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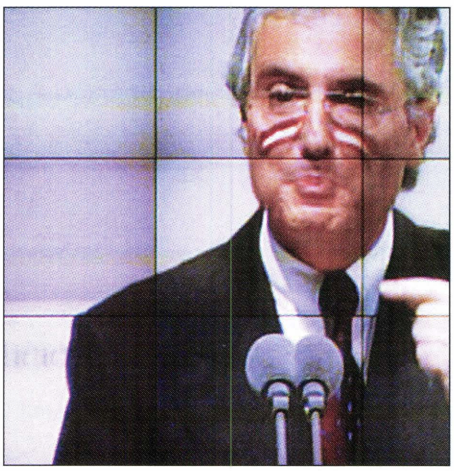

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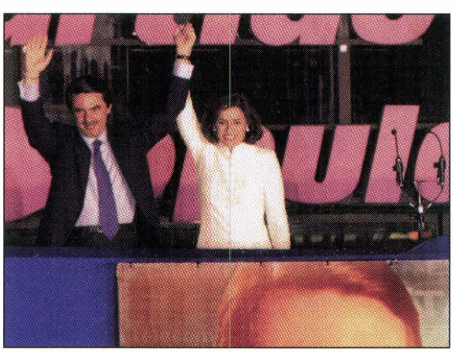


22

33

TECHNOLOGY

Is Europe Ready for the E-Future? The old continent is embracing the new economy. *Bruce Barnard* **8**

Interview. Erkki Liikanen, Europe's e-commissioner, discusses the EU's dot-com summit, the e-initiatives, Europe's lead in mobile telephony, and encouraging entrepreneurs. **11**

Europe's Mobile Advantage. Mobile telephony pioneers Nokia, Ericsson, and Vodafone Airtouch have staked Europe to an early lead in what may be the Internet's biggest sector. *Bruce Barnard* **14**

Interview. David Aaron, outgoing Commerce undersecretary, speaks out on a broad array of transatlantic digital issues, including e-commerce, e-taxes, privacy, and Internet security. *Axel Krause* **16**

Italy Gets Digital. Italian firms, from tire maker Pirelli to couturier Gucci, are making up for lost time. *Stephen Jewkes* **19**

e-Banking on Spain. High-tech banks are grabbing headlines as Spain emerges as a major player in on-line finance. *Benjamin Jones* **21**

SPAIN

Aznar Stuns Socialists. The Popular Party's victory marks a turning point in Spanish politics. *Benjamin Jones* **22**

Valencia. Not your average beach town, Valencia is emerging as an important Mediterranean business center. *Benjamin Jones* **25**

EUROPEAN AFFAIRS

Slovakia Heads West. With a new government and its EU membership application on track, Slovakia is getting renewed interest from Western investors. *Barry D. Wood* **28**

Interview. Pavol Hamzik, Slovakia's deputy prime minister, discusses his country's political and economic situation and its progress toward joining the EU and NATO. **30**

TRAVEL

Cocina de Valencia. Local wines, fresh seafood, and a plethora of paella. *Benjamin Jones* **27**

Santiago de Compostela. For centuries, this small Spanish town has beckoned religious pilgrims. *Ester Laushway* **33**

DEPARTMENTS

2 Letter from the Editor

4 Eye on the EU. Greece says it is euro ready.

5 Euro Notes. France and Germany take different approaches

6 EU On-Line. Who wants to be an e-millionaire?

38 Capitals. Spielberg to film French book; the tangled web of World Online; Guinness home sold; will the Oresund link lead to another bridge?

47 Arts & Leisure. *Bruce Chatwin, The Croupier* reviewed

LETTER FROM THE EDITOR

The 'old continent' is embracing the 'new' economy. The European Union is pulling out all the stops to catch and overtake the United States in the race for leadership of the global, knowledge-based, Internet-driven economy," writes Bruce Barnard in our special issue looking at e-Europe. From e-commerce to mobile telephony to Internet use to e-banking, *EUROPE* takes our readers on a digital tour of the new e-Europe.

EUROPE interviews European Commissioner for Enterprise and the Information Society Erkki Liikanen via e-mail after the so-called dot-com summit held in Lisbon in late March. Describing the Lisbon summit as "a major success," Liikanen outlines how Europe is transforming itself into a global competitor in the new digital economy.

"One of the commitments from the Lisbon summit," he says, "is to stimulate the growth of an entrepreneurial culture across the European Union." He goes on to detail the EU's e-Europe strategy and a new legal framework for e-commerce.

EUROPE contributing editor Axel Krause interviews former Commerce undersecretary David Aaron in Paris. Known as the Clinton administration's 'Mr. E-commerce', Aaron gives his perspective on the new e-economy and transatlantic relations.

One area in which Europe has a clear lead over the US is in mobile telephony, with industry leaders Nokia of Finland, Ericsson of Sweden, and Vodafone Airtouch of the UK leading the way. Bruce Barnard reports on Europe's development of Wireless Application Protocol (WAP), which allows users to send e-mails and access information from the Internet on a mobile phone.

Stephen Jewkes, writing from Milan, looks at how Italian companies are racing to catch up in the digital sector, and Benjamin Jones, our Madrid correspondent, investigates Spain's advances in e-banking.

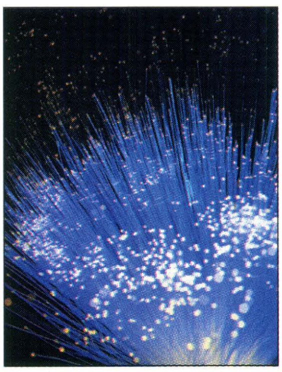
Jones also profiles the recent Spanish elections, which marked a turning point in that country's political scene. "The ruling center-right Popular Party led by Prime Minister Jose Maria Aznar handily won the vote in the party's finest performance since democracy returned to Spain following the death of dictator Francisco Franco in 1975," he writes. Jones goes on to outline Aznar's agenda for his second four-year term.

Slovakia is looking forward to becoming a member of the European Union. As Barry Wood writes in "Slovakia Looks West," the Slovaks' future looks bright politically and economically. Pavol Hamzik, the deputy prime minister of Slovakia for European integration, spoke with *EUROPE* during a recent visit to Washington, DC. Hamzik discusses why joining the EU "is the greatest achievement in the history of Slovakia."

Ester Laushway continues her series on this year's Cultural Capitals with an in-depth profile of Santiago de Compostela, Spain, and its historical and religious heritage that has drawn visitors for centuries. We also profile the Mediterranean port city of Valencia.

Robert J Guttman

Robert J. Guttman
Editor-in-Chief



On the cover: Optic fibers, which transmit information using light pulses along hair-thin glass fibers, are able to carry much more information than copper wires. Many new Internet applications, however, are being designed for a 'wireless' environment, using radio waves to transmit information, largely bypassing land lines altogether.

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EYE ON THE EU

Profiling Personalities and Developments Within the European Union

GREECE READY TO JOIN EURO CLUB

The weakness of the euro on world currency markets (which has declined from a high of $1.18 at its launch to as low as 90 cents) should not disguise the fact that economically it has been seen as a significant success.

In mid-March, the European Central Bank reported that economic growth in the eleven-nation euro zone was expected to reach the record level of 3 percent this year, with a similar rate predicted for 2001. Unemployment, currently at around 9.5 percent, is falling steadily, and inflation—despite the sharp rise in oil prices—is set to remain below its target ceiling of 2 percent both this year and next.

The continuous fall in the euro's exchange rate is attributed not to any serious problems in the euro zone's economy but to the exceptional strength of that in the United States, which has driven the dollar inexorably upward. If this trend were to continue indefinitely, it would threaten increased inflation in Europe as import prices rose. The general expectation, however, is that US growth should slacken during 2000, as Europe's economy continues to accelerate and that the euro will consequently recover to a level of more than parity to the dollar.

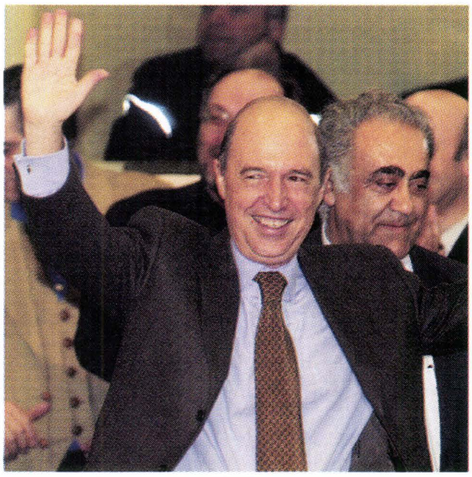
If this happens, it should help to remove doubts that persist in the four member states that did not participate in the launch of the euro. One of these was Greece, which was eager to join but was unable to meet the convergence criteria set by the Maastricht Treaty.

It was with enormous satisfaction that Greek Prime Minister Costas Simitis announced in a special television broadcast on March 9th that Greece was now in a position to meet the criteria and was applying for its membership to begin January 1, 2001. In particular, he said that Greece's budget deficit this year would fall to 1.7 percent of GDP, well below the Maastricht limit of 3 percent. Inflation, currently at 2.1 percent, met the requirement that it should be within 1.5 percent of the average of the three best-performing states.

Greece's accumulated debt is still more than 100 percent of GDP but is steadily falling. This trend should enable it to be accepted on the same basis as six of the eleven original members whose debt exceeded the 60 percent target but were judged to be making "sufficient progress" toward this objective.

The European Commission and the ECB have been greatly impressed by Greece's recent economic performance and are expected to recommend to EU finance ministers that the Greek application should be accepted. If the ministers agree, a formal invitation could be issued at the next EU summit in Portugal on June 19–20.

On the same day that Greece was making its application, two of the other three EU non-members of the euro zone took significant steps toward following suit. Danish Prime Minister Poul Nyrup Rasmussen announced that Denmark would hold a referendum on September 28 to decide whether to apply.



Prime Minister Costas Simitis won a narrow victory in Greece's April general elections.

His Social Democratic government strongly backs membership, but the opinion polls show only a narrow lead for the supporters of the euro. Rasmussen is banking on this lead increasing as the day of decision approaches, but the current optimism cannot be taken for granted. People remember only too well how Danish voters nearly derailed the Maastricht Treaty when they unexpectedly voted against it in a referendum in June 1992. That defeat necessitated tricky diplomatic negotiations before the voters were persuaded to change their minds eleven months later.

Assuming all goes well in the September poll, Denmark should be able to join the euro at the same time as the Greeks, or at least before January 1, 2002, when the first notes and coins will come into circulation.

Sweden is less likely to make it by that date. Although the governing Social Democratic Party voted decisively at a special congress to recommend adoption of the single currency, the Swedes too will face a referendum. At present the balance of public opinion is remarkably even, with the opponents slightly ahead. Prime Minister Göran Persson wants to allow more time to build support. Few people expect the referendum to take place in advance of the next election, due only in September 2002. So, even if the Swedes vote in favor, they will probably only come into the euro zone a year or more after the Danes.

This scenario would leave just the ever-reluctant Brits. It is already obvious that Tony Blair will not risk a referendum in advance of the next general election, now generally expected in May 2001 but could come as late as a year later. Before then Blair has a mountain to climb, as the opponents—whipped up by a demagogic press playing on nationalistic prejudices—currently enjoy a two-to-one lead in the opinion polls.

—Dick Leonard

GERMANY AND FRANCE TAKE DIFFERENT APPROACHES

One of the most striking developments in the euro-zone this year is how France appears to be displacing Germany as Europe's champion of a strong currency and high growth.

According to recently published figures, the French economy grew at an annualized rate of 4 percent in the second half of last year. Furthermore, 1999 will go down as the fifth year in a row that France has grown more rapidly than Germany. By contrast, Germany has lagged behind its continental partners for most of the past decade, and still finds it hard to persuade international investors that its economic policies are on track. For example, over the past five years, it has attracted direct foreign investment amounting to only 0.4 percent of gross domestic product compared to 1.5 percent for France.

To a degree, these differences come down to perception. The center-left French government led by Lionel Jospin has been extraordinarily adept at smothering the negative impact of the thirty-five-hour working week and other policies that go against the grain of a flexible labor market. Jospin has taken a page out of former president François Mitterrand's book, talking like a man of the left for political reasons while discreetly acting in the interests of business. For example, his government has been a more active privatizer of state-run industries than the previous center-right government led by Alain Juppé.

The center-left German government led by Chancellor Schröder, by contrast, has suffered because it has been unable to offset the negative impression created by the bailout of the ailing construction company Philipp Holzmann and the legacy of Oskar Lafontaine, the left-wing firebrand finance minister.

Genuinely important economic reforms—such as the December 1999 tax-cutting package—have therefore tended to be overlooked. Meanwhile, the successful hostile bid by Vodafone AirTouch, the UK telecommunications group, for the German firm Mannesmann—which looked like a breakthrough in corporate restructuring—has lost some of its sheen as a result of the collapsed merger talks between Deutsche and Dresdner Bank.

The question is whether these developments point to a deeper trend whereby France could reasonably lay claim to have overtaken Germany as Europe's most successful economy—or whether its present strength will prove a flash-in-the-pan.

On the credit side, says one former senior German financial official, France is reaping the benefits of an anti-inflationary policy going back almost twenty years. The decisive moment came with the collapse of Mitterrand's "Socialism in one country" in 1983.

After the humiliating devaluations of the French franc against the deutsche mark, successive governments of the left and right have consistently pursued the franc-fort policy. They also assiduously pushed ahead the strategic goal of a single European currency, which would give France an equal voice on the setting of monetary policy in Europe, destroying the hegemonic role of the Bundesbank.

The striking development since the launch of the single currency is how the French have stuck to the policy of a strong euro, confounding predictions that they would advocate a weaker currency to artificially boost European competitiveness. The Germans, on the other hand, have been much more equivocal, apparently seeing a weaker euro as a much-needed device to bolster German exports in world markets and thereby strengthen sluggish domestic growth.

> **According to recent figures, the French economy grew at an annualized rate of 4 percent in the second half of last year.**

This contrast points to two crucial differences between the performance of the French and German economies in the 1990s. First, it indicates the huge cost of German reunification on Germany's public finances, driven by the need to absorb the vastly uncompetitive East German economy. Second, Germany was locked into post-EMU exchange rates based on a less-than-favorable 1987 currency realignment.

As one senior French Finance Ministry official notes, "If the Germans had known that 1987 was going to be the last time they would alter currency parities before locking exchange rates in 1999 (ahead of EMU), they would surely have sought another realignment."

Despite the current mood of confidence in France, there are several caveats to the argument in favor of a shift in economic power on the European continent. Germany still represents the single most powerful entity in terms of economic output, and it still has enormous potential to grow through its natural "hinterland" in the emerging markets of Central and Eastern Europe.

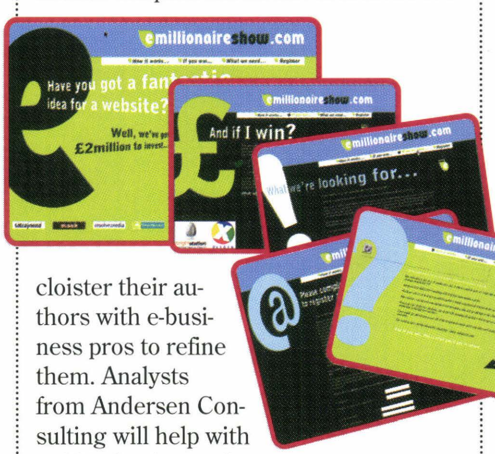
The French government is also experiencing a sticky patch, having backed away from significant reforms in state pensions. The resignation of Christian Sautter, the technocratic finance minister, was also a blow to the reform cause, though Laurent Fabius, his successor, may offset this.

The most decisive issue is whether Jospin is soft-pedding economic reform (and a necessary further pruning of the public deficit) in the run-up to the French presidential elections of 2002. The suspicion is that he sees himself as the natural candidate of the left to take on President Jacques Chirac; if so, politics may still triumph over sound economics in Europe this year.

—*Lionel Barber*

WHO WANTS TO BE AN E-MILLIONAIRE?

Venture capital firms, who needs 'em? The United Kingdom's Channel Four television station is offering as much as $3 million for the next great dot-com idea. Aided by a group of Internet consulting partners, Channel Four is soliciting contestants to submit e-business ideas for its *Emillionaireshow.com* (**www.emillionaireshow.com**). The station will pick the fifteen best ideas and cloister their authors with e-business pros to refine them. Analysts from Andersen Consulting will help with writing business plans, and expert web designers will build mock-ups of the web sites. The prospective e-millionaires will then pitch their ideas during a live national broadcast.



Viewers will vote for their favorites via e-mail (naturally), and the top five ideas move on to the final round. An ad agency will design a marketing campaign for each of the prospective ventures, and Channel Four will broadcast the contestants re-pitching their fleshed out ideas to a consortium of investors.

The winning idea is guaranteed at least $1.5 million in startup capital. A further $1.5 will be allocated among the five finalists based on the strength of their ideas. In return, the winner agrees to cede a one-third interest in the new company and two board seats to Channel Four and its partners. In addition, one lucky viewer will win a 1 percent stake in the winning venture.

The show's producers say they are looking for ideas that exhibit originality, clarity, and practicality. They caution, however, not to send clones of sites that already exist—i.e. no on-line bookstores. "And whatever you do," they plead, "please try to come up with an original name. We advise avoiding things like amazonian.co.uk or attheverylastminute.com."

SWEDEN'S TRADEDOUBLER ENLISTS SOROS

TradeDoubler, the Stockholm-based Internet marketing firm, announced a $10 million investment by international investor George Soros and Arctic Ventures, a Swedish Internet venture capital fund. TradeDoubler co-founder and CEO Felix Hagno said the funds would help the company expand. "We gain the ability to rapidly roll out our services across Europe and, in turn, provide more value to our clients," he said. This month, the company plans to begin offering its services in Denmark and Finland, with Germany and France to follow soon.

Based on the principle of pay-for-performance marketing, TradeDoubler (**www.tradedoubler.com**) helps e-merchants build networks of web affiliates. The affiliates, which are generally smaller, specialty web sites, offer links to the e-merchant's site in return for a commission on the amount of traffic they funnel to the e-merchant and the amount of business this traffic generates.

TradeDoubler offers e-merchants a patented technological platform and a range of services that help them operate and manage their affiliate programs, including administering commissions; tracking and reporting traffic, leads, and sales; and providing technical support. The firm currently manages fifty affiliate programs, which combined represents some 60,000 affiliate relationships.

Several major US e-commerce companies, including Amazon.com and Pets.com, have built successful affiliate programs. Jupiter Communications says that in 1998 11 percent of on-line sales stemmed from affiliate programs. The Gartner Group expects that by 2002 more than 50 percent of on-line sales will originate from affiliate sites.

TradeDoubler has seen a whirlwind of activity in the seven months since Hagno and partner Martin Lorentzen opened their doors last November. In February, the firm expanded its operations to the United Kingdom, and last month, the firm named Stig-Arne Larsson, the former CEO of the Swedish telecom group Telia, as its chairman of the board.

BODY SHOP INKS DIGITAL DEAL WITH SOFT BANK

The Body Shop, the UK producer of environmentally friendly skin and hair products, has joined with Japanese-owned Soft Bank Venture Capital to form an e-commerce company. The new firm, called The Body Shop Digital, will be based in Seattle and hold exclusive rights to develop the popular brand globally.

According to The Body Shop's CEO, Patrick Gournay, the deal addresses a critical area for the company. Although The Body Shop has some 1,730 stores worldwide, its current web site (**www.the-body-shop.com**) does not sell products. "A strong Internet-based business is an important element in our multi-channel strategy to build and broaden our relationships with our customers," he said.

The Body Shop gains a veteran e-commerce partner in Soft Bank Venture Capital (**www.sbvc.com**), which has stakes in some 300 e-companies worth more than $2 billion. The Mountain View, California-based subsidiary of Soft Bank paid $15 million for a 24 percent share of the new venture. "It is part of Soft Bank's ongoing mission to help create the next generation of retailing giants through launching or re-launching big brands in the new on-line economy," said Bradley Feld, Soft Bank Venture Capital's managing director.

The Body Shop owns 59 percent of the digital company, which will launch the new site in the US in advance of the Christmas 2000 season.

FIRMS RETHINKING FILM ON-LINE

The film industry has been particularly quick to harness the marketing power of the Internet. Last year's monster hit *The Blair Witch Tapes*, which was shot on a shoestring budget, generated much of its early buzz from a creative web site. Indeed, most production companies now launch a web site for each of their new releases. These sites generally include interviews with the actors and director, video clips, and other tidbits of hype.

This year two companies are taking the Internet approach one step further. In February, Resolve Media (**www.resolvemedia.net**), a new British web venture, launched its first site, which promotes the upcoming British film *Kingdom Come*, a Wild West version of Thomas Hardy's novel *The Mayor of Casterbridge,* starring Milla Jovovich and Nastassja Kinski. Unlike most film web sites, **www.kingdomcomemovie. com** is a work in progress that actually charts the making of the movie. Most film sites don't go live until the movie is nearing release. The *Kingdom Come* site allows movie buffs to track the evolution of the film from the development process (which seems to consist mainly of a bunch folks talking about making a movie) all the way through preproduction, shooting, editing, and finally, its theater release.

The site also includes many of the bells and whistles web surfers have come to expect from hip sites, including a video tour of the set, desktop art downloads, and a registration page for e-mail updates. But instead of interviews with just the stars and the director, the site includes insightful conversations with the crew and the extras.

Meanwhile, SightSound.com, a Pennsylvania-based Internet company 26 percent owned by the German firm Intertainment, is focusing on delivering full-length feature films over the Internet. In the last two months, the company has made deals with Miramax Films and Franchise Pictures to provide the technology for customers to rent and buy films on-line. Furthermore, this month, SightSound will release the first full-length movie on-line, *Quantum Project,* starring Stephen Dorf and John Cleese.

BITS & BYTES

Six international airlines announced they will build a business-to-business Internet market for carriers and their suppliers. **Air France**, **American**, **British Airways**, **Continental**, **Delta**, and **United** will form the company, which will be based in the US and is expected to generate more than $30 billion in purchases and sales of items like fuel, parts, electronics, and maintenance service. The venture is expected to lower transaction, processing, and inventory costs...... The race to secure new mobile phone licenses is heating up. Last month, the UK raised almost $35 billion from the auction of five new licenses. The winning bidders included **Vodafone AirTouch** and its subsidiary **Orange**, **British Telecom**, **One 2 One** (a unit of Deutsche Telekom), and **TIW UMTS** (a subsidiary of **Telesystem International Wireless** that will operate the service with **Hutchison Whampoa**). Meanwhile, the Netherlands will auction new mobile licenses this summer, and Italy expects to raise some $12 billion from the sale of five licenses in September...... Last month as the **European Commission** moved to increase telecom competition, it announced it was taking legal action against Germany, Italy, and Spain regarding their telecom pricing practices...... An Italian judge recently ruled that copying software programs is legal as long as the copies are not sold for profit. Software makers generally insist that customers buy a license for each copy of a program. **Microsoft** called the ruling a blow to efforts to curb piracy, which costs the Italian software industry some $350 million per year. The Italian parliament is discussing a new law designed to end the controversy...... The **Dutch government** announced a new campaign to increase Internet use among students and small businesses. "If we compare ourselves with Sweden and Finland," said Annemarie Jorritsma, the Netherlands' economic affairs minister, "we have some ground to make up." The initiative includes spending more than $700 million during the next two years to provide some 12,000 institutions with broadband Internet access and educating students.

—*Peter Gwin*

e-Europe

By Bruce Barnard

The "old" continent is embracing the "new" economy. The European Union is pulling out all the stops to catch and overtake the United States in the race for leadership of the global, knowledge-based, Internet-driven economy.

Just a year ago, the EU was an also-ran as the US built up a seemingly unassailable lead in the on-line sector. Europe had nothing to match new economy icons like Microsoft, Oracle, Intel, Yahoo, E-bay, Amazon.com, and America Online.

Famous European names like Mercedes, Ikea, Nestle, and Heineken are firmly rooted in the old economy. However, new names are coming to the fore as Europe has begun to produce serious contenders like Nokia and Ericsson, which have established a clear lead over American firms in mobile telephony; Bertelsmann, the German media giant that aims to knock Amazon.com from its perch atop the e-commerce league; SAP, one of the world's biggest business software groups; and Vodafone AirTouch, the world's leading mobile phone operator.

Europe's politicians and policymakers have adopted the "new" economy religion. The EU's "dot-com" summit in Lisbon at the end of the March set a lofty goal of transforming Europe into the world's most competitive region by 2010.

The EU isn't playing down the size of the task. Erkki Liikanen, the EU's enterprise commissioner, says Europe has only three to four years to catch the US before the gap becomes unbridgeable. And there is a huge transatlantic gap: 30 percent of Americans and Canadians are hooked up to the Internet compared to an EU average of 15 percent. Penetration varies widely across Europe from a low of 5 percent in France and Italy to 22 percent in the United Kingdom and 55 percent in Sweden.

There is no sign that the US is about to surrender its early lead. The Boston Consulting Group estimates that by 2003 American firms will trade $2.8 trillion worth of goods and services—almost a quarter of all business-to-business purchasing in the US—either via the Internet or private electronic data interchange networks. The rest of the world will only account for $1.8 trillion. Forrester Research forecasts that only northern Europe, led by the Nordic region, will come close to US figures.

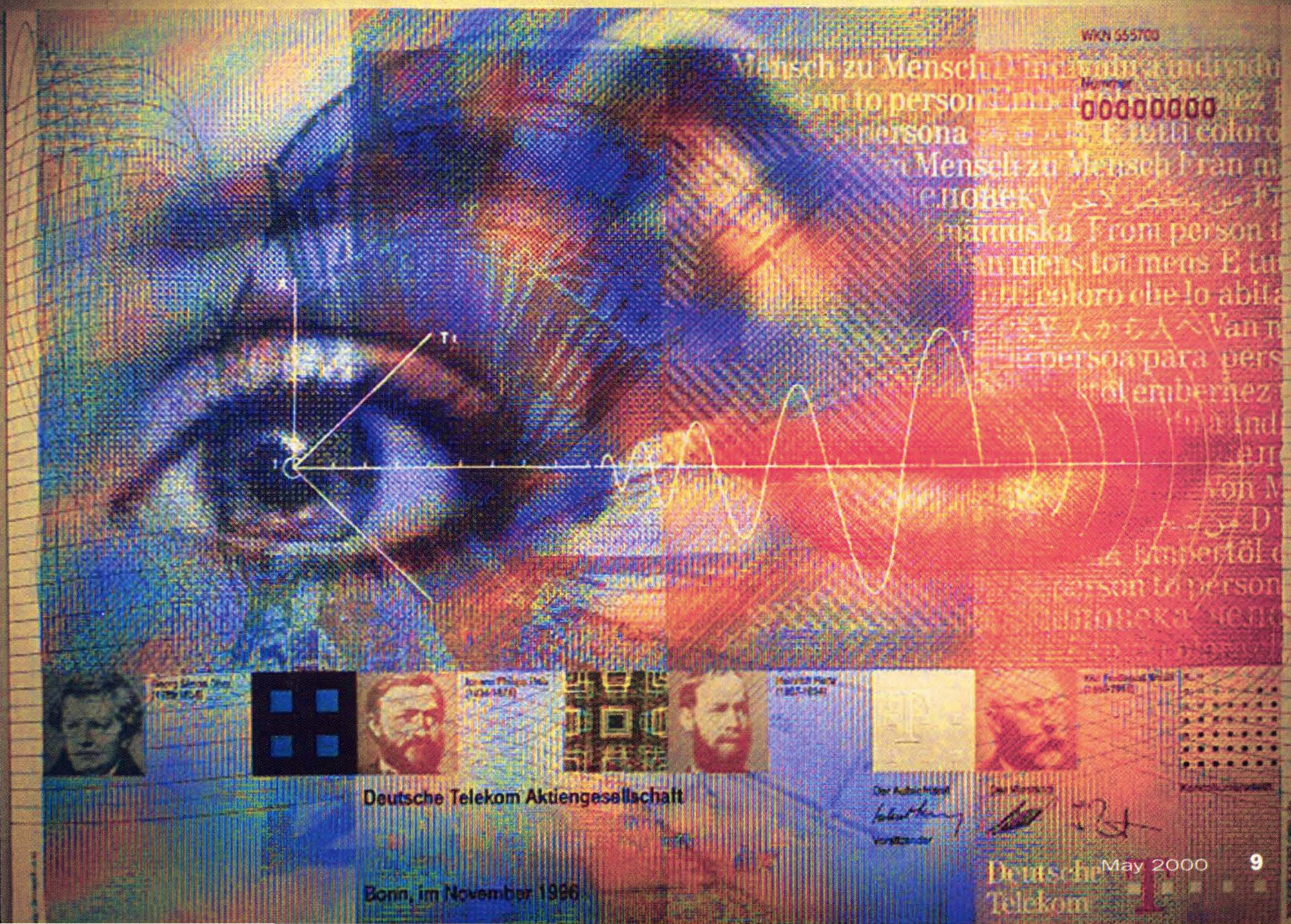
The EU should make it easier for European startups, according to Liikanen. Setting up a business in the US takes an average of ten days and costs around $500 in legal fees; the comparable EU figures are eleven weeks and $1,600.

The EU's challenge to the US risks being stunted by a crippling shortage of information technology skills. Microsoft says the West European shortage will reach 1.7 million information technology (IT) professionals by 2003. That is 13 percent of total demand for 13.1 million IT workers, compared to 5 percent just two years ago.

Europe's e-commerce breakthrough came in the UK earlier in the year when two US firms, NTL, a cable operator, and Alta Vista, an Internet search engine, offered subscribers unlimited toll-free access to the Internet. British Telecom, which accounts for 80 percent of local calls, the majority made up of Internet traffic, immediately responded, triggering a price war throughout the industry. Alta Vista estimates that 50 percent of Britons will be connected to the net within eighteen months compared with around 20 percent at present.

The price war soon crossed the English Channel. Germany's T-Online, Europe's biggest Internet service provider with 4 million users, offered unlimited access for a flat monthly fee of around $50 in May. "We want to turn

Deutsche Telekom CEO Ron Sommer addresses a shareholders' conference in Cologne. Deutsche Telekom is the parent of Europe's biggest Internet service provider, T-Online, with 4 million users.



Germany into an on-line nation," said Ron Sommer, chief executive of Deutsche Telekom, T-Online's parent.

The EU on-line market is taking off, but American firms like Amazon.com are building a strong presence and account for 20 percent of sales. In the fastest growing markets, such as brokerage, computer software, books, and videos, their share exceeds 50 percent.

Amazon.com is Europe's biggest e-commerce site with more than a million consumers in the UK alone using it to buy books and CDs worth more than $160 million in 1999. The Seattle-based company is now ready to expand beyond the UK and Germany. "E-commerce is about to erupt throughout Europe, and we want to be in a position to lead that," said Joe Galli, president and chief operating officer.

US companies are ten times more likely to sell to Europeans via the web than vice versa, according to Boston Consulting Group. Moreover, the US take is set to grow as leading US electronic retailers (or e-tailers), such as Priceline.com, Travelocity, and Buy.com, facing a glutted market at home, cross the ocean, attracted by a 200 percent annual growth rate.

Nevertheless, there are problems thwarting the growth of e-tailing. In Germany, Europe's biggest market, only one in seven consumers have a credit card, and polls reveal that three-quarters are reluctant to buy on-line.

When a German court fined the head of CompuServe's German business 100,000 deutsche marks ($50,000) and handed down a suspended prison sentence for failing to stop access to pornographic web sites in 1997, analysts feared Europe's biggest market was turning its back on the Internet revolution.

But Germany is ripe for e-commerce. Jeff Bezos, founder of Amazon.com, is full of praise for Deutsche Post, the postal authority, for providing next-day delivery across the country. According to IDC, an Internet consultancy, Germany had 19.5 million Internet users at the end of 1999, and this number will grow to 47.8 million by 2003, pushing the UK into second place. IDC reckons e-commerce revenues will surge from $6.7 billion to $134.3 billion over the same period. That is why cash-rich Bertelsmann is confident it can become one of the world's biggest e-tailers.

European firms in sectors as diverse as banking, groceries, oil, and automobiles are going on-line, rapidly closing the gap with their American rivals.

The action is not restricted to Scandinavia or northern Europe, the traditional pacesetters. Spain has emerged as a frontrunner with banks, telecom companies, and Internet firms joining forces to promote e-commerce. Bilbao Banco Bilbao Vizcaya Argentaria, a leading bank, is merging its e-commerce and net-based banking operations with those of Telefonica, the biggest telecom group, and made a $282 million joint bid with Terra Network, the Internet service provider, for First-e, a Dublin-based on-line bank.

Italy, too, is embracing e-commerce. Telecom Italia has teamed up with Banca di Roma to create an on-line bank, and ENEL, the giant electric utility joined forces with Internet Capital Group of the US to develop business-to-business e-commerce. Pirelli, the tire and cable maker, is spending more than $960 million in three years to develop Internet projects to boost manufacturing and marketing. The project, called e-Pirelli, envisages the launch of five fully robotized e-factories.

Big Business is leading the move into e-commerce. Europe's top three oil companies—BP Amoco, Royal Dutch Shell, and Total Fina Elf—and two leading banks—Deutsche Bank and Société Générale—joined US investment banks in setting up an Internet-based market in Atlanta. Set to open by year's end, the new e-market will focus on over-the-counter trading in energy and commodities.

Leading European multinationals plan to switch most of their purchasing on-line. BP Amoco, for example, will soon be buying $4 billion worth of supplies and equipment annually, helping it to make "huge" savings, says chief John Browne. By the end of the year, the company expects to be conducting 95 percent of its purchases through "e-tendering." So far, it is making savings up to 25 percent on selected supplies by shopping on-line.

The United Kingdom boasts some of the most successful e-commerce ventures. Tesco, a leading supermarket chain, claims to be the world's biggest e-tailer, generating more than $200 million in annual sales from 100 outlets and more than 250,000 on-line customers. In another first, supermarket chain Somerfield raised $488 million by auctioning forty-five stores on-line.

European firms also are pulling ahead of their US competitors in some business-to-business sectors. Germany's SAP has launched a new product line to meet a challenge by US rivals Siebel Systems, Ariba, and Commerce One by setting up new platforms for business-to-business transactions. It has developed a virtual oil and gas exchange with Statoil, the Norwegian oil company, that allows member companies and their suppliers to trade maintenance and repair goods and services on-line.

A typical European success story is Stockholm's Icon Medialab, which advises companies on developing successful web sites and e-business strategy. It has built an impressive array of blue-chip multinational customers, including DHL, Siemens, Philip Morris, and Nokia. ⓔ

In March, EU leaders gathered in Lisbon for its dot-com summit, which was aimed at setting Europe's e-agenda.

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

Erkki Liikanen

European Commissioner for Enterprise and the Information Society

Erkki Liikanen, Europe's e-commissioner, addressing an Internet conference in Madrid in January.

EUROPE INTERVIEW

In the spirit of his job, Erkki Liikanen, Europe's so-called e-commissioner, recently sat down at his computer for an e-mail interview with *EUROPE* editor-in-chief Robert J. Guttman. The commissioner, whose issues took center stage in March during the EU's summit in Lisbon, discusses Europe's plans to stimulate entrepreneurism, the EU's so-called "e-initiatives," the European lead in mobile telephony, and a host of other e-issues.

The Lisbon summit held in late March and dubbed the "dot-com summit" attempted to set the agenda for making Europe "the most competitive and dynamic knowledge economy," according to its host Portuguese Prime Minister Antonio Guterres. How successful was the summit at meeting this goal and preparing to meet the challenges of the emerging e-economy?

As e-commissioner, Liikanen heads up the EU's Information Society-Directorate General. His web page can be found at www.europa.eu.int

The Lisbon summit was a major success. The European heads of state and government gave their strong commitment to ensure that Europe catches up in the digital economy and becomes a competitive and entrepreneurial economy. Lisbon gave a powerful message. It is focused. It demonstrates a sense of urgency. The clock is ticking, and time is running. We must move fast and accelerate Europe's transformation.

We must cut the red tape for business. It is still much more expensive, difficult, and time-consuming in Europe to launch a company than in the United States. European startups have an inbuilt competitive handicap.

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And when the Internet goes mobile, this will be the real

We want to ensure access for all in the new e-economy. In Europe, our vision is inclusive. We want an information society for all of our citizens. Access for all is not only an important social objective, it is also an important economic objective.

The United States is known for its entrepreneurial climate, as evidenced by Silicon Valley and the hundreds of successful Internet startup firms. What is Europe going to do to stimulate an entrepreneurial climate?

One of the commitments from the Lisbon summit is to stimulate the growth of an entrepreneurial culture across the European Union. We need to create a favorable environment for companies to emerge and for them to grow. We need to realize the full potential of the European economy. This is only partly a matter of the availability of risk capital. The situation is actually improving in that area.

Above all, we have to change our mentalities, and we must realize in Europe, as they do in the US, that risk-taking always entails a possibility of failure. Failure is not accepted in Europe. But entrepreneurs must have a second and even a third chance or more to succeed.

Changing our business culture will be the toughest challenge. It is obvious that we cannot legislate an "entrepreneurial spirit," but we can put enterprise policy in the center of our priorities. The Lisbon summit has done this.

How would you explain the "e-Europe" initiative?

What Europe needs now is a new political initiative at the highest level with immediate and significant impact to accelerate our transition to the information society. Recognition of this need is why the European Commission launched the e-Europe initiative in December of last year.

It has three main objectives: to bring on-line every home, every school, every business, and every public administration; to create a digitally literate and entrepreneurial Europe that benefits from dynamic investors ready to develop and finance new ideas; and to ensure that the transition to the digital age is really a socially inclusive process that will build consumer trust and strengthen social cohesion.

The e-Europe initiative focuses on ten priority areas. They are to bring our children at school into the digital age by making the Internet available in all classrooms. As I mentioned earlier, we need to ensure cheaper Internet access through greater competition. We need to speed up the completion of the European internal market for e-commerce. People doing

research need higher speed Internet access, and we need to ensure secure electronic access through the use of smart cards. Also as I said, we need to make risk capital available. The disabled should be able to e-participate, and we have to take account of their special needs. We have to maximize using digital technologies for health care. Transportation should be safer and more efficient, and we need to develop intelligent transport. Finally, we need to boost on-line government in order to make government more open and more citizen-friendly.

Europe is a leader in mobile telephony with global firms such as Nokia and Ericsson. How is Europe promoting its advantage in this field?

If Lisbon is carefully followed up in the EU countries, we can catch up in the Internet and e-commerce. We have a unique chance to lead in the second generation of e-commerce and that is mobile e-commerce. By 2003, there will be one billion mobile phones worldwide of which 230 million will be in Europe. Two-thirds of all Europeans will have a mobile phone by then. And 85 percent of these third-generation phones will have built-in Internet access. A flood of new services will be offered to the many newcomers on the Internet. Many of today's PC-based information and e-commerce services will move to mobile terminals. And when the Internet goes mobile, this will be the real opportunity for Europe. Building on the success of GSM—on its industrial base and on its consumer base—Europe is well positioned to become the world leader in mobile commerce.

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Mobile commerce is definitely a strong point for Europe. Are there other areas where Europe is in a strong position vis-a-vis the United States?

There are two other areas where Europe is in a strong position. The first is digital television, which is well known in the United Kingdom. E-commerce based on digital TV is moving from early adoption to the mass market. This is an area of high potential. In terms of penetration, the market for digital TV in Europe, although still small today, is doubling or trebling in many member states. Pan European cable operators are emerging. This is the result of forward-looking policies and industrial leadership. Digital video broadcasting—like GSM—was born of effective industry consensus building. "Coopetition"—whereby companies cooperate and compete at the same time—is one of Europe's strengths and has been promoted by the EU's research and development programs.

A second great European strength is in our smart cards. Smart cards are a key technology for the new digital economy. They can be combined with mobile electronic commerce and digital TV. The e-Europe initiative will give a major impetus to pan-European use of smart cards—not only in e-commerce but also for health care and social security.

On your recent trip to Silicon Valley in California you said, "B2B or not 2B—that is the question." How important is B2B, or business-to-business e-commerce? What are some of the other developing areas of e-commerce?

Electronic commerce has many faces. There is business to business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), and also citizen-to-administration and business-to-administration. But it is in the B2B sector that the real e-commerce revolution is now taking place. B2B is the core of the market, representing more than 80 percent of total e-commerce. It is the most strategic and urgent area. E-commerce is no longer about hype. It is about business, old and new.

The e-commerce revolution is not only about saving costs. Beyond saving costs, e-commerce reduces time to market, improves quality, and opens up new markets. It creates new functions, new revenue streams, and new business models, which all deliver new value to customers. It is allowing companies to reinvent their core business. B2B is about shaping up new electronic marketplaces.

B2C is more of an evolution than B2B. In the US, B2C has developed faster than in Europe. The US advantages are well known: a single currency, a large homogeneous market, sophisticated small-package logistics, and a strong distance-selling tradition. To have the advantages of business-to-consumer e-commerce, we need to ensure access, literacy, and trust. The key factors affecting consumer behavior are trust and confidence in the on-line economy. These require a safe legal framework and accessible, effective on-line dispute settlement across borders. Lower Internet costs and higher literacy are equally important.

There are areas where B2C will be developing soon: banking, travel, computer equipment and software, books, and CDs.

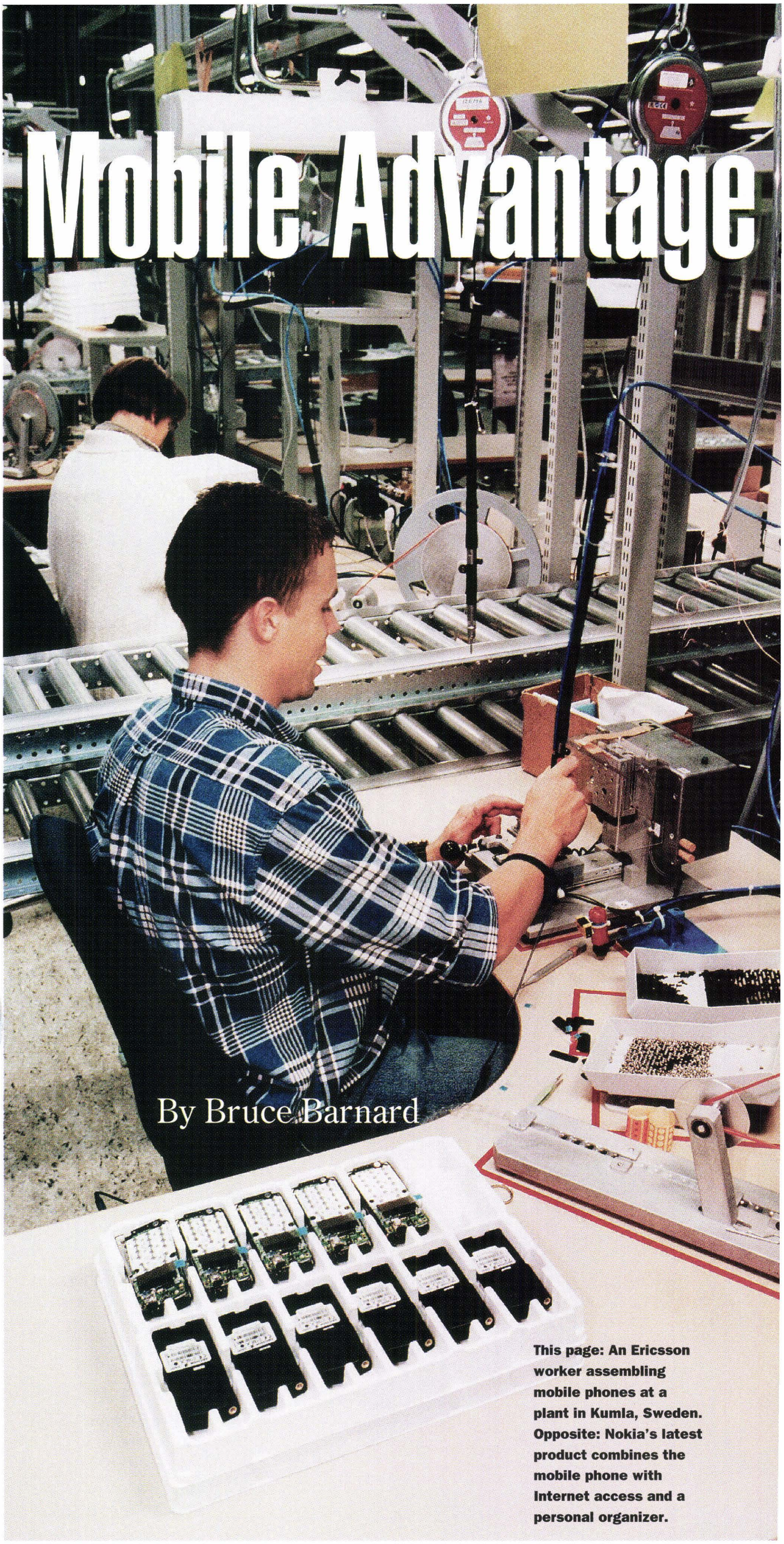
Is the European Union working on a legal framework for e-commerce?

One of the important commitments from the Lisbon summit is to complete the legal framework of e-commerce by the end of the year. A clear and predictable framework must consist of legislation and self-regulation. This is vital to build trust and confidence—the confidence for businesses to invest, but also confidence for consumers to engage in e-commerce. Work is now proceeding with speed. E-commerce is concentrating the minds also at the political level. In many other areas, including electronic signatures, privacy, self-regulation, alternative dispute resolution systems, codes of conduct—the EU is now moving forward on all these and is able to show the way. ⓔ

TECHNOLOGY

Europe's Mobile Advantage

European tech firms lead US in mobile telephony



By Bruce Barnard

This page: An Ericsson worker assembling mobile phones at a plant in Kumla, Sweden. Opposite: Nokia's latest product combines the mobile phone with Internet access and a personal organizer.

Europe has a once-in-a-lifetime opportunity to draw level with the knowledge-based US "new" economy thanks to its lead in mobile telephony.

The mobile telephone is poised to replace the personal computer as the most common way to surf the Internet, and this is the one high-tech area where Europe has a clear lead over America. Nokia of Finland is the world's biggest maker of mobile handsets, shipping 30 million more units than Motorola, its US rival, last year. Vodafone AirTouch become the world's biggest mobile phone operator after a record beating $183 billion takeover of Germany's Mannesmann gave it 21 million subscribers, or 12 percent of the world market. Europe has a huge lead in hardware, too. Ninety-five percent of its handsets are based on digital technology compared with less than 50 percent in the US, which is still largely using the less efficient analogue system.

Europe is reaping the benefits of its early decision to adopt the GSM digital cellular standard, which helped create a pan-continental mass market and shot companies like Nokia and its Swedish rival Ericsson into market leadership. The US, by contrast, has multiple cellular standards that, together with the use of older analogue phones and pagers, makes it harder for manufacturers to build a market presence in the new technology.

Europe also has built up a big lead over the US in so-called Wireless Application Protocol (WAP), which allows users to send e-mails and access information from the Internet on a mobile phone. This advance has been made possible by technological advances in "bandwidths," the amount of data that can be received or sent within a fraction of a second. This increased bandwidth enables the mobile phone to be used for many more purposes than originally envisaged, including video transmission.

Internet data, which appears on computer screens as full pages of information, is not suited to the small screen and limited capabilities of a mobile phone. WAP technology gives the data a new format that can be adapted to a handset. This is why analysts reckon the mobile phone will overtake the personal computer as the main Internet terminal, although the computer will still be used for more complex applications, such as spreadsheets and video players.

The first WAP phones only hit Europe's stores last fall, but some industry watchers believe that by 2003 the technology will be so widespread that it will be impossible to buy a conventional voice-only mobiles. In fact, manufacturers are expected to stop making conventional models at the end of this year.

The spectacular growth of mobile telephony in Europe has taken the industry completely by surprise. According to consultants at McKinsey & Company, "If mobile operators continue to penetrate European markets at the current staggering rate, by the end of 2000 at least half the population in most of them will have at least one mobile phone, [and] if current growth rates were to continue, mobile penetration will reach the saturation point within two to three years."

Europe's telecoms business has unleashed a whirlwind of mergers and acquisitions, with deals valued at around $364 billion last year, about twenty-two times the level of 1998 as companies jockey for position.

This industry realignment puts Europe in pole position to exploit the explosion in the global market. Says Analysys, a British telecoms consultancy, "With global mobile subscribers expected to top a billion by 2003—a staggering one in six of the world's total population—it is clear why this market is attracting so much interest."

Europe is rapidly making WAP the standard in mobile telecommunications as its telecoms companies, mobile phone manufacturers, and software firms join forces to launch information services. Nokia is in the thick of things. It teamed up recently with Visa, the credit card group, to test a system that allows consumers to pay for goods on the Internet using bank details stored in their mobile phone. It is also working with Brokat, a German Internet software house, to allow businesses to offer secure transaction services via WAP-enabled mobiles. And France Telecom is using Nokia's Internet-enabled phones to offer services such as stock prices, banking, weather reports, and news. Vodafone AirTouch is pulling ahead of its rivals with a plan to develop a mobile Internet portal that will be available across all its networks around the world. It has signed a deal to offer BBC news to its subscribers and linked up with BSkyB, the satellite television group controlled by media magnate Rupert Murdoch, to supply news, sports, and entertainment. This new market represents a gold mine for the advertising industry as mobile phones are with their owners most of the time, unlike the PC, and so can be reached at any hour.

Some industry watchers expect that WAP will have a limited life span and will be rapidly replaced by more sophisticated hardware, such as the General Packet Radio Service (GPRS), which will further increase the bandwidth and handle ten times more information than WAP technology. However, the size and resolution of the screen will be unchanged.

Many analysts forecast that most e-commerce will, in time, be conducted over mobile phone systems rather than desk-bound personal computers. The introduction of WAP technology is the first step in this revolution. And for once, it is Europe, not the US, that is in the vanguard. ⓔ

The Great Wired North

Nordic countries play leading role in developing the Internet

The Nordic nations may be on the periphery of Europe. But they are at the center of its Internet-driven "new" economy. More than 50 percent of people in Sweden, Norway, Iceland, Finland, and Denmark have personal computers, more than 60 percent have mobile phones, and well more than half have access to the Internet, way ahead of comparable figures for the United States.

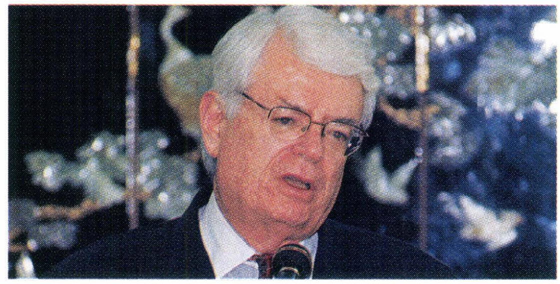
The region got a head start in mobile telephony thanks to early deregulation of its national telecommunication markets coupled with the establishment of a single cross-border standard that later spread south to continental Europe. These early developments explain why it boasts the world's first and third-largest mobile phone makers, Nokia of Finland and Sweden's Ericsson.

Nordic governments intend to maintain their global lead. The Swedish government, for example, plans to bring high-speed Internet access to every household in a $2 billion program to spread the information technology revolution to every part of the thinly populated country within two years. People living above the Arctic Circle will have the same access to the latest broadband services as residents of Stockholm.

Nordic companies also are pulling further ahead of their continental rivals in using the Internet. Finland's MeritaNordbanken, widely regarded as Europe's leading e-bank, operates one of the region's largest shopping malls and has more than 1.1 million customers on-line—making it the world's largest Internet bank. And ABB, the Swedish-Swiss engineering giant, has given all 8,000 employees in the United Kingdom, from top executives to factory workers, toll-free Internet access both at work and at home.

—Bruce Barnard

David Aaron



Former Undersecretary of Commerce for International Trade

Until last month, David Aaron was undersecretary of Commerce for international trade, widely regarded as "Mr. E-commerce" within the Clinton administration. Just prior to joining the Dorsey-Whitney law firm in Washington, he spoke with EUROPE *contributing editor Axel Krause in Paris, where Aaron previously served as US ambassador to the Organization for Economic Cooperation and Development (OECD), following a long career in government and three successful novels. He discusses the development of e-commerce and transatlantic relations.*

Historically, would you place the emergence of e-commerce on a par with the coming of the printing press, the automobile, or the mail-order catalog?

I would say it is closer to the second coming of electricity and the telephone because it is really focused on communications, but it has enormous implications for the structure of society. You can already see this happening in the automobile industry, for example.

In America at least, the industry is transforming itself from major manufacturing institutions into those that will do basically three things: they will design cars, they will assemble cars, and they will sell cars, including financing. But they will not make anything.

The process will involve pushing to [the car makers'] subcontractors not just the manufacture of small components, but major components, such as engines, transmissions...and requiring they do the research and development as well. And all of this being managed by the Internet. What you see is an opportunity for small and medium-sized businesses to become global.

When did you first sense that e-commerce was going to be big, something more than just an extension of computer use?

About five years ago, I was at the OECD, and you could start to see all these things coming together...you could see it in the economic data. For twenty years, people were investing in information technology and getting nothing out of it. Papers were being written asking, "Whatever happened to the productivity increases that information technology was supposed to bring?"

Suddenly, people started to see it coming together—the interconnection of the Internet and information technology. This is what did it.

What is your reaction to recent OECD figures showing that the United States accounts for about 80 percent of the global total of e-commerce, leaving Europe with only 10 percent?

Those numbers are, I think, quite retrospective. The trend today is changing quickly in Europe and particularly via mobile telephony. You are getting much lower-cost access to the Internet, which has been brought about by competition...telephone monopolies are being broken up. All of these things are making it possible for this (e-commerce) to flourish here. There is real determination in Europe to get involved and catch up.

Where are the greatest numbers of web sites in the world today?

Last year, 90 percent were in the United States. But that is going to change. Not only is there a saturation effect, but other parts of the world are catching up. A really interesting question is whether or not there will be enough other changes to make that possible.

What do you mean by "other?"

Take delivery services, many people still do not recognize how dependent e-commerce is—even business-to-business e-commerce—on UPS, Fed-Ex, and other delivery services. And if those services remain as constrained as they are in many European countries, because the postal offices still have the monopoly, this will be a major constraint on electronic commerce.

But haven't some of the key postal services in the EU moved to privatizing?

They have, but I'm still not sure whether they are not going to abuse their dominant market position. In Germany, we see that already, and we are having a big fight with Germany about it. Deutsche Post is basically using its postal revenues to subsidize its delivery service to drive competitors out of the market. If they succeed, this won't be a benefit for electronic commerce. It will be a deficit.

Is it still true that the United States leads in the development of technology for e-commerce, while Europe lags?

That's basically true. But the Europeans have very good technology in the field of mobile telephony. This is important because most American companies now realize that it's one thing to be operating on the Internet from fixed computer stations but, on the other hand, that the Internet is moving toward the mobile platform, meaning mobile phones. And there, European companies have the so-called rapid protocol, so you can deliver the Internet to your mobile phones. That's going to change a lot of things.

So, you don't see Europe being left behind?

Only if it fails to take some basic steps, such as creating a genuine single market for electronic commerce, liberalizing key communications services, and (avoids) taxing or putting up new barriers. There still are some problems in the financial area, such as getting adequate venture capital. But there is no reason for Europe to be left behind. Europeans are just as bright (as Americans), they want to do it, there is enthusiasm, and there is a terrific market here.

But isn't the EU market for on-line retail sales, for example, relatively small?

Europe is the world's largest market after the United States. The European figure for on-line retail sales is expected to rise to about $9 billion this year, which comes out to more than 100 percent growth compared to 1999. That is still below the US (most estimates place 1999 US retail on-line sales at around $30 billion), but the expansion is rapid.

What does the Clinton administration mean when it says it wants a minimalist role for governments in regulating e-commerce?

It is in part attitudinal, and in part, it is practical. We used to have a joke at the OECD when we were first looking at electronic commerce...based on the European attitude that "we have to authorize things." The joke had the Europeans saying, "Let's get control of the Internet—before it creates jobs!" Our approach has been to try to have government provide what we call a consistent and predictable legal framework where necessary. We don't think the Internet should be a Wild West.

In what areas should governments or organizations like the European Commission be involved?

When it comes to privacy of certain kinds, (protecting) financial and medical records, children, and the rest, here we think, there need to be laws. The government also has a role in anti-fraud activities and in protecting intellectual property rights. Then there is the whole question of taxation. But we still think the self-regulatory model works best.

Why did you describe your recent agreement on private data protection with the European Commission as a breakthrough, and how does it relate to e-commerce?

It is extremely important that people have confidence that their personal information is being protected on the Internet and in electronic transmission to the Internet. Otherwise, they won't use it. The Internet, as booming as it is in the United States, would be about 30 or 40 percent more robust with regard to commercial use if (American consumers) felt it was more secure. It is extremely important to give people confidence.

In our discussions with the Europeans, we are trying to move them away from their data privacy directive, a comprehensive EU law that tries to anticipate every conceivable situation. This includes (establishing) data privacy czars in every country who would decide how it should be applied. The Carter administration in the 1970s rejected that model because we felt it would be an invasion of privacy.

So, what will the agreement accomplish?

It establishes a set of principles and practices that we (at the Commerce Department) will publish. It will provide guidance to our businesses on how not to run afoul of the European data-protection directive. The breakthrough we achieved is that, in the end, the European Union is going to have to decide whether the principles and practices we have developed are adequate. If adequate, then data can flow freely to those companies that subscribe. If not, (the data flow) could presumably be interrupted in one form or another. This is going to be very important for Internet companies.

Looking beyond information on the Internet, recent estimates show that the total spent by American consumers on-line is still only 1 percent of all retail sales, mainly involving books, toys, and music. Is business-to-consumer volume going to take off?

It is true that some 80 percent of all electronic commerce in the US is business-to-business, worth about $150 billion last year. By 2003, that segment will be around $3 trillion. On the consumer side, we did about $20 billion last year, and that number is estimated to rise to around $150 billion in 2003. This is in the United States. So, you can see it is growing dramatically, but it is much smaller than business-to-business.

Where will the major growth come from?

It is going to be in both areas, but the impact (in business-to-business e-commerce) will also be great in the way businesses are run...they will become much more decentralized, representing a way to minimize business risk. You substitute communications for control, a trend you will see in not only making automobiles, as I mentioned earlier, but in every sector.

Several organizations are studying e-commerce, such as the OECD, the EU, the WTO, and private groups. Wouldn't it make more sense to have one group leading?

That idea is sort of old economy. This (e-commerce) is growing so robustly and in so many different directions that you really do have to look at it from different perspectives. The OECD is basically looking at consumer protection and privacy. The WTO is looking at how and whether electronic commerce affects any of the trade agreements we have in fields such as property, investments, possible taxation of the Internet. In a lot of cases, they are coming to the conclusion that it hasn't really had any major effect on trade agreements.

But isn't there already a conflict here between Washington and the EU?

Yes. We do have a real difference with the Europeans, who want to classify all goods provided through the Internet—not those goods bought by you and shipped—but things like books, music...they want to treat those as services, not as goods. It goes right back to (the transatlantic dispute over) audiovisual (trade) where they have also wanted to apply restraints.

Will there be taxation of e-commerce?

In the United States, we have passed the Internet Tax Freedom Act, establishing a moratorium on any and all taxes for three years, ending in October 2001. The only tax that is really at issue is the sales tax. And the president has not come down on whether there should be a sales tax and if so, how it should be applied. Most governors (of US states) are in favor of it.

The European Commission recently announced plans for sales taxes on music and software delivered over the Internet and that companies will collect it. Will this stir up a new transatlantic conflict?

It will be very contentious. But I think the Europeans are going to find it very difficult to enforce. There is a tendency in Europe to say, "there, the job is done." Whether it works or whether it applies or what happens as a result sometimes doesn't really matter. The problem here is that what a lot of people want to do, (in e-commerce) like this taxation, is essentially unenforceable.

So, I hope they (the EU) do not go forward with this, and they come up with a more practical system—if they are going to have a system at all. But I think that if they do, it will be a failure.

What is your reaction to the EU plan for having the companies, including US subsidiaries actually collecting the tax?

What's complicated here is that you might have fifteen different (member state) tax rules involved. You would somehow have to establish what the location of the buyer was. And then the question becomes: Is the buyer (identified in terms of) where the order was placed? Is the buyer the place where the product was delivered? Is the buyer the place where the money was transferred from?

Couldn't this provide the EU an opportunity?

Yes. This is the first chance, I predict, that the EU, the Commission, will have to create an EU-wide tax. This could be a real tax that is even everywhere. I do not think it can work with fifteen different tax regimes.

In February, France was in an uproar over the cracking of its Visa bankcard system by hackers. It raised questions about future consumer protection in e-commerce, and the effectiveness of "minimalist" government regulation.

My reaction is that most people seem to be more anxious about sharing their credit card numbers over the Internet than over what they do with their receipts. They throw them away all the time...leave them on the table in restaurants, with their numbers on them. Yet, they are desperately afraid that some hacker will somehow get their number on the Internet. There is disproportionate anxiety, in my view, about this issue.

But hackers exist.

Yes and we have had examples as in the United States, too, where hackers have gotten hundreds of thousands of credit card numbers. But these are not really usable, because if they are used on any scale, it would be detectable. The problem is not much different compared to fraud in regular commerce. But security does present a new challenge. We have, for example, a special computer crime and fraud unit at the FBI which is working on Internet fraud every day. It is not a trivial concern.

But the Bank of France earlier this year did warn the banks that they were vulnerable, and the warning was ignored, raising the question about your self-regulatory model.

I think you will find that once this (kind of incident) becomes public, (e-merchants) will have no choice. We have discovered that one of the reasons self-regulation works is because there is so much publicity involved, including ways of protecting yourself. Discoveries here are quickly posted on the web and companies scramble like mad. Europe has not gone through that as much. But mark my words, tomorrow, every one of these companies will be saying, "We are going to fix this, don't worry about it, we're going to spend billions if we have to," because the market will punish them mercilessly if they don't do it.

How would you rate the impact of private security firms that increasingly provide services to e-commerce?

They are miles ahead of the government, and so the FBI has turned to them to give them assistance. This is going to be increasingly necessary because local law enforcement police forces are woefully unprepared to deal with these issues in the United States and, I dare say, in Europe. But one point needs stressing here—business-to-business e-commerce systems are tougher to penetrate because of the stakes involved. They protect themselves better.

Will the rapid development of e-commerce provide more business for lawyers?

Certainly in the copyright area and intellectual property and, depending on what happens, a lot of work in the tax area. One of the reasons why we have wanted to keep a light hand on this issue, as far as governments are concerned, is to try and minimize these overhead costs...there can be a lot of legal bills, and that is a deterrent, particularly to small and medium-sized businesses. The big companies can cope with it.

Now that you are joining the Dorsey-Whitney law firm in Washington, what are your plans for a fourth novel?

I would like to write some more, but I think right in the beginning, I will be obsessed with trying to be successful...doing many of the things I'm doing now. ⓔ

ITALY Gets Digital

e-Europe

By Stephen Jewkes

ITALY may have been slow to enter the new digital economy, but it is fast making up for lost time. Hardly a day goes by without some new Internet initiative being launched or a stock exchange listing being announced. The huge stock gains of Internet related shares this year have brought retail investors flocking to the market and newspapers fill their pages daily with web-related features.

If banks are falling over each other to sign up with telephone companies for lucrative on-line banking deals, corporate heavyweights are also hustling to get on board. Pirelli has said it will invest some $1 billion in its e-Pirelli Internet business (www.pirelli.com), while Fiat, which recently launched the portal Ciaoweb (www.ciaoweb.it), has marketed a special limited series of its convertible two-seater Barchetta sports car on-line and is contemplating doing the same for other trucks and cars.

Gucci is among the first wave of Italy's major companies to venture into cyberspace.

The e-commerce craze is reshaping the strategic thinking of the country's biggest companies. Telecommunications giant Telecom Italia recently agreed to combine its Tin.it Internet subsidiary (www. tin.it) with yellow pages publisher Seat (www.seat. it) to form what will be the country's leading e-commerce group with 2.6 million subscribers and 180 million web site page views a month. Omnitel, Italy's second-biggest mobile phone group, will launch a new e-commerce site on its portal "2000 Shop Center" to offer goods from more than 100 leading brands. Soon there will be an e-commerce service launched to offer medical supplies to the national health service.

Pasta has gone on-line, wine is heading webward, and Italian supermarkets are plowing big bucks into web sales.

A recent study by Italy's employers association, Confindustria, said on-line sales in Italy will top $10 billion by 2001, up from just $1.2 billion last year. Most of that will be in the business-to-business sector where revenues of $14 billion are expected by 2002. But business-to-consumer trade will also flourish. Sales there are seen surging from the present $23 million to $1.7 billion in 2002.

Virtual shopping may be in its infancy, but the writing is on the wall—or rather screen. The December issue of *Commercio Elettronico*, a recently launched e-commerce magazine, said the number of sites at the end of October totaled more than 500. Since then, a study by the Milan Polytechnic has put that number at more than 1,200 and counting.

While much of the shopping is software, clothes, music, and books, the truth is you can already find just about everything from a shirt to a used Mercedes. Lastminutetour.com will get you a late booking, letsbuyit.com will find you what you want at the best price, and Gucci.com will welcome you to the world of high fashion. Pasta has gone on-line, wine is heading webward, and Italian supermarkets, hardly renowned for their efficiency, are plowing big bucks into web sales.

Yet, Italy still has a long way to go to catch up with the likes of the United States. One of the country's major handicaps is its lack of a strong high-tech industry. Computer penetration is among the lowest in Europe, and Internet users remain a relatively small minority. A recent study by the OECD reported only 17.5 percent of Italians had a computer compared to 58 percent in the UK while only 2.3 percent were connected to the Internet.

Another problem is the country's retail system. Italy's traditional network of small shops is one of the most fragmented in Europe, and there has never been the tradition of catalogue or mail order shopping that has provided a strong stimulus for e-commerce elsewhere. Sales from the top ten sites presently account for 40 percent of total on-line sales, and the lack of any real competition has kept prices top-heavy. The situation is not helped by Italians' aversion for credit cards.

Poor infrastructure is also hindering the development of shopping on-line. In a recent study by the European Union, Italy and Portugal won the European Internet wooden spoon. In Italy, it seems, it takes an average of 13.2 minutes to place an order on the Internet, 15.7 days for the goods to be delivered, and costs an average of $6.87. Those numbers in the UK are 8.4 minutes, 4.1 days, and $4.36, respectively.

That said, Italy still has a few trumps in its hand. Foremost, the country boasts a vast sea of mobile phone users, which in the past three years has grown from 6.4 million to 30 million. No other European country has as many mobile phone users. With new UMTS and WAP technologies on their way, the mobile phone should help foster Internet use at both consumer and business levels as well as increase Internet literacy.

Second in Italy's favor is its wealth of small and medium-sized companies (SMEs). For years they've been the powerhouse of Italian industrial growth, and many of them are now turning to the Internet as a means of maintaining their competitive edge on international markets, which account for about 70 percent of sales. Proof of this can be seen in the explosion in demand for e-consultants and e-professionals, including the launching recently of Italy's first master's degree in the new economy at the Universita Cattolica.

Nevertheless, change is slow. A recent study by AT Kearney said SME online sales in 1999 totaled a mere $130 million, a sum that is projected to grow to just $387 million in 2000. While 67 percent of SMEs see Internet potential, 38 percent remain unsure. Nonetheless, in the next two years 70 percent of SMEs will go on-line with a catalogue, 64 percent will accept on-line orders, and 36 percent take electronic payments.

Belatedly, the government has recognized the importance of the Internet. For the first time, a junior minister for innovation and the new Internet economy has been appointed, while "Portale Italia" was recently launched to trumpet Italian industry to the world. Former prime minister Massimo D'Alema says he is confident new technologies will help create jobs in the underdeveloped south.

In the meantime, the government has brokered an accord with banks to provide 600,000 students with interest-free loans to buy computers. That number, he says, will soon be extended to cover the whole of Italy's 2.5 million high school pupils. The government is moving at last. Whether it finds the resources in time, you will be able to find out from the Treasury—www.Tesoro.it.

Stephen Jewkes, based in Bologna, is a frequent EUROPE *contributor and a correspondent for* Dow Jones.

By Benjamin Jones

e-Banking on Spain

In just the first few months of this millennium, high technology and banking have been grabbing the headlines in Spain. A decade ago, few would have believed that within ten years this country would be a major player in either sector and certainly not through a linkup of the two that will change forever the way millions of people do their banking.

The Spanish explosion in e-banking, which the financial institutions involved would like to see reverberate around the world, began in January when Spain's Banco Bilbao Vizcaya Argentaria (BBVA), one of the leading banks in the country, announced it was starting up an on-line bank. Its partner, Terra Networks, the Internet division of Spanish telecoms giant Telefonica, has been described as a Spanish-speaking version of America Online with some 1.3 million customers.

Uno-e-Com, as the new company was dubbed, would operate in Europe and Latin America, where both BBVA and Telefonica have extensive interests. It was touted as the first "Latin" on-line banking provider as executives planned to set up operations first in Italy, France, and Portugal and eventually move into the big Latin American markets of Brazil, Argentina, and Mexico. Hispanics in the United States, where Terra Networks already had ambitious plans, would also be targeted as potential customers.

"This is a business combination which will be difficult to beat," boasted BBVA chief executive Pedro Luis Urriarte. Along with BBVA's financial services, the new venture said it would also sell those supplied by others to provide customers with the widest possible range of products.

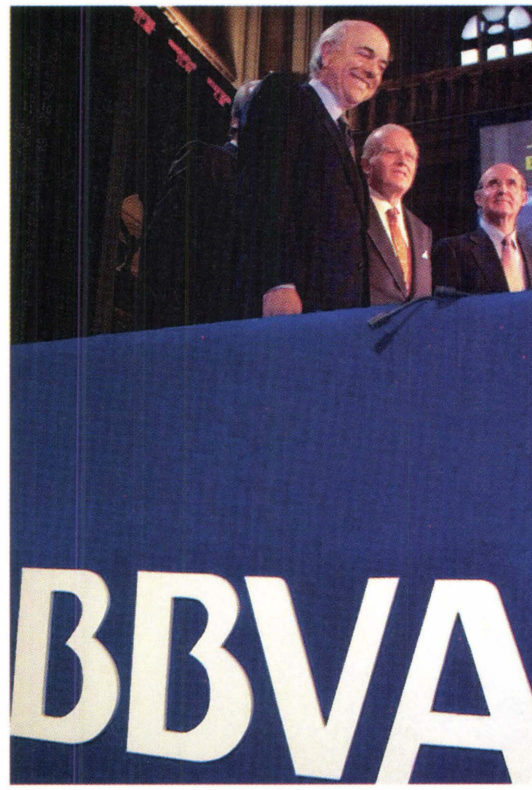
Two months later, in the first such cross-border operation in Europe, Uno-e-Com and Internet financial services provider First-E of the United Kingdom announced a merger to create what they described as the first on-line banking group in the world with truly global aspirations. This new company is called UnoFirst Group, valued at $2.25 billion with Uno-e-Com holding 67.5 percent and the UK partner 32.5 percent.

"This is the first transnational integration between a bank and a startup Internet company," UnoFirst Group executives said. "And it will allow us to be the first global on-line player in financial services, offering very competitive products throughout the world."

Global indeed. UnoFirst Group plans to expand in Europe, first into Germany and Portugal, then to Mexico, Argentina, Brazil, and Chile. The United States, Italy, France, Eastern and Central Europe, and Asia are next on the target list. Executives said some of the expansion will be through joint ventures with local operators in some of those markets as new banking licenses take so long to obtain.

Following Uno-e-Com's earlier plan, this on-line banking outfit will offer BBVA's financial services but also rival products from other banks, mutual funds, and insurance companies.

Not to be outdone, Banco Santander Central Hispano, BBVA's great rival and the biggest bank in Spain, made its own move into on-line banking. In March, it bought a majority stake in Patagon.com, a Florida-based Internet financial services operation for around $500 million. Banco Santander Central Hispano (BSCH) executives boasted that it was just the first step into their own global ambitions involving the Internet and telecommunications.



Following BBVA's January debut on the Madrid Bourse (above), the bank's leaders cut a strategic e-deal with Spanish Internet giant Telefonica.

The bank purchased its 75 percent from investors, which included Goldman Sachs Group, Chase Capital Partners, J.P. Morgan, and Chase Manhattan. It valued the company at just more than $700 million. The remaining 25 percent is still controlled by Patagon.com's young founders.

Analysts said the move made perfect sense for a number of reasons. Through its control of Patagon.com, BSCH can now better compete in the on-line banking sector with BBVA in Latin America where both already have an extensive "bricks and mortar" banking presence. They also noted that Latin America is going to be the next big growth market for Internet services.

Founded just two years ago, Patagon.com has portals in Mexico, Argentina, Chile, Brazil, and Venezuela and, like the UnoFirst Group, is looking at the potentially lucrative Hispanic market in the United States.

With all this happening in just the first three months of 2000, who knows what the rest of the year will bring as Spanish banks aggressively go on-line around the world.

SPAIN

Aznar Stuns Socialists

Election marks turning point in Spanish politics

By Benjamin Jones

Spaniards awoke to a new and stunning political reality after recent general elections. The ruling center-right Popular Party led by Prime Minister Jose Maria Aznar handily won the vote in the party's finest performance since democracy returned to Spain following the death of dictator Francisco Franco in 1975.

"A Political Earthquake" and "An Historic Election" were some of the phrases bandied about in Madrid newspaper headlines describing the March 12 vote, which gave the Popular Party (PP) 183 deputies in the 350-seat Cortes, Spain's parliament, for an absolute majority and then some.

The opposition Socialists, who Aznar had barely beaten four years ago, were firmly crushed, seeing their number of seats drop by 16 to 125. Furthermore, their allies in the communist-led United Left coalition fared even worse, losing more than half their 21 seats.

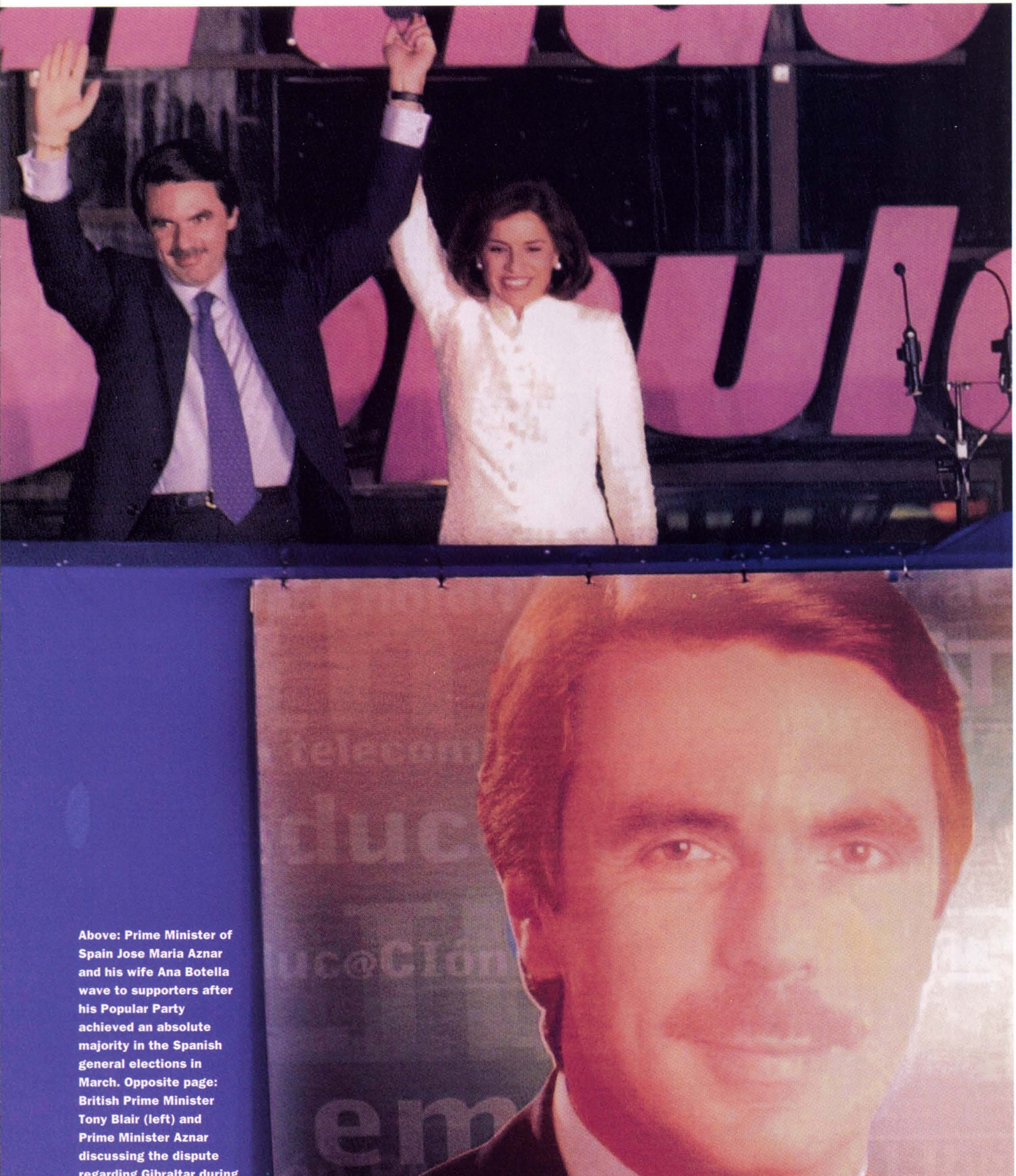
Analysts were intrigued by the results when compared to what pre-election day surveys claimed would probably happen. The opinion polls leading up to the vote showed Aznar's party ahead of the Socialists, led by former minister Joaquin Almunia, by a scarce four points, indicating that he would once again have to make deals with regional parties like the conservative Convergence and Union coalition of Catalonia or the Canary Coalition in order to get legislation through parliament.

In the days before the vote, the leaders of these groups were so confident that they were even issuing their demands, mostly involving money, which they would present to Aznar if he wanted their parliamentary backing. But because of the dismal record of Spanish polling firms in accurately predicting previous elections, an upset victory by the Socialists was not ruled out either.

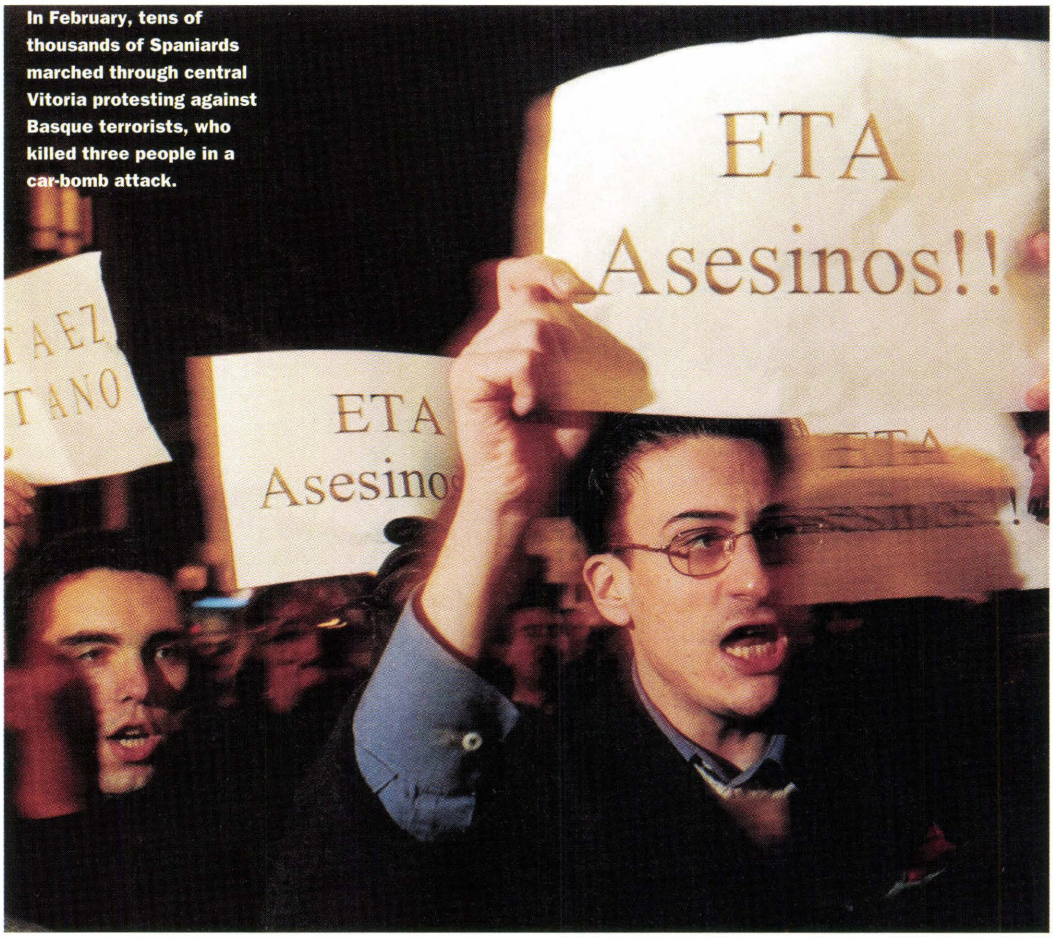
This lackluster support for the incumbent was surprising given the prime minister's sterling performance over the previous four years in reducing Spain's jobless rate from 23 percent to 15 percent by generating 1.8 million jobs, more than were created in the rest of the other European Union nations combined.

Aznar's technocrat-heavy government also oversaw an economic growth rate of around 3.5 percent per year and successfully steered the country into European monetary union. Spain, as Aznar himself liked to boast, was doing well.

Foreign observers were puzzled why Aznar was not coasting to an easy victory on a "feel good factor" brought about by the boom times. However, local pundits posited that many Spaniards still doubted the democratic credentials of Aznar's party, which had been founded by a former Francoist cabinet minister. Also, they argued,



Above: Prime Minister of Spain Jose Maria Aznar and his wife Ana Botella wave to supporters after his Popular Party achieved an absolute majority in the Spanish general elections in March. Opposite page: British Prime Minister Tony Blair (left) and Prime Minister Aznar discussing the dispute regarding Gibraltar during the EU summit held in Lisbon in March.



In February, tens of thousands of Spaniards marched through central Vitoria protesting against Basque terrorists, who killed three people in a car-bomb attack.

most Spaniards were leftists at heart or closet Socialists and were not ready to put their full trust in Aznar.

"The Spanish still vote with their ideological baggage, not with their wallets," one leading Madrid newspaper columnist told this reporter.

Others conjectured that perhaps the Socialists and their allies were actually getting their message through to the voters. In campaign appearances, both Almunia and United Left leader Francisco Frutos accused Aznar of "acting like a reverse Robin Hood" and enriching his friends and cohorts in big business on the backs of the poor. The Socialists also promised pension hikes, more equitable distribution of income and a windfall tax on newly privatized companies.

But all of these predictions proved wrong. Supporters of the incumbent, spooked by the polls and fearing the Socialists just might squeak back into office, turned out to back their man. Another factor that helped Aznar win by such a comfortable majority was the alliance that the Socialists had hammered out with the United Left failed to catch fire among either bedrock socialists or those voters who describe themselves as centrists.

Also, more than 2.5 million young Spaniards, who had not even been born when Franco was around, were able to vote for the first time, and the majority marked their ballots for the Popular Party.

In short, Spain had grown up, and its voters were no longer casting their ballots for the party they felt closest to ideologically but for the party that was turning in the best performance, which was giving them what they wanted concerning stability and economic gain. The painful divisions of the Spanish Civil War and the legacy of forty years of Franco have finally been laid to rest.

As his victory was confirmed, Aznar appeared on the balcony of his party's headquarters in downtown Madrid along with his beaming wife, Ana Botella. They were joined by leading cabinet members and his campaign chief to bask in the cheers of the faithful who chanted "torero, torero," the same cry that bullfight fans shout at the end of a magnificent performance by a favored matador.

"The Spanish people have generously renewed and widened their confidence in us," the prime minister said, "and the attitude of this government is to be open to dialogue with all political and social forces because everyone wants to see Spain progress."

Aznar pledged a Spain for all Spaniards and a government of consensus. Over the next few days, the premier also emphasized he still sought the support of the Catalans and the Canary Islanders to support the Popular Party's legislation in parliament.

But he said nothing about the moderate Basques of the Basque Nationalist Party with whom he had quarreled in the months leading up to the election over their cozying up to a radical party considered the political wing of the armed separatist group ETA.

The terrorists killed three people in car-bomb attacks in the weeks leading up to the elections, but the Aznar government's failure to actively pursue peace talks with ETA during the rebels' unilateral cease-fire never became a campaign issue.

Spain's new domestic political maturity will be welcomed by its European Union partners, as will four more years of an Aznar government that has proven it is solidly European and more than willing to pull its weight in trouble spots like Kosovo and Bosnia. Aznar has worked closely with British Prime Minister Tony Blair on addressing the nagging issue of unemployment, and together they have largely crafted the agenda for June's EU summit in Portugal.

Newly confident and for the first time armed with a sure mandate to govern, Aznar's next four years in office will be interesting both at home and abroad. ⓔ

Benjamin Jones is EUROPE*'s Madrid correspondent.*

EUROPE Update

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CELEBRATING FIFTY YEARS OF UNITY: A Look at EU Founder Jean Monnet

This month the European Union is celebrating fifty years of solidarity, prosperity, and peace. On May 9th, Europeans commemorate the day in 1950 when French Foreign Minister Robert Schuman announced that France and Germany would support a European Coal and Steel Community. The idea, which formed the basis for today's EU, came from a French businessman named Jean Monnet. He believed that controlling the raw materials of war (coal and steel) was central to a successful reconciliation in Europe. He is now remembered as the Father of Europe.

In 1912, Jean Monnet, then aged twenty-four, tried to book a passage on the maiden voyage of *RMS Titanic* and was disappointed to find it was fully booked. Had he succeeded, and gone down with the bulk of the passengers, it is more than doubtful whether the European Union would have been created and certainly not in the form in which it has evolved.

Monnet's projected trip to New York was as a brandy salesman for his father's firm based in Cognac. Having left school at fifteen, he was already making major deals for the firm, which Monnet senior, who started life as a peasant, had built into a middle-ranking producer of high-grade cognac. The younger Monnet enjoyed particular success in North America, where the Hudson Bay Company (HBC) of Canada was one of his principal customers.

When war broke out in 1914, he was declared unfit for military service, but—using family connections—he was instrumental in getting the HBC appointed to become the French government's agent for all its war purchases in North America. He followed this deal by proposing that—rather than compete against each other for scarce resources—the French and British governments should pool their purchasing plans. The resourceful young businessman was rewarded by being appointed to represent France on the joint organization established in London to control allied merchant shipping during the war.

The simple lesson he learned then—and was to apply for the remainder of his long life—was that two (or more) governments working together can achieve more than each of them working separately. In 1919, still only thirty, Monnet was appointed deputy secretary-general of the League of Nations, which he left three years later with a brilliant reputation. He returned to Cognac to take over the reins of his father's firm, which was now facing bankruptcy. After rebuilding the business, he turned it over to a cousin and became a banker living and working mainly in the United States. He interspersed his new business with public work, notably attempting to launch an economic development plan for China under League of Nations auspices.

When war broke out again in 1939, Monnet, who had already represented French Prime Minister Edouard Daladier in secret talks with Roosevelt about the purchase of American warplanes, was summoned back to become the overall coordinator of both British and French arms purchasing. When France fell in 1940, Monnet was the main instigator of the dramatic offer made by Winston Churchill to his French counterpart, for a union of both countries in order to keep France in the war. It met with no response, but Churchill then sent Monnet back to Washington to take strategic charge of British wartime supplies. Monnet threw himself into this work with tremendous energy, courting all the leading members of the Roosevelt administration, and pressing successfully for a major build-up of American arms production, even though the country was still neutral. This gave a tremendous boost to the American war effort after Pearl Harbor, and the British economist John Maynard Keynes was later to assert that Monnet's efforts "had shortened the war by a year."

Back in France at the end of the war, Monnet was put in charge of the French national plan of postwar reconstruction, which—partly with the aid of Marshall Plan money—succeeded in restoring the French economy to a healthy state by 1950. At this time France was facing deadlock with the newly created Federal Republic of Germany, as well as with the United States, over its attempt to incorporate the coal and steel producing state of Saarland into France, despite its overwhelmingly German population.

The French wanted to do this to prevent German domination of the economic and industrial base of Western Europe, and Monnet seized on this unpromising situation to produce a plan that would achieve the French objective without simultaneously provoking the hostility of its neighbor and of its own allies. His idea was that France should offer to put the control of its own coal and steel industry under international direction, providing that Germany and other neighboring states agreed to do the same. He convinced French Foreign Minister Robert Schuman of his idea, and on May 9, 1950, the foreign minister presented it to the world as the Schuman Plan.

There was an immediate enthusiastic response from West German Chancellor Konrad Adenauer and from the governments of Italy, Belgium, Luxembourg, and the Netherlands. In 1952, the European Coal and Steel Community (ECSC) was duly established with Monnet appointed as the first president of its High Authority. He served only for three years, after which he resigned to campaign for further exercises in integration. He failed to see his design for a European Defense Community reach fruition, but his plan for the European Economic Community eventually absorbed the ECSC and is now the centerpiece of the European Union.

Monnet's genius was to combine imaginative and almost Utopian ideas with highly calibrated blueprints for institutions to tackle the severely practical problems facing West European governments. As he wrote in his memoirs, "Nothing is possible without men: nothing is lasting without institutions."

Monnet was almost unique in that he became a major political force without ever running for elective office. He excelled in what has since become known as 'networking'. He got to know everyone of influence in France, Britain, and the US and later in other European countries, and seems to have uniformly impressed them with his originality, discretion, far-sightedness, attention to necessary detail, and, above all perhaps, with his disinterestedness. The European Union has come a long way since his death in 1979 at the age of ninety. Yet it was already abundantly clear that this self-effacing, provincial Frenchman had built a sound structure that would long outlast his own lifetime.

WHAT THEY SAID: POUL NIELSON, EUROPEAN COMMISSIONER FOR DEVELOPMENT AND HUMANITARIAN AID

You attended the IMF and World Bank meetings in Washington this weekend. How will these meetings help advance the cause of development in less-developed nations?

The World Bank meetings—and especially the Development Committee meetings—are important occasions for taking stock of the effort. In recent years, the World Bank has been a trendsetter as far as moving—in the short version—from the Washington consensus to the Copenhagen consensus. Furthermore, they have shown they are serious about advancing the priorities and political objectives defined at the great UN conferences, like the 1995 social summit in Copenhagen, where the poverty issue actually became the center of attention.

This has changed the World Bank in its political orientation and the actual implementation of this has been a major effort by [World Bank President James] Wolfensohn. For that reason, our relationship with the World Bank has also gained importance in recent years. I'm now representing [the European Commission] in the Development Committee...and I concentrate on the development aspect.

We had a discussion in the Development Committee today that focused on a combination of trade and development policy. I had the opportunity of presenting our philosophy, which very clearly is also the core of the new Suva Convention, the EU-ACP partnership agreement, or the new Lomé Convention, if you will. This was a good occasion also to present what we are facing in relation to creating these regional economic partnership agreements that in Africa, the Caribbean, and the Pacific regions will become a cornerstone of the effort to integrate the developing countries into the world economic processes.

What do you think the protestors in the streets surrounding the meetings were angry about? Did it affect you at all?

No, it didn't. Look at what the World Bank is doing today and how it is positioning itself politically. I think these protestors should update the picture of their so-called enemy. They are more than ten years behind, and if we look at who actually is pushing a progressive agenda globally and who is not, the demonstrators here in Washington certainly have some more homework to do. The World Bank and the IMF have a progressive agenda.

Please explain what ECHO is?

ECHO is simply the European Commission Humanitarian Office. We are spending 500-600 million euros ($450–$540 million) for humanitarian aid in different parts of the world, in different crises and situations. This is something that is carried out through UN organizations and NGOs (non-governmental organizations), humanitarian NGOs. We have quite a meaningful and well-functioning cooperation with other donors as well as with the United States.

Does the European Union give more humanitarian assistance around the world than the United States does?

If we combine what the individual fifteen EU member states do and what they do together through the Commission, we are bigger than other donors in all fields. But the United States is, in fact, doing quite a lot in humanitarian assistance. As for an overall figure for global official development assistance, the fifteen member states and the Commission account for 55 percent. If we look at grants only, which are administered through the World Bank, we are providing more than two-thirds of all development assistance.

What is the EU doing to provide assistance and humanitarian aid to Kosovo and Bosnia? What's happening there today?

Bosnia is a case where the humanitarian assistance is now being phased out in order to give way to more forward-oriented, long-term assistance. This will also be the case in Kosovo, but so far, we are planning to spend in Kosovo, in that region, about 500 million euros ($450 million) this year. That will go for all kinds of assistance to displaced persons, resettlement of people, starting up their family activities, shelter, schools, and all these things to get started again.

Do you see this as a long-term project?

Yes. But we will phase out ECHO's role in order to maintain the division of labor between the humanitarian relief part and the long-term development part. So, we will have other European-financed activities taking over as ECHO begins gradually pulling out.

Is Kosovo the largest recipient of EU humanitarian aid today?

Yes. Right now, it is. But we are also running activities in providing food aid to Ethiopia and assistance in Angola, Sierra Leone, East Timor—all over the world. We are simply a donor that is present everywhere. In the Chechnya conflict, we are also providing assistance through UNHCR and others.

Is the fact that the EU administers its aid through NGOs one reason why its role in humanitarian assistance is not that well known?

That is part of it, but that is the proper way to do it. Also, if we didn't do it like that, there would be no operational coordination on the ground, and it would be a big mess.

Do you see any hope of restarting the WTO trade negotiations this year, and what do you want to see happen if they do?

Well, the Commission and EU are doing everything to facilitate starting a new round. During the Development Committee's morning discussion, Mike Moore, the head of the World Trade Organization, presented his clear view that there is a need for more flexibility and compromise on a number of well-known, well-established issues before starting a new round is feasible but that it should be possible. I think one would say that we share that view and we are involved. Our trade commissioner, Pascal Lamy, is involved in every step to make that possible.

What do you want to see come out of the talks?

This has more to do with the development agenda than the humanitarian agenda, but the concerns raised by developing countries concerning the risk of their exclusion in the globalization process must be taken seriously. This is why market access and special considerations for the least-developed countries must be part of the approach and outcome of these trade negotiations.

What is the EU's position on debt relief for developing countries?

We are in the forefront of actually making it happen. We have committed one billion euros ($900 million) for the enhanced Highly Indebted Poor Countries Initiative (HIPC), which is a debt relief initiative. This has been agreed upon by our partner countries, the seventy-one members of the ACP nations (Africa, Caribbean, Pacific). So, we have done our share, and basically, we are waiting for other donors to do the same.

Do you think this will come about?

We certainly hope so.

You have said the EU proposes to successfully integrate developing countries into the global economy. Is that one of your main goals?

Definitely. By combining the effort on creating economic growth and at the same time combating poverty. This is a multifaceted process. There is not a single 'right' thing to do. It requires doing many different things at the same time. It also requires what I would call 'donor stamina'.

We need to be able to do these things over the long-term in order for the entire process to gain momentum and to create a sufficient impact. Look at the lead times for investments in education to pay off or investments in better health systems. These things take time.

But many people ask if it has helped. When we look around the world, it is true that we still have out of a world population of some 5 billion people, nearly 1.2 billion live on less than a dollar a day. But it is also well documented that the situation in a lot of countries has completely changed for the better in one generation, and these changes were spurred by development cooperation. Not that it did the whole trick. You also have to realize here that development cooperation is much smaller than it was supposed to be in the world. It was supposed to be at a level of 0.7 percent of GDP in the wealthy countries, to be transferred to boost progress in the poor developing countries. The actual level is only 0.22.

Is it realistic to think we can really wipe out poverty in the world?

I don't think it can be wiped out. But for very basic reasons of decency, it is necessary to do something to improve the situation. I don't think we have any alternative in discussing whether or not we should make the attempt. Such a discussion is, in my view, quite cynical. Of course, we should do it. Furthermore, it is manageable when we look at the resources we actually have available. It is also in our own interest, in the rich world, to contribute to conflict prevention and disaster prevention when one considers the costs of human suffering, instability, and the risks and pressures created by migration. We need to create stable and better conditions in the poor countries.

Are we ever going to see this in our lifetime?

Yes. I definitely think so.

EU NEWS

ECB RAISES RATES

The European Central Bank (ECB) raised interest rates on April 27th by twenty-five basis points, lifting its main refinancing tool to 3.75 percent. The increase in its key short-term interest rates was widely anticipated. "It was more of a symbolic gesture. It wasn't unreasonable as price stability will support the euro internally," said Jürgen Donges, a senior German government advisor.

After the euro hit an all time low at the end of April against the dollar, French Finance Minister Laurent Fabius stated, "Europe's economic situation is good, but we have a euro that is a bit weak. I personally don't think we will resolve that question with a sharp rise in interest rates."

Addressing the questions about the euro's weakening against the dollar, European Commission President Romano Prodi said, "We have waited between forty and fifty years to have a single currency, which we still don't have physically. Therefore we will give it time to strengthen and find its rightful place."

ITALY GETS NEW GOVERNMENT

Italy's fifty-eighth government since World War II was sworn in on April 26th after the former prime minister Massimo D'Alema resigned after his center-left coalition was defeated in regional elections. Giuliano Amato, formerly the treasury minister, will head the new government. Many of the ministers in the former government will remain the same. Lamberto Dini returns as foreign minister.

NEW SPANISH CABINET

After being sworn in by King Juan Carlos for his second term, Spain's center-right Prime Minister Jose Maria Aznar announced his new cabinet. Josep Pique will replace Abel Matutes as foreign minister. The former businessman takes over from Matutes, previously a European Commissioner, who is retiring from politics.

Vermont-based ice cream maker **Ben & Jerry's** became a European-owned company like fellow US ice cream maker **Haagen Dazs** after accepting a $326 million bid from **Unilever**, the Anglo-Dutch consumer products conglomerate and the world's biggest ice cream company.

At the same time, Unilever snapped up another well-known US firm at the other end of the calorific range with a $2.3 billion bid for **Slim Fast Foods**, a privately owned dietary supplements maker.

The acquisition of Ben & Jerry's attracted most attention as analysts pondered how one of the world's biggest food companies would integrate the anti-establishment Ben &Jerry's, which was founded by two childhood friends in a Vermont garage and donates 7.5 percent of its net profits to charity.

The deal gives Unilever a premium brand ice cream that will pitch it into a head-to-head sales war with Haagen Dazs, which is owned by the United Kingdom's **Diageo** but sold in the US in partnership with Switzerland's **Nestle**, the world's second-largest ice cream maker. Meanwhile, another all-American name, **Burger King**, is to remain under European control after its owner Diageo rebuffed a bid by US franchisees.

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IRI, the huge state holding company founded by Italian dictator Benito Mussolini in 1933, will close its doors in June, bringing to an end nearly seven decades of dominance of the country's economic and industrial life. The Italian government is closing down IRI to honor a pledge to the European Commission, which says its operations contravene EU rules against state aid. But the group had already shrunk to a shadow of its former self during the 1990s as it sold its vast holdings in transport, banking, steel, and telecommunications. IRI once replaced the market, said IRI chairman Piero Gnudi. "Today, it no longer has any reason to exist. It leaves the stage, giving back to the market what the market owns."

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Norsk Skog, the Norwegian paper group, acquired **Fletcher Challenge Paper** of New Zealand for $2.5 billion in Norway's biggest takeover, which will create the world's second-largest newsprint producer.

The new company will have annual sales of $3.5 billion, 11,000 employees, and a 13 percent share of the global newsprint market with yearly production of 5.8 million tons.

This deal accelerates the consolidation of the global paper industry, which is being led by Nordic companies. Earlier in the year Finland's **Stora Enso** bought **Consolidated Paper** of Wisconsin for $4.9 billion and its domestic rival **UPM-Kymmene** paid $6.5 billion for **Champion International**, also of the US.

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Airbus, the four-nation European aircraft company, signed up its first Asian risk-sharing partner for its planned A3XX super jumbo jet to challenge the monopoly of the Boeing 747. Getting Taiwan's **Aerospace Industrial Development Corporation** on board will help Airbus to find other Asian partners to take a stake in the $15 billion project for the double-decker plane that will carry between 450 and 650 passengers. Noel Forgeard, Airbus's managing director, said at least five airlines are ready to back the A3XX, making him "reasonably confident" the project will be launched by the end of the year.

Forgeard said one airline, believed to be **Federal Express**, is interested in a freight version and that Airbus is likely to launch passenger and freight versions at the same time.

Airbus's shareholders are **DaimlerChrysler Aerospace**, **Aerospatiale Matra** of France, the UK's **BAE Systems**, and **Casa** of Spain.

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ING, the Dutch financial services giant, bounced back after the failure of two high-profile bids in Europe and the US and is on the prowl again for acquisitions on both sides of the Atlantic. The group's informal $10 billion offer for France's **Credit Commercial de France** (CCF) was trumped by a successful $11 billion takeover by London-based **HSBC Holdings**, the world's second-largest bank, just weeks after a $10.4 billion joint bid with the California health insurer **WellPoint**, for **Aetna**, the largest US health insurer, was rebuffed.

ING was among a group of European banks linked to a possible bid for **Dresdner Bank** following the collapse of the planned $29 billion merger with its German rival **Deutsche Bank**. It responded to the CCF setback by unveiling plans to expand in France through **BBL**, its Belgian subsidiary.

ING is also expected to swoop on another US insurer. "We have made no secret of our ambition to make a US life insurance acquisition," the company said. ING intends to keep the bid for Aetna on the table until May, according to chairman Godfried van der Lugt.

ING is reckoned to be sitting on a cash hoard of nearly $11 billion, swollen by a $950 million profit from the sale of its 19 percent stake in CCF.

EUROPE Update

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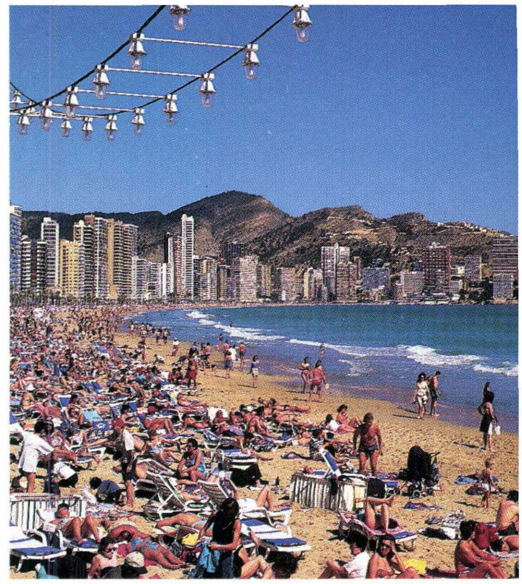
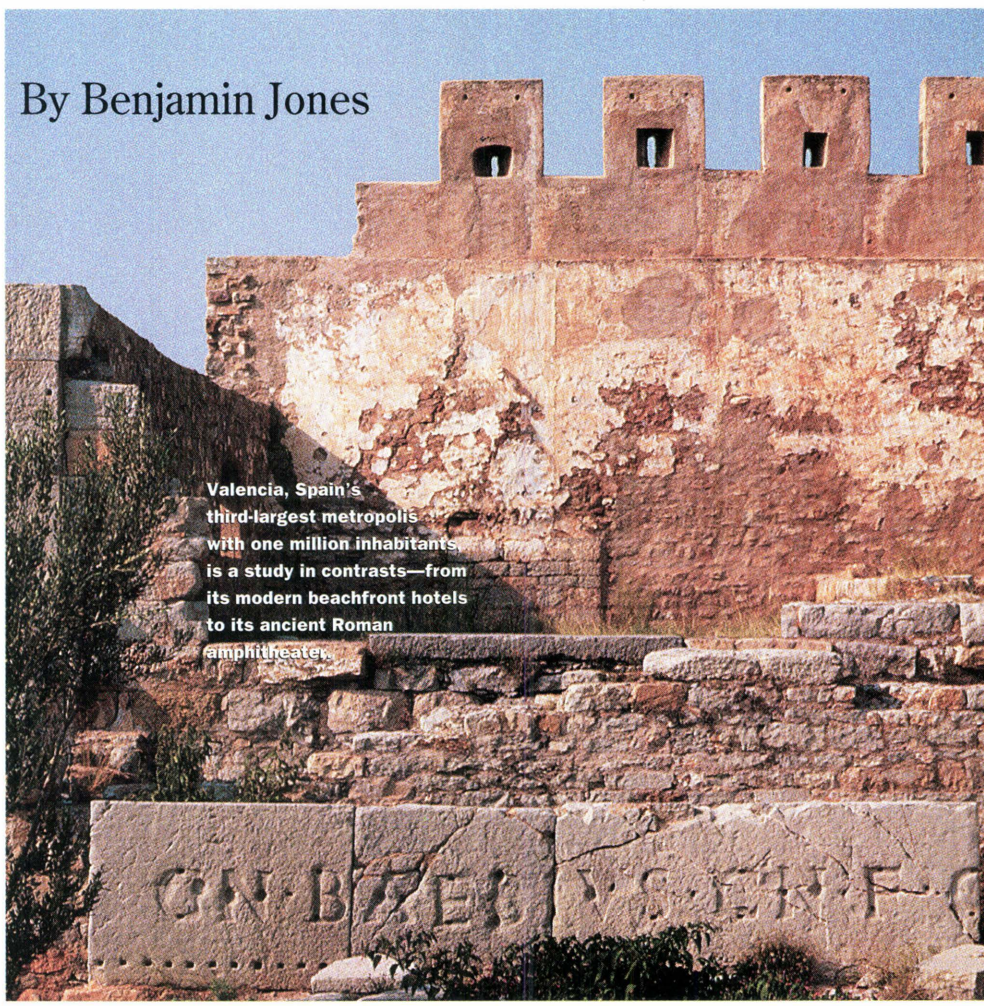


Not Your Average Beach Town

By Benjamin Jones



Valencia, Spain's third-largest metropolis with one million inhabitants is a study in contrasts—from its modern beachfront hotels to its ancient Roman amphitheater.

A resident of Valencia of 100 years ago would have a hard time recognizing the place today if he or she were able to view from a distance this vibrant port city on Spain's northeastern Mediterranean coast. Several landmarks and familiar sights from a century ago—the cathedral, the opulent central market, and other monuments—would be clearly visible, but others would not.

Where once orange groves and *huertas*, or garden plots, ringed the city, there are now high-rise apartment buildings or factories and warehouses serving Valencia's humming and increasingly international light industry sector. Also circling part of the city and running out to sea is a vast, levee-lined ditch, which was constructed in the 1950s to divert the Turia River after it burst its banks once too often with disastrous results.

Valencia's massive port is still there, only much bigger and with a recent multimillion-dollar overhaul so it can handle even more cargo shipped from the immediate region itself as well as the capital Madrid. However, what would probably most impress the visitor from a century before would be the city's sprawl, as it is now home to almost one million people and is Spain's third-largest metropolis after the capital and Barcelona.

Moreover, Valencia, which was founded by the Romans and known to El Cid and a host of other heavyweights from Spanish history, is still outward looking. It still lives off trade around the Mediterranean and beyond and remains open to new ideas and concepts and comes up with a few of its own.

Many Europeans and Americans liken the entire Valencia region, which comprises the provinces of Valencia, Castellon, and Alicante, to California

Renowned British architect Norman Foster built Valencia's new Congress Center, which city leaders hope will help increase the city's convention business.

with its fine beaches, high-tech industries, state-of-the-art research centers, and balmy weather. The comparison is not far fetched.

Investors from around the world have taken note, and Valencia boasts a major Ford Motor Company plant at Almusafes and other big-ticket projects that are diversifying the local economy away from its traditional industries like toys, shoes, food processing, and agriculture.

Synthetic fiber producer UBE is another multinational that has set up shop here as has Manufacturers' Services, which now occupies a plant that once belonged to IBM. Valencia is also known to the international business community through its many trade fairs, which are held almost year around.

Three years ago, a new conference center designed by world-famous architect Norman Foster was inaugurated. In 1998, a new highway linking Valencia and Madrid was finally opened, further integrating the coastal city with the interior and easing the journey for those in the capital who like to take the three-hour drive down to the Valencian coast for a weekend at the beach.

In the next few years, the two cities will also be linked by a high-speed rail service patterned on the AVE train, which runs between Madrid and Seville.

But Valencia's city fathers are clearly counting on the ambitious Arts and Science Center, which is now almost completed, to attract visitors. Located just outside the city center along the old Turia River, the 3.76 million-square-foot complex cost $250 million and was designed by architects Santiago Calatrava and Felix Candela, two local boys made good.

Authorities describe the complex as "a place to learn by having fun," and just looking at the four intriguingly modern buildings is enjoyment in itself. Perhaps the most stunning is the L'Hemisferic, which appears to be a giant eyeball rising out of a pool. The 9,700 square-foot screen does triple duty as an Omnimax theater, a planetarium, and a venue for laser light shows. Nearby, the Principe Felipe Science Museum, which is named for Spain's heir to the throne, explains the history of science and boasts interactive displays on subjects such as biology and genetics. Rounding out the complex are the Palace of the Arts, with indoor and outdoor auditoriums, and a state-of-the-art aquarium called L'Oceangrafic, which contains an underwater city that allows visitors to enter different marine habitats.

All offer magnificent testimony to Valencia's centuries-old willingness to grab hold of the new, the fresh, and the experimental and give it a go. An attitude the visitor from 100 years ago would almost certainly recognize.

Valencia Tourism

Anyone visiting Valencia for pleasure is spoiled by choice because the wide array of things to do, see, and experience extends across the entire three-province Valencia region. Fine old Roman ruins, beaches to fit every taste, more than 200 museums, great golf, fun fiestas, and a cuisine that is one of the most varied and delicious in all of Europe are just some of delights on offer.

In the city itself, the best place to begin a walking tour is the Plaza de Zaragoza from where one can choose to enter the magnificent cathedral through a Rococo, Romanesque, or Gothic doorway. Inside is a chalice carved out of purple agate and said to be the Holy Grail from which Christ sipped at the Last Supper. Also, here is a painting by Francisco Goya of St. Francis.

These two attractions aside, it is also

worth strolling around the cool, dark interior, enjoying the side chapels with their stunning representations of the saints and the Virgin. Just behind the church, archaeologists are excavating an ancient villa that was built by a prosperous Roman family, the first peoples to settle in the Valencia area.

In fact, downtown Valencia is chock-a-block with buildings and monuments reflecting the city's long and interesting history. A few short blocks in the opposite direction and situated on the Plaza del Mercado is the gargoyle-fronted Lonja de la Seda, the fifteenth century silk exchange, which is said to be one of the best Gothic structures in the country.

Other cultural pursuits within the city include the Museo de Bellas Artes, across the Puente de la Trindad, which spans the old riverbed, and then to the right. It offers pieces by local fifteenth century artists Jacomart and Juan Reixach, along with works by Goya, Velasquez, Bosch, and Ribera.

Aficionados of contemporary art will want to visit the Institute of Modern Art located in the old neighborhood concentrated around Plaza del Carmen. It features works by modern masters on permanent display and temporary exhibits gathered from around the world.

Where to go outside the capital? Let your imagination run riot. An hour's drive south of the city is Benidorm, probably Europe's number-one, year-round beach resort where Britons, Germans, Scandinavians, and others come to escape their cruel winters. Once a byword for tasteless overdevelopment, Benidorm has cleaned up its act and is a great place for carefree, active vacations and is very child-friendly.

Quieter beaches are spread all along the Valencia region's nearly 300 miles of coastline. Ninety minutes north of the capital is Peniscola, a picturesque town built on a spit of land sticking out into the Mediterranean Sea and crowned by a well-preserved old castle used as a set in the film *El Cid*.

Everywhere there are tiny isolated coves or virtually deserted stretches of sand where one can spread out a towel and spend peaceful hours with a snorkel and fins, a good book, or a good companion.

Those interested in more active pursuits can take up whitewater rafting, sailing, horseback riding, hang gliding, bicycling, or trekking in the region's mountains and hills. Whichever type of holiday you desire, Valencia can provide. ⓔ

A Valencian restaurateur dishes up a plate of paella, the local specialty.

Cocina de Valencia

Local wines, fresh seafood, and a plethora of paella

Paella—the rice, seafood, saffron, and meat dish that has come to symbolize Spanish cuisine around the world—actually had humble beginnings as a peasant meal in the environs of Valencia. Here all the ingredients were at hand and in abundance: shellfish from the sea, rabbits and chicken from the fields and farms, and rice from the boggy region watered by the L'Albufera Lake and surrounding marshes.

All cooked over an outdoor fire and perhaps washed down with a red, white, or rosé wine from the grape-growing area around the town of Utiel, just up the road. These days, many Valencian families pack up the goodies and head out of town for their own paella picnic every weekend. Those who would rather have someone else do the cooking take the ten-mile drive along the El Saler road south of the city to the village of El Palmar, situated on L'Albufera Lake and riddled with paella restaurants.

Crisscrossed by narrow canals, El Palmar has some 1,300 inhabitants, many of whom make their living fishing for eels, crabs, and fish, which are sold to the restaurants, or raising rice. When not casting their nets from their narrow skiff-like boats, some of the fishermen take visitors out for a cruise around the lake, which is home to 300 species of birds. Dotted here and there are *barracas*, traditional steep-roofed and thatched fisherman's cottages.

Back in town, eateries abound, all specializing in paellas, whether with *mariscos* (shellfish), *mixto* (chicken and shellfish), *Valenciana* (vegetables and chicken), or the fancier *arroces* (rices) which can come with squid (and suitably died black with the creature's ink), duck, or even lobster. There are also the regional specialties *arroz fessols i naps* made with broad beans and turnips, and *all i pebre*, which is a plate of eels, peppers, and potatoes cooked in garlic.

Starters include a selection of salads or Valencia's own *esgarret*—cod and grilled red peppers stewed with garlic and oil. As the region is home to many of Spain's oldest ice cream companies, a bowl of chestnut or *turron* (nougat) ice cream is the logical dessert.

Afterward, it is only a short drive to the beach for a long, strenuous walk along the Mediterranean to work it all off.

—*Benjamin Jones*

Slovakia Heads West

By Barry D. Wood

In April, ten US Air Force F-16s screamed into western Slovakia for two weeks of training and joint maneuvers with the Slovak Air Force. It was the first of several exercises under a friendship agreement with the United States that the Slovaks see as a first step toward NATO membership. Its NATO application has been endorsed by Secretary-General George Robertson, and Slovakia's deputy prime minister Pavol Hamzik says Slovakia will be ready to join the Western alliance in 2001.

Similarly, urged on by the once standoffish European Union, Slovakia is trying to catch up with its fast-track neighbors—Poland, Czech Republic, and Hungary—to be in the first wave of EU eastern expansion. Amid much fanfare, Slovakia in March formally started its membership negotiations.

It is a dramatic reversal from the ostracism endured by this small country of some 5.5 million people located at the heart of Europe until October 1998 when Slovak voters threw out the charismatic, authoritarian nationalist Vladimir Meciar. Once referred to by *Newsweek* as a "cranky little dictator," the mercurial Meciar has dominated Slovak politics since even before the breakup of Czechoslovakia in 1993. The pro-Russian Meciar bullied his opponents, frightened Slovakia's minority Hungarians, and rewarded his cronies through shady business deals that drove away many potential investors.

In April, US Air Force F-16 pilots and support crews shared tactics, techniques, and procedures with their Slovak counterparts during a two-week training exercise at the Malacky Air Base in Slovakia.

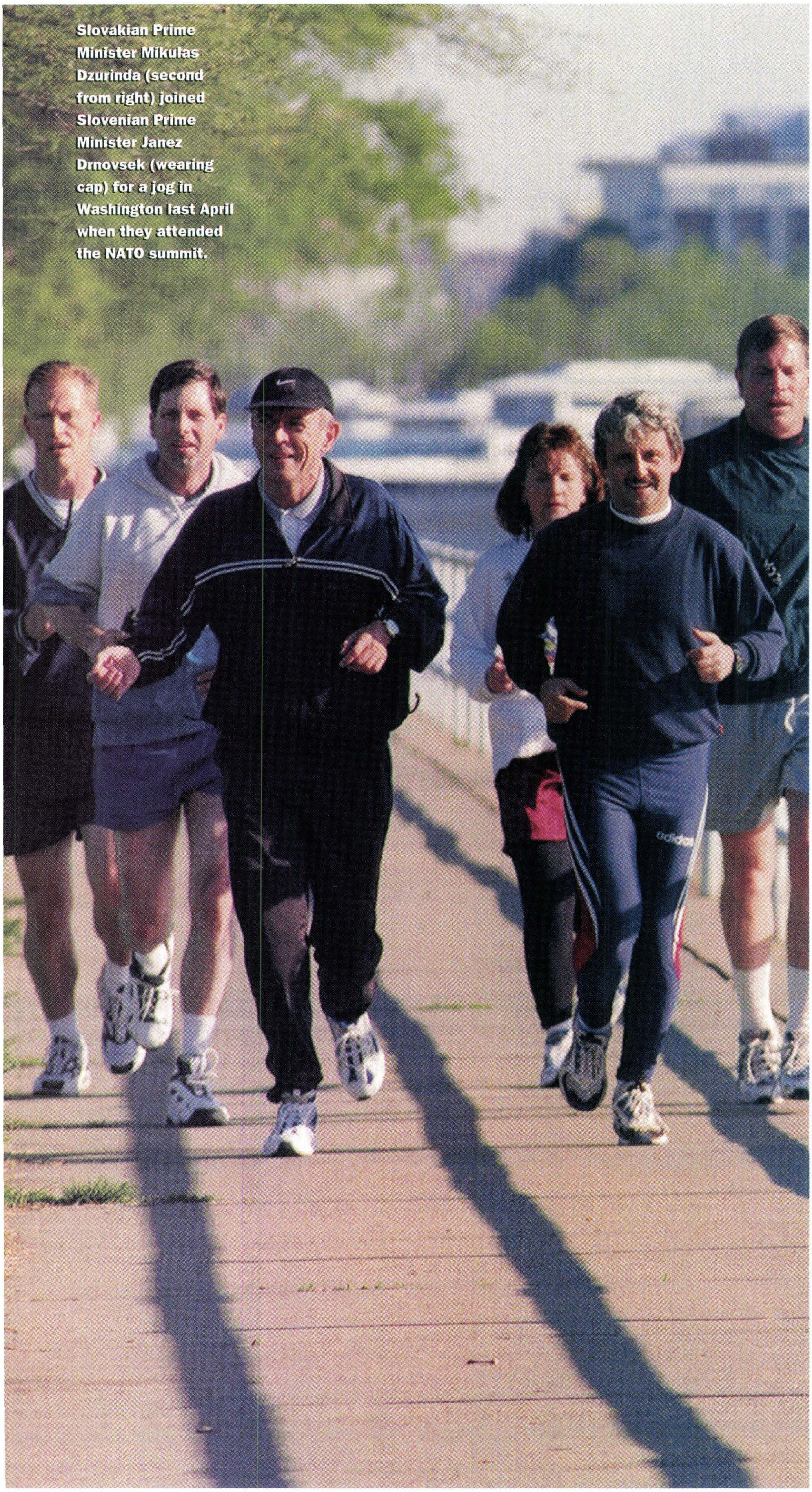
Disgusted by human rights abuses, corruption, and stalled economic reform, Meciar's Slovakia was pointedly excluded from the first round of NATO expansion and was relegated to the second tier of EU applicants.

But all that has changed since marathon-runner Mikulas Dzurinda became prime minister eighteen months ago. Trashing Meciar's doctrine of Slovakia as a bridge between East and West, Dzurinda is racing West as fast as he can. His centrist coalition is steadily making good on its pledge to steer Slovakia into Western security and economic structures. OECD membership—finally—is expected this year. Last year, during NATO's air war against Yugoslavia, while the Czechs were reluctant partners, Slovakia impressed NATO brass by openly supporting the bombing and permitting NATO jets to fly over its territory.

Dzurinda and his principal deputy Ivan Miklos, the deputy prime minister for economy, say they have no time to lose. They have their eye on opinion polls that suggest, because of rising 20 percent unemployment and austerity measures, Meciar may be winning back supporters. His political party, the Movement for a Democratic Slovakia, remains the most popular single party, registering 28 percent support. Nonetheless, the governing coalition appears secure and is likely to serve out its full four-year term.

Slovakia has lagged behind its neighbors in building democratic institutions, restructuring its economy, and attracting foreign investment. Miklos, in outlining this year's economic plan, says, "The most important priority for the government is integration into the EU." Slovak citizens seem to agree as recent surveys show 70 percent support for EU membership. Corresponding figures for Poland and the Czech Republic are lower.

Jan Vanous, a researcher for PlanEcon, a consultancy specializing in business in Eastern Europe and the former Soviet republics, gives Slovakia a good chance of getting into NATO and the European Union. Just back from Bratislava, Vanous, who was born in Czechoslovakia, applauds the "upbeat, can-do attitude" in government ministries. "The Slovaks," he says, "have caught the privatization fever" and are


Slovakian Prime Minister Mikulas Dzurinda (second from right) joined Slovenian Prime Minister Janez Drnovsek (wearing cap) for a jog in Washington last April when they attended the NATO summit.

moving quickly to sell off assets regarded as untouchable by Meciar. These include the giant East Slovak Iron Works (the highest quality steel producer in Eastern Europe), the major refinery, the pipeline company that delivers Russian gas to Western Europe, and the phone company.

Foreign investors are turning bullish. Impressed with Slovak workers, good infrastructure, and proximity to the Austrian market, Germany's Volkswagen is expanding its small car assembly plant in Bratislava (fifty miles from Vienna). And, in a substantial coup, US Steel is making its first European investment by rescuing the debt-ridden steel works in east Slovakia.

The sorry condition of Slovakia's second-largest exporter, East Slovak Iron Works (known as VSZ), is a cautionary tale of what can happen when the rule of law is flaunted and capital markets are shallow. Nominally privatized in the early 1990s, VSZ was acquired at bargain prices by inept Meciar cronies. They proceeded to siphon off profits and expand the company into sectors far-afield from steel making. They purchased a newspaper, a prominent soccer club in Prague, and one of Slovakia's principal banks. When world steel prices collapsed in the wake of the Asian financial crisis, VSZ was left with debts it couldn't service. With the change of government in 1998, the crooks were thrown out and a respected Slovak American, former Bank of America executive Gabriel Eichler, was brought in to turn things around. With European bargain hunters waiting to snatch up the carcass, Eichler instead crafted an innovative deal with US Steel, which already had a joint venture with VSZ. The American company will pay all back-taxes and foreign debts and invest up to $125 million in the company. US diplomats applaud the deal and say other investors are sure to follow US Steel into Slovakia.

It appears to be a new day in Slovakia. Recent progress has been significant. The major uncertainty is political—whether a sometimes-awkward coalition, unified mainly by its opposition to Meciar, can forge a long-term program to boost living standards and keep yesterday's cranky dictator at bay. Ⓔ

Barry D. Wood covers Central Europe for EUROPE.

Pavol Hamzik

EUROPE INTERVIEW

Deputy Prime Minister of Slovakia

Pavol Hamzik, Slovakia's deputy prime minister for European Integration, was interviewed by EUROPE*'s editor-in-chief Robert J. Guttman in Washington, DC about his country's hopes to join the European Union and NATO.*

Slovakia's prime minister, Mikulas Dzurinda, recently described the European Union's decision to invite Slovakia to become an active applicant to join the EU as "the greatest achievement in the history of Slovakia." Why is this the country's greatest achievement?

To fully answer the question, we should start with the transformation of our political system and economy ten years ago, after the so-called Velvet Revolution in the former Czechoslovakia. At that time, we clearly stated the values to which we wanted to subscribe—democracy, rule of law, respect for human rights, and a market economy. At that time, as a part of the former Czechoslovakia, we said our intention was to join the institutions that would politically, economically, and from the security point of view stabilize the situation in our country and in the region. We confirmed this intention after the Slovak Republic became independent after January 1993. We signed the Association Agreement with the EU. And we see in our [eventual] membership in the EU the way to secure the development of our economy, political and economic stability, and better living standards for our people.

We went through a difficult period, which was, according to my mind, also connected to the need to find our own identity, to know what's really good for us and on what we should concentrate. In 1997, we lost the momentum to be invited for the negotiations with the EU on our membership and to be invited into NATO. It failed because of the internal political development in the Slovak Republic and because of the way the former coalition governed the country.

Now we are back, having come through this difficult period. We believe that the Helsinki decision [to invite Slovakia to become an active applicant] is one of the most important foreign policy achievements of the Slovak Republic in its history. We are just preparing ourselves to start the negotiations. The European Commission is giving us a chance to be in the first group of the new countries that will enter the EU, and we hope very strongly that our Visegrad neighbors (the Czechs, Poles, and Hungarians) will also be in that group.

When do you realistically think that you might become a member of the EU?

We set a date in order to concentrate on fulfillment of all the criteria—the date 2004. But it is not so important today to speak about the exact date of entry. It's important to concentrate on our careful preparation, especially from the economic point of view. So, 2004 could be a bit optimistic, not only for us but also for the other candidates, some of whom already have been negotiating for two years. What's important is that we have prospects, that we negotiate, that we were accepted, that the EU confirmed its interest in us, and that we will join the EU in 2004 or 2005 together with the others.

What does Slovakia bring to the European Union?

Probably one state doesn't bring so much, but together with our fellow Visegrad states, which went through the same development, we bring our market, our skills, our abilities. We bring our willingness to help Europe to withstand all the pressures of increasing global competition. We will bring our culture and our emotions. And I believe through that we'll add to the European integration process, which is more economic today but also has a political side, which I expect will grow stronger in order to succeed in all of its efforts.

With EU membership, do you feel like Slovakia is just coming back to Europe? Or do you feel you are already a part of Europe?

We feel that we are in Europe. As a matter of fact, the Slovak Republic is in the heart of Europe. We belong there...culturally, politically, economically, and mentally. Our history is very close to the member states, especially after the changes in the political and economic system in the Slovak Republic during the last ten years.

Are you ready to accept the euro as your currency?

Yes, we will do everything necessary to fulfill the criteria for the euro. I cannot say if it will be at the time of our entry. Some current EU member states are still not members of the European monetary union today. But we will do our best to prepare our economy for joining the monetary union.

What do the citizens of Slovakia think about giving up their currency?

It's not a very current theme for our citizens today. They generally support our intention to join the EU by 67 to 70 percent, which is quite a high level of support. We discuss with them everything that is in their interest. They feel they do not have enough information concerning the advantages of us joining Europe. I believe the question of our currency and accepting the euro will be discussed more later. But we will be in a better situation than the charter euro countries because we will have the benefit of their experience. It will be easier for us.

Concerning the enlargement process, how far do you think Europe extends? Where does Europe begin and end?

It's very difficult to say. I believe that after we are in the EU and other Central European states then the Balkan states; the EU will think of such states as Ukraine, certainly. There are ties. Already today, there is the intention to sign Association Agreements, and I believe that for the stability of the region—after all, we are a neighbor of Ukraine—for the stability of the region, it's necessary to think of them too.

Turkey has an Association Agreement. There are steps in the direction toward including it under some conditions and their fulfillment of the criteria. We can expect that Turkey will someday be an EU member state. Russia is a big question for all of us. It has to move ahead politically, economically, and to stabilize their situation.

Is Russia today a friend, ally, enemy, or merely another country with whom you trade? How would you define Slovakia's relationship with Russia today?

Certainly, I wouldn't say that it's an enemy. It is also not an ally. It's a partner, let's say, an important country for us, for our neighbors, for the EU, also for the United States. We should have a continuous interest in developing the stability of this country.

How stable is Russia?

It's certainly not stable enough politically and economically.

You mentioned that a poll showed 67 percent of Slovaks support joining the EU. What reasons are given by the 33 percent who do not want to join?

Some of them have doubts and are not sure if there are advantages or disadvantages. Some could be politically influenced by small nationalist parties, for example the Slovak Nationalist Party. But I believe the large number who favor membership, the 67 percent wanting to join the EU, is more important.

In addition to wanting to join the EU, do you want to join NATO?

Yes, certainly. Just like our neighbors who are members, we need to feel secure. We were part of the Warsaw Pact; that was dissolved. Now we are nowhere; we are alone, left on our own. We failed to be invited in 1997 when our neighbors, the Czech Republic, Hungary, and Poland, joined NATO, and we believe this is and will be the future collective security arrangements that will satisfy our security needs. We do it because it's in our interest. We do it because we do not have enough resources, and alone we have no possibility to have a military on the level which is needed today. I believe this collective way of securing our security is the best way.

When do you think you will become a member of NATO?

We are prepared. We are as far, at least, as the Czechs, Hungarians, and Poles were when they were invited during the Madrid Summit in 1997. So, we are preparing ourselves. We are doing our homework, and we are cooperating very closely with NATO and with the member states. The decision is not in our hands. It depends on a number of things. We should be there already. We belong there, not only geopolitically, but also today after the political change in Slovakia. There are all number of reasons to include us. In fact, we expected, I have to say, a firmer standpoint from the NATO partners concerning our membership after the political change in Slovakia. And we are waiting for such a confirmation of the intention to integrate us.

What have you done with NATO? Were you active during the Kosovo air war?

We acted very quickly on the requests of NATO concerning all flights and transports—even sometimes more quickly than some of the new members. We cooperated very closely with NATO in this respect. We did what we subscribed to in the framework of the Partnership for Peace.

And what about peacekeeping? Do you have peacekeeping troops in the Balkans?

We have troop units in both SFOR (Bosnia) and KFOR (Kosovo). Plus, we are in other places around the globe, like the Golan Heights. Thus, peacekeeping is part of our engagement plus diplomatic activities and political engagements. We are a small country but active in international affairs.

Do you see the Balkans becoming stable or are they still a tumultuous area?

Certainly not stable enough. There are still hidden dangers. The action of NATO in Kosovo didn't bring all the results which we expected and the NATO members expected. So, the situation is not sorted out. There are a number of hidden dangers still.

Does Europe still need American troops fifty years after World War II in Europe?

American troops and an American presence after the Second World War in Europe helped to stabilize the situation, politically from the security point of view, but the economic presence of the United States also contributed. It's still needed. Europe is not yet totally prepared to secure its security needs. We expect, and it was confirmed by a number of the European NATO member states, that this arrangement makes sense and will last for a couple of decades.

Who are NATO's enemy?

It's not necessary to speak about enemies. It's necessary to speak about security—security of the region and also the internal security of a number of European states.

Do you support the EU position toward Austria?

We understand [the EU's] position, and we believe that it's good that for the first time, the same approach was applied to EU member states as was applied to some candidate states. So, this one standard approach is something that we welcome. It's a sign toward candidate states and a clear message for them, but it's also a good message for those inside the EU.

What about in your country? Do you have any problems with any nationalist parties?

Basically, no. There is a small Slovak National Party, part of the parliament, with a rate of support from 8–10 percent. I do not see any fundamental or critical problems with nationalism in Slovakia.

The *Economist* recently reported that Slovakia's treatment of gypsies was not too good. How would you respond to that?

It's not a question of the treatment. It's a question of the social economic situation of this ethnic group, the culture, the demographic, and the educational situation. They have been on our territory for centuries. They have their way of life. We have a very generous social system for them. So it's a complex problem. It's certainly not a problem connected to discrimination or anything like that. As the European Commission and the Council of Europe both confirmed, it's a European problem, the same as in, for example, the Czech Republic, Romania, and Hungary, as well as in some EU countries. You have to deal with this problem in close cooperation with a program of improvement of their situation, especially education and everything that leads to possible integration in the society, but certainly we won't be able to solve it in one or two years. It wasn't solved in past centuries or in the last fifty to sixty years. But we admit that there is a problem, and we are taking it seriously.

How would you explain to an American audience why Slovakia and the Czech Republic broke up? What was the reason?

After November 1989, the development toward splitting started in the Czech part of the former Czechoslovakia—also to a degree in the Slovak part. There were some steps made from Prague which were not quite acceptable for Slovakia. At that time, we already had the Slovak Republic and the Czech Republic which together formed a federation. The Slovak nation, for a long period, had wanted to take our own decisions and be responsible for ourselves. This breakup wasn't so entirely artificial. It has its logic. Slovakia and the Czech Republic cooperate very closely economically and politically. We feel we are a family which doesn't live in one house but which needs each other. We'll meet again in the EU.

Everybody talks about Prague and the Czech Republic. Do you feel like the distant cousins who never get mentioned in the press?

At the time of the breakup, yes. But not now, certainly not now after the political change. After the parliamentary election in September 1998, we can say that there exists the same treatment of our partners concerning Prague, the Czech Republic, concerning Bratislava, the Slovak Republic. Now the situation is settled. The focus was more on the Czech Republic, on Vaclav Havel, on Vaclav Klaus, on Prague. In the years after the Velvet Revolution and after the division of the former Czechoslovakia, we were seen as being responsible for the division of what from the US and from other parts of the world was seen as Czechoslovakia or the Czech Republic. For a number of people, we were all Czechs, but we are a separate nation. We have our own culture. We have our own language. And we are a bit different.

We're now a little bit more than ten years removed from the Velvet Revolution. It has taken on a kind of a myth. What was it really like?

It was really a year of miracles. I think it was the same in Prague and Bratislava, in Kosice, in many Czechoslovak cities at that time, after repeated failures like the 1950s rebellion and the 1956 Hungarian revolution, in 1968 Dubcek and the Prague Spring. Then finally what was done was done simultaneously in several countries, and we were among them. We really had the spirit of massive public support even though it was necessary to do it peacefully, to do it without violence. That's why it was called the Velvet Revolution. Anyway, a lot of people have asked here if there was a revolution or a restoration. It was a revolution because it built a system of change, and the system of change was necessary.

What kind of psychological scars were left from living under communism?

The psychological problems of the past were connected with centralism and atheism. Everything was in the hands of the state—social and economic life, freedoms, political structures. Therefore, this is one of the legacies which we need to deal with to give people knowledge and the chance to take more responsibility into their own hands. Of course, they are not fully prepared because getting back either property or businesses into their hands after so many decades, especially in the older generation, is a problem. So, in some groups, there is a nostalgia that everything was organized then, and now democracy is not ideal.

Democracy brings a lot of questions. Everyday life is demanding and competitive. But Slovakia has the same prospects as the others in the region and in post-communist Europe, building stability and prosperity based on principles and values. Of course, democracy must be built on morals, so this means that we need to work on education and on transparency in the country. All this somehow gives people the chance to control their lives in the political and economic sense more than before. The younger generation is of course more competitive, traveling around, studying abroad, so this is part of the hope. Slovakia can be a competitive and compatible partner in all important projects in Europe or even globally.

Can you see communism ever coming back to Central Europe?

No, certainly not. It's over. Some have said that after the Velvet Revolution, some people, especially the elderly generation, adapted themselves to life in a zoo. By that, I mean that everything was arranged and everybody was fed. Now, today, it's more of a jungle.

Looking back, do you see communism as a system that was doomed to failure? It's easy to look back now and say that it was, but did anybody think it was going to exist the next hundred years?

Communism was doomed but awareness about that was very limited. It came with blood to Eastern Europe and Central Europe and established itself as a sort of answer to all questions, a paradise on earth. But it was not true because it was an unsustainable system, limiting freedoms and people's creativity, and it failed under pressure from outside. It will fail globally.

It is a complex phenomenon. Economics is one side. You see hunger in North Korea or the collapse of the Cuban economy, but I don't want to describe that situation there. It's downhill certainly. But, politically and spiritually, people naturally long for freedom. They want to develop their personalities, families, and perspectives. They will undermine. They will dismantle the cage.

How are Slovak–US relations?

On a good level certainly today. Politically, there is dialogue on the highest possible level. There are some reservations. For example, the Slovak Republic is almost the last European country which was not visited by an American president. Economically, there are still reservations although it is not bad. We would like to have more capital investment from the United States, more companies present, more entering into our economy.

Who are the largest American investors in Slovakia?

Right now Whirlpool, Coca-Cola, Motorola, and Citibank. US Steel is discussing a deal with our steel mills.

TRAVEL

Santiago de Compostela The Pilgrims' Choice

By Ester Laushway

One of Europe's nine cultural muses for the year 2000, Santiago de Compostela, in northern Spain, (population 80,000), less than fifty miles from the westernmost tip of Europe (Cape Finisterre, known as Land's End), has been famous since the Middle Ages as the destination of millions of pilgrims, walking to the holy grave of Saint James.

"Every thousand years, the Lord reminds us of his message with catastrophes and joy. Santiago had the honor of summing up in its name, the second message, the everlasting message of charity that resounded in medieval settings as an exultant hymn to the loving Son of Man, Our Lord." Written in 1948, by Gonzalo Torrente Ballester, in the first chapter of his book *Compostela and Its Angel,* these lines are a beautiful tribute to a city that has been a focal point for Christianity for a thousand years.

In the Middle Ages, Santiago was a high holy city, along with Jerusalem and Rome, and the most important center of pilgrimage of the three. Almost half a million people a year came on foot by one of four different routes to the grave of James the Apostle, hoping to witness a miracle or find absolution for their sins. Today, the nearly 500-mile-long route is not so crowded, and the people who walk—or cycle—along it are not all devout Christians, but the spirit of the saint is still a palpable presence. His emblem, a shell, appears everywhere. It is encrusted into roofs and walls of houses, covers one little church entirely, has lent its shape to another little chapel, and is stamped, as if by divine magic, on the shell of a crab, the *santiaguino,* served in the restaurants of the region.

According to the gospel, James was a fisherman's son, who was mending nets with his brother John when both were called by Jesus. The one brother became John the Evangelist, while the other preached the Lord's word in Spain, particularly in the northwestern province of Galicia, where Santiago is located. When he returned to Palestine, he became the first of the apostles to suffer a martyr's death, being executed by Herodes Agrippa around the year 44 AD. The legend has it that his body was carried back to Spain onboard a miraculous boat without sails, steered by an angel.

It took another 800 years before his gravesite was revealed in a vision to a hermit. A church was built on the site, and James became the saintly protector of Spain. When the Moors invaded Spain, Saint James shed his peaceful pilgrim image and manifested himself on the battlefield as a fierce warrior. For centuries to come, *Santiago Matamoros* (the Moorslayer) rallied Spanish warriors and conquistadors.

The Christian church was quick to realize that encouraging the cult of Saint James, in either incarnation, was bound to strengthen resistance to Arab influences. It cleverly promised absolution to any pilgrim who reached his grave at Compostela. The first foreign pilgrim on record was a French bishop in the year 950; within two centuries, a throng of medieval penitents were following in his footsteps along the *Camino de Santiago* (Saint James' Way). Compostela became an obligatory rite of passage for any prominent medieval personality in Europe. Whoever did not have time to make the trip themselves, sent someone else in their place and was pardoned for their sins by proxy. To deal with the mass traffic toward the grave of Saint James, entire towns sprang up and prospered along the Camino, with a particular style of architecture and art, which combined Gothic, Romanesque, Baroque, and Arab influences.

From the fourteenth century onward, pilgrims who proved they had walked a certain minimum distance could get an official certificate, called a *compostela* confirming they had completed the pilgrimage. Religious motives gradually gave way to all kinds of

Compostela's Cultural Calendar: A Selection of Year-round Events

Exhibitions

• *Self-Portrait of Compostela* was inspired by Torrente's book *Compostela and Its Angel.* The author's literary vision of his beloved city has been used to evoke the atmosphere and emotion which can be found as much in small, outwardly insignificant details as in great monuments. Presented in the church of the university, the self-portrait shares Torrente's belief that "to truly experience the heart and soul of Compostela as a whole, requires a long siege, as with any love affair."

• *Compostela, Virtual City* is another long-running presentation of the city's thousand-year cultural heritage, but it takes advantage of the latest in multimedia technology to create an interactive virtual surrounding for visitors. They can tour virtual museums, "fly" over Compostela in a virtual helicopter, and watch a three-dimensional video that immerses them in the historic parts of the city, including the final stretch of the Pilgrim's Way.

• Yet another exploration of the spiritual side of Compostela is the exhibition *Face of the Gods,* which presents the different incarnations of the divine in various religions from prehistoric times until now.

• Compostela's position on the Atlantic Ocean is at the base of an international project that it shares with two other European Cities of Culture for 2000: Bergen in Norway and Reykjavik in Iceland. All three have jointly organized *Living on the North Atlantic,* an exhibition that deals with the common elements that bind the lives of their people together.

• Another major international project, coordinated by the National Geographic Institute of Spain, looks at the different *Faces of the Earth,* as it has been imagined and depicted in maps, paintings, and other imagery throughout the ages. A "time tunnel" takes the visitor on a simulated journey from the present back to the beginning of the universe; the evolution of map making through the centuries is then shown; and the exhibition ends with a treasure island playground for children, where they can create maps of their own. Cartography institutes from nearly every European country collaborated on the project, which will tour other countries, either in part or as a whole, after closing in July.

• Under the generic title of "Europa Mundi," a series of high-level conferences and debates examines Europe's role in the world. Organized with the help of UNESCO and led by international specialists, this project is an attempt to anticipate some of the trends and problems that are likely to mark the beginning of the new millennium. For example, one of the major issues discussed is how to reinvent and globalize the concept of democracy in the new Europe.

Music Festivals and Concerts

• Together with the city of Krakow, Compostela is participating in the Codex Calixtinius, which is a reconstruction of the liturgy of the Mass of the Day of Saint James, just as it was in the twelfth century. The Codex has been preserved in the archives of the Cathedral of Santiago de Compostela, where a special costumed performance of the sung liturgy takes place on May 10th. It will be performed in churches in all nine European Cities of Culture for the year 2000 by a choir from Krakow, complemented by local performers.

• Another touring concert series is the *Voices of Europe,* a choir made up of youngsters from all nine Cities of Culture, which will perform in all nine cities.

• The Compostela Millennium Festival will bring music from different cultures together during the month of August. Its aim is not just to entertain, but to foster understanding among the artists and the audience of the creative process in different cultural contexts.

• A series of five large-scale concerts, with big-name entertainers from around the world (such as Sting on June 2nd), as well as fifty other concerts, are scheduled throughout the year. They vary from classical performances, conducted by the likes of Sir Neville Marriner, Daniel Barenboim, and Myung-Whun Chung to jazz quartets and Dixieland bands. Among the different festivals planned are a singer-songwriter festival called "Voices of the New Millennium," a rock festival, a world music festival, a street music festival and a new music festival.

Theater

• The Teatro Principal of Compostela hosts a series of thirty "Theater Nights at the Principal," which includes international plays such as *Amadeus* by Peter Schaffer and *Who's Afraid of Virginia Woolf* by Edward Albee.

less pious reasons for going on the long trek to the saint's grave. Knights looked on the pilgrimage as a pleasant way of having a little adventure; aristocrats and merchants came in search of business; criminals were sent as a punishment; and beggars earned easy money as surrogate pilgrims for the rich. By the nineteenth century, the Compostela pilgrimage had been reduced to a purely Spanish and Portuguese phenomenon.

Then, in 1879, the bones of Saint James were re-excavated, confirmed as authentic by a papal bull, and the flow of international pilgrims started to increase again. A further consecration came in 1937, when Saint James was recognized as the official patron saint of Spain. Within the last decade, the hostels and other facilities along the Camino, which had been sadly neglected, have started to be redeveloped, particularly since 1992, when the pope visited Santiago de Compostela. This year, two important events are attracting new attention to the ancient route and are certain to boost pilgrim numbers beyond the 16,000 that were registered in the summer of 1998. First, the year 2000 is an *annus mirabilis* for the Catholic Church, making any pilgrimage particularly beneficial; secondly, Compostela is one of Europe's nine Cities of Culture for the start of the new millennium.

In honor of that title, it has planned a cultural program around the main theme of "Europe and the World," which is designed to send the message that Compostela is still a unique destination for modern pilgrims from all walks of life. The main cultural projects for 2000 all place Compostela in a wider context of space and time. They evaluate its position in Europe and the world and explore its spiritual dimension, its geographical location, its sociological, cultural, and political significance. Ⓔ

Ester Laushway is EUROPE'*s Paris correspondent.*

Visitors' Guide

The focal point of any visit to Compostela is obviously its cathedral, rising above the impressive Plaza del Obradoiro. It is a grandiose building, although its main façade has suffered somewhat by being overlaid with a Baroque coating more reminiscent of a wedding cake than a sanctuary. Its rather stark interior is a bit of a surprise after the jewel box exterior, but somehow the bare walls have kept a silent spirituality that no crass commercialism can suffocate.

Hiring a native guide is not a bad idea, since he or she can point out the many marvels of the cathedral and add some picturesque details not found in any guidebooks. There are the 200 granite sculptures of the Portico de la Gloria, for example, and the different depictions of Saint James, as apostle, moorslayer, and humble pilgrim, which you can find throughout the cathedral.

The foot-sore pilgrims of the past celebrated their arrival at the cathedral by touching the central pillar of the Gloria Portico in which St. James is portrayed welcoming the tired pilgrim. People still do this, and the innumerable hands through the centuries have left deep finger marks in the hard marble of the pillar. Next is a ritual hug of the statue of James standing on the High Altar. A staircase leads to the statue, with a line of tourists and pilgrims waiting for their turn to embrace the gilded bust that looks more like an emperor than a humble fisherman's son.

Among the charming curiosities of the cathedral are the seven-ton bell called "Berengella" (which was offered by a French cardinal by the name of Bérenger, whose waist apparently equaled the bell's circumference); and a beautiful Virgin Mary playfully tickling the soles of Baby Jesus.

The town of Compostela itself has other fascinating sculptures to discover: a rare pregnant Virgin Mary in the New Street, a twelfth century frieze of pilgrims on horseback suffering from hemorrhoids—so the locals say. Religious influences are everywhere, but they are of a gentle, human nature.

It is quite likely to rain while you are in Compostela. It is a town where "rain is an art," which has covered the façades in vegetation and bathes everything in a mellow light somewhere between gray and topaz. Rain or sun, the town is alive, with a population of 32,000 students who enjoy life in Compostela so much that some are said to prolong their studies until retirement age. On foot, by bicycle, or other transportation methods; to find salvation or themselves; to give body and soul a workout; or for other reasons, pilgrims are returning to Compostela and Saint James welcomes them all.

CAPITALS

AN OVERVIEW OF CURRENT AFFAIRS IN EUROPE'S CAPITALS

PARIS

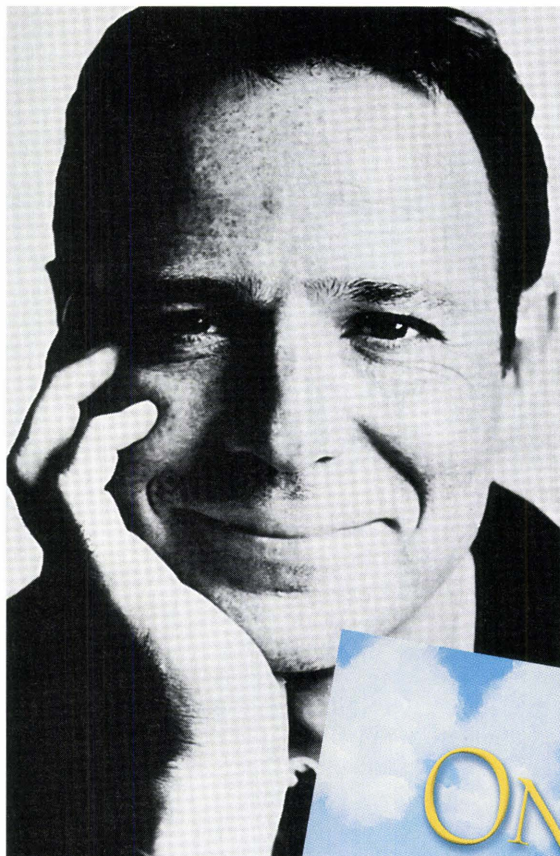
SPIELBERG TO FILM FRENCH NOVEL

No doubt luck played a part—a huge amount of luck—being in the right place at the right time, with the right story. I think it's also because it was not intended, it's not something I was looking for, so maybe it was more natural, more authentic. And maybe one of the reasons why it became so popular is that it's a very human story, about people who commit themselves."

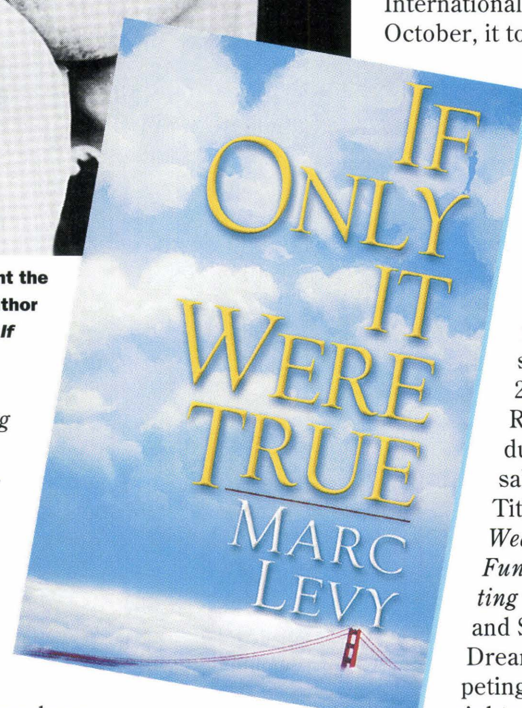
Marc Levy is not exactly sure how it happened, but his first book is going to be made into a movie this year, by none other than Steven Spielberg. It is also being translated into twenty-eight languages and has been at the top of French bestseller lists since it was published in January.

Not so long ago, before Hollywood called, Levy was a hard-working architect directing an interior design company in Paris. He was also a devoted single parent. His little son Louis had trouble going to sleep at night, so Marc started telling him a bedtime story every evening. He enjoyed making up stories so much that he decided to put one in writing for Louis to read when he was older. He never planned to have it published, but his sister thought it was so good that she persuaded him to send it to the publishing house of Robert Laffont.

It landed on the desk of Susanna Lea, the foreign rights editor, who picks out French books that would do well abroad. Since she moved to France after graduating from Oxford ten years ago and joined Robert Laffont, her track record has been impressive. She handled *Ramses*, Christian Jacq's epic account of ancient Egypt, (11 million copies sold in thirty countries); *The Black Book of Communism* (translated into twenty-eight languages); *The Diving Bell and the Butterfly*, the unforgettable little book dictated by Dominique Bauby, the former editor of the fashion magazine *Elle*, who was struck down by locked-in syndrome (translated into thirty-one languages).



Steven Spielberg bought the film rights to French author Marc Levy's bestseller *If Only It Were True.*



What she looks for in a book, trite as it may sound, she says, is "a good story, a story that either makes you cry or makes you laugh, that intrigues you, stimulates you, and when you put it down, it haunts you afterward. A good story doesn't have a nationality. It's human, it's universal."

Susanna had just come back to work from maternity leave and was going through the pile of manuscripts on her desk. Marc Levy's book, *If Only It Were True,* happened to be near the top one evening, so she took it home. "I read it through from cover to cover. I laughed, I was moved, I couldn't put it down. It also jumped off the page as having fantastic film potential."

At the annual Frankfurt International Book Fair last October, it took only a two-page synopsis of the plot and Susanna's reputation to get editors lining up. But she held out for a film deal and soon had Fox 2000, with Julia Roberts as producer, Universal-Working Title (of *Four Weddings and a Funeral* and *Notting Hill* fame), and Spielberg's Dreamworks competing for the rights. Spielberg clinched it with $2 million. He also committed himself to making the film within a year. As screenwriter, he chose Ron Bass (*Rain Man*), with Marc Levy acting as creative producer, a title that gives him the chance to collaborate on the screenplay.

So what is the story that has everyone so excited? It is a love story, between Lauren, a young doctor in San Francisco, and Arthur, an architect. So far, so banal. But Lauren has been in a severe car accident, which has left her in a deep coma from which there is no hope of recovery. One day, in his bathroom, Arthur meets her "spirit," which only he can see and he falls in love, with what Levy describes as "the letter, not the envelope" of Lauren. "The issue of Lauren being in the coma is just a pretext for the beginning of the story. It's just a pretext to put the man in a situation where he falls in love with a girl and he can't get any advice from anyone. He can't even decide if he might commit himself. Either he jumps into the story, or he doesn't jump."

We can assume that he does jump, but the ending of the story is best kept a secret until you have read the book (being published in the US this month by Pocket, an imprint of Simon and Schuster). Or you can wait to see the movie. Will Meg Ryan play the part of Lauren, I wonder, having already shown how fetching she looks in a hospital setting, or will someone less terminally cute be cast in the lead?

For his part, Levy is flying to Los Angeles this month to start work on the script with Ron Bass.

It does not worry him in the least that his original story may undergo some transformations to bring it to the screen. He says having Spielberg handle the movie adaptation of his book is like "going to a Christmas party with Santa Claus." And he has complete confidence in Santa. "Steven Spielberg paid a huge amount of money for the story of my book based on a two-page synopsis. So why should he, or anyone else, want to make a different story out of it? He's going to use that story and make a movie out of it. Even if it's slightly different, who cares?"

Levy's personal story will certainly be different from now on. He is giving up his job as architect, is moving to London with his son, now ten, and has already started writing his second book. The publisher has sworn him to secrecy on its content, but sooner or later, he does intend to publish a collection of some of the bedtime stories that started all this.

—Ester Laushway

BRUSSELS

THE AFRICAN DIAMOND DEBATE

For 400 years, Antwerp has been an important international center for the diamond trade, and today more than 90 percent of the world's trade in uncut diamonds passes through this Flemish city. The skill of its diamond cutters and the enterprise and discretion of its traders have combined to give the city an enviable and, apparently, unshakeable reputation.

Recently, however, the Antwerp diamond market has been the subject of two highly critical reports. The first, published in January, was by a Canadian-based non-governmental organization, Partnership Africa Canada (PAC). It had been monitoring the effects of the brutal civil war in Sierra Leone, which since 1991 has cost 75,000 lives, uprooted half the country's population, and led to the mutilation of thousands of people and the brutalizing of many young children who were kidnapped and recruited as soldiers by the rebel forces.

According to the PAC, the rebels largely financed themselves through illegal sales of diamonds, most of which passed through Antwerp. Only 8,500 carats were legally exported, according to the Sierra Leone government, but the Antwerp authorities recorded imports of 770,000 carats. The PAC report described the Belgian diamond industry as "irresponsible and seriously underregulated."

Hot on the heels of the PAC report came an official United Nations report compiled by a team of experts and chaired by the Canadian ambassador to the UN, Robert Fowler. The report dealt with the illegal export of diamonds from Angola, where the rebel UNITA movement, led by Jonas Savimbi, had been able to breach UN sanctions by selling large quantities in exchange for arms supplies. These sales had been effected, the Fowler report said, with the connivance of the presidents of Togo and Burkina-Faso and the ex-presidents of the Republic of the Congo and the Democratic Republic of the Congo (formerly Zaire). It went on to blame the "negligent controls" applied by the Antwerp traders and the "lack of will" by the Belgian authorities to prevent the import of diamonds from areas controlled by UNITA.

Belgium's foreign minister, Louis Michel, who happened to be in Angola when the report appeared, sharply responded. While welcoming the objectives of the report, he criticized its references to Belgium, which he characterized as "incomplete" and "inexact." The Belgian controls were already tighter than those in any other country, he maintained, and in particular those in London, where the headquarters of the biggest diamond trader, De Beers, is based.

The Belgium government is supplying Fowler with detailed information that, it hopes, will lead him to modify his conclusions.

—Dick Leonard

DUBLIN

GUINNESS HOME BECOMES GOVERNMENT GUESTHOUSE

The country likes to boast in the ancient Irish language of its *céad míle fáilte* (hundred thousand welcomes) for the hundreds of thousands of tourists who invade the island each year. Surprising, then, that until now there has not been an official "VIP guesthouse," an Irish equivalent of Washington's Blair House where important visitors could be hosted.

US presidents have traditionally stayed in the US ambassador's residence. The only papal visitor so far was hosted by the Papal Nuncio, and British prime ministers almost always have stayed with the British ambassador (although Margaret Thatcher once bunked down in Dublin Castle "for security reasons" during one of her visits).

Now all that is about to end. Later this year, Farmleigh, a Victorian-Georgian mansion adjoining Dublin's Phoenix Park, will be refurbished and officially opened to accommodate visiting heads of state and other dignitaries.

It will also be used for international meetings and important state functions, renewing a role it played in 1975 when it was loaned to the Irish government for the first meeting of European foreign ministers after Ireland joined the European Community.

Built in Portland stone, the three-story mansion includes six magnificent reception rooms, twenty large bedrooms, and fourteen bathrooms, making it one of Ireland's most desirable residencies. It is set in seventy-eight acres of pasture and parkland, including formal gardens and lakes.

It had been home to the Guinness brewing family for more than a century, but when they decided last year to sell it, the government swiftly stepped in and bought it for $27.8 million. The sale marked the end of an era for the family that created Ireland's greatest international brand name. The Guinness family also agreed that the contents, including the library with its unique collection of Irish manuscripts, and many works of art would remain as part of the deal.

Farmleigh, built in 1881 for Edward Cecil Guinness, the first earl of Iveagh, was the last great Guinness-owned house in Ireland. Other members of the extended Guinness family continue to live in Ireland. But Farmleigh is the last home in Ireland of the main branch of the family, the Iveaghs. From now on, the main family home will be Elveden Hall in Suffolk, their 23,000-acre estate in England, although the family insists they will keep their connections with Ireland.

In 1756, Farmleigh was built for £11,000 for Edward Guinness, great-grandson of Arthur Guinness who founded a small family brewery at Leixlip, in County Kildare, with a £100 bequest from his godfather, an Archbishop. Three years later he moved to Dublin, signed a 9,000-year lease on a rundown brewery at St. James's Gate and launched what was to become the first truly global brand name.

Arthur was the founder, but the extremely ambitious great-grandson Edward was the real visionary. About the time he acquired Farmleigh, Edward also bought out his brother and became sole owner of what was fast becoming the world's largest brewery. In 1886, he floated the brewery on the London Stock Exchange with a value of £6 million the largest issue handled in London up to that time. By the turn of the century, Edward was listed as the third-richest man in the United Kingdom with a then wealth of £2 billion—behind Cecil Rhodes and the Wills tobacco family but well ahead of the Rothschilds and the Duke of Westminster.

Today, ten million pints of Guinness stout are sold every day in almost 200 countries. The Guinness brewery in Dublin, with its museum and souvenirs, is a must for tourists. But the direct family links through their family seat in Ireland are no more.

—Mike Burns

LISBON

BRAZIL AND PORTUGAL CELEBRATE QUINCENTENNIAL

The river Tagus widens into a broad shining expanse as it rolls through Lisbon on its way to the Atlantic, a few miles downstream. On March 8th, the river was an even finer sight as forty sailing ships set off to repeat a voyage that exactly 500 years ago culminated in the landing of the first Europeans in South America.

The most eye-catching of the regatta's participants were the *Sagres*, a towering sailing ship used as a school for Portuguese sailors, and the Brazilian navy's *Cisne Branco*. But the undoubted star of the show was the *Boa Esperanza*, a replica of the caravel of the same name that 500 years ago bore Portuguese mariner Pedro Álvares Cabral to what is now Brazil's northeastern coast.

The presidents of Brazil and Portugal had the best view of the regatta, from the Torre de Belém, a sixteenth-century stone tower that juts into the river at Belém, downriver from Lisbon. But there were plenty of members of the public on the riverbank to cheer and sound klaxons as the *Boa Esperanza* sailed past with its escort to start a journey that is expected to take five weeks.

After the regatta, Brazilian President Fernando Henrique Cardoso held talks with Portuguese Prime Minister Antonio Guterres to take stock of relations between the two countries. They concluded that, although historical and cultural considerations had long dominated, they are being overtaken by economics.

"The new thing is that Brazil looks at Portugal and sees in Portugal Europe," Cardoso said. "It sees Portugal not only as a cradle of civilization but also as an opportunity for growth and trade."

As it happens, President Cardoso was in Lisbon as the Portuguese were once more indulging their fascination for his country's culture by ogling television pictures of carnival in Rio de Janeiro. Like the United Kingdom, another former imperial power since eclipsed by its most successful colony, Portugal has long had a complex about its brasher colonial cousin. But membership in the European Union has transformed relations between them. The flow of Portuguese emigrants is now just a trickle, and there are ever more Brazilians of all professions in Portugal, sharing in its new-found prosperity.

For its part, Portuguese business has rediscovered Brazil in recent years. As a result, Portugal has come from nowhere to become the third-largest investor in its former colony, behind the traditionally dominant US and Spain, whose companies have also been stepping up their activities in Latin America in recent years.

The framework treaty of friendship and cooperation that Portugal and Brazil are to sign next month—replacing one from the 1950s—is merely an attempt to catch up with this new reality. It includes provisions to prevent double taxation of income generated by companies from each country in the other.

The two governments are also looking forward to progress in this year's free trade negotiations between the EU and Mercosul, a South American group of which Brazil is a leading member.

But the talks in Lisbon were not all just about economics. The two leaders highlighted the way their countries are collaborating in the current peacekeeping effort in East Timor, another former Portuguese colony once "discovered" by Portugal's intrepid mariners, as a symbol of their good working relationship.

—Alison Roberts

LONDON

LONDON GETS A MAYOR

May sees the election of the mayor of London, the first directly elected mayor in England. The new official will represent the biggest city in Europe, a world capital whose 7.5 million residents expect the mayor to make it a better city in which to live.

Interest in the election spread far beyond the capital's boundaries as it involved bruising political battles that left the ruling Labor Party deeply divided over the selection of its candidate. However, in addition to its impact on the national political scene, London's directly elected mayor will give the city a more powerful voice in Europe and the world at large.

Its political voice notwithstanding, however, the new executive officer's powers have been tightly curtailed. Health, education, and policing remain with government ministries. Even in the crucial area of transport, the new supreme body for London will only have

After being snubbed by the Labor Party, Ken Livingstone ran as an independent in London's mayoral race in May.

limited authority. Unlike New York's mayor, who has six taxes to play with, the London mayor will have none and must operate within a budget set by the central government.

Furthermore, the new mayor will have to work with a twenty-five-member Greater London Assembly elected at the same time under a system that will prevent any one party from winning overall control. But even if the mayor has little statutory power, and can be overruled by the central government, he will have a huge personal mandate and should be able to force through his policies without too much difficulty.

The winning candidate will be handed great opportunities, great challenges, and great problems. Expectation will run high.

Foremost, people will want to see improvements in the quality of life. This means a better public transport system, both buses and the neglected Underground (subway) system, and a coherent policy regarding road traffic.

Londoners want a safer city and have placed crime as one of their greatest concerns. They will look to the mayor to bring about better policing, although control of the police will still rest with central government.

Furthermore, improvements in the environment, such as reducing pollution and noise abatement and improving street cleaning and waste disposal, will be one of the critical areas in which the new mayor's performance will be judged.

One of the mayor's key tasks will be to persuade the EU that when it is allocating funds it must not look at London as one unified whole. The reality is that alongside great wealth there are areas of massive deprivation and high unemployment. Equally, the mayor will be expected to play a major role in persuading businesses to stay in the city and in attracting inward investment to create more jobs.

"London is the most important among European capitals, and it needs a mayor," Rome Mayor Francesco Rutelli said on a visit to London during the campaign. He added, "Sooner or later you will have to consider local taxation, and eventually this must become a reality if you are to achieve your primary task of making London a more livable city."

Rutelli believes that today people prefer to vote for a person rather than a party and that the election of a high-profile personality "will change national politics."

In reality, it already has. The Labor Party was split by the decision of the hugely popular Ken Livingstone to defy his party and stand as an independent candidate after the party hierarchy rigged the internal ballot to ensure he would not win the Labor nomination. The leaders of New Labor appear to equally fear his independence, and that seems to be their motivation for preventing him from becoming the Labor candidate.

Livingstone, who was head of the Greater London Council until Margaret Thatcher disbanded it in 1986 because of his outspoken criticism of her policies, maintains a wide lead in the polls.

—David Lennon

LUXEMBOURG

BANKS VOW TO FIGHT SQUEEZE ON SECRECY

Let's say you are a well-off Belgian farmer, German car dealer, or French television executive with a pile of cash you want to invest but without your tax authorities knowing about it. All you would have to do is make the short drive across the border to investor-friendly Luxembourg.

For years, Luxembourg has lured the deposits of savers in neighboring countries by offering tax-free returns and, more important, guaranteed bank secrecy. It is one reason Luxembourg has become the world's sixth-largest financial center, with a concentration of some 1,300 investment funds and 220 banks within its miniscule territory, and why its citizens enjoy the highest per capita income in Europe. (Using the ubiquitous Big Mac as a yardstick, it is calculated that it takes the average Luxembourger just thirteen minutes of work to pay for the hamburger, barely any longer than an American and far less than anywhere else in the world.)

The Luxembourgers owe their wealth to their leadership in television broadcasting and steel production as well as banking, but it is the thought of all those cross-border deposits stashed away in their banks that tends to provoke other countries. Germany, for instance, is said to lose the equivalent of $16 billion a year in taxes because savings have been salted away in foreign bank accounts—mainly in Luxembourg, which controls around 90 percent of all Continental Europe's offshore fund assets.

Any Luxembourg banker able to read the newspapers knows the situation cannot last. European economic and monetary union, if it is ever to become a reality, can have no place for banking and tax laws in one EU country that are so far outside the mainstream that they suck in cash from outside its borders. The Luxembourg government itself accepted at the EU summit in Helsinki in December that "all citizens resident in a member state of the European Union should pay the tax due on all their savings income."

Logically, in a monetary union all members should pay the same taxes under the same rules. That is a far-off ambition, even for the most zealous of Euro-enthusiasts, but steps can be taken to end some of the more glaring loopholes. As far back as 1989, the European Commission proposed a 15 percent withholding tax on savings interest to apply throughout the European Union.

Luxembourg and the United Kingdom, the two countries with the most at stake, blocked the proposal. However, in 1998 the Commission came back again, calling this time for a 20 percent tax but also allowing countries a choice between applying the tax or providing full information on cross-border savers' deposits to the proper tax authorities. This proposal is still on the table, but the issues have become more complex, and the United Kingdom and Luxembourg are no longer as one on the matter.

The official UK view is that the tax would undermine the competitiveness of EU financial markets and drive international bond business away. Or, to put it another way, it would threaten London's $3 trillion global bond market, spelling a potentially calamitous loss of revenue and jobs. As an alternative, the United Kingdom has proposed the full exchange of information on deposits between EU member states.

"Luxembourg, obviously, doesn't see it that way at all," says a Luxembourg government spokesman. The country told the Commission last year that it could accept a tax of 10 percent though this would have to be as part of a much wider tax harmonization scheme. However, the Luxembourg Bankers Association and the Luxembourg Investment Funds Association have jointly called for UCITS (undertakings for collective investment in transferable securities) to be exempted altogether. Luxembourg, which pioneered the development of UCITs (similar to US mutual funds) in Europe, believes that the EU directive as presently drafted could lead to a "massive transfer" of investments to non-EU funds located in the US and Switzerland among other places.

Perhaps even more important though is the threat to Luxembourg's cherished banking secrecy, which is explicit in the British plan. Luxembourg is clinging to the so-called "coexistence" model, which would allow it to keep savers' transactions under wraps at the cost of applying the tax and believes that Germany, which also has strict banking secrecy rules, would back this.

Exactly how this will end is anybody's guess, but it is at least safe to assume that Luxembourg's attractions for personal savers eventually will be cut back, although it will not happen for some time yet.

—Alan Osborn

ROME

IS RENATO SORU ITALY'S BILL GATES?

Who is the richest person in Italy? Be careful how you answer. No, it isn't Gianni Agnelli, owner of Fiat, and it isn't Silvio Berlusconi, the television tycoon with a passion for politics. You are off course as well if you say Carlo De Benedetti or Giorgio Armani. The correct answer is Renato Soru, who some call the Italian Bill Gates. Until a few years ago, banks wouldn't grant him a loan. Today, his company, Tiscali, is worth more on the stock exchange than Agnelli's Fiat or Mediaset, Berlusconi's television and publishing empire.

A few numbers say it all. When Tiscali was first listed on Milan's stock exchange last October, its shares were selling for roughly $46. By the end of the first day, the price had jumped 55 percent. Today, one share costs more than $855. "Do you have any Tiscali, by chance?" Italians wistfully ask anyone who seems to enjoy a sudden burst of fiscal fitness.

Just who is Soru, whom even Wall Street is watching carefully, and just what does he do? The whole story appears far-fetched unless observed through the lens of the new economy. Renato Soru, forty-two-years old, looks like an anonymous manager and hails from Sardinia—not known as a breeding ground for Italian tycoons. The Italian island is off the economic beaten track, better known for grazing sheep and beautiful beaches. Today, thanks to Soru, Sardinia has forcefully entered European financial headlines. In 1997, when he created his telephone and telecommunications company, with which he planned to challenge Telecom Italia's public monopoly, he chose to name his company after a local grotto known only to speleologists. Today the Tiscali name is well known throughout Italian business circles as one of the leading forces in the close-fought battle between mobile phones, portable Internet, and the entire industry of virtual technology.

His company's rapid rise, however, did not go to Soru's head. Instead of moving to Milan or Rome, the respective economic and political capitals of Italy, he remained on Sardinia. There Soru holds the reins of his growing empire while maintaining his sober lifestyle in his birthplace, the small town of Sanluri with 9,000 inhabitants located near the island's capital, Cagliari.

He was not born rich. His father was a government employee, and his mother owned a modest grocery store. He has four brothers, one of whom runs a small factory that makes French fries. He graduated with a degree in economics but soon realized that he wanted to look beyond the island's borders. He got a loan and went to Czechoslovakia, where he created Czech On-Line. It was his first success. When he sold the company, he invested the money at home. Tiscali was born and has forever changed the Italian economy, which for decades has revolved around a handful of families and a few big state-owned groups.

Soru, however, has avoided transforming himself into a public person, preferring to keep a low profile. Meanwhile, Tiscali, which began with thirteen employees, today has only 200.

Renato Soru's company Tiscali has proven to be Italy's first dot-com super success.

He made his fortune thanks to the Internet but remains cautious about all the 'e-hype'. "I am lucky to represent change, of course. But the virtual world is not an obligatory route," he says. "I don't tell my four children that if they don't start to work with a computer online they won't have a future. My oldest daughter studies ancient literature at the university. All of them have a computer and know how to navigate online, but nothing more than that."

It might also be that if their father continues to turn everything he touches into gold, maybe they will not really have to work.

—*Niccolò d'Aquino*

STOCKHOLM

SWEDES BID FAREWELL TO FAMOUS ECONOMIST

She was known for her gravelly voice and fierce intellect. She was decisive and impatient but quick to laugh. Even her political opponents respected her.

When former finance minister Anne Wibble died of breast cancer March 14 at age fifty-six, Sweden lost one of its most prominent economic thinkers and a formidable link to the international financial community.

Wibble was the daughter of Bertil Ohlin, the Nobel Prize winner who, with Gunnar Myrdal at the Stockholm School of Economics, helped formulate the Swedish economic model that became world famous in the 1930s. Economics and politics were her family legacy, but no one made the mistake of suggesting she was riding on her father's coat tails.

Wibble studied at the Stockholm School and Stanford University, later teaching at Stockholm. She became finance minister in former prime minister Carl Bildt's conservative coalition government in 1991, serving until the Social Democrats took back power in 1994.

In 1997, after unsuccessfully running for leader of the Liberal Party, to which she had always belonged, Wibble became chief economist for the Federation of Swedish Industries, a respected lobbying organization. Party members had reason to regret not choosing her since the Liberals have been steadily losing support since. Meanwhile, Wibble gave the federation an even higher profile and was often quoted in newspapers and interviewed on television.

In interviewing Wibble, reporters knew they had to come prepared. She had an enormous capacity for facts and figures and a true love of debate. If one was going to discuss economics with her, one needed to marshal the facts. But she was also willing to acknowledge with a wry grin that statistics could be manipulated to support any argument.

Besides her intellect, Wibble was renowned as a chain smoker and compulsive coffee drinker, so much so that she called her autobiography *Two Cigarettes and a Cup of Coffee*. The story goes that one Swedish journalist, after being closeted with Wibble in her office at the finance ministry for an hour, included a bill for dry cleaning on her expense account. When it was questioned, the journalist replied that the paper was lucky she was not submitting a bill for new clothing, the smell of smoke had been so strong.

Wibble's economic theories were conservative, especially for Social Democratic Sweden. Ironically, her father helped create much of the welfare system with which Wibble disagreed. Nevertheless, she always maintained that he was the first to say that without a strong economy, the welfare state could not be supported. Whether he would have agreed with her theories of how one created a strong economy is another question, although she claimed he would.

Both as finance minister and at the federation, Wibble campaigned for Sweden to join the European monetary union. She believed it was the only way for a small country with a currency often the target of speculators to protect itself and improve its economy. She once joked that George Soros was against the EMU because more stable currencies would leave him with fewer chances to earn big returns speculating on currency.

Wibble had some experience with currency speculators. In 1992, while she was finance minister, traders caused the value of the krona to plunge. In a historic effort to prop it up, Sveriges Riksbank, the Swedish central bank, pushed its interest rates up to 500 percent. But the move did not work, and Sweden was forced to abandon a fixed exchange rate, making the krona even more vulnerable. Consequently, the government had to offer higher interest rates on its bonds to attract investors, and Wibble was forced to work with the Social Democratic opposition to reassure investors that Sweden's economy was still stable.

Always outspoken, Wibble awoke strong feelings with her opinions and policies. But if there were many who disagreed with her politics, there were few who did not respect her.

Although in politics for seventeen years, Wibble said that she didn't miss it when she went to the federation. Instead, for the first time, she had free weekends and time to tend her rose bushes. It was not only the Swedish economy she enjoyed watching grow.

Throughout her life, Wibble rejected the feminist label. For her, it wasn't about breaking traditional female molds or being the first woman to do this or that. It was about being the most competent person.

"People," she used to say, "are what they are. That you behave one way and I another isn't because you're a man and I'm a woman. It's because you're you and I'm me. And there are certain human emotions common to everyone." She is survived by her husband, Jan Wibble, and their daughters, Petra and Monika.

—Ariane Sains

Maria Schaumayer, head of a special office for reparations concerning forced laborers during the Nazi regime, met with US Deputy Treasury Secretary Stuart Eizenstat in Washington in March.

VIENNA

GOVERNMENT TO PAY NAZI LABOR VICTIMS

One of the top priorities of Austria's new government is paying restitution to the hundreds of thousands of people forced into slave labor for the Nazi regime. The head of a special office set up to handle the issue hopes the first compensation payments can be made by the end of the year.

Maria Schaumayer, former head of the Austrian National Bank, told the media there is "a moral obligation for the entire economy to finally close this dark chapter of the past." Although it's impossible to now say how many people and how much money might be involved, "naturally, 2,000 schillings ($142) isn't being considered," as an adequate sum for compensation, Schaumayer said.

According to a report released this year by the government-backed Historic Commission, nearly one million foreigners from Central and Eastern Europe and the former Soviet Bloc were forced to work as laborers for the Third Reich between 1939 and 1945. The commission estimated that about 240,000 are still alive today.

The commission report divides laborers into two categories: slave laborers, who had been sent to concentration camps, and forced laborers, who were forcibly deported to Austria to work in factories and on farms.

Along with Austria's infamous Mauthausen concentration camp, about forty sub-camps were set up near factories, where the victims were literally worked to death. About 20,000 survivors of these camps are thought to be alive.

The vast majority of the survivors were forced laborers, who were seized and sent to Austria from countries such as Hungary, Poland, Russia, Ukraine, Belarus, and the Czech Republic.

Schaumayer already has met with representatives from the various countries, and US attorney Ed Fagan, who has been involved in compensation cases in Germany and Switzerland, has had discussions with the slave laborers as well.

Fagan said as many as one million heirs also could be eligible to file compensation claims. "If anybody thinks this is going to be a quick, cheap deal, they are sorely mistaken."

Schaumayer said any payment made by the government would only be a "gesture," rather than compensation for legal claims, and Austrian industry has signaled its willingness to support restitution payments for forced and slave laborers.

However, before any money can be handed out, parliament must approve a law, which is still in the works, setting up a compensation fund. Once the fund is established, money must be allocated to it. In addition, Austrian companies must be guaranteed that they will be exempt from any related lawsuits once the compensation fund is in place. Schaumayer also wants to ensure that as much money as possible goes to the victims, with little taken off the top for administration.

Martin Eichtinger, Schaumayer's chief of staff, said, "She really wants to hurry this up. We want to see the victims get their money."

—Susan Ladika

BERLIN

TECH WORKERS WANTED

At a time when unemployment in the euro zone is depressingly close to 10 percent, it might seem incredible that labor shortages could be a serious problem. In Germany, the head of the engineering employers' group Gesamtmetall has said the industry needs an additional 120,000 skilled staff.

Heinrich von Pierer, president and CEO of Siemens, has warned that the number of electrical engineers who graduated last year fell to 9,000, down from 13,000 in 1995. "We cannot afford to have talented young people take the wrong direction in their education. The waste of talent ultimately hinders economic growth and innovation and costs jobs," he said.

The country's Chambers of Industry and Commerce (DIHT) have confirmed Pierer's warning. A recent survey found that German companies were having serious difficulties recruiting high-tech employees, and shortages of engineers and technicians were constraining production. "The labor supply is drifting increasingly away from labor demand," said Franz Schlosser, DIHT director. Olaf Henkel, head of the Federation of German Industries, deplores the lack of some 150,000 information technology (IT) experts while the digitalization of information is increasing at an extraordinary pace.

Germany was slow to awake to the potential of the Internet, but Germans are now eager to narrow the yawning technology gap with the United States. "Germany, until now, was always known to view new technologies with a certain reservation—yes, even hostility," said Ron Sommer, CEO of Deutsche Telekom, at the world's biggest Internet trade fair, CeBIT 2000, in Hanover. Germany appears ready to build on its handful of competitive advantages, but it cannot afford to ignore its lingering handicaps in the information age, he warned.

Chancellor Gerhard Schröder, who since taking office in 1998 has swung between socialist intervention and a modern, pro-business policy, emphasized in his speech at CeBIT that Germany's ambition was "to take a leading place in the international rivalry of the information age." He announced plans to import some 20,000 computer specialists from Eastern Europe and India to overcome the present shortage. Somewhat comparable to the US green card system, Germany will allow computer specialists to work in Germany for a limited period of up to five years.

As was to be expected, Schröder's proposal was acclaimed by the business sector, but the trade unions came out against "the immigration deluxe," saying it was industry's job to retrain jobless Germans to meet the demand. Schröder was obliged to water down his initiative by saying that labor market flexibility for IT specialists would only apply if at the same time German entrepreneurs started a qualification offensive for jobless Germans. No less than 56 percent of all Germans are against the so-called "Indian Net" because, they say, a generation of older workers are being ignored. Computer enthusiasts fresh out of college were ideal candidates for these new, constantly changing industries. They could be paid half the salary of a forty-year-old and, without wives and children, were often willing to work longer hours and undesirable shifts.

Menno Harms, vice president of Bitkom, an association of IT companies, insisted that computer specialists in Eastern Europe and India are highly qualified and that they would get the same pay as the Germans. That was why they were so keen to work in Germany. *Bild*, the German daily, published an interview with an Indian computer specialist who said Germany was his dream country. He was looking forward to working in Germany, and buying a BMW would fulfill another of his dreams.

—Wanda Menke-Glückert

COPENHAGEN

NEXT STOP, GERMANY

The Oresund Link, the combined tunnel and bridge between Copenhagen and Sweden, will be officially inaugurated in July. This event has been preempted by a number of special, invitation-only crossings by bikers, roller skaters, and pedestrians, and at least one uninvited illicit crossing by a truck carrying alcohol from Denmark to Sweden in the dead of a winter night. Swedish customs officials had been tipped off and were waiting for the smugglers.

Next stop on the construction agenda may be Germany. Even before the Oresund Link has opened, the political debate on the next project has begun. A decision is expected this fall on a proposed link between Denmark and Germany across the Femer Belt in the Baltic Sea, pending the conclusions of a major environmental study. Sweden has always considered the Femer Belt Link to be an important part of a decision to build the Oresund Link, as it will give Sweden road and rail access not just to Denmark, but to Germany and the heartland of Europe.

Dorothy Andrews, a painter from New York, took a six-month sabbatical in Greece in the 1950s and ended up staying.

The Danes, however, have never interpreted the Oresund agreement as a final commitment to build a Femer Belt Link, but there is strong political momentum to go ahead. The link is expected to help develop Storstroem, one of Denmark's poorest counties.

Local opponents insist that they are certain to lose the largest employer, the ferries to Germany, in return for very uncertain new job opportunities. The elimination of tax-free shopping on the ferries last year is already estimated to have cost at least a thousand jobs.

On the other hand, supporters, including local businesses, believe otherwise. They argue that without proper infrastructure, the entire county will remain on the periphery of Denmark's economic development. They are supported not only by their colleagues at the national level, the Confederation of Danish Industry, but also by their German colleagues in Schleswig-Holstein and Mecklenburg-Vorpommern, two of the poorer German states. The regional governments are stalwart supporters of the project; however, the federal government in Berlin is more ambivalent.

The Danish government is moving toward a firm commitment to build the fourteen-mile Femer Belt Link, and the project to be discussed with the Germans is a bridge with a four-lane expressway and a double-track railway.

There are also environmental arguments in favor of the Femer Belt Link, notably that it will make rail far more competitive on the Copenhagen-Hamburg trajectory. Although a bridge is more controversial with environmentalists than a tunnel is, preliminary surveys indicate that the final environmental report will not eliminate the bridge option.

The Great Belt bridge and tunnel, which was built to integrate western and eastern Denmark, has strongly increased the market share of business travelers at the expense of air travel. Ferries also suffered, but total traffic including all modes of transport has increased, which highlights the project's ultimate success.

The European Union will support the Femer Belt project. In 1994, the EU identified it as a possible Trans European Network (TEN) and sees it strengthening the Baltic profile of the EU at a time when four littoral states—the three Baltic nations and Poland—are planning to join the European Union.

—Leif Beck Fallesen

ATHENS

EXPAT PAINTS ISLAND LIFE

Dorothy Andrews, a painter from New York, came to Greece in the mid-1950s, as it was recovering from a devastating civil war in which the US-backed nationalist government had defeated a communist guerrilla movement. The tourist industry had not yet taken off, and Athens was still a city of red-tiled two-story neo-classical houses rather than apartment blocks. She took a six-month sabbatical from teaching in New York and started giving art classes beneath a mulberry tree in the yard of her Athens home. She has worked in Greece ever since.

Andrews settled in Hania in western Crete, where she lives high above the Venetian harbor in a Renaissance-era building that once housed the city archives. The weather on Crete can be fierce; storms buffet the island in winter and gale-swept waves batter the city's historic waterfront. However, a few miles inland lie groves of orange and olive trees sheltered by the peaks of the White Mountains. Meadows erupt in spring with brilliantly colored wildflowers. Even in the dry summer months, the hillsides are colored with tufts of purple and burnt orange. Few Mediterranean landscapes offer more color and variety.

Andrews' early work—still lifes and abstracts—attracted the attention of New York art critics for its energy and striking use of color. But from the moment she arrived in Crete, she switched to painting nature. "There wasn't anything else I could do," she says. "There's so much nature around you, it's overpowering." Making repeated visits, she traveled around the island by bus and by truck to remote villages to sketch before making Hania her base.

"I was introduced to the island by two Cretan lawyers who worked in Athens. I'd go to the law courts to listen to them argue a case, as part of learning Greek," she says. "Then I found myself going back to Crete again and again."

The island's wind and weather feature strongly in her paintings. "Even here in the middle of the city, you can't get away from what's happening outdoors… Weather is a dominant force," she says. Her landscapes, semi-abstract but often recognizable, are filled with movement. Many evoke winter on Crete "after the storms have swept the crowds away." The images are memorable: an olive tree bent by the wind against a stormy red sunset; oranges gleaming brilliantly amid dark leaves in a citrus orchard, pale wildflowers on a cloud-covered shoreline. But she also has a lively feeling for domestic scenes, for example, the cats that live in the courtyard below her apartment.

Andrews spends more time at home these days, painting from her sketchbooks. Her apartment, across a paved courtyard and up a narrow flight of creaking stairs, is filled with traditional island furniture, ceramics, and textiles. High-ceilinged rooms look out across the harbor to a sixteenth-century stone lighthouse and the open sea. "A gypsy family helped furnish the place. They'd keep coming back with all sorts of stuff they'd picked up around the island, from kitchen utensils to embroideries."

Does she think about leaving Crete and returning to New York? "Perhaps I've thought about moving on. But this is an extraordinary place to live, in a city yet exposed to the elements. And I know exactly what I'm painting here."

—Kerin Hope

HELSINKI

FINNISH SPEEDERS FACE DIGITIZED POLICE FORCE

The Finnish bureaucratic tradition has a lot in common with the German one on which it was founded in the early part of the last century, as was the education system and much of social and business etiquette.

Foreigners often comment on the horrible exactitude of Finnish rules and regulations, which are characterized as persnickety yet ponderous but also largely benevolent in purpose.

Even now, five years after joining the European Union, the Finns remain genuinely shocked at some of the more louche interpretations of the law that are habitual elements in a few of the southerly European cultures. "We do things differently," they claim. "We prefer the Nordic way."

There is an unmistakable—some might say unacceptable—smugness in this attitude, but it is nevertheless deeply felt. These days that mind-set is greatly supported by the new technologies of Finnish inspiration and design.

Take, if you will, the example of speeding. It has long been the practice in Finland to fine speed limit offenders according to their gross income. This policy was carried out under the honor system. If caught in a police *ratsia,* the speeder had to declare his income, and the fine was calculated on the basis of the seriousness of the offense plus an assessment of how long it would take the driver to pay a day-rated fine according to income.

The theory behind this variable system of punishment was, and remains, that its pain should be inflicted more or less equally on all offenders. In other words, the deterrent for the well-to-do speeder would be relatively much the same in its weight as on the poorer motorist who would pay less for his or her transgression; the "Nordic way" in action, one might say.

But even that had to deal with human nature and—surprise, surprise—not everyone told police officers the truth. Could that confident guy behind the wheel of a new Mercedes-Benz really run the vehicle on such a modest income? It took a great deal of trouble to verify his true earnings.

Thanks to Finnish technology, the system has recently been changed. The criminal code was amended so that a speeding fine is now leveled on net, not gross, income. However, authorities needed a more accurate method of discovering the offenders' earnings than just taking their word.

When a driver is pulled over these days, the officer gets out his GSM-enabled mobile phone and, using the offender's social security number, logs directly into a secure database run by the tax authorities. After a mere five seconds, he receives back the calculated fine and the fiscal information on gross and net income plus the property and maintenance obligations used to calculate it. This is shown to the offender at the roadside, and then the fine is duly written. Gotcha!

The inventor of this Orwellian apparatus for speed infractions is a Finnish-Swedish corporation called TietoEnator. They claim even the speeders prefer it to the old method because there are unlikely to be any aberrations; it is fair and seen to be so. "There is no other system like it in the world," boasts an Interior Ministry official, your fine is in the phone. The manufacturers say the automatic calculator has generated interest abroad. You bet it has. This device is a Finnish harbinger of digital government, and needless to mention, the state's "take" of speeding fines has shot up.

—David Haworth

THE HAGUE

THE TANGLED WEB OF WORLD ONLINE

This year, the Netherlands is under the spell of dot.com fever. Internet and telecommunications-related businesses are setting up shop everywhere. One of the most astonishing and controversial new entrepreneurs to burst onto the scene is Nina Brink, a forty-six-year-

Dutch e-entrepreneur Nina Brink founded World Online, but shareholders have given her the thumbs down.

old businesswoman who founded World Online five years ago. With the flotation of her company, she instantly became a millionaire and one of the richest people in the Netherlands. Other major shareholders include the Swiss Sandoz-family (of the pharmaceutical company Novartis), US computer chip maker Intel, and Reggeborgh Beheer, one of the Netherlands' largest industrial conglomerates.

However, the fortunes of the company with such a bright beginning have taken a drastic turn for the worse, casting a dark cloud over its founder and its own future.

Brink was born in Amsterdam and moved with her parents to Canada in 1956 at the age of two. In 1971, she returned to the Netherlands, and without completing her university degree, she started a profitable business trading in electronic components. In 1995, she started World Online with her second husband, Ab Brink. It was the emergence of the Internet age, and she was one of the first Dutch entrepreneurs to tout the potential of the new electronic world.

There are not that many female entrepreneurs in the Netherlands, and Brink managed to create an astounding image. She positioned World Online as Europe's answer to Internet service provider American Online and proved adept at raising venture capital and promoting her idea. She cultivated friendships with celebrities, including former South African president Nelson Mandela, former duchess of York Sarah Ferguson, and Netscape founder Jim Clark.

In fact World Online (with slightly more than a million users) itself is hardly more than a brand name. Like many Internet ventures it has not turned a profit, yet it had investors lining up at its door. Indeed, its market valuation on the day of its stock flotation was close to $12 billion.

The problems arose as the company went public. Individual subscribers to World Online were given preference to buy the company's stock, but eighty percent of the shares were sold to institutional investors. In the days before the official market quotation, the price rose steeply in the gray market. However, on March 17th, when World Online officially debuted on the Amsterdam Stock Exchange, (the first Dutch Internet company to do so) the stock ended the day slightly above the IPO price of $40. For speculators, the floatation of World Online proved a disappointment.

In the following days, WOL's stock price swooned. News emerged that Brink had sold two-thirds of her World Online holdings three months before the IPO without fully disclosing her dealings. Furthermore, she allowed one of the buyers of her shares, an American venture capital fund, to avoid a binding lock-in period to hold the shares. The firm promptly sold them on the first day of trading, and Brink allegedly shared in their profits. Meanwhile, many private investors were left with plummeting shares and dumped the stock at a loss. WOL's share price subsequently bottomed out at less than $14 per share.

Soon after the disastrous offering, criticism of Brink, Goldman Sachs and ABN Amro (the banks that arranged the IPO), and the Amsterdam Stock Exchange mounted. Revelations have emerged that Brink spent millions on celebrity-studded parties and private jets while the business suffered. She resigned as chairwoman on April 13th but retains the title of consultant to the company.

On the bright side, say some analysts, the World Online saga indicates that the Dutch stock market is awakening to the Internet companies of the new economy. At the same time, the Dutch investing public has now seen a prime example of the risks connected with the new dot.com businesses. Nevertheless, more IPOs are expected this year.

—Roel Janssen

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ARTS & LEISURE

BOOKS

BRUCE CHATWIN

By Nicholas Shakespeare; Nan A. Talese/Doubleday; 618 pages; $35

I first heard about Bruce Chatwin in 1989 when I read his obituary in a tattered copy of *Newsweek* in a remote African village. It said the British travel writer had succumbed at age forty-eight to a rare Asian virus contracted during one of his far-flung adventures.

I absorbed the article's description of his careers as an art and antiquities curator, journalist, and travel author and pondered the black and white photo of a tanned, fair-haired man with a relaxed gaze. However, it was when I read about his telegram to the *Sunday Times* in which he left his job with the famous words "Gone to Patagonia…" that I began to fall under the Chatwin spell. The image was further enhanced when I obtained a copy of *In Patagonia* (the result of his trip) and was enchanted by his spare use of words that yielded glowing descriptions of exploring South American mountain valleys and encountering quirksome local characters. Ostensibly, I'd come to Africa to teach English, but in my heart, I was there to discover exotic places and their inhabitants and write about them, and in Bruce Chatwin, I believed, I had found a kindred soul.

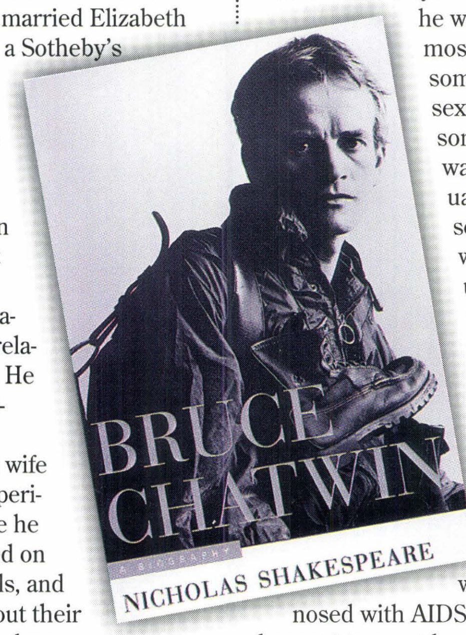
A decade later comes Nicholas Shakespeare's *Bruce Chatwin: A Biography,* and the spell is diminished. Shakespeare reveals an overpowering personality who could talk friends, as well as casual acquaintances, into submission on whatever subject had recently caught his fancy. But he could be as petty and self-absorbed as he could be engaging and charming. "In his imagination—and sometimes in his behavior," writes Shakespeare, "he was exalted, a young prince."

In fact, Chatwin was born to unpretentious middle-class parents in Sheffield, England. He skipped college for a job at the Sotheby's auction house in London and soon impressed his employers with an uncommon instinct for what was authentic and what was valuable. "If you put ten things on a table, Bruce would pick out the best one," Shakespeare quotes one of Chatwin's Sotheby's mentors. "Basically, he had a strange thing, rather unfashionable now, which is called a good eye."

He also possessed a soft touch with Sotheby's clients and was a favorite of its chairman, Peter Wilson, whom many thought Chatwin would one day succeed. A mysterious falling out with Wilson propelled him to leave his eight-year career at the auction house.

He briefly landed at the University of Edinburgh to pursue a career as an archeologist. However, he soon became bored with academic life and moved on to write a book about nomads. Although the book, called *The Nomadic Alternative*, was not published, Chatwin would remain fascinated by its theme his entire life.

In many ways, Chatwin was a nomad himself. In 1965, he married Elizabeth Chanler, a Sotheby's secretary who was from an affluent American family. It was far from a traditional relationship. He would repeatedly leave his wife for long periods while he embarked on his travels, and throughout their marriage, he engaged in affairs with members of both sexes.



Although his nomad book failed, it provided some useful lessons and grist for ideas for the rest of his writing career. A perfectionist, Chatwin once told a friend he wanted his writing to "glitter." He published five books during his lifetime, but perhaps the one that glittered brightest was the first, *In Patagonia*.

In it "Chatwin wrote quick snapshots of ordinary people among whom he passed a very short time," writes Shakespeare, "and condensed their lives into a few vivid details." Not all of his subjects appreciated the author's approach, feeling that in the process "he had made off with their intimate moments and preserved them behind the glass of his prose for strangers to look at."

One intimacy that Chatwin did not want strangers to see was his sexuality. "To some he was a homosexual, to some heterosexual, to some he was bisexual, to some he was asexual," writes Shakespeare, "To all he was secretive." When he was diagnosed with AIDS in 1988, he went to great lengths to hide the truth about his illness, angrily denying it to friends and making up elaborate stories, hence *Newsweek*'s version of a rare Asian virus. He died in Nice on January 18, 1989.

Shakespeare, himself an accomplished novelist and an acquaintance of his subject, spent eight years researching *Bruce Chatwin.* During this time, he enjoyed Elizabeth Chatwin's cooperation and full access to the author's papers and journals. He interviewed some 500 people for the book and includes remembrances from a vast range of Chatwin's friends and acquaintances, an illustrious list that includes the likes of Paul Theroux, Stephen Spender, Susan Sontag, and

Salman Rushdie. At times, the amount of information feels like overkill and leadens the work, but ultimately, his diligence pays off in what appears to be a balanced account of such a complex life.

In the end, Shakespeare portrays Chatwin's travels as less about discovery and more about escape—mainly escape from having to face who he really was. But the biographer also recognizes the author's gift for storytelling and acknowledges that Chatwin's enigmatic quality is what makes him both an alluring and elusive figure.

"What is compelling about Bruce Chatwin," he writes, "is easily lost in a din of bright lights and colors, incessant chatter, and a crowded address book where Jackie Onassis is listed next to an Oryx herder. He is so noisy that you cannot hear him; so good-looking that you cannot see him; his work so restrained and cool that you cannot feel him."

—Peter Gwin

FILMS

THE CROUPIER

Directed by Mike Hodges; Shooting Gallery Films; 90 minutes

If you find yourself in front of the television playing remote roulette rather than face the disappointment of another Hollywood "thriller" at the theater, then head for the local art house showing the British film *The Croupier.* Originally released in the United Kingdom in 1998 but debuting in the US this spring, this gem of film noir offers some taut performances and a clever plot that should be as welcome to movie lovers as the smell of fresh popcorn.

Jack Manfred is a struggling writer who just can't seem to bring himself to begin the salacious soccer novel his publisher has assigned him, neither can he bear to sponge off his live-in girlfriend. So when his father calls with a tip on a job as a croupier in a London casino, he takes it. He tells his prospective boss that he spent time working in South African casinos, and his deft touch with gaming chips and mental dexterity with numbers reveal a practiced professional.

In fact, Jack is the ultimate croupier. He keeps the games moving with cold efficiency. With a practiced eye, he identifies the various casino species who gather at his tables—the drunken businessman, the broken addict, the professional gambler. It is in observing this tableau that Jack finds the inspiration for a novel. In due course, he sets to writing about the life of a croupier by day and living it by night, much to his girlfriend's chagrin.

The plot gets interesting when he encounters a member of the last species. A mysterious woman, whom Jack quickly marks as a pro, appears at his table one night, and before long, he is drawn into a dangerous scenario involving money, life, and death—what else would we expect in a movie about gambling?

The film itself works something like a con job. While director Mike Hodges gets us to focus on Jack's life in the casino, the film is really about Jack's life outside or, rather, his choices in life. It is the world's oldest graft, in the movies as well as on the street: The tap on the shoulder distracts us while the other hand is in our pocket.

In *The Croupier,* Jack Manfred, played by Clive Owen, encounters a mysterious gambler, played by *ER*'s Alex Kingston.

Hodges' trickery is successful because his actors beguile us with Hitchcockian performances. Clive Owen wears the role of Jack like a pair of surgical gloves. Gina McKee, who appeared in last year's *Notting Hill,* plays his girlfriend, Marion, finding the right balance between loving reassurance and shrill ultimatum. Alex Kingston, in a refreshing departure from her weekly television role on *ER,* exudes the irresistible danger posed by the mystery woman.

Hodges captures these portrayals against a backdrop of cramped, dimly lit sets. We constantly feel cornered in Marion and Jack's basement flat or in the crowded confines of the garish casino where he works. Hodges isn't showing off the bright lights of Piccadilly Circus or any grand shots of the Thames, rather he is showing us some of what moves below the skin of tourist London.

While the plot is the film's strongest card, it is not without a few minor flaws. Happily, they don't distract us from enjoying the hand that the director has dealt.

Hodges, whose films include *Get Carter* with Michael Caine, says he was intrigued by the role of the croupier. "It sounds like a romantic job…but in fact it is a curious job," he says. "The casino struck me as a bell jar where it's possible to examine human frailty and foolishness and to either sympathize with it or despise it."

Indeed, it appears the foolishness belongs to Jack. He remarks that "gambling is about not facing reality," and he adamantly reiterates throughout the film that he is *not* a gambler. However, it is Jack who is not facing reality, argues Marion. In real life, there are no croupiers—participants in the action who risk nothing themselves. Ultimately, we all come into this world with chips and, whether we play them or not, as Jack discovers, we all have to cash them in the end.

—Peter Gwin