

Germany's Economic Goals • ABCs of IGCs • Berlin • Port Wine

EUROPE

\$2.95/€3

September 2000

Special
Report

Education

**How are
Europe's
schools
challenging
children?**

ECIS: 2





Shaping Europe for the Millennium

The European Investment Bank, the European Union's key financing institution, supports investment promoting Europe's modernisation, growth and future enlargement to include Central European countries. Its borrowing and lending activities are focused on strengthening Economic and Monetary Union and on building a liquid market in euro, shaping Europe for the new millennium.

The EIB's 1999 funding programme, is expected to reach over EUR 30 billion, of which 15 billion in euro under the Bank's new EARN facility. The largest international borrower, the EIB will also continue to be present on capital markets as a AAA issuer of non-European currencies, particularly the US dollar.

1 euro: approximately US\$ 1.06



100, Bvd. Konrad Adenauer L - 2950 Luxembourg
Tel (+352) 43 79 - 1 – Fax (+352) 43 77 04
Internet www.eib.org

EUROPE

MAGAZINE OF THE EUROPEAN UNION



8

GERMANY

Domestic Issues Dominate German Agenda. Schröder government focuses on economic growth; Greens target nuclear power. *Terry Martin* 8

Angela Merkel. Former East German official takes the helm of the Christian Democrats. *Wanda Menke-Glückert* 12

Berlin Revisited. A cold war journalist revisits the tragedies, triumphs, and lessons of a tumultuous century. *Kenneth C. Danforth* 14

Whither Bonn. Rumors of the former capital's demise have been greatly exaggerated. *Terry Martin* 18



EUROPEAN AFFAIRS

The ABCs of IGCs. Understanding the EU's intergovernmental conferences. *Dick Leonard* 20

Radical Reformers or Practical Politicians? German Foreign Minister Joschka Fischer and French President Jacques Chirac recently made waves in the EU with speeches suggesting new approaches to European unity. *Axel Krause* 22

SPECIAL REPORT

How Are Europe's Schools Challenging Children? An in-depth look at education in Europe. *Ester Laushway* 25

BUSINESS

Cross-Continental Convergences. In the race to go global, transatlantic mergers continue to rise. *Bruce Barnard* 32

Intershop and Pixelpark. Germany's latest software success stories are coming to a computer screen near you. *Terry Martin* 34

TRAVEL & CULTURE

The Pleasures of Port. Portugal's vaunted drink is steeped in history and mystery. *Benjamin Jones* 36



DEPARTMENTS

2 Letter from the Editor

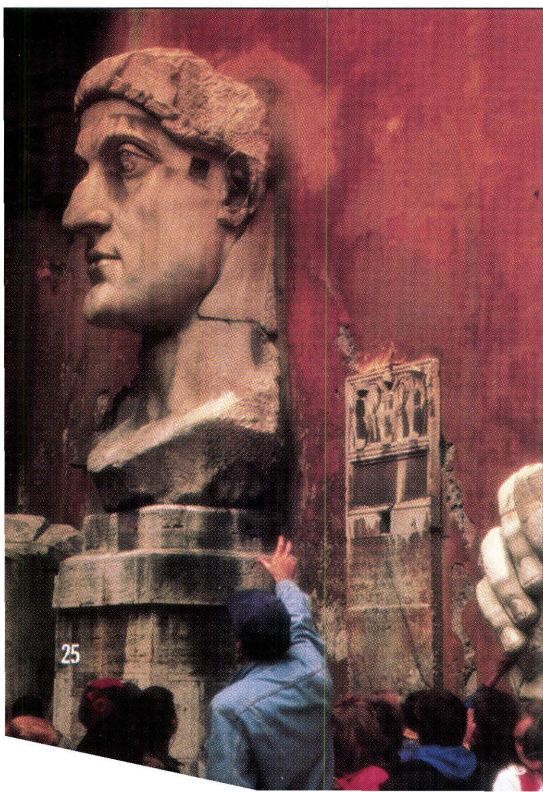
4 Eye on the EU. Enlargement and the 'target date' debate.

5 Euro Notes. How to harmonize financial services in the EU?

6 e-Europe. UK needs IT workers; Harry Potter and Lara Croft involved in high stakes cyber deals; Germany prepares for e-signatures.

38 Capitals. London's swinging bridge controversy; France's Tour de Trade; the new Danish view of entrepreneurs; Austria's iconoclastic cartoonist.

48 Arts & Leisure. Martin Gilbert completes his *Twentieth Century* trilogy.



25

ECIS: 2

LETTER FROM THE EDITOR

As students of all ages, from kindergarten through graduate studies, head back to school from London to Berlin to Copenhagen to Athens and all the cities and towns in between, *EUROPE* presents a special report by Paris correspondent Ester Laushway on education systems across the European Union.

"As deeply ingrained as the respect for learning is throughout Europe," she writes, "no two countries have the same approach to education." Laushway, herself the mother of two school-age children, discusses the different approaches to education employed by the EU member countries and explores some of the efforts being made to 'Europeanize' education in the Union. Her article also details the respected German apprentice program and the EU's Socrates and Erasmus programs.

The European Union is in the process of reforming itself and its institutions through an intergovernmental conference (IGC), the results of which could have far-reaching effects on the EU as it prepares to add new members. Dick Leonard, writing from Brussels, explains what the IGC is all about and how the upcoming summit in Nice could shape the future.

In our *Europe Update* section, European Commissioner for Regional Policy and the Intergovernmental Conference Michel Barnier, in a *EUROPE* exclusive interview, discusses the upcoming IGC and the need for a reform in advance of adding new members.

As the EU and the French presidency continue working toward the summit, German Foreign Minister Joschka Fischer startled some of his colleagues with a speech outlining his personal views on how Europe should look politically in the future. During a speech in Germany, French President Jacques Chirac responded with his vision of a new Europe. *EUROPE* analyzes these two visions of the future by two of Europe's most respected politicians.

Also in this issue, we spotlight Germany. Terry Martin, reporting from Berlin, presents an overview of German politics and economics today. He also profiles two of Germany's software success stories: Intershop and Pixelpark. Berlin correspondent Wanda Menke-Glückert profiles Angela Merkel, the new leader of the Christian Democratic Union, and speculates whether or not Merkel may run for chancellor in the next election.

Today, Berlin is a city in transition, once again the home of the German government and an emerging business center. Kenneth C. Danforth, a former correspondent for *Time* based in Berlin at the height of the cold war, outlines how this city has been a mirror for both good and evil during the twentieth century. As Berlin takes center-stage, what will become of the former German capital city? Some might be surprised to learn that Bonn is thriving with new high-tech firms and UN organizations.

Finally, Benjamin Jones ventures from his base in Madrid to explore Portugal's port wine region. He describes how a good port is made and how a vacation in northern Portugal is the perfect way to spend the final days of summer.



Robert J. Guttman
Editor-in-Chief

EUROPE

PUBLISHER Willy Hélin

EDITOR-IN-CHIEF Robert J. Guttman

GENERAL MANAGER Anne Depigny

MANAGING EDITOR Peter Gwin

EDITORIAL ASSISTANT Susan J. Burdin

CONTRIBUTORS

ATHENS Kerin Hope

BERLIN Wanda Menke-Glückert

BRUSSELS Dick Leonard

COPENHAGEN Leif Beck Fallesen

DUBLIN Mike Burns

THE HAGUE Roel Janssen

HELSINKI David Haworth

LISBON Alison Roberts

LONDON Lionel Barber

Bruce Barnard

David Lennon

LUXEMBOURG Alan Osborn

MADRID Benjamin Jones

PARIS Axel Krause

Ester Laushway

ROME Niccolò d'Aquino

STOCKHOLM Ariane Sains

VIENNA Susan Ladika

DESIGN The Magazine Group, Inc.

Jeffrey Kibler

INTERN Alexandra Hergesell

ADVERTISING INFORMATION Fran Grega

tel. (410) 897-0297

fax (410) 897-0298

EUROPE, Magazine of the European Union (ISSN 0191-4545), is published on the 15th of each month, except January and August, by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037. © The European Commission, 2000. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. *EUROPE*, published 10 times per year, is available by subscription for \$19.95 per year; \$34.95 for 2 years; \$46.95 for three years. Add \$10.00 to non-U.S. subscriptions for postage and handling. Student rate (with proof of enrollment): \$14.95 per year; \$25.95 for 2 years; \$35.95 for 3 years. Bulk rate also available. **Editorial, permissions, advertising, and circulation offices:** 2300 M Street, NW, Washington, DC 20037; Telephone (202) 862-9555. Available in microform from UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700

World Wide Web: www.eurunion.org

Newsstand distribution: Eastern News 1-800-221-3148

Subscriber services: 1-800-627-7961.

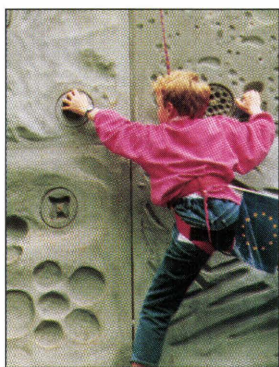
(In Canada call 303-604-1464.)

Periodicals class postage paid at Washington, DC and additional entry.

Postmaster: Please send change of address forms to *EUROPE*, P.O. Box 55935, Boulder, CO 80328-5935.

PRINTED IN THE U.S.A.

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Union institutions or of the member states.



On the cover:
a European student climbs an artificial rock wall at an indoor facility.

Please note there is a \$4.00 shipping and handling charge per shipment of free publications requested from the Bookshelf. Payment must be in the form of a check or money order payable to: E.C. Delegation.

EU BOOKSHELF

SEPTEMBER 2000

To order these publications, please check the desired items, fill out the order form and enclose a self-addressed mailing label.

- A New Idea for Europe: The Schuman Declaration—1950–2000.** *European Documentation, Commission, Brussels, 2000, 43 pages.* Second edition, by Pascal Fontaine.
- European Security and Defence in the Transatlantic Agenda.** *EU/US News No. 4, Commission, Brussels, April 2000, 15 pages.* Includes other news items.
- European Investment Bank Activity in 1999.** *EIB Information No. 1/2000, European Investment Bank, Luxembourg, 2000, 32 pages.*
- Community Rules on State Aid: Vade-Mecum.** *Commission, Brussels, 2000, 26 pages.*
- EU Focus on Waste Management.** *Commission, Brussels, 1999, 18 pages.*
- Key Publications of the European Union 1999–2000.** *Office for Official Publications, Luxembourg, 1999, 180 pages.*
- A New Beginning: Leonardo da Vinci, Community Vocational Training Programme Second Phase (2000–2006).** *Commission, Brussels, 2000, 15 pages.*
- Progress and Doubts.** *RTD Info No. 25, Commission, Brussels, February 2000, 40 pages.* Discussions on the interaction of science and public policy.
- Glossary: Institutions, Policies and Enlargement of the European Union.** *European Commission, Brussels, 2000, 79 pages.*
- Eurodisc99.** *European Commission, Brussels, 1999, CD-ROM.* Information on the euro and EMS.
- Europe's Agenda 2000: Strengthening and Widening the European Union.** *European Commission, Brussels, 1999, 23 pages.*
- Bosnia and Herzegovina: A Future with Europe.** *European Commission, Brussels, 2000, 22 pages.*
- Towards Greater Economic Integration: Central and Eastern Europe—Trade, Investment and Assistance of the European Union.** *European Commission, Brussels, 1999, 63 pages.*
- Enforcing Your Rights in the Single European Market.** *European Commission, Brussels, 1999, 23 pages.*
- Your Business and the Euro: A Strategic Guide.** *European Commission, Brussels, 1999, 52 pages plus CD-ROM.*
- The European Union: A Guide for Americans.** *Office of Press and Public Affairs, Washington, DC, October 1999, second edition, 37 pages.*
- Treaty of Amsterdam: What Has Changed in Europe.** *Europe on the Move, Commission, Brussels, 1999, 30 pages.*
- The Amsterdam Treaty: A Comprehensive Guide.** *Commission, Brussels, 1999, 96 pages.*
- The European Commission 2000–2005.** *Commission, Brussels, 1999, 49 pages.* Biographic profiles of Commission members.
- The European Union: Member States, Regions and Administrative Units.** *Commission, Brussels, 1999, map.*
- Enlarging the European Union.** *Commission, Brussels, 1999, 12 panel fold out.* Map and brief overview of the applicant countries.
- Serving the European Union: A Citizen's Guide to the Institutions of the European Union.** *Commission, Brussels, 1999, 38 pages.*
- European Union and the Millennium Round: 3rd WTO Ministerial Conference.** *Commission, Brussels, 1999, 32 pages + 15 pages + mouse pad.*
- EU Agriculture and the WTO: Towards a New Round of Trade Negotiations.** *Commission, Brussels, 1999, 11 pages.*
- The European Union and World Trade.** *Europe on the Move, Commission, Brussels, 1999, 21 pages.*
- The Customs Policy of the European Union.** *Europe on the Move, Commission, Brussels, 1999, 30 pages.*
- Euro Banknote Design.** *European Central Bank, Frankfurt, 1999, 6 panels.* Poster/cut outs of euro notes.
- The Euro Banknotes and Coins.** *European Central Bank, Frankfurt, 1999, 14 pages.* Traces the design process for the notes and coins.
- Moving Forward: The Achievements of the European Common Transport Policy.** *Commission, Brussels, 1999, 64 pages.*
- What Do Europeans Think About the Environment?: 1999.** *Commission, Brussels, 1999, 40 pages.*
- EU Focus on Clear Air.** *Commission, Brussels, 1999, 18 pages.*
- EU Focus on Clean Water.** *Commission, Brussels, 1999, 17 pages.*
- EU Focus on Green Jobs.** *Commission, Brussels, 1999, 18 pages.*
- Sixth Periodic Report on the Regions: Summary of the Main Findings.** *Commission, Brussels, 1999, 20 pages.*
- European Union Assistance for Regional Development: A Brief Guide for Future Member States.** *Commission, Brussels, 32 pages.*
- European Community Humanitarian Office Annual Review 1998.** *Commission, Brussels, 1999, 32 pages.*

ORDER FORM—FREE PUBLICATIONS

Mail to Bookshelf Orders, European Union, 2300 M Street, N.W., Washington, D.C. 20037. Please send me the free items I have checked. Enclosed is a self-addressed mailing label.

Enclosed is \$4.00 check or money order for shipping and handling payable to E.C. Delegation.

Orders accepted for shipment to U.S. addresses only.

Please allow 3 weeks for delivery.

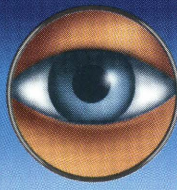
Name _____

Organization _____

Address _____

City _____ State _____ Zip _____

EYE ON THE EU



Profiling personalities and developments within the European Union

ENLARGEMENT: THE 'TARGET DATE' DEBATE

Should the European Union announce a target date for the completion of its membership negotiations with the thirteen candidate nations to its east and south and, in particular, with the "first wave"—the Czech Republic, Estonia, Hungary, Poland, Slovenia, and Cyprus, which have all been negotiating since March 1998. Yes, say all six, whose governments had been pressing for such an announcement at the EU summit at Santa Maria da Feira in northern Portugal in June.

They were disappointed, but they reiterated their demand at a joint meeting of their foreign ministers, arguing that—at the latest—the EU should give a positive signal at the next "normal" summit at Nice, in December. "We are entering a new phase of genuine and substantive talks," said Hungarian Foreign Minister Janos Martonyi after the meeting. "We must now start negotiating item by item and problem by problem." A date to end all negotiations by the end of 2001 for all six countries was "entirely feasible," he added. This should enable them to enter together on January 1, 2003.

With the recent opening of talks on the difficult sectors of free movement of people, justice and home affairs, financial and budgetary provisions, and agriculture, twenty-nine out of the thirty different chapters of the negotiation are now in play. The thirtieth—on institutional

questions—will have to wait until after the Nice summit, when hopefully the current intergovernmental conference will have concluded. All six countries have reached provisional agreement with the EU negotiators on at least ten chapters, with Cyprus leading the field with sixteen chapters concluded.

The candidate countries well remember that both French President Jacques Chirac and former German Chancellor Helmut Kohl had once predicted that they would take their places as EU members in 2000. With this in mind, they are beginning to think that the EU is losing interest in the enlargement process and to compare the apparent lethargy of the present negotiations with the speedier entry talks with the last three successful applicants. Jan Kulawoski, the chief Polish negotiator, recently put it bluntly when he told journalists: "When they were talking to the Austrians, the Swedes, and the Finns, it was like they were talking to members of the family. We feel like very, very distant cousins."

He is fearful that if the negotiations are protracted for much longer the Polish people will begin to lose interest in the project, which had overwhelming public backing when the application was first made. "There is a waiting fatigue problem here," says Poland's European minister, Jacek Saryusz-Wolski, who stresses that though 55 percent of Poles are still in favor of entry, the farming community has swung 60 percent against.

Furthermore, a latent public opinion problem exists among the EU member states. Only 44 percent of respondents were in favor of expanding EU membership in the most recent of the quarterly *Euro-barometer* polls, a percentage that is falling. This decline in support may be the reason why the

French and German governments—as well as that of Austria—now seem much less keen on setting target dates than they once were.

One of their main preoccupations is that several of the candidate countries, and Poland in particular, have long land frontiers with the former Soviet states of Russia, Ukraine, and Belarus. They are concerned that large numbers of illegal immigrants will surge across these currently little-guarded borders and make their way further west within the European Union. They are demanding tough—and expensive—action to seal these borders more tightly, a demand that the Poles, Czechs, Hungarians, and Estonians are reluctant to concede, as they do not wish to break their trading and human ties with neighboring communities.

Apart from policing the borders, the most difficult area of negotiation is agriculture. The applicant countries are eager to see their farming communities integrated into the EU's Common Agricul-

"We are entering a new phase of...talks," said Hungarian Foreign Minister Janos Martonyi. "We must now start negotiating item by item and problem by problem."

tural Policy from day one, while the EU negotiators want to stagger the process over several years, during which they expect the CAP itself to be drastically modified. In the meantime, the EU has set up a fund, worth about \$500 million a year, to help restructure the agricultural sectors of

the applicant countries, but no agreement has yet been reached with them about how this money should be spent.

Another complication about the negotiating timetable is what is to happen regarding the other seven candidates approved by the Helsinki summit last December. Three of them are problems only for the long-term—Turkey, with whom membership talks have not yet begun, and Romania and Bulgaria, which are clearly several years away from meeting the minimum conditions for entry.

The other four, however—Latvia, Lithuania, Slovakia, and Malta—could hope to catch up with the first wave candidates relatively quickly. Should the entry date for the first six be postponed to, say 2005, in order to admit all ten members at the same time, as the *Economist* recently argued? Others believe this would be a mistake. However, convenient administratively, it could exhaust the patience of the first six.

—Dick Leonard

HOW TO HARMONIZE FINANCIAL SERVICES?

Alexandre Lamfalussy is known as one of the guiding spirits behind the launch of the euro. A long-time central banker who boasts a rare combination of academic prowess with political acumen, he is poised once again to make his mark in the euro-zone economy.

This summer, EU finance ministers invited Lamfalussy to chair a group of experts to consider how the rules governing the multiple stock exchanges in the European Union could be better coordinated. The move is part of a broader effort to harmonize the regulation of financial services in a bid to meet the 2005 deadline for the creation of a single market in the sector.

Several forces are driving these changes: the competitive shock generated by the introduction of the single currency; the move toward a US-style market-centric financial system; and the effects of Internet banking and globalization. The result is that financial markets have become more integrated, more efficient, but arguably more unstable.

In Europe, banking supervision and regulation remain largely within the realm of national authorities. These national bodies cooperate in the area of prudential supervision, which covers matters such as risk exposure, the adequate capitalization of banks, and ensuring that the financial services sector operates smoothly.

The recent acceleration of bank mergers as well as the tie-ups among regional and national stock markets, culminating in the Deutsche Börse-London Stock Exchange linkup, has exposed several gaps in the present setup.

For example, the Deutsche Börse-London Stock Exchange merger involves splitting regulatory supervision between Frankfurt and London. Ostensibly, this is to accommodate the focus of high-technology growth stock on the Frankfurt trading platform; but the suspicion is that the split stems from political reasons since neither body wants to risk appearing as a junior partner or a secondary financial center.

Another sensitive issue emerged during the contested three-way bank merger in France between Société Générale, Paribas, and Banque Nationale de Paris. Because such a contest had never occurred before, it often appeared that the national regulatory authorities—notably Jean-Claude Trichet, governor of the Banque de France—were making up the rules as they went along.

Lamfalussy has also pointed out that the European Central Bank has no direct supervisory function, although under the Maastricht Treaty it is required to “contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.”

The French presidency of the EU has now persuaded member states to support the creation of a “wise men’s group” headed by Lamfalussy to examine these issues—though not before the United Kingdom and Germany sought to tighten the group’s mandate to cover primarily stock market regulation.

The fear in Berlin and London was that the secret French agenda was to use the Lamfalussy group as a way to garner support for a Paris-based “European Securities and Exchange Commission” along the lines of the US institution that has sweeping powers over the financial markets to ensure investor protection.

Aides to Laurent Fabius, French finance minister, vigorously deny a Paris plot. But as an insurance policy, the UK has secured the appointment to the wise men’s group of Sir Nigel Wicks, a recently retired Treasury official who played a central role in the technical preparation for the launch of the euro and is widely regarded as a “safe pair of hands.”

Beyond these political maneuvers, there is considerable pressure from the financial services industry for a more efficient market in financial services and an end to delays in passing EU-wide legislation.

Last June, six leading EU banks, including ABN Amro, Barclays, Deutsche Bank,

Fortis (of Belgium), Bank Austria, and Banco Bilbao Vizcaya Argentaria sent a letter to EU finance ministers arguing that new rules for electronic commerce will leave physical banks at a disadvantage to their on-line competitors. The European Commission is to produce an advisory paper in November.

Separately, the Commission is preparing eight pieces of legislation in the next six months as well as seven advisory papers or interpretations



Alexandre Lamfalussy chairs a group looking at harmonizing financial services.

of existing rules. All these must be adopted by the end of the year to give EU governments and the European Parliament time to reach agreement on them by the 2005 deadline.

Christopher Huhne, a Liberal Democrat MEP who specializes in financial services, says that the amount of pending legislation is a striking example of the development of a genuine euro-zone economy. Lamfalussy agrees, but he must know that his group can only succeed if they avoid becoming trapped in a sterile debate over the merits of supranational and national institutions.

—Lionel Barber

Tracking the news and trends shaping Europe's technology sector

e-EUROPE

UK SEEKS HIGH-TECH TALENT

Like nearly every other industrialized country, the United Kingdom is taking steps to bring in more information technology professionals to feed its growing e-sector. As the dot-com era has taken off, so have a significant number of British IT workers, who have been recruited for jobs in a host of burgeoning e-locales, including the US, France, Germany, and Italy. Industry estimates peg the UK's IT staff shortfall at around 220,500 workers, roughly 12 percent of the sector's work force.

Analysts say the worker imbalance could curb growth and competitiveness in the industry, and government officials worry about its effect on the UK economy. The Computer Software Services Association, whose membership includes 700 IT companies, says the shortage could cost the UK nearly \$50 billion over the next three years alone.

In March, the government announced it was easing work permit requirements for companies wanting to hire workers from outside the EU for certain IT jobs. Last month, the *Independent* newspaper reported that the Labor government's e-envoy, Alex Allan, is formulating plans to entice information technology professionals to return to the United Kingdom. One government official told the paper it hoped to attract as many as 100,000 workers over the next two years. The official noted the US West Coast would be a prime recruiting ground. "There are 900,000 people with a British passport working there," he said. "Getting 10 percent back would be very good."

HARRY POTTER, LARA CROFT IN CYBER SWEEPSTAKES

In the biggest business deal of the year—at least as far as millions of kids, their parents, and Santa Claus are concerned—Electronic Arts has struck a

deal for the rights to produce Harry Potter computer games.

EA, which is headquartered in California and has production studios in the United Kingdom, released a statement announcing its acquisition of the worldwide, exclusive rights to develop, publish, and distribute computer games based on best-selling Scottish author JK Rowling's wildly popular boy wizard. Financial terms of the deal with Warner Bros. Consumer Products, which is handling the worldwide licensing of the character, were not disclosed.

"We are extremely excited to become part of the Harry Potter phenomenon by bringing our own brand of interactive magic to this fantastic series," said Don Matrick, president of EA worldwide studios.

Since the first book, *Harry Potter and the Sorcerer's Stone*, was published in the UK three years ago, the Potter series has dominated the book world, with more than 30 million copies in print in 28 languages in 115 countries.

EA said that it would publish games modeled on the four current Potter books and the upcoming Harry Potter movie, which is based on the first book. The company said it would work closely with Rowling "to deliver an interactive entertainment experience that remains true to the books' characters and environments."

In other cyber entertainment news, another UK mega-star may be at the center of a billion-dollar deal. Computer heroine Lara Croft, the star property of games group Eidos, may have a new owner if a deal with French software group Infogrames Entertainment goes through. News of the proposed all-stock deal, which would value Eidos at around \$1 billion, initially sent Infogrames' shares sliding; however the *Financial Times* of London reported that talks had reached the final stages.

The combined company would become Europe's largest computer games publisher and boast annual revenues of nearly \$1.5 billion.

GERMANS PREPARE FOR E-SIGNATURES

The German cabinet has sent parliament a bill that seeks to give electronic signatures the same legal standing as those written by hand. Furthermore, the bill puts Germany on course to comply with a European Union directive to build a legal framework that will foster the growth of e-commerce. Many businesses faced major obstacles to utilizing new technologies without the ability to legally sign documents in cyberspace.

In a press release, German Economics Minister Werner Müller stated, "I am confident that electronic signatures will soon become a normality of daily life."

The German parliament is expected to approve the bill this fall, and it should go into effect by early 2001.



LYCOS BRINGS TELEFONICA MUCH NEEDED GOOD NEWS

Internet portal Lycos reported an operating profit for its financial quarter that ended July 31. The company said revenues increased by 89 percent from the corresponding period last year. Lycos, which offers news, entertainment, and shopping in twenty-eight countries, attributed its improved performance to increased worldwide traffic. Its family of sites recorded 201 million page views per day in July, a 36 percent rise from a year ago.

The numbers come as especially wel-

come news to Spanish telecom giant Telefonica, which has endured a tense few months. In May, its Internet subsidiary Terra Networks signed a \$12.5 billion deal to acquire Lycos, although some analysts said the price was too high, briefly sending Telefonica's stock price skidding. Then in July, a boardroom battle led to the departure of Telefonica CEO Juan Villalonga and Cesar Alierta's appointment as his successor.

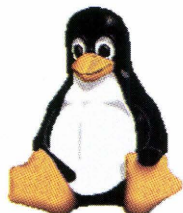
SWEDES LEAD INTERNET PENETRATION

A recent survey revealed that Sweden remains the most Internet active country in Europe. Pro Active International, a Dutch market researcher, found that 65.2 percent of Swedes have Internet access, nearly double the EU average of 34.1 percent. Finland provided the closest competition with 53.5 percent penetration, followed by the United Kingdom with 45.6 percent. Germany and France both ranked below the EU average with 34.0 and 31.6 percent, respectively.

In terms of total number of Internet users, however, Germany tops the European league with nearly 29 million users compared to Sweden's 5.7 million.

BUSINESS BYTES

IBM announced plans to invest more than \$200 million in Linux-based products in Europe and on the Internet. The company has set up Linux development centers in the UK, France, Germany, and Hungary as well as in the US and plans a Linux Internet portal that



The Linux OS mascot

will offer services to help software developers create Linux-based programs. The move represents a significant attempt by Big Blue to help grow the computer operating system software created by Finnish programmer Linus Torvalds. By Torvald's de-

INTERNET PENETRATION IN EUROPE

COUNTRY	PERCENTAGE OF POPULATION WITH INTERNET ACCESS	TOTAL NUMBER OF INTERNET USERS IN MILLIONS
Sweden	65.2	5.7
Finland	53.5	2.7
United Kingdom	45.6	26.7
Germany	34.0	27.9
France	31.6	18.3

Source: Pro Active International

crete, Linux remains uncopyrighted, and individuals and companies are free to copy it and use it without buying a license, as they must with Microsoft's Windows OS.... The number of European Internet brokerage customers doubled to 2.9 million during the first six months of 2000, according to JP Morgan & Company. The investment banker estimates that figure will balloon to more than 17 million over the next three years.... Three major banks and a news service have announced plans to

launch an on-line currency exchange late next year. Citibank, Chase Investment Bank, Deutsche Bank, and Reuters are joining forces to build the service that will allow customers to trade currencies and access the banks' research. Already trading in cyberspace is the FXall consortium, which represents thirteen banks and holds some 30 percent of the market. Daily turnover in the foreign exchange market averages roughly \$1.5 trillion.

—Peter Gwin

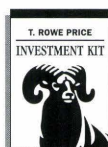
FREE GUIDE

DIVERSIFY YOUR PORTFOLIO WITH BOND FUNDS

THE T. ROWE PRICE INVESTOR'S GUIDE TO BOND FUNDS CAN SHOW YOU HOW. The right proportion of bond funds in your portfolio can be a vital balance to stock investments and help lessen overall portfolio risk. Bond funds can also generate a steady stream of income. How do you choose the bond fund that's right for you? Get the T. Rowe Price *Investor's Guide to Bond Funds*. It describes the different types of bond funds and covers risk issues such as credit quality and interest rates to help you make the right choice. **100% no load.**

Bond funds can:

- Provide steady income
- Balance a stock portfolio
- Offer higher yields than money market funds



Call 24 hours
for your free guide
or a prospectus
1-800-541-4975
www.troweprice.com

Invest With Confidence®
T. Rowe Price

For more information, including fees and expenses, read the prospectus carefully before investing. T. Rowe Price Investment Services, Inc., Distributor. GTBF055579

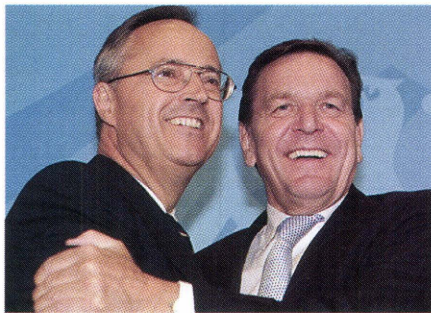
Domestic Issues Dominate German Agenda

Schröder Government focuses on economic growth

By Terry Martin

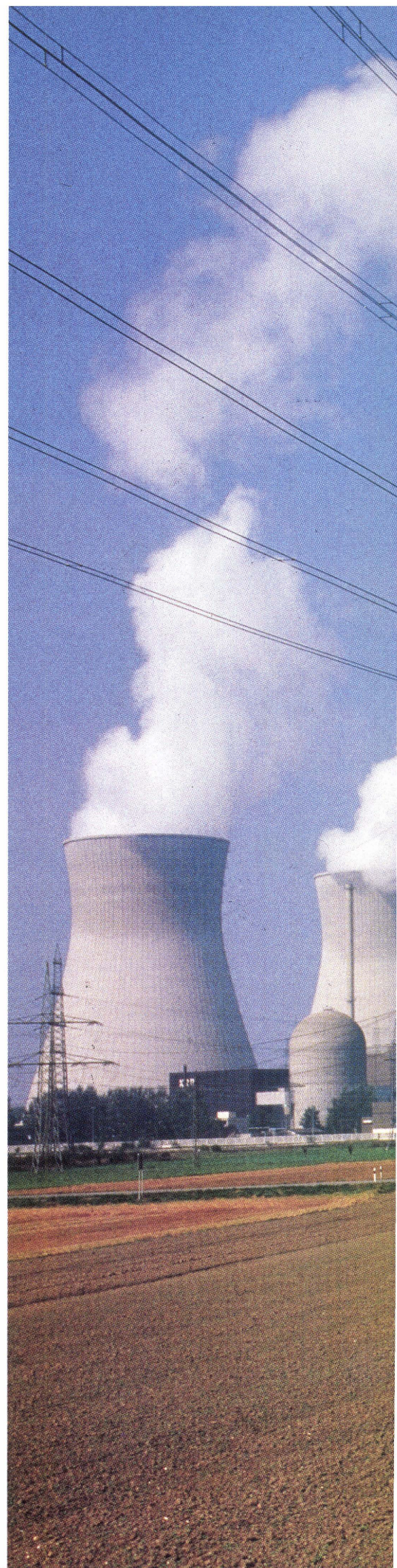
What a difference a decade makes. It's as if the grand hand of history was busily checking off items on its "to do" list in Germany: tear down the Berlin Wall, reunite East and West Germany, elect a new government, move the capital, scrap nuclear energy. And other monumental tasks lie ahead. Having overcome its cold war division, Germany is now preparing to take on the challenges of EU enlargement and globalization. First, however, the government must attend to some pressing domestic concerns.

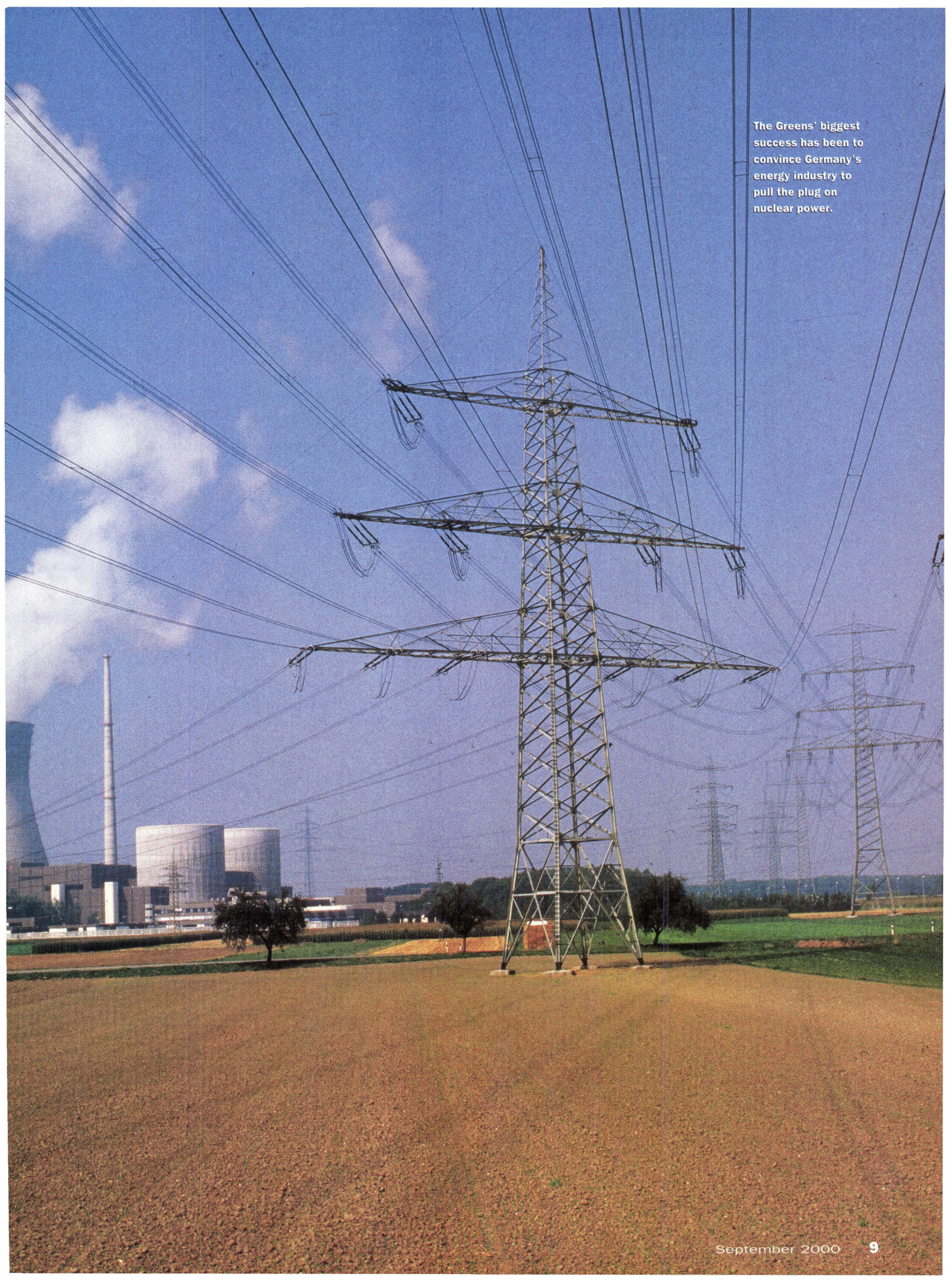
One of the biggest problems remains unemployment. The country's jobless rate has been hovering around 10 percent for years. It was the single biggest issue in the 1998 general election and played a significant role in the demise of



German Chancellor Gerhard Schröder (right) and Finance Minister Hans Eichel celebrate after winning a vote in the Bundesrat on July 14 to cut taxes by \$24.25 billion.

Helmut Kohl's government, which had been in office for sixteen years. The Social Democrat Party (SPD) attacked Kohl's Christian Democratic Union (CDU) for failing to invigorate the labor market, and the strategy worked. Now voters are expecting Chancellor Gerhard Schröder to make good on his promise to create more jobs.





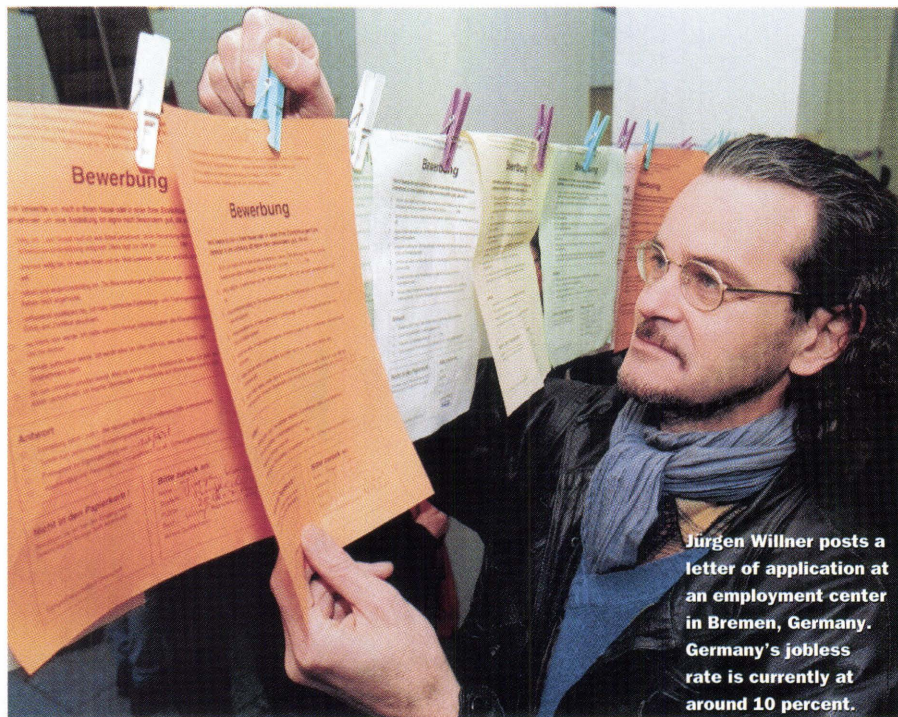
The Greens' biggest success has been to convince Germany's energy industry to pull the plug on nuclear power.

Fortunately, the German economy is picking up pace. The weak euro is driving an export boom that is helping to boost economic activity across the board. First quarter economic growth rose to 3.3 percent and is expected to continue rising. Consequently, unemployment is falling. In the spring, the jobless rate dropped below 10 percent for the first time in four-and-a-half years. These figures may not match the stellar statistics of the US economy, but in Germany, they are cause for celebration.

Relief on the economic front has given Schröder's government the latitude to concentrate on other issues such as tax reform. The sober fiscal package drawn up by Finance Minister Hans Eichel marked a radical and welcome departure from the Keynesian views of his predecessor Oskar Lafontaine, who resigned after just five months in office. At Eichel's urging, taxes on personal income and business revenue are being lowered. And much to the surprise of big business, the capital gains tax on corporate shareholdings is being abolished. That move alone should stimulate a wave of economic activity as companies unload their extensive cross-shareholdings and pour capital into new ventures.

But one should not get the impression that the government's approach is all carrot and no stick. Heavy use of non-renewable forms of energy, for instance, is being discouraged with a special ecology tax. It is exactly the sort of measure voters were expecting from the SPD's environmentally minded coalition partners. But the Greens' timing left something to be desired. The ecological tax was introduced just as crude oil prices began to skyrocket. Businesses and consumers (especially the car lobby) have blamed rising fuel bills largely on the government, costing the Greens and the SPD precious political points.

Considering that the Greens had never before served in a federal government, they've proved remarkably efficient in pushing their political agenda. Right at the start they succeeded in snapping up three cabinet posts, gaining control of the health, environment, and foreign affairs portfolios. Despite an early series of blunders largely attributable to inexperience, they've managed to put their stamp on vital sections of government policy. By far their



Jürgen Willner posts a letter of application at an employment center in Bremen, Germany. Germany's jobless rate is currently at around 10 percent.

biggest success in office has been persuading the energy industry to pull the plug on nuclear power. Though the agreement allows the power companies broad flexibility in shutting down their plants (it could take two decades before the last of the country's nineteen reactors goes off line), the deal amounts to a political watershed for the Greens. Their opposition to nuclear power was a founding party principle and key rallying point.

Some believe the Greens would not have survived this long as a coalition partner were it not for the opposition getting embroiled in a party financing scandal. The CDU has been rocked to its core by revelations that it secretly collected millions of dollars in cash during the Kohl era and used the money to finance its political campaigns. By accumulating slush funds while in power, the Christian Democrats have opened themselves up to accusations of influence peddling. Helmut Kohl himself has admitted accepting millions on his party's behalf while he was chancellor but still refuses to name the donors. Although Kohl insists he never traded political favors for cash, the affair has seriously tarnished his reputation.

Needless to say, the party financing scandal proved to be political poison for the CDU and a godsend for the "Red-Green" coalition. CDU chairman Wolfgang Schäuble was forced to resign, and the CDU's popularity plummeted. Chancellor Schröder's government—which had been languishing in opinion polls—was given a new lease on life. Now, how-

ever, the Christian Democrats, under the leadership of Angela Merkel, are slowly clawing back support. Recent polls show the CDU again gaining the upper hand on the SPD.

Chancellor Schröder's government is hoping the changes it has introduced will begin bearing fruit before the next general election in 2002. By that time business leaders and wage earners alike should be able to make an informed judgement about the merits of tax reform. Meanwhile, the government is practicing fiscal austerity, curbing spending, and chipping away at public debt. With the deficit, taxes, and unemployment falling, Germany is poised to make the most of Europe's predicted economic upswing.

A healthy economy in two years time would force the opposition in Germany to search elsewhere for a viable campaign issue. The CDU might be inclined to concentrate on topics involving foreigners—a strategy they've pursued successfully over the past two years in state elections. In Hessen, the CDU campaigned against dual nationality and gained control of the regional parliament. In North-Rhine Westphalia, the party focused on the theme of immigration. If politicians feel they can exploit voters' anxieties about immigrant labor from Poland and the Czech Republic, EU enlargement could end up a major campaign issue in Germany's next election. ☹

Terry Martin is a EUROPE contributor based in Berlin.

Clinton Awarded Charlemagne Prize

President Bill Clinton has been awarded the city of Aachen's Charlemagne Prize for his contribution to European unity. Only two other Americans—but no presidents—have ever been accorded this honor: former secretary of state George C. Marshall, whose vision was responsible for Europe's postwar political and economic recovery, and former secretary of state and architect of détente Henry Kissinger. It is uncommon for a non-European to receive this award, which was first introduced fifty years ago. "If friendly support and patience along the bumpy and detour-plagued road to European unity is a criterion for awarding Aachen's Charlemagne Prize, then President Clinton has earned the honor," commented the German daily *Frankfurter Allgemeine Zeitung*. It added, "After Mr. Clinton, there will not be many more American presidents who seek answers and inspiration on this side of the Atlantic."

The Charlemagne Prize, which was awarded for the first time in 1950, was the first political prize in postwar West Germany; however, the German government

does not determine its winner. Instead, it is awarded in the name of the city of Aachen. In 1950—five years after the collapse of the Third Reich—the city fathers were faced with the dilemma of finding an historical link to Europe that was not tainted by the Nazi era. So they arrived at the concept of a prize connected with the Roman emperor Charlemagne.

Aachen was the focus of Charlemagne's Frankish empire—an empire that must be remembered as imperialistic but can also be viewed as the seed of European integration. No one ever disputed Aachen's claim to the emperor. Charlemagne was crowned Roman Emperor here in 800 AD. The city's cathedral holds pieces of Charlemagne's throne.

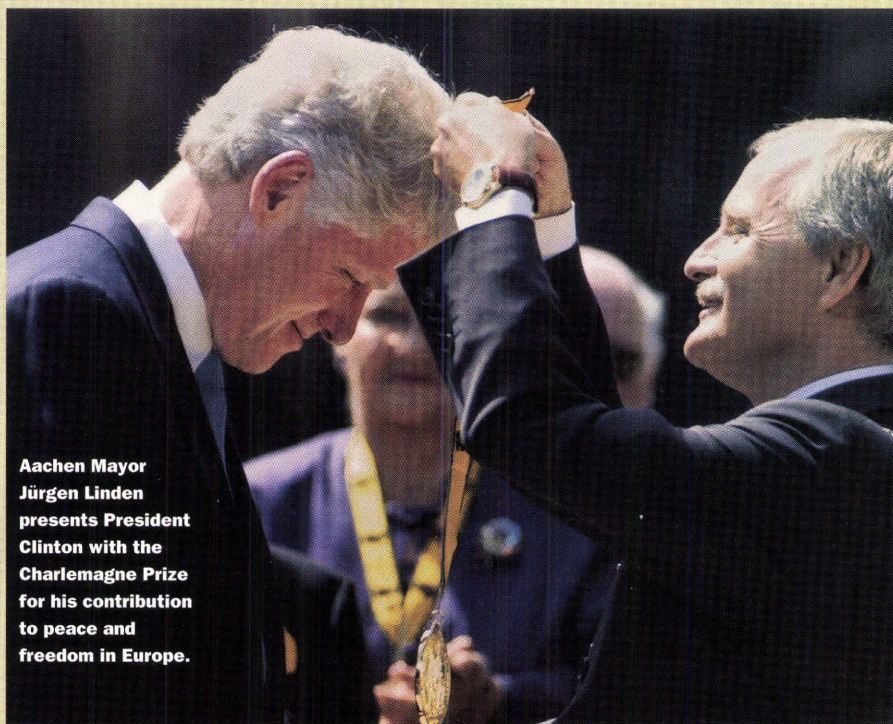
The list of Charlemagne Prize winners reads like a veritable who's who of European integration. The first winner was Count Richard Coudenhove-Kalergi, the founder of the Pan-European Movement. Italian Prime Minister Alcide de Gasperi, British Prime Minister Winston Churchill, German Chancellor Konrad Adenauer, and EU founding

fathers Jean Monnet and Robert Schuman soon followed.

Even in the thick of the cold war, Churchill was able to see the future beyond what he named the "Iron Curtain." His visionary speech at the award ceremony in Aachen in 1955 is still remembered here.

Forty-five years later, a decade after the reunification of Germany and the dissolution of the Soviet Union, President Clinton, in his acceptance speech, made a passionate plea for European unity and the enlargement of the EU as well as for the expansion of

to the Balkans to Turkey," President Clinton said, "it will be a bigger Europe than Charlemagne ever dared dream, a reflection of our recognition that, ultimately, Europe is a unifying idea as much as a particular place." Consequently, he said,



Aachen Mayor Jürgen Linden presents President Clinton with the Charlemagne Prize for his contribution to peace and freedom in Europe.

"In a true unity of Europe, Russia must have her part," he said. "It may well be that the great issues which perplex us, of which one of the gravest is the reunification of Germany, could then be solved more easily than they can by rival blocs confronting each other with suspicion and hostility. That is for the future."

transatlantic cooperation. Clinton's call for the world to embrace a stronger, more independent Europe and his suggestion that Europe become less reliant on the United States in military and diplomatic matters met with strong public approval.

"If Europe can integrate nations to its east, from the Baltics

"America also is part of Europe, bound by ties of family, history, and value."

Speaking prior to President Clinton, Chancellor Gerhard Schröder also endorsed the notion of a more independent Europe, hailing the transatlantic alliance as vital to peace and stability.

—Wanda Menke-Glückert

GERMANY

Angela MER

By Wanda Menke-Glückert

Forty-six-year-old Angela Merkel is the new leader of the center-right German Christian Democratic Union. Opposite page: In her former role as secretary-general of the CDU, Angela Merkel addressed the party convention in Essen on April 10.

Angela Merkel, the new leader of the center-right Christian Democratic Union (CDU), has a huge gap to fill in German politics. Before the party funding scandal surfaced last November, the CDU scored a string of spectacular regional and local election victories. It appeared

her to the cabinet in 1991 as minister for women and youth. A short while later, Lothar de Maiziere resigned as deputy chairman of the party, and Merkel was elected his successor in December 1991. In 1994, Merkel became environment minister. At long last a woman had moved into CDU's higher echelons.

Her extraordinary advancement has

Commenting on Merkel's election as a party leader, Helmut Kohl said it was certainly a caesura. "Now a new generation with different life experiences and different future concepts is rising to the top of the party. What is happening within the CDU is also happening within our society." He added that he was convinced that without the "recent developments" (read CDU scandals) the personnel changes would not have occurred until years later.

Merkel's folksy manner and lack of great gestures contrast attractively with the more superficial characteristics of many of her Western counterparts. No aura of power surrounds her. There is no entourage following her around. Suddenly, she walks into a room, joins the crowd, and listens rather than holding forth.

"Elections," says Merkel, "will be won in the middle ground." Her aim is to recapture the political center that Chancellor Schröder sought to occupy. Certainly, she appeals more to the political center than Edmund Stoiber, the conservative prime minister of the German state of Bavaria. But it is not yet clear whether Merkel will run for chancellor in the 2002 elections. At age forty-six, she has time. She can look beyond 2002 and the possible defeat of her party, whether she challenges Schröder or not. In any case, she will have a second chance. Her possible rival, Stoiber, fifty-nine, does not.

After her election as party leader, Merkel emerged as the media's darling du jour, and her popularity ratings were higher than Schröder's. On July 15, however, Schröder pulled off a stunning legislative victory by winning a surprisingly large majority of forty-one to twenty-eight for his tax reform bill in the Bundesrat, the German parliament's upper chamber, which represents the sixteen states at the federal level. With a mix of strong-arm tactics and promises of political favors, Schröder was able to persuade several key CDU members to break ranks and support his tax plans. Merkel admitted that the vote represented a serious setback for her party. Now she must rise beyond the role of the sympathetic standard-bearer and lead the party on substantive issues. ☐

Wanda Menke-Glückert is EUROPE's Berlin correspondent.

rkke | Former East German official takes the helm of the Christian Democrats



drawn her many critics. Merkel, a former quantum chemistry teacher, has learned to tackle adversity. Her background as the daughter of a protestant minister excluded her from many cushy jobs in the communist East German regime. But her down-to-earth manner, typical of many eastern Germans, and hard work have brought her praise. After the CDU was voted out of office

to be on the road to a comeback as the coalition government of the Social Democrats (SPD) and environmentalist Greens faltered. The financial scandal that engulfed the CDU was a blessing for Chancellor Gerhard Schröder, a Social Democrat, who for months operated without an opposition as the CDU reeled from the scandals.

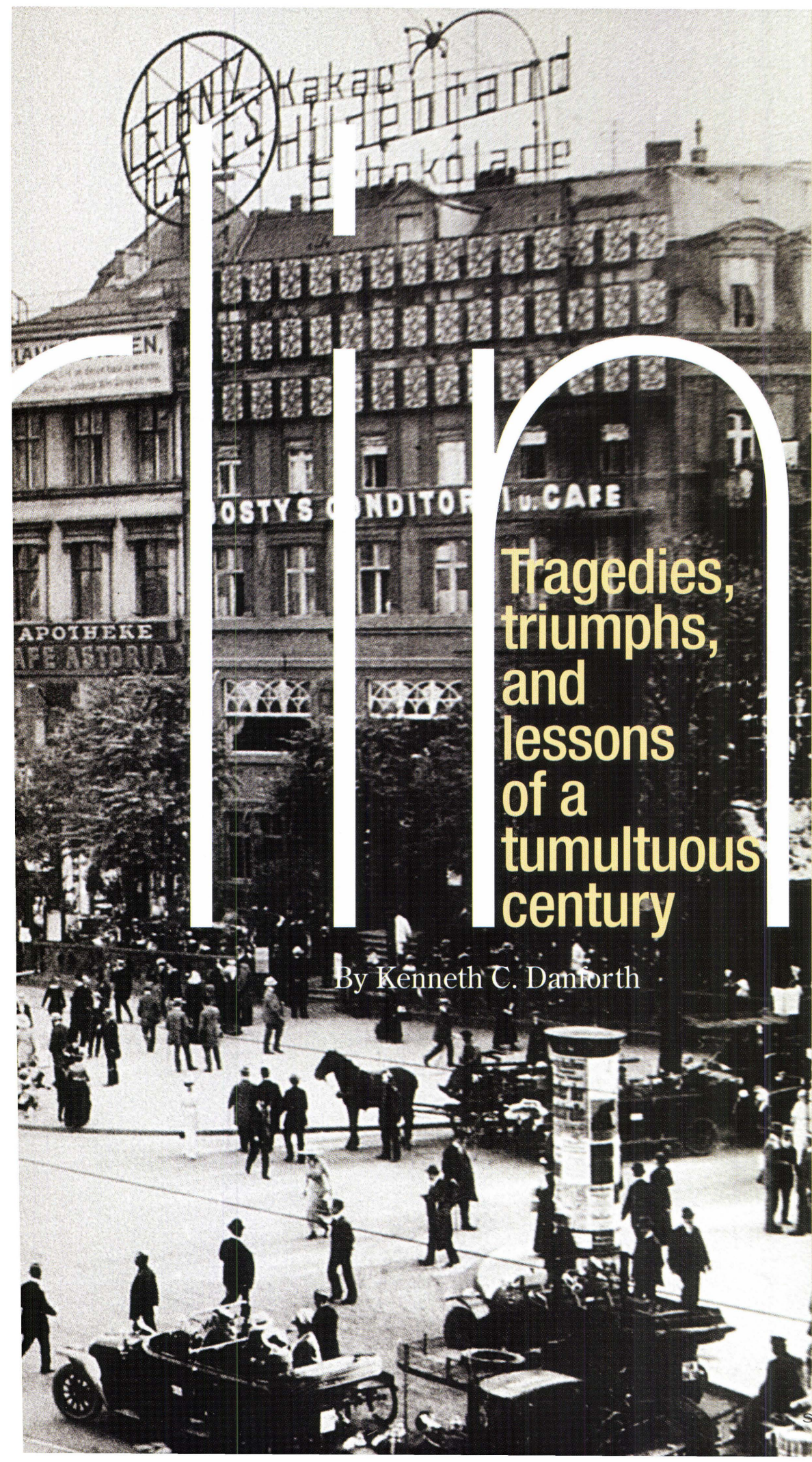
Largely unknown until early 1990, Angela Merkel came to notice as the press spokeswoman for the last and short-lived East German government under Lothar de Maiziere. In delivering reports on cabinet meetings, she preferred to tread softly but precisely. In 1990, after reunification, she was elected as a member of parliament for the CDU in the first all-German federal election. A year later, then chancellor Helmut Kohl, who was head of the CDU, noticed her skills and appointed

in September 1998, Merkel became the party's general secretary.

When the funding scandal broke, she was among the first to distance herself from Kohl. Writing in the *Frankfurter Allgemeine Zeitung*, she said the party had to "learn to function in future without 'the old war-horse' (as Kohl used to call himself). It must, like someone in puberty, make the break from home." Her frankness and pragmatism endeared her to the party's base. With Merkel's election as CDU leader with 95 percent of the vote last April, the party has made a remarkable fresh start. "No one else could have put the CDU back to life so soon," editorialized the *Frankfurter Allgemeine Zeitung*, adding, "what is needed is a fine nose rather than strong convictions. Nobody has maintained that Angela Merkel has not got a fine nose."



In 1913, 100,000 pedestrians and 20,000 cars passed through Berlin's bustling Potsdamer Platz each day.



Tragedies, triumphs, and lessons of a tumultuous century

By Kenneth C. Daniorth

ever a city
merited serious
study for the
lessons of history,
it would have to
be **Berlin**. One
who wants to
understand our
century must try
to understand
Berlin. It hardly
seems possible
that any other
city in the world
could have
caused so much
mischief in only
a hundred
years. And yet,
after all that
has happened,
what Germany's
leaders are now
calling "**The
Berlin Republic**"
is the keystone
of Europe.
Without it the
future of a mighty
continent
would stand
in jeopardy.

How could one not be in awe of Berlin? In size, it would swallow up the combined areas of Frankfurt, Munich, and Stuttgart, each of which is a huge city. In spirit, Berlin and its citizens are as robust and bluff as any city in the world and much more so than most. In the production of grief and tragedy, only Moscow and Tokyo in this century could qualify as rivals.

Signposts of Berlin's twentieth century history spring to mind:

- A Kaiser (German for emperor) ascends to power, loses it all.
- A former enlisted man seizes power, wields it with massive and incomparable evil.
- An alliance of three democracies and one dictatorship destroys the regime and the city that hosted it.
- Yet another evil regime, foreign this time, forces half the city to live in a straitjacket and surrounds the other half, trying to choke it to death.
- A hideous, heavily fortified wall goes up, imprisoning millions of people behind it.
- The wall goes down, freeing millions from oppression.
- The city regains its stature not only as national capital, but earns new stature as a model of parliamentary democracy.

So, from monarchy to fascist dictatorship to total war and destruction to occupation to brutal division to, at long last, a unified and respected republic without which the European Union and NATO could hardly exist, Germany has

pretty much tested all the possibilities of modern governance.

A Journalist in Berlin

When I arrived in West Berlin in early August 1970, on a Time-Life News Service posting that would stretch out to fifty months, it seemed that all of the great events—the wars, surrenders and occupation, the blockade, the airlift, the building of the Berlin Wall—were all in the past. Only a handful of foreign correspondents were stationed in Berlin, and most of them were only thinly occupied with whatever news was going on. The big continuing story involved variations of what it was like to live in an outpost of freedom 110 miles inside East Germany and what it was like to live a bullet's trajectory from such freedom on the wrong side of the Berlin Wall.

Willy Brandt, former mayor of West Berlin and then chancellor of West Germany, had just embarked on a long-term strategy called *Ostpolitik*—Eastern Politics. He wanted to “normalize” relations between a free society and an enslaved society. Citizens of the two



(left) Mayor of West Berlin from 1957–66, Willy Brandt later became chancellor of West Germany and won the 1971 Nobel Peace Prize for his efforts to restore relations with East Germany.

(below) East German workers laid the first blocks of the Berlin Wall in August 1961.



German societies, so bitterly opposed to each other, derived their citizenship, and thus their expressed allegiance, to personal accidents. Where did they live when the nation and its capital were cut into ragged quarters? Where did they happen to be on August 13, 1961, when the communist rulers sealed off East

CHRONOLOGY OF TWENTIETH CENTURY

1901. Berlin is populous Prussian imperial capital, but in a Europe whose great countries derive so much of their wealth from overseas colonies, Berlin is insignificant in comparison to London and Paris and, to a lesser extent, to Madrid, Lisbon, and Amsterdam.

1914. Germany enters World War I.

November 9, 1918. Germany soundly defeated by Western Al-

lies. Kaiser Wilhelm II abdicates. Later on same day, Social Democrat leader Philipp Scheidemann announces founding of republic from window in Reichstag building.

1920. Berlin merges with seven surrounding towns, fifty-nine rural parishes, and twenty-seven farming estates. Population of Greater Berlin is 3.8 million, making it Europe's largest industrial city.

January 30, 1933. National Socialist leader Adolf Hitler appointed state chancellor. Third Reich and Nazi reign of terror begin. Reichstag building set on fire by Nazis, who blame Communists.

May 10, 1933. Torchlight parade ends with book-burning on Unter den Linden, Berlin's imperial boulevard.

1936. Olympic Games played in Berlin. Hitler presides as black

American Jesse Owens proves that the Nazis' “master race” is not the master race in foot racing.

November 9, 1938. Crystal Night. Jews attacked, Jewish shops smashed by berserk, regime-sanctioned mobs.

September 1, 1939. Hitler unleashes his forces against Poland and starts World War II.

1940. British bombers retaliate against Berlin

for the bombing of London.

April 30, 1945. Hitler commits suicide in Führer bunker.

May 1945. German military in Berlin surrenders to Red Army. Berlin, now destroyed, occupied by Soviet troops.

May 7, 1945. The war in Europe officially ends in unconditional surrender of Germany to the Allies. Berlin divided into four Allied sectors.



West Berliners crowd in front of the Berlin Wall on November 11, 1989 as they watch East German border guards demolish a section of the wall near Potsdamer Square.



Today, cobblestones mark the place where the Berlin Wall once stood near the Reichstag in central Berlin.

Berlin and started building the Wall?

The biggest news story during my time in Berlin was the Four Power Talks. Their purpose was to defuse tensions and attempt to bring an end to Berlin's frightful status as the city where World War III might begin.

Twenty Red Army divisions surrounded West Berlin, and all of their artillery was already aimed at the long-ago-selected targets. All they had to do was yank a few lanyards and the French, British, and American garrisons were shards and gore.

This bit of *Realpolitik* gave the Soviet delegation to the talks somewhat of an upper hand over the Western negotiators. The Russian representative ostentatiously carried a pistol to the bargaining table. What tended to level the playing field was pure economics: the West could help the Soviet Union to pull out of its perpetual slump if it

wanted to; it might want to if the Reds eased up on Berlin a little.

The Four Power Talks were concluded with concessions to all. Fairly soon, they were followed by talks between East and West Germany. The two hostile nations agreed on such vital matters as transit between West Germany and West Berlin and the ease with which West Germans might visit East Germany.

It didn't work the other way around: the East Germans were stuck. The only East Germans trusted to travel to the West were those of pension age. The communist regime gave them visas of short duration, cynically figuring that they would fail to return. The upkeep of these elderly Germans would then become the noble burden of West German taxpayers.

After a year or so of reporting on how these momentous agreements

worked out, what we foreign journalists called "the Berlin Story" simply wound down to nothing. The time gap between my published articles grew longer and longer, until at last there was scant professional reason for me to remain in Berlin at all. When I left, in the fall of 1974, the corps of foreign correspondents in Berlin—East or West—would have had trouble putting together a game of poker. Those who remained had reasons for staying that were hardly the hunger of the outside world for news of Berlin.

BERLIN

1948. Soviet Union starts Berlin blockade.

1948 to 1949. Berlin Airlift saves Berlin, keeps it viable and free. USSR ends blockade in May 1949.

1949. Two distinct German states founded—German Democratic Republic (East) and Federal Republic of Germany (West).

June 17, 1953. Anti-communist workers' uprising in East Berlin crushed by Soviet

tanks and troops.

August 13, 1961.

Eastern authorities seal off all exits from East Berlin and lay first blocks of the Berlin Wall.

1960s. Left-wing students stage violent demonstrations in West Berlin.

January 16, 1963.

Khrushchev visits East Berlin, says, "I like the Wall."

1971. Four Power Agreement signed. Allies—United States,

United Kingdom, France, and Soviet Union—agree not to attempt unilaterally to alter status quo in Berlin.

1973. East and West Germany ratify treaty calling for "normalization" of relations between the two countries.

November 9, 1989.

Jubilant Berliners pour over, then through, gaps in Berlin Wall. Communist control of fortified

border disintegrates.

October 1990. Allies relinquish control of the city.

October 3, 1990.

German reunification made official in ceremony in Berlin.

September 1994. Last of Allied troops pull out.

1999. German government officially moves to Berlin. Reichstag building renovated, with addition of glass dome, and reopened. As develop-

ment continues apace in Mitte, the old city center that in turn held the Führer bunker and the Death Strip, Berlin continues to be known as world's largest construction site. A united Berlin seeks to remain a solidly democratic part of Western Europe even as it shifts Germany's center of power eastward, closer to Poland than to France.

—Kenneth C. Danforth

Whither Bonn

Rumors of the former capital's demise have been greatly exaggerated

Bonn is back. Presumed dead nine years ago when Germany's parliament announced it would move itself to Berlin, Bonn has since undergone a miraculous recovery. The vital organs of government have been transplanted 370 miles to the northeast. But the city has been hooked up to an elaborate life support system. While remaining an important part of Germany's body politic, Bonn is cultivating a new identity as a high-tech corporate enclave with international flair.

This once "sleepy" region on the Rhine is now buzzing with the business of more than 800 information technology and telecommunication companies. (Some are now calling it "Telecom Valley.") Two giant corporations—the partially privatized Deutsche Telekom and Deutsche Post—have moved their headquarters to Bonn. International organizations also are putting down roots. Tens of millions of dollars are being pumped into new research and educational facilities. Unemployment is among the lowest in the country. In short, the city is booming.

That Beethoven's hometown would become an economic dynamo in the twenty-first century was beyond the imagination of its residents in 1991. That was the year the German parliament voted 337 to 320 in favor of moving itself to the Fed-

eral Republic's permanent capital, Berlin. (Technically, Bonn was never more than the provisional seat of government while Germany was divided.) Bonners—including many parliamentarians—lobbied hard to keep the government where it was. They staged weekly demonstrations to drive home their points that a move would be disruptive, expensive, and unnecessary.

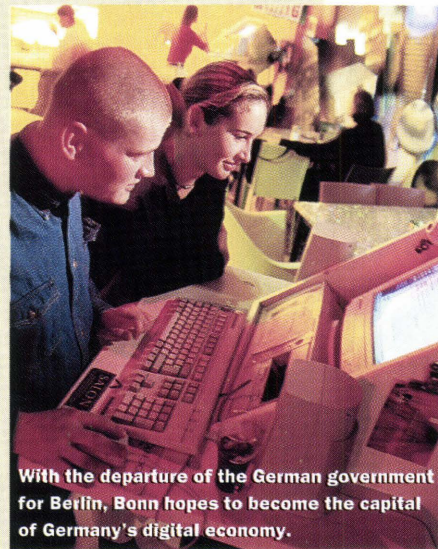
The resolution to relocate hit Bonn like a bombshell. A giant sucking sound echoed through the *Rathaus* (town hall) and *Handelskammer* (chamber of commerce). Germany's entire government industrial complex was leaving town. The chancellor, the president, the parliament, the diplomatic corps, the international press—all would have to go, and there was nothing in sight to replace them.

The move has been disruptive. Families have been uprooted. Social and economic structures have been shaken up. But people are beginning to appreciate the change as a form of creative destruction.

In fact, the government's departure could be counted among the most fortuitous events in Bonn's 2,000-year history. The city has traded in the slow-moving gears of government for the lightning speed processors of the digital economy.

Just to make sure there are no hard feelings, the government has given

Bonn a \$1.3 billion golden handshake. The lion's share of that money is being invested in a research institute known as CAESAR (the Center for Advanced European Studies and Research), which lists nano-technology and



With the departure of the German government for Berlin, Bonn hopes to become the capital of Germany's digital economy.

bionics among its chief interests. Bonn—which already has a large top-notch university—will end up with some of the best education and research facilities in the country.

Not that Bonn is completely giving up its role as host to civil bureaucracy. Six federal ministries—including defense and health—will remain in the city. Nearly two dozen federal agencies from Frankfurt and Berlin will join them there. Supranational institutions are also setting up shop on the Rhine. Five United Nations agencies are moving their headquarters to Germany's cold war capital.

—Terry Martin

There was no news coming out of Berlin.

Today—the Berlin Wall hammered into chunks, the vast area of the former Death Strip spiked with a forest of construction cranes—the foreign reporters number in the many hundreds, and they apparently keep very busy.

It is hard for me to imagine this, for the very isolation of West Berlin and the loneliness of us reporters during the long years of being surrounded was what made us feel special. We were the furthest thing from a journalistic herd.

Century Begins Quietly

In 1900, Berlin was a fairly unremarkable place in comparison to the great world capitals of London and Paris—cities that within forty years the Germans would seem about to destroy or occupy in perpetuity. Berlin became a great city only in 1920, when it merged with seven surrounding towns, fifty-nine rural parishes, and twenty-seven farming estates. The city's population at the time was 3.8 mil-

lion, making it Europe's largest industrial city.

As recently as the summer of 1989, Berlin was again a backwater of history, a still-divided anomaly that no longer figured in the great events that were shaping the world. Yet, before the year was over, democratic forces only dimly dreamed of would reassert themselves with irresistible power. A wall far more effective and menacing than the Great Wall of China would find its ignominious end as little chunks of shattered evil sold in souvenir shops.

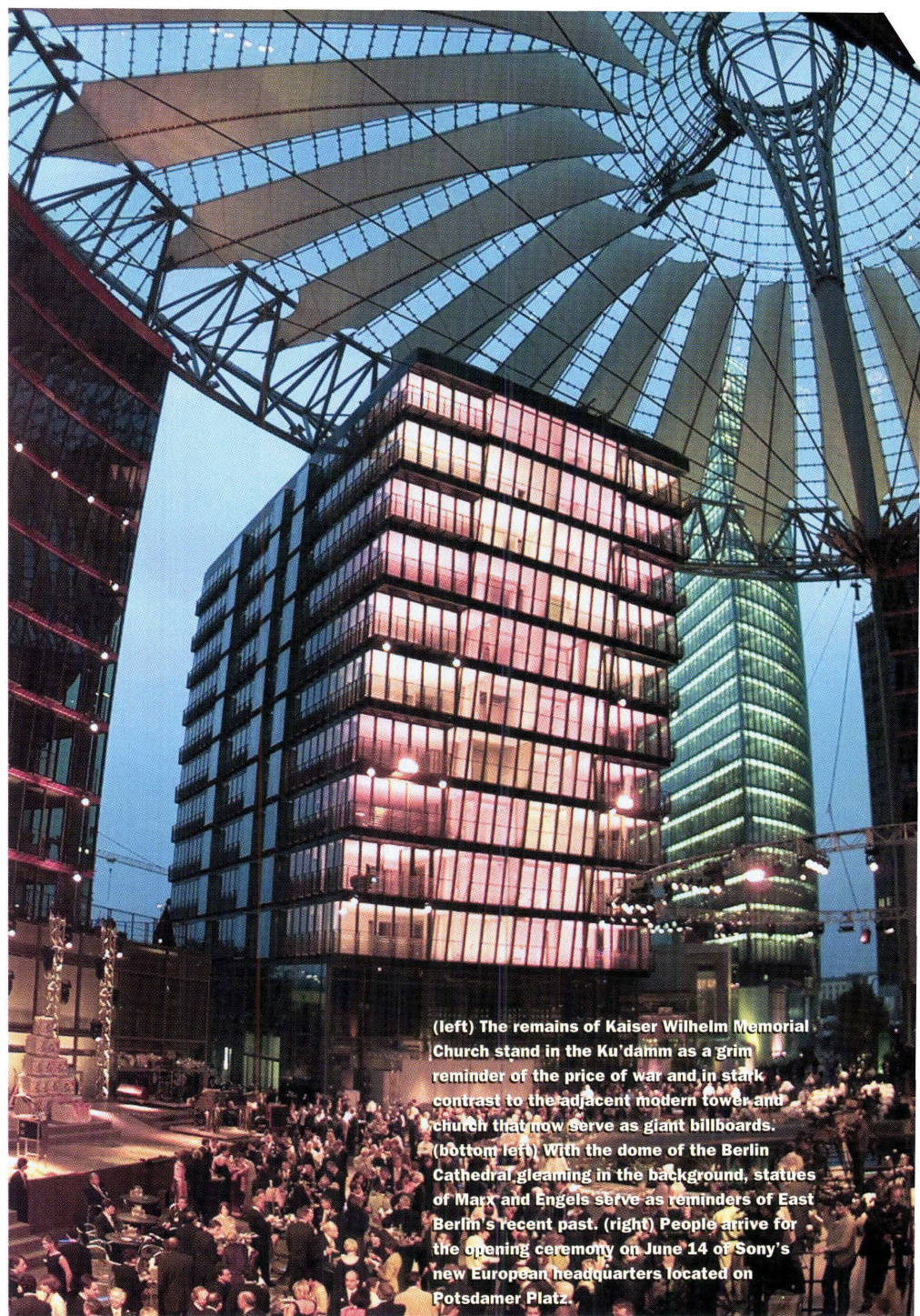
As Europe enters another century, another millennium, it is worth the effort to cast back over the tumultuous century now coming to a close to ask: what went wrong? Were the things that seemed to go right no more than belated corrections of unspeakable evil?

What good person can we name who even approaches in influence Adolf Hitler, the central character of twentieth century European history? The tiny-mustached former corporal, who appears on grainy films to be such a pathetic, even comical figure, so energized a cultured people that they degraded themselves and nearly destroyed a civilization.

It behooves us to consider whatever it was that led to, and allowed, the tidal wave called Nazism to rise to its awful peak and then subside into a post-Hitlerian period that continued to enslave Germans for almost forty-five more years. Hitler's "Thousand Year Reich" lasted twelve years, only about a fourth as long as the communist dictatorship to which it gave such a painful birth.



(left) The remains of Kaiser Wilhelm Memorial Church stand in the Ku'damm as a grim reminder of the price of war and in stark contrast to the adjacent modern tower and church that now serve as giant billboards. (bottom left) With the dome of the Berlin Cathedral gleaming in the background, statues of Marx and Engels serve as reminders of East Berlin's recent past. (right) People arrive for the opening ceremony on June 14 of Sony's new European headquarters located on Potsdamer Platz.



This is just one irony of the many ironies of Berliner history: that hatred of communism and the willingness to commit any atrocity to prevent its pollution of the German body politic helped lead inexorably to a communist domination that might never have happened without Nazism. West Germany was defined as much by the fact that it was a bulwark against the totalitarian ideology that enslaved East Germany as it was by its rightly praised *Wirtschaftswunder*, the Economic Miracle.

Warriors Become Peacekeepers

Berlin has inflicted much, suffered much. At the end of a millennium in which it played little part until near the end, and a century in which it

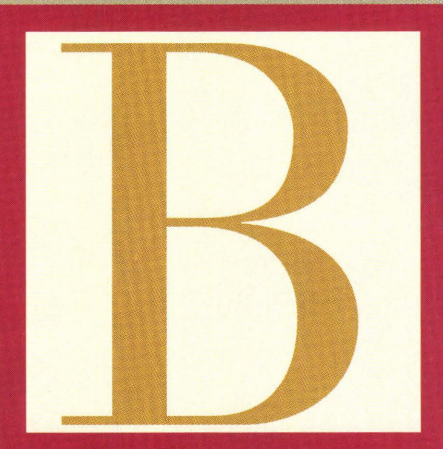
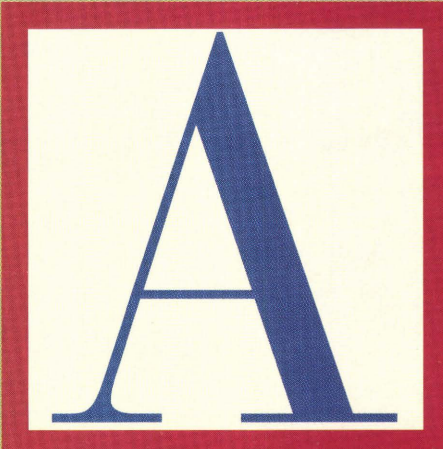
played a part the world wished it hadn't, Berlin looks forward to playing an honorable role in world affairs.

As the century ground to an end, Germany even participated in a United Nations peacekeeping operation in Kosovo—a just and salutary military intervention if there ever was one. The change is refreshing and one the rest of us devoutly hope is permanent.

It is not easy to go from being a symbol of horror to a symbol of hope, but Berlin has accomplished just that. Therein lies the city's greatest achievement. ☺

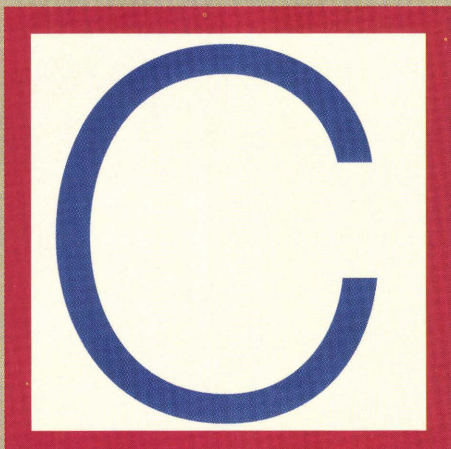
Kenneth C. Danforth, a frequent EUROPE contributor, covered Berlin for Time from 1970 to 1974.

The



S

Of



S

Understanding the EU's intergovernmental conferences

By Dick Leonard

The

European Union can justly claim to be a world leader in many different fields. It is unrivaled in the creation of acronyms. Each year—except by a strange oversight the current one—the annual report of the European Commission has included a glossary containing several hundred of them. They range from CITES (the Convention on International Trade in Endangered Species) to SAPARD (the Special Assistance Program for Agricultural and Rural Development).

One EU acronym that is becoming increasingly familiar is IGC (intergovernmental conference). One of these is currently underway and is due to report to the EU summit at Nice in December of this year.

IGCs are extremely important in the life of the European Union as they are the only means of amending the 1957 Treaty of Rome, which governs all of the Union's activities. Article 236 of this

treaty stipulates that any proposed amendments should be referred to a conference made up of representatives of all the member states. If such an IGC is able to reach unanimous agreement, its recommendations are then put to a summit meeting of EU heads of state and government. If they are approved, they must then be ratified by all the member states and the European Parliament.

It is hardly surprising that such a laborious process has hitherto been used only sparingly. The first three IGCs—in 1965, 1970, and 1975—were uncontroversial and reported quickly on the proposed amendments, which were already a matter of consensus between the member states. The first of these led to the merger of the Coal and Steel Community and of Euratom with the European Economic Community to form the combined European Community. Those of 1970 and 1975 both led to a strengthening of the powers of the European Parliament.

The circumstances that led up to the appointment of the 1985 IGC were very different. The main motivation was to clear the way for the passage of some 300 measures necessary to complete the EC's internal market. Many of these had long been held up because of the unanimity provisions of the Rome Treaty.

The British government of Margaret Thatcher, supported initially by Denmark and Greece, took the view that no treaty amendment was necessary but that the member states should be invited to come to a “gentlemen's agreement” not to obstruct the passage of any of these measures. The other EC governments believed that this was not good enough and that the treaty must be amended to ensure that internal market measures should be subject to “qualified majority voting” (QMV to use another EU acronym).

At a dramatic summit meeting in June 1985, Thatcher was outvoted, and the IGC was set up accordingly. Its recommendations were incorporated in the Single European Act (SEA), adopted in February 1986. Its provisions included not only the extension of QMV but also increased powers for the European Parliament; the creation of a European Court of First Instance; and new treaty articles on economic cohesion, research and technology, and environmental protection. Although they had resisted the appointment of the IGC, the British, Greek, and Danish governments accepted its conclusions, though the Danes insisted on holding a referendum before they ratified the SEA.

Thatcher was again reluctant in 1990 to see the creation of two further IGCs, one on Economic and Monetary Union (the single currency) and the other on “political union.” By the time that they both met, she was already out of office, but her successor, John Major, played an extremely stubborn hand in resisting proposals that all the other member states approved. These were adopted at the Maastricht summit in December 1991, but only after Major had negotiated an opt-out for the United Kingdom both on the single currency and on the so-called social charter. Further difficulties arose over ratification, first in Denmark, when the voters turned down the Maastricht Treaty in a referendum, only to reverse their verdict some months later, and in the UK where Conservative “euroskeptics” almost secured the defeat of the Major government on the issue.

It was perhaps because of these difficulties that the next IGC, which led up to the Amsterdam summit in June 1997, had only a modest agenda, effectively doing little more than tying up loose ends left by the Maastricht Treaty.

Even so it was only the election of a new Labor government in the UK six weeks earlier that prevented total deadlock, Tony Blair being much more open to EU reform than John Major had been. The Amsterdam Treaty went through its ratification process with very little difficulty, perhaps because it left out three important institutional matters: the size of the Commission, the weighting of votes in the Council of Ministers, and the extension of QMV to the great majority of areas of decision-making.

The EU must settle these three issues before any of the twelve candidate countries currently negotiating for EU membership can be admitted to the Union. They effectively form the agenda for the current IGC, contrary to the wishes of the Commission, which wished it to have a much wider remit. The only other issue that has been accepted for the agenda is that of "flexibility." This is euro-jargon for allowing groups of member states to join together and use the machinery of the EU to promote common policies that are not binding on other member states.

The IGC, whose composition consists of the fifteen foreign ministers of the member states, has formal meetings each month in Brussels. A "preparatory group," mostly made up of the permanent representatives in Brussels of the member states, meets more frequently, sometimes on a weekly basis, and these meetings are where most of the hard bargaining takes place.

The members of the IGC have been told that they must complete their work by December if the membership negotiations, now reaching a critical stage, are not to be held up. It is odds on that, even if they succeed, the foreign ministers will not enjoy a long respite. It is almost inevitable that another IGC will soon be appointed to mull over the wide-ranging ideas that French President Jacques Chirac and German Foreign Minister Joschka Fischer (see following article) have been putting forward for a far more thorough shakeup of the Union. ☉

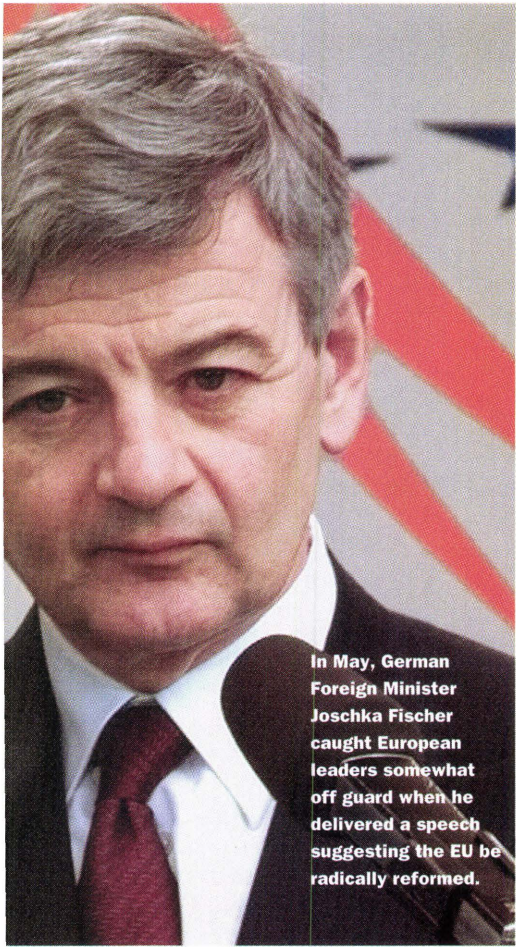
Dick Leonard is EUROPE's Brussels correspondent.

Radical Reformers or Practical Politicians?

By Axel Krause and Terry Martin

As the EU prepares to add new member countries, a wide debate is brewing over how to reform its institutions to accommodate a much larger Union, one that could someday encompass as many as twenty-seven or more members. In late spring and early summer, German Foreign Minister Joschka Fischer and French President Jacques Chirac sent waves rippling through the EU capitals with their visions of how to prepare the EU for enlargement.





In May, German Foreign Minister Joschka Fischer caught European leaders somewhat off guard when he delivered a speech suggesting the EU be radically reformed.

Joschka Fischer: Rethinking the EU

In America, Green Party politicians generally struggle just to get noticed. In Germany, a Green is running the foreign ministry and raising eyebrows all over Europe. Joschka Fischer holds one of the top cabinet posts in the German government and happens to be hugely popular, so he doesn't have to fight for attention. Now, he is looking for stature, and he's gaining it with a proposal to overhaul Europe's basic political architecture.

Just eighteen months into his job as foreign minister, Fischer caught everyone off guard last May when he turned up at Berlin's Humboldt University and delivered a speech suggesting the European Union be radically reformed. What he proposed was nothing less than a European federation with a constitution, a two-chamber parliament, and a directly elected president. No half-hearted measures here. Fischer's speech was a fast-forward, cut-to-the-chase action plan for

copied with the task of European expansion.

In Fischer's view, coordinating the European Union's parallel needs for enlargement and political integration constitutes "the biggest challenge the Union has faced since its creation." The EU's governmental structures—originally conceived to serve just six members—are no longer up to the task, claimed Fischer. They "just about still function" with fifteen member states, he said. He asserted that further expansion could jeopardize the Union's ability to act. In the absence of sweeping institutional reforms, Fischer said he could not imagine how the EU can absorb a dozen or more new members over the next decade and remain effective.

Fischer's proposed remedy is not to halt expansion. Indeed, he considers enlargement essential to the preservation of peace in Europe. Rather, Fischer suggests that a core group of European states—above all Germany and France—move toward closer political integration and establish a federal framework capable of accommodating the numerous EU candidate countries.

The structures Fischer proposes would be immediately familiar to most Americans. The federation's executive body, for example, might feature a directly elected president with far-ranging powers. (The alternative would be to turn the European Council into a European government.) On the legislative side, Fischer foresees a parliament with two chambers, one of which could be modeled on the US Senate with directly elected representatives from individual states. Members of the second chamber would be drawn from the various national parliaments. Anchoring all of this would be a rock-solid constitution to replace the various "treaties" and "agreements" that currently give the European Union its legal foundation. In spite of these American parallels, Fischer prudently avoided referring to the proposed federation as a "United States of Europe."

As Germany's chief foreign policy spokesman, Fischer could not afford to offend his EU partners' national sensibilities. Which is why he presented himself at Humboldt University as an intellectual instead of a diplomat, insisting he was not delivering his speech in



In June, French President Jacques Chirac responded with his own vision of Europe's future in a speech at the Reichstag.

his capacity as foreign minister. In a nod of deference to France, the Green Party's leading light went out of his way to link his proposals to ideas posited fifty years ago by the French statesman Robert Schuman.

Awareness that the next set of states could join the EU as early as 2003 should help force discussion on Schuman and Fischer's federal model. The intervening years will be crucial in determining whether federalism in Europe is ever to move beyond the province of "personal vision."

Jacques Chirac: A "United Europe of States"

Delivering a visionary French response to German Foreign Minister Joschka Fischer's call for a federal Europe, President Jacques Chirac on June 27 urged launching a period of *grande transition* for EU institutions, beginning with France's current EU presidency that ends in December. The reform process would take several years, the French leader said, culminating with adoption of a European constitution and ratification by all member states.

Chirac, a neo-Gaullist conservative, who also is determined to offset the growing popularity in France of Socialist Prime Minister Lionel Jospin, called for the establishment of a "pioneer group" within the European Union that would be run by a new, independent secretariat. Its goal would be accelerating EU integration but only with those EU members that decide to move forward. France and Germany, Chirac urged, should lead such a pioneer group.

Chirac delivered his remarks in an address to the German Bundestag in Berlin nearly a month after Fischer's speech at Humbolt University. However, in sharp contrast to the German foreign minister's speech, Chirac provided few details regarding what the proposed transition period would actually accomplish and how it would accomplish them. For example, he deliberately avoided any mention of a two-tier EU legislature, streamlining the role of the European Commission, and directly electing a European president, as repeatedly suggested by Fischer.

Indeed, to show that he was by no means embracing German or US-style federalism with strong, EU-centered decision-making powers, Chirac further

distanced himself from Fischer. "We do not envision the creation of a European super-state that would be a substitute for our nation-states," he declared and went on to describe the Europe of the future as a "United Europe of States."

Existing EU institutions, he added, should remain "original and specific," while his proposed European constitution would "reorganize and simplify" all EU treaties to make them "more coherent and more understandable" for average citizens. Chirac's speech, political commentators noted, coincided with recent polls in France that showed roughly 70 percent of French men and women favored accelerating EU economic and political unification, compared to 49 percent four years ago.

Although Jospin refrained from commenting, reactions among governmental and media leaders in Germany reflected skepticism regarding Chirac's motivations in making the speech, noting the increasing likelihood he will face Jospin in the 2002 presidential election. Commenting on a surprising disclaimer by Jospin's outspoken Socialist European Affairs Minister Pierre Moscovici, who said Chirac's speech did not reflect the government's views, the German daily *Frankfurter Allgemeine Zeitung* concluded that the differing approaches, despite their power-sharing arrangement known as *cohabitation*, reflected a "power conflict" between Chirac and Jospin.

Deliberately vague on details, Chirac's speech was strongly attacked by several right-wing political leaders in France, notably former ally and Interior Minister Charles Pasqua, who claimed the proposals would dilute, if not severely damage, France's independence and sovereignty within the European Union. Meantime, outside France, the idea for a "pioneer group" within the EU drew fire, notably from the United Kingdom where, it was widely assumed, they would be excluded from the core group given the UK's resistance to the euro and a strong EU social policy.

Repeatedly through early July,

Prime Minister Tony Blair and his ministers declared the UK's place was in the EU, asserted no group could move ahead on further integration without the United Kingdom, and indicated they would block any moves to do so.

In Italy, Prime Minister Giuliano Amato said he could not imagine any core or pioneering group of EU member moving forward without the UK, while conceding that Europe certainly needed a locomotive for further integration amid enlargement of the bloc's membership.

In Brussels, the European Commission was particularly annoyed at Chirac's call for the creation of a new secretariat to lead and coordinate the group's activities, arguing it was unnecessary. On July 4, Commission President Romano Prodi told the European Parliament that the EU's existing institutions should be strengthened, not weakened, and that the Parliament, the EU Council of Ministers, the European Commission, and the European Court of Justice "provide the guarantees, the checks and balances, without which nothing lasting will be built."

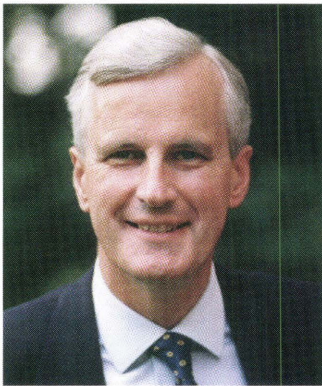
On July 4, in another speech on Europe's future related to the EU presidency, Chirac made no mention of his controversial proposals, which prompted several pro-European deputies to call it backsliding from the earlier speech. The influential French daily *Le Monde* concluded that Chirac, for reasons of *cohabitation*—both inside and outside France—had decided to be "consensual." Not so, said Chirac's advisors. "There was no mention of the UK in his proposal for the pioneer group, and there is no conflict with Mr. Jospin," an Elysée Palace official told *EUROPE*. "There was misinterpretation in the media regarding the two speeches, one visionary, the other specific, and they are perfectly coherent." ☺

**"We do not envision the creation of a European super-state that would be a substitute for our nation-states."
—Jacques Chirac**

Axel Krause, a contributing editor to EUROPE based in Paris, reported on Chirac. Terry Martin, a frequent EUROPE contributor based in Berlin, reported on Fischer.

WHAT THEY SAID: EUROPEAN COMMISSIONER MICHEL BARNIER

European Commissioner for Regional Policy and the Intergovernmental Conference Michel Barnier, recently spoke to EUROPE editor-in-chief Robert J. Guttman in Washington, DC. He discussed regional policy in the EU and the importance of the intergovernmental conference (IGC).



Please explain what an intergovernmental conference is and why it is needed at this time.

An intergovernmental conference is the way to modify the treaty of the European Union. We should modify this treaty in order to adapt the methods by which the European Union functions, a great change—a change like none we have ever seen—to prepare for the entry into the Union of twelve countries from the Central, Eastern, Baltic, and Mediterranean regions of Europe. It is a large project, bringing together the people of European countries in the same community.

However, this change, this bringing together of people

and countries, demands new methods of working. It is a bit as if we were on tour in 1957 with six passengers, and as the tour goes on in stages, we have nine, ten, twelve, fifteen passengers today, possibly thirty...without having modified the motor, without having reviewed the methodology. And, in the end, the vehicle stops. Therefore, one must modify the methodology.

The reason for this reform is to ensure success in the enlargement process, to provide conditions with which to succeed with each of the potential new member countries. They are preparing themselves to take on the *acquis communautaire*, which is a set of obligatory responsibilities for each of the countries that will join the EU, as there was for all those who have already joined—Sweden, Finland, Austria, and before them, Spain and Portugal.

As the enlargement process continues, we should prepare ourselves to welcome new member states. These applicant countries are preparing, and they are making a great and considerable effort with political risks, hard work, and sacrifice in the economic and social front, in order to be able to take on the *acquis communautaire*. We should prepare ourselves to work with them properly and efficiently.

Basically, the EU needs to put its own house in order before enlargement.

Exactly.

Does Europe need a new constitution? Or does Europe need a constitution at all?

One should distrust words. Jean Monnet, who was one of the founding fathers of the Union said, “We will not encapsulate the European debate in one word, in one formula.” Especially when these words do not have the same translation in each country or the same meaning within the culture of each country.

I think that a fundamental treaty for the European Union will be necessary rather quickly, and it will need a text that will be clear, that will be readable, that will be organized by chapters, that the lawyers, the journalists, the people, the parliamentarians can read. Currently, we have four treaties with 700 articles, which explains the people’s incomprehension. Therefore, the Commission proposes and suggests that this fundamental treaty be worked out. But only after the successful outcome of this current intergovernmental conference.

Several of your French colleagues, including former Prime Minister Alain Juppé, have discussed getting rid of the European Commission and replacing it with a federally elected government. What are your views on this?

I do not think that Alain Juppé proposed having a federal government. There is currently a great debate,

opened by Jacques Delors and then by Valéry Giscard d’Estaing, by the great speech of Joschka Fischer, and then the other great speech by Jacques Chirac in the Bundestag. First, it is very important that there is a debate, because the worst thing that could happen to European construction is secrecy or silence.

Personally, I think that the European Commission should maintain its role and its independence. One day the president of the Commission will be elected. And we must maintain this original construction with the European Commission at the heart of the system. The European Commission remains a place of coherence and unity, which works together with the European Parliament. Therefore, I am not in favor of a system of a federal type, at least not now, not for a long time. It is necessary to renew the community model. Therefore, we still need to maintain this cooperation and this better understanding among the nation states and the community’s work.

What do you hope to see come out of the Nice summit in December regarding reforming the Commission? What would be your goal at the Nice summit?

We expect real reform from Nice. That is to say, something other than the addition of national caution or of national interests. It would be

WHAT THEY SAID (CONTINUED)

necessary that each country make an effort to put the qualified majority vote into general use—so the veto becomes the exception—to maintain an efficient Commission and, if possible, a collegial Commission, and that will not be easy with twice the number of member states. Either the Commission will have one permanent commissioner per member state, which then will require a hierarchical Commission, or the Commission will be limited to twenty commissioners with a rotation in order to maintain the college. Thirdly, [we would like to see] a new voting system, a new qualified majority, and we have proposed the double simple majority, which best symbolizes the double legitimacy of the people's states. Fourth, more on-the-scene work on reinforced cooperation. And then, there are other institutions that should equally adapt to accommodate such a number of member states.

So in the future you do not want to see more than twenty commissioners?

No. The Commission itself has proposed two options. I have a personal preference for a limited Commission of twenty with a rotation because the collegial way of working is not compatible with a Commission that is too large. Therefore, the interest of all of the countries, large and small, lies in the Commission staying collegial, with commissioners who are equal one to the other and where each country has a real commissioner, even if it is not a permanent commissioner.

What do you mean by permanent commissioner? Would they still be rotated every five years?

The mandate of the Commission is every five years all the same.

It would still be the same rotation.

No. The idea is that each country has the right to a permanent commissioner or

rather if there is a rotation, each country has a commissioner but not at the same time.

What about when you get up to thirty countries and say Slovenia or Latvia do not have a commissioner, won't that be upsetting to them?

We have calculated that in a Union of twenty-eight countries, each country should be represented in the Commission five out of seven times.

But is that realistic to think that Germany, France, the UK, and Italy—the bigger countries—would not have a commissioner?

Yes, if we do not forget the spirit of the role of the European Commission, right? It is not the Council of Ministers. It is not an intergovernmental structure. It is the place of coherence. But, the two options

going back. That has been accomplished for always and for everyone.

What is the eventual goal, in your view, for the European Union? Is it political union? Is it an elected president? What is your goal for Europe for the next twenty to thirty years?

The project is a great economic community, democratic and, indeed one day, a political power. I do not know if one day there will be a president of Europe. I believe that there will one day be a president of the European Council, and perhaps he will be elected separately, and there will possibly be a president of the European Commission, but that is, once again, a question of means, of institutions. The aim is to create an economic community, which has almost been achieved already with the single currency, common policies that

“I do not believe in a Europe of variable geometry. What is very important is to preserve unity and coherence.”

—European Commissioner Michel Barnier

have serious consequences. The option that I have just mentioned is one in which effectively each country will not always be in the Commission, even if they are there very often. The other option is one permanent commissioner per member state.

There has been talk about a flexible two-speed geometry for Europe. Can you explain briefly what this means? What are your views on the subject?

I do not believe in a Europe of variable geometry. What is very important is to preserve unity and coherence. Therefore, it should be clear that we maintain the same *acquis*, a common heritage, the common market, the single currency, current common policies...there is no

serve the interests of the people, in the environment, food safety, maritime security, the fight against international crime, the common market with rules on competition, and then a common European foreign and security policy.... I did not say a single foreign policy, I said a common policy in certain areas.

Will there be another IGC after this?

Yes, this reform is not the last. It is the last before enlargement. There will be more institutional evolution later. For example, I was just talking about the preparation of a fundamental treaty, which will go through a great deal of technical and legal work. Maybe in a few years after that work, it will be necessary to hold a new IGC to approve that work.

That is possible.

You touched earlier on German Foreign Minister Joschka Fischer's views. Is his discussion helpful to your debate?

My response is yes because the European debate is always easier when it is public and transparent.

On regional policy, the EU spends some 30 billion euros for structural funds. Will some of this money be used to promote the new e-economy to bridge the digital divide?

Yes. It is an agreement with Erkki Liikanen, the commissioner in charge of information society issues. This access associated with information is one of the great priorities of the structural funds. In each program for each European region that we support, there will be a plan for access to the information society.

What is the goal of the EU's regional policy?

The initial objective set in the treaty is cohesion and the unity of the European Union. I did not say uniformity. In the same Union where the market is a single one, the risk is that the money, the trade, is concentrated in the same places. Therefore, imagining that that can provoke breakdowns or crises, our objective is to end up via this effort of solidarity with a development that is the most common possible—the least unequal. And these results have been obtained. The four countries that were the farthest behind and benefited from specific support—Ireland, Spain, Greece, and Portugal—have gained ten points in their gross national product in the last ten years in comparison to the community average.

Is the euro transforming Europe?

Yes. It will be an extremely important event in 2002 (when notes and coins go into circulation and the individual member countries' currencies are

WHAT THEY SAID (CONTINUED)

withdrawn). And it is already an important event for the companies, for the states, and for those who buy and lend in euros, and for the citizens. My response is clearly yes.

The American public mainly concentrates on how the euro has fallen against the dollar. Do you think that has any impact? Should that worry you?

It is necessary to judge the value of a currency over the long run. The fact is one could talk of an over-inflated level of the dollar or of an under-inflated level of the euro. I be-

lieve that the euro will find its natural level because the European economy is what is important. The currency expresses the strength of the economy. The economy is healthy and is functioning well at the current time.

Is the French economy becoming, for a better choice of words, more Anglo-Saxon? Or is it becoming more global? Is everybody becoming the same in a new global world?

The French economy adapts to today's demands. I am not sure that the proper word is "Anglo-Saxon." It is an open

economic society, globalized with that growing part of the new economy, with the obligation to go conquer markets, to be on the offensive. Yes, the French economy adapts, but it is becoming more European. That is what I think.

How would you briefly define for an American audience what the European Union is? It is a very abstract thing to most people here. How would you define it in a couple of sentences?

I really like the word "community." We are creating a

political and economic community, which will express itself in a single voice in ever more areas.... European construction is complicated because we are not starting from the same point as the Americans. We possibly will not arrive at the same place.

We are starting with thirty or forty nations that have different languages and different people. We do not have wars or conflicts. We have succeeded. Our system has created progress and development with each other rather than conflict and war.

REPORTER'S NOTEBOOK: EU, CHINA, AND THE WTO

European exporters and investors are in pole position to tap a giant market of 1.2 billion consumers when China joins the World Trade Organization. The European Union is already China's second-largest trading partner, after Japan, exporting goods and services worth roughly \$17.3 billion in 1998, far ahead of the US at \$14 billion. Furthermore, it likely will move further ahead of the US as the European Commission signed a pre-WTO trade deal with Beijing last May that bettered the US-China bilateral agreement signed the previous November.

The China-EU agreement targeted sectors like insurance where European firms already have a head start on their American rivals. German insurance giant Allianz and the United Kingdom's Royal Sun Alliance, for example, plan to expand into China ahead of its WTO entry thanks to a side deal committing Beijing to give EU insurers an additional seven licenses, nearly doubling their presence in the country. The EU also negotiated tariff cuts on 150 separate products from shoes to olives and Italian marble, making the Chinese market

accessible to many small and medium-sized firms for the first time.

Europe's blue-chip companies are already flexing their muscles, confident that China's WTO membership will remove many of the obstacles that have hindered investment in the past. BP Amoco, the British oil giant, is among the trailblazers with plans to take a strategic 2.2 percent stake in Sinopec, China's second-largest oil company, when it launches an initial public offering in the fall. Last April, BP Amoco paid \$620 million for a 20 percent share of the \$3.1 billion initial public offering of PetroChina, China's top oil firm. The company's decision to invest in PetroChina is widely regarded as having saved it from a humiliating flop in a market that was focused on the new economy and turned off by the firm's reputation for inefficiency.

Unilever, the Anglo-Dutch consumer products giant, has sought regulators' approval to become the first Western firm to launch an IPO in China. "We want access to ordinary Chinese investors," said Paul Neely, director of corporate development at Unilever Shanghai.

Meanwhile, Volkswagen, Europe's biggest car manufacturer, has unveiled a \$1.5 billion investment in China, and Philips, the Dutch consumer electronics group, plans to buy into Sichuan Changhong Electrical Appliances, the country's leading maker of television sets.

All these companies have already put down deep roots in China. Volkswagen, for example, has a commanding 40 percent share of China's fast-expanding auto market. Unilever, which has invested roughly \$800 million since the mid-1980s, operates more than a dozen plants, and some of its products, including Omo washing detergent and Lux soap, are among the most popular brands in the country.

Many of the European investments are already showing significant bottom line results. In 1999, BP Amoco's 51 percent-owned acetyl acid joint venture earned a net profit of \$2 million in its first year of operation. The company is now planning to lift annual output from 200,000 tons to 350,000 tons and build an 80,000 tons-a-year acetyl acid resin factory. Furthermore, British drug company Glaxo and French supermarket chain Carrefour

are turning a profit in China.

European companies are competing among themselves as well as Japanese and US firms for lucrative Chinese contracts. The German government plans to spend some \$500 million over the next two years to demonstrate its rail technology to China. It hopes the investment will give it an edge over France's TGV and Japan's bullet train for a contract to build an 800-mile, high-speed railway from Beijing to Shanghai that will be worth more than \$15 billion. Most of the German investment will go to funding the construction of a sixty-mile test track.

Smaller European companies also are breaking into the once impenetrable Chinese market. They range from Elkem, a Norwegian metals firm that has just acquired a carbon products plant in the remote Ningxia region, to the Anglo-Chinese Zhaopin.com joint venture, the country's leading job search web site with 70 employees and a database of 100,000 job seekers.

BUSINESS BRIEFS

Some of Europe's biggest telecommunications firms entered the bidding for **Sonera** of Finland in an auction that is likely to value the state-controlled company at more than \$35 billion.

Sonera has been overshadowed by Finland's most famous company, **Nokia**, the world's leading manufacturer of mobile phones. Nevertheless, it is one of the world's most innovative telecom groups responsible for a string of breakthroughs, including one of the most advanced wireless Internet portals, called **Zed**, and a software encryption system, **SmartTrust**, which allows purchases on mobile phones.

But with a tiny domestic subscriber base, Sonera has struggled to keep pace with bigger European companies as a mobile operator, prompting the decision to put itself up for sale in June after the Finnish government got parliamentary approval to dispose of the state's 52.9 percent holding.

The most hotly tipped bidders were **Orange**, the British mobile phone company recently acquired by **France Telecom**; **KPN**, the privatized Dutch telecom operator; and Germany's **Deutsche Telekom** fresh from its \$50 billion bid for **Voicestream Wireless**, the medium-sized US mobile phone company.

Airbus expects to get the go-ahead from its shareholders to start full-scale development of the A3XX super jumbo jet after getting nearly half of the fifty firm commitments required to start work on the double-decker plane. With the project, Airbus hopes to compete with **Boeing's** 747 and end its thirty-year monopoly of the market for aircraft carrying more than 400 passengers.

Airbus had booked twenty-two firm commitments by August from **Emirates**, the fast-growing Middle East airline; **Air France**; and Los Angeles-based **International Lease Finance**

Corporation, the world's second-largest aircraft leasing company.

Qantas, **Singapore Airlines**, and **Virgin Atlantic** are expected to place orders shortly, paving the way for Airbus to start the \$10.7 billion development program with the first deliveries scheduled for 2006.

Ispat International, the Netherlands-based multinational steel company, offered \$480 million for **VSZ**, Slovakia's leading steel maker, which is also being pursued by **US Steel**.

Ispat offered to buy VSZ outright through the Bratislava Stock Exchange, valuing the company at more than four times its market value and said it will settle the firm's tax bill and pay off its creditors.

The bid came as the Slovak government, which has a controlling 51 percent stake in VSZ, was negotiating with US Steel, which plans to spin off a large part of the company's steel making activities into a new group that it would then acquire for \$60 million. It would also defray VSZ's \$325 million bank debt, pay its \$15 million tax bill, and invest \$700 million over ten years in new steel projects in Slovakia.

If Ispat takes over VSZ, it will become part of a global steel empire with plants in the US (where it acquired **Inland Steel**), Mexico, Trinidad and Tobago, Germany, and Ireland. Its London-based billionaire chairman, Lakshmi Mittal, also owns mills in Indonesia and Kazakhstan.

Meanwhile, **Corus**, the Anglo-Dutch steel firm formed by last year's merger of **British Steel** and **Hoogovens**, is talking with the Polish government about taking over one of the country's largest steel plants at Katowice.

European companies beat out their American rivals as cross-border mergers worldwide surged 60 percent in the first six months of 2000 and are setting the pace in the sec-

ond half of the year. Corporate Europe spent \$492 billion buying foreign firms out of a \$643 billion global total, according to a survey by **KPMG**, an accounting and consultancy firm. The United Kingdom topped the spending league with acquisitions worth \$254 billion, dominated by **VodafoneAirTouch's** \$186 billion takeover of Germany's **Mannesmann**. France was second with \$113 billion, followed by the US with \$95 billion, and Germany and Canada each with \$23 billion.

Western Europe also saw a massive rise in inward investment, which more than doubled in the six months to June to \$420 billion from \$211 billion in the year-earlier period, while investment overseas by European firms rose by 65 percent from \$298 billion to \$492 billion.

The telecommunications industry was the most active in the global mergers and acquisitions market with deals worth \$265 billion, 41 percent of the total, followed by business services at \$98 billion, banking and finance \$54 billion, electricity and gas \$38 billion, and leisure-related industries \$23 billion.

The German government says its stock market flotation of **Deutsche Post** will take place as planned on November 6 in spite of the European Commission's decision to open a formal investigation into whether the giant postal monopoly is abusing its market dominance to squeeze rivals out of the parcel delivery market.

Deutsche Post is facing two other Commission probes over whether it received illegal state aid and disrupted international mail by imposing surcharges on incoming mail, but this has not dampened investor enthusiasm for the planned initial public offering that is expected to value the company at around \$36 billion.

The government is to sell between 25 percent and 35 percent of the Deutsche Post in a share flotation in Frankfurt

that will value it as the world's second-largest quoted logistics firm after **UPS**, the giant US parcel delivery company.

Top European media and publishing companies have set their sights on the US educational market and are prepared to pay hefty premiums to take over top industry names.

The United Kingdom's **Pearson Group** recently paid \$2.5 billion for **National Computer Systems**, an American education services firm, making the owner of London's *Financial Times*, the world's biggest educational publisher as it switches the focus from entertainment to education.

Meanwhile, the Anglo-Dutch publisher **Reed Elsevier** and **Wolters Kluwer**, the Dutch publisher of professional information, were expected to be among the bidders for **Harcourt General**, the US textbook publisher that was put up for sale in June and is valued at \$6 billion.

Shareholders in the **London Stock Exchange** (LSE) and Frankfurt's **Deutsche Börse** will vote this month on whether to go ahead with the proposed merger of the two exchanges into a new body known as **iX-International Exchanges**. The new super exchange plans to create a blue-chip market regulated in the UK and a high-growth market regulated in Germany. Both LSE and Deutsche Börse need 75 percent of their shareholders to vote in favor of the merger. Proponents say the new exchange would provide a harmonized electronic trading platform with potentially lower dealing costs and greater liquidity.

EUROPE
Update

Contributor

Bruce Barnard reporting from Brussels

Europe Update is published by the Delegation of the European Commission, 2300 M Street, N.W., Washington, DC 20037. The contents of this newsletter do not necessarily reflect the views of the European Union institutions or the member states.



Education in the EU

How are
Europe's
schools
challenging
children?

By Ester Laushway

Put fifteen Europeans, one each from the European Union member countries, in one room and one of the rare issues on which they are all likely to agree is the importance of education. The European continent gave birth to the concept of formal schooling twenty-five centuries ago, when Greeks implemented a course of study for a "male only" social and intellectual elite. Formal education advanced and spread throughout Europe, and in 1150 AD, the world's first university was founded in Bologna, Italy. Paris followed in 1192 and Oxford in 1214. Over the centuries, education has continued to evolve in Europe, from a discriminatory force into an equalizer of opportunity.

Yet, as deeply ingrained as the respect for learning is throughout Europe, no two countries have the same approach to education. They do not even count the years spent in school the same way. France counts down, considering the first grade as year eleven, but also calls it *Cours Préparatoire* (CP) just to confuse foreigners further; the United Kingdom uses terms such as "infant" and "junior" at elementary level and then switches to "forms" for secondary school. Anyone changing schools from one European country to another is faced with different stan-

dards, teaching methods, timetables, exams, diplomas—in fact, it is difficult to find anything that is the same from one country to another.

Education is also one domain in which the EU has little say. Whereas Brussels has ruled on a vast array of other issues and is successfully implementing a common currency, it cannot impose harmonization of education among its member states.

The Treaty of Rome, which in 1957 created the EEC (the precursor to the EU) as an economic community, did not mention anything about national cultures, of which education is a vital part. "Perhaps that's the true European miracle: fifteen different cultures which have been able to form a union because the one thing they didn't touch were their respective cultures," speculates one Brussels official.

Socrates and Erasmus

What the European Union can and does do regarding education is encourage international cooperation through exchange programs. Socrates, the first European initiative that covers education at all levels, was launched in 1995 and spans the entire EU as well as Norway, Iceland, and Liechtenstein. Its main goals are to develop a European dimension in education by promoting mobility

of both teachers and students and encouraging cross-border recognition of academic qualifications. The first phase of Socrates ends with the millennium, but a second phase, up to the year 2004, is currently being negotiated.

By far the most successful program within the Socrates framework is Erasmus, which was created to allow university students to spend from three to twelve months studying in another European country and to have that time abroad credited to their degree course. Since it was created in 1987, eight years before the more global Socrates program to which it now belongs, Erasmus has given one million students from twenty-four countries the chance to study abroad. The number of annual exchanges is rising dramatically every year, from 80,000 in 1996–1997 to 200,000 last year. Germany and France are the two most eager participants in the program followed by the United Kingdom.

Financially, the program is having a hard time keeping pace with its own success. In spite of its budget being increased to \$136 million last academic year, an increase of nearly one-fifth over the year before, the home countries of the students have ended up contributing some funds to top up the bursaries.



Italian schoolchildren on a field trip discover the Palazzo dei Conservatori in Rome.

The popularity of Erasmus shows the great demand that exists in Europe, at least at university level, to break down national education boundaries and have greater recognition and acceptance of foreign degrees. One professor from Lyon, Eric Froment, considers the program to have been the genesis of a “European university space.”

“Students started going less to the United States,” he says, “and teachers started getting interested in what their European colleagues were doing.”

A European Credit Transfer System (ECTS) has now been introduced that makes it much simpler to compare qualifications from one country to another. A full year of studies is worth

they are around eighteen years old and graduate from high school, those 60 million pupils have thinned out to 11 million students going on to attend one of more than 5,000 universities or institutions of higher education.

Primary Concerns

The beginning is reassuringly similar everywhere, whether a child goes off to his first day of school with a leather satchel strapped to his back or not, in a uniform or in civvies, with a giant *Tüte* (cone) of candies (as is the custom in Germany) or no sweetener for that first step into adulthood. The starting age varies somewhat, with children in Northern Ireland and Luxembourg having to attend school from the age of four, while most European countries do not make it compulsory until six. No matter how tender the age at which children start to learn the three R's, primary schools throughout Europe generally offer them as much stability as possible, with one teacher often shepherding them through all their subjects for at least one year.

It is rare to encounter a lot of academic pressure on children in those tender years, but in France you do have parents who agonize over how to get their children into the *grandes écoles*, the crème of the country's post-graduate schools, from day one of their school careers. Such parents often waste no time in demanding that their brilliant offspring absolutely must skip first grade, just to give them an early edge on the competition.

France is also the only country in Europe that does a rousing trade in special holiday workbooks that keep children exercising their gray cells even when they are at the beach. Designed to be educational and fun, these *cahiers de vacances* generally take about three weeks to finish, at one lesson a day, and even feature plastic covers to withstand the odd splash of water or spade of sand that might come their way.

French primary school is a serious business, too, right from the start. First

graders, with 4.7 hours of lessons, spend longer sitting in the classroom every day than the rest of Europe's school starters. They are at their desks by 8:30 am, and school ends at 4:30 pm, with a two-hour break for the sacrosanct French lunch, taken either at home or in the school cafeteria. Packed lunches from home are almost unknown. The Nordic countries start their children more gently on the road to learning, with Sweden not expecting them to sit still for longer than 2.7 hours a day and Finland asking them to pay attention for a maximum of 3.1 hours daily.

When looked at over an entire academic year, the picture shifts, however, and France is not nearly so hard a taskmaster as it appears. Vacations are long, and single holidays are liberally sprinkled throughout the year, particularly in May, when long weekends are the rule. All those days off reduce the annual lesson load in France to 846 hours, which is no more than average for Europe. Children in the Netherlands top the scales with 1,000 hours of lessons annually, while primary pupils—and teachers—in Norway get off the lightest, with just 610 hours of lessons a year.

Some Secondary Scenarios

Children start attending secondary school in most European countries at around eleven years old, except in Denmark, Sweden, Finland, and Norway, where primary school and the first years of secondary education are grouped together into *folkeskole* (Denmark), *peruskoulu* (Finland), *grundskola* (Sweden), and *grunnskole* (Norway). No matter what they are called, secondary schools present a much more complex set of goals and problems because by this stage, with the basics supposedly acquired, children's individual strengths and weaknesses start becoming apparent.

Different countries deal with weak pupils in very different ways. In France, the system has traditionally been geared to the survival of the fittest. Those who cannot keep up with the course of studies have to resort to private tutoring outside school hours to



sixty credits everywhere, with universities assigning different credit values to individual courses. Students can now easily determine how many courses they need to take abroad to bring their credit total for the year up to sixty.

Blackboard Jungle

While the “Europeanization” of education is definitely underway at the top end of the academic ladder, down at primary and secondary school levels, it is still very much every country for itself. In numbers, that translates to 60 million pupils enrolled in 320,000 schools in the EU (24 million at primary level and 36 million at secondary level), being taught not just fifteen different ways but more, because one country can have several different education systems. Belgium, for example, caters to its French, Flemish, and German communities, and Spain is in the midst of a complete reform that began in 1990 and should be completed by the end of the current school year. By the time

help them make the grade. At the end of the school year, the *conseil de classe* (class council) decides which pupils should move up to the next class and which must repeat the year. There is no catch-up exam in September, no second try at improving marks.

French parents can—and do—appeal against the council, which plays a key, and often confrontational, role in deciding a child's school and career path. At the end of *cinquième* (the French equivalent of seventh grade), for example, the family has to choose which stream—general or technological—their child should join, but the class council has to approve their choice, or another appeal is required.



stream, with no division between primary and secondary levels up to age sixteen, school in Denmark is pupil-friendly. No one ever fails a grade, and no marks are given until the last three years, when teachers still mark only those subjects that pupils have chosen for their lower secondary school leaving exam. Even that exam is not compulsory and has no minimum passing mark. In spite of—or perhaps because of—such freedom of choice, more than 95 percent of sixteen-year-old students in Denmark opt to take the exam.

The pro-pupil policy continues into senior high school. Coursework is assessed regularly, but pupils who per-

form poorly can overrule the teachers' recommendation to repeat the year and insist on going on or retake failed exams.

Although not quite as free-and-easy as in Denmark, Italy's secondary school system is also designed to give pupils every benefit of the doubt. Marks and exams were abolished in 1977 and replaced by personal records, which the teachers maintain and use to prepare a report for the parents every three to four months. Based on these reports, the *consiglio di classe* (class council) decides who should pass or fail the year and who simply needs to take a make-good exam in September in their weak subjects.

After *scuola media* (the Italian equivalent of junior high), pupils can choose one of four different streams: traditional—leading to university and other types of higher education—art, technical, or vocational. At the end of all of them is a state exam called the *Maturità*, which leads to a secondary graduation certificate.

France, Denmark, and Italy illustrate just some of the many different approaches taken to secondary education in Europe. But the jigsaw puzzle of European school systems breaks down into even smaller pieces. Germany is a prime example of just how many options can exist within one country, particularly since each of the sixteen Ger-

Again, in the first year of high school (known as *seconde* in France), pupils have to hand in a written request, in order of preference, of the courses they would like to take the following year and, again, the council can approve or veto that list and the families can launch an appeal process. Former French education minister Claude Allègre has described the lumbering national education system as a "mammoth" that needs to be slimmed down and modernized. Certainly, it could shed some of its formality and bureaucracy to ease communications between teachers and parents. The latter are expected to drop their children off at the school gates and not to speak to the teachers unless they have requested an appointment, preferably in writing.

In contrast to France, the Danish school system is among the most relaxed and least demanding in Europe. Organized as a single continuous



(top) In Denmark's pupil-friendly system, these first graders at Copenhagen's Hellig Kors School are not graded on their performance. (bottom) Germany's apprentice program is an important training ground for tradespeople, such as these mechanics who work at BMW's Munich factory.

man *Länder* (states), has complete authority over its own education system.

To keep confusion to a minimum, let us stick to what happens in the majority of *Länder*. After primary school, children go on to one of four main branches of lower secondary education: *Hauptschule* (general lower secondary school), *Realschule* (general lower secondary school leading to upper secondary school), *Gymnasium* (general lower and upper secondary school leading to higher education), and, most widespread, the *Gesamtschule* (comprehensive school which combines all the of the above). Some states throw in other types of schools for good measure, such as the integrated *Gesamtschule*, which offers two years of upper secondary *Gymnasium* education on top of the usual *Gesamtschule* array of courses. All types of schools assess pupils on a regular basis and can make them repeat the year if their results are not satisfactory.

At upper secondary level, it gets even more complex. The *Gymnasium's* role is fairly straightforward, continuing to prepare students for higher education, but the great majority of young people in Germany—nearly 80 percent—sign up for either full-time vocational training or a dual system that combines part-time vocational schooling with part-time practical training in the workplace.



Four different types of full-time vocational schools exist, with names that are confusingly similar: *Berufsfachschulen* can lead to a job or to a *Fachhochschule*, so can *Fachoberschulen*. (The *Fachhochschule*—a higher education institution—prepares for application-oriented teaching and research in fields such as engineering, economics, agriculture, and design.) Then there is the *Fachschule*, which provides advanced vocational training, and finally, there is the *Fachgymnasium*, a *Gymnasium* that has only senior high school classes.

Far more popular than any of these full-time vocational schools, is the dual system, which combines *Berufsschule* (vocational school) and on-the-job experience. Every year around 600,000 young people, aged fifteen to twenty, choose to divide their time between being a student and an apprentice. Three years later, following final exams, the trainees go on to full-time employment as a *Geselle* (journeyman), a *Gehilfe* (assistant), or a *Facharbeiter* (skilled worker), in any one of some 400 different occupations.

The paths to it are varied and may appear tortuous to a foreigner, but Germany's apprenticeship system is a national success story that other European education systems have cause to admire. The highly skilled and well-educated crafts and trades people it produces are in short supply in many countries where the trend has often been to channel children toward higher education whether they are suited to it or not. In Germany, vocational training is not a desperate alternative to university but a highly respected and respectable choice. The states are working on further upgrading the apprenticeship program by introducing more general education courses or content into the occupational curriculum.

Eurydice

In 1980, an information network was set up by the EU to collect and exchange information and experience on education. Baptized Eurydice, it has published in-depth comparative studies of European school systems (available on the Internet at www.eurydice.org), which point out not only the great diversity of education in Europe but also some common factors that transcend all the national differences.

Repeating a grade, for example, rarely appears to help a poor pupil, and separating children into different academic streams early on seems not to be generally beneficial either. Organizing external tests, on the other hand, is a good means of balancing the sometimes subjective assessments of classroom teachers.

From the studies, certain educational trends common to several countries also emerge. For instance, there is underway a general decentralization process that gives more power, but also more responsibility, to regional and local education authorities. The length of time children receive a general education is being extended; attempts are being made to increase the number of years in school, to raise the status of vocational training and to improve teacher training. Weak pupils, who were often left by the wayside in countries such as France, where the system traditionally has been geared to high achievers, are now being given more attention. Change is afoot throughout the schools of Europe, and the Eurydice network has shed some interesting light on how countries are preparing their children for the challenges of the new millennium.

Revising for the Future

An extensive study published by Eurydice in 1997 analyzes the major educational reforms introduced between 1984 and 1994 in the EU member states and in Norway, Iceland, and Liechtenstein. In general, the basic aims of education have not undergone any radical transformation, but some new concepts have been introduced in preparation for the future. "Learning to learn" and "adapting to a constantly changing new world" are two emerging goals of education that did not exist previously. Schools traditionally prepared pupils for working life, but with an uncertain, constantly evolving labor market and longer periods spent not working (due to extended compulsory education, early retirement, shorter working hours, greater life expectancy), education is broadening into an all-around preparation for life in general.



New Horizons

Almost all European countries are in the process of widening their school horizons. A few explicitly state their new aims. In the UK, Scotland, for example, cites its intention to cater to the multicultural nature of its society, to teach children respect for various social values and how to adapt to a future society. France and Belgium also state their commitment to openness and flexibility toward change, and Belgium mentions a goal that none of the other countries spell out: promoting the happiness and personal development of pupils.

Subject Matters

Much easier to pinpoint, and far more widespread than modifications in the aims of education, are changes in the curriculum, which is the aspect that has evolved the most throughout Europe.

France is among the countries that have introduced sweeping curriculum reforms at all levels. In 1985, a new course of studies for primary schools and lower secondary schools (*collèges*) was approved; in 1992, a renewal plan for upper secondary schools (*lycées*) was implemented, and primary education was reorganized into more fluid stages rather than rigid grades, which also involved a new curriculum. The general thrust of all these reforms is to reconcile an old goal with a new, seemingly contradictory one: to continue catering to an intellectual elite, which France has always managed to do, while at the same time helping as many pupils as possible to finish school with sufficient qualifications to be able to find work afterward.

It is this second objective that Claude Allègre pursued before he was replaced in March by former culture minister Jack Lang. He hoped to achieve it through decentralization, by making every school "its own resource" and teachers more directly responsible for the well-being of their pupils. Starting in September 1999, 10 percent of French pupils going into sixth and seventh grade began taking up to six hours per week of revision classes, in groups of no more than eight. In high school, Allègre proposed that teachers devote part of their time to helping individual pupils so that at least two hours of special tutoring a week would be available for those who need it. The

minister, however, encountered a lot of opposition from the teachers' unions, which forced him to proceed much more slowly than he would have liked with his school plans for the twenty-first century.

Since 1989, France has been testing the effects of teaching students a foreign language earlier than before, during the last two years of primary school. It is not alone in this change, which reflects the general development of a more integrated, interdependent Europe. In 1990, Spain moved up the age at which children have to start learning a foreign language by three years, and in 1994, educators in Scotland agreed that all pupils should learn either French, German, Spanish, or Italian from the age of ten. Countries that are themselves multilingual, such as Belgium, Spain, Wales, and Scotland, are now careful to include mother tongue teaching in areas where that language is not the same as the predominant language spoken.

Other subjects gaining ground in European schools are those relating to new technologies. The use of computers has spread quickly throughout schools, with northern European countries embracing the new communication technologies most enthusiastically. The island state of Iceland deserves a special mention. Since 1992, 90 percent of its schools

have been linked to the Internet.

To counterbalance the brave new world of high-technology facing children today, a number of countries are introducing more longstanding human values into their course of studies. Part of Spain's 1990 school reform included the addition of cross-curricular classes around themes like moral and civic education and equal opportunities. Scotland started emphasizing topics relating to the environment and health in 1991; France reinstated civic education as a core subject in 1985, the same year in which Finland began teaching national culture and international cooperation, sexual equality, and environmental protection.

Judging Results

All over Europe, the trend is to "democratize" education by either doing away with exams altogether or making them less of an elimination process and more of a guidance tool. Most European countries have abolished qualifying exams for the transfer from primary to secondary school. Exams, where they do exist, are tending to assess general knowledge more than specific subjects and to test skills and aptitude rather than learning. Such is the case in the French community in Belgium. Secondary school diplomas, which used to differ according to what was studied



The EU's Socrates exchange program is giving European college students the chance to study in a country other than their own.

and what results were obtained, are giving way to a single type of diploma, in an effort to eliminate any possible discrimination.

Critics of this approach claim that in the noble name of equal opportunity, this approach, which tries to treat all pupils alike, without any evaluation or comparisons of results, ends up bringing standards down to the lowest common denominator. The result is that more young people are leaving school with a diploma but are unprepared for the tough selection process that follows



Increasingly, European schools are adapting their curriculums to utilize the Internet.

in the “real world.”

France, again, is a good example of how the democratization of education is not always the right answer. Back in 1985, the French Education Ministry set itself a goal of having 80 percent of high school students attain the level of the Bac (*Baccalauréat*)—the qualifying diploma for higher education—by the year 2000. The percentage of pupils obtaining the bac has been climbing steadily, from 35 percent in 1983, to 62.6 percent in 1993, and in 1998, the results nudged close to the goal, with a 79.1 percent success rate. Are the pupils that much brighter than fifteen years ago, or has the bac, once a notoriously difficult set of exams, been made easier?

The answer appears to be the latter. For one thing, teachers have been asked to be more indulgent when

marking the exam papers than in the past; for another, a series of non-academic types of bac have come along at the bottom of the academic curve, bloating the success statistics. These technical and professional bacs, in such subjects as electromechanical engineering and metallurgy, are swelling the pass rate rapidly. The results are so many happy high school graduates that the real elimination process of weak students now takes place in the first year of university. By the end of their freshman year, thousands of students find themselves dismissed and having to look for alternative methods of preparing themselves for the cutthroat French job market; with its daunting, double-figure unemployment rate.

Europe in the Classroom

The world that awaits young people after they leave school is rapidly changing as it rushes toward a future that is exciting, challenging, and unpredictable. Educators broadly agree that schools will have to teach children to adapt quickly, to think “on their feet” and, above all, to be open-minded—to handle change and diversity in all its forms. In Europe, where so many distinct cultures live so closely together, a unique chance exists to bring that cultural richness into the classroom.

A decade ago, a formal recommendation, for “Europe in the classroom” was adopted by EU ministers of education and cultural affairs. The agreement points out that schools should make children aware of European unity and of the new relationships developing between European countries. Europe as a topic should be incorporated into subjects ranging from geography, history, and social studies to politics, economics, and law. Foreign languages should be introduced into the curriculum as early on as possible.

Such a “Europeanization” of education is now underway at all school levels, but it is most visible at the upper end, where students are approaching the age when they want to find work and are usually willing to travel. Besides the EU exchange program

Socrates, individual countries are joining to create study programs with a European dimension. In



1982, for example, a joint German and British initiative created the European Business Program, an exchange project to which France, the Netherlands, and Spain now also subscribe. They run concurrent, identical courses, and “every six months, the students change campus,” explains Jacques-Olivier Pesme, an economics professor in Bordeaux. “It took about a hundred meetings to set it up, but now the system works very well.”

Another ambitious French-inspired project aimed at harmonizing European university programs is to establish European university degrees that are recognized everywhere. Known as the “3-5-8 system,” it is based on implementing a standard number of years to earn a bachelor’s, master’s, and doctoral degree. In most countries, pupils graduate from high school at about the same time, but after that, timetables diverge in all directions. France has its *grandes écoles*, the elite graduate schools that require a couple of years of extra preparation just to pass through their doors. German students follow a 4-5-9 pattern at university, while the United Kingdom keeps 3-4-7 time. In May 1998, when the French Sorbonne celebrated its 800th anniversary, Allègre used the occasion to sign a harmonization charter of European degrees. Germany, the UK, and Italy also signed and have been joined since by most of the EU member countries.

No blueprint yet exists for a European education system where a child can go to school in one country, attend university in several others, and feel at ease in all of them. However, the will and the need to broaden the scope of Europe’s schools, to unify standards and qualifications are palpable in the new century. Education is probably the surest means of creating a truly united Europe, one that is bound together not just by legislation but by language and learning. ☺

Ester Laushway is EUROPE’s Paris correspondent.

Cross-Continental

In the race to go global, transatlantic mergers continue to rise

The corporate love affair between Europe and America shows no signs of cooling with transatlantic mergers and acquisitions breaking new records as companies on both sides of the ocean strive to keep pace with galloping globalization.

The headline-grabbing trade disputes over bananas, beef, farm subsidies, and data privacy are a sideshow compared to the flurry of deals spanning an ever widening array of industries, from media and utilities to banking and defense, and creating a genuine single transatlantic corporate market.

In the past, US companies were the pace-setters, buying and merging smaller European rivals to achieve pan-European coverage, while the "locals" were trapped in their fragmented national markets. But the current boom is being largely driven by European companies, which are expected to close on more mergers and acquisitions than US firms this year for the first time ever. More than 40 percent of all deals in the first half of the year involved a European buyer. What's more, Europe has ousted the US as the world's biggest domestic mergers and acquisitions market, with deals worth \$347 billion in the second quarter, compared with just \$284 billion on the other side of the Atlantic.

The transatlantic gap partly reflects the fact that Europe is simply catching up on the consolidation and merger mania that peaked in the US in the 1980s as companies respond to the launch of the single currency, the euro. Meanwhile, the single market, now in its eighth year, is finally creating a genuine pan-European corporate sector, allowing firms to cross borders to grow their businesses.

The majority of deals are domestic and their share of total M&A activity is rising, reaching an all-time high in the first quarter of the year. The three largest mergers in the first three months were all "local," involving British pharmaceutical groups Glaxo Wellcome and SmithKlineBeecham, British insurers CGU and Norwich Union, and an all-Italian media-telecommunications deal between Tin.it and Seat Pagine Gialle.

But America remains the most popular target for most European companies despite the euro's weakness against the dollar and the high price of Wall Street shares, which have sharply raised the cost of acquiring US firms in the past two years. Indeed, European companies are prepared to pay generous premiums for their US acquisitions.

The US is popular with Europeans for many reasons, not least the fact that a presence in the world's largest single market is a must for companies with global ambitions. Takeovers also are easier in the US, and there is less government intervention than in some European countries, notably France.

There's another good reason to buy US firms: they are far more profitable than European companies. Earnings of Europe's top-quoted companies are at a thirty-year high, but they are still less than half of their US counterparts, according to Credit Suisse First Boston. The stock market-listed firms in the eleven-nation euro zone had an average 14 percent return on capital in 1999, compared with 27 percent achieved by American blue-chip corporations.

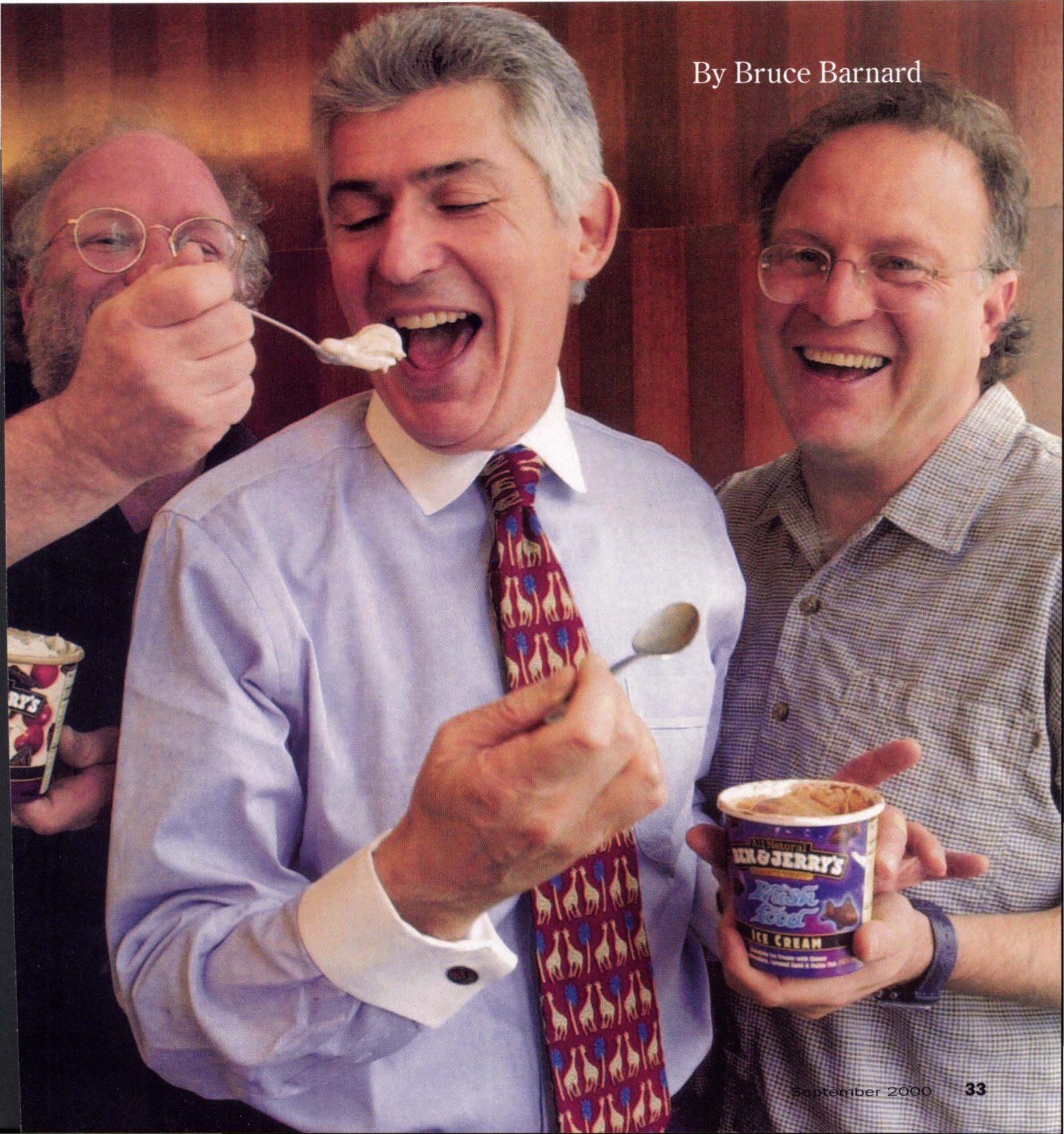
Many of the latest high-profile transatlantic takeovers have been in the technology, media, and telecom sectors as Europe seeks to overtake the US in these essential "new" economy businesses, just as Daim-



Ben & Jerry's co-founders Ben Cohen (left) and Jerry Greenfield (right) feed ice cream to Unilever's US chief executive Richard Goldstein after the company was bought by the corporate giant in May.

Convergences

By Bruce Barnard



ler's purchase of Chrysler in 1998 was aimed at challenging Ford and GM's global reach. The acquisition by the UK's Vodafone of AirTouch, the leading US wireless phone operator, proved to be a watershed because it showed Europe was more than a match for the US and served as a catalyst for further deals in American-dominated businesses. Vivendi, the French utilities-to-telecom conglomerate will be running Universal Pictures after it closes on its \$34 billion acquisition of the studio's owner, Seagram, the Canadian liquor and entertainment group. Spain's Terra Networks moved into the heart of America's new economy with the \$12.5 billion purchase of Lycos, the country's fourth-largest Internet portal, and Deutsche Telekom, Germany's national telecoms company, offered \$50.4 billion for VoiceStream, a medium-sized US mobile phone operator.

To be sure, Europe is still snapping up US companies in more traditional businesses, especially financial services, where Switzerland's UBS paid \$11.8 billion for PaineWebber, America's fourth-largest retail banker. The US food industry saw Bestfoods go to the Anglo-Dutch Unilever group for \$20.3 billion, and the US forestry sector was reshaped by a \$20 billion merger between Finland's UPM-Kymmene and Champion International and Finnish-Swedish StoraEnso's \$4.8 billion purchase of Consolidated Paper.

European firms have captured the headlines because they are hooking well-known American firms in high-profile sectors. American firms are still buying in Europe, with deals in industries ranging from power generation and warehousing to cable television, but the deals are smaller except in the auto industry where Ford bought Sweden's Volvo for \$6.7 billion and GM snapped up 20 percent of Italy's Fiat for \$2.1 billion. Meanwhile, US manufacturers continue to build high-tech computer and biotech factories across Europe.

The accelerating two-way flow of investment is creating a genuine single transatlantic corporate community in which the nationality of companies no longer counts. Thus, Burger King is British-owned, Ben and Jerry's ice cream has a Dutch parent, and America's top publisher Random House is part of a German media conglomerate, while the manufacturers of quintessentially English cars like Jaguar and Aston Martin report to Detroit.

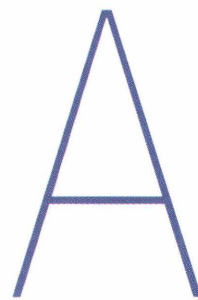
Even the sensitive defense sector is opening up. The \$1.67 billion sale of Lockheed Martin's Aerospace Electronics Systems business to the UK's BAE Systems in the summer marked a watershed as it transferred a large part of the US's most sensitive electronic warfare technology to a foreign company. The deal has made BAE Systems the sixth-largest contractor to the Pentagon, which is a bigger customer than the UK's Defense Ministry. In an equally significant move, Thomson CSF, the French defense electronics and media group, was discussing a joint-venture air defense system with America's Raytheon, underscoring the improvement in a Franco-US relationship that has been undermined by mutual suspicions over security issues.

Meanwhile, continental Europe is throwing open its doors to investors, and American firms are sure to be at the head of the line. The German Parliament's approval of landmark tax reform, eliminating a 50 percent capital gains tax on companies selling shares in other firms in 2002, will unleash a wave of mergers and acquisitions in Europe's biggest economy, with some \$250 billion worth of assets likely to be put on the block. France and Italy, Europe's second and third-largest economies, are certain to follow the German initiative, transforming the continent into a giant M&A bazaar. ☺

Bruce Barnard, based in London, is a EUROPE contributing editor and a correspondent for the Journal of Commerce.

Intershop

Germany's latest software success stories



Although American giants like Microsoft, Oracle, and Yahoo dominate the information technology industry, Germany boasts some global success stories of its own. Any banker with a future knows the name Brokat (on-line banking software), and SAP (back office systems) rings a big bell with every *Fortune 500* CEO. But two other companies have been grabbing Germany's high-tech headlines recently: Intershop and Pixelpark.

As its name suggests, Intershop is in the business of Internet shopping. It produces a range of software products enabling companies to engage in all forms of electronic commerce, from B2C (business-to-consumer) to B2B (business-to-business). It is the kind of firm companies call if they are looking for technology to sell their services on-line or want their procurement operation plugged into the virtual marketplace.

Founded in the eastern German town of Jena in 1994, Intershop now leads the e-commerce software industry in Europe. It also has about 10 percent of the market in the United States. Sony, Motorola, and Hewlett Packard are among the firm's chief corporate clients. While most of Intershop's 500-plus employees are based in Germany, the company has its headquarters in San Francisco. That is where Intershop CEO and founder Stephan Schambach spends most of his time. He says he can implement new ideas a lot faster in California than in his native Thuringia.

Emphasizing Intershop's international credentials, company spokesman Swen Fricke insists on

and Pixelpark



Paulus Neef is founder and CEO of Pixelpark, a German leader in Web consulting.

By Terry Martin

Börse, Deutsche Telekom, *Financial Times Deutschland*, Lufthansa, and Siemens. Pixelpark's services are not cheap, but its results—on the Internet for all to judge—are impressive. It is easy to see why Pixelpark is the industry leader for Web consulting on the Continent.

Pixelpark is making inroads into the US as well, picking up major accounts like Procter and Gamble. Its greatest strength, however, lies in its ability to bridge Europe's internal cultural gaps. That skill—which often eludes American firms—derives partly from the background of company founder Paulus Neef. With a German father and a Spanish mother, Neef has a foot in two worlds. His firm profits from its understanding of the tastes and sensitivities of diverse cultures.

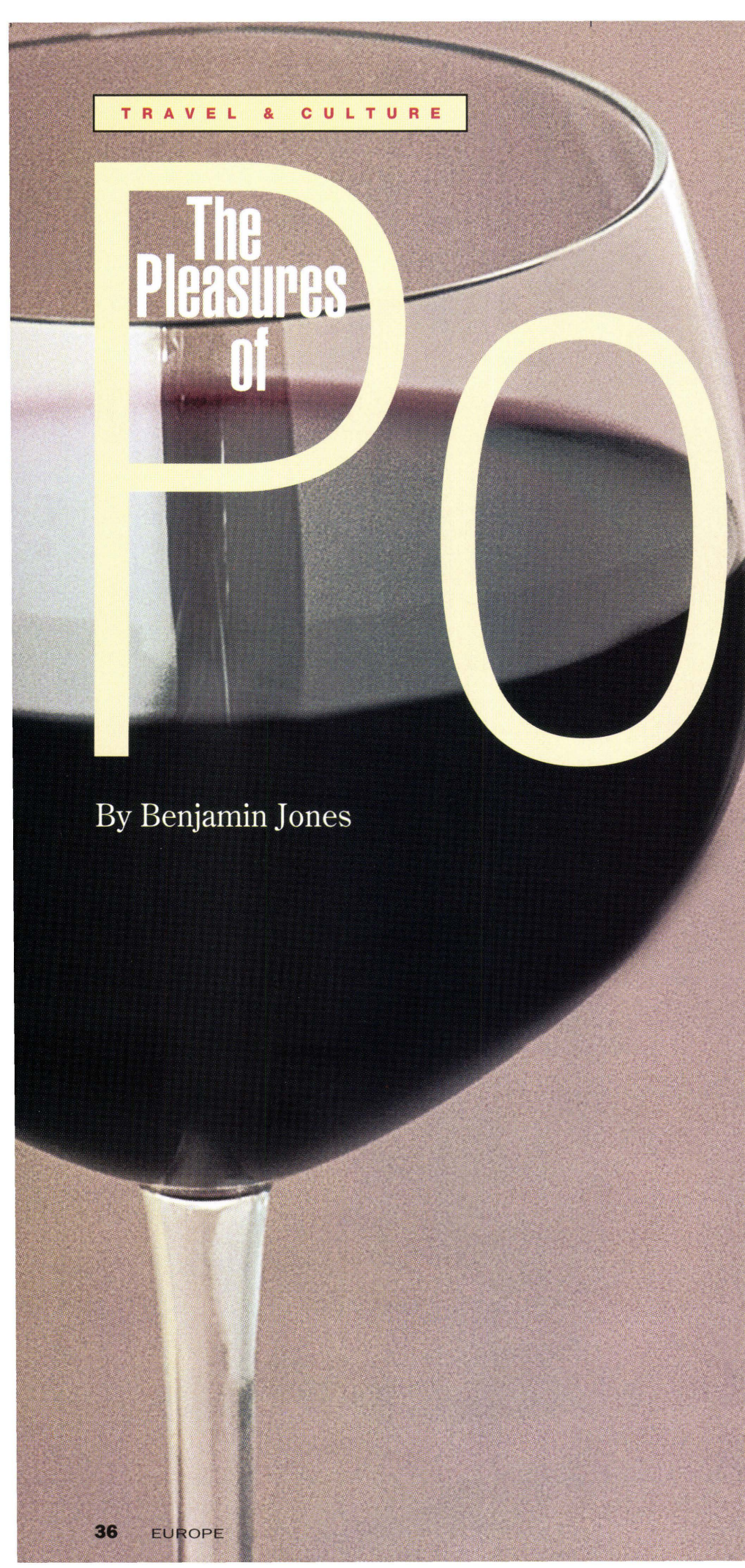
While Pixelpark is considerably smaller than Intershop, the two companies have several things in common aside from their listings on Frankfurt's Neuer Markt. First, they are both on an expansion drive, snapping up like-minded firms and competitors around the world. Second, they themselves are partners: Pixelpark is adapting Intershop's (American-oriented programs) to German standards. Finally, as of this summer, both companies are turning a profit—a major benchmark in a loss-leading industry that is bracing for a wave of failures. ☹

describing the enterprise as “global” rather than “German” or even “German-American.” The firm has opened regional offices all over Europe, in North America and as far away as Australia. New territory is being added every week. The company's stock, listed on Frankfurt's Neuer Markt, has risen about 3,000 percent since the firm went public. The next step for Intershop is to launch itself on the NASDAQ.

Intershop software extends the commercial capabilities of companies already on the Internet. However, if a company is just establishing a Web presence (or needs to relaunch a dud site), they will need the services of a total-concept Web design agency. That is the domain of Pixelpark, a Berlin-based multimedia consulting firm. This company's client list reads like a who's who of Germany Inc: Adidas, Deutsche



Intershop founder and CEO Stephan Schambach has built his firm into a major e-commerce player.



The
Pleasures
of

By Benjamin Jones

Port

Portugal's
vaunted
drink is
steeped in
history and
mystery

Even in the deep shade of the old and ornate buildings flanking the street running down toward the Douro River, it must have been ninety degrees. A late August afternoon in Porto, my wife and daughter were cooling off in the hotel after a day of sightseeing, and I was looking for a complimentary drink, or maybe two, if the port lodges were generous that day.

I crossed the river to Vila Nova de Gaia, Porto's twin city and the home of port wine. Finding a winery, or lodge, was not difficult. They are everywhere and advertise with their brand names emblazoned on the roof, many of them Anglo-Saxon reflecting the early history of the port business: Taylors, Grahams, Cockburn, Croft, and others.

I picked Sandeman. It was right on the main street and when I popped my head in the front door to see what time the next tour started, the foyer was blessedly cool.

Fifteen minutes later, a young man in the company's trademark black cloak and matching sombrero appeared. Speaking in an almost clipped British accent, he led me and other

tourists through chilly, dark vaults filled with wooden barrels of the glorious stuff, explaining each step of the process that yields the wonderful drink.

Port is one of those special tipples taken at the end of a comprehensive meal and best accompanied by nuts or cheese. That's ruby port, the sweetish dessert wine. The white version, usually dry or extra-dry, is taken as an aperitif, like sherry, and the tawny can be drunk before or after meals and is excellent with some pâté de foie grape smeared on a slice of French bread.

Port originates in the Douro River valley in a region beginning about sixty miles upstream from the city that gives the wine its name. This region was the first in the world to be officially demarcated, back in 1755, before the French took up the practice. Here on terraces painstakingly built on the steep slopes, vinters grow the touriga nacional, tinta roriz, tinta barroca, and other grape varieties.

Summers are dreadfully hot, and it can snow in winter, but these hardy vines thrive in the valley. After the harvest in late September or early October,

the grapes are taken to be crushed and fermented. At one point in the process, high-proof brandy is added to the port to stop the fermentation.

In the old days, the port would have been taken during the spring in small boats manned by men who knew the tricky currents and treacherous rapids down to the lodges in Vila Nova de Gaia. Replicas of these craft can be seen today anchored in the Douro where it flows past the lodges. Today, the wine is trucked down.

Port has a long and distinguished history. Its origins are unknown, but the international trade in the wine began in the late seventeenth century. Its sales and reputation abroad got a boost when the British outlawed the importing of French wine and a treaty drastically reduced duties on port brought into Britain. Savvy exporters seized the opportunity to fill a need.

Over the years, port became the drink of choice for Britain's ruling class and was a staple in the London gentlemen's club and regimental officers' mess, and today good quality vintages of ten, twenty, or even forty years com-

mand high prices. Consequently, port suffered from a stodgy reputation as the preferred libation of retired colonel types.

When exports began dropping in the early 1990s because of economic recession, health concerns about alcohol, and other reasons, the port industry began targeting new markets and young people. While countries like the United Kingdom, Belgium, and France remain the leading importers, sales are growing in the United States, especially of the premium ports.

Or so our guide was telling us as the tour ended and we sat down at long wooden tables in the lodge's tasting room. Being a tourist in high summer is thirsty work, and I tried a red, a tawny, and a white that was slightly chilled. One was a late bottled vintage (or LBV), which meant it came from a good year and had been matured for at least four years. Capital stuff, and I bought a bottle to round off our next Christmas dinner. ☺

Benjamin Jones is EUROPE's Madrid correspondent.



Port wine has been traded around the world since the seventeenth century, although its exact origin is not known. The Douro River, the source of the world's most famous Port wines, winds through the vine-covered hills at the Quinta dos Malvedos vineyard.

CAPITALS

An overview of
current events
and trends in
Europe's capitals

DUBLIN

AWAITING RTÉ'S COMPLETE BECKETT PROJECT

Nothing happens, nobody comes, nobody goes, it's awful. That, in summary, was also the verdict of most of the critics on the opening night of Samuel Beckett's play *Waiting for Godot* at the Théâtre de Babylone in Paris in 1953. They were wrong.

The Irish Nobel Prize-winning writer's words have stood the test of time, and his life and works, with *Godot* as a shining example, spanned the twentieth century.

Those same works now look certain to continue their impact in the current century through an international, star-studded production by the small Irish national broadcasting service, Radio Telefís Éireann (RTÉ).

Joe Mulholland, managing director of RTÉ television and executive producer of *The Beckett Project*, says RTÉ was looking for a major millennium project that would endure and, given the Irish consensus that Beckett is the country's greatest playwright of the millennium, it was an easy choice. More importantly, he says, "We also felt that we had to present the plays for a new generation and make them more accessible to a general audience."

The project was inspired by a run of the complete Beckett canon at Dublin's Gate Theater, which later transferred to London and New York. The Gate's artistic director, Michael Colgan, (whose production company, Blue Angel, is involved in the project) assisted RTÉ in the negotiations for the television-film rights with the Beckett estate (which is always concerned about the way in which the playwright's work is staged or filmed).

It is a mammoth television undertaking that, in Mulholland's words, has taken on "extraordinary proportions." "We have the greatest directors in the



Neil Jordan directed Julianne Moore in RTÉ's production of Samuel Beckett's *Not I*.

world," he says, "and we have been able to choose the casts that can produce the greatest interpretations of Beckett's work. The directors and actors have felt honored to be involved."

By international standards, the budget for the project is relatively small at

just more than \$4.7 million, considering some of the costliest big-name stars in the world are involved. "Many of those involved have been incredibly generous," says Mulholland. "We are a small broadcasting organization, but the excitement of the project has caught the imagination of everyone to whom we've spoken." Unless they had other set-in-stone commitments, none of the directors or stars turned the project down.

Kevin Spacey, Michael Gambon, the artist Damien Hirst, Sir Tom Stoppard, Sir Richard Eyre, Anthony Minghella, Neil Jordan, and Jeremy Irons have all come on board.

The British actor Sir John Gielgud, who died in May, turned out on his ninety-sixth birthday on April 14 to deliver his final performance in *Catastrophe* (ironically, a non-speaking role for one of the finest voices in the English language) as the protagonist to the artist, played by Harold Pinter. (The play is dedicated to Czech President Vaclav

The Beckett Canon

- 1953: *Waiting for Godot*
- 1958: *Endgame, Krapp's Last Tape*
- 1961: *Happy Days*
- 1964: *Play*
- 1967: *Come and Go*
- 1973: *Not I*
- 1975: *Footfalls*
- 1976: *That Time*
- 1979: *A Piece of Monologue*
- 1981: *Rockaby*
- 1981: *Ohio Impromptu*
- 1983: *Catastrophe*
- 1989: *What Where*

Havel, who was in prison for his political beliefs when Beckett conceived it.) The two-day filming took place in a London studio and was directed by the playwright David Mamet. At the same time, in a Dublin studio, John Hurt and the Canadian art house director Atom Egoyan were working on *Krapp's Last Tape*.

The whole cycle will be screened by RTE in the late fall and internationally early next year. Channel 4 International, the sales arm of the UK's Channel 4 TV, which is also involved in the production, has secured the international distribution rights. A number of US arts and educational channels are also interested, and plans are in the works to make the films available to Irish schools, where Beckett is part of the national curriculum.

Beckett, born in Dublin in 1906, died in Paris in 1989. He was influenced by Dante, Descartes and fellow Irishman James Joyce, with whom he developed a close relationship in Paris. But it is his own spare, minimalist writing—*Come and Go* consists of 121 words—which impresses so dramatically on our minds and has won, surprisingly, so much support among modern audiences.

The tramps Vladimir and Estragon in *Godot*, master and servant Hamm and Clov in *Endgame*, a forty-five second scream in *Breath*, have had enormous influence on drama in the twentieth century.

Now, it appears, they are about to make a similar and much wider impact through film and television.

—Mike Burns

BRUSSELS

LISTING THE RICH

Who is the richest person in Belgium? Very few people could answer this question, in a country notoriously secretive about personal possessions, until earlier this year when journalist Ludwig Verduyn brought out a book entitled *The 200 Richest Belgians* in both Dutch and French language editions. Baron Daniël Janssen, chairman of Solvay, the chemical and pharmaceutical giant, was furious to be named as the head of his country's super rich.

Janssen's total wealth was listed at 46.6 billion francs, or rather more than \$1 billion, small cheese by US standards. Verduyn remarks the Belgian billionaire would barely make the *Forbes* 400 list. Janssen, however, has a useful side-

line—his family is the majority shareholder in the UCB pharmaceutical company whose anti-allergy pill Zyrtec last year made \$360 million in the US alone. So he is likely to shoot far higher in the international wealth league.

Verduyn found great difficulty in pursuing his research. Belgium's richest families slammed down the shutters and refused to reveal any details of their wealth. He sent polite letters to some 450 families and individuals enclosing questionnaires, not one of which was returned.

So he was forced to rely on public records—of land transactions and valuations, company shareholdings, and so on. He admits that his calculations are only approximations but is confident that they are reasonably accurate, with one embarrassing exception.

The errant item concerned Belgian Finance Minister Didier Reynders. Verduyn had obtained from a Luxembourg-based bank leaked documents that suggested Reynders had deposited large sums on which he was evading the payment of tax. Verduyn unwisely published the details in the Flemish newspaper *De Morgen* of which he was a senior editor, but he was forced to resign his post when the documents were exposed as forgeries.

Tax evasion is widely believed to be an important factor in the building of many large fortunes, but—having burnt his fingers over Reynders—Verduyn has been wary of naming names. An exception is the De Clerck family, owners of the Beaulieu textile empire, which was fined “at least several hundred million Belgian francs” in 1998, according to Verduyn. The family, which has extensive interests in the US, was also fined for making illegal contributions to President George Bush's election campaign.

Perhaps half the names on the list are associated with large traditional Belgian companies. Few of the individuals are at all well known. Albert Frère, the country's leading banker and deal-maker, was widely assumed to be Belgium's richest man but only comes in eighteenth on the list. The royal family is listed at twenty-five.

There is a small group of self-made men, such as Staf Janssen, who started work at fourteen selling ice cream, and is now 175th on the list, and former judo champion and pig farmer Luc Verhulst (eighty-sixth). And inevitably, the youngest people listed are computer wizards, such as Jos Sluys (twenty-first) and Stijn Bijmens, known as “the Bill Gates of

Flanders,” who comes in at number eighty.

For the most part, however, a cluster of mostly aristocratic families who carefully guard their wealth by intermarriage and seeking the most professional investment advice available occupies the top places on the list.

—Dick Leonard

THE HAGUE

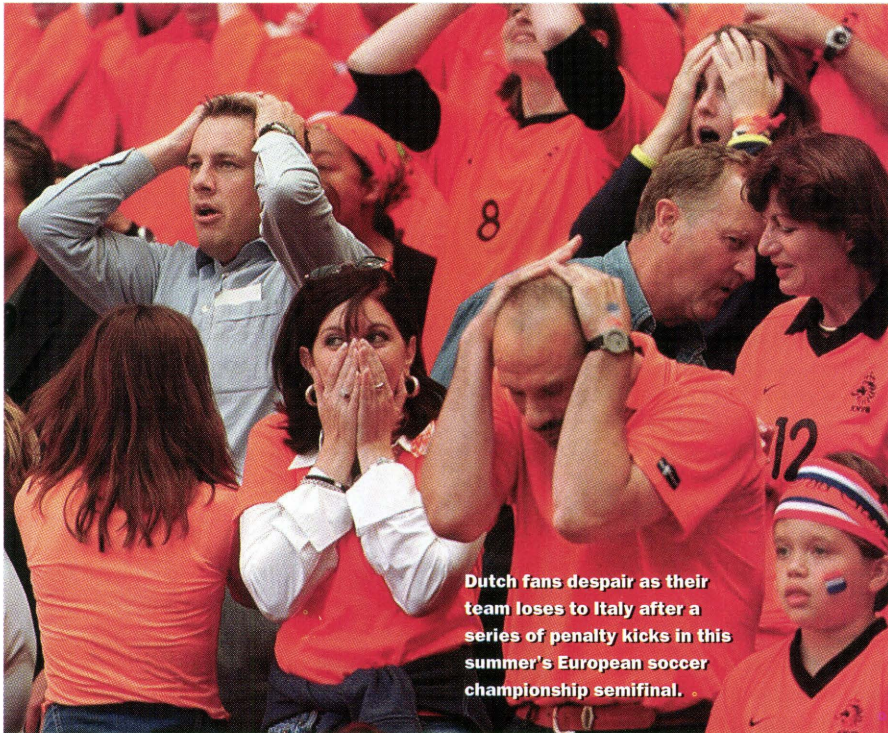
DUTCH DAMPENED BY DEFEAT

Can an entire nation come to a standstill? Yes, it can. The Netherlands experienced paralysis on June 29 when the Dutch national soccer team played Italy in the semifinal of the European soccer championship. Businesses and shops closed early, the evening traffic jams started well before the normal rush hour, and at six in the evening, 11.6 million Dutch viewers (almost two-thirds of the Netherlands' population) settled in front of their televisions to watch their beloved national soccer team face off against Italy.

One hundred twenty minutes later, the score remained tied, and the referees signaled that penalty kicks would decide which country would advance to the championship game. With 50,000 orange-clad fans in the Amsterdam Arena, the pressure on the Dutch players was just too great, and the unwavering Italians won the shootout. The fans were stunned, the country fell silent. The dream of national glory had fallen into an abyss. Only the next day, the Dutch population slowly returned to its senses and resumed ordinary life.

The Dutch are a soccer-loving people, but only the national team arouses so much fever. It offers the most visible expression of patriotism in a country that generally shows little national pride. The national team's main color (which is derived from the royal family, historically known as the House of Orange) predominates throughout the nation's cities and towns, streets and shops. In the arena, the national anthem is sung repeatedly during the matches.

The Netherlands and Belgium hosted the 2000 European soccer championship, and never before had so much hope and hype been placed on the Dutch team to win. Only once before had the Orange reigned victorious—1988, when the Dutch beat the Germans in the European final. Over the years, the Dutch team has entered major championship



Dutch fans despair as their team loses to Italy after a series of penalty kicks in this summer's European soccer championship semifinal.

tournaments as the favorite only to be eliminated. Twice it advanced to the World Cup finals (1974 and 1978) and lost. This time, everything augured for a repeat of a success of 1988 with a good squad playing in their own country. The media were supportive, and the nation's confidence in the team grew as the Orange mounted victory upon victory in the early rounds.

But the moment of glory never occurred. During the semifinal against Italy, the game initially unfolded with the Dutch seeming to get every break. The referees awarded the Dutch two penalty kicks during the match, and one Italian player was expelled for rough play giving the Dutch a one-player advantage. Furthermore, the Orange found themselves with several goal-scoring opportunities but were unable to put the ball into the net. At the end of regulation play and injury time, the score remained 0-0. A series of penalty kicks—whereby a player takes a shot thirty-five feet from the goal with only the keeper defending—would decide the outcome.

Normally, players are expected to make virtually every penalty kick since the proximity of the ball to the goal makes the defender's job nearly impossible. However, the Dutch national team has a history of tragically missed penalty kicks in past championships. In this semifinal, the top Dutch players missed five out of six penalty kicks, a dismal result for well-paid professionals. The Ital-

ians remained composed and made their shots, sending them onto the final game against France (during which the Italian team suffered its own meltdown, blowing a late lead and losing to the reigning World Cup champions in overtime).

After the game, scathing criticism rained on the players, coaches, and team officials. Critics from every corner accused the team of a variety of shortcomings: they had not sufficiently practiced penalty kicks; they could not handle pressure and lacked concentration; and they were arrogant and overconfident. Even the press came under fire with some pointing fingers at the media for raising expectations too high. Whatever the reasons, the sad result was the elimination of the Dutch team, the resignation of coach Frank Rijkaard, and consoling words from the crown prince, Willem Alexander.

The next day, the orange shirts and caps, banners and decorations were silently removed from lampposts, shop windows, and bars. Sixteen million people had to return to regular life with scant hope for a victory in the 2002 World Cup or the next European championship in 2004.

—Roel Janssen

LISBON

PORTUGUESE SPEAKERS GATHER

After the flurry of media activity surrounding Portugal's six-month presidency of the headline-grabbing Euro-

pean Union, July's summit of the Community of Portuguese-Speaking Countries (CPLP) was almost a family affair.

Almost, but not quite, because President José Eduardo dos Santos of Angola—annoyed at criticisms by leading Portuguese politicians of his government's heavy-handed treatment of dissident journalists—opted to vacation in Nice rather than attend. The gathering, in the Mozambican capital of Maputo, was only the third such since the CPLP was founded four years ago as a smaller-scale answer to the Commonwealth of former British colonies.

Despite the snub by Angola, the organization seems finally to have the chance of moving forward after a shaky start. Brazil, by far the most populous member, in the past rather looked down its nose at the CPLP. Now it is showing more interest. The fact that relations between it and Portugal are now on a solid economic footing—after years of mutual indifference, the former imperial power is now the third-largest investor in what was once its largest colony—has something to do with it.

Another factor galvanizing the organization has been the moving spectacle in the past year of the East Timorese struggling—ultimately successfully—to free themselves from Indonesian rule. Xanana Gusmão, the celebrated Timorese resistance leader, was effectively treated as a head of state in Maputo. The next CPLP summit is set for Brazil in 2002. But member countries' leaders are to meet before then, when Timor Lorosae ("Timor of the rising sun"), as it is to be called, ceremonially declares its independence and becomes the CPLP's eighth member. Portuguese will be one of the new country's official languages.

Ultimately, though, the CPLP will only be saved from being a talking shop if Portugal—which has a real strategic interest in fostering its development—commits itself to financing more projects that have a real impact on the lives of the citizens of the community's poorer members. In the past, many CPLP initiatives have existed on paper only, and its secretariat has had little power.

Brazil, for its part, demonstrated goodwill by pardoning 65 percent of the debt owed to it by flood-hit Mozambique and pledging \$300 million for the CPLP's Special Fund. Portugal's response hinted at how the organization might yet play a role in global politics; Prime Minister Antonio Guterres took the opportunity to

restate his country's support of Brazil's campaign to become a permanent member of the United Nations Security Council. Moreover, the fact that the new head of the CPLP secretariat, Dulce Maria Pereira, is a Brazilian (of Mozambican origin) should help ensure Brazil's continued active involvement in the organization.

—Alison Roberts

R O M E

TWO QUESTIONS FOCUS ON THE FUTURE OF ITALY

The first question is: will three widows and a retired boxer manage to avoid eviction from the Tuscan village of which they are the last four inhabitants? The second question is: will Italians continue to speak a decent Italian or will the language of the immortal Dante have to rest its hopes on immigrants who are arriving from Africa and other non-European Union countries? These two questions may seem strange and, above all, totally unrelated, but in fact, they are two sides of the same coin, a result of rapid changes that are shaking the foundations of Italy.

The first question has to do with Villa Saletta, a beautiful medieval village in the province of Pisa. It has been the location of many Italian cult films, including two famous movies by the Taviani brothers, *Fiorile* and *Good Morning Babilonia*. Until three years ago, the entire village belonged to an eighty-year-old count. But weary and without any heirs to leave it to, the count sold it to an English real estate company. In the meantime, the village population withered. Many were attracted to bigger cities, and most of those who stayed are now deceased. Now the only villagers remaining are the ex-prize fighter, Mario Redi, and the three widows.

They are determined not to give in. The English company is planning to turn the village into a vacation haven for foreign tourists, in particular Anglo-Saxon tourists, who, as is well known, adore Tuscan towns. The transaction has been conducted completely aboveboard, with the real estate company even obtaining financing from the European Union. But the four remaining villagers are determined to resist. "What should we do, become British?" they ask, speaking in the traditional Tuscan dialect. And the prize

fighter, elderly but unbowed, adds, "I am ready to punch the tourists."

However this battle ends (and it is truly a story worthy of attracting the attention of a Hollywood director), this situation is just one more example of the main problem facing Italy at the beginning of this new millennium. Italy's main problem is not the public deficit; it isn't the Mafia; nor is it the country's eternally precarious government. It is the population growth, which is virtually at a standstill. Italians are having fewer children than ever, and the nation's birth rate has sunk to the lowest in the world. The result is that there are fewer and fewer young people. Increasingly, their place is being taken by immigrants.

Which brings us to the second story. A writer for the weekly magazine *Il Diario* recently reported a telling scene he witnessed at an elegant restaurant in the center of Rome. He was seated at a table near two Italian couples. The women featured bleached-blond hair, overly deep tans, and heavy makeup. Both men sported several pieces of gold jewelry and long hair. At one point, all four were talking on mobile phones to other people. And what were they speaking? A vulgar, coarse Italian, full of grammatical errors—in short, television talk—a common, heavily accented Roman dialect that they broadcasted at full volume that set the journalist's teeth on edge. Mercifully, the two couples soon left the restaurant, and the journalist sighed in relief. Two other couples arrived. Two black couples. Four nice, well-educated young people. The journalist was struck by the difference between their good manners and those of the four Italians who preceded them. They spoke Italian quietly, in a polite manner. The journalist could not resist and went over to talk with them. He was surprised to discover that all four were from different countries (the two women from Cape Verde, the two young men from Rwanda and Nigeria), yet they all spoke the same language: Italian.

He discovered that they were part of a musical group that plays Afro-Italian rap. After a while, the restaurant owner-chef joined the conversation. He was Syrian. And then the waitress came over. She was Algerian. "And we were all speaking Italian," noted the journalist, "a good, clean, beautiful Italian."

—Niccolò d'Aquino

SWINGING LONDON BRIDGE

The first new bridge to be built across the Thames in the heart of London in more than 100 years opened *and* closed this summer—because it is too swinging even for London. Within days of its official inauguration, it turned out that the pedestrian bridge swayed and undulated like an Indiana Jones rope bridge as people walked across.

The Millennium Bridge, described as a "blade of light" connecting St. Paul's Cathedral on the north bank with the new Tate Modern Gallery on the south bank, is stunningly beautiful and offers wonderful new views of London.

Unfortunately crossing it also makes you feel a little woozy or seasick. "Some people said they felt as if they had two drinks before crossing," admitted chief engineer Roger Ridsdell-Smith.

So, the 320-meter arch of stainless steel and aluminum was closed three days after it opened, because of a design fault that caused swaying of several inches even in moderate winds. Some said it was the millennium curse, which had also caused delays in the erection of the subsequently hugely successful London Eye Ferris wheel and has left the controversial Millennium Dome a financial flop.

The Millennium Bridge, the first pedestrian bridge across the Thames since Roman times, was designed by the famous British architect Lord Norman Foster, who rebuilt the Reichstag in Berlin, and the equally distinguished sculptor Sir Anthony Caro. Their creation is a beautiful aerodynamic suspension bridge of visual delight. But unfortunately wind and people walking on it cause the bridge to flex and twist. Indeed, it was swinging about eight inches from side to side when I crossed it on opening day.

"I once described the bridge as an act of faith, and in a way, the whole ritual of our lives is an act of faith in engineering," commented a clearly rattled Lord Foster. He was immediately attacked by professionals and lay people alike who found it startling that he and his team had failed to solve the movement issue in developing the design.

More embarrassed still was the famous engineering company of Ove Arup Associates who were the lead engineers. Tony Fitzpatrick of Ove Arup reassured



London's new Millennium footbridge over the Thames connects the Tate Modern with St. Paul's Cathedral.

the public: "The bridge is never going to fall down. No bits are going to come off. But there is a movement that is very uncomfortable. It's very unusual."

But engineering experts argued the problem was that, as the structure's appearance gained importance, the architects became more involved than the bridge specialists. "If the design of new bridges is to be pushed to the edge of performance, the design must be engineer-led," commented Professor Jonathan Wood, whose entry for the competition to design the bridge was unsuccessful.

For the Millennium Bridge, there was no prototype to subject to tests; all the testing had to be done in computer simulation. It appears that sometimes that is no substitute, and while faith is believed capable of moving mountains, it is not so good at holding bridges steady.

The \$27 million bridge was due to be shut for several weeks while engineers isolated the source of the problem and carried out remedial work. The solution was expected to involve placing dampers beneath the structure. The dampers should act like the shock absorbers on a car and reduce the movement to more tolerable levels.

Personally, I love its appearance and the wonderful new views it offers of London, and I can't wait till the Millennium Bridge reopens.

—David Lennon

STOCKHOLM

A CLOSER LOOK AT IMMIGRATION

Lena-Hjelm Wallen did not mince words. "We Swedes have had a picture of ourselves as being quite good at integrating refugees. But that picture isn't the truth," she declared.

The Swedish deputy prime minister's comments came on the heels of a July survey showing that 54 percent of Swedes believe their country has too many immigrants. The year before, only 46 percent thought so.

For Americans, it's probably difficult to understand the extreme homogeneity of Swedish society. Although about 10.9 percent of the population today was born outside Sweden, Swedes trace their roots, in an unbroken path, back at least 6,000 years. Swedes often take that history for granted, with complacency born of never really having had to fight for independence or share their country.

After World War II, Sweden began importing labor from Italy and, at the end of the 1950s, from Greece and Yugoslavia. The largest group of foreigners in the country was, and still is, from Finland.

Most of the Finns come to work, but despite being next-door neighbors and their long historical ties to Sweden, the Finns were—and often still are—regarded as second-class citizens.

But the picture changed dramatically in the early 1990s. Sweden opened its door wide to refugees from Bosnia, overloading facilities at refugee centers. The Immigration Service was unable to cope with the flood of applications for residence and work permits; refugees were

forced to wait a year or more for their paperwork to be processed and in the interim were legally prohibited from taking jobs.

The law has since been modified. But that created a paradox. For, as refugees began to work, populist politicians began to accuse them of taking jobs from Swedes and of burdening Swedish taxpayers with the cost of their support for welfare, healthcare, and so on. With a serious recession going on, it was easy to play on people's fears.

What the politicians did not point out was that the immigrants were taking jobs at the lowest level of the employment ladder, jobs that Swedes did not want.

One reason foreigners have periodically been a target in Sweden is that they often stick out physically. While not every Swede is blonde and blue-eyed, the majority are. People of color; people who, for religious reasons, wear clothing that singles them out; people from Asia; or, even, people like me with dark hair and dark eyes are immediately categorized as foreigners. It is not uncommon for me to go into a shop in Stockholm and, after a glance-over, be addressed in English.

HELSINKI

A FINNISH TAIL TRADITION

By the time you read this, Finland's six-week crawfish season will be drawing to a delicious close, and the memories of it soon will be folded away with the summer clothing as the nights begin to hint at the harsher chills to come. Nevertheless, in the interest of preparing you for next year, a recitation of the finer points of the annual exercise is worth the effort.

The tradition of feasting on crawfish and all the elaborate rituals that go with it came originally from Sweden in the middle of the eighteenth century. It was, and largely remains, an elitist indulgence but not a snobbish one. Ideally such an occasion should be held outdoors—let us say on the verandah of a country residence—weather permitting during Finland's warmest month, August, and guests will be rather formally dressed. The setting is illuminated by red lanterns, "crawfish lanterns," and there should be a generous profusion of flowers around and on the table.

Crawfish are briefly cooked in boiling water with only dill and salt. After cooking they must marinate in the mixture for at least six hours (they must never be served warm) before being presented in carefully structured piles to which more dill is added.

The occasion will begin decorously with an inevitable welcoming speech by the host and, when seated, the first ritual is to tie on large bibs, which usually have a pocket to protect trousers or dresses from dropped bits of shell. Aha, these bibs are the clue that the usual conventions of dining out might soon be discarded, as are the (optional) crawfish paper hats.

The claws are split open with special crawfish knives and consumed first. These are followed by the body, the flesh of which is extracted from the shell with shockingly loud sucking noises, indeed, the louder the better. Then the tail, the best part, is peeled away and saved in a neat row on the side of the plate to be savored later on slab of buttered white bread.

The very first tail to be eaten is accompanied by a toast of schnapps. The glasses clink, eye contact is made, "*Kippis!*" ("Cheers!"), and down it goes in one. The dry white wine is delicious, too, and quite soon the affability factor has

seized the party like a fever and reduced it to a guzzling rabble.

Every male guest has to propose a toast, make a speech, florid compliments are paid to the ladies, maybe each is given a rose; anyway, you are beginning to get the idea. Therefore, it is no surprise when the singing starts. There is the robust ditty "Helan Gor" (meaning full glass) during which the schnapps is partly sipped. This is followed by the next verse "Italvan Gor" (half of it is going), then the rest of the glass is emptied. This will make way for a nonsense song called "The Brothers of Montgomery," which insists that the legendary pair even pour schnapps in their coffee. By this time, who cares? Convention requires that every "tail" must be devoured, no matter how many are on offer. For those who can remember, the feast is rounded off with a dessert of wild berries.

Meanwhile, the jokes have been unwinding competitively, real thigh-slappers by the late evening or so they seem. A typical example: Did you hear about the bridegroom who went to buy some vodka? "Two bottles, please," he says. "Why so little?" asks the puzzled salesperson. "Well," came the reply, "The vicar won't touch the homemade stuff!"

What I must not forget to mention is that in the late 1940s crawfish were so abundant they could almost be given away. Children used to catch pails of them for pocket money. Then came the disease of crawfish pest (during which many of these creatures were imported from Turkey); in the 1970s, they cost around \$2 per tail. These days at the start of the season they can set you back \$4.50 for a big tail so this tradition has evolved into a classic example of conspicuous consumption, enjoyed almost exclusively by the upper income groups. For the traditionalists among them a horror has now arrived in some Finnish supermarkets: frozen crawfish are available eight months a year.

—David Haworth

ATHENS

FAST FERRIES IMPROVE LIFE ON ISLANDS BIG AND SMALL

The pace of traveling around the Greek islands speeded up this summer with the launch on domestic routes of a handful of new-technology catama-

The question is where that leaves people who look different but have either taken Swedish citizenship or who were born in the country.

For instance, Nordic citizens are not required to carry passports when they travel in the region. But a couple of years ago, when one inter-Nordic ferry company was doing random checks, members of a family group were detained when they couldn't produce their passports, despite their insistence that they were Swedish citizens. As it turns out, they were indeed legal Swedish citizens who had immigrated from the former Yugoslavia. They accused the company of singling them out because they did not look Swedish.

Cultural attitudes also play a role. Swedes tend to be reserved. They generally do not protest or make demands if they feel they are not getting proper service in a store or restaurant, from a service firm, or from social service agencies. Many of the foreigners who have come to Sweden take a different approach. But raised voices and hand-waving only make Swedes more reserved, creating bigger chasms between cultures.

Therefore, many immigrant groups tend to create their own neighborhoods where they do not feel out of place. While that is also true in the United States, the difference is that there are so many foreign groups, at least in large US cities, that no one sticks out as much. In Sweden, the self-created ghettos also mean a vicious circle: because Swedes feel out of place there, they don't move in. Foreigners and Swedes are separated even more.

The Swedish government has tried to help solve the problem by setting up an Integration Authority. But to many, integration means that immigrants should abandon their culture, speech, and ethnic distinctiveness, embracing only that which is Swedish. Ironically, though, most Swedes see no problem with their countrymen maintaining their traditions and culture outside the country. Swedes and Swedish areas in the States, for instance, are generally viewed with wholehearted approval.

Like all surveys, this most recent one on immigration cannot be taken as definitive. But it is indicative. Says Elizabeth Bergsten, acting general director of the Integration Authority, "It's somewhat frightening if it really is a mirror of the truth."

—Ariane Sains

rans and high-speed ferries. The new types of vessel have halved journey times to the Cyclades and Ionian islands, making many smaller islands accessible to weekend visitors for the first time.

But a battle looms this winter over liberalization of the domestic shipping sector between operators of high-speed vessels and the merchant marine ministry. The ministry hands out licenses to ferry companies to operate vessels on domestic routes without holding competitive tenders and also sets guidelines for ticket prices. Would-be entrants to the market face fierce opposition from established operators, such as island-based ferry companies, that wield considerable political influence.

As Greece's entry to the euro on January 1, 2001 approaches, the government is under increasing pressure to liberalize markets. As part of a drive to improve the economy's competitiveness Yannis Papantoniou, the finance minister, has pledged that by next summer domestic routes will be fully liberalized. This, he says, would bring a sharp improvement in the quality of services offered to tourists and would introduce price competition for the first time.

Routes between Greece and Italy have already been liberalized and are dominated by Greek companies operating luxurious high-speed ferries that make the journey from Ancona to Patras in western Greece in less than twenty-four hours. Traffic—both trucks carrying goods between Greece and EU markets and tourists' campers and cars—is steadily increasing. And the price per kilometer on Adriatic voyages is less than half that charged on a journey across the Aegean.

With cruising speeds above twenty-five knots the new ferries and catamarans can easily outpace Greece's existing domestic fleet of elderly Japanese and Italian ferries that serve more than 150 islands. Add on the time it takes to get to and from domestic airports and a high-speed catamaran can even compete with Greece's airlines on short-hop routes to popular islands like Mykonos and Paros. On the crossing to Crete, the busiest domestic route with more than one million passengers a year, a fast ferry can complete two round trips a day, compared to one eleven-hour overnight voyage under present regulations.

Greek shipping operators, including several of the island-based companies, have more than \$2 billion worth of new

ferries and catamarans under construction at shipyards in Europe, Asia, and Australia. By next summer, a dozen more high-speed vessels will be ready to compete for licenses on Aegean routes.

For Christos Papoutsis, the former EU commissioner who took over as merchant marine minister earlier this year, the challenge will be to adopt a tender process that ensures a fair distribution of licenses on the twenty to thirty most profitable domestic routes, while keeping open routes year-round to far-flung islands that have few residents and lack an airport. Some analysts have proposed these routes should be subsidized using the proceeds from auctions of licenses for highly profitable routes.

Improved shipping connections would have a significant impact on island economies, analysts say. Internal migration from the islands has slowed over the past decade and a few bigger islands have actually increased the number of year-round residents. The Cyclades Islands already have modern telecommunications links and a few academics and self-employed professionals have started telecommuting from their summer homes. Modern ferry connections would boost this trend and encourage more Greeks to become year-round residents, reducing the islands' current dependence on tourism.

—Kerin Hope

PARIS

THE TOUR DE TRADE

The headlines go to the likes of Lance Armstrong, the wiry cyclists with calves of steel who pedal all around France in less than a month in a blur of whirling spokes. But there is another, far less publicized Tour de France that takes several years to complete, tests skill and stamina of a more durable variety than athletic prowess, and has existed much longer than the bicycle.

This particular tour of France has been putting French master tradesmen through their paces ever since the Middle Ages, when the construction of Europe's great Gothic cathedrals was in full swing. Skillful carpenters and stone masons were in such demand that they were freed from the constraints of serfdom and allowed to travel from one construction site to another. They wore

gold earrings as a sign of being "freemen," and carried a secret passport, folded in a special way. It was never shown to anyone except other freemen and went to the grave with its owner.

In 1889—several political, religious, and industrial revolutions later—the traditional building trades united with other craftsmen from the furniture, transport, and food industries to form one Union Compagnonnie des Compagnons du Tour de France des Devoirs Unis. The guiding principle of all the *compagnons* (literally companions), whether they were saddlers, pastry chefs, or upholsterers, was to share their knowledge and skill among each other and transmit it to the next generation. Young apprentices hoping to become *compagnons* were sent out to perfect their training with a Tour de France that generally lasted from five to seven years. With a *compagnon* "godfather" to guide them through the whole process and other *compagnons* to oversee each step along the way, they would work in one city for six months to a year and then move on. At the end of their long road trip, each apprentice had to present a *chef-d'œuvre*—a masterpiece—that showed his skill in working with specific materials and applying the techniques of his trade.

This tradesmen's voyage of perfection still goes on and still follows the principles first established more than seven centuries ago. At the end of their Tour de France, fledgling *compagnons* still create a "graduation" piece, which often approaches a work of art by the beauty and detail of its design.

Pastry chefs and cooks are no exception. Although their masterpieces are the shortest-lived of all the trades, they put a tremendous amount of thought, effort, and time into the work that admits them into the closely knit ranks of the *compagnons*. Jean-Luc Rouyer, the head of the hotel and catering school of Marseille, recalls presenting his culinary masterpiece. "My inspiration was the rose window of a cathedral. First, I had to draw up plans to recreate the design in the right proportions, and then I had to make a mold for the base of my work. So you see, it went beyond just cooking. When I actually created my piece, it took me about three days and two nights, practically nonstop. I worked on it at a *compagnon's* house, and one *compagnon* stayed with me the whole time,

MADRID

THE BUSHMAN OF BANYOLES

In the end, it was time the Bushman of Banyoles went home, way past time. The city fathers of this town in Spain's northeastern region of Catalonia finally let him go, following years of embarrassment the stuffed African warrior had caused. Plus, they got something in return.

It all started back in 1830 when two French naturalists, the Verreaux brothers, dug up the body of a recently deceased bushman near the South African city of Cape Town, dried him out and stuffed him with straw. They took the grisly souvenir back to Paris and put it on display. Such acts "in the interests of science" were common in the eighteenth and nineteenth centuries when European scholars, and the public, viewed

Africans, Aborigines, and other native peoples as less than human and mere curiosities.

Catalan naturalist Francesc Darder bought the bushman and gave him pride of place in his new museum of natural history in Banyoles, posing him gripping a spear in his right hand and gazing out at the veldt. Over the years, the little African became the star of the museum, sharing its Hall of Man with old skulls lined up on shelves and human fetuses preserved in jars.

But in 1991, a Haitian doctor living in Catalonia visited the museum and was outraged at the display of a human being stuffed and mounted like an animal. He complained to city hall, but his protests got nowhere. Until, that is, the nearby lake was picked to host the rowing competition during the 1992 Summer Olympic Games and the International

Olympic Committee and the regional government persuaded the city to at least shut down the exhibit during the games.

After the games, the Organization of African Unity, the United Nations, and UNESCO got into the act and demanded the bushman's removal. The Banyoles city hall finally agreed in 1997, but it was not until this summer that all the proper papers were signed for the body of the bushman to return to his African homeland for a proper burial. Banyoles got something out of the deal as well, a promise by the regional government to pay for a renovation of its museum.

—Benjamin Jones

LUXEMBOURG

STOCK TRADING
CATCHING ON

Stock market fever came late to Europe but as in many financial matters, Luxembourg got its nose in

and several others stopped by to watch me work."

This spirit of fraternity, the very foundation of the *compagnon* movement, was put to a severe test during World War II, when France was occupied by Hitler's forces and all secret societies were in danger of being wiped out. A new Association Ouvrière des Compagnons de Devoir du Tour de France was created in 1941, with the blessing of the pro-German Vichy regime of Marshall Petain. The Union Compagnonnique did not approve of its politics and decided to go its own way. Another splinter group, the Fédération Nationale Compagnonnique des Métiers du Bâtiment, was created for the building trades in 1953.

The three *compagnon* movements now cohabit in a spirit of healthy, fraternal rivalry. The Union is the oldest and regroups nearly 100 trades, but has the fewest members. The Association covers twenty-one trades, is the wealthiest because of government subsidies for its training programs, and has the largest membership. The Fédération is the most focused, concentrating on fourteen traditional building trades.

However, their similarities are more striking than their differences. All three are dedicated to excellence, to respect for one another, and to transmitting their skills and knowledge. All three also show a whimsical liking for ceremonial rites and rituals archaic enough to sound more than a little silly to the uninitiated. *Compagnons* still undergo a secret initiation ceremony and are still given a symbolic name, such as "Pierre, the Stout Hearted" or "Max, Lover of the Arts," and some still wear gold earrings called *joints*. They still do not admit women, either, although they are "studying the question"—a sensible move, considering that their numbers have dropped drastically, from 200,000 *compagnons* in the early nineteenth century, to around 9,000 today.

The good news is that the plunge in their membership has leveled off, perhaps because young people are starting to realize that university is not the only or best option for everyone. Even in this high-tech age, no one has yet found a replacement for the kind of skilled craftsmanship that the *compagnons* have been handing down from one generation to the next ever since stone masons were laying the foundations of Notre Dame.

—Ester Laushway



front before others. I doubt that many Luxembourgers trade stock tips with the supermarket checkout girl, as we are told they do in America, nor have the newspapers reported any cases of ruin caused by reckless day-trading. However, the equity culture undoubtedly is more developed in Luxembourg and plays a larger part in national life than elsewhere in Europe.

Consider some recent figures from the European Federation of Investment Fund Societies. Total mutual fund investment in Luxembourg stood earlier this year at \$721.1 billion. This figure was nearly twice as much as in the United Kingdom. Ranked by equity investment alone, Luxembourg was still top of the European league with a figure of \$324.8 billion against the UK's \$314.3 billion. Much the same ranking shows up when you look at choice: Luxembourg has 5,167 funds on offer of which 2,169 are equity funds while the UK has 1,642 mutual funds of which 1,147 are equity-based.

The giveaway here is that we are talking about mutual funds rather than individual share ownership. Luxembourg's great talent is in the management of collective funds. Sure, there are a few bold personal risk-takers. When the satellite television company SES made a first-ever public offering in 1998 it drew subscriptions from 13,000 individuals—an astonishing number in a country of only 400,000 people—and most have held onto the shares in spite of some unnerving price movements since then. But the Luxembourgers are not by nature a gambling people.

"They see prices rising and an opportunity to make money—some prices have risen ten or twenty times in two years or less—but they find it difficult to make a choice," explains Jean-Jacques Picard, director of public relations for the Luxembourg Investment Funds Association. It is the same story now in Luxembourg as in just about every other stock market. "Some sectors, like technology stocks, were overpriced, and there's been a correction lately. Others may be undervalued, but they have no record, no earnings, and it's very hard to make the right choice," says Picard.

At its peak in 1998, the main Luxembourg market index, composed of the stocks of the thirteen largest companies, had risen ten-fold since 1985 and was showing an average annual rise of

around 30 percent over ten years. But very few private investors profited directly. The gains almost all went to mutual funds set up by banks in the early 1990s in response to a government move to give tax concessions to buyers of equity in Luxembourg-based companies.

The Luxembourgers are wealthy people, with the highest per capita income in the European Union, but even so, they can scarcely claim to own mutual fund assets of more than \$700 billion between them. Of course, these assets belong to foreign banks and finance houses just as the equity and other investments made by the funds are international. The *Luxembourg Fund Encyclopaedia 2000*, published by London-based Fitzrovia International, shows that some \$190 billion of the Luxembourg assets come from Switzerland with Germany and the US each responsible for more than \$100 billion. Luxembourg's own stake is just \$15.7 billion.

The latest of Fitzrovia's annual reports shows how eagerly European investors are embracing the equity culture. Equity fund assets under management in Luxembourg rose last year by a stunning 92 percent over the 1998 level while bonds and cash funds were more or less unchanged. "Investor sentiment is changing as more consumers recognize that equity funds are most likely to provide higher returns over the longer term. The recognition of this demand by fund promoters explains the increase in equity funds (both in net assets and numbers) in Luxembourg," says Paul Moulton, chief executive of Fitzrovia International.

Moulton says that traditionally Continental European investors had chosen cash and bond funds. Luxembourg was now at the forefront of the change for promoters who wish to market funds across Europe.

"In 1995 the industry was dominated by Swiss, German, and Belgian fund promoters, due to more punitive tax regimes in their home market, while promoters from other countries, including the US and UK, were using Luxembourg for niche products, often targeting expatriates," Moulton said.

"That has now changed. Luxembourg has become a place for core rather than niche products, with groups such as Fidelity, Flemings, JP Morgan, and Merrill Lynch Mercury using Luxembourg as a

base for their huge international retail, marketing, and distribution networks," he said.

—Alan Osborn

COPENHAGEN

DANISH ATTITUDES CHANGE TO WELCOME ENTREPRENEURS

Entrepreneurship is no longer a low-status activity in Denmark, distrusted by Social Democratic governments and established financial institutions alike. Although you only have to go back a few years to find the grotesque situation where government support for a startup required the entrepreneur to be an unemployed person who could show a lengthy period of no work, the winds are now definitely changing.

Ideology is not the driving force; however, Social Democrats in Denmark, like their counterparts elsewhere in Europe, pragmatically accept that market forces, not government interventionist policies, are the key to growth in the global economy.

Furthermore, job creation can no longer be entrusted to the public sector or to the large companies, most of which tend to shed jobs as mergers and acquisitions reshape the business landscape.

The government has officially declared that Denmark must be a prime mover in the Knowledge Economy, which to an important extent overlaps with the New Economy, both heavily dependent on the information technology sector. Success stories, like that of Giga, valued at \$50 million less than five years ago, and sold to Intel for \$1.4 billion earlier this year, not only created a number of employee millionaires motivated to start their own businesses, but they also generated strong public interest in entrepreneurship.

Twenty years ago, entrepreneurs were farmers, skilled craftsmen, engineers, and salesmen starting their own businesses on a limited knowledge platform. While business acumen is obviously still an unassailable asset, a large number of the new entrepreneurs have a strong academic background. This trend has had a strong positive influence on the social status of entrepreneurs, further enhanced by their ability to purchase the prime real estate on the coastline close to Copenhagen.

Universities and business schools are now establishing chairs in entrepreneurship, and offering courses specifically targeting students planning to set up their own business. This new embrace of the entrepreneur is in stark contrast to many traditional lectures, which still train the students to become paid employees, albeit at the management level. But there is still a long way to go.

A new Danish study, part of the *Global Entrepreneurship Monitor* survey started in 1997 by a number of universities, including Babson College of the US and the London Business School, puts Denmark in the low level of entrepreneurship category. One out of fifty-five Danes have been involved in some kind of entrepreneurship, while in the US the figure is one out fifteen, with Canada and Israel in the same category of high-level entrepreneurship.

While no consolation, the Danish figure is not worse than those of Finland, Germany, and France, or for that matter Japan. Taxation and the linked welfare state values are identified as barriers to entrepreneurship, and Denmark has the highest degree of income equality among the countries in the global study, indicating a distinct national dislike of rich people.

But this does not deter young Danes. Most entrepreneurs are in the eighteen to thirty-four-year-old age group. Four times as many men as women start their own businesses, which is twice the global ratio. However, an association of Danish women entrepreneurs is determined to change this figure. But the Danish study concludes, perhaps too pessimistically, that it will take decades to match US entrepreneurship performance.

—Leif Beck Fallesen

VIENNA

ICONOCLASTIC CARTOONIST GETS MAJOR RETROSPECTIVE

Manfred Deix is an ardent cat collector, a sometime boxer and musician, and an unconstrained iconoclast; however, he is best known for being Austria's preeminent editorial cartoonist. Armed with a biting sense of humor, Deix has turned a devilishly precise pen on a broad variety of subjects, ranging from Viagra to the Austrian elite, and

has won legions of fans as well as some enemies. This summer and fall, after more than four decades of drawing, the artist is finally the subject of a major retrospective in Vienna's premiere art museum.

Variouly described as "mean," "odd," and "arrogant," the fifty-one year-old Deix seems to relish taunting people and examining the bleak underside of the world. He once said he went into drawing "because ever since I was a child, I have never liked doing anything better than watching people, making fun of them, aping them, pestering and scaring them, and, with the commensurate instrument of the cartoon, paying them back for their stupidities."

Born in 1949 twenty-five miles outside Vienna in the town of Sankt Pölten, Deix exhibited a special talent for cartooning at an early age. As a precocious eleven year-old, he landed a job drawing a weekly comic strip for a local paper. Although he attended a Vienna graphic arts high school and the famous Akademie der Bildenden Kuenste, Deix never graduated from high school or university, venturing instead into the commercial art world. He started out doing what he calls "mini-jobs" before moving on to regular newspaper work, all the while selling his drawings at flea markets. It was not until the 1970s when he began drawing a weekly panel in the *Nenning's Neue Freie Presse* newspaper that he established a national reputation. Soon afterward, the major German weeklies *Stern* and *Der Spiegel* discovered his talent and commissioned works, as did the US monthly *Playboy*.

Throughout his rise to fame, Deix found inspiration in the work of Donald Duck's creator Carl Barks. The artists Robert Crumb, FK Waechter, and Hans Traxler also influenced his work, especially his rebellion against authority and social and cultural taboos. Deix's drawings often feature sexual themes and his figures are frequently depicted in various states of undress. The artist unabashedly defends his bawdy style and says that compared with his contemporaries, "I am among the bravest, that is a tragedy, but that's how it is."

Throughout his career, Deix has created numerous unwilling victims. Several of Austria's foremost families have come under his withering pen, including the Habsburgs, Knolls, Krens, and Lugners. However, his cartoonist's eye is not limited to Austrians. His non-Austrian sub-

jects have ranged from President Clinton to Pope John Paul II (who Deix once depicted practicing his trademark kissing of the ground in various gymnastic positions). True to his unapologetic style, Deix does not attempt to cover for himself. In the foreword to his recently published *The New Deix Book, Works from 1995 to 1998*, he writes, "Similarities to living or deathly people are purely coincidental or fully intentional."

In his younger days, Deix harbored many career fantasies, including becoming a boxer and a musician. Although he eventually founded his own band (Manfred Deix and the Good Vibrations) and infrequently trained at a gym, he never became much of a contender at either. Nevertheless, his cartoons continued to pack powerful, if controversial, punches. As his fame and wealth grew, so did his reputation for hard partying on the Vienna night scene. He summed up his life during the 1980s as, "Work, draw, smoke, booze." However, he says that phase of his life ended in 1995 after a breakdown due to alcohol.

While his critics label him disturbed, Deix sees himself as an idealist underneath the armor of the provocateur. He replies that he does not invent the situations he draws, rather he brings them to light. "I am in truth an amplifier of reality," he says. In addition to poking at the famous and powerful, he has explored such hard-hitting issues as child abuse and cruelty to animals. (He and his wife, Marietta, are unapologetic cat lovers and have a brood of ninety-six cats.) He once created an uproar with Austrian hunters when he said on national television, "I think hunters would shoot people, but that's forbidden during times of peace."

However, Deix is a hunter in his own way, always in search of his next subject, the smug politician or the hypocritical authority figure. Indeed, Austrian-born filmmaker Billy Wilder once said of him, "Manfred Deix is as good a marksman as William Tell in his best years."

Now his legions of fans will have a chance to revisit some of Deix's greatest hits as his exceptional career is honored with an exhibition in Vienna. On view through September 17, the KunstHaus Wien's *Manfred Deix* retrospective groups some 300 of his drawings, paintings, and sculptures thematically and includes a new series of large, non-comic pictures.

—Alexandra Hergesell

ARTS & LEISURE

Reviewing the new & noteworthy in books, film, music, art, and beyond

BOOKS

A HISTORY OF THE TWENTIETH CENTURY VOLUME THREE: 1952–1999

By Martin Gilbert; William Morrow and Company; 932 pages; \$35

“On January 1, 1958 the European Economic Community came into being. It consisted of six countries, Belgium, France, West Germany, the Netherlands, Italy, and Luxembourg. They constituted a ‘common market’ which they hoped would eventually embrace the whole of Western Europe, and Eastern Europe as well. This could happen only if the countries under Soviet rule and control—the ‘satellites’ of current terminology—were to break free. This appeared unlikely in the foreseeable future, given the ill-omen of Hungary two years earlier and the more recent repression in Poland and East Germany,” writes Martin Gilbert at the beginning of the chapter on the year 1958 in his third and final book on the tumultuous and often violent century that has now passed into history.

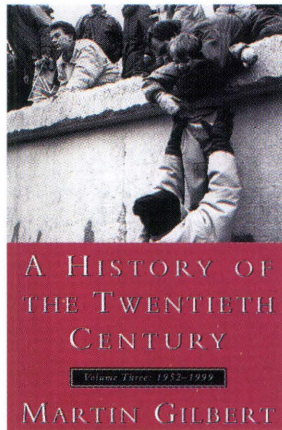
As change was the main constant in the twentieth century, the reader leaps ahead to the first paragraph of the chapter on the year 1993 to read about a totally different situation across Europe. “For a decade,” Gilbert writes, “European leaders had been moving towards greater

unity. The European Community was already debating and acting as a single body on many issues of foreign policy. The direct involvement in Bosnia was a European initiative. On January 1, 1993, the European single market came into being. Economic frontiers between the members of the European Community, and all the European Free Trade Area countries except Switzerland, were removed.... The European Community—officially known from November as the European Union—was a formidable force for collective cross-border economic action and expansion, with the new states of Eastern Europe likely to join it and others seeking to do so. One of its goals was a single European currency—the euro—which eleven member states.... were to adopt six years later.”

While the two world wars dominated the author’s first two books on the twentieth century, the last part of the century, even with its violent civil wars, revolutions, uprisings, mass murders, and other tragic events, has still been a relatively more peaceful time. A Europe that had been tearing itself apart through extreme nationalism was integrating and becoming a more peaceful place, and the European Union has

been instrumental in establishing the peace that Western Europe has known for the last fifty years.

All, however, has not been rosy. European and American troops still guard against further war in Kosovo and Bosnia. Northern Ireland still has not found a true lasting peace. And the Middle East, as the latest breakdown in talks at Camp David shows, is still mired in



ancient hatreds and attitudes.

One of the greatest strengths of Gilbert’s writing is its freshness. Although you know the outcome of the events he is writing about, his descriptions keep you on the edge of your seat as the action unfolds.

The theme of resistance against the Soviet Union—from the uprising in Hungary in 1956 and Czechoslovakia in 1968 to the year of revolution across Eastern Europe in 1989—dominates the book. As Gilbert writes, “Few revolutions in the twentieth century were so total, so dramatic, and so globally significant as the fall and disintegration of the Soviet Union in 1991.”

Gilbert notes that the century has seen immense scientific and technological advances, sea changes in the area of communications, and tremendous examples of personal sacrifice for liberty. But

that the same hundred years, he writes, has “been characterized by war and the brutal curtailment of human life that war brings; by the enormous energy, inventiveness, and willpower that was put behind war-making; and by the millions who were killed, many of them civilians.” However, he continues, “The century is also characterized by the healing and life-protecting advances which it saw from its first years. More lives were prolonged, and more life-threatening illnesses cured, more starvation averted, more malnutrition warded off, than lives cut short by war.”

The trilogy is full of clear analyses such as this, leading this reviewer to believe Gilbert’s three volumes on the twentieth century should be required reading for everyone living in the twenty-first century.

—Robert J. Guttman

Photo Credits

Cover: Courtesy European Commission
 p. 8: Kai Pfaffenbach/Reuters
 p. 9: Stone/Geopress
 p. 10: AP/Wide World Photos
 p. 11: AP/Wide World Photos
 p. 12: Chaperon/Sipa Press
 p. 13: AP/Wide World Photos
 p. 14–15: Sipa Press
 p. 16: Courtesy Cliche Phototheque (top); Keystone/Sygma/CORBIS (bottom)
 p. 17: Gerard Malie/AFP (left); Sean Gallup/Newsweek (right)
 p. 18: Roger Tully/Stone
 p. 19: (Clockwise bottom left) Ken Danforth; Ken Danforth; Fabrizio Bensch/Reuters
 p. 22: AP/Wide World Photos
 p. 23: Fabrizio Bensch/Reuters
 p. 25: Courtesy European Commission
 p. 26: Trevor Wood/Stone
 p. 27: Paul Chesley/Stone
 p. 28: Jens Dresling/Polfoto (top); Michael S. Yamashita/CORBIS (bottom)
 p. 30: Bob Handelman/Stone
 p. 31: Polfoto
 p. 32–33: AP/Wide World Photos
 p. 35: Courtesy Pixelpark (top); Courtesy Intershop (bottom)
 p. 37: Charles O’Rear/CORBIS
 p. 38: Pat Redmond
 p. 40: Nick Potts/EMPICS Sports Photo
 p. 42: Reuters/Jonathan Evans/Archive Photos
 p. 45: Agencia EFE

No One Covers the New Europe Like...

EUROPE

M A G A Z I N E

Subscribe to EUROPE, the only magazine that covers timely and important business, economic, and political events not only in the European Union but throughout Europe. From Paris to Moscow, from politics to travel, EUROPE gives you the information you need to stay on top of the news.

No one covers the New Europe like EUROPE.

Return this coupon to EUROPE, P.O. Box 55935, Boulder, CO 80322-5935

\$19.95 for one year (10 issues).

\$34.95 for two years (20 issues).

Name

Address

City

State..... Zip

payment enclosed

please bill me.

5S00

The world is changing.
Here is another sign.



www.francetelecom.com

 **france telecom**