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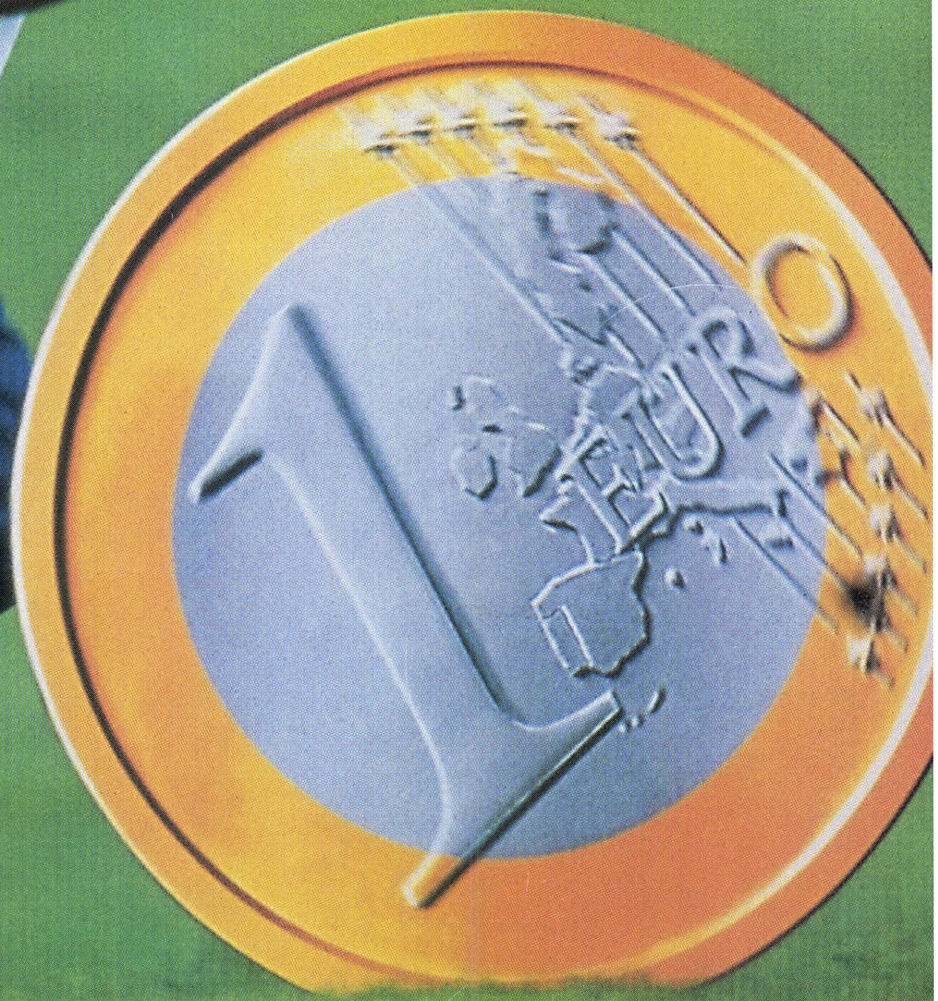
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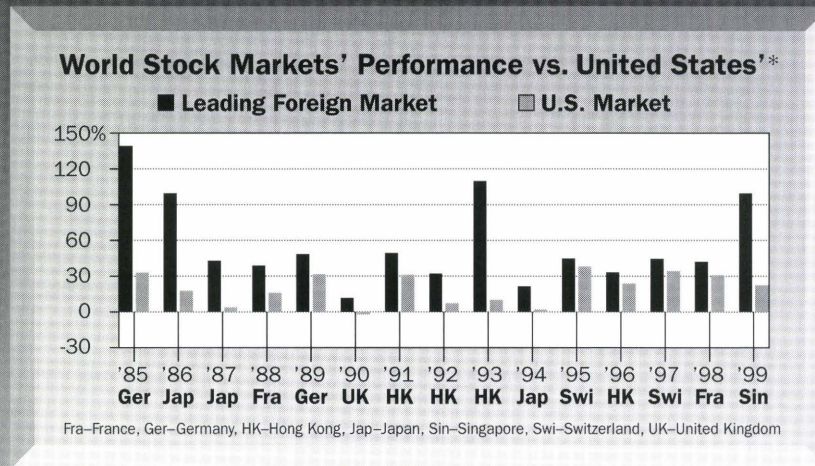
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The Euro Rolling Toward 2002



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EUROPE

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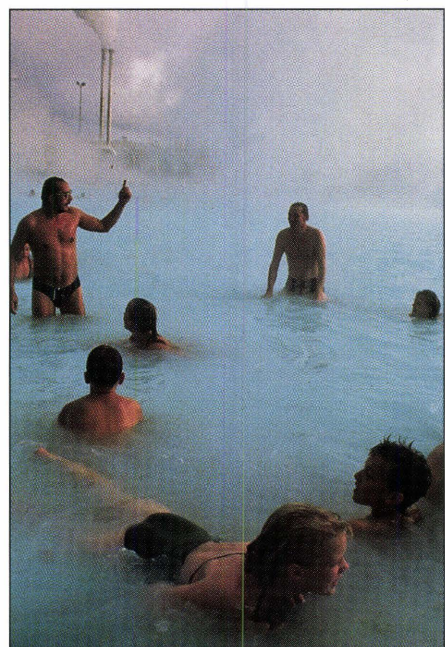
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LETTER FROM THE EDITOR

One year later, the euro is rolling on. After more than a year as Europe's new single currency, the euro remains on course. Euro notes and coins won't arrive until 2002, but prices across the eleven-member euro zone already are being quoted in the new currency. Euro bond issues have surpassed bonds issued in dollars. Although the euro's value has fallen against the dollar since its inauguration in January of last year, most analysts remain impressed with how smoothly the initial transition has gone.

Lionel Barber, a leading expert on the euro and the news editor of the *Financial Times*, charts the currency's progress in its first year and summarizes that "Europe's single currency has made its mark in the world's financial markets."

In our monthly *EUROPE* interview, Matti Vanhala, the governor of the central bank of Finland and a member of the governing council of the Frankfurt-based European Central Bank, discusses the ECB, the Federal Reserve, enlargement, price stability, and the main economic problems facing Europe in the next few years.

John Andrews, the Paris bureau chief of the *Economist*, says of the euro "so far, so good" and relates that the most important part the euro has played is "in the improvement of the single market." Andrews also looks at the French economy, one of the strongest in Euroland. Meanwhile, Keith Vaz, the UK's minister for Euro-

pean Affairs, discusses the Blair government's views on why the UK remains outside of Euroland for the present, but he also explains how the British are "fully engaged in Europe." Finally, Susan Ladika, our Vienna correspondent, profiles the euro's effect on travel, and Peter Gwin, our managing editor, reports on how US companies view the euro and doing business in Euroland.

Speaking of travel, this year nine cities will hold the distinction as Europe's Cultural Capitals. Ester Laushway, writing from Paris, offers an overview of the year 2000 Cultural Capitals celebrations, and in the first in a series of articles that will profile this year's Cultural Capital cities, she delves into Prague, its history, architecture, and ascendance as a tourist destination.

Completing our travel section, Claire Bose, a writer based in Frankfurt, discusses the delights of the Amalfi Coast and noisy Naples. Susan J. Burdin, *EUROPE*'s editorial assistant, overcomes her fear of icebergs to investigate luxury travel on an ocean liner. Maevae O'Beirne, a native of Ireland's County Sligo, writes that "it's nice to imagine a place where you can well and truly get away from it all" as she explains the wonders of the Emerald Isle's western region.

Next month *EUROPE* presents a look at e-commerce across the European Union.



Robert J. Guttman
Editor-in-Chief

EUROPE

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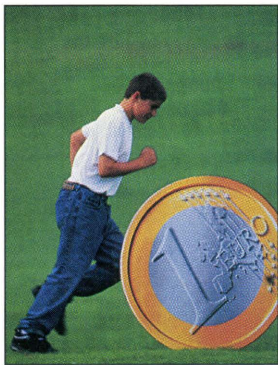
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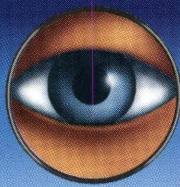
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

BUILDING A HUMAN RIGHTS CHARTER

Does the EU need its own fundamental charter of human rights? Yes, decided the heads of state and government of the EU at the Cologne meeting of the European Council in June last year, and they followed it up at the October Council meeting in Tampere, Finland, by agreeing on a procedure and a timetable for drawing it up.

The charter should be ready for endorsement at the Nice meeting of the Council of Europe in December this year. It will be drawn up by a body of sixty-two people, appointed variously by the heads of government, the Commission, the European Parliament, and the national parliaments of the fifteen member states.

The sixty-two appointees met for the first time on December 17th and elected Roman Herzog, the former president of Germany, as their chairman. They also drew up a detailed work program and agreed, in the interest of transparency, that their hearings and all documents submitted for their consideration should be open to the public.

A special section of the EU's website (www.europa.eu.int) is devoted to keeping the public informed on the progress of their work, while an e-mail address (fundamental.rights@concilium.eu.int) was provided so that any outside body, or member of the public, could make submissions directly to the drafting committee.

The decision to draw up a new charter stems from Article 6 of the Maastricht Treaty, which states in part: "The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the member states." This article was later reinforced by Article 7 of the Amsterdam Treaty, which provided for the possible suspension of the voting rights of member states that were in "serious and persistent breach" of such principles.

The inclusion in the new Austrian government of the far-right Freedom Party has led many commentators to draw attention to this provision. Austrian President Thomas Klestil clearly had it in mind when he forced the leaders to both parties in the coalition to sign a declaration accepting the principles of the EU before he allowed the government to be formed.

The main purpose of the projected charter is to convey to individual citizens of the EU that the Union is a guarantor of their human rights, and the hope is that this will help to build up a sense of belonging among the broad population. A further motivation is to advertise to the governments and peoples of the candidate states in Central and Eastern Europe the high standards to which they will be expected to adhere when they are accepted for membership.

It might be thought that nobody could reasonably object to the drawing up of the new charter, but a recent arti-

cle in the *Economist* revealed the existence of a strong body of critics. Their objections center on the existence of the European Convention on Human Rights, drawn up in 1950 under the auspices of the Council of Europe. All the EU member states are signatories to this convention, and their citizens are protected by the Strasbourg-based European Court of Human Rights, to which they may appeal if

let alone those of the future. The EU's drafting committee could, perhaps, conclude that it should concentrate on updating the draft of the convention rather than replacing it by an entirely new document. The European Union might then decide to adhere collectively to the Council of Europe's document, suitably amended, rather than produce its own charter.

This course could com-

"The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the member states."

—Article 6 of the Maastricht Treaty

they fail to achieve satisfaction in national courts.

What is the point of duplicating this convention, the critics ask, and would the new charter not have the effect of undermining an institution which was working well? These plausible objections are reinforced by less reasonable arguments stridently advanced by anti-EU fanatics, including those in control of much of the British tabloid press.

One obvious answer is that, precisely because the convention is fifty years old and was drawn up in very different conditions, it may well prove inadequate for present-day needs,

mend itself to those member governments, including—it is rumored—the British, which have private doubts about the wisdom of the exercise. Yet these are early days, and there is still plenty of time to influence the sixty-two members of the drafting committee. Whatever they recommend to the Nice summit will not necessarily be the end of the matter. It will be for the heads of government to decide what to do, and if they propose to incorporate the proposals into a new treaty, it will need to be ratified by the European Parliament as well as those of all the member states.

—Dick Leonard



INTEREST RATES: TO HIKE OR NOT TO HIKE

For more than a year, the euro has been drifting downward against the dollar and yen, confounding commentators who thought that the combination of an independent central bank committed to price stability would ensure a “hard euro.”

The European Central Bank has reacted to the seemingly irresistible trend of euro weakness with a policy that comes close to benign neglect. However, in recent weeks, the ECB—notably its president, Wim Duisenberg—has begun to voice unease and hint, indirectly, that a rise in interest rates may be the best antidote.

In early March, the ECB held rates at 3.25 percent, but Duisenberg made clear that he was dissatisfied with the euro’s weakness in the foreign exchange markets and signaled that a rate increase was on its way. The action raises the age-old question for central bankers: should monetary policy target the exchange rate or inflation?

Views on the exchange rate and the reasons for euro weakness remain mixed. The activist school, well represented in the US, argues that coordinated intervention by the international central banks could have a substantial impact on the euro’s value, especially if the timing reinforced the trend. For example, the US-inspired Plaza and Louvre accords in the mid-1980s proved highly effective in engineering a decline in the dollar.

Others argue that not much can be done to counter overwhelmingly negative market sentiment in the short term and that something will eventually turn up. This view might be called the Micawber school (named for Charles Dickens’ character who espoused the same outlook). Advocates believe that the dollar’s strength is based on the phenomenal performance of the US economy, arguing that European growth is not likely to catch up anytime soon. All other factors in euro weakness—the cacophony of voices in and outside the ECB pronouncing on the exchange rate—are secondary.

Frankfurt insiders suggest that most of the ECB members belong to the Micawber school, although they are frustrated that the message about the upsurge in economic growth in Europe, notably in France, is not getting across to the markets and that the US has a monopoly on the “New Economy” tag.

At the same time, Otmar Issing, the ECB’s chief economist, also has ties to the Bundesbank, the traditional guardian of price stability. Like Duisenberg, Issing is less than comfortable with a euro that is drifting steadily downward to the point where \$0.90 no longer looks inconceivable.

This explains why, in recent weeks, the ECB has begun to speak out more clearly about the link between a weak euro and a resurgence in inflation. The difficulty is how far the authorities should be targeting the annual headline rate for the euro zone or whether it should be looking more closely at the

“core” inflation rate, which strips out volatile items, such as certain foodstuffs, alcohol, oil, and tobacco.

In January, the annual headline rate for the euro zone was edging toward 2.0 percent; but in December, the core inflation rate stood at only 1.1 percent compared with a headline rate of 1.7 percent. In these circumstances, where inflation seems to be under reasonably good con-

to have reached a point where the authorities will be forced to act. However, the debate about the ECB’s attitude toward the euro exchange rate and the relationship with monetary policy remains as acute as ever.

It also offers a lesson to those ECB members who thought that the worst of all possible worlds would be for the new central bank to raise rates immediately after the launch of the single currency

“The debate about the ECB’s attitude toward the euro exchange rate and the relationship with monetary policy remains as acute as ever.”

trol, some economists argue that the last thing the euro zone needs is a rate hike.

The argument becomes even more powerful if such a rate hike is not so much a tool for fighting inflation but more a covert device to prop up an ailing euro. Several EU finance ministers have hinted as much, declaring that there is no real inflation threat in their countries and that, by inference, there is no need for a rate hike in the euro zone.

This view will almost certainly not be prevalent enough to avoid at least one more rate hike in the run-up to summer, if only because the risks of inflationary pressures seem likely

on January 1, 1999 and that the decision to cut rates had provided the best possible start.

In economic terms, this thinking was correct because it offered a necessary boost to a faltering recovery and a weak euro that helped European exporters in foreign markets. But in the perverse eyes of the financial markets, the best outcome in early 1999 would have been a rate hike because it would have sent a signal to the financial markets that the ECB was ready to take an unpopular decision early in its term. Such a move would have bolstered its credibility and the euro.

—Lionel Barber

EU ONLINE

CAN BEATLE AND E-COMPANY COME TOGETHER OVER MP3?

Add former Beatle Paul McCartney to the list of music industry heavyweights perplexed by the MP3 phenomenon. MPL Communications, a music publishing company owned by McCartney, filed suit last month in US District Court in New York claiming on-line music company MP3.com violated



its copyrights. Many in the Internet and legal communities view the brewing battle as one of a series of issues that will determine how the on-line music industry develops.

MPL Communications (www.mplcommunications.com) owns the rights to songs by a range of artists, including Buddy Holly, Johnny Cash, and Jelly Roll Morton as well as McCartney's solo works. The company has joined the lineup of music industry heavyweights, which includes the industry lobbyist Recording Industry Association of America (RIAA), Sony, Universal, Warner Bros., BMG, and others, to sue MP3.com (www.mp3.com) for unlawfully distributing copyrighted music over the Internet.

Many in the music industry are worried about how the emergence of the Internet is effecting their ability to protect their products. Over the past ten years, dozens of companies have developed and refined software that converts music contained on compact disks to formats that can be played by personal comput-

ers. The most popular of these formats is known as MP3. Of foremost concern to the music industry is the ease with which MP3 files can be copied illegally and transmitted.

As MP3 has developed and gained popularity, electronics companies have introduced a new generation of personal MP3 players, designed to compete with personal CD and cassette tape players. These devices, some of which are the size of a pager, allow users to download more than an hour of digital quality music, and upgraded models with additional features and more memory are being rushed to meet rapidly growing demand.

RIAA has tried

hard to stanch MP3's growth since the format offers no protection against making illegal copies. It has encouraged big-name musicians to speak out against it, and even sued Diamond, one of the makers of the MP3 players, for violating the 1992 Home Recording Act. The court ruled in Diamond's favor.

Meanwhile, the MP3 craze has permeated the Internet, spawning dozens of web sites, some of which contain pirated copies of copyrighted music.

MP3.com argues that its service is completely within the law and seeks only to provide consumers with the ability to listen to legally-purchased digital music in a variety of formats while protecting the rights of music companies and artists.

MP3.com's system allows its users to establish an on-line personal music li-

brary by uploading the CDs they own to the company's web site. With a password, they are then able to access that music from any Internet-connected computer as well as download copies to digital players. Users can also buy CDs through MP3.com and gain immediate access to the new music since MP3.com adds the CD to the user's personal library the instant it is purchased.

In an open letter to McCartney, MP3.com CEO Michael Robertson describes how the system works. "To make it all work quickly and easily for music fans, we bought thousands of CDs ahead of time and created a database. When a customer loads a CD, we don't move all the songs from their CD, but instead use the identical CD we have. The end result is the same, but this way it saves time for the user."

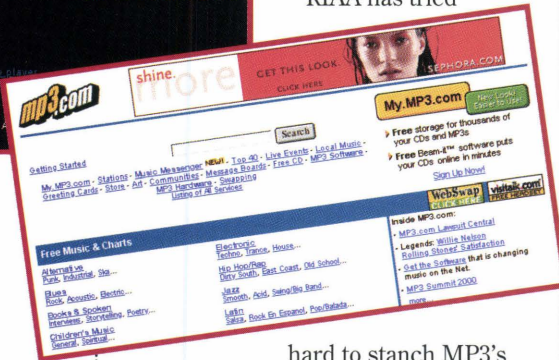
However, lawyers for McCartney's company and the recording industry argue that MP3.com's use of its database of CDs constitutes copyright infringement and that the company should have obtained permission or licenses from the copyright holders.

Robertson argues that the music in the MP3.com database is *exactly* the same music that is in the user's personal CD collection. With MP3.com, users only have the ability to listen to music they have paid for. For him, the issue boils down to a question of where and how the user listens to his purchase. MP3.com is not about copyright infringement, he says, it is about innovating the way people listen.

"Innovation based on blatant misappropriation is hardly innovation," responds Hilary Rosen, president and CEO of RIAA. MP3.com's actions, she says "are unfair to every Internet company that takes the sound business step of obtaining a license before making use of another's creative work."

In his letter to McCartney, Robertson writes, "We worked hard to build a responsible system. We'd love to have you down to our office for a personal demo and to discuss the situation, anytime."

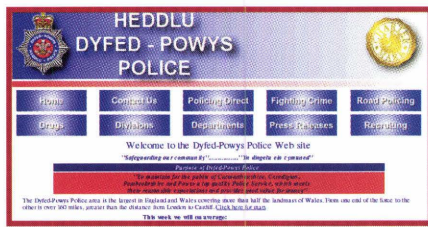
No word yet on the former Beatle's response.



UK CRACKERS ARRESTED

The hunt for the computer cracker ring known as Curador appears to have ended in Wales. After an international investigation, police arrested two teenagers in connection with the theft of more than 26,000 credit card numbers from e-commerce companies spanning three continents.

Law enforcement officials from the FBI, the Royal Canadian Mounted Police, the Welsh Dyfed-Powys Police Ser-



vice (www.dyfed-powys.police.uk), and independent security consultants worked together to catch the eighteen year-old cyber thieves, whose names have not been released in accordance with United Kingdom law. Authorities said the boys were able to exploit a security hole in an Internet server software system made by Microsoft and used by all the victimized companies. Once through the hole, they were able to gain access to customer information, including credit card numbers, on nine e-commerce sites in the US, the UK, Canada, Thailand, and Japan.

The crackers (computer users' term for nefarious hackers) then posted card numbers on a public Web site along with the phrase "Curador: The Saint of E-Commerce?"

Although one law enforcement official called the crackers' operation "pretty sophisticated," Microsoft officials point out that they had notified users about the hole and issued a patch in July 1998. The company sent out a follow-up bulletin a year later.

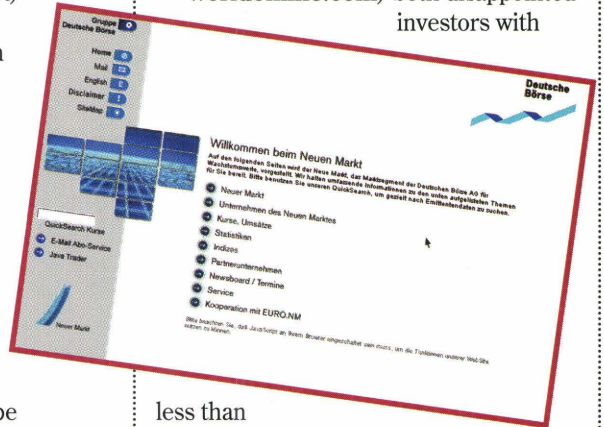
As more commerce moves to the Internet, credit card security constitutes a major concern for e-companies, law enforcement authorities, and consumers, although consumers generally have limited liability for fraudulent purchases. Analysts point out that many small e-commerce companies don't have the technical manpower to stay abreast of all security issues and warnings.

Officials estimated the losses incurred by the Curador heists could reach \$3 million.

BUSINESS BYTES

UK Internet service provider U Demon (www.demon.net) announced it had reached a settlement in its libel case with Laurence Godfrey, a British physicist. The case, which stemmed from defamatory material posted on one of Demon's bulletin boards, could reach more than \$300,000 after it pays damages and legal fees. The long-term effects to ISPs could be much greater, forcing them to consider what information they will allow to be posted.....Lycos Europe suffered a disappointing opening day on Frankfurt's Neuer Markt (www.neuer-markt.de). The scion of the US-based web portal Lycos Inc. saw the price of its shares drop to 73 cents below its initial offering price. The sluggish Lycos Europe opening follows in the wake of two

notable e-flops. The UK's Lastminute.com (www.lastminute.com) and the Netherlands-based World Online (www.worldonline.com) both disappointed investors with



less than stellar openings. Some analysts attribute the weak openings to the glut of Internet public offerings and investors getting choosy. The Neuer Markt, which specializes in technology equities, is expected to see some 200 companies floated in the next year.

—Peter Gwin

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The Euro's Progress

By Lionel Barber

One year after its inauguration, the single currency remains on course

The euro may only be a stripling currency by comparison to the US dollar, the British pound, or the Japanese yen. Yet in the near eighteen months since its launch, Europe's single currency has made its mark in the world's financial markets.

Judged by the quantity of new euro-denominated bond issues, the euro has crowded out the dollar and raced to top ranking, fueling talk of a global currency triangle based around the dollar, euro, and yen that will dominate the first half of the twenty-first century.

Wim Duisenberg, president of the European Central Bank, has become the spokesman for the euro zone economy, which comprises eleven Western European countries with almost 300 million consumers. He and his colleagues at the ECB—rather than the national central banks—are the recognized decision-makers and, increasingly, the preferred interlocutors for the international community.

These changes have occurred so

rapidly over the past eighteen months that it is hardly surprising that there has been the odd glitch. Perhaps the most striking is the persistent weakness of the euro, notably against the dollar. Though there are signs that a strong economic recovery in Europe could shift investors' perceptions over the spring and summer, the decline of the euro has been a political disappointment that has confounded those who predicted a rock-solid currency based on the ECB's treaty-enshrined commitment to price stability.

Setting aside for a moment the euro's recent weakness, the new currency and the new institutional arrangements that underpin it have performed well. The launch of the euro on January 1, 1999, in line with the timetable set down in the Maastricht Treaty, was a technical triumph.

More fundamentally, the eleven members of the euro zone—France, Germany, Italy, Spain, Austria, Belgium, Finland, Ireland, Luxembourg, the Netherlands, and Portugal—have coped with the strictures of a one-size-fits-all monetary policy without visible difficulty. True, there are some infla-

tionary pressures in the faster-growing peripheral countries such as Ireland, Spain, and Portugal; but these have so far been contained.

Most impressive is how the euro zone shrugged off the Asian financial crisis. In the pre-euro era, when similar turmoil shook the markets, individual national currencies had a habit of being "picked off," as in the collapse of the Exchange Rate Mechanism in 1992–93. It is highly likely that currencies that have been victims in the past, such as the lira, benefited from the shelter of the single currency zone.

Inevitably, however, these achievements tend to pale alongside the performance of the euro in the foreign exchange markets. After an impressive first few weeks, when the euro's value was \$1.17, the currency has drifted steadily downward. In February, it moved beneath the psychological barrier of parity with the dollar and has fallen as low as 95 cents.

At the World Economic Forum in Davos, Switzerland, attended by many of the world's leading central bankers and businesspeople, ECB officials and finance ministers did their utmost to



Wim Duisenberg, president of the European Central Bank (left), and Alan Greenspan, Federal Reserve Board chairman (right), talk prior to the IMF meetings held in Washington last April.

avoid commenting on the euro's weakness. But several independent analysts and academics—such as Fred Bergsten of the Washington-based International Institute for Economics and Robert Mundell, the Nobel Prize winner from the University of Chicago, argued in favor of coordinated intervention to support the euro.

No such action has materialized. Policymakers remain skeptical about their ability to buck markets, especially if an intervention package were to ex-

tend to an overly strong yen, as requested repeatedly by the Japanese authorities. Moreover, changing expectations about interest rate movements in Europe—which are on an upward trend alongside the US—have so far failed to translate into a stronger euro.

The decisive factor has been investment flows. Although the euro zone's trade balance has been in modest surplus, the US has been running a spectacular deficit, yet direct and portfolio investment has been pouring out of the

euro zone and into the United States. Investors have been captivated by high-tech stocks and talk of a new paradigm economy combining low inflation with strong growth.

The question remains: how long the US boom can last? Tony Blair, UK prime minister, has warned about a sell-off on Wall Street and its potential negative impact on the world economy. In the meantime, says Ernst Welteke, chairman of the Bundesbank, "When the markets realize that there is potential for a strong



(Right to left) Bundesbank Bank President Ernst Welteke, German Finance Minister Hans Eichel, French Finance Minister Christian Sautter, and Bank of France Governor Jean-Claude Trichet following a press conference at the twenty-fifth Franco-German economic summit held in Germany last November.

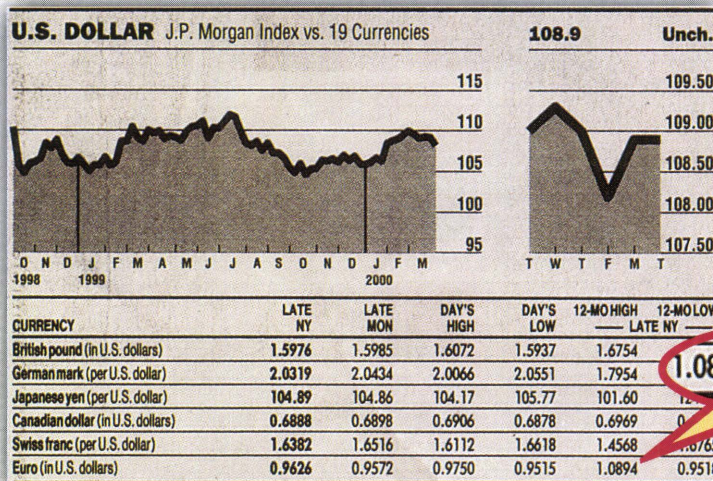
upswing of the growth rate in the euro area, we will see a very great potential for an upswing in the euro.”

The second issue is how much a weak euro really matters. After all, the euro’s weakness has actually been good for business. Airbus won 55 percent of orders last year against Boeing. Ferdinand Piech, the boss of Volkswagen, boasts that a weak euro, a strong dollar, and a strong yen is the perfect currency combination. A strong currency in 1997–99 would have definitely held back Europe’s recovery in terms of its ability to penetrate export markets.

Furthermore, the euro’s 20 percent decline against the dollar should be seen in a historical perspective. First, it is nowhere near as dramatic as the decline of the deutsche mark against the super-strong dollar of Ronald Reagan’s first term, 1980–84; nor, indeed, is it as sharp as the dollar’s subsequent decline against the deutsche mark in the

next four years.

If there is a problem, it is psychological. European politicians have stressed from the outset that the euro would be a strong currency with the potential to rival the dollar. Perhaps the most effective



The Wall Street Journal's twelve-month high and low for the euro as of April 4th.

response to daily headlines and graphics charting the decline comes from Niall FitzGerald, co-chairman of Unilever: “Credibility (for the euro) is more than the financial markets, it is growth and productivity.”

In this sense, fortune appears to be favoring the euro zone economies. Growth for the area is likely to be around 3 percent, less than the US but a good deal better than the same countries achieved for most of the 1990s. Better still, France, once cast as the champion of state intervention and high inflation, is emerging as a force for economic expansion and a strong currency.

Over the past five years, France has attracted direct foreign investment amounting to 1.5 percent of gross domestic product—more than three times the amount pulled in by Germany. It also may have an edge over Germany in its labor market, despite employers’ outburst against the mandated thirty-five-hour working week since the apparent cost of this initiative of the Socialist-led government has so far been offset by wage freezes or wage moderation.

If, as seems possible, investors begin to reevaluate the potential of the French economy, their renewed interest will have profound implications for the euro zone. Already, the eleven economies are experiencing a double competitive shock as a result of price transparency created by the euro and the impact of the e-commerce revolution, which are in turn making corporate managers much more responsive to shareholder value.

None of the above suggests that Europe is about to embrace Anglo-Saxon capitalism tooth and claw,

but it does underline how the euro is a tool for change, perhaps even the catalyst for an economic re-

naissance on the Old Continent. ☺

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

Governor of the Central Bank of Finland Matti Vanhala

EUROPE
INTERVIEW



Matti Vanhala, the governor of the Central Bank of Finland and a member of the European Central Bank's Governing Council, spoke with Robert J. Guttman in Washington DC last month about the status of the euro, the European Central Bank, the euro-dollar relationship, and the Euroland market.

What is your overall assessment of the euro, Europe's single currency, after one year of being in operation?

In my view, practically everything went as expected, technically, from a monetary policy point of view. Also, the cyclical developments turned out more or less as expected, by which I mean that there were divergences emerging between countries as regards the cyclical situations. That was also expected. The circumstances were benign in the sense that no major inflationary pressures emerged at the start so that there was this sense of monetary stability, which was a kind of an easy start for the euro and especially for the ECB, of course.

Overall you feel it was a good start?

Yes, it was a reasonable start, and obvi-

ously there are various bits and pieces that are still a little bit missing and some things that have to be synchronized, like the communication aspect. But, on the whole, I think, none of the worries that people had at the start, like what would happen at the first New Year when all the payment systems were synchronized and what would happen at the end of the year when there was this millennium situation. All that was technical, and it went pretty smoothly. Of course, the broad public doesn't know much about the technical challenges that were involved in relating eleven infrastructures to each other...infrastructures meaning payments systems and monetary policy infrastructures. They all have to be combined overnight. It's a huge operation preceded by an enormous amount of planning and program-

ming and so on. And, technically, everybody has to be very satisfied.

Are there any similarities between the ECB and the Federal Reserve in the United States?

There are some similarities to the Federal Reserve, but there is one fundamental difference: the monetary union in Europe, that is to say the euro area, does not operate on a federalist basis. In contrast to the situation in the United States, we have in the euro area eleven national central banks, which then work together in their jointly maintained central unit, the ECB in Frankfurt. They work jointly to prepare and decide on the policies that the ECB will pursue. And this is a fundamentally different situation from that of the Fed, as far as the institutional constellation is concerned.

"In contrast to the situation in the United States, we have in the euro area eleven national central banks, which then work together in their jointly maintained central unit, the ECB in Frankfurt."

But there is not such a great difference in the set up of the monetary policy itself, although we have differences in the way the objective of the [European] Central Bank is defined in law. In practice, one can claim that they work pretty much in the same way. In the case of the euro, we have in the law an obligation to put price stability above everything else as a target. It is the primary objective. If there is no conflict with the price stability objective, then the ECB should promote the general objectives of other economic policies. But, this is not all that different from the way the objectives of the Fed have been drafted. Price stability is the major objective, but so it is with the Fed. So, the monetary policies themselves are not all that different.

What is your role at the ECB as the governor of the Central Bank of Finland?

I'm one of the eleven [central bank governors from the euro member countries]. We meet every two weeks in Frankfurt, the eleven national central bankers plus the six resident executive board members, who are sort of the board of the Frankfurt unit. The six plus eleven make up the Governing Council, which then decides on the monetary policies of the ECB and whatever other policies need to be decided on, for instance, on payment systems, the prudential situation of the banking and payment systems.

Only the heads of the eleven central banks come to these meetings. Danes, Brits, Swedes, and Greeks aren't invited?

That's right. They are not in the euro area. It was their choice, but we hope that as soon as possible the eleven could become the fifteen.

Why do you think your neighbors, the Danes and the Swedes haven't joined Euroland?

They are taking their time to decide about joining because they feel that it is such a huge step and an irreversible step, and they would like somehow to make sure that the preconditions for guaranteed success would be somehow in place. Those of us who joined from the start, certainly in the case of Finland, we felt that it is not really possible to get any 100 or 200 percent guarantees that everything will be plain sailing. But we did feel that the institu-

tional framework and the way that the legislation guided the behavior of the euro area and the way the legislation was framed, to the extent that one can get guarantees about the euro area's economic performance, the guarantees were in place. You can't really decide about the future with certainty. So if you hold out for a guarantee before joining, you're asking for too much. But we hope that they will join.

What about the new countries coming in through enlargement? Do they have to be ready to join the euro?

They have a long way to go in some ways, especially with regard to the monetary union, but first of all, of course, they have to join the European Union as such. And that's already quite a challenge to them. But they are working hard and in a few years time some of them will be joining.

Do they, as a condition for joining the EU, have to accept the euro?

In principle, on joining the EU one accepts the intention to join the euro in due course. "In due course" means whenever they have converged macroeconomically enough to satisfy the conditions. But, the intention is implicit in joining the Union already. Any country that joins the EU has accepted, or, as it were, declared, that when the conditions are satisfied, it will join. The same applies of course in principle to some of the fifteen today.

What do you think about the British? Do you think they'll ever join? Can London stay the financial capital of Europe without joining?

I certainly hope that they will join. And partly, I must say, because of the importance of London. It would be a good thing for the euro to have London inside the area rather than outside. And secondly, the Brits have a lot to give and contribute in terms of policy formulation and everything concerning monetary and financial systems. They are a major player in this area.

Should Americans view the euro as a competitor to the dollar?

One should not think of

competitiveness at all in this context. The euro actually did become the second-largest currency in the world at the start. But the dollar is the world's largest currency, and I don't expect that to change. I don't think one should think of it in terms of competition in any case. The dollar will remain the most important currency, and the euro will develop very strongly as a currency, inevitably, because of the size of the area. No one should think of it in terms of competition.

What about competition with the yen? Have you replaced the yen as the second-largest currency?

Yes, in terms of numbers that may be so, but again I wouldn't think in terms of competition. There are, and should be, several currencies around.

Is it difficult to give up your own currency—in your case the Finnish markka—for the euro?

Yes. It was hard, but in some ways the choice was perhaps made easier for us by the way global financial markets have developed in the last ten years. It is quite demanding to pursue monetary stability with a very small currency, if the economy's open, as the Finnish one is, and was. A very small currency in today's world is likely to be the target of speculative forces from time to time. Investors going in and out of the currency, going in and out of your interest rate market, your stock market. The smaller the currency, the bigger the destabilizing effect of such movements. That is a very bad context for pursuing monetary stability domestically.

So joining the euro helps with stability?

Yes. One of the major arguments and reasons for Finland joining, as far as the economic side was concerned, was that—by linking our own currency, the markka, with the bigger European currencies in the context of the euro—it gave us overnight an overwhelming guarantee of monetary stability over the long term. A much better guarantee than we could ever have been able to furnish

"The euro actually did become the second-largest currency in the world at the start."



The European Central Bank (right) in downtown Frankfurt.

on our own working with a small currency in a global situation.

What do you think about the euro sinking against the dollar? After its introduction it briefly rose to \$1.18 and now it's below parity. What is the reason for that?

I am unable to get awfully excited about it, I must say. Of course, no central banker likes the perception of his currency looking kind of weak. On the other hand, it's very important to bear in mind that, especially in a globalized framework where capital flows are

volatile and flow very easily, if domestic monetary stability is what one wants—and this is the objective written into the Maastricht Treaty and central banking legislation for the euro—then we cannot look at the exchange rate as a target and as an objective as such. Of course, we would like to have a stable and, if you wish, strong euro, but at the same time, one has to accept that the exchange rate has to fluctuate. It performs an important role in protecting domestic monetary policy. Therefore, it has to be a floating rate, and we

should not and will not make the mistake of somehow making it a separate objective. It's not one of the objectives of the ECB's monetary policy. But that will not be a problem. Over the long term, the country's currency will perform in conformity with the internal stability of that currency area. The euro area will be an area with low inflation, with price stability. Therefore, over time and over the cycle, its external value will perform to everybody's satisfaction. There's no doubt about that. Then we just have to live with the fact that since the cyclical situations vary, as between currency blocks, the exchange rate will fluctuate to some extent. And that's part of the bargain. It doesn't make the euro weak in any fundamental way.

Why is the euro sinking against the dollar?

One of the things is that the US economy is doing very well, and the US stock market is doing well. These are not unrelated things, and it is reasonable that an exchange rate should respond to things like that, as it should to interest rate differentials. That's natural; it's nothing to worry about. As long as the ECB's monetary policy is strong, there's nothing to worry about.

Is it true more bonds are being floated in euros than dollars?

There has been a lot of expansion in the euro on the bond market, and that is natural enough because the eleven currencies have been merged so that we get a broad currency area in this new currency. It's a broad area, and the eleven national markets will gradually integrate more and more. We already see this in the way the payments and settlements and the trading infrastructures start merging across the borders. This will take time though because today we still have eleven separate financial systems each with its own infrastructure. But, we'll see very strong development here, the development of genuine euro-based lending and borrowing markets, trading infrastructures, and settlement infrastructures. It's going to be quite exciting. It may well be that the markets are going to develop much more strongly than the official institutions have even imagined. That's the way it should be.

When Finland and every country in Euroland now puts out bonds, they're in euros?

Yes. Gradually, there will also be a deeper and a more liquid market not only in bonds but in the short term area, like repo market and CD market, commercial paper market, and so on. It will take some time because all this legal harmonization may have to proceed a little bit, but it will happen. And it will happen quicker than anyone thinks.

What happens if a country's inflation goes crazy and they don't abide by the rules of the ECB, can they be thrown out of Euroland?

I don't think anybody would be thrown out. But, in the ECB, among the central banking establishment, it's really, frankly speaking, inconceivable that there would be any disagreements of that magnitude. Our meetings at Frankfurt are very consensus oriented. The central bankers, when you interview them, are a pretty homogeneous crowd. It seems as if they had all been going to the same school somehow. And they have the same answers to things.

On the fiscal side, among the governments and among the finance ministers, there again—although one can conceptually imagine that there would be great conflicts of interest and divergences of objectives—in reality, the moment you merge your finances into a common currency, from then on, each finance minister knows that his neighbors' fiscal policies and borrowing behavior, for instance, affect everybody's interest rate and not just the neighbors'. So, they all have an interest to exert strong peer pressure and keep an eye on each other's finances. There's a powerful disciplining momentum built into the fiscal side as a result of the fact that there's common money. Because then each one affects each other's position. The way the monetary union works, it sort of creates a very powerful incentive for finance ministers to keep an eye on each other. So in reality, that makes fiscal policies, on the whole, pretty well on course toward a common goal.

So there is peer pressure?

Yes. There's strong peer pressure. That will be a force that will become stronger and stronger all the time now. But of course it's a new thing also for the finance ministers.

Does a nation's fiscal policy remain national and monetary policy is with the ECB.

Yes.

Are there sanctions if, for example, one nation's fiscal policy is sharply divergent from the rest?

There are sanctions if somebody gets his fiscal policies really out of line, but my prediction is that those sanctions will never need to be used. Because nobody is going to let his fiscal accounts get really out of order. But of course, you know, this is something we will test with time. And that applies really to the whole construction, of course. In all honesty, it has to be said that the start has been an easy one in the sense that the conditions have been favorable. We have GDP growth rising in the area, and there's no inflationary pressure coming from the international side apart from oil prices; so the conditions are pretty benign. And of course, it's really only if some really adverse slow-down occurs that we shall see how countries are coping and how the euro area's coping with itself. There will be strains, but we'll have to see.

What do you think the main economic problem facing Europe for the next few years is?

The overwhelming problem is one that unfortunately is a little bit on the sidelines in today's debates. These are the structural problems within the European economies. One shouldn't dramatize them obviously, but nevertheless, there's too little flexibility in the system. This is a difficult thing to debate because whenever the central bankers or foreign monetary officials talk about structural policy in the euro area, nobody's really quite sure what they mean with these words. Everybody talks about structural problems, and I have the feeling sometimes that very few of those who use this phrase know what they mean. Nevertheless, it is true that there are so many structural rigidities in the Euro-

pean markets, in the national markets, that is to say, in the labor markets, in the product markets. The very fact that only now these eleven markets are merged into a common monetary area do some of these differences in legal systems become even more apparent. Now, a lot of things have to be harmonized so that the cross-border integration can proceed and in order to provide room for cross-border mobility of labor and mergers and structural change. I think that will all get underway, but this is the problem—the structural rigidities. That is really the big problem.

Do you think Americans at large understand the euro? Is it important for the success of the euro for Americans to understand it?

It's important for the American economic and financial community to understand the euro and to try to understand how it works; how the ECB operates; what the monetary policy is; how it is communicated; how fiscal cooperation within the euro area works; what the role of the exchange rate is. But I don't think that for the man in the street it is necessary to know the niceties of monetary policy in the euro area.

How do you rate ECB President Wim Duisenberg's performance so far?

It must be said he has led the ECB in a very nice manner. He has made the Council, this collection of eleven central bankers plus the six Frankfurt people a relaxed consensus-oriented, debate-oriented decision-making body. It wasn't self-evident that this would be the case, but he has managed and that's probably partly due to his easygoing manner. He's done a very good job, I must say, and will certainly keep doing it. He's a good spokesperson. He fascinates people, and he's not taken aback by any question. He has a relaxed manner that's needed.

Do you have positive views on the euro's future?

Yes. The euro will be a good currency. ☺

"The central bankers are a pretty homogeneous crowd. It seems as if they had all been going to the same school somehow. And they have the same answers to things."

Living with the Euro in

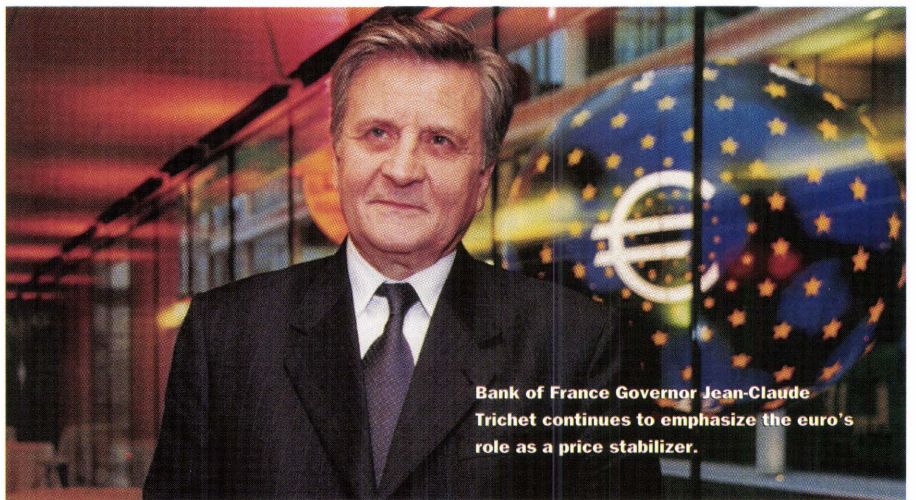


By John Andrews

France

On December 2 last year, just before the clocks in Paris struck 10 p.m., the news came from New York: the euro, the much-vaunted symbol of the European Union's economic clout and monetary union, had for the first time in its brief life slipped below the value of the dollar. "Who would have believed it?" asked France's leading financial newspaper, *Les Echos*. Who indeed? When the euro was launched on January 1, 1999, its worth was set at \$1.1667. On January 4, its first day of trading, it reached \$1.18. Do the arithmetic, and the fact is that in less than a year, the value of the euro against the dollar had slipped by more than 15 percent.

All of which is perhaps embarrassing for some of the eleven governments in the euro zone. The German government of Helmut Kohl, for example, persuaded skeptical German voters to give up the rock-solid deutsche mark on the basis that the euro would be equally strong; their savings, in other words, would be protected. The French government embroidered the message: not only would the euro be as strong as the franc, it would be stronger than the dollar. In Brussels, Yves-Thibault de Sil-



Bank of France Governor Jean-Claude Trichet continues to emphasize the euro's role as a price stabilizer.

guy, the Frenchman who at the time was the European commissioner for monetary affairs, was ready to beat the drum for a euro that would equal, perhaps eventually surpass, the role of the dollar in world affairs. Simply put, the euro would be a tangible symbol of Europe's ability to resist American economic and financial domination.

The embarrassment, however, is not being overdone—even in France. One reason is that wise men—such as Jean-Claude Trichet, who is both governor of the French central bank and the designated successor to the Netherlands' Wim Duisenberg at the European Central Bank—are politely pointing out behind the scenes to the politicians that

the ECB has no set exchange-rate target. Instead, its primary duty is to maintain price-stability within the euro zone, not least by setting interest rates at a level that will restrain inflation and so encourage investment and economic growth. In other words, political blathering about the need to boost the value of the euro is unproductive, and even counter-productive—so let the politicians learn the virtue of silence.

The second reason is that ordinary people in the euro zone are for the most part—the obvious exception would be if they chose to vacation in the United States—blissfully unaware of the euro's exchange rate. After all, inflation is under control, so they are suffering no



A shopper buying bread in a French supermarket, where prices are indicated in both French francs and euros.

loss of domestic purchasing power; unemployment is falling, and each national economy seems set to keep on growing. More to the point, perhaps, no one is actually handling the euro; until January 1, 2002, it will remain a "virtual" currency, for transactions between banks and businesses, not between individuals. For most people, therefore, the euro remains an abstraction, although most price lists in France, for example, are displayed in euros as well as francs.

For policymakers and businesspeople, however, the virtual currency is real enough—and successful enough. One sign is the statistical evidence of economic health in the euro zone. Inflation across the euro zone is running comfortably less than 2 percent a year; unemployment (while still high by American or Japanese standards) has finally fallen below 10 percent of the work force; and economic growth for 2000 is set to run at 3 percent or even more.

Indeed, France could well see economic growth of 3.5 percent this year, putting it ahead of Germany (which will lead to some quiet gloating in the finance ministry in Paris) and Italy, its euro zone colleagues in the G7 grouping of the world's biggest advanced economies.

True, not all is perfection. The inherent risk of the euro zone is that the interest rate set by the ECB in Frankfurt will be right for some of the "euro eleven" but not for all. In other words, it's right for the big economies, such as Germany and France, but not for small ones, such as Portugal. One noteworthy example of where a "one size fits all" interest rate is inappropriate, indeed damaging, is Ireland. Last year, its economy grew by 8.4 percent in real terms; this year, the rate is likely to be 7.4 percent. What it needs, but cannot get, are higher interest rates to prevent the economy from overheating. Excessive heat showed up in an annual inflation rate in January of 4 percent—and the gloomsters are already talking of a bubble that will end with a nasty burst.

Ireland's problems, however, are more the exception than the rule. Take the euro zone as a whole, and the effects of the single currency are surely positive (even the politically tricky slide against the dollar has been beneficial, boosting exports and so lowering unemployment in the euro zone's powerhouses, Germany and France).

The most important development is the improvement of the

Life Outside Euroland

"Save our pound," shout the euroskeptics—who include most of the United Kingdom's opposition Conservative Party and, depending on the pollsters' question, a majority of the electorate. The sensationalist tabloids and much of the quality press (certainly the papers controlled by Rupert Murdoch) take up the refrain; and William Hague, the Conservatives' new leader, even tours the country in a special cavalcade to preach the message.

Clearly, such a slogan is a matter not just of judgement but also of emotion. A national currency is a symbol of sovereignty every bit as obvious as the national flag. In other words, to give up the pound and embrace the euro will be tantamount to sur-

render, this time not to the "faceless bureaucrats of Brussels" but to the similarly unelected officials in Frankfurt of the European Central Bank.

Or so the more extreme anti-euro propagandists would have it. Strip away the rhetoric, and there are two serious arguments to justify the United Kingdom maintaining its opt-out—famously negotiated by Hague's predecessor, John Major—from the single-currency provision of the Maastricht Treaty.

The first is that there is, indeed, a loss of political sovereignty. When a government enters the "euro zone," it immediately loses the ability to devalue its way out of the economic doldrums. The second is that whether the UK wants to join



single market. A single currency makes prices across frontiers more easily comparable, not just for countries within the euro zone but also for those that are outside it—the United Kingdom, Denmark, Sweden, and Greece. One consequence is for higher prices to fall as price transparency increases competition. Another is for companies to ignore the national borders implied by national currencies and, instead, to think and act on a truly European level. This means not just making mergers across frontiers—witness the recent hostile takeover of Germany's Mannesmann by the UK's Vodafone—but also making domestic mergers in order to be big enough to survive in this more competitive single market. It is surely more than coincidence that the first year of the euro has seen, for example in France alone, the mergers of the Totalfina oil company with Elf, the Carrefour supermarket

group with Promodes, and BNP bank with Paribas.

Against that background, does the value of the euro against the dollar really matter? Only if the euro were to sink through the floor and make imports expensive—and, given the strictures of the stability and growth pact to which all eleven euro members have signed up, there are no economic reasons why that should happen. The fall of the euro is really the rise of the dollar, powered by nine years of economic growth in the United States, a booming stock market, and the Internet revolution. Since the American boom cannot last forever, it is perhaps the Americans who should be getting worried. By contrast, the Europeans can say of the euro, "So far, so good." ☺

John Andrews is a frequent EUROPE contributor and the Paris bureau chief of the Economist.

the euro zone or not is beside the point: what matters is that the conditions should be right—and at the moment, thanks to the strong pound, they most certainly are not.

In reality, it is the second argument that will matter more than the first. After all, no nation valued its national currency more than the Germans, yet they, in the end, were willing to let the strong deutsche mark, the symbol of postwar revival and economic strength, become simply a denomination of the euro (which, some may sourly note, has since slid in value). By contrast, since middle-aged Britons—the ones who are most likely to vote—can remember a time when the pound was worth \$2.42 and since most adult Britons have been abroad and had no trouble using a foreign currency, perhaps

any British love for the pound is more theoretical than real.

The perils of joining the euro with a very strong pound are, however, extremely real, witness the UK's humiliating exit from the exchange-rate mechanism—the currency grid that was supposed to prepare the way for the euro—in September 1992. The fact was that currency speculators around the world, recognizing that the value of the pound had been pegged way too high for the state of the UK's relatively unproductive economy, called the UK's bluff that it would defend the pound's value till the end.

The result is a determination by Tony Blair's government not to let history repeat itself. Yes, say ministers, we believe the euro could be good for the United Kingdom but only if the UK's

participation in an economic and monetary union first passes five tests: it has to create better conditions for long-term investment in the UK; it must not harm the UK's financial services; the business cycle must be sufficiently close to the rest of Europe's so that the UK can live comfortably with the euro zone's "one size fits all" interest rate policy; there must be enough flexibility to cope with any problems that do emerge; and joining the euro zone must help promote growth, stability, and employment.

Are those tests difficult? In the end the answer will depend on the examiners, who, thanks to Tony Blair's promise of a referendum (probably after an election due no later than spring 2002) will be the British people. For the moment, the 'no' camp believes it is



UK Prime Minister Tony Blair (left) attended the official opening in June 1998 of the European Central Bank in Frankfurt with ECB chief Wim Duisenberg and his wife Greta.

winning the argument: the economy is strong and inflation and unemployment are low—so why bother with the euro? However, at least two reasons remain why the anti-euro camp should not be overconfident. One is that British exporters are already complaining that the strong pound is pricing them out of their markets; the second is that Japanese and other foreign investors are complaining that a UK outside the euro zone is not nearly as attractive as a UK within it.

Moreover, there is

a third reason. It may be true that the British have never been enthusiasts for the European Union, but in the end, they have always voted to be part of it. In other words, the more the euro zone prospers over the next couple of years, the more the British will be inclined to swallow their doubts and eventually join the club.

—John Andrews

The Euro and Travel

How the single currency is changing travel in Euroland

By Susan Ladika

Interested in a flight from Vienna to Chicago? On Austrian Airlines, you'll pay 5,190 schillings or 377.18 euros. How about a gift certificate for the TGI Friday's in downtown Vienna? It's 100 schillings or 7.27 euros.

Travelers across the European Union are finding that dual pricing systems are popping up, with costs detailed in both euros and the local currency.

Now "you need to carry a real painter's palette of currencies around with you," said Peter Shackleford, the European representative of the World Tourism Organization, a United Nations agency based in Madrid. However, starting in 2002, euro banknotes and coins will be used exclusively in eleven EU countries. "With the same notes and coins, it will make it seem rather like being in the United States," Shackleford said.

The euro actually was introduced on January 1, 1999, at the start of a three-

year phase-in designed to help businesses and residents adjust to the loss of marks and francs, punts and pesetas. It hasn't, however, led to major changes yet.

For travelers, "there's not a lot of impact at the moment because it (the euro) isn't being used on the street. Its importance is the fact that people will be familiar and its purchasing power when traveling," says Shackleford.

With the new currency, travelers will be able to compare costs from country to country without making complicated calculations, and this can help to correct misperceptions, he said. "Austria is sometimes considered a high-cost destination, when neighboring Italy might be higher cost."

With the euro's launch, Germany, France, Italy, Spain, Portugal, Belgium, Luxembourg, Austria, Finland, Ireland, and the Netherlands are sharing a common currency for the first time. For now, the United Kingdom, Denmark,

and Sweden have opted out of the monetary union, while Greece has not yet met the membership criteria.

For an American, the transition to the euro is especially easy. Since its 1999 debut, the euro has lost about 15 percent of its value, making one euro virtually equivalent to one dollar.

While no one expected the euro's slide, it may prove to be a boon as it makes Western Europe a more attractive tourist destination. "It's going to make a lot of sense because of the relatively weak euro to market heavily in the United Kingdom and the United States," Shackleford said.

Already, tourism is big business in Western Europe. In 1996, there were nearly 600 million international tourist arrivals worldwide. Of that number, about 85 million came to the euro zone and spent \$72 billion. By 2002, arrivals in countries that have converted to the euro are expected to climb to 111 million, with receipts totaling \$101 billion.



British Airways passenger Ludwig Hamburger purchased the first British Airways ticket sold in euros at Frankfurt's Rhine-Main airport on January 1, 1999.

Tourist spending could get a boost with the introduction of euro coins and notes. With the common currency, travelers will no longer need to carry a pocketful of foreign money or pay hefty fees to convert from one currency to another.

This will cut into the earnings of banks and currency exchange offices, so many have boosted exchange rate fees or made transactions more complicated, like changing dollars into euros and then into schillings and charging a commission for each change.

Banks now are charging "lots of hidden costs and commissions. Banks are trying to recoup some of the costs in the euro conversion," said Fran Berndt, vice president of trading operations for

With the new currency, travelers will be able to compare costs from country to country without making complicated calculations, and this can help to correct misperceptions

Ruesch International, a Washington-based company specializing in corporate foreign exchange. She predicts some banks and exchange offices will be forced to close because of the loss of revenue.

One way to avoid hefty exchange commissions is to carry euro-denominated travelers checks offered by such companies as American Express and Thomas Cook.

American Express declined to disclose how many euro-denominated travelers checks it has sold, but spokeswoman Nancy Muller said the leading purchasers have been Japanese, followed by Americans and South Africans.

"Without the currency in circulation, the transition to the euro is taking

some time," she said. However, sales are expected to continue to rise as January 2002 nears.

At the AAA Auto Club South in Tampa, Florida, about \$600,000 of euro-denominated checks were sold in 1999, or about 6 percent of overall foreign currency travelers check sales, said spokeswoman Cindy Sharpe.

Initially, some European merchants didn't know how to handle the new travelers checks or insisted that the euro wasn't yet in circulation. But a vigorous education program by American Express has helped put an end to such confusion, Sharpe said.

She sees bright days ahead when the euro comes into circulation. Most travelers "are welcoming the transition to the euro. The issue of currency is one which travelers to Europe find most confusing and bothersome."

Susan Ladika is EUROPE's Vienna correspondent.

Americans in

When Jennifer Kibel arrives at her office in Castle Rock, Colorado each morning, she should swivel her desk chair eastward to face Brussels and thank her lucky stars for the euro. As international sales manager for Natural Balance, a growing US manufacturer of organic health products, surely, she must begin every day thinking about ways to maximize the efficiencies offered by Europe's single currency. After all, the euro, which last year began the process of replacing eleven of the European Union's fifteen national currencies, is supposed to eliminate many of the costs and obstacles companies face when doing business in Europe.

So, does Natural Balance price its products in euros? "No," says Kibel. "Right now we only price our products in the currencies of the countries where we sell them." She adds, "We haven't had anybody show any interest in the euro."

Merrill Lynch's chief national strategist David Bowers has heard such stories and reminds US companies that doing business in Euroland is still not like doing business in the United States. "Any American company that goes in with that in mind could be disappointed," he says.

What's this? Is Euroland faltering already? How can this be when, after all, it boasts a market bigger than the US with 290 million consumers and represents nearly 20 percent of world trade and 20 percent of the world's gross domestic product. Why wouldn't a company already be using the euro to exploit such a market, especially an American company used to a single currency?

The short answer is that Euroland is still developing and US companies are still adjusting. The euro's three-year implementation is not yet half completed. Euro notes and coins won't be introduced until January 2002 and only after a six-month phase-in period will it then be-

come the region's sole legal tender. That said, the next twenty months will be a critical time as US businesses—from small companies like Natural Balance to multinationals like Ford Motor Company to emerging Internet superstars like Amazon.com—prepare themselves to do business in Euroland.

Certainly, the first advantage companies expect from using the euro is the savings they will reap from using one currency instead of eleven. Before January 1999 when the eleven EU members (Denmark, Greece, Sweden, and the United Kingdom have not yet joined) officially locked the values of their currencies together to form the euro, businesses operating in those countries had to implement expensive and complicated procedures to protect themselves from currency fluctuations. For example, Nokia, which makes mobile phones in Finland, among other places, had to be concerned about the value of the markka in relation to the currencies in the countries where Nokia sold the phones. Now with eleven of the fifteen EU members sharing one currency, such concerns have been eliminated among the euro-zone countries.

Some US businesses are already budgeting, accounting, and invoicing in euros in the Euroland countries. Nevertheless, many companies, even major players like Ford, are not yet fully euroized. "We're sort of in a transfer process," says Simon Warr, a spokesperson in Ford's European headquarters. "In our dealerships within the euro zone, we're displaying euro prices and local currency prices, and we're going through a process of transforming our systems with a deadline of 2002." Although Warr says Ford does not have any figures of its own, it doesn't argue with projections made by the *Financial Times* that it will cost Ford in the range of \$50 million to convert its Euroland operations to the new currency.

Ford's situation sounds familiar to Adrian Payne, the head of the EMU unit in the UK for the accounting firm Price-

waterhouseCoopers. "It's not theoretically a difficult changeover to make," he says, "but in terms of the amount of time it will take and the amount of planning and effort that will go in, it is a huge task for any sizeable company. Many corporations are only now waking up to the size of that task." He draws a comparison to the recent Y2K conundrum, which forced companies to overhaul their computer systems so they would recognize the year 2000. "Currency," he notes, "is even more embedded in systems in a much bigger variety of ways than dates are."

Furthermore, euro preparations will differ from company to company, says Payne. Instead of just converting accounting and pricing systems to handle the new currency, some of his clients are using the switch to the euro as an opportunity to study their total organization structures within Europe. They are asking wider questions, says Payne, such as "how can we build a pan-European brand?"

One US company looking at the broader strategic picture is Amazon.com. In February, the Seattle-based e-retailer sold \$690 million worth of euro-denominated bonds, the first euro bond issue for an Internet company. Currently, Amazon operates e-commerce sites in the United Kingdom and Germany but is ramping up for major expansion into Europe.

"This was very much about the next wave of the Internet in Europe," says Ruth Porat, the managing director for Morgan Stanley Dean Witter who oversaw the issue. By issuing euro-denominated bonds, she says, Amazon wanted to underscore the strength of its business in Europe and to cultivate a relationship with European investors.

Perhaps the US company with the best overview of the euro's history-making first year is the credit card issuer Visa. Since the euro's introduction, Visa has allowed Euroland cardholders to choose to be billed either in euros or their national currency. Hasan Alemdar,

Euroland

How US companies view doing business in the euro zone

Visa allows its Euroland cardholders to receive their bills in euros. Amazon.com lists prices on its German web site in both euros and deutsche marks.

By Peter Gwin

who is head of Visa's euro unit, says that Visa member institutions (the banks that issue the cards) recorded nearly 6 million euro transactions, which amounted to 3.7 percent of all Visa transactions in the European Union during 1999. More than 60 percent of the transactions were for French bridge and highway tolls, which automatically charge cardholders in euros. However, he says, "If we take those charges out, the average value of the remaining transactions is close to 300 euros." This figure is five times higher than the average non-euro Visa transaction. Furthermore, euro usage showed a steady 10-15 percent increase each month throughout 1999.

Alemdar also noticed that cards used by small to medium-sized businesses saw nine times more activity in euros than in other currencies. Receiving credit card bills in euros makes a lot of sense, he says, particularly if a company is doing business in multiple countries in Europe. "It gives them an opportunity to compare prices and consolidate ten or eleven different currencies on their books into one currency."

Indeed, analysts agree the ease of comparing prices created in the euro zone at both the business and consumer levels is proving to be a major catalyst for transforming how companies and consumers do business. "For the eleven

countries that are in," says Adrian Payne, "if you take any product, you'll be able to do a comparison of prices, for example, in Spain as opposed to Germany. Before the single currency, you would have been able to do a comparison, but you would have had to make all sorts of assumptions about what the appropriate exchange rate was, and there would have been all sorts of arguments about whether the comparison was valid because the peseta was temporarily high against the deutsche mark."

Payne says the price transparency is already pressuring companies to become more competitive. He cites the example of an executive at a US multinational who was confronted by German customers who had discovered they could buy his products more cheaply in Spain. "Clearly, the potential has been there before the euro for sophisticated companies [to find such disparities]," says Payne, "but the euro really does make it easier."

Although the single currency will ultimately make it easier to do business in Euroland, US companies still find many obstacles. "What we should not forget," says Robin Niblett, senior European fellow at the Center for Strategic and International Studies, a Washington think tank, "is there is a raft of national regulations, from taxation to pensions reform to banking laws, which will make it diffi-

cult for companies to really take full advantage, as a company might in the United States, of the mobility and flexibility of being in a single currency area."

Smaller companies, especially, find many of these impediments daunting. The biggest obstacles facing Natural Balance, says Jennifer Kibel, are conflicting import laws among the EU member countries. For example, Dutch law permits her to sell a wide range of organic health aids in the Netherlands, but it remains illegal for Natural Balance to sell the same products in Germany. "Every day somebody tells us the EU is going to resolve this," sighs Kibel, "but it still hasn't happened yet."

Aside from such frustrations, Merrill Lynch's Bowers believes the experience US businesses bring to Euroland gives them at least one advantage. "American companies have an opportunity because they can think in terms of big domestic marketplaces and think in terms of economies of scale," he says. "They aren't constrained by national traditions, which might mean that a Germany company just thinks in terms of Germany as its domestic marketplace. An American company does not have that hang-up." ☐

Peter Gwin is EUROPE's managing editor.



Austria and the EU

What Next?

By Susan Ladika

Jörg Haider's decision to resign as leader of the far-right Freedom Party has been hot news in Austria but has done little to warm up the country's frosty relations with the European Union.

According to Chancellor Wolfgang Schüssel, Haider decided to step down because he wanted to "take a personal part in easing tensions in the European Union." But many aren't so convinced of his motives.

Some see the decision solely as a tactical maneuver, with Haider distancing himself from unpopular reforms the new government is expected to undertake, and then making his own bid for the chancellorship in four years time.

Despite his decision to step aside

and appoint Vice Chancellor Susanne Riess-Passer as new head of the Freedom Party, little has changed in Austria's relationship with the European Union. "For the moment our position remains the same," said Prime Minister Antonio Guterres of Portugal, which currently holds the rotating EU presidency. "The key question is not the personality of Haider. It is the nature of his party."

Haider, who is governor of the southwestern province of Carinthia, has shaken the international community with provocative statements he's made over the past decade. He earlier had held the governorship but was forced to resign in 1991 after saying the Nazis had "a proper employment policy."

Ahead of last fall's election, Haider

and his party ran a blatantly anti-foreigner campaign, with posters urging voters to "Stop Over-foreignerization," and playing on the fears of low-skilled workers by claiming that the EU's planned eastward expansion would mean that residents of former communist countries would pour into Austria and steal jobs.

Although the Freedom Party garnered 27 percent of the vote—winding up in a virtual dead heat with the conservative Austrian People's Party, with whom they now share power—few actually expected them to land a place in the new government. While the Social Democrats collected the most votes, they were unable to form a governing coalition with their long-time partners, the People's Party.



Austrian President Thomas Klestil (left) and Jörg Haider (center), former leader of the right-wing Freedom Party, look on as Chancellor Wolfgang Schüssel signs a statement affirming the new government's support for democracy.

Much of the Freedom Party's support comes from those who are simply fed up with the Socialists, who have run the country alone or in coalition since the end of World War II. Many are tired of Austria's stifling taxes and massive bureaucracy, as well as with the country's strict patronage system, which has doled out civil service jobs to Socialist and People's Party supporters.

In response to the Freedom Party's inclusion in the new government, which took office in February, the fourteen other EU member countries froze bilateral relations with Austria and have given Austrian ministers the cold shoulder at official functions.

At a press conference following Haider's announcement that he was stepping aside, Riess-Passer said the most important thing Austria can do is have "a good working government," which will help convince people that "prejudices against the Freedom Party are not justified."

At the same event, Schüssel said that Austria "past, present, and future, is an open society and a tolerant society. The [sooner] that our partners inside and outside the European

Union understand that this government wants to continue this, the better."

However, Haider himself has not helped the country's cause. The day after he announced he was stepping down, he told Austrian state television that the EU's behavior was "childish,"

Austrian Vice Chancellor Susanne Riess-Passer was named head of the Freedom Party, following Jörg Haider's resignation in February.



adding, "you don't treat a democratic and exemplary country this way."

French and Belgian officials have led the campaign to isolate Austria, and in a public speech, Haider called French President Jacques Chirac a "pocket Napoleon."

Schüssel and President Thomas Klestil, who reluctantly swore in the new government, have tried to tone down the situation during trips to Brussels.

Klestil met with the European Commission to plead Austria's case, saying, "I came to Brussels to appeal to give the Austrian government a chance and judge them on their work. I came to Brussels to express and underline that Austria is utterly bound to the European Union."

The Commission has tried to position itself as a bridge between Austria and the other EU countries and to keep discussions flowing between the two sides.

In his visit to Brussels, Schüssel's plea for the EU to lift sanctions on Austria fell on deaf ears. "The longer these measures last, the more difficult it will be for the EU to work properly and thoroughly. I'll do everything in my power to ensure those sanctions are lifted as soon as possible."

Benita Ferrero-Waldner, Austria's new foreign minister, tried to reiterate Austria's commitment to the EU and its policies at a Vienna press conference.



Austrian Tourism Suffers the Haider Effect

By Susan Ladika

While Austria has the power to veto EU decisions that require unanimity, Schüssel assured fellow EU members that Austria would not try to retaliate against the sanctions by blocking decision making.

Foreign Minister Benita Ferrero-Waldner also has tried to reiterate Austria's commitment to the EU and its policies. Speaking at a Vienna press conference targeted toward foreign journalists, she said Austria has a "historic responsibility" to its Central European neighbors, in terms of economics, culture, and security.

Many of the countries that are now candidates for EU membership once were part of the sprawling Austro-Hungarian Empire. "It is important that they emphasize in these nations political stability, as well as economics and culture," Ferrero-Waldner said.

She added that Austria will focus on improving its dialogue with the fourteen other EU member countries. "What we have to do is clearly show by our actions that we have nothing against foreigners."

But some members of the new

government have already raised eyebrows for contrary views. Infrastructure Minister Michael Schmid, a Freedom Party member, said in a television interview that he had doubts about EU expansion. He said it was his responsibility to caution that "paradise will not arrive when this enlargement happens, but that there will be real problems."

Other troubles surfaced with the appointment of Michael Krüger by the Freedom Party as justice minister. One of his first moves after taking office was to request that his official car be a new Jaguar, rather than a used BMW.

He also caused a flap during an interview with *Profil*, one of the country's leading magazines. During a joint interview with longtime friend Dieter Chmelar, a moderator on state-run television, the two began reminiscing about their younger days and how they both had had sexual relations with a former Miss Vienna pageant winner. Krüger resigned after only twenty-five days on the job, and party officials said he had suffered a nervous breakdown. ☹

Austria's tourism industry has launched a public relations offensive after travelers began canceling trips to the country in response to the inclusion of Jörg Haider's far-right Freedom Party in the new government.

In the first month since the new government was sworn in February 3rd, corporations and conventions had canceled a total of 40,000 overnight stays for this year and next. Such diverse groups as medical conventions and a rabbinical conference decided to find new venues for their meetings.

Although the cancellations thus far equal less than 1 percent of the total overnight visits in Austria each year, tourism officials aren't taking any chances. They're beefing up their number of trade fair appearances and posting responses to commonly asked questions on the Internet.

"We're trying to be more present than before and attend those events not previously planned," said Eva Traxler, the Vienna Tourist Board's representative for media relations in the US market.

The tourist board also has posted answers to questions on its Web site, such as "Is Vienna a safe destination?" and "Is Austria xenophobic?" For the question of whether Austria is xenophobic, the site discusses the influx of illegal immigrants, Aus-

EUROPE

Update

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WHAT THEY SAID: UK MINISTER FOR EUROPE KEITH VAZ

K *Keith Vaz, the United Kingdom's minister for Europe, was interviewed in Washington by EUROPE editor-in-chief Robert J. Guttman. He discusses the UK's criteria for joining the euro, UK-EU relations, and London's position as a financial center.*

In a recent speech, you quoted Prime Minister Tony Blair as saying, "Our intention is clear. Britain should join a successful single currency, provided the economic conditions are met." When and how are those conditions to be met and when will the UK join the single currency?

Since 1997, Britain has been fully engaged in Europe, and we have made it clear that Britain is in Europe to play a leading part in shaping the future destiny of the European Union and the Continent. And as minister for Europe, my task is to make sure that Britain's case is put within the family of the European nations.

The euro is an important part of the way in which Europe operates at the moment. And we have made our position very clear on the euro. That is that we support a successful euro. We will do nothing to undermine the success of the euro, but we need to be satisfied that joining the euro is in Britain's best interest.

That is why Gordon Brown in October 1997 set

down five economic tests which have to be met. There will be an early assessment of those tests in the next Parliament. And, provided those tests are met, it will be up to the British people to decide whether or not we should join, because that is what we promised would be the position at the last election. That is what we will promise at the next election. It's up to the people to decide whether we should enter the euro. Other political parties may want to make that decision themselves. But we have made it clear—this is such a fundamental issue, it must be decided by the people.

Until that time, we will continue to do what we have done, what Tony Blair has done, which is to be at the forefront of the debate on making sure that the European Union is reformed and modernized, making sure that Europe's case is put to our allies, such as the United States, which is why I'm here, and making sure that we continue with a positive and creative agenda.

Will investors from Japan and elsewhere pull out of the UK if no sign of joining the euro becomes apparent from the British government?

The fact remains that, at this moment, it is not in Britain's interest to join the euro. When the tests are met, it'll be up to the British people to decide. Until then, every other

European Union country, every other country in the world, recognizes our pivotal role in Europe. There is no question of people not wanting to invest in Britain because we're not in the euro. They do invest in Britain. Lots and lots of American companies, Japanese companies all invest in Britain because we are a gateway to the rest of the European Union. And they will continue to do so. They all realize that the position that we've set out is crystal clear and will not change.

Will there be a referendum called to join the single currency?

Of course. There will be a referendum, as there was in 1975 (when the UK joined the European Union). People will themselves be allowed to make that decision. And they will themselves be able to put their views forward.

It seems like somewhat of a contradiction to me and maybe to some others. How can the UK play a full role in Europe without being a member of the key economic activity, which is being part of Euroland?

Exactly as we're doing at the moment. We are regarded as having taken the lead on such issues as defense. Tony Blair was at the forefront of the joint British-French defense initiative. The agenda for the Lisbon summit is Britain's agenda. We fully support what is happening in Lisbon be-

cause these are the kinds of suggestions we have made. And Prime Minister Guterres [of Portugal] and the prime minister of Belgium in a whole host of personal initiatives taken by Tony Blair will ensure that the Lisbon summit is a success. Because what Britain says about Lisbon is that the European Union should be in favor of economic reform. And that's where we are shaping the agenda. We are shaping the agenda on the reform of the Commission, and the institutions. Because we believe this is important. Our commissioner, Neil Kinnock, is the lead commissioner on reform. And that's how we are playing a part. And those who don't realize that are blind to history. We are making a huge contribution to the way in which the European Union is run.

Except in one area because you're not at the meetings on the euro.

To be perfectly honest, we're making a bigger contribution because of the stability and the prosperity of our economy. If we were not a stable and prosperous government, we would not be adding to the stability and prosperity of Europe. It is because of Gordon Brown and Tony Blair that we have an economy that thrives. It's because it thrives that businessmen from the United States, such as the ones I met at lunch today, and businesspeople from India, who I met a few

WHAT THEY SAID (CONTINUED)

weeks ago, and business-people from Japan, from the first, second, and third world, are all saying, "Let's invest in Britain because it's doing well, because its economy is strong." A strong and prosperous Britain helps a strong and prosperous Europe. That's how we're making a contribution.

Can London remain the financial center of Europe without the UK being in Euroland?

London is the financial center of Europe. London is one of the two great financial cen-

ters of the world. That is why we matter so much to Europe, because of the fact that we are there. We are prosperous. We are robust. And people will continue to invest in London, because they know London is the center of the financial network of Europe. And so it should be. I'm not saying that because I happen to be a British minister. I'm saying that because that is what businesses tell us. The whole of the infrastructure of London is designed to maintaining our position. London is a world-class city.

You have said, "The euro is the second most important currency in the world after the dollar." If that's true, where does that put the pound? And why wouldn't you want to be involved with the second most important currency?"

We are. We have a relationship with the euro and the dollar. And it is a matter of fact that if you combine the wealth of the nations currently in the euro, that is the position. And good luck to them. I'm glad they're being successful. We're not stand-

ing on the sidelines sneering. We're saying, "Hurrah, we hope they are going to be successful." But, it's not right at this time for the United Kingdom because we've set out a number of tests and we promised the British people will decide. Politicians are often accused of not keeping their promises. Well, this is a government that does keep its promise. We promised at the last election; we will promise at the next election. People will decide themselves. In the meantime, we wish it luck. We wish it well.

REPORTER'S NOTEBOOK: SWEDEN'S HOLOCAUST CONFERENCE

"Never again." With those words, Swedish Prime Minister Göran Persson challenged world leaders to ensure that a Nazi Holocaust can never be repeated.

"Learning the lessons of the past is a task without end," Persson told the heads of state and government gathered in January at the Stockholm International Forum on the Holocaust.

But Persson's point was not just to talk about the past. Urged on by Holocaust author and Nobel Peace Prize winner Elie Wiesel, who was a keynote speaker at the conference, Persson hopes to use the lessons of the Holocaust to combat today's racism, with an annual conference in Stockholm and with European-wide education.

The first Stockholm meeting came as Jörg Haider's ultra-right Freedom Party was taking its place in Austria's new government. At the same time, in southern Sweden, three members of a neo-Nazi group were on trial for incitement against an ethnic group, after allegedly spreading more than sixty videos and CDs with anti-Jewish propaganda.

For people like Yehuda Bauer, director of the Yad Vashem Institute in Jerusalem, such events are a

clear signal that the horror of the Holocaust can be repeated, although not necessarily in the same way.

"I don't know who the Jews might be next time," Bauer says. Persson's international initiative evolved from a Swedish program entitled, "Living History," that he helped launch in 1997. One part of the program is aimed at school children. The idea is not just to teach them about the Holocaust, but to use the lessons as a basis for discussing racism, prejudice, and democracy. In addition to the program, a center for research and education on the Holocaust and genocide was started at prestigious Uppsala University, an hour north of Stockholm.

There is also a broader information program, including a web site (www.levandehistoria.org) with information about the Holocaust. This part of the program particularly aims to combat those who claim the Holocaust never happened.

In 1998, Persson took the Swedish program global, organizing the Task Force for International Cooperation on Holocaust Education, Remembrance, and Research. Nine countries are represented on the task force: France, Germany, Israel, Italy, the Netherlands, Poland, Sweden, the UK, and

the US. Bauer acts as adviser to the group.

Among other things, the task force works with teachers in countries where education about the Holocaust has been limited. Last year, teachers from the Czech Republic visited the Anne Frank Foundation in Amsterdam, the US Holocaust Museum, and the Yad Vashem Institute to learn more about the history of the Holocaust and different ways of teaching that history.

This spring, a project is set to start that will study students' reactions to visiting the Auschwitz concentration camp and how teachers can best use that information to teach Holocaust history and make students aware of today's racism and neo-Nazism. Sweden, Poland, Germany, and the UK are involved in the project.

One reason Persson, who was born after World War II, considers education so important in combating racism is that those who lived through the Holocaust are growing older, a sentiment echoed by other leaders at the Stockholm conference.

"In another generation, the living witnesses will be gone," says Israeli Prime Minister Ehud Barak.

German Chancellor Gerhard Schröder, who also

came to Stockholm, believes that "if we promote education, that will preserve the memory of the Holocaust. It is important that our school children have a clear picture of the Nazi horror."

To some degree, Persson's initiative is a way for Swedes to salve their collective conscience. While diplomat Raoul Wallenberg is famed for his efforts in bringing Jews out of Hungary during the war, Swedish businessmen also profited from selling war materiel to both sides, and Sweden, in some cases, closed its doors to Jewish refugees.

"Today we know that Swedish authorities failed in their duty during the Second World War," Persson acknowledges. Adds Wiesel, "For every Raoul Wallenberg, how many others chose to wait and see. Why didn't Sweden open the doors?" But in helping Swedes salve their conscience, Persson may well achieve his objective: never again.

The Task Force for International Cooperation on Holocaust Education, Remembrance, and Research has compiled an international directory with more than 1,000 organizations working with Holocaust education. The web directory can be found at <http://taskforce.ushmm.gov>.

EU NEWS

LISBON SUMMIT FOCUSES ON INTERNET AND JOBS

According to European Union leaders, the Lisbon summit of March 23-24 was a turning point in the EU's approach to tackling its endemic problem of unemployment. Heads of state and government of the fifteen member states agreed on major reforms that they say will create millions of jobs in the next decade.

"This will open the door to the prospect of full employment in our countries," said UK Prime Minister Tony Blair. "Twenty million jobs is a realistic figure."

The avowed aim of the meeting—dubbed by observers as the "dot com" summit—was to harness the Internet to raise the living standards of all EU citizens, rather than let it create new divisions between the rich and the information-poor.

"The opportunities created by these economic and social changes make possible, perhaps for the first time, a win-win strategy," said Portuguese Prime Minister Antonio Guterres, the summit host.

Among the most important pledges made were the approval this year of a legal framework for electronic commerce, which has developed more slowly than in the US; and the full integration and liberalization of the telecommunications market by the end of 2001. Even before then, EU leaders say they will bring down the cost of local calls to Internet service providers this year, in an effort to boost Internet use.

Internet use in the EU as a whole is around half the US level, where local calls are free, although in Scandinavia rates of Internet use are as high or higher. In a bid to help other member states catch up, EU leaders pledged to ensure that all schools have Internet access and multimedia resources by 2001.

In the area of scientific research, the EU is to develop a database on research excellence and build a high-speed

network for scientific electronic communication.

In business, there is to be more venture capital for high-tech startups; benchmarking of national policies to ensure best practice prevails; and "one-stop shops" for enterprises. All public procurement is to be on-line from 2003 at the latest. And in a move with enormous implications, EU leaders promised to remove all barriers to services, including finance, by 2002.

But the key to the future, EU leaders agreed, is education and training. They pledged to increase per capita investment in these areas, giving more priority to life-long learning and turning schools into "multi-purpose learning centers open to all." The aim is to help older workers—all too often forced into early retirement—to retrain. There is also to be an EU diploma for basic information technology skills.

In the face of rapid economic change, investment in people is seen as crucial to reviving the "European social model" exemplified in the welfare state, and to boosting employment to 70 percent by 2010, from just 61 percent now.

DONORS PLEDGE 2.4 BILLION EUROS FOR BALKANS

More than 2.4 billion euros (roughly \$2.3 billion) were pledged or committed at a two-day meeting last month hosted by the EU and the World Bank and attended by forty-seven countries and thirty-six international organizations. "The expectations which we had have been exceeded," said Bodo Hombach, coordinator of the international Stability Pact for the Balkans.

The European Union, the largest donor, promised it would cut the red tape that hindered disbursing assistance in the past. The European Commission pledged \$510 million, and its fifteen member states nearly matched that amount. The money will be used to repair and construct roads and bridges and to help countries

still reeling from the impact of last year's war in Kosovo.

EU-MEXICO FREE TRADE PACT

Last month, the European Union and Mexico signed a far-reaching free trade agreement that will give EU firms more access to Latin American markets. "We Mexicans very much appreciate that this is the broadest agreement that the EU has signed with a nation outside its geographic region. It is the first free trade accord between Europe and a country in the Americas," said Mexican President Ernesto Zedillo after signing the pact. The agreement will give Mexican producers access to a vast European market of 375 million consumers, and the Mexican economy will benefit from European investment.

KOEHLER TO HEAD IMF

Horst Koehler, a native of Germany who has been the head of the London-based European Bank for Reconstruction and Development since 1998, is the new head of the International Monetary

Fund. Koehler, a former top official in Germany's Finance Ministry, will be based at IMF headquarters in Washington, DC.

JOSPIN SHUFFLES FRENCH CABINET

Prime Minister of France Lionel Jospin named a political rival, Laurent Faubius, to the post of finance minister. Faubius is a former prime minister of France. Jospin also appointed former culture minister Jack Lang as the new minister of education.

EU REPRESENTATIVE SEES NEW ERA AFTER RUSSIAN ELECTION

After Vladimir Putin's victory in last month's Russian elections, Gilbert Dubois, the acting head of the European Commission delegation to Russia, said, "Symbolically, this is a new era, and I hope it will allow Mr. Putin to change his views and try to find an acceptable ceasefire and open serious negotiations as soon as possible" in Chechnya. The EU is providing food assistance to Ingushetia, the Russian region next to Chechnya where more than 200,000 refugees have fled.

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BUSINESS BRIEFS

The French, Dutch, and Belgian stock exchanges, facing growing competition from global on-line trading networks, are merging to form Europe's second-largest stock market, intensifying pressure on smaller exchanges to join forces.

The planned exchange, to be called **Euronext**, will trade shares in 1,360 companies capitalized at \$2.4 trillion at mid-March, behind the London's exchange with 2,300 firms worth \$3 trillion but well ahead of Frankfurt's 1,050 listings capitalized at \$1.45 trillion.

Euronext will be the largest exchange in the eleven-nation euro zone with Paris accounting for two-thirds of its capitalization. It plans to be up and running by the fourth quarter of 2000 and will operate under Dutch law.

Stiffening competition from **Tradepoint Financial Networks** and other new exchanges is forcing national stock markets to join forces to cut the cost of trading and ease cross-border investing. They will face more competition when **NASDAQ** launches a pan-European exchange in 2001 aimed at the growing number of European investors who select shares by sector rather than by country.

Paris will concentrate on blue-chip stocks; Brussels will focus on small and medium-sized firms; and Amsterdam will be the center for derivatives and futures trading.

Eight European exchanges, including London and Frankfurt, unveiled plans to merge last May, but the project was scuppered by disagreements over the choice of computer systems.

Ireland has ousted the US as the world's biggest exporter of computer software thanks to its success in attracting foreign investment—mainly from the US. Ireland exported \$3.3 billion worth of software in 1998 compared with the US at \$2.9 billion and the UK, a distant

third at \$664 million, according to the **Organization for Economic Cooperation and Development**.

Ireland's relatively cheap labor costs, low corporate tax rates, and European Union subsidies for infrastructure have attracted more than 1,000 foreign firms, one-tenth of them to the software sector.

Bertelsmann of Germany, Europe's biggest media group, plans to spend the \$6.75–\$8.25 billion it's getting for its 50 percent stake in **AOL Europe** on a number of e-commerce acquisitions. The deal, which also included the disposal of Bertelsmann's stake in **AOL Australia**, completes the group's exit from Internet delivery to provision of content and electronic commerce.

Bertelsmann was expected to disengage from AOL Europe after AOL merged with **Time Warner**, Bertelsmann's biggest competitor, earlier in the year. It also bolstered its war chest with the flotation of **Lycos Europe**, a 50 percent-owned Internet group, on Germany's high-risk, high-growth **Neuer Markt** and is preparing an initial public offering of **BOL.de**, its online bookstore.

Thomas Middelhoff, Bertelsmann's chief executive, is said to be eyeing some ten targets, including magazine publishers in the US, book publishers in Europe, and music and professional information companies.

Meanwhile, in another European response to the AOL-Time Warner deal, **Telefonica**, the Spanish telecommunications group, paid \$5.3 billion for **Endemol Entertainment**, a Dutch television producer. The acquisition was the first European deal by Telefonica, which has concentrated on expanding in Latin America. It has also acquired the biggest commercial television broadcaster and largest film producer in Spain and created Europe's

most valuable Internet service provider, **Terra Networks**.

Endemol sells some 10,000 hours of drama and light entertainment every year to fifteen European countries. Its shows include the controversial *Big Brother* series, which shows people living in isolation under twenty-four hour surveillance and allows viewers to expel them by voting online.

The deal "gives Telefonica the opportunity to become, in a single step, a world leader in the creation and distribution of content across all markets and systems," according to Juan Villalonga, president of the group.

After enjoying a mergers and acquisitions boom in 1999, France is poised for an IPO bonanza this year as the country is seized by a dot com mania fueled by a sharp rise in the value of "new" economy stocks.

This spreading investor enthusiasm may persuade the Socialist-led coalition government of Prime Minister Lionel Jospin to sell the state's remaining holdings in companies such as car maker **Renault**, consumer electronics group **Thomson Multimedia**, and **France Telecom**.

The market debut of **LibertySurf**, the free Internet service provider, was more than sixty times oversubscribed and has raised expectations for forthcoming IPOs, including **Europ@web**, the Internet unit of Bernard Arnault, the billionaire entrepreneur, and possibly France Telecom's **Wanadoo**, France's biggest Internet service provider.

Other planned IPOs include **EADS**, the company being formed by three European aerospace groups; **Vivendi Environment**, the environmental services wing of **Vivendi**, the media and utilities giant; and **Sephora.com**, the recently launched on-line cosmetics retailer, owned by Arnault's **LVMH** luxury goods conglomerate.

Airbus's challenge to **Boeing's** lucrative monopoly of the very large aircraft market has gotten underway with the four-nation European consortium saying there's no going back on its controversial plan to construct a double-deck jet able to carry between 480 and 650 passengers.

Despite widespread industry skepticism, largely fanned by Boeing, about whether there is demand for a super jumbo, Airbus says it expects there will be a market for about 1,500 planes of this size over the next twenty years. The Toulouse-based group is confident of winning half of these sales. Boeing, however, says Airbus's estimate of demand for a super jumbo is four times larger than its own forecast.

The British government has agreed to provide \$844 million of launch aid to **BAE Systems**, the British partner in Airbus, which will build the wings of the new plane, code-named A3XX.

Total development costs of the new plane are put at \$11.65 billion, representing a big gamble by Europe's aerospace industry. But Airbus executives say they must build the new airplane to draw level with Boeing. "We are talking about the most profitable market segment, and we cannot afford to let Boeing exploit it alone," said Philippe Camus, chief executive of **EADS**, the company being formed by Airbus's French, German, and Spanish partners.



Correspondents

Bruce Barnard in London
Alison Roberts in Lisbon
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Thousands of tourists canceled their trips to Austria following the swearing in of the new Austrian government on February 3rd.

tria's track record for accepting refugees, and the high percentage of non-Austrians living legally in the country.

On the question of safety, the tourist board writes: "Vienna is considered a city safer than most other cities worldwide. And that has not changed." Despite television footage of anti-government riots, "Vienna is still a safe destination city, welcoming people from all over the world," Traxler said.

However, other countries aren't always welcoming Austrians nowadays. In March, the mayor of Brussels withdrew an invitation for the Austrian National Tourism Office to participate in a major tourism trade show but said independent tourism organizations could take part. The Austrian government and private tourism groups threatened to file suit, and Belgian officials reversed their ban.

Traxler said it is too soon to tell how many tourists have canceled trips to Austria. "By the end of the year, we will be able to say how much damage has been done."

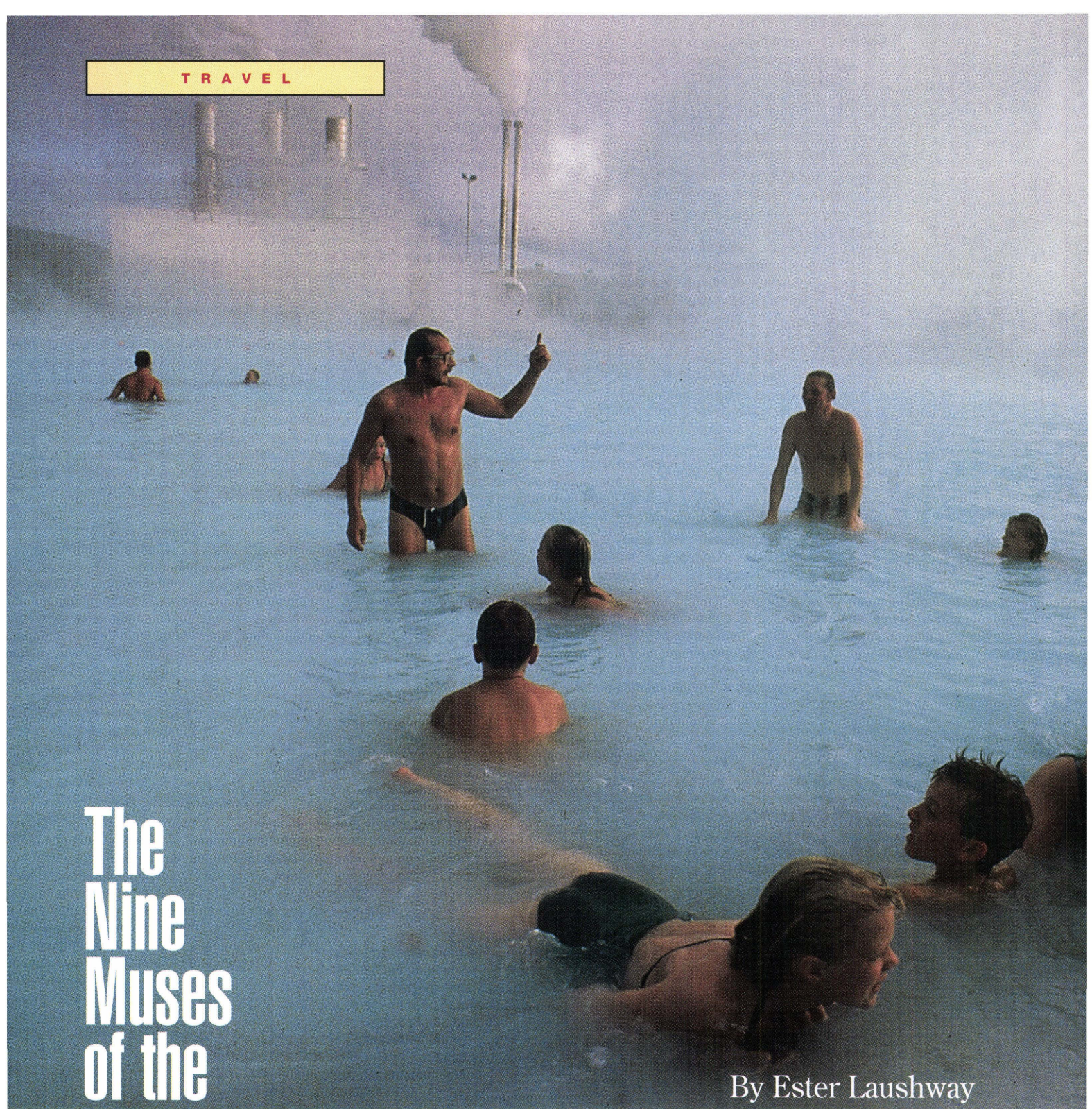
Some already have felt the pinch. One woman involved in a home exchange program had two potential guests fall through.

American civil rights attorney Thad Guyer said he decided not to do the home exchange because his teen-age son, who is half-Chinese, was afraid of anti-foreigner activity, while his wife was worried about disruptive demonstrations. "My concern is that my wife and son should be able to have a worry-free vacation and look forward to it," he said.

American Patty Levi opted not to come to Vienna at Christmastime, although her family did make a recent ski trip to St. Anton. Levi, who is a Christian married to a Jew, said, "I was not really concerned about our safety at all—just didn't want to be in a land that might not appreciate our cultural background."

However, she was quick to add that her ski trip was a positive experience. "We could not have been treated with more cordiality and cooperation in all our encounters, so I was reminded that one must not let one person—although Haider seems to have tremendous influence and definitely has a following—turn everyone away from a beautiful country filled with many beautiful people." ☺

TRAVEL

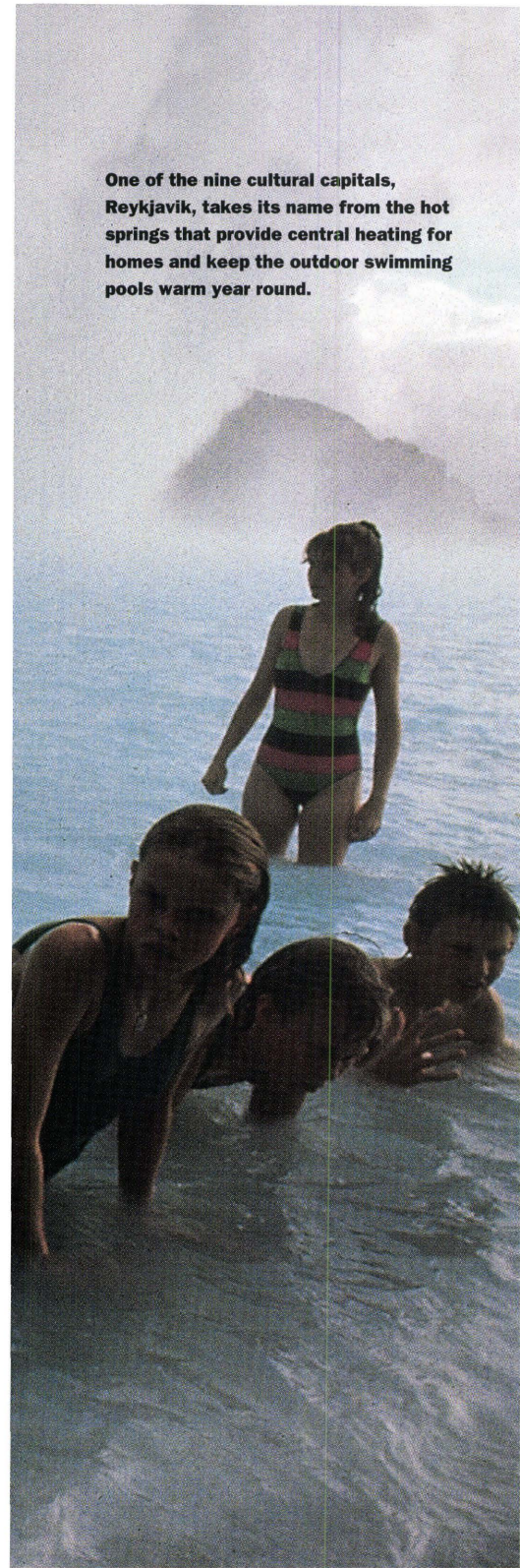


The
Nine
Muses
of the

By Ester Laushway

Millennium

One of the nine cultural capitals, Reykjavik, takes its name from the hot springs that provide central heating for homes and keep the outdoor swimming pools warm year round.



Bergen, known as the gateway to the fjords of western Norway, is both a coastal resort and a fishing port.

In Greek mythology, there were nine muses who inspired poets and other artists. In Europe, nine cities have been chosen to stimulate cultural creativity in the year 2000: Three in the north—Bergen (Norway), Reykjavik (Iceland), and Helsinki (Finland); three in the center—Brussels (Belgium), Krakow (Poland), and Prague (the Czech Republic); and three in the south—Avi-

gnon (France), Bologna (Italy), and Santiago de Compostela (Spain). The nine, selected as Europe's Cities of Culture, are the new millennium's muses, picked to lead the Old World into the future with its multicultural flags proudly flying.

Less poetically, the nine cities are those who put together a coherent dossier for the application deadline five years ago. They were all accepted, in as fine a demonstration of democracy in action as anyone could wish for.

Since the 1980s, when Melina Mercouri, the Greek film star who became a flamboyant, innovative culture minister for her country, launched the concept, a single city has usually held the title of Cultural Capital. Athens, fittingly enough, was the first in 1985, followed by Florence, Amsterdam, Berlin, and Paris. In 1990, Glasgow became the first non-capital city to win the honor, a precedent that led to a casual rotation of capitals and non-capitals. Dublin, Madrid, Antwerp, Lisbon, Luxembourg, Copenhagen, Thessaloniki, Stockholm, and Weimar represented European culture in the 1990s, with budgets and programs that varied enormously.

In 1997, Thessaloniki used most of

an extravagant \$285 million budget to transform its inner city and the rest to stage a folksy, endearingly homespun show. In 1998, Stockholm spent a more reasonable \$115 million to spruce up its parks and historic landmarks and carefully organize 300 cultural events; while the former East German town of Weimar rang out last century with a thoughtful, thought-provoking series of performances and exhibitions produced on a humble \$30 million.

This year's selection of nine cities spans a wide financial range, from the enviable funds that Brussels has been granted for a full-blown cultural extravaganza, to the much smaller-scale and less costly festivities being planned by Reykjavik.

The nine Cultural Capitals are departing from tradition in more than just sheer numbers. Four of them, for the first time ever, are not members of the European Union (Bergen, Krakow, Prague, and Reykjavik). Their acceptance was a deliberate signal from the Council of Ministers of Culture that the European Union has its doors open in the twenty-first century and is ready to welcome other countries.

Having nine cities, large and small,

from within and outside the EU, located all over the European continent, also makes this year unique from a logistics point of view. As long as there was just one Cultural Capital holding center stage, it could be left to do its own thing. When there are nine cultural muses sharing the spotlight, they need to coordinate their efforts if they do not want to start tripping over each other.

To orchestrate the complex choreography of the year 2000, the Association of European Cities of Culture (AECC) was set up in Brussels. While leaving each city to choose a guiding theme for its particular program, the AECC is helping them all to work together on nine joint projects, each proposed by one city but involving the majority of them.

For both joint and individual projects, some cities are taking a highly targeted approach, focusing on one central theme, while others have resorted to a machine gun tactic, spraying ideas in all directions.

Avignon

Taking the nine in non-partisan, alphabetic order, the Provençal town of Avignon in southeastern France (pop. 90,000) has gone for the latter. Its main theme is "Art and Creativity," but it is also using passages in time, space, and human relationships as a major motif, and focusing on different concepts of beauty as well.

The joint project it has chosen, called "Technomade," aims to encourage cross-border collaboration using the latest communication technologies. Just precisely how that is going to be done was not clearly defined at the time of going to press.

Bergen

The port of Bergen (pop. 220,000), gateway to the fjords of western Norway, is highlighting "Art, Work, and Leisure" and has divided its program into three seasons, each with its own subject: "Dreams" in the spring, "Roamings" in summer, and "Spaces" in autumn.

The joint project, called "Coast and Waterways" is really three: a cooperative art project, an international exhibition on fishing and sailing in the North Atlantic, and a sailing cruise for ninety young people from the nine cities of culture.



Athens Mayor Dimitris Avramopoulos (center) unveils a sculpture of the late Melina Mercouri, the Greek actress-turned-politician who launched the concept of naming an annual Cultural Capital in 1985.

Bologna

The northern Italian town of Bologna (pop. 410,000), which has been a seat of learning since the world's first university was founded there in 1150, has taken the topic of "Culture and Communication," a heading under which it is linking the cultural riches of its past to the new technologies of communication.

As a joint project with Helsinki, Bologna is setting up "CaféNine," a cyber-café that provides a platform for exchange on Internet projects of all kinds developed in the nine cultural cities.

Brussels

Brussels (pop. 1 million), in its choice position at the heart of Europe and the European Union, has opted for one clearly defined theme, "The City." Its big budget program has been designed to emphasize both the importance of a city's collective past and its vision for the future.

The city theme is being carried through to its joint project, entitled "Rethinking the City." Focusing on the role of the artist in an urban environment, it united nine young artists, one from each of the cities of culture, to present their work on the last weekend of February, when the Brussels 2000 program opened.

Helsinki

For the Finnish capital (pop. 500,000) the year 2000 has double significance. It is the first time that a Finnish city has been designated as a city of culture and it is also the 450th anniversary of Helsinki. At the same time as celebrating its past as "daughter of the Baltic," Helsinki has chosen "Knowledge, Technology, and the Future" as its watchwords for 2000. Among the 500 planned events are traditional delights like a visit to a Finnish sauna and futuristic creations like a huge, interactive glass-and-light sculpture.

Helsinki's joint project, "Heureka Communication," which will tour all nine cities, is a high-tech, interactive exhibition on the influence of new technologies on communication.

Krakow

The former capital of Poland, Krakow (pop. 750,000) is dedicating its program to three fundamental elements of European civilization: "Thought, Spirituality, and Creativity." Events will bring together traditional and modern artists from East and West and aim to support the spiritual and intellectual development of today's youth.

The "Codex Calixtinus," a unique series of concerts based on the recreation of twelfth century liturgical chants from Santiago de Compostela by a team of Polish experts, is the joint project by which Krakow is uniting international artists and local choirs from the cities of culture.

Prague

After five decades of political isolation, Prague (pop. 1.2 million) is finally getting the chance to present its wealth of cultural and historical riches. The capital of the Czech Republic, founded in the ninth century, is highlighting its exceptional "Historical and Cultural Heritage," well aware that this year is likely to lead it further along the path of integration into the EU.

As a joint project, Prague is creating "Telelink," a clearinghouse for all information concerning the cultural programs of the year 2000 in the nine cities.

Reykjavik

Reykjavik (pop. 170,000) takes its name from the hot springs that provide central heating for the whole city and keep outdoor swimming pools warm year-round. As a city whose culture is uniquely close to the forces of nature, the world's most northerly capital city found "Culture and Nature" to be the "natural" choice for its central theme. The year's program is further divided into the four elements: fire, water, earth, and air.

For its joint project, "Voices of Europe," Reykjavik is calling on international pop star Björk to lead a youth choir of ninety singers from the nine cities in a concert tour of the nine cities.

Santiago de Compostela

Under the motto of "Europe and the World," the pilgrimage city of Santiago de Compostela (pop. 90,000) perched in the northwest corner of Spain, has left itself a wide-open choice of events. It is examining various "faces" of the world, with "Faces of the Gods," an exhibition on various religions and cultures and "Faces of the Land," an exhibition on the latest technology.

Its joint project, "Faces of the Earth," is an exhibition taking visitors on a fantastic journey of geographic discovery, showing the contributions that Europe has made to global cartography and how cartography has expanded our horizons.

With all these cultural events going on in 2000, the years to come risk being something of an anticlimax and a heavy burden for just one city to carry. In 2005, a rotation system developed by the United Kingdom goes into effect, with two Cities of Culture chosen every year, one from inside the EU and one from outside. Inside the EU, the City of Culture title will circulate in the same order, though not at the same time, as the EU presidency.

Until then, the selection process appears to have been relatively random—embracing all cities brave enough to follow in the wake of the millennium crowd. In 2001, Rotterdam (the Netherlands) and Porto (Portugal) will be the Cities of Culture; in 2002 Brugge (Belgium) will be partnered with a Spanish city, yet to be named; in 2003 Graz (Austria) will stand alone; and in 2004 Geneva (Switzerland—non-EU) will be paired with Lille (France). Try to find a pattern in that.

What is certain is that this year is the cultural blockbuster, an orgy of exhibitions, performances, and unique, sometimes zany, happenings all over Europe—a "rrreally BIG show" as Ed Sullivan would have said, playing for twelve months in nine different countries. Until the next millennium comes around, this is the year not to miss. ☺

Ester Laushway is EUROPE's Paris correspondent.



For further details on this year's busy cultural program, you can browse the Internet site of each of the nine cities:

AVIGNON

www.mairie-avignon.fr

BERGEN

www.bergen2000.no

BOLOGNA

www.bologna2000.it

BRUSSELS

www.brussels2000.be

HELSINKI

www.2000.hel.fi

KRAKOW

www.krakow2000.pl

PRAGUE

www.praha-emk2000.cz

REYKJAVIK

www.reykjavik2000.is

SANTIAGO DE COMPOSTELA

www.compostela2000.org

PRAGUE

A City for All Centuries

By Ester Laushway

Prague's Charles Bridge is one of the city's biggest tourist draws.

UE

After dark is the best time to arrive in Prague, when the city is wearing its evening jewelry of lights. Strings of them line the Vltava River that flows through its midst, rows of lanterns illuminate the grand squares and bridges, and other beams highlight its magnificent profile of golden domes and Gothic spires, with Prague Castle as a final crowning glory aglow on the hilltop. Golden in the dark, it is obvious why Prague was chosen as one of this year's Cities of Culture. Eleven centuries of splendidly preserved and restored architecture make Prague a unique jewel in the heart of Europe, an illuminated history book hewn out of stone.

In the daylight, when you are likely to develop a crick in your neck and bump

Key Dates in Prague History

1618—Defenestration led to the start of the Thirty Year War, which reduced the population to a third of its number.

1784—The four independent towns that made up Prague are united into one city.

1918—Prague became the capital of the newly proclaimed Czechoslovak Republic.

1948—The Communist Party adroitly seized power with the Prague Coup.

1968—Alexander Dubcek's attempt to free the country from Soviet control generated the euphoria of the Prague Spring, quickly crushed by Soviet troops.

1989—Particularly severe reprisals against a student demonstration gave rise to the Velvet Revolution, when the politburo finally had to yield to public pressure. Without bloodshed or violence, the people's choice, Václav Havel, was elected president of the Czech Republic.

1998—Havel is re-elected president.

into people because of staring up at the Gothic, Renaissance, Baroque, and Art Nouveau marvels that are everywhere, it becomes even clearer why the EU Council of Ministers of Culture accepted Prague's candidacy.

The story of Prague began in the ninth century, when Prague Castle was founded, and a market town grew up around it. Those first houses were built in Romanesque style, but little visible trace of them remains. Because of repeated floods, it was decided to raise the entire Old Town by about eight feet, and the large, vaulted rooms of the first buildings are now below ground, some turned into spacious cellar bars and restaurants hidden at the bottom of a steep flight of stairs.

Prague grew into a city where every style of architecture contributed its own personality without detracting from what already existed. Renaissance buildings covered in the delicate black-and-beige frescoes, which were the sixteenth century version of graffiti, coexist with the exuberant sculptures of Baroque, the haunted-castle turrets of Gothic, and the vegetal extravagances of Art Nouveau. It all works together, in a magical marriage where the differences complement rather than clash with each other.

A few horrors, mostly banks and department stores, and the new National Theater, looking like a massive parcel covered in bubble wrap, did creep into the urban landscape in the 1970s, but they can be ignored in the midst of so much splendor.

Some superb restorations also started being undertaken at that time, putting historic buildings to modern uses. The medieval convent and cloisters belonging to the Grey Sisters of St. Francis, for example, have kept their sculptured stone exterior but have been transformed inside into a comfortable, spotless hotel complex with all the modern conveniences. The basement, which was usurped by the Communist secret police and used as a holding prison, has been turned into a youth hostel. The cells still have their 100-pound metal doors, but they have been painted bright colors, and students now bunk down where prisoners such as Václav Havel were once held. (Cell number six was his.)

In contrast to its buildings, which have had a long, peaceful existence, Prague's history is one of frequent turmoil and upheaval. Burning at the stake, self-immolation, defenestration (a novel way of solv-

ing foreign policy problems by throwing the opposition's representatives out of the window), uprisings, wars, revolutions, and reprisals: Prague has lived through them all.

The political freedom won in 1989 has not been without its hardships—liberty carries a price. Rampant privatizations in the early 1990s and the influx of cheap foreign labor from the Ukraine have pushed unemployment in some parts of the Czech Republic up to 20 percent, and even Prague has about 5 percent of its population looking for work, an unheard-of phenomenon under communist rule.

The choice of Prague as a European City of Culture for 2000 is perceived as a good omen for future European Union membership, and the city intends to make the most of its opportunity to present its cultural wealth to as wide an audience as possible.

Under the general theme of "Cultural Inheritance," which the EU culture ministers assigned Prague, the city chose to concentrate on three aspects relating to its cultural life: the Story of the City, essentially a look at Prague's cultural past; City of Open Gates, which redefines Prague as an important crossroads of international culture; and City to Live In, covering non-traditional, innovative concepts of culture. More than 1,000 projects, some as small as a puppet theater show, were submitted to the selection board, and it took fifteen months to design a program that includes approximately 400 of them. Complete program information is available on the Internet, at the official Prague 2000 site: www.praha-emk2000.cz.

A big effort has been made to make the program as accessible as possible and to spread it throughout the year instead of focusing on a few blockbuster highlights. "We wanted to reflect all aspects of cultural life," explained Katarina Dedicová, who is in charge of International Relations for Prague 2000, "not only the culture that is behind the doors of institutions, where you must buy a ticket to enter, but also the culture that is in the street."

Behind doors or in the street, President Havel believes that "meetings between creative personalities, contacts with the cultural life of other nations" are among "the significant elements of integration." If he is right, then Prague is taking some giant strides this year toward its goal of EU membership.

Highlights from the Prague 2000 Program

The Gardens Below Prague Castle (August)

The ceremonial opening of the restored gardens will be attended by Czech President Havel and Britain's Prince Charles, whose foundation helped with their restoration.

Festival of Street Theater (all year)

Ctobor Turba, a leading European mime artist will bring top level theater to various Prague locations.

Tenth Annual Mozart Open (all year)

A festival devoted to Mozart and his connections to other artists. It will include an August production of his opera *La Clemenza di Tito* at the Estates Theater, where he premiered *Don Giovanni* in 1787.

Prague 2000 World Festival of Puppetry

(June 5–11) For the fourth year of this festival, puppet theater from the other European Cities of Culture will be presented

Fairytale: an Art and Literature Competition

(winners announced and ex-

hibited in June) An opportunity for children in Prague to paint and write on themes linked to their city.

The Museum of Children's Drawings (from September 9)

A unique project in the Czech Republic that devotes respectable space, for the first time, to children's drawings and the child's view of the world.

Czech Stone Sculpture (May 1–December 1)

An outdoor exhibition of works by leading Czech sculptors.

Franz Kafka Lived in Prague (June 1–CD-ROM released; December 1–broadcast on Internet) A multimedia guide through the life, times, and works of Franz Kafka, with a web page: www.franzkafka.cz.

Prague—City on the River

(May–September) A show of boats and sailing vessels, floating exhibitions, concerts, and theater performances on the Vltava River, to celebrate the long coexistence of the river and the city.



The Wonders of

Getting Lost in the West of Ireland

By Maeve O'Beirne

In a world of instant interconnectivity, it's nice to imagine a place where you can well and truly get away from it all. For me, the last holdout from the trappings of virtual reality is still the West of Ireland. (Other forms of virtual reality can, of course, be induced if you spend long enough in any of the country's many pubs!)

While much of Ireland now purrs along as the Celtic Tiger economy, it is reassuring that one can still get hopelessly lost on any of the many *boreens* (paved cow-tracks) that wind their way through the desolate landscape of the

West. The inevitable dilemma arises usually at a crossroads where the expected signpost is either absent or out of position. Being Irish doesn't always help. Once, driving to a wedding near Leenane, in County Mayo, I found myself completely clueless at a crossroads. Instinct told me to take one road, while the signpost pointed vaguely in another direction. I stepped out of the car in front of the only house in sight and asked an elderly man the way. Leaning on a walking stick, he looked off into the distance and replied simply, "I don't travel." Somehow, such

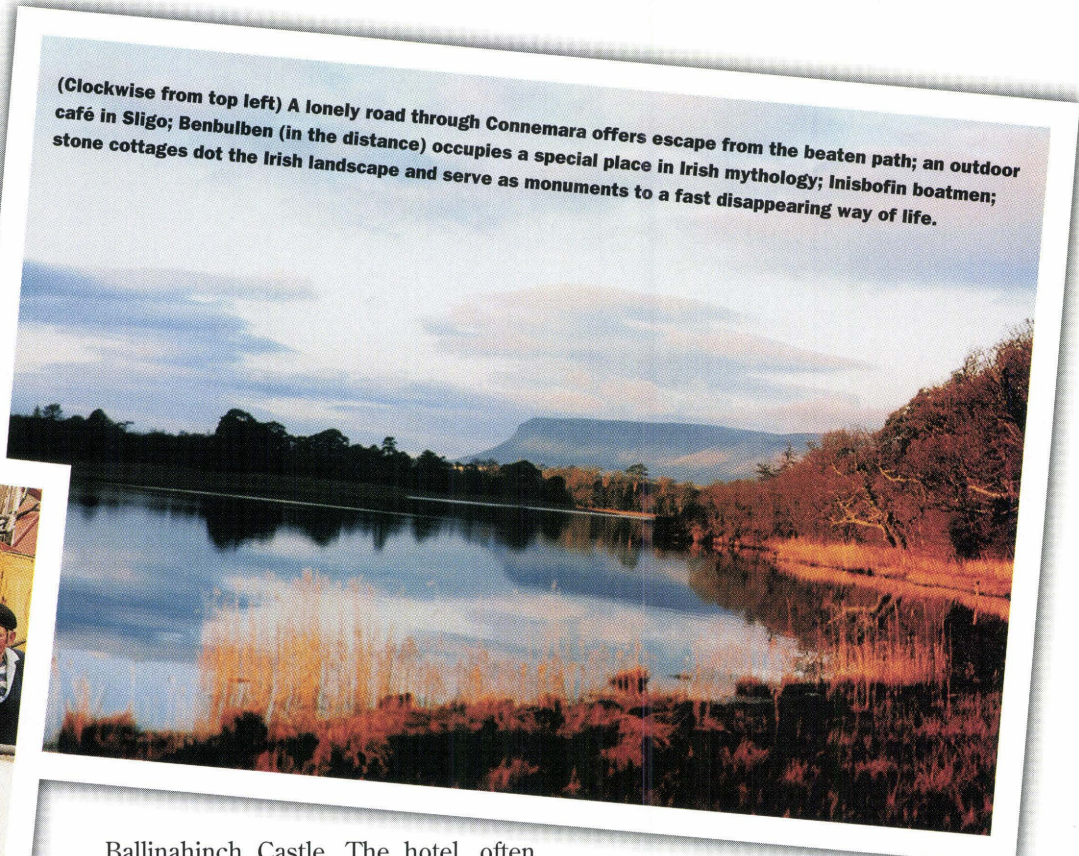
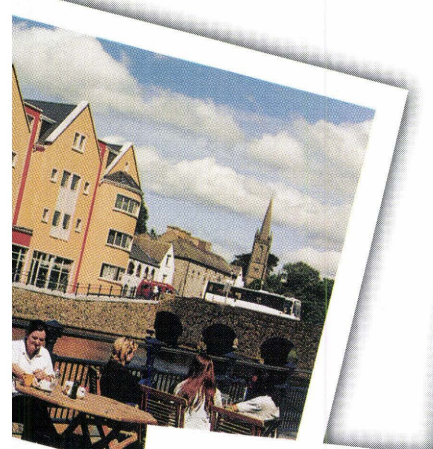
contentment in such a solitary place deeply impressed me.

Once seen as a bit of a backwater, western Ireland today has the best of both worlds. On the one hand, its environment is relatively unspoiled because it lacks large-scale polluting industries. On the other, the lack of commercial development, which caused massive emigration until the mid-1980s, makes it eligible for generous EU regional development assistance. The combination of raw nature and improved infrastructure and tourist facilities make it an attractive destination.

Whether you arrive in Shannon or Dublin, you can be in my 'real Ireland' in less than three hours. Galway is the main gateway to Connemara from the south (from Shannon) and east (from Dublin) and a thriving provincial city where you can find new and traditional



(Clockwise from top left) A lonely road through Connemara offers escape from the beaten path; an outdoor café in Sligo; Benbulbin (in the distance) occupies a special place in Irish mythology; Inisbofin boatmen; stone cottages dot the Irish landscape and serve as monuments to a fast disappearing way of life.



Ballinahinch Castle. The hotel, often frequented by British and mainland European angling enthusiasts, is surrounded by beautiful gardens and hiking paths. If the weather is uncooperative, Ballinahinch has just the antidote—a wonderful bar/drawing room with a magnificent fireplace and comfortable armchairs.

early 1980s and are part of an ongoing archaeological investigation. You can recover from your exertions with a seaweed bath in nearby Enniscrone.

Irish ware and fare in abundance. Definitely worth a look is Kennys Bookshop on High Street. Truly a family business, Kennys has been a supplier of rare, second-hand, and new books to libraries and readers all around the United States for half a century. When Kennys launched its website in 1994 (www.kennys.ie), it was the second bookshop in the world to do so. Pubs, shops, and restaurants are too numerous to mention, so trust your Irish luck as you stroll down Galways' Shop Street for fun, food, and fashion.

A little north on the coast is a small harbor called Cleggan where you can get the mail boat to the island of Inisbofin (The Island of the White Cow). On the island, Days Hotel offers comfortable accommodation and great food just a stone's throw from the harbor, but you shouldn't leave without enjoying the many walks, seal-spotting, bird-watching, and horseback-riding opportunities on offer there. Back in Cleggan, the *craic* (Irish for noise generated while having fun) usually starts around 10 p.m. in any of the local pubs.

Last but not least, please visit my native County Sligo. Left out of the tourist boom that made Kerry the sole destination of many US visitors, Sligo remained a secret, its beautiful landscapes known only by Yeats lovers, golfers, and archeologists interested in the county's rich heritage of Dolmens and other ancient Celtic burial sites. Since a major face lift was conducted along the Garavogue River with generous EU funding, the town has become a destination in and of itself. Annually, Sligo plays host to an arts festival, the Yeats International Summer School, and the International Choral Festival. Strandhill Beach, just thirty minutes from downtown, is a mecca for windsurfers from all around Europe, while Rosses Point, thirty minutes in the other direction, has an excellent yacht club, a first-class golf course, wonderful beaches for swimming, walking, and playing soccer. Back in town, antique shopping is a must at Louis Doherty's on Old Market Street. Round off the day with a pint at Hargadons on the main street, Sile Na Gig (Bridge Street), where good music is guaranteed. ☺

Leaving Galway, you can take a boat across Galway Bay from Rossaveal to Inis Mór, the largest of the Aran Islands where you will see more sheep than people and the most impressive network of stone walls imaginable. If a sea journey is not your thing, head instead for Clifden, a market town on the coast about an hour west of Galway that every August hosts the Connemara Pony Festival. In the town, you will find plenty of good accommodation, nice restaurants, and lively pubs, but if you want to treat yourself to something more luxurious, try a night or two at

Most visitors I meet never make it north of Galway. They are missing the most beautiful stretch of road that either takes you inland through the Delphi Valley or around Clew Bay to Westport. In summer, a most charming place to stay is the Crocnaraw Bed & Breakfast in Moyard (www.crocknaraw@itgo.com). Then go for a hike in the Ceide Fields in County Mayo, located twenty miles from Ballina, for a look at the oldest enclosed farmland discovered in the Western world (older than the Egyptian Pyramids). The fields were discovered in the

Maeve O'Beirne still calls County Sligo home although she lives in Washington, DC.

Naples

“See Naples and die!” This phrase may well have been coined years ago, yet it still, somewhat ominously, holds true for many a visitor to southern Italy! Well known are the great differences between the northern and southern half of the country, and Naples represents the true *mezzogiorno*, the real south, in all its fast and furious glory.

If all this sounds a little daunting, don't worry. Most visitors to southern Italy have little choice but to pass through Naples at some point, and

even though the abundant chaos may make your instincts tell you to run, it is worth lingering just a little, if you can, because the city does hold some treasures of its own. As with all Italian cities, churches abound. The *duomo* is tucked away in the *centro storico*, the old quarter of the city, barely visible from the surrounding narrow streets. Not too far away is the Museo Archeologico Nazionale, which, as well as holding an impressive collection of mosaics, is home to many of the treasures excavated at Pompeii, including

a whole series of wall paintings.

Nowhere in Naples will you be spared the sight of Vesuvius; the large volcano dominates the horizon. Still classed as a live volcano, Vesuvius' last eruption was in the 1940s, but its most famous eruption occurred on August 24, AD 79, when ash which spewed forth smothering the cities of Pompeii and Herculaneum and killing as many as 2,000 people. The town of Pompeii was rediscovered by a canal builder toward the end of the eighteenth century and shortly afterward excavations

and Beyond . . .

By Claire Bose

The volcano Vesuvius dominates the horizon in the beautiful Bay of Naples.

began in earnest. The falling ash, incredibly, acted as a great preserver, and many buildings were found virtually intact. Even human corpses were found gruesomely preserved whole, many in the positions they assumed to shield themselves from the deadly ash.

Many of the islands found in the Bay of Naples, too, are volcanic. The most famous of these isles is, perhaps, Capri, a picturesque island that is also home of the magnificent Blue Grotto, a cavern with deep blue waters. Ischia is slightly further away and has become

popular because of the many thermal springs found on the mountain. Despite the high water temperatures, in summer, it can often be cooler in the water than out. The island of Procida lies between Capri and Ischia and is by far the quietest of the three and, consequently, the least spoiled. If you do visit and think the scenery looks rather familiar, it might be because this is the island where *Il Postino* was filmed.

For all the beauties of the bay and the islands, nothing compares to the jewel of the region, the Costiera Amalfi-

tana, the stretch of coastline that runs from Sorrento to Salerno. A tortuous two-lane road snakes its way along the cliff, rising steeply to afford great coastal views and then falling to meet the small villages that nestle the bays of the shore. Wealthy Italians have their magnificent villas perched on the cliffs, most of which are cultivated with lemon groves. Amalfi is the largest town of the region and by far the most established—wealthy Edwardians would winter here, although its history goes back much further to the Byzantine era, when the city was an independent republic. The duomo is, of course, the most impressive building; its tiled cupola is easily overlooked because of the gilded front. Indeed ceramics are produced locally throughout the region, tiled cupolas are typical, and shops and workshops selling traditional ceramics are easily found. Further south lies the town of Ravello, again set high on a cliff and again with a richly decorated duomo. The towns of Maiori and Minori are found further along the coast still, both of these at sea level. Finally, the coast road passes through Cetara, with its gleaming cupola, before arriving in Salerno.

Numerous delightful restaurants populate the Amalfi coast, often with views of the cliffs and lemon groves. (This is where most of Italy's lemons are cultivated, and they are also used in the local liqueur, *limoncello*.) Seafood features on most menus, and the excellent *spaghetti con vongole* (spaghetti with clams) is particularly popular. In Naples, of course, pizza remains the staple, and Neapolitans will take great delight in telling you that pizza was invented in Naples. The story goes that a Neapolitan baker wanted to create a new bread for the new queen and came up with a round flat bread covered with tomato, cheese and basil—the red, white, and green a patriotic representation of the Italian flag. Nowadays, Neapolitan pizzas come with many different toppings, all of them so delicious that it is easy to see why locals never grow tired of them. Sit down to a pizza and a glass of locally produced wine and you'll easily forget that outside noisy Naples is raging. ☺

Claire Bose is a writer based in Frankfurt.

QE2



The QE2 sports the classic ocean liner profile with a long, streamlined hull and a dramatic raked prow which gives the ship the strength and stability for traveling at speeds of up to 30 knots.

and the Golden Age of Transatlantic Travel

By Susan J. Burdin

Seen the movie *Titanic* and still tempted to experience the golden age of ocean liner travel—albeit without the little mishap with the glacier? Then you must book a passage on the *QE2*. From the gray-liveried butlers and maids in the penthouse suites to the trays of English tea and cream cakes served punctually at four o'clock in the Queens Room, the *QE2* remains in a class of her own, evoking the elegance of an era of travel gone by.

When I saw the ship pulling alongside the dock in Manhattan, I gasped at her size. She's thirteen stories high, and 963 feet in length; a marvel to behold with layer upon layer of decks, row after row of portholes and windows, and an enormous red smokestack perched majestically on top. Unlike today's bulbous modern cruise ships, the *QE2* sports the classic ocean liner profile—a long, streamlined hull with a dramatic raked prow and a stepped stern—which gives the ship the strength and stability she requires for traveling at speeds of up to 30 knots across the oceans.

My first thought was how could this enormous mass of steel stay afloat. My second was I hoped we were not going to encounter any glaciers on our six-day crossing from New York to Southampton! Boarding the ship was an event in itself. The dock was a hive of activity, with limousine drivers pulling up with their elegantly dressed passengers; longshoremen running cables and hoses filling the ship with fresh water and oil; and trucks delivering food and supplies for the duration of the voyage. On an average day, passengers will consume some 2,500 teabags, 230 gallons of milk, 3,200 eggs, 116 pounds of lobster, 450 pounds of sirloin steak, and 200 bottles of champagne.

As soon as I boarded, I was escorted to my stateroom, where Maria, my stewardess, was awaiting her latest passengers,

and offered me a glass of champagne and some fresh strawberries. This was the beginning of six days of luxurious pampering.

It took me two days to find my sea legs and the rest of the voyage to find my way about ship! This small city at sea has 950 staterooms and suites, thirteen guest elevators, five restaurants, a theater, a casino, a library, several shops (including a seagoing Harrods), a couple of swimming pools, a golf driving range, a health spa, and much more. You'll need a map.

I began each day with a glance through the ship's newsletter, freshly printed onboard the night before, to learn about the daily activities. In addition to lectures by well-known authors, artists, and the like, there were aerobics classes, golf and bridge lessons, and other stimulating pastimes during the day. At night, the entertainment ranged from Broadway-style shows to a game of blackjack in the casino to late-night dancing in the Yacht Club. There is no chance of getting bored onboard.

If relaxation is your preference, you can treat yourself to a therapeutic massage in your stateroom, soak in the spa's thalassotherapy pool, or curl up on deck with a warm blanket and a good book.

About three days out, a storm brewed out of nowhere and the ship rolled about like a small bobbin on the building-size waves. The atmosphere on board became unnervingly quiet, and the hospital—ironically located on deck "C6"—saw its first patients of the voyage. I was relieved that we had practiced lifeboat drill on the first day at sea and that one of the ship's officers had reassured me there were plenty of lifeboats for everyone and that glaciers

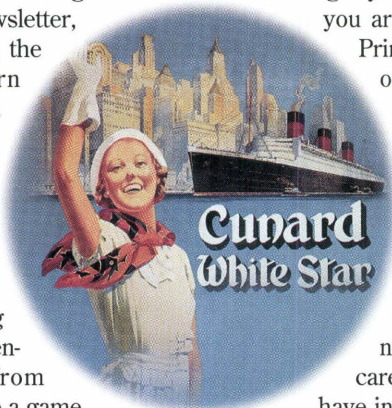
were seldom seen. However, the storm did bring to mind some of the scenes from the *Titanic* and the sheer terror those ill-fated passengers must have experienced. Once the storm had passed, there was a decidedly relieved mood onboard, and the fun resumed.

If you like dressing up, then this is the place to push the boat out, so to speak. I've never seen so many elegant ball gowns and tuxedos night after night when everyone dresses up for dinner and the nightly entertainment. Whether you are dining in the Queens,

Princess, or Britannia grills, or the Caronia or Mauretania restaurants, you will be treated royally, and the six-course meals are a gastronomic delight. If you happen to become peckish after supper, there's always the midnight buffet. If you're not careful, your waistline will have increased by the time you debark in Southampton.

This great ocean liner has been in service since 1969 and has traveled the length and breadth of the world's oceans. No one knows how much longer she will remain in service, but at thirty years and counting, she's getting on a bit. If you miss the boat with the *QE2*, however, don't dismay—Cunard Line recently announced plans for a classic new ocean liner to be introduced in 2003. The new vessel will carry 2,500 guests in a palatial interior with grand staircases and expansive promenades reminiscent of the White Star liner *Titanic*. And the name of the new project—*Queen Mary*. ☺

Susan J. Burdin is EUROPE's editorial assistant.



CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

THE HAGUE

DUTCH SEND BIG BROTHER TO THE STATES

The American broadcasting network CBS recently bought the rights to *Big Brother*, a television program developed in the Netherlands. When *Big Brother* was shown on Dutch television in the last quarter of 1999, it became an incredible success, turning the participants of the game into national heroes.

Big Brother is essentially a real-life soap opera. A group of people is locked up



in a small house for a period of three months, and cameras and microphones register everything they do and say. During this period, the inhabitants of the *Big Brother* house regularly indicate whom they think should be removed from the group. Viewers then call in to vote on who will actually be expelled. The person who lasts longest wins \$110,000 dollars.

When Bart (none of the participant's last names were ever used) came out of the *Big Brother* house on the night of December 30th as the victor, he was greeted by thousands of fans waiting for him outside in the cold. Millions more watched the show at home. Bart—and his fellow-inhabitants—were national heroes.

Big Brother started with ten strangers locked in a specially constructed house/studio in Almere, twenty-five miles to the

east of Amsterdam. Inside the house, there were no radio, no television, no newspapers. The inhabitants were sealed off from the outside world and their families. They did not know what was happening beyond their abode and had no idea how immensely popular they had

summary was broadcast by Veronica, a commercial Dutch television station. The idea was simply to show how people would interrelate when confined in a closed space for a long period of time. Suspense was constantly fueled about who would be expelled next, and from the outset, the show garnered spectacular ratings.

Inevitably, a love affair between two of the inhabitants blossomed (special cameras were used to monitor the sleeping compartments), but generally, the program proved actually rather boring. There was little to watch and even less interesting dialogue. Yet, being a voyeur into the daily life of others turned out to be of enormous interest to the public. Everybody, it seemed, had an opinion about the *Big Brother* "cast," their behavior and their characters.

In the course of the three months, two participants voluntarily left early, others were voted out, and three new inhabitants were brought in to reestablish the balance. Gradually, it became clear who would endure until the end. In the final week, after the expulsion of Karen, a mother, three men remained in the house—Willem, Ruud, and Bart. It came hardly as a surprise that the winner was Bart, a twenty-two-year-old former soldier who had recently returned from military duty in Bosnia and was looking for a new job.

Not just Bart, but all *Big Brother* participants have received contracts for publicity and television presentation. Their faces are on the covers of popular magazines, their rising celebrity rivaling traditional Dutch television personalities.

Not just the participants were hugely rewarded. The *Big Brother* house, made of prefab blocks, still stands in Almere and is used for the recording of new editions of the program. The show's production company, Endemol, has sold the

The participants on the Dutch television show *Big Brother* have all found fame and fortune.



become. They represented a carefully selected cross-section of young Dutch adults—both male and female, some married and with children at home, others separated, some single, most with moderate education and jobs. Nothing spectacular, nothing extreme but more or less the average of young Dutch adults. There were psychologists available for counseling from the only private room in the *BB* house that was not recorded by cameras.

All interaction of the inhabitants, their activities, day and night, were recorded on video. Every evening on prime time, a

concept all over the world and will actually produce the US version for CBS. No wonder that the stock price of Endemol, registered on the Amsterdam Stock Exchange, has exploded.

—Roel Janssen

ATHENS

ISLAND RAPPROCHEMENT

Some of Greece's eastern islands are almost within shouting distance of Turkey's Aegean coast. Under Ottoman rule a century ago, islands like Simi and Kastellorizo in the southern Aegean controlled merchant fleets that brought wealth to communities that would otherwise have found it hard to prosper amid a barren, rocky landscape. Merchants from Samos and Mytilene in the northern Aegean moved across the narrow strait to set up stores and workshops in Turkish towns.

As Greece's rapprochement with Turkey takes shape, a dozen island communities are hoping that the diplomats' dialogue on boosting bilateral trade and tourism will have practical results. Emigration has curtailed population growth on most islands. Apart from Cos and Rhodes, larger islands that have become international destinations, tourism development in the Dodecanese chain has lagged behind the Cyclades and Ionian island groups. With the exception of ouzo manufacturing on Mytilene and fish farming on Chios, the eastern islands contribute little to Greece's export trade. However, there is a flourishing trade in smuggling of illegal immigrants, mostly Kurds, from Turkey to Greece.

Despite political hostility between the Greek and Turkish governments, local officials in the Dodecanese have tried to build good neighborly relations on their own account. From islands that are official entry points to Greece, small boats carry tourists on trips to Turkish ports on the opposite coast. Vacationers aboard yachts can zigzag between Greek and Turkish harbors in the eastern Aegean, although the majority of marinas are located on the Turkish side. Miltiades Sarris, mayor of Simi, one of the smallest islands in the group, says the islanders have developed strong ties with Datcha, a popular Turkish resort across the strait. "Turkish-flag yachts use our marina, and we have several boats a day making the crossing during the tourist

season." The two communities also socialize regularly. "We get together for feasts and dancing, but unfortunately we haven't been able to develop any business ties because of the political situation," Sarris says.

On the islands of Cos and Chios, where marinas are under construction, local officials are hopeful that contacts with Turkey will increase. Constantinos Kaiserlis, mayor of Cos, says that once the marina opens next summer, it is expected to attract Turkish-flag yachts carrying foreign vacationers. "Coordinating marine tourism with Turkey would bring many benefits," he says. "But it would mean harmonizing marina prices and services at the intergovernmental level."

Chios is one of only a few islands that imports goods from the Turkish coast, mostly building materials. The cost of transport from Athens—ferries carrying passengers and trucks take at least ten hours to make the journey across the Aegean—adds to living expenses on the eastern islands. "If I we had trade agreements with Turkey, we could import many items, from food to consumer durables, at much cheaper prices," says Petros Pantelaras, mayor of Chios.

Rhodes, the biggest island in the group, which attracts almost a million tourists a year, has managed to develop flourishing ties with Marmaris, the Turkish resort on the opposite coast. Greek hydrofoils and a Turkish catamaran carry more than 600 tourists daily between the two ports. Many visitors making the crossing from Rhodes are Greeks, who are able to travel to Turkey without a visa, but the visitors from Marmaris include only a few Turks. The EU's Schengen Agreement for visas makes it impossible for Greece to issue visas to Turkish tourists when the ship docks in a Greek harbor.

George Yiannopoulos, mayor of Rhodes, says, "We have links with the association of Turkish coastal towns opposite Rhodes. But the main issue in fostering better communications is the visa situation."

—Kerin Hope

BERLIN

SCANDAL ENGULFS CDU

For months, the biggest political party funding scandal in decades has dominated the German political scene. The

crisis, which broke last November, has thrown Germany's conservative opposition party, the Christian Democratic Union (CDU), into turmoil. The story of illicit party financing practices would not evoke so much emotion if it did not also involve the fate of certain individuals with whom Germany has come to strongly identify and from whose mythologies it is finding it very difficult to separate itself.

This is especially true of Helmut Kohl, the former chancellor who reunited Germany and appeared as an emblem of political probity. Although Gerhard Schröder and the SPD had unseated Kohl and the CDU in 1998 after his sixteen years in power, Kohl's star had risen again last November when the nation celebrated the tenth anniversary of the fall of the Berlin Wall. Throughout 1999, the CDU scored a string of spectacular regional and local election victories and appeared to be on the road to a comeback as the coalition government of SPD and environmentalist Greens faltered.

Today, however, the talk of a CDU comeback has been hushed, and Helmut Kohl is fighting to save his political and historical reputation. He is accused of accepting secret contributions to party funds and concealing them in undeclared bank accounts and has admitted that he had operated secret bank accounts, which between 1993 and 1998 amounted up to "2 million deutsche marks" (\$1 million). He has refused, however, to name the secret donors, insisting he has given his word not to do so.

The party funding scandal surfaced in November when public prosecutors in Augsburg began investigating Walther Leisler Kiep, a former CDU treasurer, over a payment allegedly linked to an arms deal with Saudi Arabia. He admitted that in 1991 he had received \$500,000 in cash, handed over in a suitcase at a Swiss parking lot from Karlheinz Schreiber, an arms dealer with German-Canadian citizenship. Kiep indicated that part of the money had gone to the party, but the CDU denied it had any record of its receipt.

Previously, *Der Spiegel*, the weekly news magazine, had investigated allegations of secret accounts, but it took confirmation by an embittered former party secretary, Heiner Geissler, dismissed by Kohl in 1989, to trigger the deluge of accusations.

A criminal investigation by the public prosecutor in Bonn followed Kohl's admission in November that he had operated a system of secret accounts. The investigation comes on top of a parliamentary enquiry into whether party donors influenced decisions of the Kohl government. CDU supporters denied any suggestion that the former chancellor was corrupt, and former president Richard von Weizsacker wrote in an editorial: "Nobody seriously claims that Kohl's government was up for sale or that he personally enriched himself. Money was an instrument on the way to power—no more."

Kohl, the CDU's leader for twenty-three years and federal chancellor for sixteen, was forced to resign as its honorary chairman because he continued to defy calls from senior party leaders to name his anonymous donors as required by the party funding law.

The parliamentary inquiry broadened its scope to investigate a report that France's late former president François Mitterrand used \$16 million of French taxpayer's money to get his friend and ally Helmut Kohl reelected as chancellor in 1994. The alleged French donation was said to have come from the commission on the 1992 sale of the East German oil refiner Leuna to the French oil consortium Elf Aquitaine.

Meanwhile, Wolfgang Schäuble, Kohl's successor as CDU leader and a former close cabinet colleague, tried desperately to distance himself from the funding affair. He soon, however, faced demands for an explanation of why \$570,000 was transferred in cash from the CDU's parliamentary group to party headquarters in 1997 (when Schäuble was leader of the parliamentary group). He was forced to admit that he too received a donation amounting to \$50,000 from the arms dealer Schreiber. The donation was not properly declared. Although he did not break any laws, unlike Kohl, his admission cast severe doubt on his suitability to lead the party's cleanup.

On February 16th, Schäuble resigned as party leader and as parliamentary floor leader. His resignation will ensure that the CDU undergoes a genuine renewal in opposition. Before the scandal broke, the CDU enjoyed favorable ratings of 49 percent (compared to SPD's 31 percent). Now, the CDU's ratings hover around 30 percent while the SPD's have bounced to 42 percent.

The previous day, on February 15th,

the embattled CDU had suffered a financial blow when Wolfgang Thierse, president of the Bundestag—the lower house of parliament—ruled that the party would forego \$21.5 million in government campaign funds as a result of irregularities found in its 1998 financial report. The report failed to declare \$9 million parked at a Swiss bank by the CDU Hesse branch. In recent weeks, it surfaced that the party's former Hesse chairman and treasurer had transferred more than \$10 million since the early 1980s. The CDU's national leaders have acknowledged the gravity of the Hesse branch's actions but tried in vain to isolate the federal party from the Hesse irregularities. Furthermore, the CDU faces forthcoming penalties arising from Kohl's actions and possibly others.

Although quietly gaining from the CDU's scandals, Schröder's SPD also faces allegations of serious financial impropriety. Gerhard Glogowski, prime minister of Lower Saxony and a close ally of Chancellor Schröder, resigned after allegations of improprieties, including accepting free travel and corporate hospitality. Heinz Schleusser, the SPD finance minister for North-Rhine Westphalia, was also forced to resign after revelations surfaced that he and his girlfriend flew on private business at the expense of the state WestLB bank. Even Johannes Rau, German president and former SPD premier of North-Rhine Westphalia, has been accused of having used WestLB jets for SPD election campaigns.

Although Kohl's reputation will suffer from the scandal, he will remain in the minds of Germans as the chancellor of reunification, an accomplishment that would not have happened as it did without his determination and inspired leadership. However, scandal is now part of his legacy as well.

—Wanda Menke-Glückert

BRUSSELS

FAR RIGHT FUROR

While the Belgian government, unlike the British, has never claimed to be running an "ethical foreign policy," its recent actions suggest that this is indeed its intention. It was a Belgian initiative that succeeded in mobilizing the whole of the EU to protest against the inclusion of the far-right Freedom Party of Jörg Haider in the new Austrian govern-

ment. Its legal action in the London high court forced British Home Secretary Jack Straw to publish the medical evidence on which he was "minded" to allow Chilean dictator Augusto Pinochet to return to his home country, despite the extradition demands made by Spain, Belgium, France, and Switzerland.

The Belgian action, at the very least, delayed Pinochet's release and gave fresh heart to the human rights campaigners who had all but abandoned hope that he would eventually be brought to justice. Because of the court action and their subsequent receipt of the medical evidence, all four countries determined to maintain their demands for extradition and informed Straw that in their view Pinochet's disabilities were not sufficiently severe to prevent him from facing trial.

It was not by chance that it was the Belgian government—a 'rainbow' coalition of Liberals (who in Belgium are the moderate right), Socialists, and Greens—which reacted most strongly against the shape of the new Austrian government. Some attribute the government's strong stance to the fact that of all the EU member states Belgium is most threatened by a party of the far right.

The Vlaams Blok (VB), which combines a demand for Flemish independence with vicious racist propaganda directed mainly against the Turkish and Moroccan immigrant communities, has grown dangerously strong in recent years. In last June's general election, it overtook the Socialists to become the third-largest party in the Dutch-speaking half of the country.

It is already the largest party on the Antwerp city council, and the prospects are that it will take a further leap ahead in the upcoming October local elections. The only hope of preventing them taking control of the city administration is if all the democratic parties—left, right, and center—combine against them and refuse to admit them to the governing coalition.

There had recently been some disturbing demands from politicians on the right wing of the Liberal and Christian Democratic parties that if the VB continued to attract public support their own parties should stop boycotting it and be prepared to cooperate in forming local administrations. The very firm stand taken by the Liberal leaders in the government (who include both Prime Minister Guy Verhofstadt and Foreign Minis-

ter Louis Michel) should head off this threat.

The leadership of the Christian Democratic Party also strongly associated itself with the government's protests against Haider's party, and joined in a large demonstration in Brussels against both the Austrian Freedom Party and the VB. So unless the Blok actually wins an overall majority on the Antwerp council, which is unlikely under Belgium's system of proportional representation, they are likely to remain in opposition, though they could conceivably win control of some smaller town councils in Flanders.

The vigilance with which Verhofstadt's government seeks to defend human rights internationally is firmly based on its appreciation of threats nearer home. The main challenge it faces is to win back the votes of the large number of Belgians, and Flemings in particular, who have been prepared to lend their support to anti-democratic and racist forces. It must not compromise its own principles in rising to the challenge.

—Dick Leonard

COPENHAGEN

THE COMEBACK LADY

Ritt Bjerregaard, former controversial member of the European Commission, is back in Danish politics with a vengeance. In a reshuffle of his government, Social Democratic Prime Minister Poul Nyrup Rasmussen made her minister of food, which includes agriculture. Within days, she had her first major challenge, an outbreak of mad cow disease in Denmark.

Her reaction was swift, enforcing new slaughter techniques that should eliminate any risk to consumers, and though the farmers attacked her initial response as overkill, they now grudgingly respect that the damage control has been effective. The polls vindicated her position, and she has raised the flagging fortunes of the government somewhat.

Before leaving the domestic political scene to become a European commissioner, Bjerregaard was no ally of the prime minister, so her comeback was a surprise. Some claim that her elevation to government is a ploy to reduce her ability to stir up trouble in the party, but the more credible version is that she is needed to drum up support for Danish

membership in European Monetary Union. She appeals to Social Democratic women, an electoral group that has been conspicuously skeptical toward European integration since Denmark joined the EU in 1973.

An early referendum on Denmark joining the euro, perhaps as early as September this year, is possible. However, the polls show that the Haider case has reduced support for Danish membership dramatically. A comfortable lead of 10–12 percent for the yes side has been halved in some polls and eliminated in others, and prospects for a cliffhanger referendum cannot be excluded.

A majority of Danes condemn the EU sanctions against Austria, not because they support the policies of Jörg Haider but because they see the EU action as an intrusion of Austrian sovereignty, which serves as a proxy for Danish sovereignty and offers proof that the political union most Danes have always rejected is now not only on the agenda but a fact of life.

The prime minister stresses that the referendum is not on political union, but a simple question of whether Denmark will adopt the euro. He concedes that the EU is now becoming a political union. How-

ever, he now argues, for the first time, that being a part of the Union gives Denmark an advantage since any loss of sovereignty is more than compensated by increased political influence on EU policies, a line of reasoning very similar to that found in the small Benelux countries.

Nevertheless, political union remains the wild card in the Danish euro referendum. The prime minister may convince more of his own constituency that political union is acceptable, but there is a surge of resistance in the parties to the right of the government, especially the right-wing Danish People's Party. A quarter to a third of non-Socialist voters supports this party, which virulently attacks both the euro and political union.

—Leif Beck Fallesen

LONDON

MUSICAL KING OF THEATERLAND

Andrew Lloyd-Webber, composer of some of the world's best-known musicals, including *Cats*, *Phantom of the Opera*, and *Evita*, has bought ten of London's most famous theaters. Together

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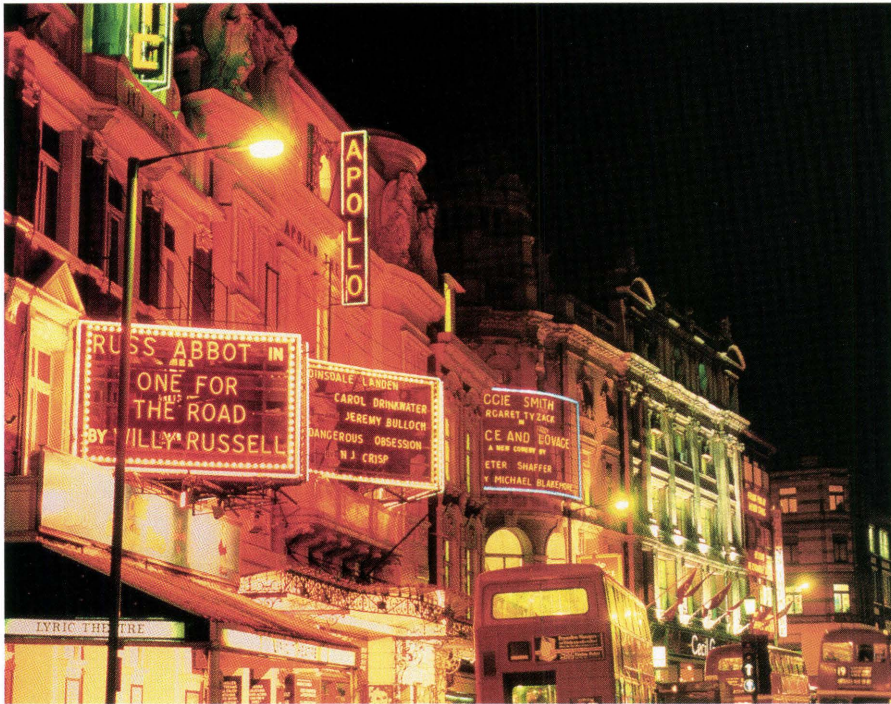
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British musical composer, Andrew Lloyd-Webber, famous for *Cats* and *Phantom of the Opera*, recently purchased ten London theaters, making him one of the largest theater operators in Europe.

with the three West End theaters he already owned, this latest acquisition makes him one of the largest theater operators in Europe.

The new acquisitions will provide Lloyd-Webber, now Lord Lloyd-Webber, with an unrivaled platform to stage new shows. But it will not only be musicals because he has declared himself committed to a diversity of drama on the West End stage.

The \$135 million deal includes the Theatre Royal in Drury Lane; Her Majesty's, which has been showing his *Phantom of the Opera* for more than a decade; and the Palladium, which last year launched a revival of his first West End hit, *Jesus Christ Superstar*.

The fifty-one-year-old composer turned impresario bought the theaters from Stoll Moss, a company formed in 1928 that had been owned since 1988 by Australia's prominent Homes a Court family. They reportedly put them up for sale because Janet Homes a Court wants to enter Australian politics.

Curiously, her son Peter was one of the unsuccessful bidders for the theater group. The fierce bidding war also saw the defeat of Sir Cameron Mackintosh, who owns five London theaters and who made much of his fortune from staging Lloyd-Webber musicals.

To realize his dream, Lloyd-Webber

joined forces with a team of City financiers and bankers who provided the bulk of the money. In the final round of bidding, which began last September and attracted forty expressions of interest, he managed to outbid Max Wiezenhofer, the American entrepreneur.

The Oscar-winning composer will exert control of the theater company though his oddly-named Really Useful Group, which owns all the rights to his musicals as well as his theater assets. Once quoted on the stock market, Really Useful returned to his full control last year when he bought out the other investors.

With a near monopoly of London's "theaterland," Lloyd-Webber will be able to demonstrate if he is correct in his belief that what is needed for the sometimes financially troubled West End is "a solid British theater and management company."

The question now is whether his next show will be *Maestro of Musicals*.

—David Lennon

DUBLIN

THE GAEL FORCE

Most of the rest of the world was ringing-in the new millennium with

champagne parties. But in France, birthplace of the "sparkling tonic," millions of people were still trying to come to terms with some of the worst storm damage in Europe. Winds of up to 130 miles an hour had ripped through French cities and towns, leaving devastation in its wake.

An estimated 3.5 million homes were left without electricity, providing the EDF electricity utility with the mammoth task of restoring supplies in the shortest possible time.

With resources stretched beyond breaking point, the French government sent an SOS to the Irish government's Department of Enterprise and a dozen other countries, urgently requesting assistance.

That was on December 30th. Within hours, the Irish electricity company, ESB, had put together a volunteer force of more than 180 technicians, engineers, and supervisors from every region of the country.

Eighty-five trucks and trailers were loaded with protective clothing, cables, hoists, and other equipment and, as New Year's parties went on elsewhere, the convoys set off from three Irish ports for Calais. There they were greeted by a representative of the president of France and given a police motorcycle escort to their destinations—the areas of Limoges, north of Bordeaux, Everux, Alencon, La Rochelle, and Sainte.

Grateful local mayors welcomed the Irish crews (dubbed "The Gael Force") as they arrived to begin restoration work.

It wasn't all plain sailing. Apart from the problem of language and dealing with an unfamiliar transmission system, accommodation proved a major problem. Because of the storm damage, many hotels, and service stations were closed. As shops were shut down for the holiday anyway, food was, at first, in short supply.

Some crews were luckier than others. One group stayed in a convent, where the nuns cooked and served all the meals. Others in the Irish task force were accommodated in barrack-like seasonal chalets with two blankets each for bedding.

Packed lunches, provided by the EDF, were the order of the day—there was no time to stop work for the traditional (and lengthy) French lunch.

Structural damage was widespread. Steel pylons were mangled, roads were blocked by fallen trees and electricity and telephone poles. (Mobile phones provided an invaluable communications

network.) Eighty-eight people lost their lives (mainly from trees falling on cars).

Total repair costs were estimated at \$735 million, with a further \$1.76 billion required to restore the French electricity industry to what it was before the storms (that equals the average EDF annual investment). According to EDF, if there had been further damage France would have faced a total system blackout.

Coordinating repairs was an organizational nightmare. But, within two weeks, electricity was restored to all customers.

Tributes flowed in from, among others, the French president and prime minister. Henri de Coignac, France's ambassador to Ireland, expressed his gratitude to the Irish electricity company for the "human and material resources" provided and "the generosity of those who came to help at a time when they should ideally have been with their families."

EDF, impressed by the immediate response, goodwill, competence, attitude, and dedication of the Irish crews, now plans to set up a technical arrangement with Ireland that will cover an exchange program of up to three months duration.

—Mike Burns

HELSINKI

FINNS ELECT FIRST FEMALE PRESIDENT

At last, after a century of complete political and social equality between men and women, Finland has just elected its first female president. A Social Democrat and a labor lawyer, Tarja Halonen became head of state after a five-year spell as minister for foreign affairs where her robust ways and language were the subject of awed description by many of the more traditional diplomats.

Halonen has pleasantly surprised her staff in several ways. First of all, they are ordered to address her in the intimate and familiar form of the Finnish "you" (as she will use with them) also—oh, horror—no game is to be served at the presidential table; not even the traditional moose meat, still less bear steaks.

Born on Christmas Eve fifty-seven years ago, she had a tough upbringing in a poor neighborhood at the eastern end of the capital and her antecedents are vague. To say she is a down-to-earth character is something of an understatement, and so far during the post-election

honeymoon, she has not put a foot wrong with the electorate. Her narrow victory of little more than 100,000 votes over her male rival must have given her special satisfaction.

She brings two reputations to her position: she is said to be a "lefty" or old-fashioned radical, and she is known as a militant feminist, although little was made of this during the campaign. Finland, for all its lip service to equality between the sexes, is keenly speculating about how a new style will evolve in the presidential palace.

Certainly, the president's domestic arrangements are unorthodox. So far as can be ascertained, Halonen has never been married. She has a daughter and a long-standing partner who is not the father. Press questions about her private life, any of it, are most severely discouraged.

Politically speaking, she is highly experienced. Before her stint in foreign affairs, she held the Nordic Cooperation portfolio and had served stints as minister of health and social affairs and as minister of justice.

Coincidentally, Halonen's presidency began at just the moment when the nation's new constitution came into force after many years of gestation. In summary, it shifts more power away from the president to the Parliament, which will now have more say on dissolving and choosing a government. As in the past, the president's role in foreign affairs will still be decisive, but in the future, such policy issues are much more likely to be dealt with hand-in-hand with the premier. This arrangement is particularly the case in EU policymaking, which in most respects is uncontroversial in Finland.

Fortunately, the new president has good relations with Prime Minister Paavo Lipponen. Both old war horses in the Social Democratic Party, they are expected to work well together—whereas tensions might have been expected had the Center Party candidate won the presidency instead of Halonen. On present form, Lipponen's coalition is probably going to remain in office until 2003.

In no small measure, however, the success of the Halonen presidency will depend on her relations with the press. In different ways, both her predecessors fell out with the media, staining their later years in office. If the new president is as smart as her friends, or indeed her bruised enemies, say she is then Halonen will not make this error. At least for the moment, she can do no wrong. As

one cynical observer of the Finnish scene put it: "I'm sure Mrs. Halonen will be less of an old woman than her two immediate predecessors."

—David Haworth

LISBON

PORTUGUESE BLUES

In a city famous for its distinctive style of music, it is amazing that no one has thought of it before. But this February saw the first of a series of annual Festivals of Music and Ports, centering on Lisbon's own fado, the melancholic guitar-and-vocal style often described as Portuguese blues, and music from another of the world's ports.

The guest at this first festival was rebetika, another style often given the blues label and which emerged in the Greek ports of Piraeus and Thessaloniki early in the twentieth century among immigrants from Asia Minor. Some of the best-known exponents of this vibrant musical style, which features bouzoukis, accordions, drums, guitars, and forthright vocals, came to the festival. They enchanted local audiences, many of whom were hearing rebetika for the first time. With rebetika alternating with fado during the weeklong series of concerts, there was ample opportunity to compare the two.

"It's a new phenomenon for European cultures to look at their urban music in comparative terms," says Professor Gail Holst, a classics professor at Cornell University and an expert in rebetika music since the 1970s. "I'm delighted because I've always loved fado. And it's a chance to think about it in relation to rebetika and the whole urban music of Greece."

As part of the festival, Professor Holst gave a fascinating talk on rebetika at the social science faculty at Lisbon University, charting its rise from humble beginnings in the hashish dens of Piraeus to its adoption as the theme music for the 1970s uprisings against Greece's then military regime. The seminar was followed by a brief but foot-stomping performance by Maryo, described by the organizers as "one of the last authentic rebetika singers," and the Tambourlika Ensemble, which has been playing this style of music for more than a decade.

Fado, too, has long been associated with smoke-filled and often seedy bars and has only in recent years become

adopted by the mainstream of Portuguese society.

"I can see a lot of similarities not only in the music itself," says Holst. "I think it's more the musical ambience, the way people relate to it."

Like many urban styles, fado and rebetika are eclectic. The Greek form has borrowed from Turkish and Arab music; the Portuguese has absorbed influences from gypsy, African, and Arab cultures.

In future years, the festival's organizers have promised tango from Argentina, mornas from the former Portuguese colony of Cape Verde, flamenco from Andalusia in Spain, and Cajun music from New Orleans.

—Alison Roberts

LUXEMBOURG

EIB: NOT YOUR AVERAGE BANK

Is it a bank? Is it an institution of the European Union? The Luxembourg-based European Investment Bank is both, and therein lies its strengths and, occasionally, its problems.

Let's be clear straight away that the EIB is not the sort of bank where you go to apply to for a home improvement loan. Its clients are governments, major public bodies, and increasingly, large private-sector companies. A bank it is though, if you accept the definition of banking as the receiving of deposits and the re-lending of them to others. The EIB's subscribed capital is 100 billion euros (roughly \$100 billion) giving a lending ceiling of about \$250 billion. It lent a total of \$31.8 billion in 1999 and borrowed \$28.3 billion on the international capital markets in 120 operations in sixteen currencies.

Clearly, the EIB talks big bucks. Its outstanding loans at the end of 1999 amounted to \$178.8 billion. But don't look for profits or dividends. The bank's shareholders are the fifteen EU member governments, who collectively underwrite its borrowings. It's obviously not your familiar main street money shop or Wall Street colossus, but they certainly don't come any bigger or more credit-worthy than this.

That profile reflects the EIB's role as a European institution comparable to, though in many ways fundamentally different from, the European Council, Commission, and Parliament. This can lead to misunderstandings as the new president,

Philippe Maystadt, acknowledged in February. The fact was, he said, "that the EIB has not always succeeded in gaining recognition of its specific status as an organization with a dual identity—on one hand, a European institution fully committed to serving the Union, on the other, a bank subject to market constraints calling for retention of a certain degree of independence."

Maystadt, the fifty-one-year-old former Belgian finance minister and deputy prime minister, was appointed to a six-year term as president on January 1, 2000. His remarks about the bank's dual identity were prompted by differences between the EIB and the other EU institutions over the role of the new European Anti-Fraud Office (OLAF) in investigations of the bank's business.

The point here is that the EIB believes that OLAF's automatic remit should only extend to funds managed by the bank on behalf of the EU and that funds that are the EIB's "own" property—i.e. those raised on capital markets on its own credit—should be investigated only if the bank itself so decides.

The matter has now gone to the European Court of Justice for a ruling, pending which the EIB has agreed to a "pragmatic" approach to allow OLAF to do its work. No allegation of actual fraud has been made but the dispute has somewhat soured the EIB's relations with the other EU institutions.

In particular some members of the European Parliament (MEPs) believe that the EIB is not sufficiently open to scrutiny. Last year MEPs claimed that the EIB had made major misjudgments in the financial markets in the early 1990s and had resorted to devious operations to hide the facts from auditors. This matter has now been settled, according to EIB officials, though MEPs are still demanding greater access to the bank's operations. Maystadt seems sympathetic.

"I feel that we should adopt a more proactive stance," he said in February. He intended to act "to strengthen institutional dialogue with the Commission, the Council, and the European Parliament with a view to increased openness and to making our actions and intentions generally better known within the family of EU institutions."

It seems especially important that the EIB and the other EU bodies should be of one mind over the question of EU enlargement, where the EIB has become

the main source of multilateral financing for the entry candidate countries but where the Council and Parliament take the political decisions involved. Maystadt said it was "particularly significant that the bulk of this financing, namely \$1.5 billion out of a total of \$2.4 billion, has been advanced by the EIB at its own risk and without the guarantee of the community budget." This showed, he said, the bank's resolve to make a direct contribution toward modernizing the economy in these countries without calling on the public purse.

You might think that since the EIB is governed by the same people who also form the EU Council it would be easy to agree on such matters, but apparently things don't always work that way.

—Alan Osborn

PARIS

ROUSSILLON'S LOCAL COLOR

Perched on a hillside in Provence, between the towns of Gordes and Apt, the village of Roussillon is a splendid example of how you can really paint the town red. The tall ochre cliffs, which surround it, have provided the village with an astonishing palette of natural pigments that found their way into the mortar and plaster of the houses. Their complexions vary from a becoming blush to a sunburned red, from a golden glow to a burnished bronze—sixteen shades in all—tempered by the Provençal sun.

The town's little squares shaded by bright umbrellas, its restaurants with flowered terraces, the hilly streets that curve past enticing craft shops: all of it so photogenic that a day spent there is a succession of perfect "Kodak moments."

Photogenic Roussillon sits astride the largest deposit of ochre in the world; a geological marvel forged 100 million years ago, sculpted by erosion and mining into a fantastic, primal landscape. The bands of ochre, painted by nature and time into a Technicolor display, ranging from pale lemon to bright mustard, fiery orange, deep purple, and tobacco brown, were first used by man in prehistoric times to create cave paintings that have survived to this day. The Romans started mining ochre, but it was not until the late eighteenth century that a native of Roussillon, Jean-Etienne Astier, discovered how to extract the pure pigment from the ochre ore.



The photogenic town of Roussillon is famous for the ochre cliffs that surround it.

In its natural state, ochre is mixed with sand, from which it has to be separated by a “decantation” process: the raw ore is washed, the heavier sand grains settle to the bottom, the ochre suspended in the water is “decanted” into a basin and left to dry. Once the water has evaporated, the sediment left behind is nearly pure ochre, ready to be ground into powder and used.

During the nineteenth century, Roussillon and its surrounding villages made a prosperous living from the colored earth on which they were built. Ochre ore was both dug out of open quarries and mined in underground galleries, then either processed on-site or transported to a factory. By the 1920s, there were twenty factories in the region, producing 40,000 tons of ochre that was exported all over the world. Its primary use was as a pigment in the building trade, but it was also added to rubber to make linoleum, bicycle inner tubes, and the red rubber bands used to seal canning jars. During the Second World War, it was even blended with cocoa powder to make a cup of hot chocolate that at least looked luscious even if it tasted a bit weak.

When synthetic pigments were discovered, ochre production fell off dramatically. Today, only one factory is left in the region, just outside the town of Apt. It produces 1,200 tons of ochre a year, quite a comedown from seventy years ago but enough to keep the Guigou family, who owns and runs it,

busy producing twenty-four different shades of natural pigments, used mostly on exterior and interior walls.

Since 1995, the Guigous have faced some friendly competition just a few miles away, on the outskirts of Roussillon. An old ochre factory, built in 1921 and closed in 1963, has been given a new lease on life as the Conservatory of Ochres and Applied Pigments. Dedicated to the survival of traditional uses of natural pigments, the conservatory gives guided tours in several languages, tracing every step of the process that transforms ochre ore into pigment. Outside, the basins where the ochre slurry was decanted, then left to dry over the summer, remain, as do the compartments where the ochre blocks were stocked; inside, an old oven and a machine for compressing the baked ochre, resembling a particularly nasty instrument of torture, have been reinstalled.

The visits are interesting, but where the conservatory really shows its originality—its true colors—is its one-day workshops that initiate groups of ten to twelve into the secrets of using natural pigments. The techniques are traditional, the uses often modern, such as learning how to apply a color-wash to a variety of surfaces—a method that is all the current rage in home decorating.

The range of subjects covered in the workshops is fascinating and shows the deep imprint natural colors have left on every century, in every country. Prehistoric cave artists used pigments mixed

with blood or urine; Greeks and Romans worked with limestone plaster to produce their glowing frescoes; medieval icons were painted with an emulsion made with egg yolk; in Egypt, casein, a milk protein, was used in paint—the binding agents varied, but the pure pigments were universal and have proved to be ageless.

To experience ochre at its most splendid, it should be seen in its natural state, late on a clear afternoon, when the sun’s slanting rays make the cliffs around Roussillon glow with the incandescence of a sunset. A marked trail leads through the conflagration of colors and is an outing the whole family will love, as long as everyone is dressed in wash-and-wear for the occasion. Children can turn themselves into red Indians here, complete with full war makeup, in a matter of minutes.

A short drive east of Roussillon, at the other end of the ochre vein, lies the “Colorado of Provence,” just outside the village of Rustrel. The ochre formations here rise in surrealistic peaks, and chimneys are carved into headlands and islets. Recently, these have become far more easy to access than before, with three blazed trails for visitors.

Be warned, however, the flamboyance of ochre “in the wild” may leave an indelible mark, if not on your clothes, then on your consciousness. It now pervades my usually minimal dreams of home decorating, so that I have started ripping off wallpaper around the house,

much to my family's horror. In its place, I am applying ochre washes in varying shades of yellow, which I know will last long enough for future archaeologists to puzzle over the primitive painting techniques of the early twenty-first century.

—Ester Laushway

STOCKHOLM

M7'S MAGIC WEAPON

The crowd roars as number thirty-two races out onto the basketball court, deftly dribbling the ball, flashing his famous smile. At six feet eight inches tall and 260 pounds, he is by far the heftiest man on the team. That he is also the best known is obvious.

Earvin "Magic" Johnson's career as a professional basketball player may be over in the United States, but it's taken on a new life in Sweden. In late 1998, Charles Barton, the coach of the M7 basketball team in the west Swedish town of Borås got in touch with Steve Haney, a players' agent, and Johnson, both of whom he'd known for years.

With Johnson's help, Magic Johnson Management Group was started with the aim of bringing American basketball players to Europe and European players to the States. At the same time, negotiations started about building up Swedish basketball into a more professional sport.

Johnson subsequently signed a two-year agreement with M7 to help develop the team. Its name was changed to Magic M7, and since Johnson took over, the team leads the Swedish basketball league.

Johnson claims that money isn't the driving force behind his decision to support the Swedish team. "If I was here for the money, I wouldn't be here," he says.

Adds general manager Haney, "We're quite happy with the way the club has developed during the first year."

International interest was enormous last fall when Johnson came to Sweden to play with the team. More than 200 journalists from around the world covered the game, something most of the other Magic M7 players nor the opposition from the Sallen team could ever have imagined. With Johnson leading them, the Magic beat Sallen 84-60. Johnson scored fourteen points, four of them on free throws, with fourteen assists.

While the press asked about Johnson's health and his life since he tested



Magic Johnson recently signed a two-year agreement with Sweden's Magic M7 basketball team with the aim of building up the game in Sweden.

positive for the HIV virus in 1991, the focus has been on basketball from the first match.

Johnson returned to Sweden in January to play five games. When he played with the team in Stockholm, a record 11,368 people were at Globen arena for Magic M7's game against Alvik, a suburban Stockholm team. Normally, perhaps a couple of thousand would attend.

It's hard not to feel sorry for Magic M7's opposition when Johnson's on the court. They're playing against a legend, one who generates so much publicity that it's bound to be demoralizing.

Even Alvik coach David Visscher was lost in admiration. After a classic Johnson behind-the-back pass spanning more than half the court to teammate Pasi Riihela, Visscher said he wanted to give Johnson a congratulatory high-five. "It was completely amazing," he said.

Basketball first became popular in Sweden in the 1950s, and the Swedish Basketball Federation will celebrate its fiftieth anniversary in 2002. While interest has grown, there are no fully professional teams. Some, such as Magic M7, are semi-pro, with players splitting their time between the team and part-time jobs.

While Johnson is the best known US basketball player to come to Sweden, there are twenty-two Americans playing on Swedish teams, of thirty-nine foreign players in all. Some of the Americans came either because they weren't drafted by NBA teams or after playing for the NBA or for semi-pro teams. Magic M7, for instance, has Greg Graham, a former guard with six NBA seasons behind him.

By 2003, when Sweden hosts the European Basketball Championships, Magic M7 managers hope the team will be well on its way toward US-style professionalism. For now, if Swedish basketball lacks the high-powered tone of the sport in the States, it doesn't lack enthusiasm. Besides fans, Magic M7 has its own cheerleaders, a group of thirteen girls and women between fourteen and twenty-three years old. They have two coaches, one of whom was a US cheerleader.

Johnson admits he's surprised by how interested Swedes are in basketball and how knowledgeable the fans are. And he insists the interest in his team will continue, even when he isn't playing with them. "The players are still here," he said after the game against Alvik. "It's just me who's leaving."

—Ariane Sains

MADRID

IMMIGRANTS GET HELP
AFTER MOB RAMPAGE

More than 1,200 years ago, Moors crossed the Mediterranean from North Africa to establish a kingdom in southern Spain that became a medieval marvel of splendor and civilization. The Moroccans are back, but these days they're just trying to eke out a living in the thousands of acres of plastic greenhouses of Andalusia, Murcia, and Almería where much of northern Europe's winter fruits and vegetables are grown.

For years, their presence in the region hardly caused a stir, and the local farmers and businesspeople were glad to have the cheap labor to pick the tomatoes and cucumbers and pack them for shipment.

But in an unprecedented week of violence this winter, hundreds of Spaniards went on a rampage through the southern farming town of El Ejido, chasing down and beating up their North African neighbors and torching their homes, businesses, and mosques.

What triggered the outbreak of racism and hate that shocked the nation was the stabbing death of a young Spanish woman by an apparently deranged Moroccan man. For three days, gangs of locals, some reportedly fed on neo-Nazi propaganda from a Web site and armed with iron bars and baseball bats, roamed the immigrant districts of El Ejido and took revenge.

Many of the farm workers fled their shanties into the hills; some took refuge in the local police station; and others stayed home behind locked doors and windows and waited for the worst. Police were slow in responding to the violence, but eventually hundreds of officers were deployed by the central government to halt the unrest, detain those responsible, and keep the peace when it eventually was restored.

Once the fires were out and journalists from around Europe had converged on El Ejido, the farm workers walked off their jobs to call

attention to the bias and prejudice they say they live with everyday and to protest their dismal living conditions.

After costing some \$6 million in losses to farm owners, the strike was called off when government officials and business leaders pledged to improve both their working and living conditions, pay for the Moroccans' damaged property, and issue work permits for 5,000 of the illegal immigrants.

More importantly, the incident forced Spaniards to do some soul searching on racism and how they treat the country's ever growing number of immigrants from North Africa, sub-Saharan Africa, Asia, and Latin America who are making Spain their home.

—Benjamin Jones

ROME

IMMIGRATION SUPPLANTING
EMIGRATION

It is the end of an era. Once a country known for producing emigrants, Italy has become a country that is receiving immigrants in search of jobs and better living conditions. The steady increase in the number of foreign residents in Italy has long been observed, but now Caritas, a Rome-based Catholic organization that assists the poor, has published an official statistic. By elaborating on numbers supplied by Italy's central bank, Caritas discovered that the remittances foreign residents in Italy send back home to their families are greater than those sent to Italy from Italians living in the Americas, New Zealand and Australia, Africa, and in member countries of the European Union.

This turnover is surprising not just because of the amount of money involved (the average yearly single remittance amounts to \$2,000) but, above all, because of the speed with which it took place. The shift occurred in 1998 when the immigrants' remittances increased by 34 percent. A clear signal, according to analysts, of the stability foreign workers have achieved in Italy in a short time.

Today, savings sent by immigrants to foreign countries constitute an important factor in the economic development of those countries, almost all of them located in the developing world.

Today, savings sent by immigrants to foreign countries constitute an important factor in the economic development of those countries, almost all of them located in the developing world. Asia benefits most from the flow of cash from Italy, accounting for 40 percent of the total and half of that goes to the Philippines. Europe and the Americas follow, with 17 percent surprisingly going to the United States and 4 percent to Latin America.

Today, foreigners—roughly 1.3 million legal aliens and, according to police estimates, some 300,000 illegal residents—have become part of Italy's social fabric and solid contributors to its economy.

Although the right-wing opposition has supported the adoption of measures controlling immigration, the left-wing government headed by Massimo D'Alema is pressing a policy of gradually opening up to foreigners. For example, a recent law canceled a previous restriction concerning a reciprocity clause that allowed into Italy only workers coming from countries that accorded equal working conditions to the Italians who emigrated there.

—Niccolò d'Aquino

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BOOKS

NEITHER HERE NOR THERE: TRAVELS IN EUROPE

By Bill Bryson; Bard; 245 pages; \$13

I could spend my life arriving each evening in a new city," says Bill Bryson, the hilarious author of *Neither Here Nor There: Travels in Europe*, which chronicles in an off-beat manner his escapades through Europe from Hammerfest, Norway, to Istanbul, Turkey.

Bryson, a journalist who has written several best-sellers, including *A Walk in the Woods*, has something funny to say about every city he visits in Europe. He is refreshingly politically incorrect in his observations of the people he encounters and what he considers their strange national characteristics. For example, "The French," he writes, "cannot get the hang of standing in line. They try and try, but it is beyond them. The British, on the other hand, do not understand certain fundamentals of eating, as evidenced by their instinct to consume hamburgers with a knife and fork.... Germans are flummoxed by humor, the Swiss have no concept of fun, the Spanish think there is nothing at all ridiculous about eating dinner at midnight, and the Italians should never, ever have been let in on the invention of the motorcar."

Hammerfest, Norway, the

northernmost town in Europe is not everyone's idea of a good place to start a vacation or a journey across the continent, but the author begins his rather madcap adventures with a lengthy bus trip to Hammerfest where he lingers for so long that he says he feels as if he is retired. It turns out to be time well

spent when he sees the northern lights. "It was the most beautiful thing I had ever seen," he writes.

Bryson gets to the heart of the cities and the people that he visits along the way. Aside from his jokes and curmudgeonly comments, he does give the prospective travelers a good preview of what to expect when they visit the same spots on their explorations. In Copenhagen, "The Danes are almost absurdly law-abiding." Of beautiful Bruges in Belgium he opines, "No city has ever been better favored by de-

cline." Moreover, in Rome, he feels that "Italians are entirely without any commitment to order. They live their lives in a kind of pandemonium, which I find very attractive."

His views on Austria are quite relevant today with the outcry from around the world over the inclusion of the Freedom Party, an extreme

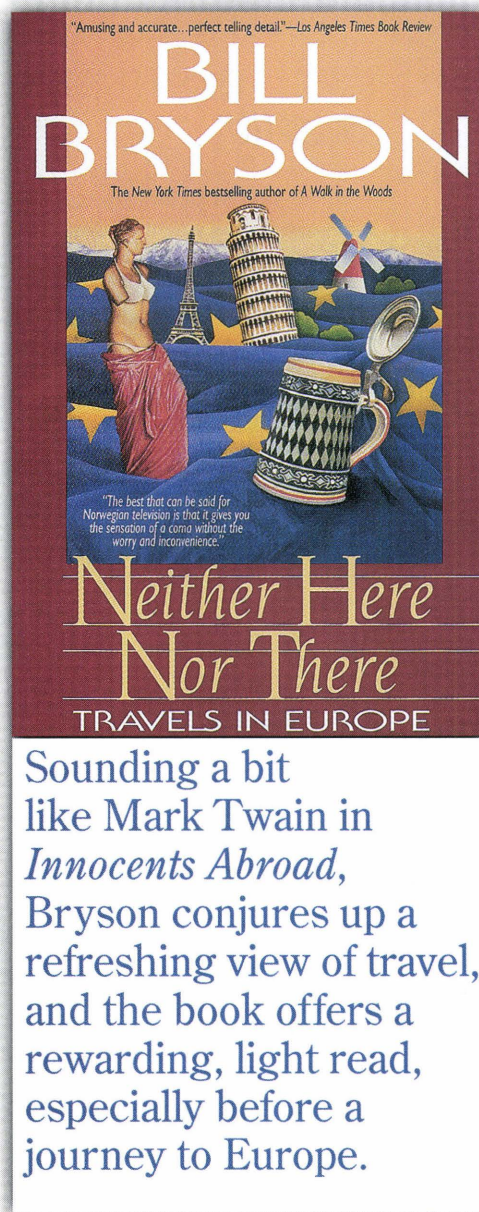
populist party that is part of Austria's coalition government. Bryson is quite sarcastic in his remarks about former Austrian president Kurt Waldheim and why a large part of the Austrian public supported such a man with a questionable background.

In *Neither Here Nor There*, the author talks about the role of the European Union in daily life in Europe. He tells jokes making the rounds about Eurocrats—actually quite funny.


How does Bryson get to know a country other than his visits to famous tourist destinations and talks with the local people? "I get great pleasure from watching foreign TV and trying to imagine what on earth is going on." As he says, "The glory of foreign travel is I don't want to know what people are talking about. I can't think of anything that excites a greater sense of childlike wonder than to be in a country where you are ignorant of almost everything.... Your whole existence becomes a series of interesting guesses."

My guess is that it would be hard for anyone not to enjoy reading *Neither Here Nor There*. It is downright funny. Sounding a bit like Mark Twain in *Innocents Abroad*, Bryson conjures up a refreshing view of travel, and the book offers a rewarding, light read, especially before a journey to Europe. If you like laughing out loud and learning something while you are guffawing, this is the right book.

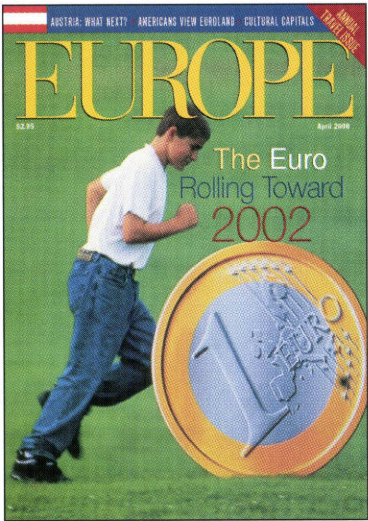
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