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- Doctors Without Borders
- Drug Firm Mergers
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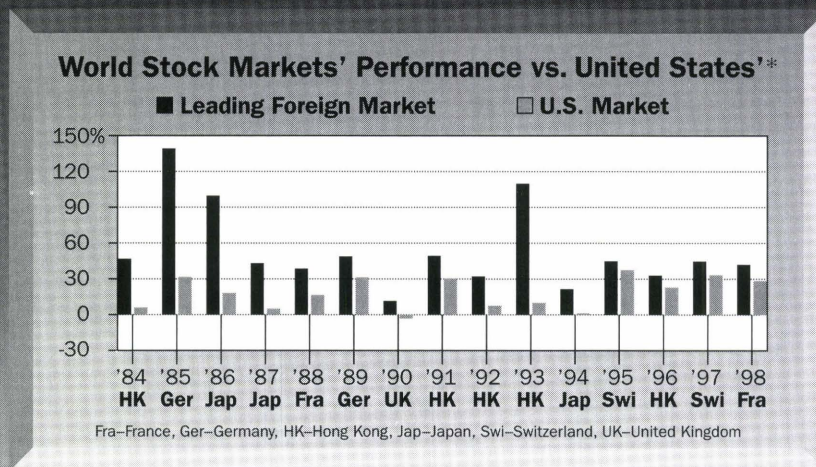
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EUROPE

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HEALTH CARE

Europe's State of Health. The EU countries are following a prescription for health care quite different from that taken by the US. *John Andrews* **8**

Healthy France. Smart cards are changing the health care system. *John Andrews* **12**

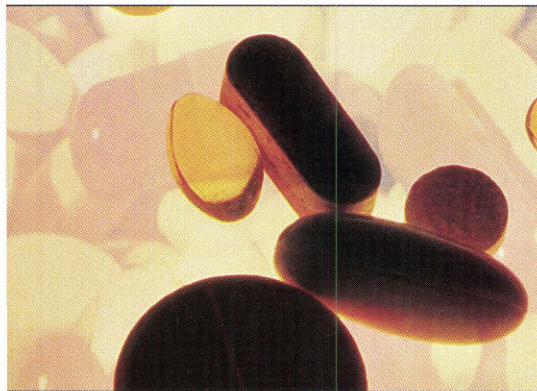
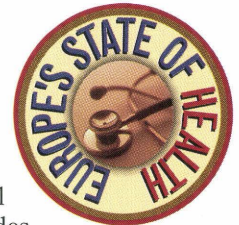
The Search for Good Drugs. The UK is increasingly examining the cost-effectiveness of drugs. *Nicholas Timmins* **14**

Drug Company Wars. Europe's pharmaceutical companies are locked in a high stakes multibillion-dollar struggle with their American rivals. *Bruce Barnard* **18**

Pliva. The Croatian drug company sensation. *Susan Ladika* **20**

Doctors Without Borders. MSF, the French-based medical group, has been bringing relief to crisis areas for three decades. *Axel Krause* **22**

Health Care in the EU. A country-by-country look at major health care issues in the EU member countries. **37**



14



25

BELGIUM

A New Man, a New Country? New Prime Minister Guy Verhofstadt has already changed many Belgians' perceptions of their country. *Dick Leonard* **25**

Brussels 2000. Europe's capital city has a storied past and a dynamic future. *Dick Leonard* **27**

BUSINESS

Interbrew. The Belgian brewer is growing in order to compete with global competition. *Bruce Barnard* **30**

EU AFFAIRS

Inside Justice. With its internal borders gone, the EU is strengthening its interior protections against crime. *Alan Osborn* **32**

Interview. Commissioner Antonio Vitorino discusses his agenda as the EU's head of justice and home affairs. **34**

DEPARTMENTS

2 Letter from the Editor

4 Eye on the EU. Finnish presidency ends in success.

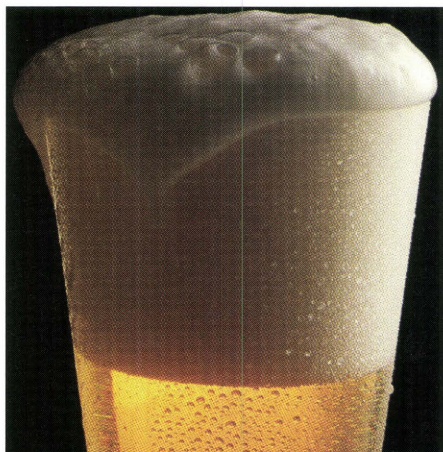
5 Euro Notes. ECB watching for inflation.

6 EU On-line. Norwegian hacker arrested; Warner-EMI and Internet music; Linux secret unveiled.

37 Capitals. Our fifteen Capitals correspondents report on the key health care issues in their respective countries.

47 Arts & Leisure. *Father/Land* and *Topsy-Turvy* reviewed.

48 Yesterday & Today. Valentine origins.



30

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LETTER FROM THE EDITOR

Health care is an issue in the American presidential campaign this year. Often we hear candidates and analysts discussing the more comprehensive health care systems in the European Union countries and comparing them to the different systems available across the United States. To help our readers better understand the differences between the EU and US health care policies, all fifteen of our Capitals correspondents look at the health care systems in their respective nations.



The future of Health Care: Does Europe have the answers?

In his article, "Europe's State of Health," John Andrews, Paris bureau chief of the *Economist*, compares and contrasts the US and EU systems of health care. He reports that "perhaps the prize should go to the Europeans. Each of the fifteen member states of the European Union spends less of its national wealth on health than the United States does, but almost all of them have higher rates of life expectancy and lower rates of infant mortality."

Nicholas Timmins, public policy editor at the *Financial Times*, writes about a new British agency that is assessing the cost-effectiveness of drugs before they make it to the market and describes this as "controversial territory" for the drug firms, the consumers, and the new agency. Timmins, who is based in London, also looks at the European Medicines and Evaluation Agency, which, he writes, is "the new baby on the block in terms

of pharmaceuticals licensing."

Glaxo SmithKline, the result of the recent merger between two British pharmaceutical giants, creates the world's largest drug firm, surpassing its American rivals. Contributing editor Bruce Barnard investigates why its main operating headquarters will be in the United States although the new firm will be based in the United Kingdom.

Doctors Without Borders won the Nobel Peace Prize last year. Axel Krause, writing from Paris, profiles the international group (which is also known by its French name, Médecins Sans Frontières) and comments on how this Paris-based humanitarian organization has grown to "be the world's largest independent medical aid agency."

Dick Leonard, our Brussels correspondent, profiles 100 years of Belgium's capital, which "has shown a genius for renewing itself after every adversity." The "capital of Europe" has a colorful history from 1900 to 2000 and beyond. Leonard also reports on the current optimistic spirit sweeping across Belgium and how the new prime minister, Guy Verhofstadt, has brought "about significant change in Belgian politics."

Have you ever had a Rolling Rock or a Labatt beer? If you answered yes then you have been drinking a beer produced by a large Belgian brewer called Interbrew. *EUROPE* presents a picture of Belgium's biggest brewer and its fast-paced growth strategy, including brewing beer in Bosnia.

European Commissioner Antonio Vitorino outlines the EU's policies on combating organized crime and fighting international drug cartels. *EUROPE* details the new justice and home affairs policies of the European Union.

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- The Food and Veterinary Office.** *Commission, Brussels, 1998, 19 pages.*
- European Coal and Steel Community Financial Report 1998.** *Commission, Luxembourg, 1999, 69 pages.*
- EIB Board of Governors.** *EIB Information No. 2/99, EIB, Luxembourg, 1999, 20 pages.* Summary of the June 14, 1999 annual meeting.
- Eurostat Publications and Databases 1999.** *Statistical Office of the European Communities, Luxembourg, 1999, 75 pages.*

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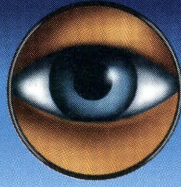
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

FINNISH PRESIDENCY ENDS IN SUCCESS

When the Finns handed over the presidency of the EU Council of Ministers to the Portuguese on January 1, it must have been—for a notoriously undemonstrative people—a moment of quiet satisfaction. Virtually all observers agreed that the Finnish tenure of the presidency had been a conspicuous success.

For a country that had long been on the sidelines of international affairs and a relative newcomer to the EU, which it joined only in 1995, to follow Germany in the driver's seat must have appeared as a daunting challenge. Yet, the Finnish government and its diplomatic service buckled down to the task with awesome efficiency and sensitivity. The result was the Helsinki summit of December 11–12, acclaimed as the most fruitful in many years.

The most significant of the decisions taken at Helsinki was to open membership negotiations in February with six more candidate countries (Bulgaria, Latvia, Lithuania, Romania, and Slovakia); to recognize Turkey as a candidate country; to approve the establishment by 2003 of a 60,000-strong rapid reaction force for EU-led military operations in crises where NATO as a whole will not be engaged; and setting the outline agenda for the intergovernmental conference (IGC) that the Portuguese government will convene to consider insti-

tutional reforms prior to EU enlargement.

Of these, the decision regarding Turkey proved by far to be the trickiest. The offer to the Turks was made conditional on a marked improvement in the country's human rights record, a further strengthening of its democratic credentials, a resolution of its territorial disputes with Greece, and cooperation in resolving the Cyprus problem.

It was far from certain the proud Turks would be willing to proceed on this basis. Nevertheless, the summiters decided on the first day of their meeting to dispatch Javier Solana (the EU's new high representative for foreign policy) to Ankara to try to convince the Turkish government to agree. Solana's lightning visit was a clear success, and he returned to Helsinki the following morning with a smiling Bulent Ecevit, the Turkish prime minister, in tow.

It will take evidently some years before Turkey can meet the pre-conditions in full, and even longer before membership negotiations can be successfully concluded. There are bound to be serious difficulties along the way, but for the first time in many years, a clear route for Turkish membership appears in prospect.

The new opening to Turkey was only possible because of a marked change in the attitude of the Greek government, under the prompting of Prime Minister Costas Simitis and Foreign Minister George Papandreou (a much more pragmatic politician

than his late father, Andreas). For many years successive Greek governments had taken the view that their own national interest demanded that Turkey should be kept at arms-length from the EU and had systematically obstructed proposals to extend financial and economic aid to their eastern neighbor.

The present government, however, has shifted its position by almost 180 degrees. It now believes that the only

way to reduce tension and resolve outstanding disputes with its historic enemy is to deal with Turkey as an equal partner within the Union. This is perhaps an echo of the French leap of faith fifty years earlier when it sought détente with Germany through their joint membership of the European Coal and Steel Community, the forerunner of the European Union.

The shift in the Greek position—now reciprocated by Ecevit and Turkey's president, Suleyman Demirel—has been greatly facilitated by the earthquake disasters that afflicted both countries last year and produced spontaneous feelings of solidarity. Large majorities in both countries now express themselves in favor of a rapprochement between the two ancient foes.

The Helsinki summit may also be remembered for setting some limits to the influence of European Commission President Romano Prodi.

Since his nomination last March he had been going through a tremendous honeymoon period with the EU heads of government, who were immensely grateful to him for his willingness to step in and pick up the pieces after the resignation of the Santer Commission. This goodwill, combined with the newly enhanced powers given to the Commission president by the Amsterdam Treaty, seemed to guarantee

There are bound to be serious difficulties along the way, but for the first time in many years, a clear route for Turkish membership appears in prospect.

him a greater role than any of his predecessors.

Helsinki must have brought him down to earth, as the summiters declined to follow his advice on two important matters. Prodi had wanted the candidate members to be

given a definite target date for admission. The heads of government refused. Prodi also wanted the IGC to be given a very broad agenda. The summit decided otherwise, and it will be largely restricted to considering the leftover issues from the Amsterdam Treaty—the number of commissioners, the extension of majority voting, and the weighting of national votes in the Council of Ministers.

Prodi may well have been justified on the merits of the issues involved. Yet, the summiters took the opportunity to rub in the original message of the Treaty of Rome. It is for the Commission to propose, but it is ministers who decide.

—Dick Leonard



ECB WATCHING INFLATION

For the first time since the launch of the euro just more than a year ago, inflation in the euro zone is edging toward the annual rate of 2 percent that the European Central Bank has set as the ceiling for price stability.

Two percent inflation is, of course, far below the double-digit levels that plagued Europe after the oil crisis a quarter of a century ago; but the latest pressures on prices suggest that the period of exceptionally low inflation rates in the run-up to the birth of the euro may be over.

The ECB seems likely to respond with a tighter monetary policy, perhaps a rise in interest rates of, say, 0.5 percent in the next two to three months. But the case for higher rates is by no means clear-cut because inflation in France and Germany, which form the core of the euro zone economy, remains mild at between 1.1 and 1.5 percent respectively.

Economists argue that the chief problem lies in the peripheral economies of the euro zone: Italy, Portugal, and Spain. Here the average expectation is that inflation this year will be 1.9 percent, 2.5 percent, and 2.3 percent, respectively. This compares with 1.7 percent, 2.3 percent, and 2.2 percent in 1999.

The inflation differential points to a North-South pro-

ductivity gap that some economists believe could provoke strains within the euro zone that cannot be accommodated by a one-size-fits-all monetary policy. One euro-watcher at Goldman Sachs says that the differences in growth and inflation rates between the core and the periphery are far more serious than the stories about the weakness of the euro against the dollar, which continue to dominate the headlines.

The most important factor in the ECB's calculations is the German economy. Here the long-awaited recovery is finally underway, thanks to exporters benefiting from a weak euro and German business regaining a measure of confidence after the shaky start of the Red-Green government led by Chancellor

Gerhard Schröder.

The most serious cloud on the horizon is Germany's annual wage negotiations. Put crudely, the higher the wage settlements in Europe's largest economy, the more likely the

ECB will raise its benchmark refinancing rate from 3 percent, where it has stood since November.

Early in the New Year, IG Metall, the largest trade union, indicated it would demand a pay increase this year of at least 4.2 percent. An analysis of German wage deals in the 1990s shows that IG Metall and other unions

usually settled for about 60 percent of their initial claim. Thus, the original demand of 4.2 percent could result in a final settlement of around 2.5 percent in Germany.

If French trade unions and employers were to settle around the same level, there is a view that the ECB could still meet its inflation target of 1.5 percent. But the higher the figure, the less room for maneuvering in the "hot periphery" in the Mediterranean countries, especially in Spain where the country faces a spring election.

The trend in euro zone interest rates may be following the upward movement in the United States and the United Kingdom. But the rise seems unlikely to halt the burgeoning European recovery. Indeed, the strength of the recovery, particularly in France, is encouraging a re-evaluation of the European economy and its potential.

For much of the past decade, Europe has often been cast as a sclerotic, slow growth area. But the reason Europe grew so slowly in the 1980s was largely due to a Bundesbank-driven monetary policy that was tailored to German needs. Because the costs of unification were born by borrowing rather than by taxation, the Bundesbank needed a tight monetary policy to compensate and head off inflation.

However, this Buba-driven policy was not appro-

priate for the rest of Europe, which had committed to a fixed but nominally adjustable exchange rate policy in preparation for monetary union. It forced the UK and Italy out of the Exchange Rate Mechanism in 1992 and condemned France to almost a decade of low growth.

Today, the combination of low interest rates, a low exchange rate, and stiff euro-led price competition is forcing French business to

restructure. The result: 3 percent growth this year and a new mood of confidence among French business exemplified by globally minded businesses such as Axa insurance group; Michelin, the tire manufac-

turers; and Vivendi, the utility turned telecommunication group.

Of course, France and the rest of Europe have still to embrace the more flexible labor market that has helped to create the phenomenal growth rates of the US in the 1990s. Furthermore, the euro zone, as the ECB persistently points out, has barely begun to address structural issues such as pension reform. However, in the big picture, the mild resurgence of inflation in Europe should not obscure the best growth figures for more than a decade. Given the threat of deflation a year ago, it should be more a cause for celebration than despair.

—Lionel Barber

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EU ONLINE

DVD HACKER ARRESTED IN NORWAY

Norwegian police have arrested a sixteen-year-old computer hacker and charged him with writing software that breaks the encryption on Digital VideoDisks (DVDs). The action comes as the latest scene in a drama that carries global implications for the entertainment and electronic industries.

Introduced in 1997, DVDs provide dramatically better picture and sound quality than videotape. In less than three years, consumers bought 4.5 million DVD players, which, according to the Consumer Electronics Association, makes it the "fastest selling consumer electronics product in history." The security of the DVD technology, which prevented the disks from being copied, appealed to entertainment companies, which lose millions of dollars each year through the sale of pirated copies of their hit video releases.

Last fall, a group of computer hackers in Norway posted on the Internet a program called DeCSS, which breaks the DVD encryption (called Content Scrambling System or CSS) and allows a user to illegally copy the disk's contents onto his or her computer hard drive.

The hack sent shock waves through the electronics and entertainment worlds. In December, Matsushita Electric Industrial, which makes the Panasonic, Technics, and JVC brands, announced it would delay the launch of its new DVD Audio products, which the company hopes will replace CD technology as the dominant audio format. Last month, a US District Court ordered three individuals to remove downloadable versions of the hacker's DeCSS program from their Web sites.

In late January, Norwegian police charged Jon Johansen, the sixteen-year-old hacker, with copyright infringement, which could carry a prison term of up to two years. Furthermore, entertainment conglomerates Sony, Universal, MGM, and Warner Bros. are suing Johansen,

saying he broke the encryption meant to protect their products from illegal copying.

Johansen claims he created the program in order to play DVDs on his computer using the Linux operating system. Currently, there are no Linux-compatible DVD players available on the market.

WARNER-EMI DEAL COULD SIGNAL SHIFT TO INTERNET

Time Warner and EMI of the United Kingdom (www.emigroup.com) agreed to join forces in January, forming the world's biggest music company and signaling a potential tectonic shift in



the direction the music business will take in the next few years.

The new company, to be called Warner EMI Music, will have more than 2,500 artists and \$8 billion in annual revenues. Officials expect to gain savings of some \$400 million per year by cutting nearly 13 percent of the combined work force and streamline manufacturing, distribution, and back office operations. However, the biggest aspect of the deal is its conjunction with Time Warner's merger with Internet juggernaut America Online, with some predicting that it could lead the way to widespread com-

mercial delivery of music over the Internet. With 22 million subscribers, AOL offers a vast on-line market for the Warner EMI mega-music catalogue, which would include acts ranging from the Frank Sinatra and the Beatles to Madonna and the Spice Girls.

At the press conference announcing the deal, Time Warner chairman and CEO Gerald Levin told reporters, "Music, out of all of our businesses, is the one that will benefit most from the Internet and the digital revolution."

SILICON VALLEY SUPER SECRET UNVEILED

On January 19, television crews from ABC, CNN, and even Television Finlandia showed up to see what the super secret company that hired Linux founder Linus Torvalds has been up to for the past five years.

So what was Transmeta Corporation's (www.transmeta.com) big secret? Meet Crusoe™, a high-performance computer chip that operates on very low power. The company said it is targeting the emerging class of mobile Internet-enabled computers. These products include ultra-light laptop and notebook computers as well as soon-to-be-released Web pads, all of which have special requirements, specifically low operating power (since they rely on batteries), high performance, and full PC compatibility. Since the chips that run desktop PCs are not designed with these require-



ments foremost in mind, Transmeta engineers thought a new chip was needed.

"Cellular phones became more pervasive when they were made smaller and

provided greater battery life," said Dave Ditzel, Transmeta's CEO, and a former chip designer at Bell Labs and Sun Microsystems. "We believe that Crusoe will bring about a change of similar magnitude in mobile Internet computers."

A Crusoe chip uses a special power management system that allows it to continuously adjust its operating speed and voltage to match the needs of the applications it is running. Traditional processors run at fixed operating speeds, which wastes battery life.

In addition to a less power-hungry chip, the new devices, specifically Web pads, need less memory-hungry software. The operating systems that run desktop machines are too burdensome for the new mobile products. With this in mind, Transmeta hired Torvalds in 1997 to create Mobile Linux, a pared-down version of his PC operating system specifically tailored to the capabilities of the new chip and the needs of the new devices.

Although Microsoft already sells Windows CE, a slimmer version of the Windows operating system designed to run these type products, Mobile Linux offers a nearly unbeatable feature—it's free. Manufacturers pay a licensing fee to Microsoft for each copy of Windows CE they sell, and they have to negotiate with Microsoft over any adaptations they'd like to make to the software. By using Linux, which is free to anyone who wants to use it, manufacturers save money and have the freedom to adapt the software any way they see fit.

Amid all the hype over Transmeta's unveiling, analysts remain interested but cautious. Mobile computing is certainly a worthy target market, accounting for about 17 percent of the total computing market and worth nearly \$4 billion per year, and those figure are expected to grow as new devices are introduced, performance improves, and prices fall. Furthermore, the privately held Transmeta



boasts a formidable group of backers, including Microsoft cofounder Paul Allen and hedge fund sultan George Soros.

Success, however, is not guaranteed as industry leader Intel has faced challenges before and retains an estimated 75 percent share of the chip market.

CLICK OF THE MONTH: CYBER NEWSCASTER

Imagine a newscaster who combines the ubiquity of CNN's round-the-clock coverage, the global reach of the Internet, and Katie Couric's unfailing perkiness and you have the inspiration behind Ananova.

In April, PA New Media, a division of

the Press Association (the UK version of the Associated Press) is planning to begin offering news updates read by an animated newscaster named Ananova (www.ananova.com). Her creators say users eventually will be able to program her to look for specific subjects, such as news about favorite sports teams or about specific companies or regions, and read them first. Although Ananova will begin with UK news and information, PA New Media says international versions and other languages won't be far behind, and at some point, she'll be available on mobile Web devices.

To help shape Ananova's personality, her creators have given her a 'history'. She's twenty-eight years old, five feet-eight inches tall, and somewhat resembles Posh Spice. She enjoys sports and the *Simpsons*, and her musical tastes run from Mozart to Oasis.

With the ability to read news continuously for 24 hours a day, 365 days a year without taking a coffee break or demanding a contract renegotiation, Ananova may represent the future of newscasting.

—Peter Gwin

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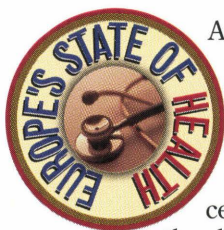
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Europe's State of Health

By John Andrews



Americans tend to react in horror at the idea of “socialized medicine”—witness the successful attacks on the health reforms proposed by Bill and Hillary Clinton in the early 1990s. But by the same token, Europeans are truly horrified by the American approach. To them it is uncivilized, indeed immoral, that some 40 million Americans—one in seven of the population—should be without health insurance. Ask most Europeans what they associate with American health care and they will speak vaguely of money-greedy hospitals and ambulance-chasing lawyers.

But put the moral issue to one side. After all, opinions on both sides of the Atlantic tend to be influenced by media caricatures—of American doctors and hospitals turning away the poor or of British patients waiting months, even years, for their operations—rather than by humdrum reality. Instead, look at the economic trade-off between a nation’s health and the amount it is prepared to pay for it. Do the figures justify the Europeans’ underlying sense of moral superiority or the Americans’ smug assumption that they have better technology and so better health?

On balance, perhaps the prize should go to the Europeans. Each of the fifteen member states of the European Union (population 375



French doctors prepare to operate at a hospital in Paris. Below left: a patient is wheeled through the emergency room of a French hospital.

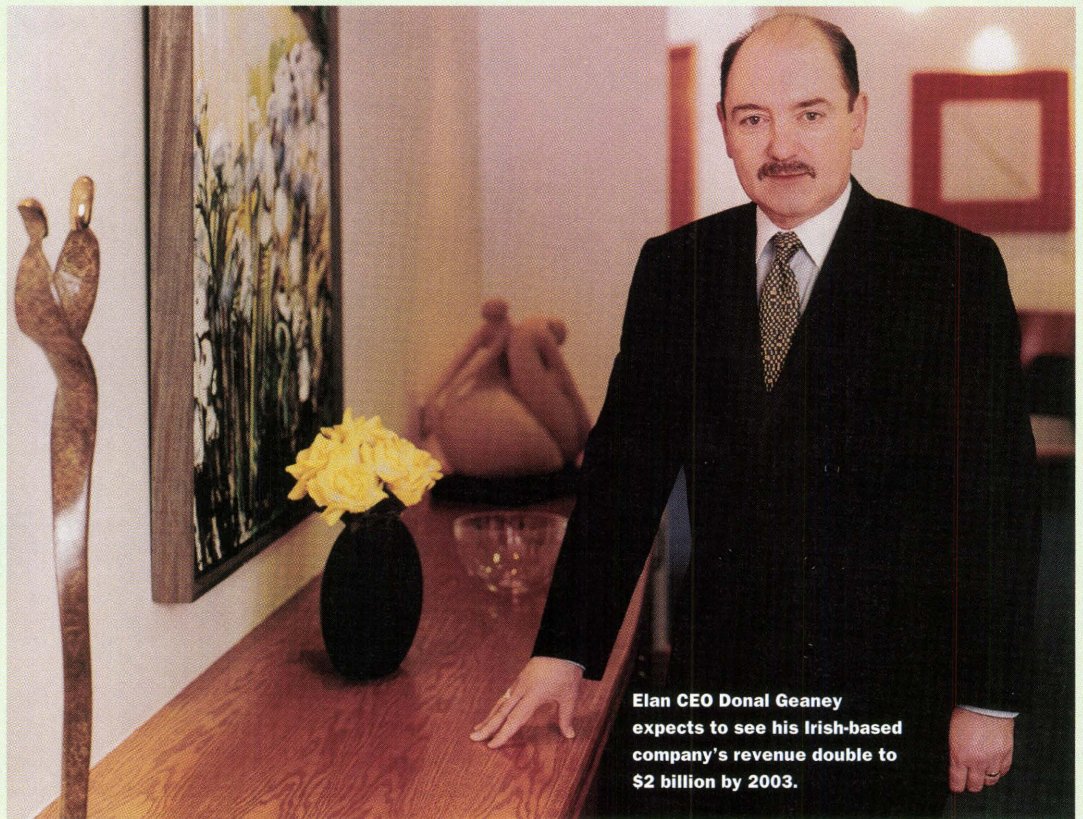




Combating Alzhe

Athlone, a medium-sized town in the Irish midlands, seemed an unlikely location for a major pharmaceutical company with worldwide interests. Less than three decades ago, it was still a slumberous market town relying on a small number of industries, trade with its farming hinterland, seasonal tourism, and facing large unemployment. Today, however, Athlone boasts almost full employment, thriving trade, rapidly growing boating, golfing, tourism, and is forecast soon to qualify for city status. It also is home to the highly successful Élan Corporation, which specializes “in the discovery, development, and marketing of therapeutic products and services in neurology, acute care, and pain management and the development and commercialization of products using its proprietary drug-delivery technologies.”

The company’s ambition—to join the ranks of the world’s fifty largest pharmaceutical companies by 2003—is proof that a small Irish company with flair and imagi-



Élan CEO Donal Geaney expects to see his Irish-based company’s revenue double to \$2 billion by 2003.

nation can turn entrepreneurial promise into a very large international business in a highly competitive market place. Its current worth is about \$6 billion, and according to Donal Geaney, Élan’s chairman and chief executive, its annual turnover is about to tip the \$1 billion mark, with a target of \$2 billion by 2003.

Not bad for a company started in a Dublin center-city mews in 1969, later transferring to a greenfield site in Athlone (and main-

taining close university links with Dublin’s Trinity College). It now has research and manufacturing facilities in Ireland, the United States, and Israel, employs 1,100 people in Ireland and more than 3,000 worldwide.

The company’s business is researching and developing, then manufacturing and selling—either directly or through joint venture operations or collaborations—new pharmaceutical products. It’s now the third-largest company on the Irish Stock Exchange (its size currently ac-

counts for 12 percent of the ISEQ Index), and its shares also trade on the New York and London stock exchanges.

Not that Irish investors rushed to back the company following its flotation in 1984. Élan’s American founder, Don Panoz, found it difficult to attract Irish capital, and the company is largely owned by US investors. Its shares have also been volatile, which may account for the caution of Irish fund managers.

One of Élan’s early successes included Cardizem CD, a high

blood pressure drug sold by Hoechst Marion Roussel. Four years ago, Élan paid \$537 million for the San Francisco company Athena Neurosciences, which had been working on treatments for Alzheimer’s and other central nervous system diseases.

In December, Élan announced that it had initiated phase-one clinical studies with Betabloc (AN-1792), a new therapeutic agent intended for the treatment of Alzheimer’s disease, which affects an estimated 4 million people in the United States.



Alzheimer's?

It affects one person in ten older than age sixty-five years and almost half of all persons older than age eighty-five, the two most rapidly-growing population segments in North America, Western Europe, and Japan. The company says that, according to the Alzheimer's Association, the overall cost of Alzheimer's disease to families and society in the United States is estimated at between \$80 and \$100 billion annually.

The company says that in animal studies, published in *Nature* magazine last July, Betabloc prevented the buildup and reduced the level of established amyloid plaque, which is considered by many scientists to be one of the main causes of Alzheimer's Disease.

Based on these results, Élan says it has initiated clinical development "to study the potential of this product candidate as a disease modifying agent." Phase-one studies will be conducted on forty-eight patients with modest Alzheimer's disease to test safety and tolerability and are due to start in Europe this spring. The studies are expected to take about one year to complete.

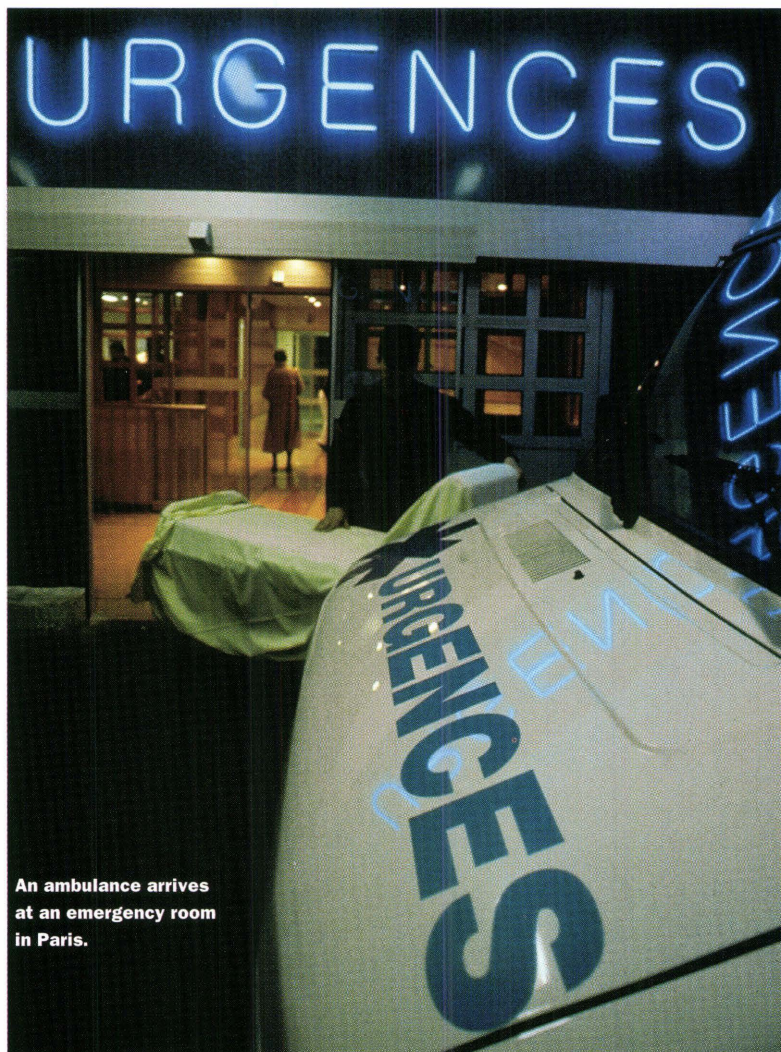
Donal Geaney, who

succeeded Don Panoz as head of Élan, says the company is delighted to be able "to move Betabloc so quickly into the clinic." He adds, "This study represents an important milestone for Élan's significant research efforts in AD. As far as we know, Betabloc is the first potential agent to be evaluated in humans as an Alzheimer's disease plaque modifying agent."

The company's vice-president for corporate development, Séamus Mulligan, says Élan has one of the largest Alzheimer's research groups working in any pharmaceutical company, with more than \$200 million invested in its research centers in the US, Ireland, and Israel. Mulligan warns, however, that it will be "some years" before any successful treatment reaches the market.

The company recently added two high-profile members to its board, including Kieran McGowan, former head of Ireland's Industrial Development Authority and one of the key players in fostering the Republic's "Celtic Tiger" economic growth, and Dan Tully, chairman emeritus of Merrill Lynch.

—Mike Burns



An ambulance arrives at an emergency room in Paris.

million) spends less of its national wealth on health than the United States does—but almost all of them have higher rates of life expectancy and lower rates of infant mortality. Greece, for example, regularly spends less than 7 percent of its gross domestic product on health (in 1998, the share was less than 4 percent), but it can boast a life expectancy of just more than seventy-five for its boys and more than eighty-one for its girls. By contrast, in the US, which usually spends about 14 percent of its GDP on health, boys can expect to live only to just less than seventy-three and girls to just less than eighty.

Best of all, say Europe's triumphalists, is the case of France, a country where a third of men and a quarter of women smoke regularly. In return, at least in part, for spending a relatively modest 8–10 percent of its GDP

on health, it manages to promise its female citizens the longest life spans in the whole of the EU—an impressive eighty-two years—as well as one of the longest for its male citizens (just more than seventy-four years). Clearly, a high-fat diet of cheese, meat, and wine is doing the French no harm. Nor, for that matter, are other Europeans suffering, at least in terms of the statistics, from diets that in the United States might well be termed "unhealthy."

One reason, of course, is that in Europe health care is truly universal. Populations are covered, either by state insurance schemes or by a mix of state and private schemes, from cradle to grave. This protection comes regardless of income or job status, which means when a worker loses his or her job (and remember that, even in a period of robust economic growth, approximately a tenth of

Healthy France

Bridget Whitehead, a British resident of France for the past twenty years, has no doubts, “French doctors in Paris caught my cancer when British doctors I’m sure would have missed it. Now we live near Avignon, and the care’s just as good. My son broke his kneecap and was sent for a scan the very next day.” Add a husband with a congenital eye problem and the Whitehead family has had more experience than most with the French health care system—and yet they have remarkably few complaints.

Nor should they. So far, their health care has cost them almost nothing. Like virtually all French residents, regardless of nationality, they are covered by a system of social security (*la Secu*), which automatically pays the bulk of their expenses—80 percent of hospital charges, 70 percent of doctors’ bills, up to 65 percent of the bill for medicine. What the Secu does not cover is met by a *mutuelle*—additional insurance arranged by virtually all employers at only a small cost to the employee.

Not everyone, however, is as satisfied as the Whitehead family. In recent weeks, the streets of Paris and major cities such as Marseilles and Montpellier have been clogged with regular demonstrations by health workers, protesting at government-planned cutbacks in hospital care.

The government maintains that the cuts are a rational redistribution of the system’s resources. There are, for example, “too many” hospitals in Paris and in the south, when compared with the needs

of the rest of the country. The protesters think otherwise, pointing out, for example, that the use of the emergency room at the Saint-Anoine hospital in the twelfth arrondissement of Paris has risen by half in recent years—but without anyone being added to the payroll. Similarly, at the emergency pediatric department of the capital’s Robert-Debré hospital, there are only two nurses for twenty patients, and the nurses claim there should be four.

There is, of course, no easy answer. Re-

straining health spending (the present Socialist coalition is, in fact, implementing a “rationalization” dreamed up in 1995 by its right-wing predecessor) is never electorally popular but becomes ever more economically necessary as life expectancy rises and medical technology becomes more complex and therefore more expensive.

Perhaps the smart solution, therefore, is the “smart” card, a credit card-sized piece of plastic with a computer chip embedded in its surface. The French have

been the world’s pioneers in smart-card technology for financial services, so why, they asked themselves in 1996, not for health services, too? The result is the introduction last summer of the Vitale smart card, the beginning of a system that will simultaneously link the card-carrier’s medical history and needs to his or her billing procedures. “Big brother,” as one card-carrier in Paris calls the fledgling system, may be watching—but at least he should be saving the taxpayer some money.

—John Andrews



Although half of French adults smoke and the French diet contains lots of wine and high-fat cheese and meat, French men and women enjoy long life spans.

The Vitale health insurance card introduced in France last summer links a patient's medical history to his or her billing procedures.



the EU's labor force is still unemployed), he or she does not also lose health coverage. In other words, ill health or bad health care are not a necessary, nor even a common, consequence of poverty.

By contrast, American analysts have often deplored the fact that in the US health insurance is normally a benefit that comes from an employer—and so can be lost when the job is lost. Moreover, one of the ironies of America's sustained economic boom in the 1990s is that the number of the nation's uninsured has risen even as unemployment has fallen. The obvious explanation is that cutting health benefits is one way for an employer to cut costs in a competitive market.

On the other hand, whatever the perceived defects of the American system, Europeans should not be complacent. It is a long time since Lord Beveridge, the architect of Britain's National Health Service in 1948 (and so one of the world's pioneers of the welfare state), predicted that as the NHS made people healthier "so our need for its services would eventually decline." Economic reality dawned within a few months when Britain's Socialist health minister, Aneurin Bevan, realized that for a "free" service demand would always outstrip supply. "We will never be able to do it all," he said, noting that


there were "cascades of medicine pouring down British throats, and they're not even bringing back the bottles."

Inevitably, that problem has worsened everywhere with the development of increasingly expensive drugs and the aging of populations (in the United Kingdom the population aged sixty-five or more consumed more than 40 percent of all hospital and community health resources). So, too, with the development of new surgical techniques. True, some, such as arthroscopic surgery, make big savings by eliminating long periods in hospital, but others are extraordinarily expensive in time, people, and materials. In 1997, for example, 247 heart transplants were performed in the UK, and for each operation the surgical bill alone was likely to be as much as \$40,000.

Not surprisingly, therefore, European health ministers are as keen as American managed care organizations to restrain spending. In the United Kingdom, for example, the government of Margaret Thatcher introduced a so-called "internal market" for the National Health Service's hospitals and doctors. They were all allocated budgets, and doctors were encouraged to shop around for the cheapest price for, say, a hip replacement.

In theory, the idea was always difficult, and in practice it has singularly

failed to cut the lists of those waiting, often for months, for treatment. Moreover, striking regional differences have developed as one health authority refuses to pay for operations that a neighboring authority has no problem approving. Not surprisingly, the attractions of private insurance schemes, which now cover some 16 percent of the British population, are growing—even though both voters and politicians remain committed to the survival of the NHS.

What that really means is that the UK is moving toward the mix of public and private insurance that has long been the norm elsewhere in Europe. That mix is hardly perfect. Doctors in France, for example, have a tendency to overprescribe antibiotics, while German workers value union-negotiated, but medically unnecessary, stays in sanatoriums. It cuts the waiting lists (virtually unknown in Germany), and at least, because of their insurance premiums, patients are aware that no form of health care is truly "free." Meanwhile, the real message, be it in Europe or America, is that prevention remains both better and cheaper than cure. 

John Andrews, based in Paris, writes for the Economist.

The Search for Good Drugs

By Nicholas Timmins

The UK is increasingly examining the cost-effectiveness of drugs



It is not often that the first decision by a brand-new body that not many people have heard of sends shock waves around the world. How-

ever, for the pharmaceutical industry, that is what NICE, the UK's new National Institute for Clinical Excellence, achieved.

NICE was set up to provide doctors and managers in the UK's tax-funded National Health Service (NHS) with advice. Its multifaceted role includes providing doctors with guidelines on the best forms of treatment, assessing which traditional treatments should be dropped because there is little or no evidence that they work, and encouraging the uptake of the best evidence-based practice.

But it also assesses important new technologies and drugs and advises ministers on whether expensive new products are not merely clinically effective—something a drug has to prove to get a marketing license—but also cost-effective. In other words, do they work sufficiently well for the extra benefit they bring to be worth the price paid for them by the NHS?

This is controversial territory—a so-called “fourth hurdle” for drugs and other technologies to cross—beyond the demands of the Food and Drug Administration and the other drug regulators—that pharmaceuticals have to demonstrate safety, quality, and (at least some) efficacy to get on the market.

NICE's first decision involved Relenza, an anti-flu drug from Glaxo Wellcome. It comes as an inhalable powder, has to be taken within the first forty-eight hours of the onset of symptoms, and can reduce them by two or three days. NICE examined Glaxo's clinical trials and concluded that there was insufficient evidence that the drug worked in the elderly, asthmatics, and other patients at high risk of potentially lethal complications from influenza. These are the groups the NHS would be most interested in protecting and for whom it already provides free influenza vaccines, although only about half the target population is reached.

Furthermore, NICE feared that family physicians' offices could be overwhelmed in a hard winter by people with

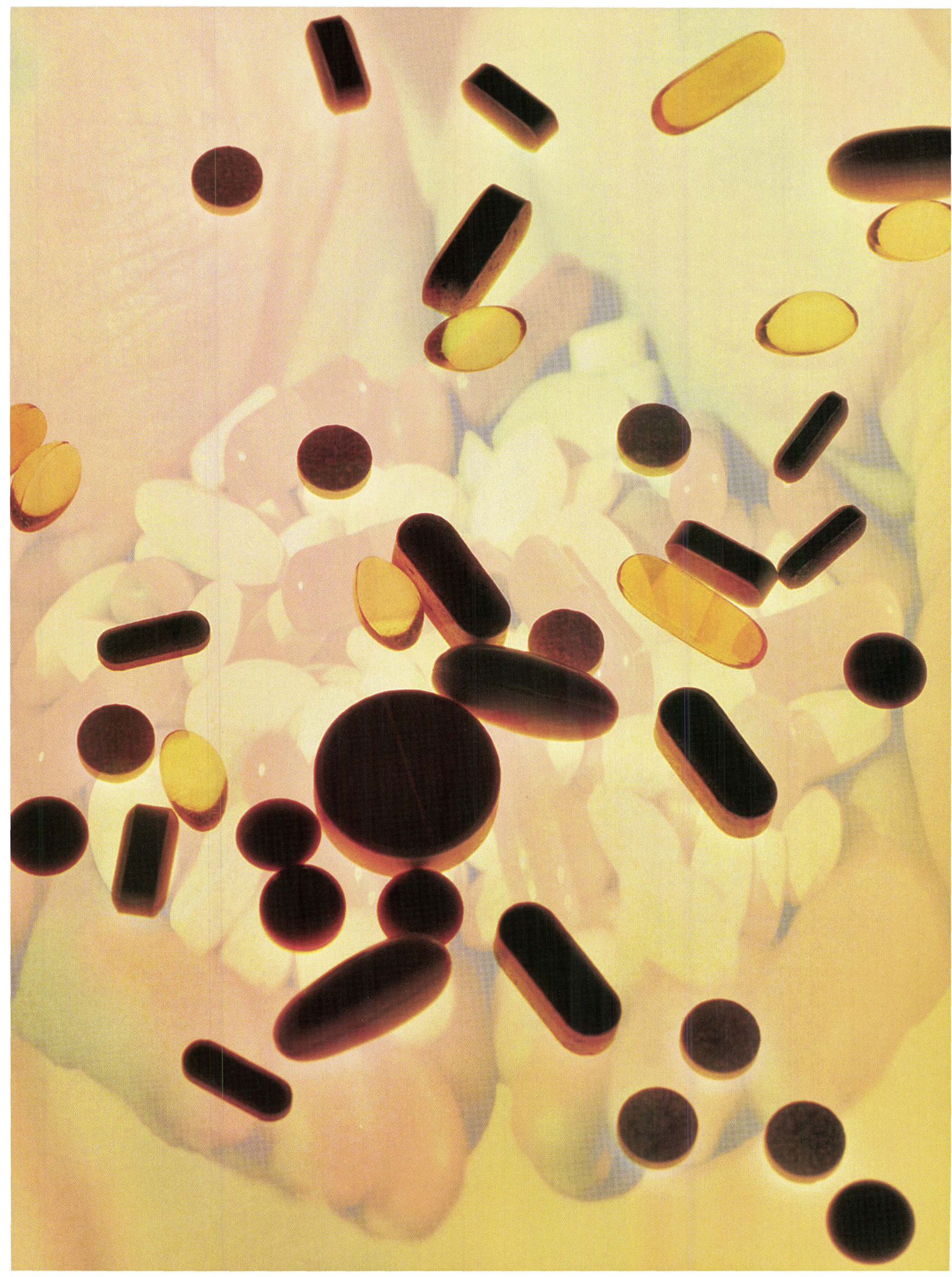
coughs, colds, and sniffles demanding the \$40 per dose remedy, which would in fact do them no good unless they did in fact have flu. It therefore recommended that the NHS should not pay for Relenza until further evidence shows that it works in the key target groups.

Glaxo's chairman, Sir Richard Sykes, went ballistic, at one point appearing to threaten to move the UK-based pharmaceutical giant overseas. The industry that had hoped one effect of NICE would be to ensure more rapid adoption of some expensive but effective

drugs—for example the taxanes used to treat some forms of cancer—became panic-stricken that NICE would prove merely another form of cost-containment for the NHS. Only further decisions from the work program that NICE has underway will prove that case one way or another.

But NICE is neither entirely unique nor the first attempt to ensure that health care systems only adopt drugs that are not merely effective but cost-effective. What distinguishes it is the

NICE was set up to provide doctors and managers in the UK's tax-funded National Health Service with advice.



EU Medical Evaluation Agency

EMEA, the European Medicines and Evaluation Agency, is the new baby on the block in terms of pharmaceuticals licensing. It began work just five years ago in February 1995. Its creation is the result of a long overdue recognition that the European Union is one of the largest prescription drugs markets. However, until EMEA's creation, this market had fifteen different agencies to license and regulate drugs.

Five years on, it is due shortly for review—and the early signs are that the review is likely to be broadly favorable. Initially EMEA worked simply through mutual recognition. Instead of each country evaluating a new product and passing its own verdict, the

decisions that were taken by any one authority to approve a product were accepted by the others.

But shortly afterward, the EMEA also introduced a centralized procedure, offering drug companies the choice of using the mutual recognition procedures or going for central approval.

There are some exceptions to this system. Generally, genetically engineered drugs have to go the central route. But many other new and innovative products—as opposed to just minor advances—can go either way. Even when the central route is chosen, the EMEA uses the skills in the preexisting regulatory agencies to evaluate products, rather than having a large central scientific

staff of its own.

Given the different cultures, views, and scientific skills across Europe, the use of a federated approach allied to a central machinery appears to have worked well. No country in the EU would want to admit it too publicly, but it is



widely acknowledged privately that not every country has the same ability to evaluate new products well and that even among those that are good at it, particular groups of scientists in particular countries have particular skills.

By operating centrally but drawing on the differing scientific skills around Europe, the EMEA, to an extent, has the best of

both worlds.

To date, its efficiency appears competitive when measured against that of the US Food and Drug Administration. One of the EMEA's objectives was to speed up approval for those new products that pass the regulatory hurdles. A recent study undertaken at Tufts University suggests that goal has been largely achieved. Its approval times for new drugs parallel almost precisely those achieved by the FDA, which has itself improved the speed of its process in recent years.

On average, products are approved within a year, enabling the EMEA to claim that European patients now have speedier access to new drugs than in the past. And where it

had a choice, the industry has sent the majority of products through the central route, rather than using country's individual licensing arrangements.

The industry, as ever, is not entirely happy with the agency. Some believe that its federal nature makes the final decisions on the indications for some new drugs more political than scientific. Despite objective evidence that the EMEA is performing broadly as efficiently as the FDA, some critics complain that it could be more efficient and could provide more comprehensive and consistent regulatory advice.

However, the signs are that the 2001 review of EMEA will see recommendations about how the baby should grow and mature, rather than a conclusion that it would have been better canceled at birth.

—Nicholas Timmins

width of its brief and the fact that when its advice is taken it applies to the whole of the National Health Service.

"It is not just us looking at value for money," Sir Michael Rawlins, chairman of NICE, says. "In different ways almost every country in the world is doing a similar type of thing from health maintenance organizations in the United States to reimbursement agencies in Europe and elsewhere."

Australia, parts of Canada, and France already have a form of "fourth hurdle" seeking evidence of cost effectiveness before pharmaceuticals are reimbursed. Denmark is setting up a body somewhat similar to NICE, and

the European Medicines and Evaluation Agency, which licenses drugs in Europe, has a pilot project called MINE (the Medicines Information Network for Europe).

It was originally intended to examine cost-effectiveness. But opposition from the pharmaceutical industry has led it, at least in its initial stages, to concentrate only on information for doctors and patients about the relative effectiveness of pharmaceuticals that the EMEA has approved since 1995.

The industry had hoped one effect of NICE would be to ensure more rapid adoption of some expensive but effective drugs.

The industry has some legitimate worries about all this. Building data that demonstrates cost-effectiveness into clinical trials will make an already costly exercise more expensive. Different countries, with different values in society, may want different data to demonstrate different forms of cost-effectiveness. And just how widely will the impact of a drug be measured when cost-effectiveness is assessed? Will it, for example, only look at its impact

in narrow health terms—days in hospital saved, for example—or will it look at savings that are much harder to measure such as those from people returning to work more quickly or proving less of a burden on social services or the relatives who care for them?

Furthermore, some cost-effectiveness data is only likely to become available when a drug or new technology has been on the market for some time. And there are fears that too heavy a demand for proof of cost-effectiveness could stifle innovation.

In practice, however, it is now clear that this issue will not go away and will have to be addressed by the pharmaceutical and medical technology companies. As the World Health Organization has pointed out, even the richest country has to set some priorities within health care, and ensuring that products are cost-effective is an essential way to get more value out of each health dollar.

Not everyone is as gloomy about the prospects as some in the pharmaceutical industry appear to be. The investment bank SalomonSmithBarney concluded in a recent review of the impact of NICE that, while in the short term the demand for such data might seem negative, "We believe that in the longer term the debate over the cost-effectiveness of drugs should be beneficial for the industry."

Novel drugs to lower cholesterol or hypertension or to tackle Alzheimer's disease should ultimately lower the total cost of health care, the review argued. The accumulation of cost-effectiveness data "can only serve to persuade those that pay for health care that drugs are the cheapest form of therapy and ultimately save the excess costs in the rest of the health care pie." ☺

Nicholas Timmins is the public policy editor of the Financial Times in London.



The UK's new National Institute for Clinical Excellence (NICE) assesses new drugs not only for their clinical effectiveness, but also for their cost-effectiveness.

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Drug Company

By Bruce Barnard

Wars

Europe's pharmaceutical firms vie with US rivals to survive in a tough business climate


Europe's pharmaceuticals companies are locked in a high stakes multibillion-dollar struggle with their American rivals to stay in business beyond the first decade of the twenty-first century. The drugs sector on both sides of the Atlantic is caught up in a frenzy of takeover activity as companies seek economies of scale to finance spiraling research and development budgets.

Europe pulled ahead last month when Glaxo Wellcome launched a \$77.5 billion takeover of fellow British drug maker SmithKline Beecham, creating the world's biggest pharmaceutical company and intensifying pressure on its rivals to respond with matching mergers or risk falling further behind in the race for market share.

The merged group, Glaxo SmithKline, will be the United Kingdom's largest company with a market capitalization at the time of the takeover of around \$190 billion and annual sales of nearly \$25 billion. It will have 7.5 percent of the global market for prescription drugs, including "blockbuster"



Glaxo Wellcome chairman Sir Richard Sykes (left) shakes hands with Jean-Pierre Garnier, CEO elect of Glaxo SmithKline, following a news conference announcing the proposed merger of their firms.



The pharmaceutical industry spends millions of dollars every year on drug research.

Croatian Drug Sensation

Pliva finds success in US market

By Susan Ladika

The number one selling antibiotic in the United States comes from an unexpected source: a Croatian pharmaceutical firm. There are a lot of surprises when it comes to Pliva. The Zagreb-based company is the largest pharmaceutical firm in Central and Eastern Europe and was the first to be listed on the London Stock Exchange, in 1996.

The company already has licensing and research agreements with such top international firms as Pfizer in the United States and Glaxo Wellcome in the United Kingdom. Furthermore, Pliva has gone on a recent buying spree, acquiring three Central European pharmaceutical firms.

Its top product, the antibiotic azithromycin, has taken the medical community by storm, with worldwide sales totaling more than \$1 billion in 1998 alone. Sold by Pfizer in the United States and other key markets under the name Zithromax, revenues for the antibiotic climbed 28 percent in the third quarter of 1999, to \$228 million, with more than three-

quarters of the revenue derived from the United States. In 1998, the company had total revenues of \$562 million, a 21.6 percent increase from the previous year.

"From the very beginning, Pliva tried to build its future on its own research activities and its own development activities. People understood how important it is to have your own knowledge and expertise in the pharmaceutical industry," said Zeljko Covic, president of Pliva's management board.

Pliva has a rich history in the region. Founded in 1921 under the name Kastel, the company was a joint venture between the Croatian company Isis and Chinoin, a Hungarian firm. Along with producing pharmaceuticals, it also manufactured veterinary, agricultural, and food products—a practice that has carried on through today.

During World War II, the state acquired control of the company, a situation that persisted until Pliva was privatized in 1996.

Following the war, Pliva was among the pharmaceutical firms

that flourished in former Yugoslavia. The Soviet Union didn't want to purchase drugs from American or Western European firms, so "we were some kind of bridge in the pharmaceutical business between West and East," Covic said.

During those years, Pliva consistently had exports of \$40-\$60 million to the Soviet Union. Yugoslavia's minister of health would travel to the USSR once or twice a year and sign barter agreements, with Yugoslavia exporting drugs and the Soviet Union exporting oil and gas. "It was real easy money. There was no marketing, no sales skills, just producing," Covic said.

Another healthy share of Pliva's revenue came from sales within former Yugoslavia. But that changed overnight with the collapse of the Soviet Union and the breakup of Yugoslavia. "That was very painful for us," Covic said. "You wake up and you see that you've lost 40 percent of your market."

At the same time, Croatia declared its independence and became embroiled in

a war with Yugoslavia. Yet, Pliva's business managed to prosper. In 1986, the company had signed a licensing agreement with Pfizer for the sale of azithromycin, and the antibiotic was launched in the United States in the early 1990s.

"It's a great relationship. Very successful," said Vanessa McGowan, spokeswoman for Pfizer.

The key selling point is that patients usually take the antibiotic once a day for five days, rather than three times a day, for ten to fourteen days. "It's good for kids and popular with pediatricians," Covic said.

Now the company is working to find a successor to azithromycin and has signed an agreement with Glaxo Wellcome. The aim is to have a new antibiotic in clinical trials in the next two years.

Covic is realistic about Pliva's prospects as a small pharmaceutical firm in a small market. "We can't be involved in all fields." Instead,

the company is focusing its research in the areas of antibiotics and anti-inflammatory drugs and hopes to introduce one new product every few years.

A new drug can cost anywhere from \$400 million to \$1 billion to introduce, so Pliva will focus on discovering new molecules and conducting pre-clinical trials, while finding larger partners to finance the expensive stages of clinical trials and sales and marketing.

At the same time, Pliva is expanding its presence in the region, purchasing major stakes in such firms as Poland's Polfa Krakow and Lachema in the Czech Republic.

"The Czech Republic and Poland are close to European Union membership," Covic said. Buying into the companies gives Pliva "additional access to an extremely big and rich market." 



Susan Ladika is EUROPE's Vienna correspondent.

treatments for asthma, depression, AIDs, and migraines.

The new company is British in name, and three quarters of its shareholders reside in the United Kingdom. However, its operational headquarters are being moved to the United States, probably New Jersey. "The new company is global, proud of its roots in the UK and of its corporate domicile in the UK," said Jean Pierre Garnier, chief executive designate. "But a world-class competitor cannot operate all of its functions from a market that represents only 6 percent of its existence."

The merger was partly prompted by the anticipation that Pfizer, the US drug giant, would take over Warner-Lambert, an American rival, creating the world's second-largest drug maker with a 6.7 percent global market share.

Other European firms have been launching cross-border mergers to keep pace in the race for size. Among the most prominent recent deals, Sweden's Astra merged with Zeneca of the UK, and Germany's Hoechst linked with Rhone-Poulenc of France to create Aventis, which began operations in January, briefly topping the global sales rankings before the merger of Glaxo Wellcome and SmithKline Beecham.

European mergers have had a checkered history. The merger of Switzerland's Ciba Geigy and Sandoz into Novartis has failed to live up to expectations, but the \$36 billion Astra Zeneca merger last April got off to a strong start. The group exceeded its cost-cutting target, sold Zeneca's specialty chemicals business to concentrate on its core drugs business and sharply boosted revenues in the US, where its 4,000-strong sales force is second to Pfizer.

Companies say size matters in an industry that faces revolutionary scientific changes and growing economic pressures. The industry boasts huge companies—fifteen of the world's 100 most valuable firms are drug manufacturers—but it remains extremely frag-

European firms have been launching cross-border mergers to keep pace in the "race for size" ... Europe's top drug firms are determined to be among the survivors.

mented with the largest firm commanding barely 5 percent of the global market. Research by AT Kearney, the US consultancy, suggests that companies that have merged in the past decade have had lower economic returns than those that did not. However, analysts say these companies would have done worse had they not merged.

The drive for size will force European and US firms together in spite of big cultural differences. The merger between Sweden's Pharmacia and Upjohn of the US got off to a disastrous start, but the companies have turned round the business and recently sprung a bid for Monsanto, the US drug and food group.

European companies face a tougher challenge than do their American rivals. The US is the world's biggest and fastest-growing market, and Americans consume twice as many pills as Europeans do.

European firms, by contrast, are still overdependent on their smaller domestic markets.

Moreover, while the drug industry has consolidated in the US and the UK, it is dominated by small and medium-sized family-owned firms in Continental Europe. Only half of Germany's 1,000-plus drug companies have more than 100 workers.

Europe needs to undergo massive consolidation to prevent the US dominating the drug business in the coming decade. Its pharmaceutical firms will supply only three of the world's top twenty-five top-selling drugs by 2002, according to Evaluate Pharma, a British consultancy. The marketing power of the big American drug firms, the expiration of patents on European "blockbuster" drugs, and the trend toward lifestyle drugs, such as Viagra, are giving the US industry a solid lead.

Companies have to devote an increasing slice of their revenues on research and development to produce new drugs to replace expiring patents. R&D spending by US drug companies has risen from 12 percent of sales in 1980 to more than 20 percent today. Furthermore, the need to find new

drugs is growing. According to Lehman Brothers, in the past three years the patents have expired for drugs with combined sales of \$8 billion, and this figure will rise to \$20 billion over the next three years.

Expiry of a patent can have a big impact on the bottom line. Astra-Zeneca is preparing to defend sales of Losec, the world's best-selling drug, against generic competition when its US patent runs out in 2002. The anti-ulcer drug has annual sales exceeding \$5 billion, or 40 percent of the firm's total revenues. At the same time, it must persuade doctors that its new anti-ulcer treatment, Nexium, is superior to Losec.

Europe's drug companies are also facing a squeeze on public health spending and live in constant fear that their products will be removed from government-approved funding lists. The British government took off the gloves in its long running battle with drug firms last year by refusing to accept Glaxo Wellcome's new anti-flu drug, Relenza, on the advice of the state-financed National Health Service. The government was furious that the firm was charging the UK a wholesale price of 38 euros (\$38), compared with 24 euros in France, 25 euros in Spain, and 31 euros in Germany.

Europe's top drug firms are constantly seeking to rationalize their core pharmaceutical operations and maximize the potential of their peripheral activities. Roche of Switzerland is aiming to become a pure health care company by spinning off its fragrance and flavors unit in a \$4 billion deal. Meanwhile, its domestic arch rival Novartis put its agrochemicals division into Syngenta, a joint venture with Astra Zeneca that will have annual sales of \$8 billion.

These moves free the big players to concentrate on surviving the forthcoming shakeup. Sir Richard Sykes, chairman of Glaxo Wellcome, says the industry will be very different by 2010. "The financial resources required to invest in the new diagnostic and therapeutic technologies at a time when the payers are squeezing revenues on the historic technologies and therapies will result in few major companies."

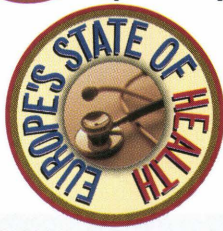
And Europe's top drugs firms are determined to be among the survivors. ☐

Bruce Barnard, based in London, is a contributing editor to EUROPE.

Doctors

WITHOUT BORDERS

French medical group has been bringing relief to crisis areas for three decades



James Orbinsky, president of the international committee of Médecins Sans Frontières, addresses reporters last fall at the organization's Paris headquarters after it was awarded the Nobel Peace Prize for its humanitarian work.

By Axel Krause

Dr. James Orbinski, an outspoken Canadian physician, looked out from the rostrum at the gathering of notables in Oslo on December 10, having just accepted the 1999 Nobel Peace Prize on behalf of "the French doctors." Shunning niceties, he immediately called on the Russians to stop bombing defenseless civilians in Chechnya. He then bluntly explained why, in contrast to some previous laureates, his organization and its cause represents neither a tool to end war nor to create peace, but rather "a citizens' response to political failure." Orbinski then praised the Nobel Committee for "its affirmation of the right to humanitarian assistance around the world."

It was a poignant moment for Orbinski's organization, Médecins Sans Frontières. MSF, or Doctors Without Borders, started out in 1971 as a loosely organized group of young, radical-left French doctors and nurses who were quickly dubbed "medical hippies" and "cowboy docs." These epithets, noted a





MSF founder Bernard Kouchner treats a patient in war-torn Afghanistan in 1984. No longer with the group, Kouchner now leads humanitarian efforts in Kosovo.

recent admiring *New York Times* editorial, stemmed from their quickly established “reputation for agility in both bringing help and attracting publicity,” which in 1972 led to the mobilization of medical teams to save victims of floods in East Pakistan and of a major earthquake in Nicaragua.

Today, claiming to be the world’s largest independent medical aid agency with 2,500 doctors, paramedics, and administrators, plus 10,000 local staff in eighty countries, MSF operates from its Paris base on an annual budget of some \$235 million. Roughly 56 percent of the total is generated by private contributions, including corporations and individuals, while 44 percent comes from national and international governmental bodies, primarily the European Union and its member states, but also from the US government.

Among MSF’s founders was France’s media-minded former health minister Bernard Kouchner, currently the United Nations’ chief administrator in Kosovo. Upon hearing the news about the prestigious award, Kouchner joined many world leaders in warmly

praising MSF, which by any measure has matured enormously over nearly three decades. It has also inspired similar humanitarian groups throughout the world, which work side-by-side in crisis areas such as the Caucasus, the Balkans, Africa, Latin America, Southeast Asia, and even within the European Union, helping, for example, victims of drug addiction in poor neighborhoods.

“Where once MSF sought the spotlight, today the spotlight follows them,” noted the British magazine the *Spectator*, citing a recent poll showing that 80 percent of French girls want to marry an MSF doctor.

Coincidentally, on the same day that MSF International President Orbinski accepted the prize in Oslo, European Commissioner for Development and Humanitarian Aid Poul Nielson was in Paris explaining to some 150 delegates from the world’s leading non-governmental humanitarian and relief organizations, including MSF, how the European Union would remain the largest, single governmental donor to the cause cited by Orbinski.

In 1999, the European Community Humanitarian Office, ECHO, spent a record \$800 million through some 1,300 contracts with non-governmental organizations, not counting more than \$1 billion spent by other EU bodies and EU-member governments. Because of a substantial increase in the buildup of EU programs in Kosovo, the amount represented a substantial increase over the roughly \$518 million spent a year earlier. This year ECHO spending is expected to fall back to the 1998 level, European Commission sources said, but the amount could rise again, depending on how quickly the need for humanitarian aid arises in crisis areas, such as Chechnya.

These amounts compare to more than \$1 billion spent each year by the US Agency for International Development, USAID, the Washington-based relief and aid agency, and the US State and Defense departments. The funds go primarily for supporting US-based humanitarian and aid organizations, which, like ECHO, operate under contracts with such non-governmental organizations as Catholic Relief Services,

CARE, the International Rescue Committee, and Save the Children. But an estimated quarter of US funding goes for helping EU-based organizations, such as MSF, PSF (Pharmacists Without Borders), and Médecins Du Monde (MDM, which Kouchner, after a disagreement with colleagues over aiding Vietnam refugees, founded in 1979).

“The winning of the Nobel Prize by MSF helped all of us seeking funds here in the United States and around the world, even though we have our differences,” said a New York-based official of MDM, which generates roughly 35 percent of its \$50 million annual budget from governmental sources, mainly the EU and the French government, and 65 percent from independent sources, primarily private donors.

Nielson, formerly Denmark’s development minister, told the Paris meeting that he fully intended not only to press expansion and streamlining of aid operations of ECHO, including a greater shift to related economic development programs, but also to arrange for greater protection of relief workers from a wide range of dangers. These include road accidents, banditry, kidnapping, and occasional assassinations of aid workers.

“As each day goes by, the risks facing those of you in the field become greater,” Nielson said, citing “the recent barbaric murder of (two Western) aid workers in Burundi, or the disappearance of the WFP (World Food Program of the United Nations) plane in Pristina (with twenty-four victims aboard) and recently in Colombia.”

But, he cautioned, even if the EU is someday able to send 60,000 troops to nearby crisis zones under EU command, it may not work in protecting groups like MSF. “An EU army might help protect relief workers but certainly won’t solve the problems.” The Commission’s powers are clearly limited to funding and supervising operations, so ultimately, he indicated, the non-governmental organizations must fend for themselves.

That suits some. As French surgeon Rony Brauman, a former MSF president (1982–1994) who helped draft Orbinski’s speech, said, “We defend independent civilian humanitarianism... there is no need, and indeed a danger, in using a humanitarian justification for establishing a European army as

decided in Helsinki” during the EU summit meeting, also held on December 10.

“We are not commandos,” he added, “although we do sometimes operate under dangerous circumstances.”

Those circumstances contrast sharply with the relatively safe lives led by most doctors, and other medical personnel in Western democracies. Indeed, recruiting by MSF and similar organizations is not easy. Candidates must be prepared to, as they have, fight cholera in East Africa, famine in Ethiopia and Somalia, typhoons and floods in the Philippines and North Korea, and help establish drug-treatment centers in downtown Athens, or distribution of generic drugs and even milk to the needy in Moldavia.

Just prior to Christmas, with Russian military forces poised outside Grozny, the capital of Chechnya, teams of doctors from MSF, MDM, and the UN High Commission for Refugees were shipping medical supplies, such as surgical instruments and antibiotics, to the embattled region from their base in the neighboring former Soviet republic of Georgia, itself being threatened by Moscow. “Thanks to local volunteers, we are succeeding,” said Brauman, “and we are all ready to intervene in Chechnya, assuming the Russians let us in.”

Who qualifies? Not everyone is ready to make sacrifices, such as low pay; most new hires earn about \$700 monthly, depending on the assignment, plus a modest allowance for living expenses. On average, the volunteer doctors, pharmacists, and administrators stay in the field for an average of six months and then are replaced. Although several thousand men and women mainly single and in their late twenties, apply to EU-based organizations each year, most do not make the grade. Idealism and a hankering for adventure are no longer enough, recruiters say, as the demand for professional skills and managerial experience has grown dramatically.

“We have all become more rigorous in our selection of a growing number of candidates,” says an official of PSF, which was founded in 1985 by five French pharmacists in the city of Clermont-Ferrand in central France and now receives some 800 applications each year. After careful checking and interviews, only about a hundred candidates are selected, ranging from pharmacists, biologists, and laboratory technicians to jack-of-all-trades administrators.

A successful example of the latter category is Alexis de Suremain, currently based in Moldavia, a landlocked, former Soviet republic bordering on Romania and Russia. Son of a career French diplomat, who has lived and studied in Russia and Israel, he joined PSF as an administrator in the former Soviet republic of Tajikistan three years ago after managing a consulting firm in Russia. He was twenty-nine and single.

Today, with his wife and nine-month-old son, and operating with a pharmacist and local volunteers, he oversees an expanding, \$400,000-a-year program to distribute generic drugs, manufactured at low cost for PSF, and essentials for children, notably milk. In early January he received approval from ECHO, the main supplier of PSF funding, for the establishment of a \$740,000 program for rebuilding laboratories and for supplying essential pharmaceutical products to Moldavia’s dilapidated psychiatric hospitals and orphanages.

“It isn’t just being in a foreign country, or travel, which appeals,” de Suremain said, “but working in an area that requires everything—organizing, supervising, dealing with government ministries, keeping long hours in a very needy country.” In addition, he adds, summing up the reaction of most of his colleagues elsewhere, “helping others is also a very strong motivation in this kind of work.” ☺

Axel Krause is a EUROPE contributing editor based in Paris.

“The winning of the Nobel Prize by MSF helped all of us seeking funds here in the United States and around the world, even though we have our differences.”

EUROPE

Update

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WHAT THEY SAID... EU HIGH REPRESENTATIVE FOR BOSNIA

Wolfgang Petritsch recently spoke with EUROPE's Vienna correspondent Susan Ladika about his role since August as the EU's high representative for Bosnia-Herzegovina. Petritsch, who is a native of Austria, previously served as his country's ambassador to the Federal Republic of Yugoslavia (1997–July 1999) and as the EU's chief negotiator at the Kosovo peace talks in Rambouillet and Paris. He has published extensively on foreign and domestic policy issues. He recently co-authored the book *Kosovo-Kosova: Myth, Data, Fact*.

Since becoming Bosnia-Herzegovina's high representative, what do you see as the main priorities for the rebuilding of the country, so it can begin to play a vital role in the international community?

A future role in the international community is precisely what was foreseen at Dayton, Ohio, in 1995. Although much progress has been made, the Dayton accords are still far from being fully implemented. In general terms, therefore, my priority is to pursue the agenda set at Dayton. Within that agenda, I have begun my mandate by concentrating on the issue of minority return. If Bosnia-Herzegovina is ever to be a cohesive country in the eyes of the international community, the dreadful ethnic

cleansing of the war must be significantly reversed; our task is to re-create the conditions for a viable multiethnic society.

Simultaneously, I am committed to strengthening the central institutions, like the co-presidency, the Council of Ministers, and the Bosnia-Herzegovina Parliamentary Assembly, which are Bosnia-Herzegovina's natural interfaces with the world. At present, these institutions, though functioning, are too weak. Too much real power continues to reside with the entities. Until the old nationalist ways of thinking, spawned or encouraged by the war, are broken down, the transfer of true power to the center will be hard to achieve.

We are tackling this problem on a number of fronts, not least through a reformed election law and a full-scale attack on corruption.

The international community has been involved in the reconstruction of Bosnia-Herzegovina for four years already. How is it possible to maintain interest and commitment to this country?

"Bosnia fatigue" among the Western public, who ultimately fund the reconstruction effort, was a problem during the war; and with every passing year, that fatigue increases. We are coming to the end of the \$5.1 billion, four-year spending program. West-

ern interest and commitment are naturally now focused elsewhere in the Balkans.

That said, the international community needs to appreciate that Bosnia-Herzegovina is a key to Balkan stability. It is the Balkan country where the region's three ethnicities collide: it is its historical crossroads. If we can stabilize Bosnia-Herzegovina, we can stabilize anywhere. The fact that Sarajevo hosted an international stability pact in the summer indicates that the international community is fully aware of the importance of Bosnia-Herzegovina to the stability of the region as a whole.

What must be done to wean the country off its dependence on international aid?

The economy needs to be put on sounder footing. This means, first and foremost, systemic reform. Abolishing the communist-era controls, such as the so-called "payment bureaus" is essential if the foreign investment the country so badly needs is ever to materialize. Unfortunately, the main political players in this country are resistant to such reforms because the present system serves their interests and bolsters their grip on power. Taxes also need to be lowered—and, indeed, more efficiently collected—and trade with neighboring countries needs greater encouragement.

What problems are crime and corruption posing for the further development of Bosnia-Herzegovina?

In a postwar society in transition from communism, it is not surprising that corruption is endemic to this country, from the top to the bottom of society. In such a situation, corruption is regarded as "the norm." A fundamental change in thinking about power and the way the country's elected officials use or abuse it needs to take place. Changing something so deep-rooted will of course take time.

Abuse of taxes, particularly the wide-scale evasion of customs and excise, has persistently robbed the people of Bosnia-Herzegovina of the chance for economic development. It also drives away foreign investment.

In such an environment, how can foreign investors be convinced to come to the country?

In the present environment, as we have seen, it takes courage and persistence to invest successfully in Bosnia-Herzegovina—a situation that must change. But I believe that Bosnia-Herzegovina does have much to offer to the right sort of investor. There is a large and willing work force, for instance, as well as vast amounts of untapped natural resources, such as forestry. In the future, Bosnia-Herzegovina may find itself

WHAT THEY SAID (CONTINUED)

placed at the crossroads of a Balkan trade area. As in all investment, the early bird catches the worm.

What role does the European Union have to play in rebuilding Bosnia?

The European Union has been involved from the start. It is also a major contributor of reconstruction and funding, including more than 50 percent of the office of the high representative. This is a reflection of a recognition that Bosnia-Herzegovina is primarily a European problem. The EU also provides the focus of Bosnia-Herzegovina's future. Bosnia-Herzegovina is not ready yet for EU membership, but there are a number of halfway houses and institutions, such as the Council of Europe, which provide a yardstick against which the people of this country can measure their progress toward becoming a mature, democratic state.

Why should the country remain of continued interest to the United States?

A stable Europe is in the interest of the United States and always has been. The Balkans have historically been one of the greatest threats to European stability. It was primarily the US that brokered the Dayton accords, and Dayton, as I have already said, is not yet fully implemented. It is surely in the US interest to see finished the task that they began. If the US were to lose interest in Balkan stability now, the substantial progress made since 1995 even risks being lost.

How important is it to bring indicted Bosnian war criminals to trial, and what role should international peacekeepers have in their apprehension?

Without justice and punishment of those guilty of war atrocities, true reconciliation between the different ethnicities is going to be very hard to achieve. As civil peacekeepers, we continue to urge the authorities in this country to cooperate with the war crimes investigators from the Hague and to hand over war

crimes suspects for trial. The responsibility for the physical apprehension of war criminals belongs to the Stabilization Force (SFOR) under the command of NATO.

How important is the return of refugees in Bosnia, and how can that be facilitated?

It is vital, as I have explained. I have taken two measures to increase it since my mandate began. First, I imposed a package of property legislation reforms, which ironed out the inconsistencies between Bosnia-Herzegovina's two entities in the legislation governing the process of property repossession. These inconsistencies were routinely used by obstructionists of the peace as an excuse for delaying the property claim process. Second, I recently removed twenty-two officials from their positions who had a proven track record of obstructionism. The twenty-two came from all three ethnic backgrounds. The intention of this mass removal was to give the returns process a big boost; we are looking for a serious increase in returns in the spring.

The high representative has been granted a great deal of authority under the terms of the Dayton Peace Accords, including the power to remove politicians from office who obstruct the peace process, impose a common currency, and issue common license plates. Why should the high representative be granted so much discretion?

In fact, the high representative was not granted enough authority under Dayton. My powers were greatly increased by the Peace Implementation Council in Bonn, two years later. It is true that there is no precedent for the powers granted to the high representative. But ending the war in Bosnia-Herzegovina was the world's number

one priority in 1995, and it required extraordinary measures. The first holder of the high representative position, Carl Bildt, tried to make the provisions of Dayton stick and found that he couldn't even though the parties on the ground had signed on to them. Experience showed that calling on the full authority of the international community was the only way to make progress.

Does this trample on the rights of the average Bosnian citizen?

There is certainly no shortage of people, both here and abroad, who would argue that it does—but the average citizen would definitely not complain over rights abuse. After all, the rights of ordinary people were trampled on very harshly indeed during the war and continue to be trampled on by some of the politicians who claim to represent them. The public response to my actions so far—the issuing of laws and regulations, the dismissal of public officials—has been one of overwhelming support.

That said, the international community will not be engaged in Bosnia-Herzegovina forever. The central plank of my approach here is what I have termed "ownership."

By this, I mean that I am encouraging the leaders and, above all, the ordinary people of Bosnia-Herzegovina by all means possible to take ownership of the process of Dayton peace implementation itself and to start to identify with the whole state of Bosnia-Herzegovina. I see my role as being a little like that of a football stadium groundsman: my job is to use my powers to create a "level playing field," prior to stepping back and letting the players get on with the game. In the end, I firmly believe, the average citizen of Bosnia-Herzegovina will be better off and will be grateful to the international community for its intervention.

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New EU Ambassador to the US

Dr. Guenter Burghardt, the European Commission's new head of delegation to the United States, presented his credentials to President Bill Clinton at the White House on February 3rd. At his accreditation ceremony, Ambassador Burghardt, who until recently headed the European Commission's External Relations department in Brussels, stated, "European unification has always had a transatlantic dimension. Just as Europeans have helped in shaping the New World, the United States of America have thrown their weight many times into the European balance, supporting democracy and fighting dictatorship and totalitarianism of all sorts. Only recently have the dramatic events in Yugoslavia demonstrated the need for the US to remain engaged in the European continent."

The new ambassador, a native of Germany, began his career as an assistant professor at the University of Hamburg where he taught Public and European Community Law before joining the Commission in 1970. Some highlights of his distinguished career include stints as the political director for the Secretariat General and as the deputy head of cabinet to Jacques Delors, the former president of the European Commission.

Ambassador Burghardt is married with three children.

EU Issues Unprecedented Warning against New Austrian Government

The Portuguese government, which now holds the rotating presidency of the European Union, issued a statement warning against a coalition government that includes the far-right Freedom Party headed by outspoken nationalist Jörg Haider.

The statement says, "Governments of fourteen member states will not promote or accept any bilateral official con-

tacts at political level with an Austrian government that includes Jörg Haider's Freedom Party." Portuguese Prime Minister Antonio Guterres commented on the situation, stating, "If a party which has expressed xenophobic views and which does not abide by the essential values of the European family comes to power, naturally we won't be able to continue the same relations as in the past however much we regret it. Nothing will be as before."

The US government said it will reconsider relations with Austria now that the extremist Freedom Party, which espouses anti-immigration policies, is part of the new government as a junior partner in the ruling coalition. James Rubin, spokesman for the State Department, said US officials have made clear in meetings with Haider of "our strong opposition to any statements or any actions that might be interpreted as expressing sympathy for the former Nazi regime or as explaining away in any way, shape, or form the terrible tragedy of the Holocaust."

Euro is Key Topic in Davos

Europe's single currency was one of the dominant themes at this year's World Economic Forum, which is held annually in Davos, Switzerland. Attended by world political and business leaders, including President Clinton, the forum has become the place for international movers and shakers to meet and talk about key economic issues in the beautiful Alpine resort town.

The euro's slide against the dollar was hotly debated, although many European bankers appeared to be not very concerned. The first year of the euro, they argue, has actually passed without any significant problems, and the number of bonds issued in euros surpassed dollar-backed bonds in the first quarter of 1999.

"I am not worried," said France's finance minister,

Christian Sautter, "because the euro represents stability and security for eleven nations and growth of more than 3 percent. So the euro should strengthen."

Jobless Rate Declines in Euro Land

In the eleven nations that share the euro, the European single currency, unemployment fell from 9.6 percent in December, down from 9.8 percent a month before and 10.5 percent a year earlier. In all fifteen EU nations, the number of unemployed was 15 million. The December jobless rate fell to 8.9 percent compared with 9 percent in November and 9.6 percent the year before.

Croatian Elections

Less than a month after the death of Croatian President Franjo Tudjman—praised for securing his country's independence from former Yugoslavia and criticized for its international isolation and sagging economy—voters dealt a massive blow to his supporters, casting ballots en masse for an opposition coalition.

While the center-left opposition coalition had long been expected to win the January 3 election for the lower house of parliament, few had expected the defeat of Tudjman's Croatian Democratic Union would come by such a large margin. In some regions, the coalition of Social Democrats and Social Liberals outpaced Tudjman loyalists two to one.

"The people of Croatia delivered a clear message: that they want change and have chosen to enter the new millennium with new leaders and fresh policies. In particular, they have made clear that they want Croatia to take its rightful place in the family of European democracies and to develop a closer and more constructive relationship with the European Union," the EU's commissioner for external relations, Chris Patten stated.

So far, Croatia has been

kept at arm's length from the EU and many other international institutions because of the continued lack of democracy, human rights, and minority rights following the bloody 1991 split with former Yugoslavia. A Croatian offensive in 1995 recaptured territory held by rebel Serbs and put an end to the violence but sent hundreds of thousands of Serbs fleeing the country.

While the election results were cheered by the Organization for Security and Cooperation in Europe, currently chaired by Austrian Foreign Minister Wolfgang Schüssel, he also said the country still has plenty of room for improvement.

"The OSCE encourages the government of Croatia to increase efforts to implement pluralism, national reconciliation, democracy, and domestic reforms that would benefit the people of Croatia," Schüssel said in a statement. He also called for the return of Serb refugees.

Opposition politicians have vowed to bring about changes. "Our immediate task is to pull Croatia out of economic crisis, remove anomalies in our democratic system, and lead the country out of international isolation," said Drazen Budisa, the coalition's presidential candidate.

Because of Croatia's complicated electoral system, it's not yet clear exactly how large the next parliament will be, but the opposition coalition is expected to hold about 70 of 150 seats, with a smaller grouping of opposition parties controlling 24 more.

Tudjman's December death hastened new presidential elections. Stipe Mesic, a centrist candidate, won the first round held in January.

BUSINESS BRIEFS

Vodafone AirTouch, the British telcoms company, plans to create a worldwide Internet service for its mobile telephone operations that will deliver the similar multimedia content to its subscribers as **AOL TimeWarner** plans to offer through the television and personal computer.

Vodafone, which won the battle for Germany's **Mannesmann AG**, set aside \$150 million over the next two years to develop a global mobile Internet brand. The service, due for launch in July, will offer news, games, share trading, movie listings, weather forecasting, and banking. More sophisticated services, including video, will be launched later.

Vodafone's technology and content partners in the new venture include **IBM**, **Charles Schwab**, **Sun Microsystems**, and **Ericsson** and **Nokia**, the world's leading mobile handset makers.

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Following in footsteps of rock stars like **David Bowie** and Grand Prix Formula One motor racing teams, **Marne et Champagne**, one of France's most prestigious producers of champagne, is raising around \$400 million through a bond issue secured on more than 60 million bottles of "bubbly" at various stages of production.

If France's second-largest champagne producer defaults on payments of the four-year bonds, stocks of **Lanson Pere et Fils** and **Desserat de Bellefon** will be sold to repay the debt.

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Banco Espirito Santo (BES) and **Banco Portugues do Investimento** (BPI), two of Portugal's leading banks, announced they planned to merge to create the country's largest private financial institution, which will control 25 percent of the local retail banking business.

The merger, which is to be completed by the end of March, will involve a stock swap and BES will hold 59 percent of the newly formed group and BPI will have a 41

percent stake. The new group will be known as BES-BPI.

According to the two banks, management plans to keep the separate BES and BPI brands, but the new financial group will have single brands in fund management, investment banking, and other services.

Over the past year, the Portuguese banking sector has undergone a series of mergers as financial institutions move toward consolidation to better face the challenges of the new borderless banking scene in Europe. Banks also hope that by becoming stronger they can better fend off hostile takeovers and make it easier to expand into other countries.

Further consolidation is in the cards with the financial press and analysts predicting that BES-BPI will try to acquire **Banco Pinto e Sotto Mayor** when it goes on the block in several months time. And that could result in an interesting tussle, as **Banco Comercial Portugues** (BCP) is already bidding for the bank. Just before the BES-BPI merger was announced, BCP bought **Banco Mello**.

Analysts noted that with the latest merger Portugal's banking sector will be largely composed of three main players with almost 75 percent of the market: BEP-BPI, BCP-Mello and the state-owned **Caixa Geral do Depositos** saving bank.

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Andrew Lloyd-Webber, composer of hit musicals such as *Cats*, *Phantom of the Opera*, and *Starlight Express* is the biggest landlord in London's West End theater district after paying \$140 million for ten playhouses to add to the two he already owns. The previous owner, Australian **Janet Holmes a Court**, said Lloyd-Webber's bid was below rival offers from an American consortium and her own son, Peter, but the composer would maintain the standards of the West End. Attendance at London's fifty-odd theaters last year is ex-

pected to be close to the 11.9 million in 1998—the second highest ever—ensuring receipts should beat the 1998 record of \$425 million.

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Europe is poised to become the biggest "emerging" stock market in the world over the coming five years as firms boost their use of shares and governments sell off more state-owned companies, according to a new study.

The value of European stock markets is set to soar to \$17.7 trillion in 2005 from \$7.8 trillion last year, the *Reuters Survey of European Larger Companies* forecast.

This would value equities at 150 percent of Europe's gross domestic product, up from 98 percent in 1999, according to the study by **Tempest**, the consultancy that produced the survey. The US stock market was valued at \$15.3 trillion, or 218 percent of GDP, in 1999.

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Danone, the French food giant, became the second-largest seller of mineral water in the US after the \$1.1 billion acquisition of **McKesson Water Products**, the third-largest US producer. McKesson has fourteen bottling plants and annual sales of \$300 million, mainly concentrated in California and Texas. The deal, which came fourteen months after Danone paid \$112 million for **Aquapenn**, a smaller US water company, makes it about half the size of the industry leader, Swiss food giant **Nestlé**.

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Europe's banks took time off in the New Year from the merger mania that convulsed the industry in 1999 but the market is bracing for a new round of consolidation with British financial institutions tipped to take the lead.

Lloyds TSB, the UK's largest retail bank, was at the center of speculation linking it with **Fortis**, the Belgio-Dutch financial services group, which is anxious to join an alliance to keep pace

with Dutch rivals **ING** and **ABN-Amro**.

With domestic consolidation largely complete, banks are now expected to pursue pan-European mergers and takeovers. ING was first off the mark, offering \$10.3 billion for **Credit Commercial de France**, but the Paris government effectively scuttled what would have been the first foreign takeover of a French bank. Other foreign takeovers are expected to meet political resistance before cross-border bids become acceptable.

Spain's **Banco Santander Central Hispano** is moving with stealth, building stakes in **Société Générale** of France, Germany's **Commerzbank**, and **Sao Paolo IMI** in Italy and putting up \$1.2 billion to help **Royal Bank of Scotland's** bid for the UK's **NatWest** bank.

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Airbus Industrie, the European aircraft consortium, says it's on target to deliver as many planes as **Boeing** in 2002 after booking more orders than its American rival last year. Airbus sold 476 passenger jets valued at \$30.5 billion in 1999 outstripping Boeing's 391 orders, its second-best year for sales after 1998 when it sold 556 planes worth \$39 billion.

Boeing is still far ahead on deliveries, handing over a record 620 planes to customers in 1999 compared with Airbus's 294. But Airbus president Noel Forgeard said that given the company's rising sales and falling orders at Boeing, Airbus likely will deliver the same number of planes as its US competitor in 2002.

EUROPE
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A New Man, A New Country?

Prime
Minister

Guy
Verhofstadt
has led a
political
shakeup in
Belgium

By Dick Leonard

Nineteen-ninety-nine will be long remembered as a year of significant change in Belgian politics, and much of the credit for this is likely to go to new Prime Minister Guy Verhofstadt. What is undeniable is that he was able to effect a major transformation in his own public persona and in that of his political party, the Flemish Liberal Democrats (VLD).

The forty-six-year-old Verhofstadt has been around in Belgian politics for a long time. In 1981, at the age of twenty-eight, he became the

youngest person ever to lead a Belgian political party. At thirty-two, he was already a vice-premier and budget minister in a center-right government led by Wilfried Martens.

It was no secret that he got on badly with virtually all his ministerial colleagues. They found him arrogant and unyielding and regarded his right-wing views as more than a little extreme. Yet Verhofstadt, then an ardent admirer of Ronald Reagan and Margaret Thatcher, gloried in his reputation as an unreconstructed monetarist and, if anything, became even

more rigid in his views when he went into opposition in 1987.

Under his leadership, his party continued to grow, but he suffered painful setbacks in both the 1991 and 1995 elections when the Liberals failed to make a decisive breakthrough. It was following this second disappointment that—greatly impressed by Tony Blair's achievement in remodeling the British Labor Party—he embarked on a fundamental rethink. He sought to live down his nickname of 'Baby Thatcher' and rebranded himself as a centrist.

"I stand for a new vision of politics based on a consensus that exists between the necessity for economic growth, on the one hand, and the need



Almost twenty years ago
Guy Verhofstadt became the
youngest person to lead a
Belgian political party, now he is
the country's new prime minister

for social protection on the other," he told a *Financial Times* correspondent.

His success in the general election of last June probably owed more to the misfortunes of his opponents than to his own makeover. Yet it was his separation from the incumbents that made him much more acceptable to potential coalition partners when he was asked by King Albert II to form a government after the election.

This election produced probably the biggest turnover in Belgian political history. The electorate pushed the previously dominant Christian Democrats into third place and severely punished their Socialist coalition partners, partly no doubt because of the series of scandals that had led to suspended prison sentences for three senior Socialist ex-ministers, including former NATO Secretary-General Willy Claes.

The Liberals, who had been in third place for more than eighty years, came out on top but needed two coalition partners in order to achieve a parliamentary majority. Verhofstadt spurned the Christian Democrats of defeated Prime Minister Jean-Luc Dehaene, pushing them into opposition for the first time in forty years, and formed a 'rainbow' coalition of Liberals, Socialists, and Greens.

Whereas it might have been expected that Verhofstadt would form a right-center government, his administration is effectively one of the center-left. He gives every sign of emulating Blair's achievement of taking over the center ground of politics. Blair managed to do this from a starting point on the left. Verhofstadt has moved over from the right. This strategy is creating serious problems for the Christian Democrats, long the masters of the center, who now lack a distinctive rallying point to regroup their dispirited supporters.

So far, he has made a promising start, capitalizing on the economic achievements of the Dehaene government, which sharply reduced Belgium's budget deficit (now not much more than 1 percent of GDP) and

thereby qualified the country for participation in EMU. This sure fiscal footing has meant that in its first budget the new government has been able to implement a long-standing Liberal objective—a big cut in employment taxes. This tax cut should improve the competitiveness of Belgian firms and, together with a new job-creation program for unemployed school-leavers introduced by Socialist Vice-Premier Laurette Onkelinx, should help to reduce the unemployment rate to the European average.

Finance Minister Didier Reynders has since indicated that the 2000 budget is only the first step in a tax-cutting program, which he says will lead to an 8

percent cut in personal taxation over four years. This reduction is needed to bring Belgium roughly into line with its immediate neighbors—France, Germany, and the Netherlands.

A much more serious challenge is to remedy the fundamental defects in the legal system brought to light by recent scandals, above all the Dutroux affair, concerning the kidnap and murder of several young

children and teenagers. A parliamentary inquiry commission, led by Liberal Democrat MP Marc Verwilghen, revealed a shocking degree of negligence (if not worse) in the Belgian justice system. Furthermore, the inquiry revealed a fierce rivalry and an appalling lack of cooperation between the gendarmerie and the judicial police, which allowed Marc Dutroux, a convicted pedophile, to escape arrest over a prolonged period. It also showed up the almost universal practice of making judicial and other public sector appointments on the basis of political affiliation rather than merit.

Verwilghen has become justice minister in the new government and now has primary responsibility for implementing the far-reaching recommendations of his own commission. There is a distinct feeling that this is a now-or-never opportunity to rehabilitate the deeply discredited system.

Within the coming year, Belgians will have to brace themselves for the

long-delayed Dutroux trial, which threatens to be the most horrific proceedings ever brought before a Belgian court. Another high-profile trial concerns the 1991 murder of former Socialist leader André Cools. Two Tunisian hitmen have already been sentenced in a trial in Tunis, but little light was shed on the motive for the murder. A dozen alleged accomplices will be tried in Belgium in a case that many believe is linked to the financial scandals that led to earlier convictions for corruption of Willy Claes and his colleagues. Claes is not suspected of involvement in the murder, but among the defendants is another Socialist ex-minister, Alain Van der Biest.

Many previous Belgian governments have come to grief as a result of the constant tug-of-war between the majority Dutch-speaking and minority French-speaking communities. With a review of current constitutional arrangements now due, five years after the new federal constitution came fully into force in 1995, Verhofstadt has carefully shunted the issue into an interparliamentary conference. With luck, its meetings will spread out over many months, if not years, giving the government precious breathing space before it has to make up its own mind about possible changes. Meanwhile, Verhofstadt is using his influence with his fellow Flemings to damp down their expectations of further major extensions to the regional autonomy granted by the 1994 constitution.

Another potentially disruptive element is the attitude of the Green ministers, who may well press for far more vigorous environmental policies than are acceptable to their Liberal and Socialist colleagues. However, some observers believe that they are so happy at being accepted into government for the first time ever that they will not lightly put their portfolios at risk.

So the probability must be that Verhofstadt's government will survive for its full four-year term and will then have a solid record to present to the electorate. If he succeeds in consolidating his position in the subsequent election, Guy Verhofstadt will fairly be able to claim to have permanently shifted the contours of Belgian politics. ☹

Dick Leonard is EUROPE's correspondent in Brussels.

Many previous Belgian governments have come to grief as a result of the constant tug-of-war between the majority Dutch-speaking and minority French-speaking communities.

Brussels

2000

By Dick Leonard

Throughout its long and troubled history, Brussels has shown a genius for renewing itself after every adversity. The city's Grand Place dramatically illustrates this trait. Originally a medieval market-place, it was almost destroyed by the guns of Louis XIV during the French siege of the city in 1695. Within four years, rising like a phoenix from the ashes, the present square with its twenty-eight exquisite guild houses was erected and has come to be recognized as, with the possible exception of St Mark's in Venice, the most beautiful square in the world.

Similarly, Napoleon's destruction of the city walls led to the construction of the city's grand boulevards and, less happily, the later erection by the megalomaniac King Leopold II of a series of grandiose buildings more suitable for the center of a vast empire than for a small kingdom. These included the Palace of Justice, the largest building in Europe at the time, and the Cinquante-naire Arch with its immense complex of museums and exhibition centers planned for the fiftieth anniversary of Belgian independence in 1880 but completed only in 1906.

The twentieth century also brought disasters to Brussels, notably two brutal military occupations in 1914–18 and 1940–44. Although the physical de-



The Atomium, a monument to man's mastery over the atom, is a Brussels landmark.

struction was limited (unlike in some other parts of Belgium), many of its citizens were subjected to arbitrary arrest, torture, execution, and deportation. In both world wars, the city distinguished itself by its passive resistance to the occupiers, led in 1914–18 by its famous burgomaster, Adolphe Max, and in 1940–44 by the Université Libre de Bruxelles, which closed its doors to its students rather than submit them to a Nazi-dictated syllabus.

The most substantial architectural legacy of the two occupations is the National Basilica of the Sacred Heart, which dominates the western entry to the city. Designed as a national memorial to those who had given their lives for their country, it sadly resembles nothing more than a giant whale washed up on a beach. The fourth-largest church in the world, it has, in practice, added little to the religious or civic life of a city that already had a



The Grand Place in the heart of Brussels was constructed after Louis XIV laid siege to the city in 1695.

large cathedral dating from the thirteenth and fifteenth centuries and many other fine churches, few of which attract many worshippers in an age when churchgoing is in rapid decline.

A more utilitarian legacy was left to Brussels by the Universal Exhibition of 1958, for which a series of road tunnels permitting fast circulation through the central area of the city was constructed. Consequently, Brussels, even today, is easier to get around by road than any other sizeable city in Western Europe. Unfortunately, a substantial number of attractive old buildings, mostly from the nineteenth century, were pulled down to make way for the accompanying road widening schemes. A more symbolic souvenir of the exhibition is the 300-foot tall Atomium, which celebrates man's mastery of the atom and now rivals the *Manneken Pis*, as the favorite trademark of the Belgian capital.

A greater influence on Brussels, also dating from 1958, was the creation of the European Economic Community (now the European Union). The earlier European Coal and Steel Community was based in Luxembourg, and the founders of the EEC had assumed that the headquarters of the principal EEC institutions would also be in that city. However, the Cardinal Archbishop of Luxembourg mounted fierce resistance, fearing that an influx of mainly Protestant Eurocrats would undermine the religious homogeneity of the Grand Duchy, which promptly renounced its claims, though subsequently most Luxembourgers came to regret bitterly the decision.

The Belgian government volunteered to receive the Commission and Council of Ministers on a strictly temporary basis, and forty years later, the EU has become, by a wide margin, the most important economic and social influence on the city's life. NATO followed the EEC to Brussels eight years later, when Charles de Gaulle peremptorily expelled its headquarters from Fontainebleau, and over subsequent years, it became more and more a cosmopolitan city as innumerable multina-

tional companies (many of them American owned) chose Brussels as their European headquarters.

By the 1990s, more than a quarter of the city's population was made up of foreigners, many from other EU countries and the United States, though the two largest groups consisted of Moroccans and Turks (including many Kurds). This diversity has made Brussels easily the most international of European capitals, with a wide range of educational and other institutions designed for a multinational clientele, and English and other languages widely spoken together with the two official languages French and Dutch.

Gastronomically, Brussels is in a class of its own, with more restaurants (of every nationality) with Michelin stars than any other city in the world, with the exception of Paris, whose population is ten times as large. All this has added to, but by no means submerged, the essentially Belgian quality of the city, with its omnipresent street markets and selling points for such traditional offerings as Trappist beers, mussels and chips, waffles, and Belgian chocolates.

As it has been since the Middle Ages, Brussels remains an important trading center because of its excellent transport links—by air, road, rail, and sea. (Brussels, though inland, is linked to the Scheldt estuary near Antwerp by a ship canal, allowing large

vessels to dock not far from the city center.) It is also still the most important industrial town in Belgium, though service industries are relentlessly pushing out manufacturing.

Certain problems persist, however, but the city faces the new millennium with some confidence, as the acknowledged 'Capital of Europe'. Some perhaps believe that it may lose a little of its importance in the long term, as the center of gravity of the EU moves east, with the projected enlargement into Central and Eastern Europe, and the restoration of Berlin as the German capital. Nevertheless, the ever-adaptable Brusselers remain confident that they will be able to meet such a challenge, if and when it comes. ☺

The EU has become, by a wide margin, the most important economic and social influence on the city's life.

INTERBREW

Belgian

brewer
growing to
compete
with global
competition

By Bruce Barnard

Interbrew, Belgium's biggest brewer, is making a splash in boardrooms and bar rooms on both sides of the Atlantic. The family-owned firm has been talking with American investment banks in London about a stock market flotation and spearheading a Belgian beer craze in New York.

Interbrew grew out of the 1987 merger of the two largest Belgian brewers, Artois and Piedboeuf, and became a global player in 1995 with the \$2 billion acquisition of John Labatt of Canada, which came with a substantial minority stake in Femsa Cervesa, the leading Mexican brewer.

The company has stepped up its overseas expansion in the past year, especially in Eastern Europe, Russia, and Asia. However, it has not kept pace with the spending sprees of market leaders Anheuser Busch and Heineken and newcomers like Brahma of Brazil and South African Breweries that have crashed into the world rankings.

The news that Interbrew was mulling a stock market flotation, probably in London or New York, that could value the business between \$8-\$10 billion, fueled speculation it wants to make its first big-ticket acquisition since John Labatt.

Interbrew would be a hit with investors as it is regarded as one of the top-performing brewers with a strong brand image. Net income last year rose by nearly 43.7 percent to \$190 million and operating profits were up 8 percent to \$383 million on revenues 7.3 percent higher at \$2.84 billion.

Interbrew's beers are also a hit with drinkers, particularly Stella Artois, a clear lager brewed to mark the Christmas of 1926, which is among Europe's premier brands. Its North American stable includes Labatt Blue and Rolling Rock from the Latrobe brewery in Pennsylvania. It also boasts popular brands in other markets around the world, such as Borsodi Sor in Hungary, OB Lager in South Korea, and Jingling in Nanjing, China.

It is, however, the lesser known specialty Belgian brews, such as Hoggaarden, a white beer; Leffe; and Belle Vue commanding premium prices that have enabled Interbrew to boost its profits much more than European rivals like Heineken and Carlsberg, the Danish brewer.

Interbrew is a big player—it boosted production by more than 11 percent to 38.6 million hectoliters and increased its payroll by 21 percent to more than 16,700 in 1998. But it must grow even bigger to keep up with the accelerating pace of consolidation in the international liquor industry. It came close to taking over Dutch brewer Grolsch in 1998 and is constantly casting around for opportunities.

Interbrew Brews in Bosnia

The company is also hastening the diversification from its mature markets where beer consumption peaked in the 1980s and continues to slide. Interbrew's domestic market has suffered one of the most dramatic contractions. Belgian consumption fell by more than a quarter between 1980 and 1998, dwarfing decreases of 16 percent in the United Kingdom, 12.9 percent in France, and 12.7 percent in Germany.

Interbrew spent most of the last decade making strategic moves into emerging overseas markets. It acquired breweries in Hungary in 1991, Croatia and Romania in 1995, and Bulgaria in 1996. It embarked on a joint venture in the Dominican Republic in 1996 and added breweries in China and Montenegro in 1997 and 1998 and in Russia and Korea in 1999.

Interbrew is maintaining the pace. Last September, it became one of the first foreign investors in Bosnia-Herzegovina acquiring 51 percent of Uniline Brewery. In May, it underlined its long-term commitment to Russia by taking a 75 percent stake in a new venture with the KLIN brewery in Moscow, hard on the heels of an agreement with SUN Brewing, another leading Russian beer company.

Interbrew now has production plants in fourteen countries and exports to eighty nations, but it still generates more than 60 percent of its sales from just six: Belgium, the United Kingdom, France, the Netherlands, Canada, and the United States.

That is not a problem, however. "What we earn in these countries enables us to invest in expansion elsewhere," says a company spokesperson.

Even as it lessens its dependence on Belgium, Interbrew is cashing in on the growing global popularity of Belgian beers—there are more than 800 different types, from brown and white beers to wheat-brewed lambics and mona-brewed Trappist beers. The growing thirst for these beers in the US—annual consumption in New York alone has doubled to 600,000 crates in two years—prompted Interbrew to launch a chain of Belgian Beer Cafes selling its own brews as well as other Belgian beers.

This is not bad going for a company that began life more than one hundred years before Columbus discovered America. It can trace its roots to 1366 through a tax record for the Den Hoorn brewery in Leuven, a town near Brussels where it is headquartered. By the eighteenth century, the company, renamed Artois, was the leading brewer of the Napoleonic Empire. The next significant date was 1926 when an exceptionally clear beer was brewed for Christmas—Stella Artois.

The next significant date likely will be this year, when Interbrew could join Internet and high-tech startups lining up for an IPO. ☺

Bruce Barnard is a contributing editor to EUROPE.

Belgian brewer Interbrew plans to tap into the heady beer market in Bosnia-Herzegovina by purchasing a 51 percent stake in a local brewery. So far, foreign investors have been few and far between in the country, still rebuilding after three and a half years of war, but Interbrew's purchase could send a signal that Bosnia's economy is slowly gaining ground.

The company already sells beer in Bosnia produced at its plant in Zagreb, Croatia, but with the acquisition of a majority stake and management control of the Uniline Brewery in the southwestern town of Grude, Interbrew hopes to see its market share climb.

"There's an important consumption market in Bosnia," said Christian Plingers, corporate affairs manager for the Leuven-based Interbrew.

While about 1.5 million hectoliters of beer are consumed in Bosnia, only 30,000 hectoliters are produced there. The remainder is imported.

This fall, the brewery will begin producing the local Ozujsko lager, as well as distributing the imported Stella Artois. With the development of the plant near

the border with Croatia, Interbrew eventually will be able to produce up to 300,000 hectoliters of the brew, and the company hopes "our production can increase local consumption," Plingers said.

Interbrew did not disclose what it paid for the stake in Uniline it acquired from the Bosnian firm Emona Z. The rest of the shares remain in the hands of local investors.

Initially, sales will be focused on southern Bosnia, where the plant is based. If sales are successful, "we'll see what we can do in six months to a year,"



Best known in Europe for its trademark Stella Artois beer, the Belgian Interbrew also owns the North American breweries that produce Labatt and Rolling Rock.

to widen distribution, Plingers said. However, he conceded the country's bone-rattling road system could hinder transportation of the brew.

With the purchase, Interbrew has underlined its desire "to participate in the reconstruction of a country that especially suffered in the last years."

Bucking the trend, Interbrew hasn't shied away from investing in the Balkans, joining Volkswagen and Coca-Cola as one of the few major foreign investors in Bosnia.

The company also has subsidiaries and joint ventures in Bulgaria, Romania, Croatia, and Montenegro—the junior partner in the Yugoslav federation.

The investment by Interbrew is seen as a step in the right direction by organizations such as the World Bank, which is working to foster Bosnia's redevelopment. Originally focusing on projects aimed at reconstructing the country, the World Bank now is trying to help the former communist country develop a market economy.

But many investors have been deterred because of the country's continued political uncertainty. To combat that, the World Bank

established an Investment Guarantee Trust Fund, backed by financing from the European Union. The \$10.5 million line of credit provides political risk insurance to foreign investors concerned about expropriation, war, or breach of contract.

Chris Miller, spokesman for the World Bank's office in Sarajevo, said the institution sees the mood brightening in Bosnia. "The people here feel cautiously optimistic. We think things are really moving forward."

—Susan Ladika

Inside Justice

By Alan Osborn

With its internal borders gone, the EU is strengthening its interior protections against crime

It's been said that the tearing down of national borders within the European Union has created a single market for criminals by letting them move hassle-free from one country to another yet has done nothing to strengthen the forces of law and order. Consider a case in 1998 when a truckload of counterfeit videos valued at \$10 million was seized in Cambridge, England, the perpetrators were traced to the Netherlands, and the gang's financial records were located in Luxembourg. The evidence was cast-iron, but the case collapsed and no arrests were made because Luxembourg refused to hand over the relevant documents.

Look at the flood of illegal immigrants, many of them criminals, pouring into the EU at its weakest external border in southeast Italy and fanning out into the other fourteen countries. Or look at money-laundering, cross-border financial crime, child custody disputes—there's an almost endless list of cases where unscrupulous people have been able to exploit the different legal and police systems in the EU member countries to their advantage.

It may not be for much longer. National control of so-called home affairs has been jealously guarded throughout the EU's history, but there are now clear signs that countries are prepared to cede a strong measure of authority to the EU in this area. One reason is the globalization of crime; another is that the flaws and injustices of the present system are making a mockery of the EU's claim to be creating a citizen's Europe.

Since the 1998 Cardiff summit, it has



European Commission President Romano Prodi (right) gathered with French Prime Minister Lionel Jospin (third left) and Dutch Prime Minister Wim Kok (second left) in Tampere, Finland last fall, where EU leaders discussed steps to coordinate their fight against organized crime and illegal immigration.

been official EU policy to create an area of "freedom, security, and justice" whose purpose is "to ensure the free movement of persons while at the same time guaranteeing their security by combating crime." Such an area "should promote cooperation in the field of justice and home affairs, not only within the EU but also in the countries applying to join it." Last October, in Tampere, Finland, a special EU summit meeting on security and justice matters gave powerful impetus to this worthy aspiration with a bold and detailed declaration of intent.

The Tampere statement calls for the creation of new supranational crime-busting units; for a significant strength-

ening of cooperation between the national law enforcement agencies; and for the removal of the legal and bureaucratic obstacles that hold up investigation, pursuit, and prosecution within the European Union. The core of the plan is the mutual recognition of judicial decisions throughout the EU—which would also apply to pre-trial orders—effectively allowing authorities to secure evidence and seize assets in other countries. The creation of a "European Area of Justice" would allow litigants to bring actions in the courts of any of the fifteen member states and would lead eventually to the abolition of extradition procedures within the Union.



Italian officials register illegal immigrants caught trying to enter into Italy.

At the same time, the paper proposes a common European asylum system to end the practice of “asylum-shopping” and ensure that those granted asylum enjoy uniform status throughout the EU. There is to be an “approximation of national legislations” on the conditions for admission and residence of immigrants and the development, in conjunction with countries of origin and transit, of an EU policy for migrant flows.

Fingerprinting of all applicants will be introduced to prevent abuses and help in the war against illegal immigration.

Where law enforcement is concerned, there is to be a new pan-Euro-

pean anti-crime unit with supranational authority—Eurojust, a wider and tougher mandate for the intelligence agency Europol, and much closer coordination among the national police forces. A European Police Chiefs Operational Task Force is to be set up to handle the exchange of information and contribute to planning operations, initially concentrating on three or four top crime threats, such as illegal immigration, drug trafficking, and pedophile rings. The Tampere document describes money laundering as “at the very heart of organized crime” and proposes a slew of measures to combat it, including extending Europol’s authority to cover money laundering in its

own right rather than as an adjunct to other crimes.

Although the Tampere plan is probably better seen as a statement of broad intentions rather than a detailed blueprint, there is enough substance in it to suggest that a major concerted effort by the fifteen EU countries to cooperate in the fight against crime is at last on the way.

In a sense this is, as German Chancellor Gerhard Schröder said in Finland, potentially as important a development as the creation of the single currency. ☐

Alan Osborn is EUROPE’s Luxembourg correspondent.

Antonio Vitorino

European Commissioner for Home Affairs and Justice

European Commissioner for Justice and Home Affairs Antonio Vitorino recently spoke with EUROPE editor-in-chief Robert J. Guttman in Washington, DC about Europol, Eurojust, immigration, drugs, and organized crime. Commissioner Vitorino, a native of Portugal, also discusses the current Portuguese presidency of the EU and its major goal of promoting employment.



**EUROPE
INTERVIEW**

Describe what exactly is the European Union's "area of freedom, security, and justice" that was established in December at the EU summit in Tampere, Finland. Also, does Tampere mean the beginning of the construction of a single legal and police system for the EU?

This project of an area of freedom, security, and justice is the jewel of the crown of the Amsterdam Treaty. The major changes that the Amsterdam Treaty introduces in the European Union's life are concentrated in the questions of justice and home affairs. I would summarize those as having three main targets. First, guaranteeing freedom of movement of people as it has been established since 1957 in the treaty but has not yet been fully accomplished in the Union. The second target is to reinforce the fight against organized crime, which requires police cooperation among member states. And

the third objective is to guarantee access to justice to all our citizens, no matter where they live, no matter where they have a problem with justice. They want to be guaranteed their rights and freedoms.

Tampere is the moment of truth of this project of Amsterdam. The heads of government endorsed a clear political program with clear priorities for the next five years to make this area for security and justice a reality, as is provided for in the Amsterdam Treaty.

Could you explain the 'scoreboard' system?

The scoreboard is precisely the tool that the Commission will put before the Council for approval where we intend to clarify the tasks that have to be achieved in the next five years. What are the responsibilities of the Commission, of the Council, and of the member states to achieve those objectives?

What is the schedule for those objectives to be achieved? And what are the legislative instruments in all areas that can and should be adopted in order to create this area of freedom, security, and justice? We have been inspired by the internal market approach in the sense that the scoreboard will be used to identify priorities, to continuously monitor the project's progress, and to provide a system of peer pressure to ensure that all member states will achieve the same degree of freedom, security, and justice required by the Tampere conclusions.

You have said on the issue of migration that, since the early 1980s, the EU has received about 6 million refugees. Where are these people coming from, and what is the EU policy on refugees in the new century?

It is quite clear from the Tampere con-

clusions that the Union has reiterated the values that are the basis of the Geneva Convention of 1951. This means that we are faithful to our commitment of generosity and protection for those who flee conflicts, of those who have their lives in danger because of political crises no matter where they occur. Even recently, we have two very significant examples of the need for such a generous approach, the crises in Bosnia and, more recently, in Kosovo.

Building upon the Geneva Convention, a policy of protection of refugees, we have to improve our administrative structures to make sure that those who require asylum are real asylum seekers and not false asylum seekers.

We will improve the Eurodac system, which is an informatic database of fingerprints of asylum seekers, to enforce the control of asylum-seeker demands and to make sure that there are no duplications or abuses in demands for asylum. We intend to put forward minimum rules on procedures to analyze the demands of asylum seekers that will be uniformly implemented in all fifteen member states as well as a minimum criteria of analysis of the asylum-seekers' demands. This is the core of the policy that has been adopted in Tampere.

What is Europol?

Europol is an institution of intergovernmental cooperation at the police level that has been created mainly to focus on fighting illegal drugs. It has been enlarging its scope to address other international threats, like, for example, trafficking in human beings and money laundering. Europol is not an operational institution. It is, above all, an organization to improve the coordination and exchange of information among national police forces. But, since Amsterdam, there is a provision that allows Europol to have a supporting role in some operational activities held by the police forces of two or more member states. So, in the future, Europol will also have an operational capability in the context of the Amsterdam Treaty.

What is Eurojust?

Eurojust will be a network of judges, prosecutors, magistrates, and national policemen that will facilitate the exchange of information and the coordi-

nation among judicial systems in criminal prosecutions and even in civil processes. It will be, above all, an instrument to reinforce the cooperation between the judges and the prosecutors of each member state in order to guarantee the rights and freedom of the European citizens as a whole. We will try to make Eurojust an instrument to facilitate communication among the legal systems and among judicial systems focused mainly on the fight against transnational crime and to solve trans-border problems, such as a family litigation issue, for example, or small and uncontested business claims of a trans-border nature.

Does Europe need a European police force or a European FBI?

No. We are very far from the idea of having a European police force like the Federal Bureau of Investigation in the United States. Europol is a much more confined instrument in the sense that, above all, it is in charge of exchanging data and information about criminal activities, but the operational power remains the responsibility of each national police force.

Last year, we interviewed Justice Minister Elisabeth Guigou of France, and she said one of the major problems facing Europe and the world is fighting organized crime. What is the EU doing to fight these groups?

I subscribe to Elisabeth Guigou's opinion entirely, and I would emphasize that all the powers that have been given to the Union in the area of police cooperation and judicial criminal cooperation are precisely centered on the idea that the nature of organized crime is transnational. And it requires transnational instruments to fight against organized crime. It is no longer possible for a single member state, a single police force, or one member state by itself to fight organized crime efficiently. Trafficking in human beings, drug smuggling, weapons trafficking, and terrorism are all examples of transnational criminal activities emanating from transnational criminal networks that can only be fought on the basis of a reinforced and enlarged cooperation among police forces at the transnational level.

On the other side, you have new criminal threats coming from the use of

information technology. And this presents a very difficult challenge for all member states. We have to guarantee that law enforcement is possible on the Internet and that it will not be used for criminal purposes. Of course, this requires a global approach, which means that the Union will have to participate, as we are doing in the Council of Europe Convention of Cybercrime. But we will also have to reinforce the transatlantic dialogue to find answers to these new threats.

Do drug cartels have the upper hand on governments today?

It is quite clear that drug trafficking has been a transnational activity for more than thirty years. And it took thirty years for us to realize that we need transnational instruments to fight against transnational crime. It is quite necessary to reinforce those transnational instruments that we have in the Union's framework—and even beyond the Union—to fight against organized crime. One of the characteristics of these criminal networks is that they are no longer specialized. Now, a criminal network that traffics drugs is likely to traffic in human beings and weapons, too.

Does such diversity make them easier to catch?

It makes it necessary to exchange information widely among law enforcement authorities in the fight against criminality.

Are there any new programs you're going to be doing with the United States?

The European Union's intention is to maintain a high-level dialogue with the United States and Canada on those elements of law enforcement that can only be addressed at the international level. We have discussed the positions that should be put forward regarding the UN convention against organized crime that is going to be adopted during the year 2000, and it will be one of the major topics of this transatlantic dialogue.

How can the EU have a standardized policy to fight drugs if you have a country like the Netherlands that has a more permissive policy than other EU members have?

We are not focusing on the legislation on conception. We are, above all, focusing on approximation or convergence

of legislation, as it was defined in Tampere, against drug trafficking. We think that the approach of the Union should be to have a balanced reduction of demand for drugs and a reduction of availability of drugs in the next five years. Therefore, Tampere asked the Commission to put forth some proposals on common definitions, common incriminations, and common sanctions on several types of crimes, including drug trafficking. I'm optimistic that we will be able to achieve a common position among the member states on drug trafficking that does not have direct consequences on the national policies of consumption that still remain in the hands of national governments.

The EU is enlarging, and you have talked about "enlarging with security." Won't that be difficult for the former communist nations that have applied for EU membership to have the same kind of rules and laws that the EU has now?

Enlarging is a challenge for all of us, the current EU member states and for the candidate countries. Clearly, the Commission wants to enlarge with security in the sense that we are doing the utmost to guarantee that the candidate countries will meet the criteria necessary to reinforce security in this broader Union we are building over the next few years. Of course, there is still a way to go. We monitor the candidate countries every year, and we are adopting programs to support and implement the adaptation of law enforcement structures in the candidate countries to maintain border control, for instance, as well as fight organized crime and guarantee the rule of law. This is going to continue to be one of the major topics of the accession negotiations.

Do you think organized crime is as strong as people make it out to be?

Well, one of the characteristics of criminal activities is that there are no statistics that can be totally reliable. But I can say that the projection of organized crime in the world's economy is such that I have no doubt that we should make the fight against it a priority for all member states. Some people say that fighting organized crime is not only an obligation, vis-a-vis the guarantee of the rule of law, but it is also a necessity to assure the survival of our

democratic institutions worldwide. It is, without a doubt, a major problem.

What are the top three issues facing Europe in the next century?

Above all, we face the challenge of the new information society. On one side, it has huge consequences in politics, in economics, and in the organization of the society. On the other side, we have to guarantee the renewal of our welfare state to improve the competitiveness of European enterprises in the respect of the solidarity that is a characteristic of European culture. Thirdly, we must remain faithful to the values of the rule of law, the respect of human rights, and the guarantee of security and justice for all in Europe. These are our three big challenges for the next century.

You talk about the charter of fundamental rights. How's this going to help combat racism and xenophobia and help safeguard Europe's cultural heritage and diversity?

The charter will play a major role. It is extremely important to show to the UN that this union of law is based on the primacy of the rights of the European citizens. I hope that the charter will be a demonstration of the respect and of the importance of human rights for the Union. We have just approved two directives and one action plan to fight against racism and xenophobia. I sincerely think that we have to prove our engagement in fighting racism and xenophobia, which are the threats to what we have built in Europe, a society based on cultural, ethnic, and religious diversity.

Portugal took over the presidency of the EU in January. What would you like to see Portugal focus on during its six-month presidency?

The Portuguese government has already emphasized the priorities for its presidency. Above all, the special European summit to be held in March in Lisbon will be dedicated to employment, entrepreneurial innovation, and information society issues, which, no doubt, will be very important in the life of the Union in the next decades.

Any other things you think they will focus on?

The Portuguese presidency has a great responsibility because they are launch-

ing the intergovernmental conference, which will make the necessary institutional reforms to make enlargement possible. I hope it will be confirmed that we will start negotiating with not only the first six candidate countries, but also the other six candidate countries at the same time. So, it's up to Portugal to prepare the negotiations with the second group of six candidate countries.

Will enlargement hurt Portugal?

No. Portugal is a country, if I may say so, that can understand easily why candidate countries give high priority to integration for political reasons. Because, we ourselves, in the past asked for the accession to the European Community in order to consolidate our young democracy at that time. So it is quite understandable why candidate countries are asking for accession.

As a new commissioner, are things settling down in Brussels? Is it working like you thought it would be?

I was not totally innocent before because I had been a member of the European Parliament. So, I had some inside view of the Union's life in Brussels. But, of course, the Commission is going through a very broad reform now, a profound, deep reform in its internal organization, and that means life in the Commission in the future will be significantly different than it was before.

How would you define the European Union?

It is a project of reinforcing political, economic, and social integration in the European continent in order to assume our own responsibilities for stability in the world. We want to share, especially with the United States, that responsibility of stable and peaceful world leadership.

How is the euro faring after one year?

The relative decline of the euro is not worrying in the sense that it does not show any vulnerability of the European currency. It shows, when compared with the dollar, the excellent state of the American economy. But the prospects of the evolution of the European economy are also good for the next few years, and I hope that this process will also result in the strengthening of the euro. ☺

HEALTH CARE IN THE EUROPEAN UNION

Since health care remains a favorite subject for debate in the United States, especially in this presidential election year, we asked our Capitals correspondents to report on the health care issues being discussed in their respective countries. From rising costs in Sweden to new rules for Italian doctors to a sex education Web site in Vienna to health food research in Finland, the face of European health care is changing.

LISBON

PORTUGUESE HEALTH CARE A CONFUSED MIXTURE OF PUBLIC AND PRIVATE

Portugal shares the health care problems facing other EU member states—an aging population and how to pay for costly technological advances. However, because the Portuguese health care system has evolved from a complicated mix of public and private provisions, reform here looks trickier than in most countries. Furthermore, Portugal is aging more rapidly than average, threatening to push up spending by 3 percent of GDP by 2030, according to the OECD.

A confused mixture of public and private provision comprises the country's health care system, the latter being a direct response to the former's inadequacies. In theory, the National Health Service has provided universal free health care since 1979. In practice, while public health outlays, at 5 percent of GDP, lag the OECD average, private spending, at 3.3 percent, is twice the OECD average. (Only the US has a higher figure.) The burgeoning private sector is a direct response to the shortcomings of the state service, which is plagued by construc-

tion delays, payment arrears, and doctors' strikes.

Total health spending per head surged in the 1970s and 1980s after

decades of neglect, and infant mortality and life expectancy improved greatly. Yet, while spending is now half a percentage point above the EU average, health indicators are below, prompting doubts the money is being well spent.

Most health services and products here cost less than in the rest of the EU, thanks to price controls on pharmaceuticals and low labor costs for non-medical staff. However, prices jumped 60 percent in the five years to 1996 (twice as much as prices in general) stoked by strong private-sector demand. Private general practitioners, specialists, and dentists charge 30 percent more than the EU average.

Services are also uneven, with infant mortality 2.6 points per thousand higher in the rural Alentejo than in Greater Lisbon. The capital has 4.6 hospital beds per thousand, the Algarve 1.9.



Life expectancy has increased in Portugal since the government increased health care spending during the 1970s and 1980s.

POLITICIANS SEEK CURE FOR DUTCH SYSTEM

Shocking pictures on television, indignation from patients and their relatives, public pressure from parliamentarians, the reluctant recognition by the government that, well, yes, there are considerable waiting lists in the Dutch public health care system, and the predictable promise that everything will be done to get rid of them. This pattern repeats itself nearly every month in the Netherlands. Though nobody knows exactly what the real numbers are, waiting lists in the health care system have become a major political issue and, for the health institutions, a way to get more public money.

In general, the Dutch have a high quality health care system. A network of local general practitioners, a broad array of medical and paramedical services, and a general health insurance system guarantee access for all citizens to medical treatment. Private contributions, taxes, and insurance premiums fund the system. Large segments of the health care industry—including doctors, clinics, and pharmacists—are private or non-profit businesses.

At the same time, the government tightly controls the whole system. The government determines total spending, sets prices and the level of individual contributions. It regulates the pharmaceuticals market, sets limits for hospital budgets, regulates what treatments are covered by health insurance, is responsible for overall access to services, and in short, interferes in all aspects of the health sector. All this is the outcome of nearly a century of public health policies, largely shaped by the Christian Democratic party. It is a typical mix of Christian-socialist ideology of solidarity and of public and private quasi-government organizations. The chairman of the Dutch employers association recently complained that the Dutch public health system shows a remarkable likeness to the old communist central planning.

Overall, \$35 billion, or about 10 percent of the Dutch gross domestic product, is annually spent on health care. Political outcries about lack of funds disguise that the health budget increases every year in real terms with a percentage determined by the government. Yet,

it seems there is never sufficient money available to cover all needs. The waiting lists, both in hospitals for medical treatments, for home care, and for admissions to nursing homes for the elderly have forced the minister of health care, Els Borst, and her deputy Margot Vliegthart, to provide even more money to alleviate these bottlenecks.

Another urgent problem remains the lack of personnel, particularly qualified nurses. The government is conducting campaigns to attract them from neighboring countries. Sometimes operations are canceled at the last minute due to shortages of personnel needed to run the operating room.

There are more unresolved questions. For decades, the Netherlands has engaged in discussions about reforming the health care system. Though all reform proposals thus far have failed, health care advocates and politicians continue to push for a comprehensive reform. The two major issues are the way the health care system is financed and the distinction between public and private health care services.

Currently, Dutch health care is financed in three ways: by individual contributions based on personal income to public health funds; by private contributions to health insurance companies, and by taxes that are used to finance specialized parts of the health care system, such as psychiatric clinics and nursery homes. In addition to being complicated, this system is inefficient.

The other question is whether the government should prescribe a limited general health care system that is covered by one form of contribution and leave it to private companies to offer niche-like health services. Companies, for example, press the government to allow for the creation of private clinics that are specialized in a limited number of treatments and offer quick services. Until now, the government, with the support of parliament, has resisted allowing the creation of such a dichotomy in the health care system, but it seems only a matter of time until private clinics will be permitted on a broad scale.

The government has taken some drastic steps in the past few years to try to curb the costs of medical specialists in the hospitals (by limiting the number of treatments that are reimbursed) and of medicines (by setting ceilings for the prices of prescription drugs). Yet, nobody is satisfied with the results.

“While regional disparities in health outcomes have declined, they are still significant,” the OECD said in a 1998 report. “Portugal’s health sector stands out by its low relative efficiency.”

If the policy of offering universal free health care is kept, costs will surge as expectations rise with economic development. That makes reform more urgent if tax increases or cuts elsewhere are to be avoided. The Socialist government, which was re-elected in October, has pledged to make health the keystone of its program in this parliament.

One area where reform is overdue is pharmaceuticals. Portugal is the EU’s second-poorest member, and state-controlled drug prices are among the lowest. However, spending on drugs as a share of GDP, at 2.1 percent, is the highest. Doctors write more prescriptions than elsewhere, mostly from the long list of drugs the cost of which is partly reimbursed by the government, which spends 17 percent of its health budget on drugs.

Spending on hospitals is also fast expanding in a bid to keep up with technological advances. At present, the state relies heavily on the services of private hospitals, for which it pays dearly.

Sub-systems for professional categories, such as bank employees, cover a quarter of the population, and the private sector (funded by insurance plans) covers a further 17 percent. Since health-related expenditure—including insurance premiums—is tax deductible, the state effectively fosters the growth of the private sector.

Meanwhile, half of public sector doctors also work privately, tempting them to neglect their state work. Bonuses of up to 60 percent may be available for them to work only for the state, but there are richer pickings elsewhere.

Government reforms so far include a split between purchasers and providers and moves to concentrate primary care in health centers to reduce overcrowding in hospital emergency wards. Several hospitals have also been turned into public enterprises, operating under private law, increasing management incentives.

These measures have not yet helped contain public spending. Instead, the emphasis on private provision seems to prompt some patients to consult more than one doctor. Neither have they tidied up the messy interface between public and private or tackled the powerful lobbies in the state service.

—Alison Roberts

The problem remains that, although obvious deficiencies persist, the current system delivers reasonably well. Furthermore, vested interests abound, and no sense of urgency pervades for a complete overhaul of the health care system. Thus, the Netherlands' health care reforms will continue to be a way of muddling through.

—Roel Janssen

LONDON

NHS: A SUITABLE CASE FOR TREATMENT?

The UK's National Health Service (NHS) is Europe's biggest organization. It has a work force of more than a million people who provide care and treatment for a population of 57 million. The NHS spends more than \$65 billion a year—the largest item of government expenditure after social security.

Once it was the country's pride and joy; sadly, today, it is ailing and in serious need of remedial treatment. The government has promised to provide that in the form of financial injections.

Unlike the US where three-quarters of the population is covered by private medical insurance, in the UK only a little more than 12 percent of the population has private insurance. Seven million people are covered, two-thirds in company-paid plans.

Modest though that number seems, the development and growth of private insurance is mainly the result of the policy of shrinking NHS budgets in order to cut public spending pursued during eighteen years of Conservative government. Recognizing that the NHS is a sad shadow of its former self, the new government pledged to modernize the service, and above all to shorten the scandalously long waiting lists.

Before the creation of the National Health Service fifty-one years ago, the poor often went without medical treatment, relying instead on dubious—and sometimes dangerous—home remedies or on the charity of doctors who gave

their services free to their poorest patients. The need for free health care was widely recognized, but it was impossible to achieve without the support or resources of the state.

The concept of a national health service did not emerge from nowhere. With the voluntary hospitals permanently on the verge of financial collapse and the municipal hospitals almost universally loathed, there was no shortage of pressure for change. The first call for such a service came in a submission to the Royal Commission on the Poor Law in 1909. Over the following thirty years, the case for reform was taken up and developed in a succession of reports, culminating in the groundbreaking Beveridge report of 1942.

Sir William Beveridge had been appointed by the government to look into the existing national insurance schemes. He made no detailed recommendations about how a national health service should be run, but he identified health care as one of the three basic prerequisites for a viable social security system.

Thus, he laid the foundations for the NHS as we know it today.

The Beveridge report was followed by government proposals for a health service based on the philosophy that: "Everybody, irrespective of means, age, sex, or occupation, shall have equal opportunity to benefit from the best and most up-to-date medical and allied services available." The proposals added that the services should be "comprehensive and free of charge and should promote good health as well as treating sickness and disease."

The National Health Service, a comprehensive health service funded through general taxation rather than National Insurance contributions,

came into being in July 1948 with the nationalization of all the voluntary and municipal hospitals and the creation of fourteen regional hospital boards to control them.

All United Kingdom residents are entitled to comprehensive health services generally free at the point of use. Every person has to be registered with a general practitioner, who decides on all rou-

tine non-emergency health care needs of his patients. Though patient charges account for a small proportion of the expenditure, the fee for medicines has risen steadily so that today it is almost \$10 per item. Children, the elderly, and people on social security are exempt.

As one of its first actions on election in 1997, the new Labor government published a program "to build a modern and dependable health service fit for the twenty-first century—a National Health Service which offers people high quality treatment and care when and where they need it."

Above all the new government promised to try to end the scandal of long waiting lists to see a specialist and for a hospital visit, which sometimes meant that the patient's condition had worsened severely before treatment could be obtained. The first priority was suspected breast cancer; patients now can see a specialist within two weeks. This guarantee will be extended to all other cases of suspected cancer by 2000.

However, with its pledge not to increase public expenditure, the government is limited in how much help it can provide. It is doubtful if the NHS will ever be restored to robust full health, so the likelihood is that the private medical insurance sector will grow, especially if more competition from suppliers leads to a reduction in the high premiums.

—David Lennon

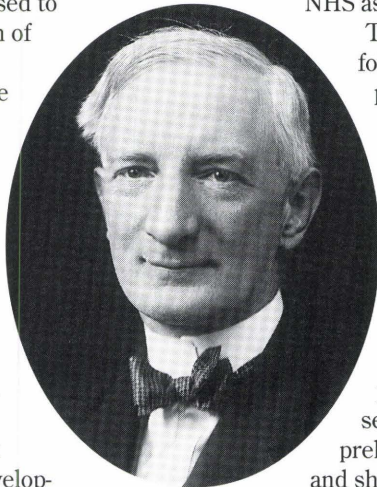
STOCKHOLM

SWEDES FACE RISING HEALTH COSTS

The Swedish health care system is like New England weather: if you don't like it, wait a while and it will change. Sweden has a national health care system. As the country's population ages and health care costs mount, the government is continuously trying to find ways to save money. Cuts often come at the expense of both the financial and physical health of the population.

Medical costs have steadily been transferred to consumers over the past eight years. From a maximum \$14 per two prescriptions, with an annual ceiling of about \$100, the cost has gone to an annual \$226 deductible.

Hardest hit are the elderly, as well as younger working people who don't have children. All the children in a family are



Sir William Beveridge (1879-1963) wrote the report that provided the blueprint for the UK's National Health Service.

counted as one entity, and since children tend to have more illnesses that need prescription medication, a family with children can quickly reach the maximum deductible.

Doctors' visits carry a \$107 annual deductible, making them still heavily subsidized. A patient pays less than a quarter of the actual cost to visit a general practitioner or gynecologist.

For other specialists, about 50 percent of the cost is subsidized. Children's health care is free. While patients also don't pay for tests if they are sick or if a doctor suspects an illness, there is no emphasis on preventative care. An annual physical is a \$142 out-of-pocket expense. While that may sound inexpensive by US standards, a Swedish physical isn't nearly as extensive as one in the United States. Nor do Swedish doctors routinely take a medical history, weigh patients, or take blood pressure.

The system is also based on all doctors being interchangeable. Swedes don't understand the concept of a family or personal physician because, until recently, they simply went to the local clinic and saw whichever doctor was first available.

Since, under the state system, doctors work regular shifts, they also have the attitude that one doctor is the same as another. Instead of taking personal responsibility for patients, patients are routinely told that everything is in their medical record, so any doctor can carry out treatment. But medical records are, in fact, often incomplete.

When a Conservative coalition took over the government in 1991, the market for private doctors was greatly expanded. However, since private doctors are also generally subsidized by the state, the move didn't help state finances. On the contrary, since more people began going directly to the more expensive specialists, state costs actually increased.

While some of the private doctors place more emphasis on getting to know patients and make the effort to provide extra service, many feel that they should be able to earn more while working under the same shift rules as they did when employed by the state.

Dental care has been a particularly sore point in the Swedish health care system. Subsidies are nowhere near the levels for health care and constantly are being decreased. Studies of the consequences suggest that elderly people who live on pensions increasingly shun rou-

tine dental care as too expensive. After a storm of criticism over one dental care reform, the government reworked the plan and is considering whether to rework it again.

For consumers, the constant changes to the rules are confusing. In addition, with health care costs increasing all the time, they're likely to become even more confusing every year.

—Ariane Sains

PARIS

SUGARCOATING THE MORNING AFTER

As of January, teenage girls in France can go to the school nurse and ask her for a pill that does a lot more than cure the odd headache. French Deputy Education Minister Ségolène Royal has authorized state secondary schools to distribute the "morning-after" pill, which prevents pregnancy when taken within seventy-two hours of unprotected sex. The minister has emphasized that it should only be handed out "in cases of distress and extreme urgency" but added that schools have "kept silent on matters of sexuality and contraception too long," leaving families the sole responsibility of dealing with these issues.

The pill has been available in French drugstores since last June, as an over-the-counter medicine accessible to anyone willing to pay 58 francs (just less than \$10). However, the decision to stock it in school medicine chests is part of a new, nationwide campaign to combat teenage pregnancies. Every year, more than 10,000 girls younger than eighteen become pregnant and more than 6,000 have abortions (legal in France since 1975). The government is hoping to reduce those statistics by giving teenagers who do not want to go to their parents an alternative, more anonymous way of getting help.

The decision has triggered heated reactions both for and against it. Doctors in France and the French Movement for Family Planning overwhelmingly favor the measure as an effective method of reducing the number of teenage abortions. The Federation of Parents of Pupils in Public Schools, on the other hand, looks on it as bad medicine, which condones and even encourages unprotected sex. Certain anti-abortion groups, such as *Droit de naître* (Right to Be Born), are

going one step further and condemning the pill as an abortion procedure, arguing that it blocks the development of a viable embryo in the uterus. Not so, counters the French Association for the Development of Emergency Contraceptive Measures, the morning-after pill delays or prevents ovulation, but it will not interrupt an already established pregnancy and, therefore, should not be compared or confused with the French abortion pill, RU-486.

It should not be viewed as an end in itself, either, stresses the French government. Once a school nurse has handed out the morning-after pill, she should put her young patient in touch with a family planning center, where she can learn about "responsible contraception." To drive that message home, 12 million pocket guides are being distributed in French high schools and universities, a series of three ads advocating birth control are running on French television and press conferences and debates are being organized.

France is alone in allowing teenagers such liberal access to what amounts to "corrective" contraception. In the UK, for example, the government plans to make the morning-after pill, currently a prescription drug, available over the counter, but Prime Minister Tony Blair has said that he does not want drugstores to sell it to girls younger than sixteen. In the United States, teens need a prescription and in some states must have their parents' permission before being supplied with emergency contraceptives. The mere suggestion that they should be handed out in school is one that most Americans would find hard to swallow.

In the midst of the moral debate that France's decision has unleashed, a practical problem has also been raised. What will happen during mid-term breaks and summer holidays when schools are closed? No matter how liberated the society, sometimes the morning after still has to be considered the night before.

—Ester Laushway

BRUSSELS

TOO MANY CONSUMER CHOICES DEEMED WASTEFUL

The health system in Belgium is characterized, above all, by pluralism—with a large number of players providing

and financing health care. The consequence is a maximum range of choice for the consumer but a considerable over-provision of services and a wasteful use of resources.

The state—represented by both the national and regional governments—is heavily involved as a provider of finance and as a regulator but hardly at all as a provider or manager of services. These are farmed out to voluntary, community, or commercial bodies, notably the trade unions, universities, religious bodies, and insurance societies.

Health insurance has been compulsory since World War II and is administered by welfare societies (known as mutuality funds). The two largest societies are run respectively by the Socialist and Catholic trade union federations. Certain categories—widows and widowers, orphans, the handicapped, and retired persons with low incomes—are exempt and their health care is provided free at the expense of public funds.

Members of the welfare societies and their dependants receive free hospitalization but must pay for doctors' fees and medical prescriptions, for which they are subsequently partially reimbursed. Unlike in the United Kingdom's National Health Service, where it is necessary to register with a single doctor, Belgian patients may choose their treatment providers, freely arranging appointments, not only with general practitioners, but also with specialists of their choice.

The plurality of the Belgian system has meant that there are more doctors and more hospital beds available per person than in any other European country. There is, in fact, a four-pillar system of medical education, with French and Dutch-language medical schools, each provided by both Roman Catholic and secular universities. Any qualified high school graduate can gain admission to a medical school, so large numbers of doctors are trained irrespective of the national need. The result is that, in contrast to the bloated waiting lists for hospital admissions and specialist treatment that have caused such problems in the UK, treatment is virtually available on demand.

How long can this lavish provision continue? Perhaps not for much longer. Belgium is now more heavily taxed than any of its neighbors; the finances of some of the welfare societies are distinctly rocky, and the ever rising costs of

medical technology are taking their toll. Belated moves are now afoot to introduce a *numerus clausus* to restrict the number of medical students, though these are being strongly resisted. The likelihood is that there will be some trimming around the edges of the Belgian health system, but that its basic features will remain largely unchanged.

—Dick Leonard

VIENNA

NOT YOUR MOTHER'S SEX EDUCATION

“First Love” certainly won't remind you of your boring high school sex education class. With a hip Web page (www.firstlove.at), and a team of doctors, nurses, and psychologists, the Vienna outpatient clinic is designed to provide medical treatment and advice for teenage girls and has become the prototype for similar programs around the nation.

Operating just two afternoons a week for two hours at a time, the First Love clinic at the Rudolfstiftung Hospital has provided treatment for more than 5,500 girls since it was set up seven years ago.

Designed for teenage girls between the ages of thirteen and nineteen, the clinic provides free gynecological examinations, along with birth control advice, suggestions for practicing safe sex, and counseling on topics such as how to cope with parents and peers.

The clinics other big draws include the fact that girls don't need an appoint-

ment or health insurance forms and don't even need to give their names. If they're stressed about going to the doctor alone, they can bring a friend, sister, or mother along for moral support.

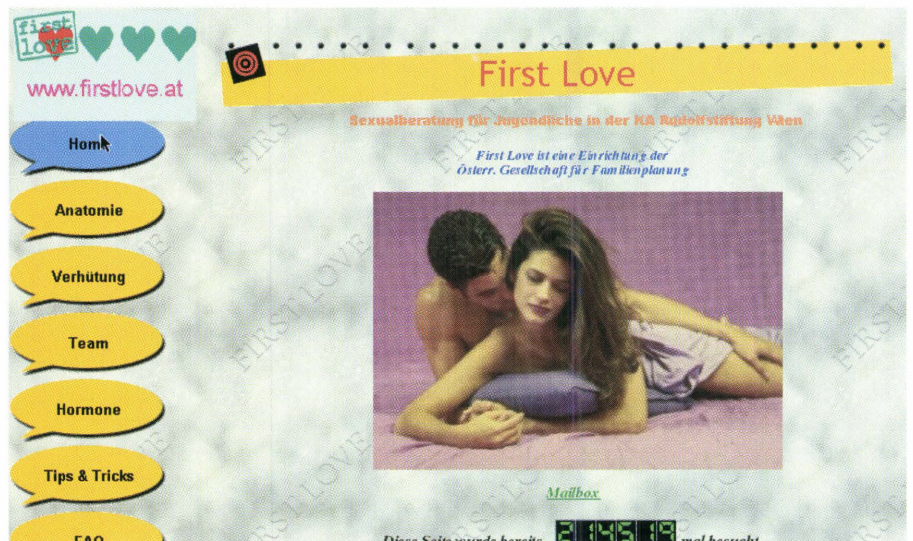
For those who are hesitant about coming to the clinic and want to pick up some basic information before setting foot in the door or those who just have general questions, First Love established a Web site, which, since it went live in 1997, already has recorded 180,000 hits.

One section of the Web site offers basic lessons in anatomy; another has descriptions and information about various forms of birth control; while a third tells girls what to expect during a gynecological exam. Another section contains a list of commonly asked questions and answers, like what should a girl do if she forgets to take her birth control pills or how can someone protect themselves from AIDS.

To reduce anxiety for anyone dropping by the clinic, there are also photos of the doctors and nurses on staff. Providing advice and medical expertise to teens is of particular concern, given the results of a recent study conducted by doctors connected with the First Love clinic. A survey of more than 1,000 girls between the ages of thirteen and nineteen found that 16 percent of girls thirteen and younger were sexually active.

By age nineteen, that figure had climbed to 86 percent. Outpatient clinics patterned after First Love have now sprung up throughout the other Austrian provinces, and medical authorities in Berlin are studying the program.

—Susan Ladika



The First Love clinic's web site represents a new approach to educating Austria's young women about health care.

LUXEMBOURG

NO-FRILLS APPROACH KEEPS COSTS IN CHECK

Lara Collins, an Englishwoman, was a bit surprised when she was asked to climb onto the operating table to have her appendix removed at a Luxembourg hospital. "It was as if I'd asked to have my toenails cut," she recalls.

This no-frills, workmanlike approach to hospital care is a characteristic of the Luxembourg health service. It is not to be confused with penny-pinching. Lara paid the equivalent of about \$10 a day for her hospital stay, and she had a room to herself all the time she was there. For the operation itself, she paid 20 percent of the hospital and surgeon's fees.

No, Luxembourg does not have a national health service as it is known in some other countries, where every medical need is paid for out of central government funds. Lara's fees were met by the *caisse*—or sickness insurance fund—to which her father was a paying subscriber. Neither does Luxembourg have a 'private' health care system, as Americans might understand the term. Of course, complaints arise from time to time, but in general, Luxembourgers will tell you that their system combines the best of both approaches.

It works by combining government overall control with funds supplied by quasi-private insurance funds that in turn draw their revenues from premium income. (Every working person in Luxembourg is obliged to contribute to one of the nine profession-related *caisses*.) These payments are fixed at a percentage of income—just raised this year to about 4.7 percent—but there is a top limit so that nobody who earns more than two and a half times the national minimum wage will pay contributions related to income above that level. The premiums are tax-deductible. Unemployed people or others who may not be able to

pay the premiums can claim assistance from social security.

The government funds the construction and equipping of hospitals from central revenues, but each hospital maintains an independent budget. There are very few salaried staff doctors, consultants, or specialists—almost all work as private operators under contract to hospitals, and their fees are agreed between the *Caisse*, the hospital management, and the trade unions.

The system has a surprisingly democratic effect—the standard of treatment is the same for all regardless of how much they may have contributed. Very few wealthy people think it worth the effort to pay privately for treatment, though it is not uncommon for them to pay more for hospital accommodation, even though most patients in the public hospitals will expect a room to themselves or to share with one other person at most.

In general, the *caisses* will provide up to 80 percent of all hospital and medical care that a doctor judges necessary. This coverage includes all equipment and all prescriptions for drugs, apart from "lifestyle drugs" like Viagra, Rogaine, and anti-smoking treatments. Vitamins are also excluded.

The Luxembourg health service works well because of its simplicity and its ability to dispense with the layers of middle management that push up costs in other, larger, countries. If you have a special health problem—a heart condition perhaps—you need do little more than make an appointment with one of the numerous specialists listed in the telephone directory and know that if costly treatment is indicated it will be almost wholly met by the *caisse*. There is no restriction on who you might consult—the right to change doctors is a basic principle—and long waits for operations or other treatment are almost unheard of.

Health care is not often a subject for public dissatisfaction in Luxembourg. The people are relatively wealthy and no

more prone to disease or sickness than those of any other advanced Western country. The informality, simplicity, and comprehensive sweep of the Luxembourg health service are widely admired by visitors and temporary residents.

At the political level, however, officials frequently debate the issue of hospital closures. Possibly, there are too many. The town of Esch, for instance, has two major, fully equipped hospitals to serve a population of just 25,000 people. Even the city of Luxembourg boasts about eight or nine big hospitals for less than 200,000 inhabitants, which is good for patients but less so for hospital managements that have to keep to a budget.

—Alan Osborn

ATHENS

GREECE TO TARGET WASTE IN HEALTH CARE

A gleaming new \$200 million hospital started operating last fall in the central Greek city of Larissa. Its opening had been delayed for more than two years by a turf battle at the health ministry. It was not until the European elections last June, when a candidate from the small Liberal party drew attention to its empty beds and unused equipment, that the governing Socialists took action.

Yannos Papantoniou, the economy minister, says that curbing inefficiency and waste in Greece's public health system will become a government priority as soon as Greece qualifies for membership of the euro. An initial effort to improve services by appointing professional managers to run bigger hospitals brought few results. The finance ministry still covers budget overruns at state hospitals.

"We need a more responsive and effective system," Papantoniou says. "The services offered aren't up to what people expect. It's not a question of infrastructure but of management. We have to be able to offer high quality services."

Government spending on health, equivalent to 4.9 percent of gross domestic product, is among the lowest in the European Union. Greeks, however, spend heavily on private medical services—almost 3.5 percent of gross domestic product. The government's share of spending has risen only marginally over the past five years as budget outlays were held down in the effort to qualify

Of course, complaints arise from time to time, but in general, Luxembourgers will tell you that their health care system combines the best of both approaches.

MADRID

MANY DOCTORS, TOO FEW HOSPITAL BEDS

Long lines and hours of waiting to see a doctor are the banes of the public health care system in Spain where 99 percent of the country's 40 million people are covered. At the same time, some 8.4 percent of Spaniards have opted for private health insurance plans, which are supplementary to the government's coverage, and another 2 percent of the population enjoy coverage bought by their employers.

"Most of those who purchase private plans do so because they don't like waiting in line for an appointment with a public health services doctor," explains an oncologist who works for Insalud, the Spanish government health care organization.

"But if something is seriously wrong, especially in an emergency situation, for example, if a woman is having a difficult childbirth, the private doctor or clinics will send the patient to the public hospital because doctors there have more experience in these kinds of things," she says. "We've seen it all."

Spaniards who work for employers pay about 6.5 percent of their salaries for social security, which includes health insurance, pension, and unemployment, and their employers contribute about 30 percent of the salary toward those benefits.

Besides the wide-ranging services provided by Insalud, which include hospitalization, the patient also gets 60 percent of the cost of most prescription drugs paid by the state. For those older than sixty-five, all medicines are free.

Among its European Union partners, Spain ranks reasonably well in most key areas of health care. According to World Health Organization (WHO) statistics from 1997, with 4.2 physicians and nurses per 1,000 population, Spain was number two in that category after leader Italy and well ahead of wealthier nations like the United Kingdom (1.6), Germany (3.4), and France (3.0).

On the other hand, Spain ranked near the bottom regarding the number of hospital beds per 1,000 population, with only 4.3 in 1996 and actually had slightly more in 1990, the WHO says. That figure compares with France's 10.5, Germany's 10.4, and the UK's 4.5.

Under the previous Socialist govern-

for the euro. It is set to rise as the tight fiscal measures of recent years have resulted in a budget surplus.

Opinion polls show that taxpayers' dissatisfaction runs high over the poor quality of services offered by the state in education and health, especially in the regions. For example, most of Greece's 200 inhabited islands have only limited hospital facilities. Nevertheless, it was not until last year that Greece set up an airlift service for bigger hospitals medical emergencies. Co-financed by the EU, the service has limited resources with six helicopters and four small aircraft. It will continue to rely on backup from Olympic Airways, the state carrier, and the Greek armed forces.

Greece has fewer hospital beds than other EU countries, with 28,000 beds in the public health system and another 15,000 beds in private hospitals. A chronic shortage of skilled nursing staff persists although well-qualified immigrants from Eastern European countries are helping to fill the gap. There is, however, no shortage of doctors. Greece has five doctors for every resident, a ratio that falls behind only Spain and Italy. Many have trained in northern Europe and the US and have returned to highly paid positions in private practice at private clinics and diagnostics centers.

Critics of Greece's health care system claim it is managed to serve the interests of doctors rather than patients. The government has tried to crack down on the system of *fakellakia*—informal "gratitude" payments from patients—by prosecuting prominent doctors who are accused of irregularities, but the system has persisted, health ministry officials say. Doctors in private practice have also been penalized for tax evasion—some raise their fee for a consultation if a patient requests a receipt for a cash payment that would be presented to a health insurance scheme.

The poor quality of public health care has also resulted in heavy private investment in private clinics and state-of-the-art diagnostic centers. Greece's leading private medical facilities are operated as commercial companies, and the biggest are listed on the Athens Stock Exchange. While Greece's public hospitals provide many services free of charge for cash-strapped patients from Balkan countries, the private clinics are expanding in the region to provide diagnostic services for those who can afford to pay.

—Kerin Hope

ment, health authorities launched a series of reforms designed to improve the system. According to a report by the European Observatory on Health Care Systems, average satisfaction levels among patients from the primary care field increased from less than 50 percent in 1985 to almost 80 percent in 1996.

Prime Minister Jose Maria Aznar's center-right government, which took office almost four years ago, is still trying to improve things. Health Minister Jose Manuel Romay recently promised to reduce the waiting time for non-emergency surgery to less than sixty days and the wait for a doctor's appointment to less than twenty days.

However, other reforms, such as cost-cutting, are proving less popular, at least among Insalud staff, argues the oncologist. "The system is getting worse because the government is trying to save money," she says.

—Benjamin Jones

BERLIN

AGING POPULATION CREATES CRITICAL SITUATION

Germany's health system is one of the most expensive in the world. Public health care in Germany cost \$276 billion in 1996. After retirement pensions and survivors' pensions, it forms the largest item in the social budget. Compared with 1995 it rose by 3.8 percent, and it constituted 11.5 percent of the gross domestic product.

Health care in Germany is a decentralized, pluralist, and self-governing system. Nearly everyone has health insurance, whether as compulsory or voluntary members of the statutory health insurance plan or through private insurance. Under the state plan, insurance is compulsory for all employees earning up to \$3,386 a month. The state system also covers pensioners, the unemployed, apprentices, and students.

At present, employer and employee jointly contribute a percentage of the employee's income to pay for the scheme. Since 1970, the contributions have risen from 8.2 percent to 13.5 percent in 1999. Approximately 585 sickness funds offer comprehensive protection. The benefits include a wide array of services including medical and dental care; pharmaceuticals, eyeglasses, inpatient hospital care,

HELSINKI

FINN'S FUNCTIONAL FOODS PROMOTE GOOD HEALTH

The Finns claim to be world leaders in the development and marketing of functional foods—that is to say foods with added innovative nutrients or bacteria that promote health or prevent disease. Following a recent visit to several leading Finnish food companies, this writer is inclined to believe them.

The Finns are a healthy and a careful people. In most cases, their food products have been developed in close association with medical and dietary experts. Ambitious claims have been made for them, yet none has ever been seriously challenged, nor have any questions ever been raised over their safety. No element of genetic engineering is involved.

Finnish companies are particularly strong in foods containing xylitol, beneficial lactic acid bacteria, plant stanols, low-sodium salt, and rye and oats fibers. Finland has a history of inventiveness in food—Artturi Virtanen, director of the Valio laboratories in Helsinki, won the Nobel chemistry prize in 1945 for his work on dairy food processing. This tradition may partly reflect the Finns' huge consumption of milk products and the high incidence of heart disease in earlier years.

It also helps explain the remarkably close relationship between the govern-

ment, the universities, and the food manufacturing industry in Finland today. At its heart is VTT, a state research institute partly funded by the EU and by industry, with a staff of 300 people involved in biotechnology and food research alone.

Kaisa Poutanen, VTT research professor in food technology, explains, "We use biotechnology to enhance the palatability and physiological functions of foods." There was a growing link between diet and disease prevention, she said. Food could affect "hormonal-based cancers, impotence, diabetes, obesity, constipation, osteoporosis, and heart disease." VTT research had identified organic compounds that could help, "and now we want to see how to maximize these because they're often destroyed during processing or not well absorbed in the body from the food."

"We're working a lot in probiotics, i.e. living micro-organisms, and in our Future Food Program, we have a big range of projects related to lactic acid bacteria, both in products and as starter cultures in processing. In the very near future I can foresee that we will have biscuits and muesli and chips which will contain probiotics, if we are only able to stabilize them so that they remain viable," she said.

Best known of Finnish functional foods is the cholesterol-reducing margarine Benecol made by Raisio and marketed in the US by Johnson and Johnson. A spokesperson for Raisio said there was

including surgery; curative treatments; sick pay (80 percent of the last net wage or salary after six weeks) maternity benefits; and a lump sum payment at death. In case of hospitalization, the fund pays for the entire stay.

Pensioners constitute a large group among the members of the statutory health insurance. They account for 29.8 percent of members, but only account for only 18.7 percent of contributions. The number of gainfully employed young people is shrinking whereas the number of pensioners is increasing. In 1950, Germans older than fifty made up 9.7 percent of the population compared with 15.7 percent in 1996. Population experts predict that by 2035, 36 percent of the German population will be older than sixty—the highest proportion in the European Union.

The numbers have provoked vigorous debate among the country's leaders. Germany's generous pensions, health care, and welfare system need "fast attention so that the country doesn't end up as the sick man of Europe," warned Otmar Issing, the European Central Bank's chief economist.

At a time of mass unemployment, the health insurance funds are feeling the pinch, and "cost restraint" has become the preferred buzzword among social policy analysts. Therefore, more attention will be concentrated on preventive medicine, which includes improving health education, encouraging regular precautionary checkups, as well as providing information on healthy living.

The biggest threats to health in Germany stem from modern living. The leading cause of death in Germany is cardiovascular disease, which accounts for half of all deaths, followed by cancer. Doctors warn that high rates of cardiovascular disease will not decline unless obesity is reduced. While America remains the world leader in obesity, with 20 percent of male and 25 percent of female adults classified as clinically obese, Europeans are catching up. In Germany, 17.2 percent of adult males and 19.3 percent of adult females have obesity problems.

Health care is extremely expensive in Germany, but it is also an important economic factor. Almost 2 million people (87 percent women) earn their living in health care. The German health system generally scores well on public satisfaction—but less well than it used to.

—Wanda Menke-Gluckert



Scientific studies confirm that the Finnish-produced margarine Benecol reduces cholesterol levels.

“great market potential” for the product but added, “It’s not just enough to put the products on the shelves, we need to educate consumers about the benefits of lowering cholesterol—marketing is the key to the success of a product like this.”

Not far from Raisio’s headquarters in the eastern Finnish city of Turku, Tom Skogström is the general manager of the confectionery company Leaf, which has pioneered the use of Xylitol, a carbohydrate sugar derived from trees. “We’ve concentrated on the mouth area and caries-prevention, which comes from using Xylitol as a sweetener. To be as effective as possible, Xylitol should remain in the mouth for a long time and so its natural use is in chewing gum, but this has now being widened to pastilles,” he said.

Xylitol’s caries-prevention properties are well known—the sugar can even encourage re-enzymization of teeth. More recently, the additive has been found to attack the bacteria that cause ear inflammation.

Finally, near Helsinki, Valio, a cooperative of Finnish dairy farmers, has built an impressive modern dairy processing and research center. The firm holds the worldwide rights of LGG, said to be the most widely researched probiotic strain in the world. LGG, which was discovered by two American scientists, “stays alive in the intestine, colonizes the human digestive tract, balances the intestinal microflora, enhances the natural resistance of the intestinal trace, prevents and cures intestinal disorders, speeds recovery in milk allergy, and is safe,” said Annika Mäyrä-Mäkinen, senior vice-president. Valio sees enormous potential in LGG, which is becoming available in a vast range of dairy products and in Culturelle, dietary supplement capsules marketed by ConAgra in the US. However, marketing probiotics is not easy, says Mäyrä-Mäkinen. “The selling price is high, and there’s a medical attachment—it can be difficult for traditional companies.”

—Alan Osborn

COPENHAGEN

DANES DON'T SEE VALUE FOR THEIR HEALTH CARE KRONE

Public health care has long been a core element of the Danish welfare state, and Danish politicians regard it as a sacred cow. Though some of the non-socialist parties want to expand the cur-

rently very limited scope for private health care, none would dare to reduce the resources allocated to public health care. The aging population is certain to cause health care expenditure to increase. Yet, the sacred cow is now in trouble for at least two reasons.

The first problem is financial. The Danish government officially claims that if one were to calculate the private expenditure on health and welfare in the US and compare it to those services in Denmark, which are publicly paid, the difference between the tax levels in the US and Denmark shrink sharply. However, Denmark has the second-highest proportion of public revenue of GDP, 55.9 percent, almost twice the US’s 31.5 percent and surpassed only by Sweden. Further tax hikes to finance improved health care are obviously a difficult proposition, especially as a recent study shows that only 15 percent of Danes support such a solution, while the rest do not.

The health care sector’s second problem is performance. It is not unusual for Danes to wait three to six months for appointments with medical specialists or for surgery when the ailment is not life threatening. Although average life expectancy is a crude measure for a health care system, it bears noting that Danish women are at the bottom of the list among industrialized countries, significantly lower than in the United States. Danish males are in the same situation, though they can expect to live slightly longer than their US counterparts.

According to the latest figures, Denmark spends only about 5.6 percent of GDP on public health, one of the lowest proportions among the industrialized countries. The United States spends 6.4 percent. When expenditure on private health care, including the many corporate plans is included, the gap between Denmark and the United States increases very sharply.

Private health care is a growth industry in Denmark. Only a handful of private hospitals are needed to serve a market limited to those willing and able to pay the full costs. Eye surgery, hip replacement, and hernia operations are some of the fastest-growing segments in that market. However, a major breakthrough is unlikely before Denmark’s tax laws are changed. If an employer sponsors an operation, the full cost is taxable income for the employee, which works as a strong disincentive in a country with

marginal tax rates of 60 percent or more.

Left-wing politicians in Denmark fear that the public health system will be undermined if tax laws are changed. From an egalitarian standpoint, no one should be allowed to evade the waiting lists. However, change is in the air, as county and city-operated public hospitals have started purchasing the services of private hospitals to reduce intolerable waiting lists at the regional and local levels. This trend is likely to become stronger as private hospitals are able to offer better work conditions and better remuneration to doctors and nurses, who are increasingly in short supply in Denmark. Furthermore, as Danes grow older and more affluent, they are likely to demand the same quality of service as in the United States. If they cannot buy it in Denmark, they will buy it elsewhere.

—Leif Beck Fallesen

DUBLIN

NURSES STRIKE PROMPTS INCREASED HEALTH SPENDING

Health is important—politically, very important—as the Irish government discovered during a short but intense nurses’ strike last October. Thousands of Florence Nightingales had taken to the picket lines outside hospitals and other health institutions throughout the Irish Republic seeking a new pay-and-conditions package. Essential services were still provided in acute wards, but otherwise the daily health provisions ground to a near standstill.

For a few days, the government played tough—the cupboard was bare, nothing more could be done. However, the poor mouth argument ran hollow when set against tax revenue running at unprecedented levels and the Irish economy at its most buoyant. So, perhaps not surprisingly, after a very effective media barrage by the nurses and their supporters, it rapidly became obvious that the vast majority of the public was on the nurses side. New and improved pay and conditions were offered and, after some dithering, the nurses accepted. Normal service resumed.

Health Minister Brian Cowen, bruised by the nurses encounter, went on public record in November to announce “significant investment in the infrastructure of health care” under the National Development Plan. On the capi-

R O M E

NEW RULES FOR DOCTORS

The World Health Organization's verdict is in: among Europeans, Italians are the thinnest and live the longest. Two symptoms that point to good health and proof that the national health system isn't to be completely written off. That said, disparaging Italy's medical system, especially its hospitals, remains a preferred Italian pastime (in addition to denigrating the postal service).

A good deal of the blame is to be laid on a level of bureaucracy that until just a few years ago made every stay in a hospital ward (and every visit to the post office) a true adventure. Things began to change in 1992 when Giulio Amato, who was then prime minister and is now the treasury minister, began to push the Italian medical system to conform to the standards of the most advanced countries. There remains a lot to be done. Currently, only 28.6 percent of the country's resources are earmarked for health care compared to the European average of 36 percent.

Over the last few months, however, Minister of Health Rosy Bindi has been arguing that the relationship between the Italian citizen and medical care must be revolutionized. Specifically, she wants to implement three innovations.

The first requires that the health of Italians be put into the care of a combination of public and private assistance and be based on two principles: that everyone has the right to essential care, guaranteed and financed by the state; and that supplementary care, financed with private health insurance, be offered. For a country like Italy, which until now has always considered the health of its citizens an obligation and a duty of the state, this change in philosophy represents a quantum leap forward.

The second innovation would require doctors to choose between working in public medical organizations and hospitals (where the pay is relatively low but

guaranteed and where it is easier to gain a professorship) or working in private practices (which offer better pay but less job security). This proposal proved to be the health ministry's toughest challenge. Entire generations of Italian doctors had lived—and prospered—by dividing their working day between spending their mornings in public hospitals and their afternoons in expensive private clinics or in their own studios. Doctors who want to continue on this “double track” will be able to do so but will pay higher taxes. However, new doctors won't have this option and must choose between the public and private sector.

The third innovation is the administrative reorganization of duties between the central government, the regions, and the local communities. For the first time, a bloated and inefficient structure is being slimmed and fragmented according to federalist principles. The result—one hopes—will be an increase in efficiency that will be to the citizens' advantage.

One facet of Italy's medical sector that does not appear headed for change is the precious role played by pharmacists. In Italy, pharmacists are trained as doctors and hold degrees in medicine. Italians go to their pharmacists when they need some quick advice. Therefore, it is not surprising that, along with Germany, Italy holds another European distinction—the highest consumption of medicines.

—Niccolò d'Aquino

tal side, funding will rise from \$140 million in 1997 to \$300 million this year, and \$2.6 billion will be made available for health care over the next seven years—a tripling of capital investment over the previous six years.

The health minister sounded more like an early-arriving Santa Claus than the Scrooge he had been painted during the nurses' stoppage. Not only will this lead to significant improvement in the fabric of the health care system, he said, it also established the principle for the first time in Ireland that “health services are just as valid an area in which to invest as education, transport, or housing.”

Day-to-day spending on health is set to rise dramatically. This year, total revenue spending will breach the \$5.2 billion barrier—something Minister Cowen believes will underscore “a strong health system,” which “compares well internationally.”

The December budget brought further health care service developments: increased financial help for those with disabilities, new funding for cardiovascular treatment (the increases, ironically, being funded from a tax on cigarettes), substantial improvements in forensic psychiatry services, dental health, child and respite care, homelessness, and reflecting mounting public concern, funding is also being provided toward a new suicide prevention program.

The Irish health system is primarily funded from general taxation and is publicly provided. Private health care, introduced in 1994 under EU competition rules, has grown considerably. Given Ireland's new affluence, private health care seems set to grow to cover more than a third of the population.

With the abolition of the monopoly enjoyed for decades by the quasi-government Voluntary Health Insurance Board, all insurance companies operate on a community-rating basis, requiring that everybody in a private scheme must pay the same premium, regardless of risk.

—Mike Burns

Given
Ireland's
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ARTS & LEISURE

BOOKS

FATHER/LAND: A PERSONAL SEARCH FOR THE NEW GERMANY

By Frederick Kempe; Viking Press; 339 pages; \$26

Germany has become the most American country in Europe," states John Kornblum, who became the American ambassador to Germany in 1997. "Bob Dylan has a far greater impact on my left-oriented politics than Karl Marx ever did," states the current foreign minister of Germany Joschka Fischer.

Frederick Kempe, author of the informative *Father/Land*, talks with Germans in all walks of life including many of his long lost relatives to give the reader a detailed yet easy to comprehend look at one of Europe's most pivotal nations. His chapters comparing American and German attitudes and their similarities are quite revealing.

What is the main difference between Americans and Germans? According to the author, "Perhaps the greatest dissimilarity I've noticed between the two countries is Germany's relative lack of a healthy, national self-confidence." Kempe, the editor and associate publisher of the *Wall Street Journal Europe* and the founding editor of *Central European Economic Review*, points out, "What drives German change these days is the most 'American' part of German society—the corporate boardroom. Daimler Benz's Jürgen Schrempp

and SAP's Hasso Plattner have done more to change the way the country works economically than any cabinet minister."

However, the book goes well beyond German-American relations. One of his more insightful chapters looks at "the Turkish Challenge." Mehmat Erbakan, the leader of the fastest growing Islamic group in Germany, remarks, "Watching how the Germans come to terms with their Turkish population, the world will learn what sort of people they have become. With us, they can show the world that they've changed. The Jews stand for the tragic past. We stand for the uncertain future."

Kempe's encounter with one of his relatives who served time in prison is quite interesting, as is his chapter on Germany's military role in Bosnia. Kempe also presents a chapter on Germans and Jews and sees a resurgence of Jewish culture, not only in Berlin, but across Germany as the Jewish population of the country continues to increase with new immigrants.

Discussing Germany's key role in the European Union and NATO, the author says Germany "is safely embedded in Europe...and is surrounded by neighbors with whom it has warm links and no border conflicts.... A new German drama is about to begin. Fate has sweetened the plot even further, making our show's star the decisive factor at the center of a Europe that is struggling to come together more closely while at the same time expanding."

The author accomplishes

the goal he sets for himself when he writes that he hopes "that non-German readers gain a more nuanced and personal understanding of a country that is back on history's hot seat after a half century on ice."

Father/Land should be read by anyone hoping to understand, not only Germany, but Europe in the twenty-first century.

—Robert J. Guttman

FILMS

TOPSY-TURVY

Written/Directed by Mike Leigh; October Films; 140 minutes

It is the middle of a heat wave in 1884, and librettist William Gilbert and his composer partner, Arthur Sullivan, premiere their latest comic opera at London's Savoy Theater. So begins British director Mike Leigh's richly entertaining new film *Topsy-Turvy*.

Leigh chooses to begin the film roughly at the halfway mark of the famous duo's twenty-five-year partnership, arguably its low point. By this time, Gilbert & Sullivan are the Victorian era's most popular musical entertainers, having produced smash hits such as *HMS Pinafore* and *Pirates of Penzance*, but with their latest production, *Princess Ida*, they find themselves in a rut. Furthermore, Sullivan (Allan Corduner) is worried about his legacy as a serious composer, while Gilbert (Jim Broadbent) churns out yet another of his "topsy-turvy" stories. Sullivan declares that,

his contract with the Savoy Theater notwithstanding, he won't write the music for Gilbert's latest libretto.

The impasse is broken when Gilbert's wife drags him to an exhibition of Japanese culture. Gilbert's eyes flicker with inspiration as he watches Japanese swordsmen perform and as he questions a young geisha about green tea. He goes home and writes *The Mikado*, a libretto set in Japan, which suitably captures Sullivan's imagination, and the two are back in business, both literally and figuratively.

Leigh spends the first half of the movie building his characters, which along with the music are the film's most precious treasures. Gilbert, a straight-laced curmudgeon, hides his vulnerabilities behind a mantle of gruff bluster. By contrast, Sullivan suffers from fragile health and a taste for bohemian pleasures.

In the film's second half, Leigh offers a behind-the-scenes look at the colorful world of Victorian theater. From casting to costuming to choreographing to rehearsing, we follow the actors and stagehands as they mount *The Mikado*. The film feels a bit long at two hours-forty minutes, but it is difficult to fault the director for not wanting to cut any of the extravagant musical numbers nor any of the exquisite performances by his talented ensemble cast.

Leigh's film *Secrets & Lies* garnered five Oscar nominations in 1996, and it's a good bet that *Topsy-Turvy* will earn him a few more.

—Peter Gwin

Valentinus



Yesterday & Today
The legend of St. Valentine's day dates back to Roman times when a Pagan fertility festival dedicated to the pastoral god, Lupercalia, was celebrated on February 15. In 496 AD, the Christian church replaced pagan celebration with the festival of St. Valentine (right). Legend has it that Valentine was a priest who was imprisoned for his beliefs by Emperor Claudis of Goth. In prison, he healed a guard's blind daughter and they fell in love. The emperor had Valentine beheaded on February 14, but before his death he sent the girl a final

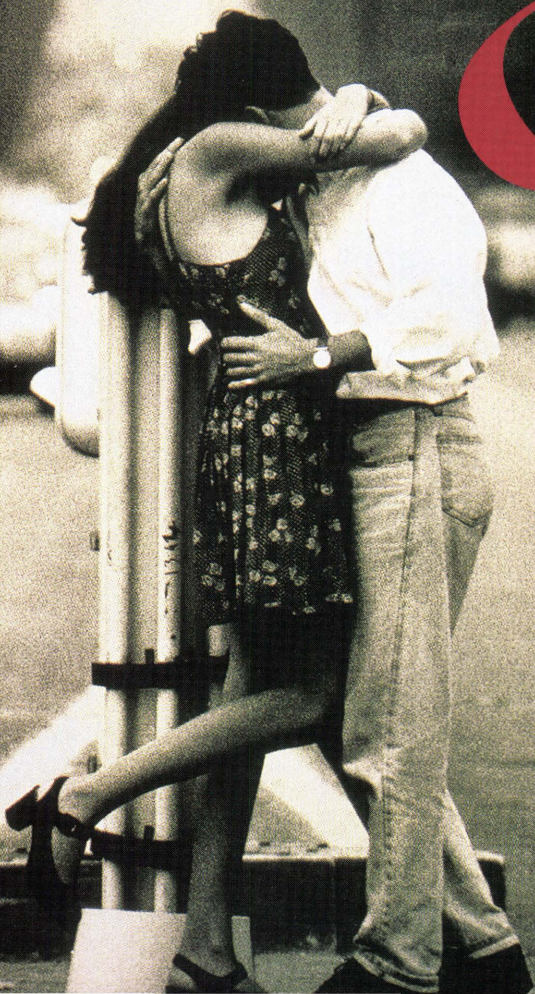
YESTERDAY

TODAY

love note signed "Your Valentine." During the Middle Ages, February 14 was believed to be the date that birds selected their life mates. The tradition of sending printed Valentine's Day cards began in Victorian times. And in the late 1800s, the *Language of Flowers* was published in France and heralded a Morse code of love—a single stem was a powerful love sign.

Left: Lovers embrace in the shadow of the Arc de Triomphe in the romantic capital of Paris. Today the tradition of sending Valentine's Day cards and flowers is shared not only by lovers, but by family members, teachers and students, and friends. The holiday also represents serious business, resulting in the sale of millions of cards and flowers, especially roses.

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