lower income tax, to make it easier to attract foreign employees who generally reject the idea of moving to Sweden if it means paying as much as 60 percent of their income in marginal income tax.

At the same time, the government has a few ideas of its own. Following lengthy negotiations with the Left and the Greens (who are not part of the Social Democratic minority government but whose support the government

needs in the Riksdag) a tax package has been developed that includes a range of so-called green taxes totaling \$206 million. These include an increase in the nuclear electricity production tax of about \$80 million annually. The package is a victory for the Greens, who hope they will help improve the environment. The tax increases are also intended to offset a cut in the payroll taxes employers pay, which the Greens say will help reduce unemployment.

All of the proposed taxes and tax changes have come under intense criticism from the political opposition. However, the increased tax on nuclear production is being blasted as well by municipal leaders and representatives from Sweden’s electricity-intensive industries. They include the forest products, steel, mining, and chemical sectors, all essential in Sweden’s economy. Although the tax would be paid by the utilities, they would, of course, pass the increase along to customers.

One of Sweden’s competitive advantages has long been its cheap electricity, relative to Continental prices. In large part, that’s helped offset higher transportation costs. However, with deregulation of electricity markets on the Continent, kilowatt prices are falling, and Swedish industrial representatives say that an increase in Sweden will force companies to cut production, postpone expansion plans, and, in extreme cases, move production abroad.

“This is a clear signal that the government doesn’t want these types of companies,” says Ingemar Widell, chief executive of metal works Vargon Alloys. Vargon has 250 employees, and Widell claims the tax hike will cost \$5,447 per employee per year.

Municipal leaders have added their voice to the industry protest. They say the tax will hurt their communities if businesses cut back or move out since that will lower the tax base.

The tax package was discussed with opposition leaders before the budget was delivered to the Riksdag, in an effort to reach consensus, with little success. Nevertheless, with the Social Democrats, Greens, and Left holding a parliamentary majority, and in agreement on the plan, it’s almost certain to pass, and that will only help cement the image of Sweden as a country with one of the world’s highest tax levels.

—Ariane Sains

“This is a clear signal that the government doesn’t want these types of companies,” says Ingemar Widell, chief executive of metal works Vargon Alloys. Vargon has 250 employees, and Widell claims the tax hike will cost \$5,447 per employee per year.

COPENHAGEN

DANES DISCOVER SHAREHOLDER VALUE

There is no Danish term for “shareholder value.” The US term is used with no translation. Just three years ago most Danish top managers rejected the idea that they should solely or even primarily be judged by the performance of the shares of the companies they were responsible for. Even fewer had stock options as an incentive to perform.

Things have changed dramatically since. No major listed Danish corporation dares ignore the creation of shareholder value, and like in the United States in the 1980s, the pension funds have been major agents of change. The trade unions used the pension funds they controlled to serve other purposes, that is to preserve jobs in Denmark, but this policy has also been abandoned in favor of maximizing the pensions of their members. Shareholder culture as such is, however, still relatively weak in Denmark.

More than 8,000 small shareholders have organized themselves in the Danish Shareholders Association. The number is growing but remains very small compared to neighboring Sweden. Close to one out of three Danes owns shares, up from about one out of four ten years ago, but about half of Danish shareowners own shares with a value smaller than \$4,000. Often these will be favorable offers to employees, and shares can be sold tax free after holding them for five years. Small portfolios with a value of less than \$15,000 also receive preferential tax treatment.

Only 5 percent of all Danes own shares with a market value of more than \$15,000, mostly men with annual incomes of 100,000 dollars or more. Mutual funds have become very popular, and about one Dane in ten now use this investment vehicle. Saving for retirement is the prime motive for investing in stocks.

Private investors are taxed at the punitive Danish income tax rate of 60 percent when they make speculative profits, but they cannot deduct losses, so the odds often seem stacked against such activity. Danish stocks have moved up sharply over the past five years, but not at the spectacular pace of those in the United States. Compared

to their US colleagues, Danish investors are more risk averse, an attitude obviously encouraged by the tax system.

Everyone expects that more Danes will invest in stocks in the future. Demographics make this a safe prediction. There is also a growing recognition among Danes that—even though the country is a welfare state with public pensions and most Danish employees now have compulsory pension plans as part of their collective wage agreements—this will not suffice to maintain a satisfactory standard of living after retirement. Pension contributions are tax deductible, while pensions are taxed when they are paid out. This also applies to private pension funds and is the major incentive to include larger proportion of stocks in portfolios, including relatively low-yield bonds.

—Leif Beck Fallesen

MADRID

BASQUE TRUCE HOLDS

Is there real hope that Spain's thirty years of deadly Basque separatist violence may finally be coming to an end? That was the question on the lips of many Spaniards on the first anniversary in September of the Basque terror group ETA's unilateral and open-ended cease-fire.

It was the first real truce in the conflict since the Basque nationalists in ETA, a Basque-language acronym that stands for Basque Homeland and Freedom, first took up arms in 1968 to fight for the independence of northern Spain's three-province Basque region. They would like to include the neighboring province of Navarra and bits of southwestern France in their proposed state.

Since then, around 800 people have died in the violence, which included shootings and car bombs aimed at army officers, policemen, politicians, and military targets and sowed terror throughout Spain.

The cease-fire was a relief, and especially to the residents of the Basque region itself, a beautiful stretch of mountains, green fields, and coast along the Iberian peninsula's Atlantic coast.

Along with Catalonia, the region has also always been one of Spain's most outward-looking, business-minded and productive, but development had been crippled by the terrorist campaign and ETA's

annoying habit of blackmailing businessmen and then kidnapping them if they didn't give in and pay the requested “revolutionary tax.”

After the cease-fire was announced, there was no real news on what was going on behind the scenes until this past summer when it emerged that ETA representatives and government officials had held talks in Zurich, Switzerland, in May, the first such dialogue in ten years.

However, if reports are to be believed, the discussions did not get very far. ETA asked the center-right government of Prime Minister Jose Maria Aznar to acknowledge the Basque people's right to make up their own minds concerning independence and that was rejected out of hand.

For its part, the government wanted ETA to renounce violence permanently and basically surrender. Neither of these demands went down well with the gunmen. Another round of talks was to take place in August, but ETA canceled them and charged Aznar with using the peace process as a political gambit in the run-up to general elections scheduled for next spring.

Now, the peace process appears to be at a stalemate, despite a recent concession by the government to transfer more than 100 terrorist prisoners from jails around Spain to lockups closer to their Basque homes, a long-time ETA demand.

No one knows what will happen next, and the ball appears to be in ETA's court, but even a deadlock, most Spaniards believe, is better than more dead policemen.

—Benjamin Jones

ROME

WORKING WOMEN RATE ITALY

Italy the beautiful? Maybe. However, you had better ask first what foreign women living and working in Italy really think about it. Most of them, according to a recent poll, said it is harder to raise a family and to handle day-to-day problems in Dante's land than in their native countries or the other countries they have lived in. Yet, despite all the difficulties both at home and in the workplace, a majority of them admit they still prefer to live in Italy than anywhere else because of the higher quality of life this Mediterranean country has to offer.

Asked to specify the drawbacks of life in Italy, women who participated in the survey—jointly done by *Italy Daily*, a

four-page Italian supplement published in the *International Herald Tribune*, and the Milan-based association Women's International Networking (WIN)—pointed to practical difficulties as well as the chauvinistic attitudes of men in the work place. The absence of childcare, rigid labor laws, and the lack of meritocracy were also mentioned.

"Life for a woman is definitely less convenient in Italy," said WIN president Kristin Engvig from Norway. "A lot of foreign women complain about the lack of family-friendly facilities. There are some good private childcare structures here, but they are not accessible to everyone. Also, you have to work longer hours in Italy than in many other European countries, like say Germany or Denmark."

One good thing is that Italians still have extended families, which fulfill a lot of need. Grandmothers and grandfathers are particularly of help. "But since there is now more mobility and more women are working, this country needs to be better prepared to face this situation," said Sally Altrocchi, an American from northern California who runs her own fashion consultancy firm in Milan.

As for the "macho problem," it seems to be a persistent nuisance. Some foreign women complain that they often feel like they are not taken seriously and, sometimes, are even treated unequally. "Italian men have a hard time having a woman telling them what to do," maintains Constance Wark, owner of a Boston-based money management firm who regularly travels to Italy to close business deals. "They either bristle or simply ignore you. They either perceive me as a threat or do not acknowledge the value of what I am proposing."

Furthermore, foreign women find that not only do they have to deal with open or subtle discrimination by men. Frequently their problem is with unfriendly or uncooperative attitudes from Italian women. "They have excessively competitive behavior," said Engvig. "I think it has to do with the struggle involved to get up there and the lack of role models. This country is in a transitional phase. I don't think Italian women really know how to deal with competition yet." Actually, more than half of the foreign women interviewed said that, after all, they find it easier to deal with male colleagues than with those of the same sex. However, the poll found that there is an overwhelming



Foreign women living in Italy said it is more difficult to raise a family and to handle daily problems in Italy than it is in their native countries.

feeling among the *straniere*—the foreign women—that things are getting better and that, in the last few years, there has been a "significant" improvement. Only 25 percent of those surveyed said that if they were to do it all over again, they would not choose to live and work in Italy. Despite all the negative aspects listed, the vast majority seemed quite happy to have the opportunity to live in Italy. "There is wonderful quality of life

here," summed up Altrocchi. "There is a great balance between working and living outside your job. When you are home, you really are home. Also the concept of enjoying life in general is perceived as absolutely basic, and in the long run, this has a positive influence on the quality of your work."

Well, yes, after all this is Italy the Beautiful.

—Niccolò d'Aquino

LUXEMBOURG

NEW GOVERNMENT FACES RIFT ON PENSIONS

Following the general election in June, Luxembourg has a new government, but it would take a microscope to see much difference between it and the old one. The former coalition of Jean-Claude Juncker's Christian Social Party (CSV) and the Socialist Workers Party has now been replaced by a partnership between the CSV and the Liberal Party, which gained three seats in the poll and ousted the Socialists as the second-largest party.

Put more simply, a center-left coalition has been replaced by one that combines the two center-right parties. Juncker will continue as prime minister. Where foreign affairs are concerned there will be no visible change. Policy will remain rooted in a profound faith in the European Union coupled with especially warm ties to the United States.

Even domestically, it is hard to find any reason why life should change much over the next five years for the Luxembourgier.

The economy is humming along very nicely; there have been no suggestions of corruption or other scandals in government; and there are no pressing social issues to be determined. The new government budget presented in September clings faithfully to the spending priorities set by the previous one.

Juncker is believed to have said privately that he would have preferred to continue in coalition with the Socialists rather than with the Liberals in spite of the supposed political affinities between his party and the latter. He displayed considerable impatience with his new partners during the months-long haggling

over policy. However, there is no doubt that Juncker is in a strong enough position to dictate the terms of government whatever the wishes of the Liberals.

This strong bargaining position was clear over the issue of pensions. It's the one subject where every Luxembourgier seems to hold strong views, and it's the factor that, more than any other, brought the Liberals back into power in June and, on paper, puts them in open confrontation with Juncker's party.

The issue arises from Luxembourg's incredibly generous civil service pensions. Until last year, it had become routine for a faithful servant of the state to retire and then draw five-sixths of his or

her final pay as a pension for life. Private sector employers found it increasingly difficult to match such a perk while economists warned that, unless it were reformed, Luxembourg could face virtual bankruptcy within a generation.

After much agonizing, Juncker proposed a radical restructuring of the system to cut back state pensions and make up the difference through private pensions financed out of a worker's current income.

The Liberals were furious and pledged in their election manifesto "to provide everyone with the pensions they were promised." It was a startling move by a party that had seldom shown much sympathy

for workers before. But if it was, as many in Luxembourg believe, "a cynical election ploy for winning votes," then it certainly worked.

The irony is that although they are now in government, the Liberals seem a long way from having any real power. Juncker has said flatly there will be no halt to the pension reforms and has forced his partners to accept an informal agreement that the whole issue will be pushed down the political agenda until

the next election in 2004. The agenda for the new Parliament, which was seated in October, contains no provision for any action on pensions. The Liberals in short have been unable to deliver on their major campaign promise.

There is no difference at all between any of the political parties, however, over the other main issue facing Luxembourg in the coming years, namely the European Commission's determination to apply a common withholding tax on savings throughout the European Union. This would, at one stroke, wipe out Luxembourg's appeal as a tax haven for savers in neighboring countries where stiff withholding taxes are applied.

Every politician in Luxembourg resists this in public, but almost certainly all accept it as inevitable. "The whole financial sector sees it coming sooner or later," says Simon Gray, editor of *Luxembourg Business*. "They hope it's going to be later and on the terms that they want. But until then, they'll carry on trying to do as well as they can out of it."

—Alan Osborn

Luxembourg's economy is humming along very nicely; there have been no suggestions of corruption or other scandals in government; and there are no pressing social issues to be determined. The new government budget presented in September clings faithfully to the spending priorities set by the previous one.

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ARTS & LEISURE

BOOKS

THE HARRY POTTER PHENOMENON

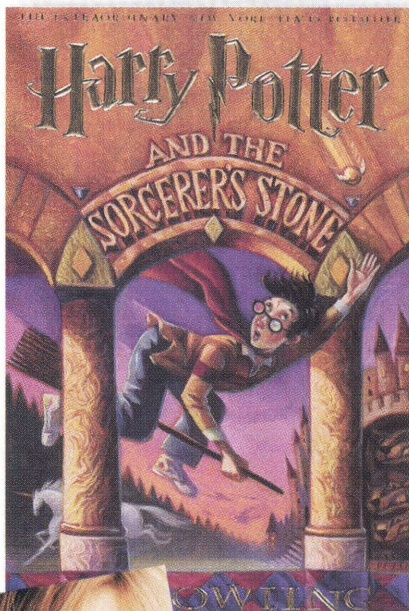
A curious phenomenon took place in England this summer. It started a couple of years ago with the publication of the first installment in a series of children's books and has slowly been gathering momentum ever since. It became a phenomenon at the beginning of July when *Harry Potter and the Prisoner of Azkaban* (published by Arthur A. Levine Books; 341 pages; \$20) the third book in the series, was published. It became an immediate bestseller, out-selling the much anticipated *Hannibal*, Thomas Harris's follow-up to *Silence of the Lambs*, and suddenly, it seemed that the whole of the United Kingdom was talking about Harry Potter.

So, just who is this Harry Potter, you may ask? Well, Harry is the creation of J.K. (Joanne) Rowling, who dreamed him up while sitting on a train. Harry, himself, is an orphan, who is sent to live with his mean uncle's family after his parents are killed in a car crash. Actually, that's not quite the whole story. You see, Harry is a wizard and his wizard parents, heroes in the wizard world, weren't killed in a car crash, but died trying to protect their son from the evil Lord Voldemort, a wizard who has gone over to the dark side. Needless to say, Harry's relatives are "Muggles" (that's non-wizards, to you and me—all right then, humans), and

they treat Harry very badly indeed and certainly don't tell him about any of his magical powers. So, you can imagine Harry's relief when, on his eleventh birthday, he is whisked away to Hogwarts School of Witchcraft and Wizardry, to live and study among other trainee wizards. In between such classes as Defense Against the Dark Arts and the school game of "quidditch," a lengthy and complicated ball game played on broomsticks, Harry and his friends (Hagrid and Hermione are my own favorites) embark upon most of their adventures. These adventures are essentially battles between good and evil, with Lord Voldemort remaining a recurring dark presence not easily disposed of. Harry gets a little older in each book and his adventures become more complex, testing the boundaries of friendship and authority, and his enemies grow more frightening. However, as with all good stories, good overcomes evil, and anyway there are four more books to come so nothing too bad can happen to Harry just yet.

And what is all the fuss about? Harry Potter's success is surprising on two counts. First, it's a children's book

and, let's face it, it's been a long time since children's books have been hip. Many of us have often wondered gloomily if children still read books in the cyberspace era. Not only are the Harry Potter books for children, but they do not have an accompanying television series or computer game (although a film is in the works for 2001). Second,



Harry Potter's creator, J.K. Rowling, is now said to be one of the UK's richest women.

everyone is reading the books. I mean *everyone*, not just children, but

adults, too, and not just parents. Indeed, so popular were the first two books among adults that the UK publisher brought out two paperback versions: one for children with a cartoon-style picture on the cover and one for adults with a more serious cover. There has been talk of

parents squabbling over who gets to read the next installment, and one national newspaper smugly reported how one of its rivals banned the book from the bestseller lists since it was for children yet was happy to keep a Star Wars tie-in on the list.

Rowling, now thirty-four, grew up in southwest England and "wrote" her first story at the age of six (it was about a rabbit and called *Rabbit*). She studied modern languages at Exeter University and then worked as a researcher for Amnesty International. It was around this time that Rowling started writing the first Harry Potter book.

She moved to Portugal to teach English and married a Portuguese journalist with whom she had a daughter. The marriage ended, and Rowling, with her daughter in tow, moved to Edinburgh. There she spent afternoons in coffee shops writing about Harry Potter's adventures and completed the first book. She sent it to an agent, who finally sold it to Bloomsbury Publishing. She continued to teach, as well as write, until the US rights were sold and her financial security was guaranteed. Now she can dedicate her time to completing the next four novels.

Rowling attributes the novels' success to word-of-mouth recommendations from children to their friends. The word continues to spread as the books have now been translated into twenty-eight languages. Critics have taken notice as well. In addition to a number of British literature

prizes, *Harry Potter and the Philosopher's Stone* (published in the US as *Harry Potter and the Sorcerer's Stone*) won the 1998 Sorcières Prix in France and the 1998 Primo Cento per la Letteratura Infantile in Italy.

It appears that Rowling will enjoy similar stellar success in the US. More than 8 million copies of her books are in print in the United States, and she was the subject of a *Sixty Minutes* profile. In support of *Harry Potter and the Prisoner of Azkaban*, which was published in the US this fall, Rowling traversed the country on a major publicity tour that saw hundreds of adults and children line up for hours to meet her at bookshops and toy stores. All three of her books (*Harry Potter and the Sorcerer's Stone* and *Harry Potter and the Chamber of Secrets* are the first two) have topped Internet bookseller Amazon.com's bestseller list. In fact, during the two months before US publication of *Prisoner of Azkaban*, Amazon reported a brisk business selling UK editions across the Atlantic.

The only downside is that next summer seems an awfully long time to wait for Harry's next adventure.

—Claire Bose

THE LEXUS AND THE OLIVE TREE: UNDERSTANDING GLOBALIZATION

By Thomas L. Friedman; Farrar, Straus & Giroux; 394 pages; \$28

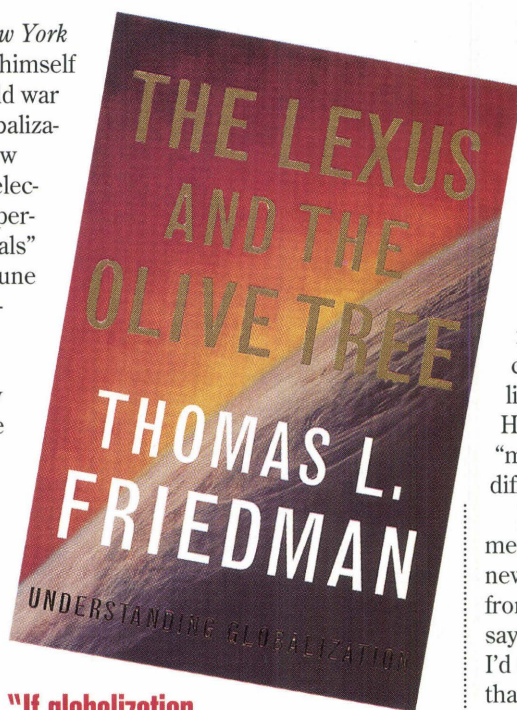
If globalization were a sport, it would be the 100-meter dash, over and over and over. And no matter how many times you win, you have to race again the next day."

In a well written and often provocative book, Thomas Friedman, foreign affairs

columnist for the *New York Times*, takes it upon himself to define the post-cold war era as the age of globalization. Using clever new terms, such as the "electronic herd" and "super-empowered individuals" and "microchip immune deficiency," and a series of vignettes and anecdotes ranging from, it seems, every prime minister in the world to people in the rain forests in Brazil, the author asserts that globalization is here, it is fast, and, if you don't get on the Internet and join this new world, you will be left in the dust.

And that is where the main problem of our fast-paced new world of globalization lies—some people and some nations don't particularly want to be a lexus; they prefer to be an olive tree. It is the age-old dilemma of progress versus tradition, but today speed is the key difference. As he says, "The defining measurement of the globalization system is speed—speed of commerce, travel, communication, and innovation. In the age of globalization, the most frequently asked question is: How fast is your modem?"

"The driving idea behind globalization is free-market capitalism," writes Friedman, describing how the electronic herd (brokers and individuals from around the world) can



"If globalization were a sport, it would be the 100-meter dash, over and over and over. And no matter how many times you win, you have to race again the next day."

player in the new era of globalization, and this bothers some of our allies in Europe and Asia. Friedman points out how Europe trails the United States in some essential areas in this new era.

He writes, "Massachusetts has a bigger venture capital industry than all of Europe combined." Furthermore, "If you compare a list of the twenty-five biggest companies in Europe twenty-five years ago with a list of the twenty-five biggest European companies today, the two lists are almost the same." However, in America "most of the companies are different."

He has some other comments about Europe in this new age including a view from an Intel executive who says, "If France were a stock, I'd sell it." Friedman states that "As long as the Japanese and Western Europeans stick with their rigid, protected welfare systems...they won't be a challenge to America. But the farther ahead America gets in this era of globalization, the more I expect these countries will seek to mirror and mimic America."

While fast-paced, free-market capitalism spurred by the democratization of technology, finance, and investing is the overall theme of Friedman's book, the author keeps his sense of perspective. "E-mail is not building a community," he declares, "attending a PTA meeting is," and "a chat room is not building a community—working with your neighbors to petition city hall for a new road is."

The age-old question of progress versus the community and traditional values remains, but as Friedman points out, the speed of the new era of globalization is "turbo-charged." The challenge for all of us, he asserts, is "to find a healthy balance between preserving a sense of identity, home, and community and doing what it takes to survive within the globalization system."

—Robert J. Guttman



A drawing (left) of the 1896 Olympics held in Athens depicts a parade of winners with Spiridon Louis, winner of the marathon, dressed in traditional costume and holding a Greek flag. More than 100 years later, the logo for the 2004 Olympics is presented at the Zappeion Palace in Athens (below). The winning logo was selected from 690 entries, and the selection committee described the olive wreath as an image interwoven with the city of Athens, peace, the circle of life, the sky, and the sea of Greece.

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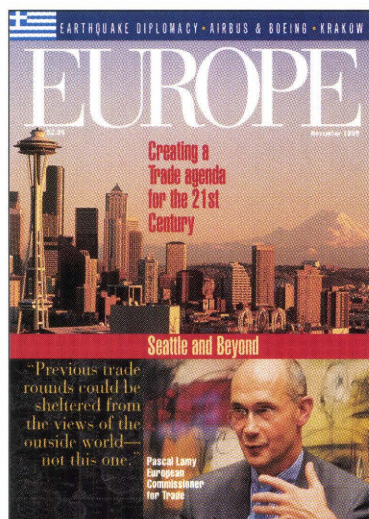
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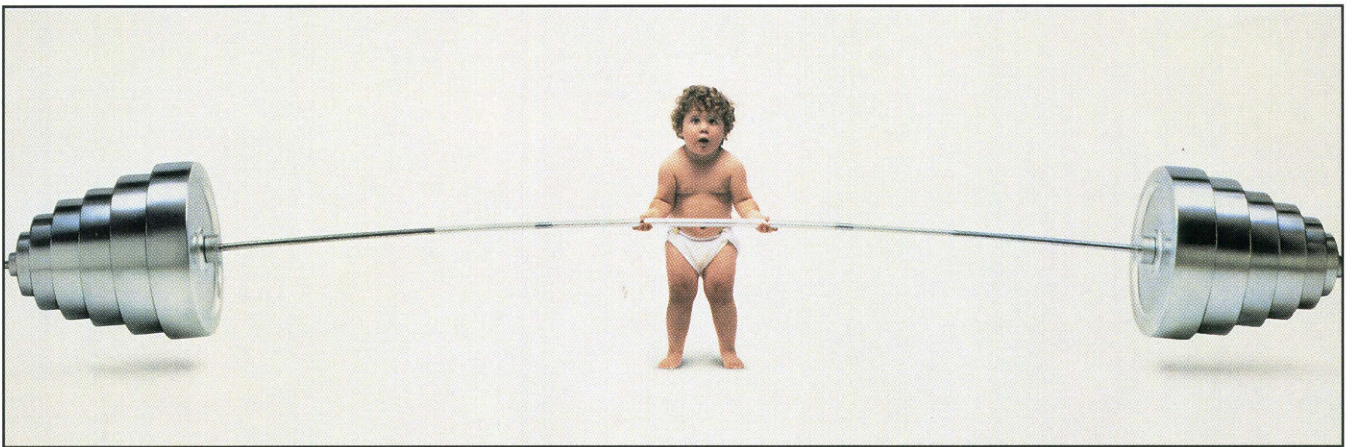
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