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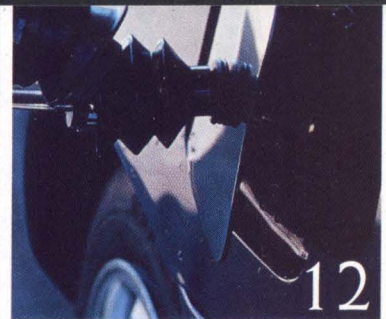


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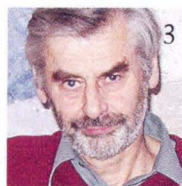
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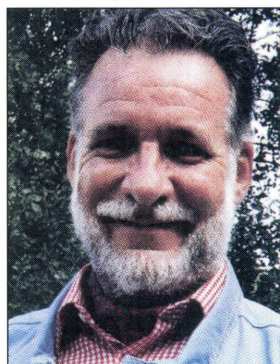


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LETTER FROM THE EDITOR

In the wake of the September 11 attacks and the subsequent anthrax assaults, much attention has ensued on the topic of homeland security. The idea of homeland security, however, is not a new one for Europeans. Europeans have endured the terror and destruction of numerous invasions and wars in the last two centuries. As a result, they are much more attuned to the idea of protecting their territory, and their governments have long experience in developing detailed homeland security policies. However, the September 11 attacks represent new threats and pose new questions for leaders on both sides of the Atlantic.



David Haworth, *EUROPE's* Helsinki contributing editor, is a veteran European reporter whose work has appeared in the *International Herald Tribune*, the *London Observer*, and the *New Statesman*. In 1995, he co-wrote a book discussing the new EU memberships of Finland, Sweden, and Austria, and he continues to write a regular column on EU-Nordic relations in the Finnish daily *Turun Sanomat*.

Our Capitals correspondents report about what their respective EU country is doing to combat terrorism and protect their homeland. In addition, *EUROPE* looks at the creation of EUROPOL, an EU counterpart to the FBI.

In his Euro Notes column, Lionel Barber writes about the successful launch of the euro and its “dazzling debut” across the twelve nations of the EU that brought about “the biggest currency changeover the world has ever seen.” Our EU Update section presents reactions to the euro from citizens across Europe.

“The European Union must take better charge of its energy destiny,” states Loyola de Palacio, EU Commissioner for energy and transport in an interview with *EUROPE*. Palacio says it is “vital” to create a policy for energy. The commissioner discusses Europe’s quest for an energy policy and what new energy

sources might need to be developed.

Ariane Sains, writing from Stockholm, looks at one of these new energy sources—wind power. The modern windmill “is increasingly becoming big business in Europe,” she writes. “The growing concern in Europe about climate change and greenhouse gas emissions is largely responsible for wind power’s growth”.

Energy expert Robert S. Bassman discusses the differences between the large European oil firms and their American counterparts and finds that the European firms are embracing “the theory of global warming and the need to reduce greenhouse gases more than the US energy companies.”

EUROPE profiles some of the global energy firm leaders such as E.ON of Germany and Electricite de France and shows how the collapse of Enron in the US has made “sparks fly” all across Europe.

This month, we offer a section on Central Asia. In his article “What is the EU doing for Afghanistan,” contributing editor Martin Walker writes that “Over the past decade, the European Union has been the main source of help to the Afghan people.” He details how the EU is gearing up its humanitarian assistance to this war-torn nation.

Sarah Naimark and Benjamin Jones profile the countries of Central Asia from Kazakhstan to Tajikistan. Although to many Westerners, their names may make them seem alike, the “Stans” are very different in their cultures, governments, and views toward the West.

David Haworth, writing from Helsinki, presents a view of a calm nation with a dynamic and evolving economy. In an interview with *EUROPE*, Prime Minister Paavo Lipponen outlines his agenda for the Nordic nation, including the Northern Dimension initiative with Russia, and Finland’s role in the EU and the welfare state.

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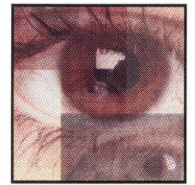
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EYE ON THE EU

Profiling personalities
and developments
within the European
Union



EU POLICY WONK'S PROFOUND PROPOSALS

One of the European Union's more improbable appointments was that of Michael Emerson to be its first ambassador to the former Soviet Union, and subsequently Russia in 1991. He had no diplomatic experience or training, was not a Russian speaker, and almost his entire career had been spent as an economist working, first for the OECD in Paris, and then in the economic and financial affairs division of the European Commission.

Yet it turned out to be an inspired choice. Emerson quickly took to the diplomatic life, established close relations with all the leading figures, particularly the reformist elements around Yeltsin, and his economic expertise came into its own in helping to assess the viability of projects bidding for funds under the EU's TACIS program (Technical Assistance for the Commonwealth of Independent States). This became a major part of his work in Moscow.

It is arguable, however, that Emerson's contribution has been even greater since he left his post in 1996. Now at the Brussels-based Center for European Policy Studies (CEPS), he has been working on the problems of what he calls "the wider Europe." In the process, he has produced a string of proposals that have proved fruitful for EU policymakers.

His suggestion of a stability pact for Southeast Europe

was taken up with enthusiasm by the German presidency of the EU in 1999 and has since formed the basis of the EU's strategy in the Balkans. His subsequent proposal of a comparable pact for the Caucasus region—including scenarios for conflict resolution in Abkhazia, South Ossetia, and Nagorno Karabakh—was welcomed by several governments in the region and in unofficial quarters in Moscow.

Emerson is now painting on an ever wider canvas. His new book, produced with three colleagues, *The Elephant and the Bear*, discusses the future relationship between the EU and Russia, together with the "near abroads" of both entities, comprising all the borderlands between them.

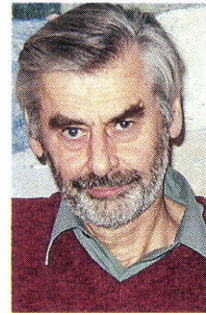
The image of Russia as a bear has a long provenance. Emerson explains his choice of an elephant to signify the EU, as follows: "It is even bigger than the bear, but is readily domesticated and has a placid character. It moves slowly but with great weight. It sometimes unintentionally tramples on smaller objects."

The biggest uncertainty on the European landscape at the beginning of the twenty-first century, he suggests, is "the cohabitation of the European elephant and the Russian bear." In many ways, it is a mismatch, he argues. Apart from ideological differences, there are "huge structural asymmetries," the EU's population of 376 million dwarfs Russia's 145 million, while its economy is twenty times larger.

By contrast, Russia has ten times the nuclear arsenal of the United Kingdom and France combined and is a huge energy exporter, while the EU is an importer, which Emerson notes, "seems to be a stable equilibrium of mutual dependence."

What does the future hold? Will it be characterized by Gorbachev's concept of a common European home or will it be a Europe of two rival empires, even if the EU shows itself to be a reluctant one?

The answer, in Emerson's view, may depend to a considerable extent on what happens to the borderlands between the two. He draws a sharp distinction between the



Michael Emerson

thirteen countries that are currently candidates for EU membership and the others.

The former are all, in varying degrees, already well on the way to accepting Western European norms and values. The prospect of EU membership, within a finite period has, he believes, had an enormously beneficial effect.

Too many of the other states—which have not enjoyed this prospect—have fallen into the hands of ruling elite who have gone down "the dreadful double track of ethnic cleansing and misappropriation of state assets." At appalling cost, this process has been reversed in a number of states, including Croatia and Serbia, but there is no guarantee that the change will be permanent.

Yet it is not open to the EU

to offer the prospect of early membership as an inducement to stay on the rails. It will be many years before any of these countries are in a position to meet the obligations.

The answer, Emerson tentatively suggests, may lie in 'partial' membership, offering the precedent of the European Economic Area, which enables countries such as Norway, Iceland, and Liechtenstein to share in a range of

EU activities without signing up for the "full Monty."

Among EU actions that, he suggests, these countries might join are the single market, the EU monetary system (linking their currencies to the euro), and the cus-

toms union (which already includes Turkey). At the same time they should be given economic and technical assistance on a similar basis to the candidate states. The more progress they made the greater would be their rewards.

As for Russia, the EU should offer the prospect of a "strategic partnership" that would include working together cooperatively to assist in the development of the borderlands and to help in Russia's own modernization.

A pipedream? Not if Putin's remarkable speech to the German Bundestag on September 25 and his summit with EU leaders on October 3 are anything to go by. The EU should take his declarations at face value and dare him to live up to them.

—Dick Leonard

EURO NOTES

Reporting news,
notes, and numbers
from Europe's
financial centers



E-DAY GOES WITHOUT A HITCH

The euro made a dazzling debut across continental Europe on January 1, 2002. Despite widespread fears about cash shortages, the introduction of euro notes and coins passed off surprisingly smoothly in an orgy of fireworks from Portugal to Finland.

E-Day was the biggest logistical exercise since World War II, the biggest currency changeover the world has seen, with almost 15 billion banknotes and 50 billion coins entering circulation to more than 300 million people across twelve European nations.

The smooth changeover was a triumph for the European Central Bank in Frankfurt. In particular, officials paid tribute to Antti Heinonen, chairman of the cash changeover coordination committee and director of banknotes at the ECB, who has spent the last three years planning the operation.

The financial markets, long skeptical about the euro and the ECB's communication skills, paid tribute to the near faultless transition. After E-Day, the euro edged over 90 cents as it flirted with a return to parity with the dollar.

Like Y2K three years ago, fears about a computer-driven crisis failed to materialize. In the run-up to E-Day, many newspapers and economists had speculated about ruinously long lines due to shortages of notes and coins at ATMs and cash dispensers. More ominously, some had assumed that E-Day would offer a bonanza for counterfeiters.

In the event, the sophisti-

cated holographs and watermarks on the new notes passed muster. Apart from isolated arrests in the Netherlands and Germany, there were no reports of people or criminal gangs trying to pass off dodgy new currency. Far more eye-catching was the political response to the euro notes and coins launch.

"The euro is now a reality so the idea that we can run away from it or hide our heads in the sand and pretend it does not exist would be very foolish," said Tony Blair, UK prime minister. His positive tone suggested that he has begun to pave the way for an early referendum on joining the single European currency.

In the same spirit, Göran Persson, prime minister of Sweden, hinted that he might now be more amenable to staging a referendum on euro membership toward the end of this year. Along with the UK and Denmark, Sweden is the third EU member state out of fifteen to stay out of the euro club.

Euro supporters in the UK and Sweden are preparing for a referendum by stressing the idea of inevitability about membership. British civil servants and politicians appear to be putting faith in the idea of "euro-creep"—the idea that increasing cross-border familiarity with the new currency will persuade consumers to adopt the euro. As one senior EU official noted, "Britain can stay

out of the euro, but the euro will not stay out of Britain."

There was, however, one jarring note. Italy, traditionally among the most pro-European countries in the EU, was convulsed by a government crisis in the week of the euro launch that led to the resignation of Foreign Minister Renato Ruggiero.



Ruggiero, a former Brussels bureaucrat and head of the World Trade Organization, was forced out after Prime Minister Silvio Berlusconi failed to support his criticism of cabinet colleagues who had dismissed the introduction of euro notes and coins as a development only of interest to bankers and bureaucrats.

The departure of Ruggiero was a blow to Silvio Berlusconi, the billionaire who recruited him to give a Europhile gloss to his center-right government. His government's Euroskeptical lurch threatens to disturb the broader political balance in the EU and the twelve-member euro zone.

In the past, Italian politicians from Alcide De Gasperi in the 1950s to Altiero Spinelli in the 1960s, to Giuliano Amato and Carlo Ciampi in the 1980s and 1990s, have provided intellectual leadership in the European Union. The marginalization of Italy under Berlusconi increases the potential for conflict and fosters an atmosphere of unpredictability.

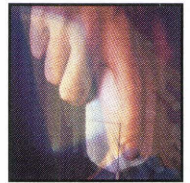
This is worrying because the euro zone faces formidable economic challenges in the months ahead. First, growth is continuing to slow, fueling higher unemployment in the core countries of France and Germany, both of which face national elections this year. Second, EU leaders are bracing for an important summit in Barcelona in March where their commitment to make the Union the most competitive economy in the world by 2010 will be under scrutiny. Any retreat on commitments to liberalization will be punished not only in the financial markets but also by foreign investors. Third, the Spanish presidency of the EU, which took over from Belgium on January 1, is committed to improving the dialogue between finance ministers and the ECB. Discordant notes from Rome, whether the result of internal coalition bickering or a more euro-skeptical policy, are bound to hurt this effort.

None of these political developments should detract from the technical triumph of E-Day, but they are a reminder that a recovery in the value of the euro against the dollar in 2002 is far from inevitable.

—Lionel Barber

e-EUROPE

Tracking the news
and trends shaping
Europe's technology
sector



THE HEART OF THE MATTER

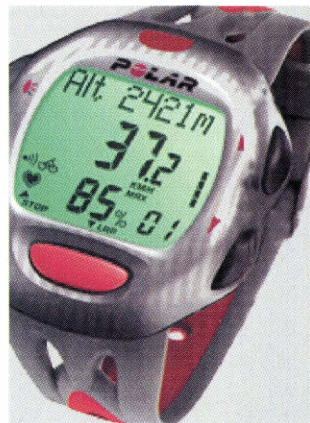
Seppo Saynajakangas found his calling in the snow. What else would you expect from a Finn? Indeed, his story reads like a Nordic fairy tale: The inspiration for a global high-tech company struck him while he was on a cross-country skiing trip. (Cross-country skiing and founding high-tech enterprises being Finland's dual national pastimes.)

Saynajakangas' story begins in 1976. Then a thirty-three-year-old electronics professor at Oulu University and an avid cross-country skier, he was intrigued by the frustrations of a local ski coach who wanted an accurate way to measure his athletes' fitness levels. The coach needed a way to calibrate his workouts so that they weren't too strenuous or too easy, and he knew that measuring the heart rate during exercise was the best indicator of how hard an athlete was working. But writes Saynajakangas in a company bio, "In those days, pulse was measured with the fingertips, which made the process both slow and inaccurate."

Ideally, the athlete needed a way to check his or her heart rate while exercising, without slowing down or stopping. In the case of cross-country skiers, Saynajakangas knew it needed to be a highly portable device that could withstand extreme elements—especially since Oulu is barely a hundred miles below the Arctic Circle.

He began experimenting, and two years later, his newly formed company, Polar Electro, introduced its first retail heart monitor, which com-

prised a strap worn around the chest that relayed the heartbeat through a wire attached to a monitor worn on the belt. The devices caught fire among the endurance athlete culture, including marathon runners, distance skiers, and skaters. Five years later, Polar brought out the first wireless monitors (the chest



strap transmits the heart rate to a minicomputer worn like a wristwatch).

Since then, the company has continued to add features and innovations. Today's models are waterproof—so swimmers can use them—and calculate and track a variety of physiological factors during aerobic activities. Basic Polars start at \$60 and range up to \$400 for the most advanced versions.

Today, the monitors are de rigueur for serious athletes of all stripes, including cyclists and triathletes as well as hockey and soccer players. The high-end Polar models function as digital coach-trainer-research scientist, all strapped to your wrist. They include normal watch functions like time, date, alarms, and a stopwatch and can be set to remind you to exercise as well as run you through a series of timed workouts. By

entering your age, weight, and height, they are able to measure how your body processes oxygen (VO₂ max) and calorie consumption. The cyclists' model even includes an altimeter, which measures how you perform at different altitudes.

The advanced Polar monitors also come with software for a PC, and the information recorded during a workout can be downloaded to a computer, helping to track progress and maintain a detailed training log.

The market for heart rate monitors appears to be growing rapidly. In addition to serious athletes, fire and police departments as well as the military are using them to refine their own training techniques. Polar has also introduced a line of monitors for use by physical education classes in schools.

Surprisingly, one of Polar's most important new markets is found among people who aren't fit—the legions trying to lose a few pounds. Research shows there are optimal heart rates for losing weight, and the Polar monitors can be set to help keep you in the fat-burning range while exercising, beeping when you go too slow or too fast.

Even horses are getting into high-tech cardio training. In 1995, Polar acquired a Swiss company adapting heart rate monitors for horses. The company says its equine models use the same principles of target heart rates to assist in training show jumpers, racehorses, and polo ponies.

As much as Polar likes to tout its products, the privately held company remains ultra tight-lipped about all aspects of its business. Apparently, it employs approximately 600

people and sells its products in more than fifty countries. The press-shy Saynajakangas rarely gives interviews, and Stephen Cooper, marketing director of Polar's US subsidiary, refused to discuss the company's size or outlook other than to say it retains 90 percent of the heart rate monitor market. One estimate pegged the company's revenue at roughly \$300 million a year, but Cooper wouldn't verify this. Asked to estimate how big the market for heart rate monitors could be, he glibly replied that essentially everyone who has a heart is a potential customer—"from someone rehabbing from heart surgery to school kids to professional athletes."

Polar has reason to be cagey. Sporting goods heavyweights Nike and Reebok are getting into the market with their own lines of heart rate monitors. Meanwhile, Polar is feverishly making deals with exercise equipment makers to incorporate its technology into treadmills, stair machines, and their sundry cousins. The company has also branched into the more traditional health care market. In 2000, Polar acquired HealthFirst, an Albuquerque-based firm that develops advanced machines and software used by health care professionals to evaluate fitness.

As the Winter Olympics commence this month in Utah, sports commentators will undoubtedly expound eloquently on the importance of an athlete's "heart" in deciding a contest, and Seppo Saynajakangas couldn't agree more. The question remains: Does his company have the heart to go the distance?

—Peter Guin

EUROPE'S ENERGY

Giant

Sparks fly as firms seek markets in a variety of sectors worldwide

By Bruce Barnard

Europe's power utilities have pulled out all the stops to build global networks as their American rivals run for cover following the traumatic collapse of energy and commodities giant Enron.

Even before Enron's demise, Europe's top power players were setting the pace in mergers and acquisitions and overseas expansion and rapidly transforming themselves into so-called multi-utilities, supplying gas, electricity, water, and environmental services.

Deregulation has transformed the European Union's utilities beyond recognition. Five years ago the electricity industry was dominated by state-owned monopolies charging

ts

some of the highest prices in the world, undermining Europe's ability to compete on world markets. Today, a French firm, Electricité de France, supplies London's electricity. Vattenfall, a Swedish utility is the third-largest electricity supplier in Germany, and scores of towns across the United States and Latin America are lit by European firms.

Led by chief executive Ulrich Hartman, the German energy supplier E.ON has spent more than \$20 billion acquiring energy companies over the last year.





Electricité de France president François Roussey has overseen his company's rise as the world's biggest electricity company.

Unlike the US, where deregulation resulted in higher prices and sudden supply glitches in many parts of the country, Europe enjoyed lower bills for industrial and domestic consumers. While power costs have surged by 40 percent in California, they have fallen by more than 30 percent in Germany. Deregulation is slower in the natural gas sector, except in the United Kingdom, but continental European consumers are starting to see lower prices.

Enron played a leading role in the deregulation of Europe's energy market. It moved into the UK at the dawn of liberalization in the late 1980s, pried open Germany's electricity and gas markets, and created a virtual gas storage facility in the United Kingdom. It employed nearly 7,000 people across Europe when it filed for bankruptcy protection in December.

Now it's the Europeans' turn to move center stage just as the power industry enters a crucial period of global consolidation with a handful of German, Spanish, French, and British companies snapping up utilities around the world.

The UK, which pioneered privatization and deregulation in the late 1980s, remains the center of activity with twenty firms sold in 2001 for more than \$30 billion. And there are more deals in the pipeline: Germany's E.ON and RWE, Italy's Enel, Spain's Endesa, and France's Suez, have war chests of more than \$100 billion in cash, which they

are itching to spend to keep pace with the global pacesetter, Electricité de France (EdF), the world's biggest electricity company. US firms, meanwhile, are reshuffling their European portfolios. Dallas-based TXU is scaling back its UK activities and focusing on opportunities in Germany's regional markets while Mirant has just sold a 26 percent stake in Bewag, a Berlin utility, to Vattenfall.

Deregulation created opportunities as well as threats. While it opened up cross-border markets, it also increased domestic competition for former national and regional monopolies. Wholesale electricity charges in Germany fell by 40 percent in the eighteen months following deregulation, and the big firms reacted to the squeeze on margins by moving abroad to maintain profit growth. The UK's National Grid expects to generate 60 percent of its profits this year in the US, and EdF chairman François Roussey says he wants half his company's revenues to come from outside France by 2005, compared with 25 percent at present.

Deregulation also spurred consolidation, especially in Germany, Europe's largest power market. Veba and Viag merged into E.ON and RWE acquired VEW in 2000 to establish springboards for cross-border acquisitions and to shore up their defenses against foreign predators.

Spain's privatization and deregulation programs prompted mergers, cre-

ating powerful groups that have moved abroad, especially to Latin America.

German utilities were sitting on mountains of cash generated by monopoly profits and swollen by astute investments in mobile telecommunications, which they have sold along with other non-core activities, from chemicals and trucking and to steel trading and electronics, to finance an assault on the global power markets. There were early setbacks: a planned share swap between E.ON and Suez Lyonnaise des Eaux, the giant French multi-utility, fell through, and Vivendi, the French media and utility giant, spurned a \$28 billion bid from RWE for its environmental services unit.

But the Germans have put the pieces together during the past year. E.ON has spent more than \$20 billion on thirteen acquisitions, including a \$9.6 billion purchase of Powergen, the UK electricity generator and retailer, which owns the Kentucky-based utility LG&E, and the takeover of Sydkraft of Sweden, which made it Europe's largest private sector electricity supplier. Its local rival RWE has also been active, expanding beyond its core electricity business, buying Thames Water, the UK's largest water company for \$9.8 billion, and taking control of SSM Coal of the Netherlands, to become Europe's largest coal trader handling in excess of 20 million tons a year.

UK power firms have also been expanding rapidly abroad, with the US

their favored target. Among the top deals, Scottish Power paid \$10.7 billion for Pacificorp in 1999 and National Grid has spent \$13 billion on US deals, the latest being the \$3 billion purchase of Niagara Mohawk, the New York utility.

But the UK and German firms have a long way to go to match state-controlled Electricité de France, which has bought power generating groups and distribution networks in markets as diverse as the UK, Germany, Poland, Hungary, Italy, Egypt, Sweden, and Argentina and is still on the prowl. It was first off the block to signal an interest in buying Enron businesses.

EdF's bid to create a pan-European group, however, has run into difficulties as governments try to restrict its activities in their liberalizing markets to protest France's refusal to allow outsiders to move onto the state-owned firm's home turf. At their Stockholm summit last March, EU governments failed to set a final date for fully opening the energy markets because of French resistance. Italy passed an emergency decree curbing the rights of foreign state-owned energy firms, which means that EdF has only 2 percent of the voting rights in Italoenergia, though it is the second-largest stockholder with an 18.03 percent stake. Spain and Germany also have sought to rein in the French firm after it moved into their domestic markets.

Faced with political obstacles to acquisitions in neighboring European markets, especially France, the big players are looking to grow in the United States. E.ON chief executive Ulrich Hartmann said he plans to buy two big American companies in the "very near future...we want to belong to the top energy providers in the US." E.ON

has a war chest of more than \$31 billion for acquisitions, excluding proceeds of planned disposals. It plans to sell VAW Aluminum and Stinnes, its transport and logistics subsidiary, later this year and dispose of Degussa, its specialty chemicals business, and its Viterra property arm in the medium term.

E.ON is also fighting other utilities, including EdF and RWE, for pole position in Europe's \$75 billion-a-year natural gas market that was opened to competition in 2000. It swapped its chain of German gas stations and oil refineries for British Petroleum's 25 percent stake in Ruhrgas, Germany's biggest gas distributor, which it has since lifted to 37 percent.

The big players have now turned their attention to water as they bid to become multi-utilities. RWE has spent \$17 billion on water acquisitions in the past year to lessen its dependence on electricity and in the process has become the world's third-largest water firm after Suez and Vivendi Environment. It followed that deal with a \$7 billion bid for American Water Works in September, which was aimed at challenging the two French firms in the US, the world's largest water market. E.ON also tried to break into the global water business, offering to swap its 17.5 percent stake in Bouygues Telecom, France's third-largest mobile phone operator, for majority control of Saur, the French firm's water supply unit that has 30 million customers. Enel, Italy's state-owned electricity group, dropped a bid for Acquedotto Pugliese, a southern Italian water utility, but is not giving up on its attempt to enter the business. ☐

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

Here with Modern windmills offer increasingly viable and clean energy source

By Ariane Sains

Along with tulips, windmills may well be the quintessential symbol of the Netherlands. But what once used to conjure up the picture of a quaint country lifestyle is increasingly becoming big business in Europe.

As the European Union struggles with the best way to cut greenhouse gas emissions, it is looking to renewable energy to help. Wind power, with its proven technology, could be one of the more promising ways to replace coal or even natural gas. But while the use of wind power is growing rapidly, obstacles to large-scale commercial use remain.

To date, wind power's true cost has been subsidized by European governments eager to give the technology a boost. The resource's real test will come when those subsidies are withdrawn. Officials at the European Wind Energy Association (EWEA) say that the cost of building and operating wind turbines is receding as technology improves and that by 2005 it will be more than competitive with coal-fired electricity production or nuclear power, two major sources of European electricity.

"There's no doubt that wind energy is mainstream," says Nick Goodall, the president of the British Wind Energy Association.

However, although it doesn't contribute to greenhouse gas emissions, wind power still raises the ire of some environmentalists. They argue that land-based wind parks are hazardous to birds, which can easily fly into the windmill blades. Offshore parks, on the

The spectacular collapse of energy giant Enron has jolted the firm's employees and world power markets.



the Wind



Modern windmills dominate the skyline in the German village of Klettwitz.

other hand, can disturb ocean currents. That, in turn, can disturb fish, as well as alter the marine environment, engendering opposition among commercial fishermen.

Nevertheless, by the end of this year, the EWEA estimates that windmills will account for about 8,000 megawatts of the total electricity generating capacity in Europe and that by 2010 the figure will jump to 40,000 megawatts. While that number constitutes only a small fraction of the total, it is enough to supply eight times the amount of electricity used each year in Madrid. Those targets are double what the association had predicted in 1991 and more than double the amount of wind power Europe had at the end of 1996.

The growing concern in Europe about climate change and greenhouse gas emissions is largely responsible for wind power's growth. The technology has also improved rapidly, making windmills more economic on a larger scale.

Along with the Netherlands, Germany and Denmark lead Europe in wind power generation. The Danes have proven to be the most commercially successful in exporting wind technology. Danish companies have about 50 percent of the worldwide wind turbine market, and the industry employs about 16,000 people in Denmark, directly and indirectly. Danish wind turbine exports to Spain have grown fastest, followed by Germany and Austria. The US market is also expanding.

The Danes are betting so heavily on wind power that the Technical University of Denmark in Copenhagen now offers a two-year wind power Master of Science program in English for would-be wind turbine engineers.

The industry's growth is attracting the financial industry. Analysts estimate that between \$125 billion and \$140 billion will be needed during the next twenty years to finance the kind of development EWEA officials envision. Although "the international financial community has been accused of being a fairly reluctant participant in the development of the wind energy sector," John Caird, director of the investment company Orix Europe, says the money-men are starting to realize that wind power is not just a fringe technology. ☐

Ariane Sains, based in Stockholm, is a EUROPE contributing editor.

From the Pump to the Plug

Europe's quest for an energy policy

As the European Union was getting started in the postwar period, the six founding nations—France, Germany, the Benelux countries, and Italy—studied and debated an integrated energy policy. The result was the creation of the European Coal and Steel and Atomic Energy communities in 1951 and 1958, respectively, representing the first, coordinated European policy for developing Europe's coal and nuclear industries. However, successive governments and multinational energy industries resisted a strong European policy that would extend to the key sectors of oil, natural gas, new energy sources, and the environment. Mainly, they feared that if such a comprehensive policy were adopted it would dilute their roles and influence by giving power to yet another European governmental energy agency.

"Creating a policy for energy is one of the two vital areas of the internal market—the other is transportation—that member governments and industry have always resisted and set aside," says

Stanley Crossick, director of the Brussels-based European Policy Center. Even attempts to include a chapter on energy during the negotiations on the EU's Maastricht and Amsterdam treaties failed. "There has never been a real Community debate on the main lines of an energy policy," notes a recent European Commission report.

That could change, however, if the hard-driving Spanish vice president of the European Commission has her way. "True, energy as such was never in the (EU founding) treaties, because it was considered strategic," Loyola de

Palacio, commissioner for transport and energy, told *EUROPE* in a recent interview in Paris. "But everything today has changed enormously, and that is why I have been seeking to provide this warning, this *coup d'appel*," said the former agriculture minister in the government of Prime Minister José Maria Aznar.

Her warning—and a call for a widespread debate on EU energy—surfaced in a 111-page green paper published by the Commission a year ago, the first of its kind she says, which is now being discussed throughout Europe. It starkly predicts that if the European Union continues to collectively ignore its long-term energy supply and demand, the EU, within several decades, will be forced to cover 70 percent of all its energy requirements through imports, compared with 50 percent today. The United States currently imports 24 percent of its energy.

As the world's largest energy consumer, and its largest energy importer, the EU is increasingly edging toward a dangerously precarious position. The Commission warns that the EU's dependence on oil imports alone could reach 94 percent, with the main EU suppliers continuing to be Middle East countries, notably Saudi Arabia, Kuwait, and neighboring Persian Gulf states, amid an uncertain political environment in the region that Commissioner De Palacio terms "very serious." Clouding the EU energy outlook are strategic factors and events that range from accelerating violence and instability in the Middle East to unpredictable swings in oil prices; dwindling oil and gas production within the EU, particularly in the North Sea; and declining reliance on nuclear power. Already five of the eight EU countries with reactors (Belgium, Germany, the Netherlands, Spain, and Sweden) have decided to stop building them, pressured mainly by environmentalists. Similar proposals for slowing or ending nuclear power have recently surfaced in Central and Eastern Europe and in Finland, whose parliament this year will decide on whether to proceed with a proposed nuclear reactor-expansion program. The United Kingdom and France remain the EU's main nuclear powers, amid growing criticism by environmentalists regarding pollution and other potential dangers in their nuclear waste-treatment programs.

For these and other reasons, says the commissioner, "we need more debate on such important issues as diversification of our energy sources, while finding energy-saving solutions for consumers and the environment." She cites the report's breakdown of the EU's overall current energy demand: Oil accounts for the majority share (41

percent), followed by gas (22 percent), coal (16 percent), nuclear energy (15 percent). Renewable sources, such as hydroelectric power, account for only 6 percent. "If nothing is done, the total energy picture will continue to be dominated by fossil fuels," she predicts, and by 2030 the breakdown will be: oil (38 percent); gas (29 percent); solid fuels, mainly coal (19 percent); renewable sources (8 percent); and nuclear energy ("barely" 6 percent).

"The European Union must take better charge of its energy destiny," urges Palacio in the report, a task the commissioner concedes will not be easy, following her recent consultations with members of EU members' parliaments, the militant anti-nuclear group Greenpeace, and large oil companies. "Dependence (on imported energy) is inevitable, but there are approaches that involve better managing what we do, both on the demand and the supply side," she said.

What, concretely, might be done? Major changes in EU consumer behavior patterns could help, involving shifting to new and renewable, alternative energy sources, such as biofuels derived from organic oils, wind, solar, hydroelectric, and geothermal power sources. The Commission

is urging the doubling of the share of renewables in overall energy consumption from roughly 6 percent currently to 12 percent by 2010. Not only would such a policy lead to jobs within the EU, but exports of those technologies to developing countries. Member states should support the proposal, the Commission urges, estimating major investments would be needed over the decade, totaling almost \$147 billion.

Where would such a huge chunk of money come from? By taxing the most profitable sources of energy, primarily oil, gas, and nuclear, the Commission suggests in the report. The Commission also proposes creating subsidized regional or national funds, adding they might operate with private and government-controlled energy companies and banks that could receive subsidies for developing new sources of renewable energy.

Not surprisingly, the EU business community isn't exactly overjoyed with these and other proposals. In Brussels,

the Union of Industrial and Employers' Confederations of Europe (UNICE), which represents all major EU employers' associations, concedes that a debate on energy security comes at "an opportune moment," but the group strongly opposes an energy tax to finance renewable sources. "Advantages could accrue from better harmonization of energy taxation in Europe," the union declares in a written response to the EU's green paper, "but UNICE believes that improving the business climate in Europe, and in particular, competitiveness, is an infinitely more important objective..." What business favors, UNICE says, is "a market-driven energy policy that gives consumers a free choice...no energy provider should be excluded out of political considerations."

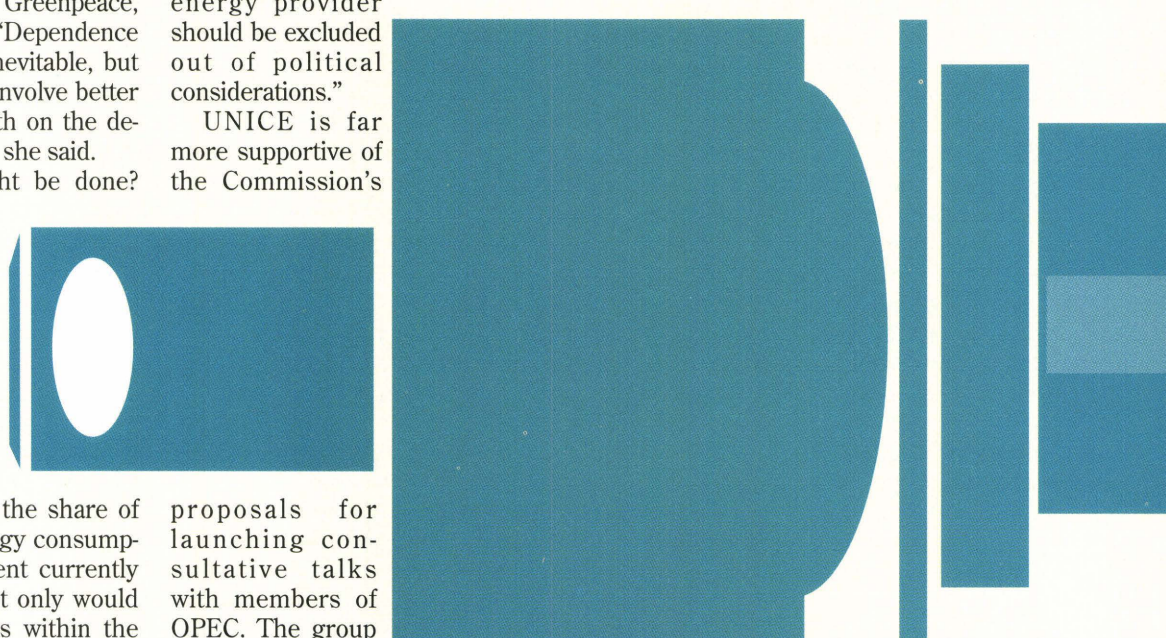
UNICE is far more supportive of the Commission's

proposals for launching consultative talks with members of OPEC. The group believes it "desirable for the European Union to encourage the launch of a new dialogue between oil-producing countries and consumer countries, whose aim would be to moderate the scale of fluctuations in oil prices."

Commissioner De Palacio attended such a "dialogue" meeting with OPEC ministers held in Riyadh, Saudi Arabia, two years ago and plans to attend a follow-up conference in Tokyo this year. The European delegation will also include representatives of the Spanish presidency of the EU, which began January 1, with a view to getting agreement on price stability for member countries in the years ahead. "We will have made proposals by then," she said.

The Commission also remains hopeful of tapping rapidly rising oil and natu-

ral gas output from Russia, already the world's second-largest oil exporter after Saudi Arabia. Russia, which is not an OPEC member, currently supplies the EU with approximately 20 percent of its oil and 42 percent of its natural gas, figures that could increase substantially if proposed oil and gas pipelines—from the land-locked Caspian Sea basin to proposed outlets on the Black and Mediterranean seas—are ever built. According to a recent report by the French oil giant Total Fina Elf, the Caspian area, with proven oil reserves twice those in the North Sea and gas reserves amounting to 4 percent of known worldwide reserves, "is truly one of the world's major oil provinces,"



which the company, among others, hopes to help develop.

On this front, Palacio says the EU has made substantial progress. "(The Commission and Council of Ministers) have already established a privileged dialogue with the Russians concerning the future development of energy in general," the commissioner said. She noted that if EU and other Western companies are provided access to the Caspian region, comprising Azerbaijan, Kazakhstan, and Turkmenistan, Russian-produced gas could account for as much as 60 percent of the EU's total natural gas consumption. "It is one, important option," she said. ☺

Axel Krause is a EUROPE contributing editor based in Paris.

In Search of European

European firms find production and profits far afield, especially in the US

With crude oil and gasoline prices at their lowest levels since 1998 and world attention focused on Afghanistan, the otherwise seemingly omnipresent attention to oil seems to have dipped slightly. But just as the victory over the Soviet Union in Afghanistan in the 1980s contained the seeds for Osama bin Laden's terrorist attacks on New York and other American targets, the current price slump and instability in both Afghanistan and the Middle East contain the seeds for the next, inevitable price spike. Due to their preeminent place in the ranks of international integrated oil concerns, EU companies appear prepared to both meet future demand and profit from these cyclic swings.

Among the Largest Worldwide

In spite of Europe's containing less than one percent of the world's proven oil reserves (and less than 2.5 percent of its natural gas), three giant EU-based oil

companies rank among the top five non-state-owned companies in both proven reserves and current production. These companies, Royal Dutch/Shell (a Netherlands-UK joint venture), British Petroleum (UK), and Total Fina Elf (France), rank respectively second, third, and fifth of the international major oil companies. (The US firms, Exxon Mobil, and Chevron-Texaco rank first and fourth.) Perhaps it is because the EU consumes 16 percent of the world's energy (44 percent in oil and 22 percent in natural gas) with so little of the resource contained in its own geography, but whatever the cause, the predominance of the EU corporations among the international majors surprises most Europeans and Americans.

Russian President Vladimir Putin's show of independence from OPEC, refusing to cut Russian production, helped year-end 2001 oil prices tumble to the \$18 a barrel range, the lowest they have been since December of 1998 when they briefly hit an all-time low of about \$11. But even at \$18, a little more

than half what a barrel of crude oil commanded in late 2000, the newly more efficient, larger European majors will be able to show strong profits. Following the disastrous fourth quarter of 1998, these companies took steps (mainly through merger associated synergies) to allow themselves to be profitable at crude oil pricing levels in the \$14-\$15 a barrel range.

Tops in the US

The two largest EU companies, Shell and BP, made some of the biggest changes. Through recent acquisitions, they have greatly increased their size, efficiency, and visibility, particularly in the United States. In 1999, BP merged with Amoco, the former Standard Oil Company of Indiana and, just one year later, acquired ARCO, which markets gasoline in California, Oregon, Washington, Nevada, and Arizona. When BP's then existing 6,775 retail outlets were combined with Amoco's 9,200 and ARCO's 1,760, it created the largest retail gasoline presence in the United States.

Last fall, Shell Oil Company, the wholly owned US subsidiary of Royal Dutch/Shell, acquired more than 11,000 retail outlets from Texaco (which had to divest them to gain government approval of its merger with Chevron). As a result, Shell will have a US retail presence of more than 20,000 outlets and control approximately 14 percent of the US retail gasoline market, displacing BP (which currently holds 12 percent) from the top spot. The other large EU player, Total Fina Elf, itself the product of two recent mergers, sold its US refining and retail assets in 1998 and 2000 and has no plans to reenter the American market.

Combine Size, Wealth, and a Green Attitude

Whether it is because they reflect their governments' posture (or perhaps vice



Shell Oil continues to test a variety of innovations, including its "Smart Pump" robot.

Oil

By Robert S. Bassman



Although Britain itself has relatively small oil reserves, British Petroleum is the third-largest oil company and the largest gasoline retailer in the US.

versa), the EU's integrated oil conglomerates contrast sharply with their US contemporaries on global warming and the Kyoto Accords. All three of the EU companies have embraced the theory of global warming and the need to reduce greenhouse gases. The US companies continue to question the validity of global warming. Led by Exxon Mobil Chairman Lee Raymond, they lobbied the White House into boycotting the most recent session ratifying Kyoto,

held in Morocco last November. Attempting to turn its "green position" into a marketing plus, BP has recently embarked on a large US and international ad campaign touting its "Beyond Petroleum" company motto and introducing "green" (ultra low sulfur) gasoline in several US markets. ☹

Robert S. Bassman, based in Washington, writes about the energy industry for EUROPE.

Central Asian Oil and the Great Game Redux

Now I shall go far, far into the north playing the great game..." wrote Rudyard Kipling in *Kim*, referring to the eighteenth century contest between Victorian Britain and Czarist Russia for control of Central Asia. Recent events in Afghanistan have resurrected discussions of the British Empire's two disastrous nineteenth-century Afghan invasions in its search for geopolitical advantage in the region.

Eerily reminiscent of those times is today's Great Game Redux. However, the 'game' this time has many more players. Russia (without the czar) remains, but the US has

taken the place of now empireless Britain, and less than ten years ago, several of the other players—Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, and Georgia—were part of the Soviet Union. Still other players include Iran, Turkey, and even the European Union. Furthermore, the prize has changed as well. Now it's oil and gas they seek, not empire.

The new game is divided into two parts. The first is securing access to and production of Caspian Sea oil, which, while not projected to rival the huge reserves in the Arabian Basin, is estimated to meet or exceed those of the North Sea. Chevron

(now Chevron-Texaco) anted up first when, in April 1993, it inked a \$20 billion fifty-fifty deal with the new government of Kazakhstan to develop the Tengiz oil field (with estimated reserves of between 6 billion—9 billion barrels). Most other international oil companies soon followed into the region.

The game's second part involves the shipment of the oil and gas to markets in the West (and maybe later in the East, as well) involves a more typical geopolitical battle over the route of the pipeline. The choice implicates ceding some control over the oil to traditional US and Western foes Russia and Iran or friends like Turkey. The US and EU back the so-called "Great Silk Road Pipeline," which would take the Turkmenistan and Kazakh oil to Baku, the Azerbaijani capital, through Tbilisi, the Georgian capital, and through eastern Turkey to the Mediterranean port of Ceyhan.

Much like its nineteenth-century predecessor, the outcome of this convoluted game will not be known for some time.

—Robert S. Bassman

The Tengiz oil pipeline delivers crude oil from landlocked Kazakhstan to the Russian port of Novorossisk.



By Bruce Barnard

An oil tanker from the Norwegian Frontline group.



Norwegian CRUDE

Rising output makes
Norway a global force
and a wealthy country

Norway is consolidating its position as the key player in the European energy markets as it steps up oil and gas production from the icy depths of the North Sea. Norway's rising output, which contrasts with the declining production of the other main North Sea producer, the United Kingdom, has also made it a major force in the global market where it is the second-largest exporter after Saudi Arabia.

Norway's status in the world oil business was underscored late last year when a procession of top officials from the Organization of Petroleum Exporting Countries (OPEC) visited Oslo seeking its support for coordinated production cuts to halt the slide in oil prices. The government's decision to back the cartel intensified pressure on a reluctant Russia, the world's second-largest producer, to follow suit.

Norwegian oil production rose to around 3.3 million barrels per day in 2001, almost double the rate in 1991, while it is supplying an increasing volume of the European Union's consumption of natural gas.

This abundance of oil and gas, as well as hydropower, has made this nation of 4.4 million people one of the richest in the world—a United Nations survey last July said Norwegians have the world's highest standard of living measured by life expectancy, literacy, and gross domestic product per capita.

Norway's oil wealth has also helped to sustain the country's famed independence. It rejected EU membership in two referendums—the latest in 1995 when its Nordic neighbors Sweden and Finland joined along with Austria.

Unlike the UK, which totally deregulated and privatized its North Sea oil industry, Norway has husbanded its resources and kept a tight nationalist rein on exploration and production. The government was able to in-

terfere in the oil companies' production plans to support OPEC's cuts thanks to a clause in Norway's petroleum law that entitles it to regulate output in the national interest. Moscow, by contrast, has much less influence over the large private firms that now control the bulk of the former state-owned oil and gas industry.

The leading player in Norway's energy industry is Statoil, the state-controlled national oil and gas group, which accounts for nearly a third of the country's total oil production. In a major policy change last year, the government decided to allow up to a third of the company to be sold to private investors, and a 17.5 percent stake was floated on the Oslo and New York stock exchanges last June in Norway's biggest privatization.

Statoil lacks the global spread of the large Western oil majors—the bulk of its oil production comes from the North Sea with only 7 percent pumped from international fields. But unlike its rivals, which are net buyers of crude, it is a net exporter because of Norway's small domestic consumption. Meanwhile, natural gas will become increasingly important to Statoil as its oil production starts to decline and continental European buyers look for stable supply alternatives to Russia and Algeria. Natural gas is expected to account for approximately 35 percent of its total energy production in 2006, compared with 25 percent last year.

Norway is also a leading transporter of crude oil and products on the high sea, and its shipping fleet, the third-largest in the world, is the second-largest export earner after oil and gas. Shipping magnate John Fredriksen has led the global consolidation of the tanker market, transforming his company, Frontline, into the world's biggest independent operator of modern super-tankers with a fleet of roughly eighty vessels.


Norway hasn't made the mistake of frittering away its North Sea oil wealth or allowing it to create imbalances in the land-based economy. It began planning in 1996 for the day when the oil runs out with the establishment of the Petroleum Fund, which will serve as a nest egg for future pensioners. The fund, which is only allowed to invest budget surpluses generated by oil revenues overseas, was worth approximately \$60 billion in mid-2001, following two years of high oil prices, and is expected to be valued at more than \$80 billion by the end of 2002. Initially, the fund only invested in bonds, but the rules were changed in 1998 to allow equity investments. Its portfolio is now spread over 2,000 companies in more than twenty countries. ☺

FINLAND

Nordic... Sere

By David Haworth

Finns' placid politics
believe dynamic, evolving
economy



The pulse of Finland's political life has slowed down like a hibernating bear's, and no one is in the mood to change this.



A man swings a boy in a snowfield outside of Helsinki.

nity

The quiescence of politics has been a Finnish characteristic for some years, and strange to say, the events in the United States of last September had the effect of reinforcing this state. Finns felt the need to wrap up more warmly in the cosset-

ing clothes of their economic and technological successes.

EU membership means they cannot completely close the door against prevailing international winds, but they're not too keen to get involved in others' disputes. Nonetheless, the terrorist atrocities affected the nation deeply—not least because, in a superficial way, Finland is keenly imitative of American ways and tastes. Emotionally speaking, the events felt closer to home than was believed possible.

The world is coming closer to Finland; only the older generation refers to any place south of the Gulf of Finland as "Europe." The young know only too well that "Europe" includes Finland, and they're happy about that. Certainly, it means new opportunities, but above all, it means completely novel perspectives. Except for the farmers, no one seriously questions European Union membership and the advantages it brings.

Given their ancient rivalry with Sweden, the Finns have been guilty of a certain smugness since they have adopted the euro while the Swedes, anguished with uncertainties, for the moment are outside the euro zone.

But the Finns have a large doubt,

too, concerning membership in NATO. Currently, a clear majority opposes joining the alliance; a staunch 63 percent favor continuing the nation's traditional neutrality.

However, as ex-communist countries like Hungary have already joined NATO and as the three Baltic republics—Estonia, Latvia, and Lithuania—certainly intend to join it as soon as the ink has dried on their EU membership, Finland will find itself in a curious geopolitical vacuum. As one commentator put it, "In those circumstances who are we going to be neutral against?"

Asked about her nation's possible future NATO membership, Tarja Halonen, Finland's president said re-

cently: "In matters of politics and of love, I'm not in the habit of answering questions which start with the word 'if'."

In recent history, Finland has been here before. When the question of joining the EU began to be raised in a serious way, commentators and politicians gave the full palette of responses from emphatic denial to well, yes, possibly, and they kept this up until the very last minute before Finland became a member.

One can expect the same over the NATO question, indeed, it has already begun. I got no thanks recently when I predicted in a newspaper that Finland would discard her neutrality in due time, but the fact that the issue is being raised with ministers and in public opinion polls means that the Finns are already on their way to the 'other headquarters' situated in Brussels.

In the end, they will "leave it to Paavo," referring to the popular prime minister, Paavo Lipponen. His leadership of the five-party coalition government, the so-called rainbow coalition, is rock-solid secure. The Finns have an ineradicable admiration for physically large, intellectually strong, silent types in a leadership role. Lipponen has all these characteristics. His firm gaze and

slow delivery of speech are the objects of affectionate fun. The electorate feels safe with him. Unless he tires of the job or is beckoned away to fulfill some international post, it looks as though he can stay for as long as he wishes.

Lipponen's situation, however, contrasts radically with the unhappy career implosion of his rival, one-time premier Esko Aho, who as chairman of the Center Party took sabbatical leave across the Atlantic at Harvard. The doubters termed Aho's prolonged absence as "a hell of a political risk." And so it proved to be. His eager understudy is ready to take over the job as soon as she can. Aho won't give it up until he gets something in return. There

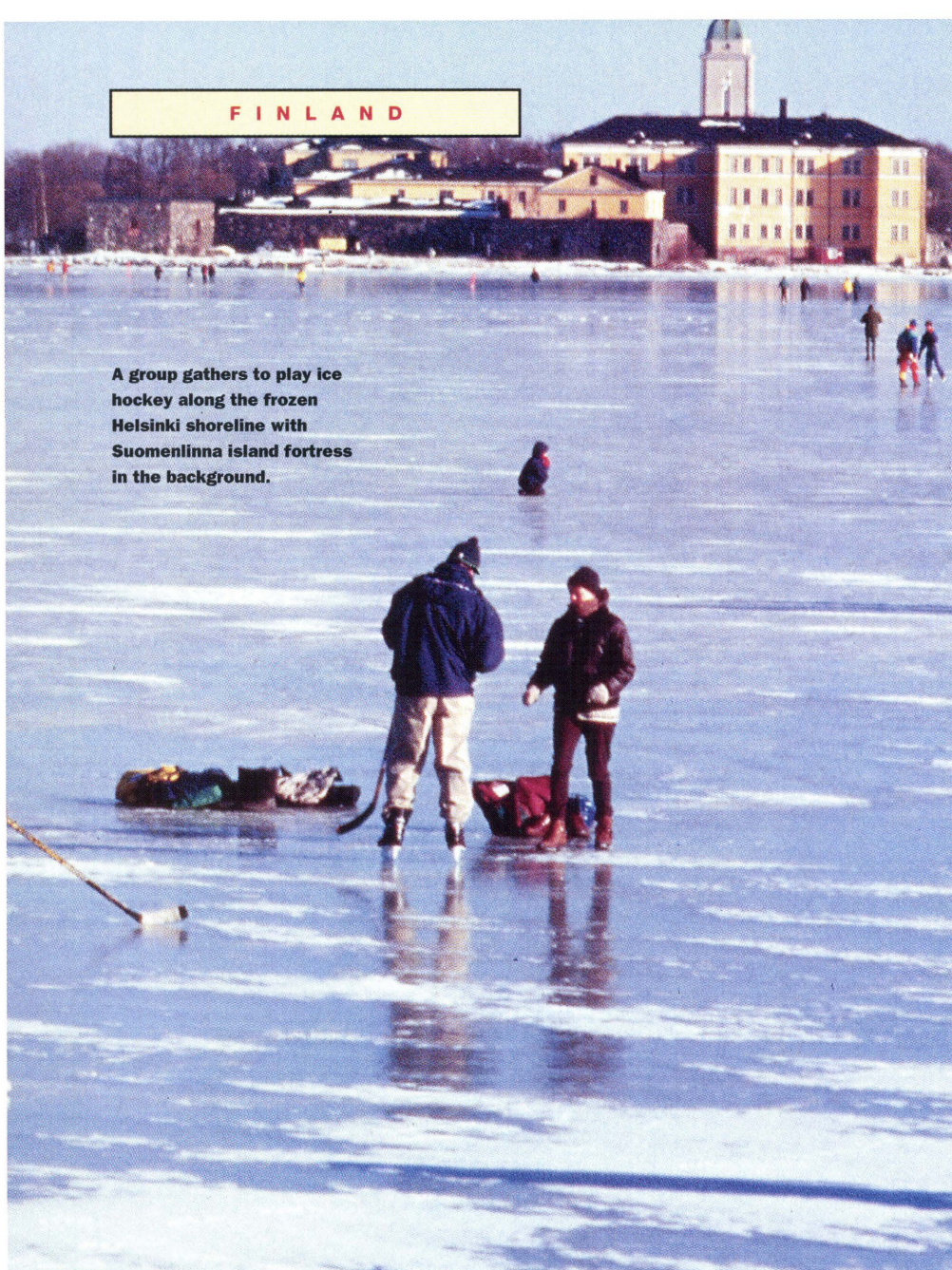
was the humiliation of being rejected for membership on the Bank of Finland's board, traditionally a well-heeled sinecure for former statesman. Meanwhile, until Aho is given a job that will fit his colossal self-importance, there is no effective opposition in Parliament.

President Halonen, like Lipponen a Social Democrat, has had a two-year honeymoon, which is beginning to be deflated somewhat. Recently her dress taste was called into question. Not noted for a sense of humor, she'll probably take no notice. Nevertheless, this is an indicator—albeit an exceedingly shallow one—she's starting to look like a one-term president, although she's still got four years to go. Conclusion: The importance of the presidential job continues to decline.

The economy is certainly looking at a rise in the jobless figures during this spring. To keep unemployment levels steady, the Finnish economy needs to hold a constant growth of 3 percent annually. Given the post-September 11 performance of the EU's economy (especially the drooping German one), Finland's will certainly grow less than 3 percent this year.

This could mean unrest in the labor

A group gathers to play ice hockey along the frozen Helsinki shoreline with Suomenlinna island fortress in the background.



movement. The Finnish labor market traditionally has maintained a notably rigid position until recent years—and could return to such if the going gets rough. On the other hand, Finnish corporations are awash with cash at the moment, and it's unlikely, therefore, that they will start to let employees go at the first sign of turbulence. Moreover, the two main exports, paper products and mobile phones, have in the past proved to be anti-cyclical and will probably continue to be.

On the personal finance front, Finnish savings rates have remained high; income taxes have come down by 3 to 4 percent to 46 percent, although as tax rates have also dropped by a similar average in the EU as a whole, this is unlikely to be of much advantage to Finnish manufacturing.

Industry still thinks taxation rates are too high—nothing new there. However, just before Christmas, Nokia chairman Jorma Ollila warned that if in five years rates didn't change significantly, this world-famous company might reconsider its position and move to another location overseas.

No one was quite sure how to take this warning, but it sent a seasonal chill through the corridors of power. Nokia to leave Finland? Unthinkable! But someone has been considering it. Such a move would surely shake up the domestic political landscape. Indeed, globalization is closer to the EU's northeastern extremity than the Finns want to believe. Meanwhile, they're doing fine. ☺

David Haworth is EUROPE's Helsinki contributing editor.

Nuoc

By David Haworth

A dearth of indigenous fuel supplies has always been a fact of Finnish life. Furthermore, because of the nation's industrial structure combined with its cold climate, electricity consumption remains high, and consumption will grow by as much as 1.5 percent a year until 2015, according to the Finnish Energy Industries Federation.

In recent years, electricity imports have risen to about 15 percent of the country's needs. As a matter of national policy, imports will not be increased much more to avoid risking the security of such supplies or becoming too dependent on one outside supplier.

Given these circumstances, it is perhaps not surprising the Finns have resisted so far the European anti-nuclear trend. The country already has four nuclear stations and is vigorously debating whether a fifth should be constructed.

The good operating record of the existing plants and the long-term price stability of Finnish nuclear electricity are seen by many as a vital international advantage. One-third of electricity derives from domestic sources such as hydro, wood, and peat, while nuclear power provides a quarter of Finland's needs. Increasing the proportion of fossil fuel use is not a favored option, not least because of the Kyoto Conference conclusions.

As a consequence of Sweden and Norway's decision to stop building nuclear power plants, the whole Nordic market is generating less electricity, which puts extra pressure on Finland to create more of its own sources.

The private nuclear company TVO submitted an application to build a fifth nuclear plant in Finland more than a year ago. It is a lengthy procedure, but the public hearings, to which some forty interests made submissions, have

ear Finland

Nordic nation clings to nuclear power, but needs are rising and so is debate

been heard. The matter is now in the hands of a court.

If the court approves, the ultimate decision will be left to the Eduskunta, Finland's parliament. Polls show the parliamentarians to be finely balanced on the issue, with 40 percent favoring a new plant, 40 percent against, and the rest undecided.

Predictably a major lobbying campaign is likely to hit full stride this spring, as the matter is expected to reach parliament this summer. The in-

dustry seems quietly confident that it has the logic of need on its side and that a final, favorable decision will be reached during this parliament's term—that is, by 2003.

The Kyoto Protocol looms as an almost impossible target for Finland without more nuclear power, despite the fact that the country has the highest share of biofuels in the world (about 20 percent) and that share is likely to continue growing.

Unsurprisingly, Finnish manufactur-

ers, which consume 55 percent of the country's electricity, strongly support the new plant—especially as old power plants built in the 1960s and 1970s will have to be phased out within the next ten to twenty years. However, the nuclear industry is finding Finnish public opinion more sensitive and volatile than in the past. Nevertheless, given Finland's current economic and technological boom, it seems likely that a fifth nuclear power station will eventually be approved. ☎



The Loviisa reactor located sixty miles east of Helsinki is one of Finland's four nuclear power stations.

By David Haworth

The Architect

During a period of unprecedented change, Paavo Lipponen, Finland's longest serving

The days of fractious politics in Finland, of which the country has historically seen so many, have been in almost complete abeyance for the past six years. This period coincides with Paavo Lipponen's tenure as prime minister—the longest continuous premiership in the nation's history—and while other factors also helped to bring this about, Lipponen will surely be remembered as the Architect of Calm.

He enjoys an approval rating of nearly 70 percent, indicating the electorate has settled on him for a long haul—rather as they once did with President Urho Kekkonen (who served from 1956–1981). He's liked, he's trusted, and he has all the characteristics that Finns most admire: an understated personality, a stealthy intellect, a man who keeps his own counsel unless there is something important to be said.

His personal life has kept him under benevolent scrutiny too, having remarried four years ago and has since had two daughters. He's an ex-journalist who studied social science and international politics and concluded his education with a year at Dartmouth where he was tutored in philosophy and the American novel. In 1997 he received an honoris causa from Dartmouth.

His resumé is as long as your arm, and it includes being international affairs director of the Social Democratic Party and the directorship of a publishing company and of the Finnish Institute of International Affairs. He's been on the boards of Finnair and OKO Investment Bank. For three years, he held the chairmanship of the supervisory board of the mining company Outokumpu. He was also chairman of the board of the Workers' Academy.

His sporting life has included the

captaincy of the Finnish Water Polo Team. Indeed, he's proud to point out he played in the international water polo league until the age of forty. In every possible direction, Paavo Lipponen has been an achiever.

Perhaps his greatest achievement, however, is that his domestic and foreign policies have acquired the tranquility of a lake in summer. Voices are easily heard across its surface, of course, but for the most part they seem untroubled, still less are they angry.

"I'm looking forward to visiting the USA later this spring," he says. "Finland has contacts with America on many, many levels, and the Finnish people have shown their solidarity with Americans in the present situation. It's also important, nonetheless, that I meet members of the new administration."

While no one doubts Lipponen's helmsmanship should crisis strike, he's ideally suited for the present. The man and the moment are perfectly matched, and Finnish-style, he's modest to a fault.

In an interview with *EUROPE*, he outlined his assessment of the state of Finland, beginning with the economy. "I think we've achieved a great deal in restructuring our public finances," he said. "We've got a surplus and the public debt ratio has gone down dramatically.

"We had a more or less national undertaking to get the public finances under control and bring down unemployment. It was nearly 20 percent and now has held steadily at just below 10 percent. At the same time—and this was the challenge—we were able to save the main elements of the welfare state—the basic services and the social security system. Simultaneously improving the competitiveness of the country was also vital."

Lipponen said his administration's

main task was to raise the employment level. To this end, one of the principle tools is to lift the retirement age. The Finns can currently claim their pension at the average age of fifty-nine. In the prime minister's view, this is too early. It's his plan to raise it by an average of two to three years and also make changes in the unemployment insurance system that, he claims, will have the effect of raising employment figures.

"Trying to stimulate longer participation in working life is of major significance for the welfare state's sustainability," he reasoned. "We're looking at the problem in the long term, a perspective of between ten and thirty years. By 2010, we shall have the most rapidly aging population in the European Union—along with Italy. This will be the most severe problem. By that time, the immediate postwar generation, which was, of course, a baby boom, will start to retire. So we have to be ready for that."

Lipponen stressed there were two other elements crucial to Finland's prospering. First, there was the political accommodation of what he describes as the "social partners," meaning the employers and the trade unions; this 'Nordic model', if you will, has proved so successful there is no alternative to the system on any party's agenda.

Second, Finland long ago established long-term research and development policies that have developed into an innovation system that is not only an expectation but also a habit. It, too, is paying off handsomely in a high-tech world where the name Nokia is better known than its country of origin.

These developments are in the foreground of a much easier geopolitical context for Finland. To the east, after years of subdued antagonism, there

ct of Calm

prime minister, continues to build his legacy



have been clear improvements in Finnish-Russian relations. To the south, the three small Baltic republics are expected to join the European Union soon. To the west, Sweden joined the EU in 1995 at the same moment as Finland.

"We're blessed by being in a relatively stable part of the world, as the north is," Lippinen commented. "I believe, particularly after September 11, that Northern Europe (which includes Russia, don't forget) will remain a stable region with excellent prospects for growth. Even before those events, it had good growth prospects because there were so many unused possibilities.

"But now I believe that with the reforms in Russia and the increased cooperation with that country, which have been made possible as a consequence, we shall see the utilization of Russian natural resources in a way which will not only be very positive for Finland but indeed for the whole of Europe."

Lippinen credits this turnaround partly to the Northern Dimension (see sidebar), an initiative that sought to improve relations and commerce among the Nordic nations and Russia. "An initiative which turns out to be the right one and not least for historical reasons," he observed.

"The Northern Dimension is now working. This year due to the active participation of the European Commission, the EU presidency, and financing institutions such as the Nordic Investment Bank, the European Investment Bank, plus the EBRD [European Bank for Reconstruction and Development], we have now put it together. It's operational."

He conceded, however, that not everyone is satisfied yet. There have been criticisms, especially from the Russians who want more influence on the whole project and a greater emphasis on infrastructure projects such as roads.

"If the Russians don't make greater investments themselves in environmental matters such as nuclear waste, this will not only affect Finland but the whole of the rest of Europe—in fact, everyone. For example, if we destroy the Baltic Sea, no one can benefit from that, and the trouble is that it's already half dead," the prime minister warned.

"But now I believe that with the reforms in Russia and the increased cooperation with that country, which have been made possible as a consequence, we shall see the utilization of Russian natural resources in a way which will not only be very positive for Finland but indeed for the whole of Europe."

"But I think the Russians mean business these days. They're serious about their orientation and their new-found cooperation with Western Europe and the United States. They're committed. For our part, we should respond positively because at the same time we know that they must complete their reform work and liberalize their markets.

"I also believe Russia has realized it needs the stability which this Nordic region can offer—indeed, which can be offered by the whole of the EU," Lippinen stressed.

As for the EU, he welcomes the prospect of its own reforms to ensure that the Union will work effectively after its enlargement. Follow-

ing September 11, it's even more important for the EU to be able to make a positive contribution, for example, to the Middle East crisis.

"I'm not in favor of institutional upheaval, though I do believe we need a greater institutional balance between the bodies to make them more effective," he allowed. "I think we require more qualified majority voting in the Council of Ministers and the Commission is needed to continue its traditional role."

The premier was proud to mention that Finland had just been ranked number one in the world for competitiveness. "But I thought that being in second place to the USA might have been a more comfortable position for us," he joked, adding: "Nonetheless, we want to stay on top and build on the strength we've developed. We're a determined people, and for the last hundred years, we've always been open to the world, new ideas, and technologies. We were the first Nordic country to introduce a telephone system. We were the second in Europe—after France—to have electric streetlights. So we Finns want to stay in the avant-garde."

With this preface, the prime minister, invoking his trademark calm manner, summarized his legacy: "Having the economy's fundamentals in place and also possessing a technological system which positively encourages competitiveness, I think Finland has achieved, well, not something perfect exactly, but certainly a condition which can be relied upon." ☺

North



ill the Northern Dimension come into its

own? It's a multifaceted idea aimed at increased cooperation between all the nations around or near the Baltic Sea and covering issues ranging from politics and environment to transport and commerce, among others, in a way that will also provide some counterweight to the EU's Mediterranean region, which hawks its own basket of priorities.



Russian President Vladimir Putin (right) welcomes Finnish Prime Minister Paavo Lipponen during a two-day visit to Moscow to discuss the economic ties between the two countries.

ern Dimension

At first, the Northern Dimension, or ND in diplomatic shorthand, was derided as something fanciful—even possibly disruptive—to the EU, representing to some, perhaps, as a bloc within a bloc. When the air cleared a little, it could be seen as a potentially important instrument that might help on two fronts.

First, the ND could facilitate the slow warming of EU-Russian relations whose ultimate objective is to achieve a stable and democratic Russia. Second, and this is very much related to the same point, the initiative could be a means for Western Europe to acquire long-term and secure supplies of new gas and oil from Russia.

The evident Russian ambition to reconstruct its oil industry and build new

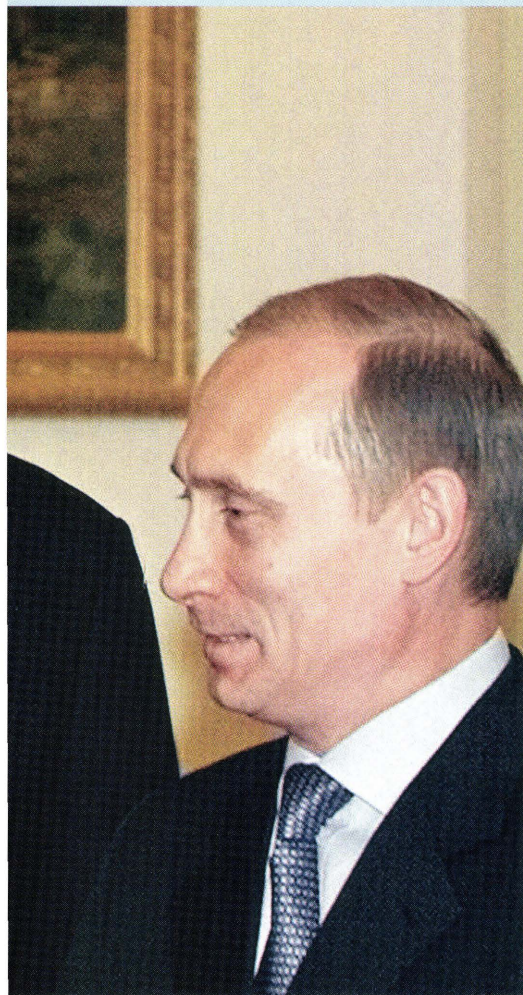
pipelines has put vim into the ND idea, not least because it will permit that country to outflank the OPEC members. The EU is determined to avoid a rerun of the 1973 crisis that crippled the global economy. A reliable Russian supplier of gas and oil seems an attractive, though distant, concept to EU leaders who in any case are keen to see the former Soviets “civilized” by East-West trade.

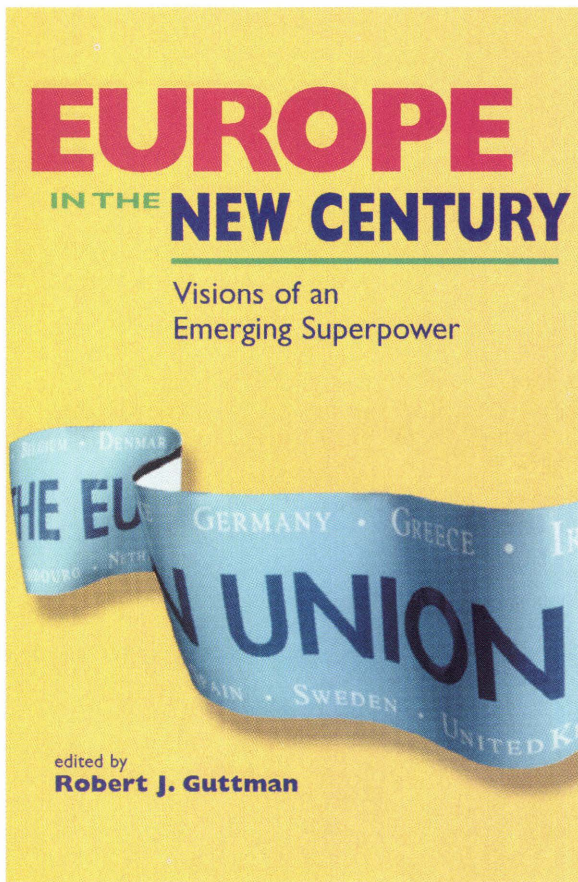
As Russia doesn't have any ice-free, deep water ports, pipelines into Finland and onward through the Baltic Pipeline System (BPS) to Germany and beyond are clearly an attractive addition to existing transit routes for Russian oil—mainly through Estonia and Latvia.

Naturally, there are difficulties. The Russians are impatiently stressing the need for short-term investment on their side of the frontier, while Finland (plus the other Nordic nations in particular) have anxieties about the environmental implications of opening up new highways for oil and gas pipelines whether across land or under the Baltic.

There is also the realization that Russian oil and gas interests are not quite the acme of Russian efficiency or corporate good behavior. The Russians have promised to reform both industries, and for both sides, a great deal is riding on Moscow's ability to do so.

—David Haworth





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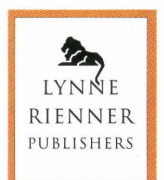
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EUROPE

update

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EUROPOL: A EUROPEAN FBI?

Following the September 11th terrorist attacks in the United States and realization that the Al Qaeda movement had developed extensive European operations, some US critics claimed that EU authorities in Brussels had no apparent, organized, coordinated approach to fighting terrorism, particularly at the level of member state police forces. They may have been looking in the wrong place.

"We opened a crisis center here on the evening of the attack and, ever since, have been directing our resources at countering terrorism, along with other forms of organized crime," said Willy Bruggeman, formerly a senior officer in the Belgian Gendarmerie and currently deputy director of Europol, the agency that comes closest to a European version of the US Federal Bureau of Investigation.

The European police office is nestled between a spacious park and a canal on the outskirts of the Hague, and since 1999, its secrecy-shrouded operations have been conducted in a complex of heavily guarded buildings, which are now being expanded. "With some fifty liaison officers from national law enforcement bodies (representing police, customs, and immigration, and intelligence agencies) and our own staff of some 300, we are collecting, analyzing, transmitting, and exchanging [with member states] all relevant information," Bruggeman told *EUROPE*.

He added that the anti-terrorist unit, which he expects will be expanded by twenty officers in the next five years, has started other, collaborative investigations with member state police forces and outside experts, but he declined to provide details. Other sources said that it is no secret that Europol has been actively participating in the ongoing investigations into plans by suspected Muslim terrorists to launch bomb attacks on European sites, including the US Embassy in Paris, and Strasbourg's cathedral.

"We are moving toward becoming an efficient European federal agency, and that will happen someday," said Bruggeman, who, with a doctorate in criminology and long experience in combating European drug trafficking, joined the agency seven years ago following its creation by the 1992 Maastricht Treaty. Operating on an annual budget of \$31 million, which makes it one of the largest of the dozen EU agencies established a decade ago, Europol is tiny compared to the FBI, founded in 1908, and currently operating on an annual budget of approximately \$3 billion. Former German chancellor Helmut Kohl frequently cited the US agency as his model for Europol.

The European agency's mission is similar: fighting organized crime that extends beyond terrorism to drug trafficking, prostitution, child pornography, illegal immigra-

tion, counterfeiting, and money laundering.

Despite highly sophisticated computer technology, an EU database, regular training programs, plus detailed crime-assessment reports by Europol's highly trained police officers recruited from EU member states, many obstacles remain, such as red tape; suspicious, uncooperative national police; and the slow-emerging European arrest warrant for serious crimes that presupposes cooperation among investigating magistrates in member states. "We have the authority, but at the end of the day, you cannot force them [national law-enforcement agencies] to cooperate," said Jörg Mölling, formerly with the German federal police in Berlin and currently a senior officer in Europol's drugs group.

"One of our priorities now is combating the synthetic drug ecstasy...most of its production is nearby—mainly here in Holland, Belgium, and Germany, with some in Spain and Britain—necessitating close cooperation here in Europe," Mölling said, indicating that a major crackdown on the drug's distribution networks is being planned. Just back from Washington, he added that Europol is close to signing a cooperation agreement with the US Drug Enforcement Administration. "We already have contacts with the DEA representatives in Brussels and other member states, but this will bring

us even closer in the area of drug trafficking." Europol is reinforcing North American ties with the FBI and the Royal Canadian Mounted Police, as well as with anti-counterfeiting agencies around the world.

Indeed, amid expectations that the introduction of the euro this year will lead to counterfeiting, two powerful so-called "euro forgery" databases were established, one at the Frankfurt headquarters of the European Central Bank and the other at Europol, along with training programs for police, customs, and finance ministry officials from not only member states but from neighboring countries. "With the dollar, the euro—because of the number of countries involved—may well become one of the most forged currencies in the world," said another Europol officer involved in the project, noting that organized criminal groups, including in Asia, will be taking advantage of widespread unfamiliarity with the new currency.

The main prerequisite for Europol's success, Bruggeman urged, is not only better EU-wide law enforcement, but the successful outcome of long, European Commission-backed efforts to establish a common EU system for administering justice that would, for example, significantly streamline or end the currently long, cumbersome procedures for extradition of those suspected of terrorism

EUROPOL: A EUROPEAN FBI? (CONTINUED)

and other serious crimes. With a view to obtaining agreement on these and other measures at the mid-December EU summit meeting in Laeken in Belgium, President Jacques Chirac of France and Chancellor Gerhard Schröder of Germany earlier jointly pledged their support for what they described as “an integrated police force” and establishment of a “European public prosecutor.” The latter, known as Eurojust, would establish an operation combining the talents of prosecutors, investigating magistrates, and police officers from EU mem-

ber countries, and would work closely with Europol using an EU arrest warrant.

“Organized crime and fighting it in Europe, while fully respecting human rights, is not new, but political support for our work is,” Brugge- man said, amid some criticism and warnings from European criminal defense lawyers and civil rights groups that such concentration of judicial and police power could lead to abuses and violate the rights of suspects. They add that there is no political accountability by Europol to the European Par-

liament, nor to national parliaments. Echoing the concern over legal rights in early December, European Commission President Romano Prodi warned that infringements on civil liberties could result from tighter, police-enforced security restrictions. “If we lose the advantage of democracy, of openness, that could be a problem,” he told the *International Herald Tribune*.

Europol officials respond that not only are there established legal procedures for suspects to obtain access to their protected files if proven to be justified, and that although the

agency does not report to the Commission or the Parliament, it is directly responsible to the EU Council of Ministers for Justice and Home Affairs, which appoints the director and his deputies and approves the budget. “What we do is supervised, legal, and democratic under the EU treaties and the Europol Convention,” said public relations officer Evangelos Stergioulis of Greece, formerly with the Hellenic police and its international police cooperation division. He adds, “You can call me a Eurocop, but I have no powers to arrest anyone.”

—Axel Krause

EU NEWS

Laeken Opens Way to EU Reform

The meeting of the European Council, held at the royal palace at Laeken, a north Brussels suburb, on December 14–15, was probably one of the most important ever held. It opened the way to a fundamental re-examination of how the European Union is run.

This should be the effect of the Laeken Declaration, setting out a road map toward the scheduled 2004 intergovernmental conference, which was unanimously agreed upon by the fifteen heads of state and government present. Its central paragraph reads: “The Union needs to become more democratic, more transparent, and more efficient. It also has to resolve three basic challenges: how to bring citizens—and primarily the young—closer to the European design and the European institutions, how to organize politics and the European political area in an enlarged Union, and how to develop the Union into a stabilizing factor in the new, multi-polar world.”

It then set out a long series of probing questions to be considered by a constitutional convention that, starting in March, will spend up to a year examining all these

questions in advance of the IGC. This convention will be more representative than any previous forum considering EU reforms, including members both of the European Parliament and the fifteen national parliaments, representatives of the thirteen applicant states for membership and of civil society, as well as the national governments and the European Commission.

The chairman will play a crucial role at the convention. Most member states would have preferred this to be Wim Kok, the much-admired prime minister of the Netherlands, who will shortly be stepping down. Kok, however, was a reluctant candidate, and French President Jacques Chirac forcefully pushed the candidacy of Valéry Giscard d’Estaing, who had been his predecessor as long ago as 1974–81.

Although Giscard d’Estaing is now seventy-five, EU leaders agreed to appoint him but decided to flank him with two rather younger and supposedly more forward-looking vice-chairmen. They chose two former prime ministers—Giulio Amato of Italy and Jean-Luc Dehaene of Belgium.

Two other important decisions were taken, both strongly influenced by the

post-September 11 mood. The European arrest warrant, greatly easing extradition procedures for thirty-two different crimes—not all terrorist-related—was finally approved. This had been held up by Italian Premier Silvio Berlusconi, who had earlier refused to apply it to more than a mere six offenses, but he had been talked round by Belgian Prime Minister Guy Verhofstadt, who chaired the summit, during a lightning visit to Rome two days earlier.

The summit also declared the EU’s Rapid Reaction Force operational, following a difficult negotiation with Turkey, which had previously held up the agreement under which NATO hardware and planning resources would be made available to the force. The effect of this decision was somewhat undermined by a Greek refusal to accept the deal with Turkey, and it was left to the Spanish presidency, which took over from the Belgians on January 1, to endeavor to get the Greeks back on side.

—Dick Leonard

Former French President to Preside over EU Convention

Valéry Giscard d’Estaing, the former president of France and veteran Eu-

ropean statesman, has been chosen to preside over the convention on the future of the European Union.

Although Giscard d’Estaing was president of France more than twenty years ago, he retains the aura and respect of a former head of state. He is well versed in constitutional questions and has no difficulty in challenging conventional wisdom.

He demonstrated this quality in his campaign (with Helmut Schmidt, then German chancellor) to launch the European Monetary System in 1979, which paved the way for the euro, and, more controversially, his successful advocacy of EU membership for Greece in 1981.

His task in the convention will be to guide the debate among national parliamentarians, members of the European Parliament, and national bureaucratic experts on three issues: the balance of power between Brussels and member states, the simplification of EU treaties, the incorporation of the Charter of Fundamental Rights into EU treaties, and the role of national parliaments.

Most experts believe he will press for a wider debate and that the convention’s members will be eager to follow suit. The next question is,

therefore, whether he can summon the political skill to persuade EU leaders in 2004 to adopt the convention's recommendations when they open their own intergovernmental conference (IGC).

The convention marks the first occasion that the EU has broken with the past tradition of closed-door meetings between bureaucrats and government experts to prepare the ground for the IGCs. These meetings have tended to encourage sterile debate and ritual exchanges of position before the frantic late-night bargaining between ministers and EU leaders at summits. This time, however, many of the sessions will be held in public. Crucially, national parliamentarians will have a seat at the table for the first time, raising the prospect of a genuine political debate.

—Lionel Barber

Portuguese Prime Minister Resigns

Portugal has been plunged into political turmoil with the resignation of Prime Minister António Guterres and the calling of early elections for March 17.

Guterres's departure was prompted by catastrophic results for his Socialist Party in nationwide local elections. With no majority in parliament, the government had long lacked direction and decisiveness, and its credibility never recovered after a bridge in northern Portugal collapsed last March, killing seventy people.

That disaster had immediate political consequences. Infrastructure Minister Jorgé Coelho, once seen as Guterres's likely successor, resigned within days. But the drama was fully played out only in December, when local elections allowed voters to punish the Socialists and hand control of Lisbon, Oporto, and other major towns to the center-right Social Democrats. The results did not affect parliament—evenly split between government and opposition—but Guterres felt bound to resign.

After consulting all major parties, President Jorgé Sampaio scheduled the election for March 17 (the constitution mandates an eighty-day notice period). The current administration will carry on until a new government is formed.

Social Democrat leader José Manuel Durão Barroso is aiming to sustain his party's current momentum until March, with or without the help of the right-wing Popular Party. The Socialist Party, meanwhile, is struggling to right itself. Eduardo Ferro Rodrigues, who took over as infrastructure minister from Coelho, has emerged as frontrunner to replace Guterres as party leader. But as a member of the outgoing government, he is finding it difficult to distance himself from it convincingly.

—Alison Roberts

Italy's Foreign Minister Resigns

The resignation of Italian foreign minister Renato Ruggiero on January 5 has sparked fears across Europe that Italy may be set to embark on a more aggressive and Euroskeptic course in its relations with the EU.

The departure of Ruggiero, one of the most experienced and pro-European ministers in Silvio Berlusconi's eight-month-old government, followed a week of spats with cabinet colleagues over EU-related issues.

Some say Italy's traditionally uncritical commitment to Europe might be changing. Rightly so, add others. Before Christmas, the government objected to the introduction of an EU arrest warrant, withdrew plans for Italy to join the costly Airbus project, and stymied the siting of several EU agencies.

Berlusconi, who insists Italy remains fully committed to Europe, says he intends to take over as interim foreign minister for six months, ostensibly to overhaul diplomatic services and orient them toward promoting Italian exports. But few think the

sixty-five-year-old media magnate has the time or stamina to run two key offices and point instead to the possible candidature as foreign minister of vice-premier Gianfranco Fini, leader of the right-wing National Alliance.

At the time, Ruggiero's appointment as minister was seen by many as an attempt to allay fears in the EU about the election of a government that included not just the xenophobic Northern League but also Fini's National Alliance, heirs to Mussolini's fascists.

If the resignation of Ruggiero will be a psychological blow, it poses no threat to the survival of Berlusconi's government. The center-right coalition enjoys a healthy parliamentary majority, and the opposition is too divided to mount any challenge.

That said, the resignation could hardly have come at a

more awkward moment—a week after the launch of the euro notes and coins and just ahead of the EU's special constitutional convention to discuss its future.

Some also fear reluctance from Rome could delay, even derail, expansion plans eastward. Several Italian ministers have already expressed concern expansion could penalize Italy's impoverished south by putting it in direct competition with economies with cheaper labor.

The Commission is confident of Italy's continuing loyalty to European integration. But the resignation of Ruggiero has raised questions about what the Italian government's EU policy is. With Italy assuming the EU presidency in fewer than eighteen months, those questions could gain urgency in the weeks to come.

—Stephen Jewkes

WHAT THEY SAID . . .

“It is because Europeans have seized the opportunity to play an active part in the euro changeover that we can already pronounce this unprecedented move a tremendous success.”

—Wim Duisenberg, ECB president during the first meeting of the bank's policy council following Tuesday's changeover

“The euro is a victory for Europe. After a century of being torn apart, of wars and tribulations, our continent is finally affirming its identity and power in peace, unity, and stability.”

—Jacques Chirac, French president during his New Year television address

“I am extremely satisfied with the course of the events. If somebody had doubts about the acceptance of the euro by the European people, I think these doubts have been laid to rest.”

—Pedro Solbes, European Commissioner for economic and monetary affairs

“This is a milestone in Greek history. Now we are part of united Europe.”

—Costas Simitis, prime minister of Greece

BUSINESS BRIEFS

As the novelty of freshly minted euro bills and coins fades, European policymakers are focusing on ways to prevent the twelve-nation euro zone sliding into the first recession in nearly a decade. With the euro zone economy likely to grow this year at its slowest pace since 1993 after expanding by only 1.6 percent in 2001, businessmen and bankers are calling on EU leaders to step up deregulation in several sectors, notably energy, and free up labor markets. "The euro has made clear the case for reform in Europe," said Edgar Meister, a member of the board of the **Bundesbank**, Germany's central bank. "Economic growth, which the euro can create, will not be given to us for free."

But with Germany and France, the EU's largest economies and the architects of the single currency, facing elections later in the year, prospects for reform at a time of rising unemployment aren't good. France is delaying further deregulation of energy and postal markets, and Germany blocked a law designed to ease mergers and acquisitions.

Governments can't spur economic growth by increasing spending or cutting taxes because the euro's so-called "stability pact" threatens to fine countries with budget deficits exceeding 3 percent of their gross domestic product.

Meanwhile, Wim Duisenberg, president of the **European Central Bank**, has warned interest rates may rise, further slowing economic growth if unions in Germany win wage increases that stoke inflation.

"We still have a lot of work to do to make our economy more competitive and to create jobs for our people," said European Commission President Romano Prodi.

•••
HSBC, the London-based international bank, paid \$63 million for 8 percent of the **Bank of Shanghai**, becoming the first foreign commercial bank to directly own a stake in

a bank in mainland China since the communist government came to power in 1949.

The deal, following agreement on opening up China's financial markets after Beijing joined the **World Trade Organization** in December, is expected to lead to more alliances between overseas banks and insurers in the run-up to full liberalization of the country's financial services in 2006.

•••
Standard Chartered, a London-based bank specializing in emerging markets, said it is studying options to expand its own mainland Chinese operation.

•••
Campari, the Italian drinks company whose brands include **Cinzano** and **Glenfiddich** scotch, paid \$207.5 million in cash for control of **Sky Spirits**, the maker of a popular vodka brand in the US. Campari said the purchase of a 50 percent stake in San Francisco-based **Sky**, on top of an 8.9 percent holding acquired in 1998, provided "a major growth opportunity in the US" that will strengthen its position among the leading spirits companies.

•••
US brewers stepped up their profile in the UK by acquiring the country's best-selling beer and forging a marketing alliance with its most famous soccer club. **Adolph Coors** bought **Carling Brewers** from Belgium's **Interbrew** for \$1.7 billion, and **Anheuser-Busch** made its best-selling Budweiser beer one of the main sponsors of Manchester United.

Colorado-based **Coors**, the third-largest US brewer, fought off competition from **Heineken**, the Dutch brewing giant, to secure **Carling**, the UK's best-selling beer with sales of more than 1 billion pints a year. The deal gives **Coors**, which generated 95 percent of its revenues in the US last year, one-fifth of the UK beer market.

Manchester United's deal with Budweiser is aimed at promoting the club in the US where it plans a tour in 2003. The club, which has a world-

wide fan base, and is particularly strong in Asia, has already signed a joint marketing deal with the New York Yankees.

•••
Vivendi Universal continued its spectacular transformation from a dull French water utility to a glamorous global entertainment company, with a couple of deals in the US that took its American spending above \$50 billion in just eighteen months.

Vivendi, the world's second-largest media group after **AOLTimeWarner**, paid \$10.8 billion for the movie and television interests of Hollywood mogul Barry Diller's **USA Networks** and \$1.5 billion for a 10 percent stake in **EchoStar**, the US satellite television group that is acquiring **DirectTV** for \$32 billion.

The deal with Diller gives Vivendi control of two leading US cable networks, **USA Networks** and **Sci-Fi**, which reach 160 million households, while the stake in **EchoStar** will give it a secure distribution platform for its movies, music, and video games in 15 million American homes.

The acquisitions have made Vivendi a major player in the US media market, which it entered in 2000 through a \$34 billion merger with **Seagram**, owner of **Universal Studios** and **Universal Music**. Before the two latest deals, US investors "were not treating us seriously as a credible player," according to chief executive Jean-Marie Messier. "We were seen as an exotic French company." But now Vivendi is recognized as "a tier-one media company."

Vivendi also continued its expansion in Europe, reaching agreement with media magnate Rupert Murdoch to buy his **News Corporation's** stake in **Stream**, a loss-making Italian cable television company that it will merge with its own Italian firm **Telepiu**.

•••
Nestlé of Switzerland, the world's largest food company, paid \$641 million to acquire **General Mills' 50 percent stake in Ice Cream Partners**

USA, a US premium ice cream company whose brands include **Haagen-Dazs**.

Nestlé, which already owned 50 percent of **Ice Cream Partners**, hopes the deal will sharpen its challenge to **Unilever**, the AngloDutch multinational foods and household products group that consolidated its position in the premium market last year with the \$326 million acquisition of **Ben & Jerry's Homemade Inc.**

The agreement with **General Mills** gives **Nestlé** a ninety-nine-year license to use the **Haagen-Dazs** brand in the US. It also bought out a licensing arrangement with **Pillsbury**, the food group acquired by **General Mills** last year, to manufacture and distribute **Haagen-Dazs** products in Canada.

Established in August 1999, **Ice Cream Partners** combined **Pillsbury's** **Haagen-Dazs** frozen deserts with **Nestlé's** novelty ice cream business, and has annual revenues of around \$700 million.

•••
RWE, the German multi-utility, took control of the Czech Republic's entire gas industry in a \$3.7 billion deal that also gives it access to a 1,519-mile pipeline transporting Russian gas to Western Europe.

RWE beat its German rivals **E.ON** and **Ruhrgas** for the Czech government's 97 percent stake in **Transgas**, the gas transporter, and majority holdings in eight regional gas utilities in the Czech Republic's biggest privatization.

—Bruce Barnard



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Lionel Barber reporting from London
Bruce Barnard reporting from London
Stephen Jewkes reporting from Milan
Axel Krause reporting from Paris
Dick Leonard reporting from Brussels
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By Sarah Naimark and Benjamin Jones

The 'Stans'

From ancient kingdoms to Soviet states to fledgling independent republics

Consider the plight of the five so-called 'Stan' republics of the former Soviet Union. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—all trace their histories back to antique kingdoms and peoples. Indeed, their very names refer to the two constants that have endured throughout the centuries: the people and the land. The istan suffix translates from Persian, the former lingua franca of the region, as "land"; therefore, Uzbekistan, for example, refers to the land of the Uzbeks, and so on. Swallowed and coughed up by a litany of regimes over the millennia, most recently by the Soviet Union, these ancient communities find themselves today as fledgling republics struggling to find their way in the age of globalization.

Centuries of politics and religion, famine and war have washed over them, yet these peoples have adapted to some of the most desolate and forbidding, yet heart-rendingly beautiful, terrain and endured some of the harshest occupying regimes. However, powerful invaders, including Alexander the Great, Genghis Khan, and various Russian czars, quickly found them easier to co-opt than to conquer.

Today, they face an array of challenges in a region beset by turmoil and tumult. For many powerful interests, these nations represent an important crossroads. The Muslim countries of the Middle East see them as important extensions of their sphere of influence, while Russia hopes to maintain its ties in the region. Festering border

disputes and historical tribal and clan rivalries also figure into the mix. Furthermore, vast reserves of unexploited natural resources, most notably oil and natural gas, have beckoned the world's energy conglomerates, which have injected major investments into many of these economies. Meanwhile, the international community continues to call on the Stans to improve their human rights records, strengthen their democracies, and reform their economies.

Expectations are exceedingly high all around, not least among the peoples themselves. However, one principle seems likely to persist—the people and the land will adapt and endure. They always have.



Defense Secretary Donald Rumsfeld speaks at a joint news conference with Uzbek President Islam Karimov (right) during his October visit to Tashkent to secure the accord allowing US troops to use Uzbek airbases.



Uzbekistan



On a mid-November morning at the Uzbekistan river port of Termez, two barges loaded with tons of European Union-donated flour shoved out into the Amu Darya River bound for northern Afghanistan. It was the first massive overland aid shipment to that unfortunate nation since the US-led war began six weeks before, and reporters from foreign news organizations gathered to chronicle the event.

That same week, at a news conference in Uzbekistan's capital of Tashkent, European Bank for Reconstruction and Development President Jean Lemierre announced new loans totaling \$104 million and earmarked to boost the Central Asian nation's eco-

nom ic development and lure more foreign investment.

Suddenly, it seemed, this little-known nation in a region that had been largely ignored for most of the past decade was receiving a lot of attention, much of it thanks to the fact that Uzbekistan shares a 100-mile-long border with Afghanistan.

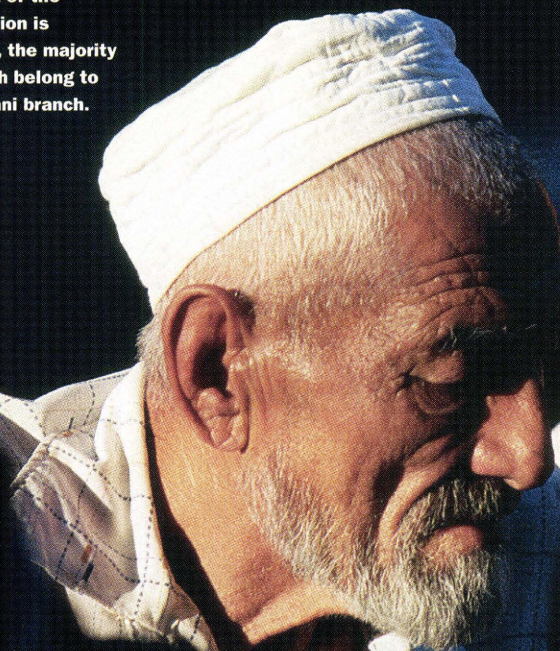
Regarded as almost a pariah state through much of the 1990s for President Islam Karimov's decidedly undemocratic practices, widespread corruption, and basket-case economy, Uzbekistan was one of those former Soviet states the West had largely given up on. But the United States, and especially the military, stayed engaged. US troops began holding joint exercises with their Uzbek counterparts in 1996, and teams of Green Berets made regular visits to train their hosts in small unit tactics and marksmanship. Several

dozen Uzbek officers attended American military schools.

These ties came in handy after the events of September 11, and while canvassing for nearby friendly nations that might say yes to hosting US troops massing for operations in Afghanistan, the Pentagon found a willing partner in Uzbekistan. The Russians, who like to think they hold sway in the countries of the former Soviet empire, at first raised objections to having US forces in their backyard, but then agreed.

Defense Secretary Donald Rumsfeld visited Tashkent to nail down the accord allowing US troops to use as many as three old Soviet airbases in Uzbekistan. One thousand soldiers from the Tenth Mountain Division, various Special Forces units, and some helicopter squadrons flew into the base at Khanabad for the first such American deployment in the former Soviet Union.

In Uzbekistan 88 percent of the population is Muslim, the majority of which belong to the Sunni branch.



In return, Washington promised to ensure Uzbekistan's security, presumably from the Islamic Movement of Uzbekistan, a group of Taliban and Al Qaeda-backed insurgents who make periodic raids from neighboring Tajikistan and Kyrgyzstan in their campaign to turn the country into an Islamic state.

Karimov, a holdover from Soviet times, has used the fundamentalist threat to crack down on those who deviate from the official form of Islam. Western human rights groups say some 7,000 Muslims have been jailed, and in a recent report, the State Department said that arbitrary arrests and police torture of Muslim activists is common.

With Uzbekistan, some US leaders are concerned that Washington may be repeating the mistakes of the past—embracing a thuggish government for short-term geopolitical gains. In October, Senator Paul Wellstone of Minnesota introduced an amendment to a bill that calls for a closer examination of the Uzbek human rights situation. In a visit that same month to Tashkent,

Mircea Geona, a senior official of the Organization for Security and Cooperation in Europe, warned the Uzbek government not to use the anti-terrorism campaign as a pretext to quash Muslim moderates and the legitimate opposition.

Karimov is used to being lectured by Western officials on the need for democratic and economic reforms. Rich in gold, natural gas, cotton, and other exportable commodities and products, Uzbekistan has to open up its economy, analysts say, leading to more foreign investment and greater prosperity for its 24 million citizens.

That was the argument made by EBRD President Lemierre on his visit that was scheduled before the events of September 11. "Uzbekistan has huge potential for foreign investment, but they really need to press forward with their reform efforts," explains Jazz Singh, the EBRD press spokesman for Central Asia. "They have to open up their economy and address corruption and corporate governance issues. Being in the global spotlight may just help."

Turkmenistan



While Turkmenistan can boast of having one of the world's largest re-

serves of natural gas, it remains one of the poorest and least developed of the former Soviet republics. Its president, Saparmurat Niyazov, was first elected in 1990, was re-elected in 1992, and has since extended his term indefinitely. Meanwhile, he has closed down all independent newspapers and outlawed opposition parties. His official title is Turkmen-Bashi, or the Father of All the Turkmen, and many streets, buildings, children, and even a brand of vodka have been named after him. The EU has described him as "authoritarian and repressive," and his despotic rule has led to many negative assessments of Turkmenistan's international record, including a Human Rights Watch condemnation as well as the country's suspension from European Union partnership.

Another plague that faces Turkmenistan, but not separate from its political situation, is its current environmental crisis. Due to poor irrigation plans, overused water resources, and sheer lack of foresight, the Aral Sea has receded drastically. As a result, the fishing industry has collapsed; agricultural productivity has suffered as salt levels increased in farmlands; and the life expectancy for Turkmen has decreased.

Religion represents another area of social concern for Turkmenistan. The country, which is 89 percent Muslim, is not known for its tolerance of other religions. Neither is the principle of gender equality widely accepted. In addition, Turkmenistan's Soviet-style economy lags badly behind the rest of Central Asia. It is \$2.5 billion in debt and relies almost exclusively on Russian pipelines, a potentially devastating dependency as Turkmenistan oil and gas revenues make up one-third of its budget. It received \$8 million from Technical Assistance in the Confederation of Independent States (TACIS) in 1999, but the situation remains volatile.

Turkmenistan declared "permanent neutrality" in 1995 but historically has been supportive of the Taliban in Afghanistan and was engaged in trade with the regime in recent years. Turkmenistan generally has poor relations with its surrounding "Stan brothers,"

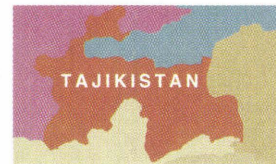


A Tajik woman sells vegetables in a Dushanbe market. Although its economy grew a respectable 5.1 percent in 2000, Tajikistan has the lowest per capita GDP among the fifteen former Soviet republics.

but still the international community is looking for its help in fighting the war against terrorism and in the construction of a potential successor government in Afghanistan. During his late-October tour of Central Asia, Belgian Foreign Minister Louis Michel, whose nation

then held the rotating EU presidency, stopped in Turkmenistan with his delegation during a tour of Central Asia to drum up support for the new war.

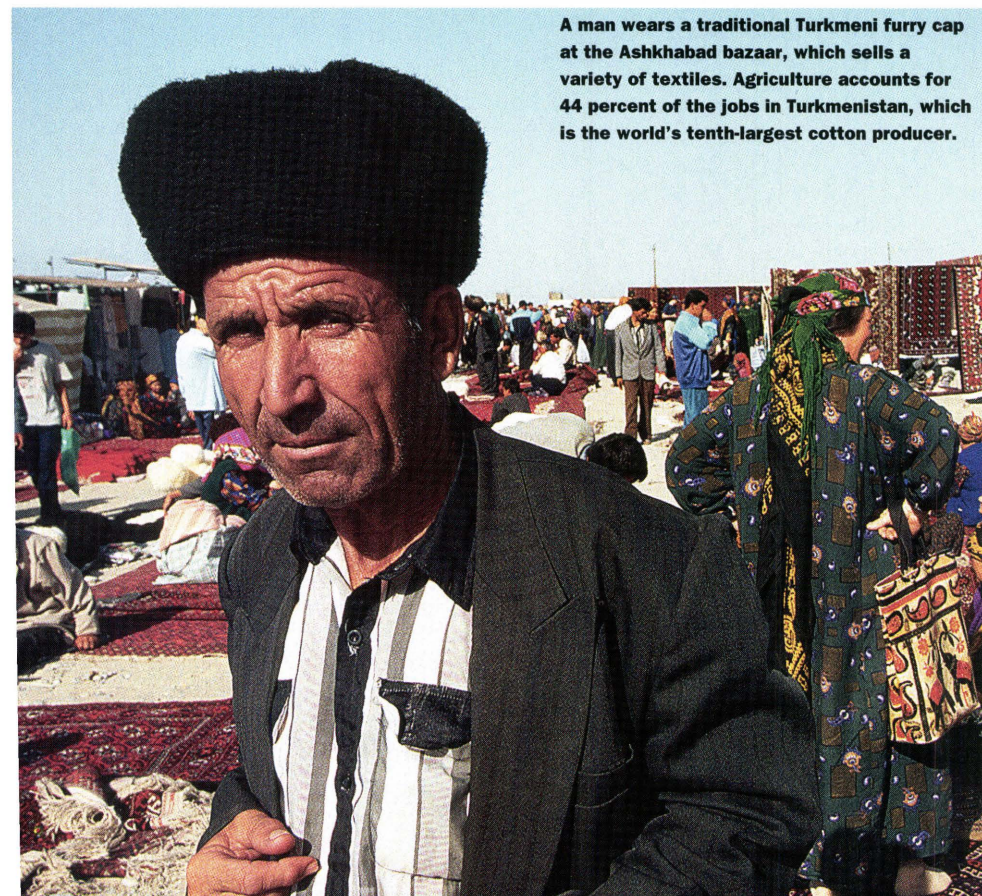
Tajikistan



Landlocked Tajikistan borders Afghanistan and is one of the most unstable countries in Central Asia. Not only does it have the lowest per capita GDP of the former Soviet republics but civil wars and government turnovers have ravaged the small country since it became independent in 1991. The next year, Islamic fundamentalists and post-Soviet tensions pushed the nation into a fierce civil war, which killed 40,000 people, produced more than 50,000 refugees, and displaced approximately 500,000 people. The war, which devastated the south, was ended with UN intervention.

Though a peace agreement was signed in 1997, making opposition parties legal, such parties have been slow to develop. Tajikistan's interaction with the international community has been complicated by disarray at the political level as well as random violence in the

A man wears a traditional Turkmeni furry cap at the Ashkhabad bazaar, which sells a variety of textiles. Agriculture accounts for 44 percent of the jobs in Turkmenistan, which is the world's tenth-largest cotton producer.



country. The instability of the nation has prevented a partnership with the European Union.

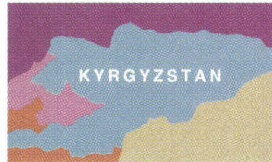
Primarily composed of Sunni Muslims, Tajiks are the only people among the "Stan" nations who speak a dialect of Persian. They are generally poor, with 80 percent of the population living below the poverty line. Tajikistan depends heavily on aid from Russia and neighboring Uzbekistan, as well as international humanitarian aid. The country's poverty has made it susceptible to the illegal drug trade and its proximity to the poppy fields of Afghanistan has made it a major shipping point for heroin to the rest of the world.

A drought and resulting famine, which hit Tajikistan in 2000 has left high rates of chronic malnutrition, as most of the rural population relies on tea and bread for their daily sustenance. The EU has committed more than \$89 million to humanitarian relief in the country since 1993. There has been a slight upswing in the economy, but for the most part, Tajikistan is in crisis. Fraught with conflict, debt, poverty, typhoid, border disputes, and food shortages, Tajikistan will have lit-

tle to offer the war effort besides its proximity to the conflict.

Nevertheless, its geographic location alone has proved vitally important to the war effort. Tajikistan served as a meeting point for top Russian and Northern Alliance officials to discuss concerted collaboration in late September. American jets bombed Taliban troops close to Tajikistan's borders and repulsed Taliban threats to integral Northern Alliance supply routes leading from Tajikistan. However, following a meeting between US General Tommy R. Franks and Tajik President Emomali Rakhmonov on October 31, 2001, the Tajik president said that he would only allow the US to use Tajik airfields for humanitarian aid.

Kyrgyzstan



Central Asian countries, but the increasingly authoritarian actions of its president, Askar Akayev, have disillusioned those who looked to the small

country to spread democratic ideals throughout the region. Akayev was popularly elected to his third term in October 2000, and some might attribute his landslide victory vote of 74 percent to the fact that main opposition candidates were forbidden to run. The EU noted "grave irregularities" in the elections, and they did not meet the Organization for Security and Cooperation in Europe (OSCE) standards for democratic elections. Despite Akayev's backsliding, he has pushed through some positive market reforms in his country, which is heavily dependent on Uzbekistan for oil and gas. After a successful stabilization program, inflation decreased substantially from 88 percent in 1994 to 15 percent in 1997.

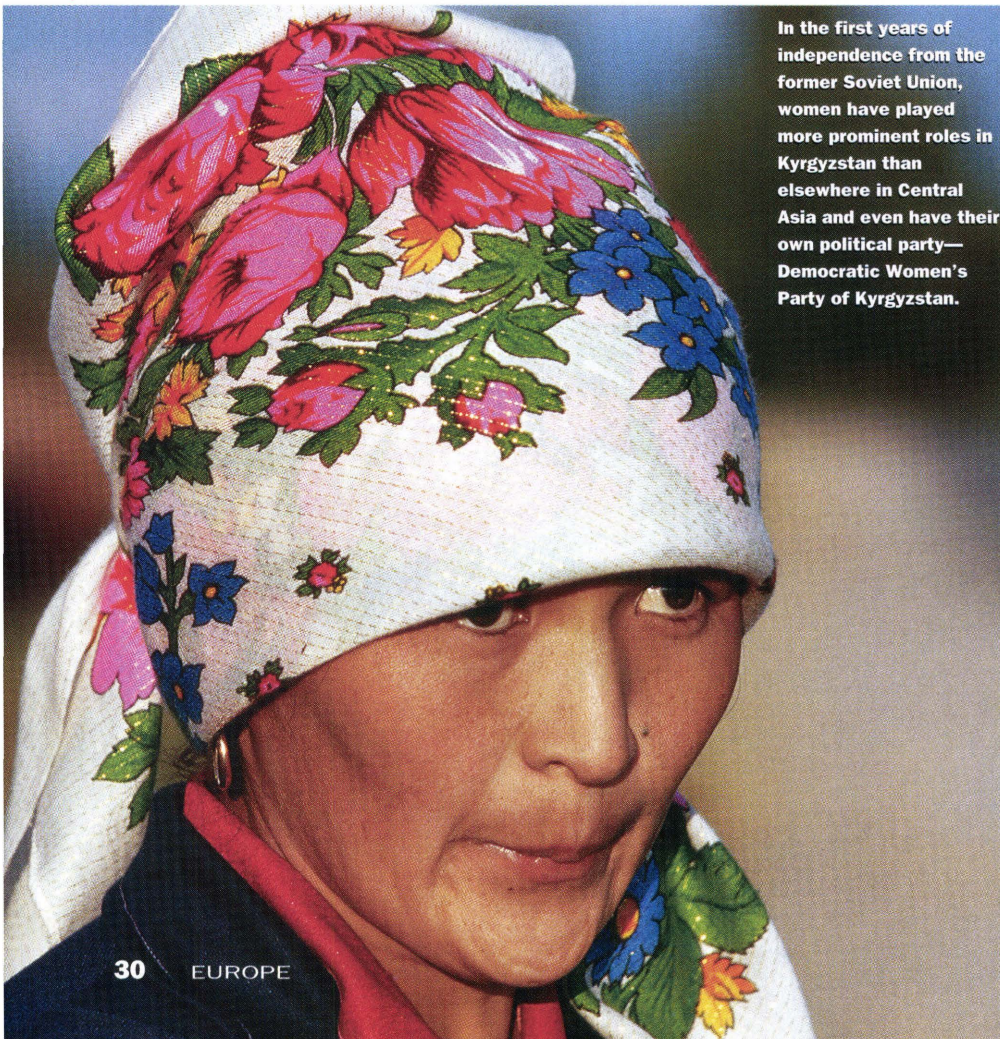
Of all the Central Asian countries, Kyrgyzstan has the most promising tourism industry; the physical beauty of its mountainous terrain lends itself to little else. It lacks the petroleum and oil reserves of its neighbors but holds the potential for significant hydroelectric power resources. The World Bank sought to realize this potential when it approved a \$5 million credit to help Kyrgyzstan harness the natural resource and reform its energy sector.

Seventy-five percent of Kyrgyzstan's 5 million citizens are Muslim. Like so many of the countries in the area, it faces a major problem as diminishing water supplies become polluted and water-borne diseases are spread through the country. On October 30, 2001, the US delivered \$5 million in humanitarian aid to Kyrgyz hospitals.

Although it is embroiled in border disputes with its surrounding countries (Uzbekistan tends to use its weight to intimidate it), Kyrgyzstan continues to pursue coalitions in the region. Last October, President Akayev met with Russian President Vladimir Putin and the leaders of surrounding republics to determine how to pool their resources against the hostile Taliban regime in Afghanistan. Although many of Kyrgyzstan's initiatives have focused on its former Soviet brethren, the country has not forgotten about its powerful southeastern neighbor, China, with which it shares a several hundred-mile border. In the wake of the war against terrorism, President Akayev stated his nation's relations with China were the best that they had been in 2,000 years.

Until recently, Kyrgyzstan was regarded as the most liberal of the Central Asian countries, but the increasingly authoritarian actions of its president, Askar Akayev, have disillusioned those who looked to the small country to spread democratic ideals throughout the region. Akayev was popularly elected to his third term in October 2000, and some might attribute his landslide victory vote of 74 percent to the fact that main opposition candidates were forbidden to run. The EU noted "grave irregularities" in the elections, and they did not meet the Organization for Security and Cooperation in Europe (OSCE) standards for democratic elections. Despite Akayev's backsliding, he has pushed through some positive market reforms in his country, which is heavily dependent on Uzbekistan for oil and gas. After a successful stabilization program, inflation decreased substantially from 88 percent in 1994 to 15 percent in 1997.

In the first years of independence from the former Soviet Union, women have played more prominent roles in Kyrgyzstan than elsewhere in Central Asia and even have their own political party—Democratic Women's Party of Kyrgyzstan.



An influx of Russian workers in the 1950s and 1960s and declining Kazakh birth rates have changed the ethnic mix of Kazakhstan where according to a 1999 census 53.4 percent are Kazakh, 30 percent are Russian, and the remainder are made up of Ukrainians, Uzbeks, and other nationalities.

Since it does not share a border with Afghanistan, Kyrgyzstan's role in the new war is somewhat limited, although plans are now underway to construct a counterterrorism center in the capital, Bishkek.

Kazakhstan



Like many of its neighbors, Kazakhstan has been severely criticized

for its election processes; the OSCE said that the presidential and parliamentary elections in 1999 were neither free nor fair. It maintains close ties with Russia, partly due to its president, who served as first secretary during Soviet times, and its substantial Russian minority, which accounts for 30 percent of the population.

But shady elections are not the only bone that the international community has to pick with Kazakhstan. On October 30, President Nursultan Nazarbaev announced that only local companies or joint ventures may develop future oil fields in his country and that foreign companies will not be able to do so alone. He also stated that any foreign

engagement in the oil sector must be completely transparent. Since Kazakhstan enjoys some of the world's richest oil and gas reserves, this new restriction poses a serious impediment for foreign companies interested in exploiting those resources. Observers expect the new rule to effect negatively Kazakhstan's position as one of Central Asia's prime spots for foreign investment. From 1993-1999, foreign investment totaled almost \$9 billion, half of which went into the oil and gas sector.

In addition to the turmoil in its resources industry, Kazakhstan is struggling with Uzbekistan for leadership of the region. Despite the Treaty on Eternal Friendship signed in 1997 between the two countries, the Uzbeks made claims in early 2000 on Kazakh territory, which has led to deteriorating relations.

Overall, the Kazakh economy is in relatively good shape considering its starting point. After faltering precariously after the Soviet breakup, it has been growing ever since and inflation has been brought under control. In 2000, Kazakhstan had a \$1 billion trade surplus and repaid an IMF debt early. Despite all these positive factors, widespread corruption, structural prob-

lems, and lack of privatization make the economy extremely susceptible to vacillations in world prices.

Kazakhstan is the EU's biggest trade partner in Central Asia, and it views the large country as an essential partner in regional cooperation. The EU has invested \$100 million in structural and institutional reform since 1993. Still, frequently changing laws, steep taxes, and corrupt officials hinder an open trade market.

Kazakhstan could prove an important partner in the new war against terrorism. President Nazarbaev said in mid-September that he was ready to join the anti-terrorism coalition and has been in contact with the Tajik president to discuss regional security. USAID announced on October 31 that it would purchase \$11.2 million worth of food and wheat from Asian countries to supply Afghanistan; it expects to buy \$6 million of that directly from Kazakhstan. **E**

Sarah Naimark is a freelance writer currently based in Florence, Italy. Benjamin Jones, a EUROPE contributing editor based in Madrid, profiled the former Soviet republics in February 1999.

Two female Afghan medicine students consult with a female professor at the Medicine University of Kabul in 1962.

ONCE UPON Afghanistan

Europe's prewar footprints in the troubled Central Asian republic

It was a cheap and cheerful red wine, rough as the hills it came from, and its only mark of distinction was that its Appellation Controlée, if the country ever thought of such a thing, would have said "Made in Afghanistan." It was the result of a 1960s Italian aid project, and the vines were just getting well settled in the hard soil outside Jalalabad when I first tasted it back in 1979, the vineyard's peak year of production. Then the Soviets came and then the civil war and then the Taliban.

What was left of the vineyard after Soviet looting was said to have been destroyed with flame-throwers by the intensely devout young Islamic theology students. They had heard that after the fall of Iran's shah the Revolutionary Guards had done the same to the fabled vineyards of Shiraz, probably the longest continuously cultivated grapes anywhere on earth. Wine connoisseurs may mourn the burning of Shiraz, but that far lesser tragedy of the Jalalabad vineyards, amid so much deeper slaughter and devastation, deserves at least a historical footnote as a reminder

that Europeans have tried to help Afghanistan before.

The signs of that European tradition have proved surprisingly durable, as the member states and the European Commission gear up for a massive humanitarian and development challenge. The European traditions go far beyond that rather touching letter that came from Kabul last May to the International Cricket Council in London, formally applying for Afghan cricket to join the game's global competitions. Alahdad Noori, fast bowler and team captain, wrote that the Afghan team had just played its first tour, against Pakistan, and had persuaded the Taliban to let them play in the usual white trousers and shirt, rather than Afghan dress. They had to keep the beards, however, but the Taliban did give them \$500 for new bats and balls.

At the National Museum in Kabul, now sadly looted of most of the treasures that once traced the country's history back to Alexander the Great and beyond, the devoted curators speak excellent French thanks to a

1970s program begun by France's culture ministry to train museum curators in developing countries. And in the old post office, which journalists used to have to visit to send their reports by telex, the clerks could speak German, as well as English and Russian, thanks to a special development project by Deutsche Post.

Back in what many Afghans now consider the golden age of the 1950s, 1960s, and early 1970s, one of the world's most underdeveloped countries suddenly found itself being bombarded with offers of aid. The Russians wanted to build a rail network from Uzbekistan, and the Americans thought they had better offer to upgrade the Khyber Pass road to Kabul and a second road through the Quetta Pass to Kandahar. The Russian rail system produced a bridge (over which Soviet troops were to withdraw in 1989) and just fourteen miles of track. But they did build the Salang tunnels through the Hindu Kush, opening the first reliable trucking road from the Soviet border to Kabul.

The old monarchy, which ruled until 1973, was delighted by these attentions. Until 1947, the British raj in India and the Russians to the north had tacitly agreed that the fewer roads that were developed in Afghanistan, the less likely armies could use the country as a springboard for attack. When the British left India and Pakistan in 1947, the old tacit understanding gave way to cold war competition. At first, it was relatively benign: roads versus rail, a Soviet hospital balanced by an American-funded airport, a Russian cement works and an Italian vineyard, courses for museum curators and postal clerks. But the putsch of 1978, which was more of an internal power struggle between two tribal factions of the tiny Communist Party, paved the way for the Soviet invasion and the country's twenty-two years of wars. Now at last, with the prospect of a settled peace emerging again, maybe there's a retired Italian wine maker with time on his hands and a taste for mixing adventure with a missionary vocation. Afghan wine could yet live again. ☺

Martin Walker, based in Washington, is United Press International's international correspondent and a contributing editor for EUROPE.

What Is the EU Doing for Afghanistan?

After Prime Minister Tony Blair of the United Kingdom invited his French, German, and other European counterparts to an informal dinner at Downing Street in November, they drafted an unusually blunt joint letter to President George W. Bush. It said that Europe stood absolutely firm with the United States but insisted that the response to terrorism had to include a "massive humanitarian effort" for Afghanistan and "a revitalized Middle East peace process." Recognizing that the US was devoting its main resources to the military campaign against the Taliban, the Europeans pledged their full backing for both these efforts and offered to take the lead in the humanitarian crisis.

They were well equipped to do so. Over the past decade, the European Union has been the main source of help to the Afghan people, battered by ten years of Soviet occupation and war, another ten years of civil war, and now three hard years of drought. EU programs built and financed the only system of rural health clinics in the country and provided clean water for more than 5 million people in one of the unsung triumphs of development aid in extremely difficult circumstances.

Now the EU is gearing itself for the double challenge of tackling a famine emergency as well as starting the much slower process of post-war reconstruction. Since 1991, the EU Commission has committed almost \$500 million in aid to Afghanistan, distributed through United Nations agencies, the Red Cross movement, and other non-governmental organiza-

tions. It committed another \$100 million in 2001, half of it through its humanitarian aid office (ECHO). The EU as a whole (the Commission plus the individual member states) has contributed in all roughly \$300 million this year for victims of the Afghan crisis.

The overall sums of money, says European Commissioner for Humanitarian Affairs Poul Nielson, can be less important than the mix of aid and services provided. Putting vast amounts of money into feeding centers at refugee camps can do longer-term damage by removing incentives for people to stay home and rebuild their own farms and communities. The priority, Nielson says, is "to respond to the changing needs on the ground. The new funding package includes funds for demining operations, which are essential to minimize casualties in a situation where large numbers of people are trying to go home. With so many unexploded mines and bombs and so many people on the move, the risks have increased significantly and urgent action is needed."

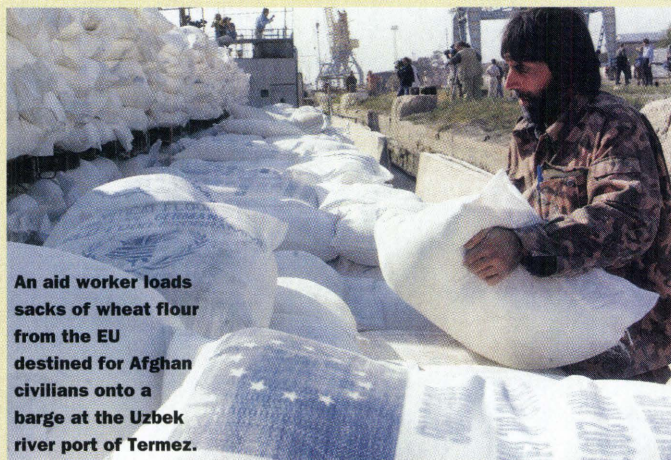
Before the terrorist attacks of September 11, the EU was the main outside provider for Afghan refugees, putting \$20 million into direct food aid and medical help, sanitation, and shelter in the refugee camps, mainly in Pakistan. After September 11, another \$25 million has been allocated to providing food stocks and medical supplies, with appropriate logistics, to large pre-positioned dumps outside the country, ready to be rushed in to feed people still inside Afghanistan once the

military situation permits.

At the end of November, another \$8 million was pledged to help Afghans remain in place rather than join the refugee trail. The money was earmarked for seeds, new wells, and farming tools, to ensure a new harvest next year. More money is being committed for demining the country, which is thought to have the largest concentration of landmines anywhere on earth. A rugged, mountainous country, only 15 percent of Afghanistan is arable at the best of times. The last

make offers of financial or other assistance.

There is a degree of self-interest in the EU actions. Most of the heroin on European streets comes from Afghanistan, and breaking that chain of opium harvesting and supply will hinge on the success of aid projects in helping the Afghan people to grow alternative crops and find alternative markets. But bringing some prosperity to Afghanistan will not be easy. Apart from some natural gas and lapis lazuli, the country has few raw materials to ex-



An aid worker loads sacks of wheat flour from the EU destined for Afghan civilians onto a barge at the Uzbek river port of Termez.

United Nations Development Program report estimated that only a third of this fraction was currently being farmed.

The EU has already committed \$25 million from next year's humanitarian emergency budget for Afghanistan, but that figure was expected to increase tenfold as a result of the donors' conference organized by the EU in Brussels in the week before Christmas. The US, Saudi Arabia, Russia, China, the British Commonwealth countries, and other interested parties were invited to meet to determine a priority list of projects for the international community to tackle and to

port and dreadful roads over which to export them. But EU leaders say they have little choice.

"The investment we make in sustainable development is as much part of our global security as the investment we make in our armed forces," says European External Affairs Commissioner Chris Patten. The aftermath of September 11 provides an opportunity to make that investment. Sustainable development is about winning a peace, not a war, but for that victory to be won, actions will have to follow words—and that is always the hard part."

—Martin Walker

Snuggle up at the Ice Hotel

By Ariane Sains

Frozen fingers fumbling, shivering in my long johns, I desperately try to zip up the thermal sleeping bag on my bed of ice. The zipper is stuck. My hands are turning numb. Finally, my husband gives a mighty tug and the bag zips. Feeling practically toasty, I settle a fur-lined cap on my head and snuggle down for what promises to be one of the most unusual nights I've ever spent.

This is the Ice Hotel, 100 miles north of the Arctic Circle in the tiny Lapland town of Jukkasjärvi, Sweden. The brainchild of entrepreneur Yngve Bergqvist, the Ice Hotel started ten years ago as a 540-square-foot igloo. Last season, it had fifteen suites, fifty-two rooms, the Ice Bar—one of its star attractions, a sculpture gallery, and a chapel.

Hotel designer Arne Bergh jokes that Bergqvist got the idea for the hotel when he was considering what Lapland had to offer. "He said, 'well, it's dark, it's cold, and we've got a lot of ice and snow. Now, how do we sell it?'" Bergh recalls with a laugh.

Joke or not, the Ice Hotel is a tribute to marketing genius. During the past December-April season, 11,000 guests paid at least \$180 to sleep in what guest Steve Langely quite accurately describes as a walk-in refrigerator. The hotel's indoor temperature averages about 20 degrees Fahrenheit. Another 40,000 paid \$10 each to tour the hotel during the day. Outside, it's worse. Of course, 75 percent of the sleepover guests are foreigners, led by the British. Most Swedes don't find ice and snow especially exotic.

The hotel is made from 30,000 cubic meters of ice, snow, and a material Bergh calls "snice," snow and

ice hosed down with water and then hardened. Snice is more resistant to melting than ordinary snow. That feature becomes crucial in mid-March when the sun comes back to northern Sweden and the Ice Hotel begins to melt.

Like an Arctic Brigadoon, the Ice Hotel appears each year in mid-December and vanishes at the end of April. It takes fifteen people six weeks to build it at a cost of \$500,000, some of which is offset by corporate sponsors. Designers in the Nordic countries are invited to indulge their fantasies by creating suites and common areas, with only one caveat—everything must be made of snow and ice.

That leaves plenty of room for creative effort. In the great hall, over a massive ice dining table and chairs, an ice chandelier twinkles. Each prism-like pendant, a dead ringer for crystal, is set with fiber-optic wire so it can be lit and not melt. Suites have sculpture ranging from Viking long boats to a life-sized bear. And then there's the bathroom, with its ice toilet, frozen bather, and a sign reading: "warning, broken pipes."

Every year, says Bergh, a few guests are actually convinced they will be expected to use the ice toilet. In fact, there are normal, heated toi-

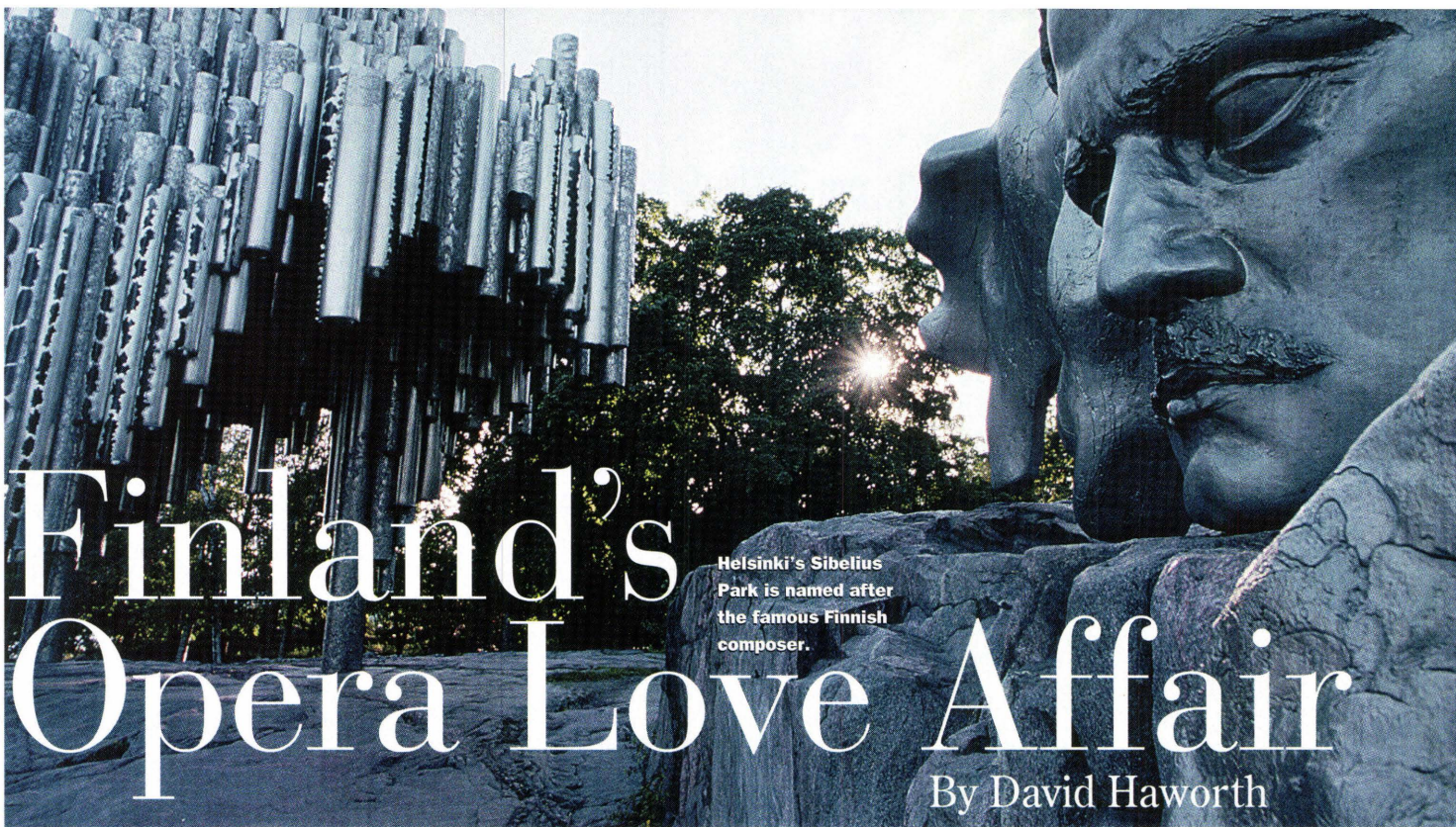
lets in the activity center adjacent to the hotel, reached by a series of winding ice corridors, which are

electrically lit. Guests are woken early in the morning with a warm lingonberry drink, Sweden's answer to cranberry, and then make the dash for the toilets. Showering, however, is at the hotel's sauna building, for men, or at the inn across the way for women.

Since one night in the hotel is an experience but two could be considered masochism, guests can also stay in the heated bungalows surrounding the hotel, which have proper plumbing and small kitchenettes. They aren't luxurious, but they are warm.

The hotel offers a wide range of winter sports, as well as dogsledding, but activities aren't cheap. Prices in the nearby city of Kiruna can be as much as 30 percent less. While breakfast is included in the rate, dinner and lunch are not. There are only two restaurants in the hotel's vicinity, and although the food is good, it isn't inexpensive. Still, most Ice Hotel guests consider that just part of a very cool experience. ☺

Ariane Sains, based in Stockholm, is a EUROPE contributing editor.



Helsinki's Sibelius Park is named after the famous Finnish composer.

Finland's Opera Love Affair

By David Haworth

Music lovers are well aware of the prodigious creativity of Finland's opera scene. Finns are particularly fond of opera, and their opera houses and arts councils attract many talented composers and performers from all over the world. Furthermore with fewer than 6 million citizens, the country is remarkable for the number and variety of its original opera productions—much of it drawing deeply on national experience.

At least fifteen contemporary Finnish operas in slightly more than as many months have been produced during this 'boom', which culminated last fall with the celebration by the Finnish National Opera of its ninetieth anniversary.

Historically speaking, by the mid-1990s, Finnish composers had written approximately 160 operas. This record is the more remarkable because until 1993 the nation didn't have an opera house that was up to international standards.

Previously, the tiny, though picturesque, premises of Helsinki's Alexander Theater (formerly used for the entertainment of czarist army officers) were used to stage operas. Because some thought precious resources should be spent on other, more mundane, projects it took decades of rancorous debate before the long-planned replacement on the northern edge of Toole Bay and close to the city center opened its doors for approximately 300,000 visitors every year.

At the time, it was the most technologically advanced opera house in the world. It also accommodates the Finnish National Ballet that will celebrate its eightieth birthday this year. Experts had scrutinized the earlier construction of the new opera in Paris—and learned from French mistakes. Quite apart from its precision engineering and superb acoustics, the modernist use of marble and wood in the interior represents an understated perfection that, once experienced, will not be forgotten.

Of course, any reference to Finnish music conjures up composer Jean Sibelius (1865–1957). This is fair enough as far as symphonic music is concerned, but today the country's musical calling card is opera; against the trend in many parts of the world, opera has flourished in Finland during the past decade and become internationally recognized. The National Opera Company aims to commission and produce at least one world premiere of a Finnish opera every year.

Some critics have referred deridingly to these as "fur cap operas," but this is unfair. Each season, approximately twenty productions are mounted, classics as well as works by contemporary Finnish composers, who for the most part are moving well away from characters with snow on their boots to avant-garde concepts involving sports icons, comic strip characters, and historical figures such as Martin Luther King.

Government support and corporate sponsorship is generous. It has to be: For every fifty euros taken at the box office, at least 100 more are needed in subsidies. Apart from the new opera house, the most ostentatious manifestation of the Finnish opera tradition takes place every summer in Savonlinna, Karelia. The productions, which include both Finnish operas as well as classical favorites, are staged in a fifteenth-century island fortress and provide a major draw for foreign tourists and attract wealthy visitors from the capital.

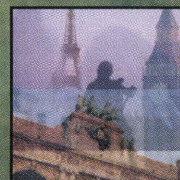
During the past fifteen years, Finland has produced several major opera composers, including Einojuhani Rautavaara, Aulis Sallinen (whose *Kullervo* was premiered in Los Angeles and his *The Red Line* was produced in New York), Paavo Heininen, Mikko Heino, Kalevi Aho, Erik Bergman, and a woman, Kaija Saariaho.

The new international star from Finland, Karita Mattila, who appeared at the New York Metropolitan last November, will soon be performing a new Saariaho song series in London and Paris.

Many of the best professional talents have graduated from the Sibelius Academy in Helsinki, but the monopoly once enjoyed by that institution has gone. Finland now boasts eleven music conservatories—further indicating that musical life in Finland has never been stronger. ☺

CAPITALS

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



A border police officer
guards the German
chancellery in Berlin.

Homeland



In the wake of the September 11 attacks and the subsequent anthrax assaults, much discussion has ensued on the topic of homeland security. Indeed, the fact that the Bush administration was compelled to create a new cabinet-level position and distinguish it from “national security” signifies a major shift in American thinking: Beyond its geopolitical interests, America’s *territory* needs to be protected.

The idea of homeland security, however, is not a new one for Europeans. Where Americans, before September 11, could count only one day—December 7, 1941—that it faced a direct attack from foreign forces in the almost two centuries since the War of 1812, Europeans have endured the terror and destruction of numerous invasions and wars during the same period. As a result, they are much more attuned to the idea of protecting their territory, and their governments have long experience in developing detailed homeland security policies. In many ways, however, the September 11 and anthrax attacks represent new threats and pose new questions for leaders on both sides of the Atlantic.

With all this in mind, we asked our Capitals correspondents to address the issue of homeland protection in their respective countries.

Security

BRUSSELS

STATE SECURITY SERVICE

The Belgian government has appointed no Tom Ridge-style figure to oversee internal security since the September 11 attacks. Instead, it has relied on an organization set up in the very first days of Belgian independence, in 1830, to ensure the integrity of the realm.

This is the Sûreté de l'Etat (State Security Service), a secretive body which operated with little public control and no clearly defined powers until 1998 when the Belgian parliament passed a law strictly defining its mission. The question now is whether this law is not so strict that it will seriously inhibit the Sûreté from pursuing an effective struggle against international terrorism.

Under the 1998 law, it is not permitted to intercept communications (phone-tapping or e-mail interception), and its agents may not infiltrate suspect groups. They have no powers of search and only limited powers of arrest. It has no agents working abroad.

The Sûreté's official spokesman, Jean-Baptiste Desmet, describes it as "a defensive service," whose main task is information and intelligence gathering. This includes, notably, monitoring the media and increasingly the Internet.

"In recent years, our information sources have increased by twenty thousand percent," Desmet recently told a Brussels newsweekly. "Our job consists of sorting out the worthwhile material and leaving the rest behind. That's why our staff includes polyglot and trained monitors."

They also keep a careful watch on "suspect" organizations—ranging from the far right to the revolutionary left and including Islamic extremists and "dangerous sects." Under the new law, the Sûreté is forbidden to infiltrate its agents into suspect groups, though there is evidence (officially denied) that this was a widespread practice before 1998.

The suspicion remains that the Sûreté may still be operating in illegal ways; a left-wing activist recently claimed that telephone bugging was commonplace. "It's certain that interception goes on," he said. "It can't be used as proof, of course, but it's a source of information."

The Sûreté strongly denies that it is breaking the law, but publicly complains about the constraints under which it op-

erates, for example about restrictions on its use of informers. "We are not allowed to work with any informer with a criminal record, or to use such enticements as blackmail or immunity from prosecution," Desmet told a journalist.

Many people now believe that the government has given the Sûreté a nod and a wink to get round the 1998 law. It would be far better if it were to be repealed and replaced by a new law expanding the Sûreté's powers. This should incorporate firm human rights guarantees and the institution of a strong control commission under direct parliamentary authority.

—*Dick Leonard*

BERLIN

TERRORIST HAVEN CRACKDOWN

Within a week of the September 11 attacks, Germany's governing coalition approved a sweeping package of anti-terrorism measures. Chancellor Gerhard Schröder's cabinet earmarked nearly \$1.5 billion worth of funding to strengthen the military, the federal border guard, the federal prosecutor's office, and the intelligence agencies. And that was just the beginning.

Having failed to address effectively the threat of international terrorism in the past, Germany is now taking a far more proactive approach. The country has woken up to the fact that its data protection laws and liberal social policies have been systematically exploited by terrorists, including those who directly planned and executed the attacks on the World Trade Center and the Pentagon.

Of the four kamikaze pilots involved in the September 11 attacks, three had lived in Hamburg. Among them was the alleged ringleader Mohamed Atta. Other suspects with German ties are still at large. The head of Germany's federal crime office says that Islamic militants may have lived undercover in Germany for up to fifteen years.

These revelations helped motivate the country's lawmakers to swiftly amend the penal code and alter statutes pertaining to private organizations. The government had long been considering these reforms and the events of September 11 gave the legislation added urgency. On September

19, the cabinet approved a bill for "the abolition of religious privilege in the law on private associations." Specifically, the change applies to: fundamentalist Islamic organizations who do not reject the idea of perpetrating violence against persons of a different faith in order to impose their beliefs; organizations with profit-making or political objectives that claim for themselves the status of a religious or a belief-related organization; and religious sects that commit murders or engage in mass suicides.

Regarding the penal code amendment, its purpose is to enable the prosecution of persons associated with terrorist organizations based outside of Germany. In the past, involvement in a criminal or terrorist organization was punishable only if that organization existed in some formal sense inside the country. The new law recognizes the international nature of terrorist activity.

Beyond these basic legal measures, the government is spending hundreds of millions of dollars on additional staff

Schröder's cabinet earmarked nearly \$1.5 billion worth of funding to strengthen Germany against terrorism. (2,320 extra personnel are being taken on) and equipment for all sections of the country's security apparatus—intelligence gathering, law enforcement, immigration, and the judiciary. Information sharing among the various security branches is being expanded and expedited, and the types of information they are allowed to gather are also being broadened. Investigators will have increased access to personal data such as banking records, making it easier to follow suspicious paper trails. Additionally, foreign nationals who threaten Germany's "basic order of democratic freedom" or use violence for political ends will

face deportation. Workers in security-sensitive locations such as hospitals, broadcasting stations, and power plants will have to undergo a security check. And official clearance is being given to more than two hundred armed sky marshals.

Most controversially, biometric identity cards are likely to be introduced. That has raised concerns about an erosion of civil liberties. Many Germans fear that homeland security will be achieved at the expense of personal freedom. But that doesn't seem to bother German Interior Minister Otto Schily. His mantra since September 11: "There can be no freedom without security."

—*Terry Martin*

DUBLIN

TERROR CHECKS

Given the island's history, and the Irish Republic's turbulent birth in the early decades of the past century, it's perhaps not surprising that internal security matters have always loomed large on any Irish government's agenda—whatever the government's political flavor or social makeup. The bomb and bullet have been part of Irish "culture" for so long that no one should be surprised to learn that the Irish have more experience than most other European countries in combating home-grown terrorism. But the events of September 11 in the United States have presented an Irish reexamination of old and new measures to counter international terrorism as well.

In the Irish Republic, there are no specific terrorism offenses labeled as such, but the Offenses Against State Acts (OASA), first introduced in 1939 at the start of World War II, contains very harsh measures in relation to "unlawful organizations." And these include the criminalization of membership of such groups.

The definition of "unlawful organizations" covers any terrorist grouping operating in the country, although Irish law does not provide for specific terrorist offenses labeled as such. Persons suspected of terrorist-type offences are charged with the appropriate criminal offence—murder, causing an explosion or whatever else may seem appropriate.

However, Ireland does have strong and specific provisions prohibiting "unlawful organizations." These apply to any terrorist organization and are, in practice, used against subversive organizations. Penalties for terrorist offences are severe, with life imprisonment as the maximum (there is no death penalty). Irish ministers say they have found that application of the general criminal law and the specific laws dealing with "unlawful organizations" have worked well.

The 1939 OASA, still on the statute books after more than sixty years, gives the government a range of powers that seriously distress civil liberties' organizations but appear to have rarely troubled the main political opposition or the wider public.

The OASA has been used by almost every government over the intervening years, and was significantly strengthened in 1998 in the wake of the horrific 1998



car bombing atrocity in Omagh, County Tyrone, in which twenty-nine men, women, and children lost their lives, and more than 100 were maimed or injured.

That horror was perpetrated by the so-called "Real IRA" (RIRA), a splinter group which disagreed with the Provisional IRA calling a ceasefire in its campaign against the security forces in Northern Ireland and its endorsement, through its political wing Sinn Féin, of the Good Friday peace agreement brokered earlier that year by Senator George Mitchell.

Justice Minister John O'Donoghue, a lawyer and the man ultimately responsible for policing "homeland security," immediately brought forward amending legislation to significantly strengthen the existing acts.

Wide-ranging powers were handed to the Irish police, restricting the "right to silence" in terrorist-type cases and introducing new offences such as directing the activities of an "unlawful organization" punishable by life imprisonment.

The provisions were probably the harshest ever introduced by an Irish justice minister, even prompting Prime Minister Bertie Ahern to label them "Draconian."

Further new and wider criminal legislative measures are currently under way, prompted by the United Nations Security Council Resolution of September 28 and the conclusions of the EU Justice and Home Affairs Council and the European Council.

These include bills ratifying EU and UN conventions on extradition, suppression of terrorism financing and bombings, the taking of hostages, prevention and punishment of attacks on internationally protected persons, and a parliamen-

tary motion on the marking of plastic explosives.

However, EU moves during the Belgian presidency to agree on proposals to replace existing extradition arrangements with a European arrest warrant did cause some concern in Ireland and in other states with different legal systems. The arrest warrant idea emerged in the immediate aftermath of the September 11 attacks and was aimed at ending the sometimes lengthy extradition procedures between member states.

But Ireland was among several countries with reservations, seeing them as too broad and likely to conflict with national judicial and legal procedures. The Irish government wanted crimes covered by the EU-wide warrants to list specific crimes rather than categories and to remove a mandatory clause on the extradition of suspects within sixty days. Justice Minister O'Donoghue took the view that a mandatory deadline could raise constitutional issues, being seen by the courts as an unwarranted interference in their independence. Minister O'Donoghue, while underscoring the point that each country in the EU has its own legal and constitutional requirements, says: "We are all equally determined to take joint and effective measures in the fight against international terrorism—measures which, of course, must be acceptable to our respective parliaments and citizens."

Ireland, he told me here in Dublin, will not be a safe hiding place, adding significantly: "I am confident that agreement will be reached on the outstanding issues and Ireland, along with our EU partners, will be at the forefront of the ongoing fight against international terrorism."

—Mike Burns

LONDON

HOME OFFICE'S MI5 AND MI6

As part of the global move to intensify the battle against international terrorism the UK government introduced tough new laws in an emergency anti-terrorism bill that caused considerable controversy at home, mainly because of a clause that permits the detention of terror suspects without charge.

The law was drawn up by the Home Office, which is in charge of domestic security in the United Kingdom. It is responsible for the domestic security service MI5, which is the equivalent of the FBI and its work is supplemented by MI6, the CIA equivalent. Similarly, the anti-terrorist branch of the police, though independent to a degree, is also funded by the Home Office.

So, in effect, Home Secretary David Blunkett is the equivalent of Tom Ridge, the former Pennsylvania governor, appointed by President George W. Bush as director of homeland security in the wake of September 11.

The home secretary also heads the Civil Contingencies Committee that looks at matters such as potential terrorist attacks in all aspects, including biological attack. It is responsible for the logistics of how to react to the event when it happens.

The home secretary said he needed the additional powers to detain suspected foreign terrorists if they are nationals of countries with which the UK has no extradition agreement, or if the suspect might be tortured or killed by the country to which he or she was to be deported. Civil rights groups criticized the proposals as “alarming and ill conceived.” They accused the government of abandoning civil liberties. John Wadham, director of Liberty, a civil rights group, said the proposals would “punch a hole in our constitutional protections.”

Blunkett dismissed criticism about civil liberties as “airy fairy” and denied that the plan amounted to internment, explaining that the declaration of a state of emergency was just a technical device made necessary to avoid infringing EU laws.

The UK has to opt out of sections of the European Convention on Human Rights that bans arbitrary detention by declaring a state of emergency; the legal formality required under the European convention rules. Civil liberties’ groups

pointed out that no other EU country felt the need to abrogate from the convention.

The most controversial part of the new bill is indefinite detention by secret trial—the suspects will be tried by a judge without a jury; the hearing will be held in secret, beyond public scrutiny; and the judgments and the evidence on which they are based will be kept secret. Following parliamentary criticism the government amended the proposal so that the law would have force for only five years.

The prime minister’s office said, “We are absolutely determined to get the balance right between human rights and society’s right to live free from terror.”

The Guardian newspaper commented that “the UK already has the most draconian laws in Europe for deterring and monitoring suspected terrorists... it is important to ensure that the freedom for which the current war on terrorism is being waged does not end up destroying the fundamental rights of citizens at home.”

But is the new law enough? Not according to Air Marshall Sir Tim Garden who told a recent conference in London that the UK should at least realize that “if this war is going to be fought on our home soil we ought to start protecting that turf properly.”

He wants a British equivalent of America’s chief of homeland security, as well as a new role for the Territorial Army, comparable to the National Guard, and extensive retraining of the police—so that they can protect us against an enemy that strikes not on the battlefield, but on our planes, in our cities, and even via our morning post.

—David Lennon

COPENHAGEN

PROBLEMATIC ANTI-TERROR PACKAGE

September’s terrorist attacks on New York and Washington left no doubts that battling terrorism is a global responsibility. In Denmark, this responsibility for maintaining world order instigated the then Danish government to present an “anti-terror package”—a bill that would adjust Denmark’s penal legislation to contain the threat of international terrorism.

The bill, which was presented on October 30 last year, challenges legal rights

that are perceived as fundamental to most Danes. It radically tightens up the punishment for criminal acts committed with a terrorist aim and allows the state to extradite Danish citizens wanted for terrorist acts. It calls upon telephone companies and Internet providers to register traffic data and grants the police wider authority to conduct furtive searches. In addition, the authorities may expel foreigners from Denmark if they are considered dangerous to state security or society.

Although backed by a majority in the Folketing, the Danish parliament, the bill was met with furious protests from legal experts, the media, and human rights organizations, which accused it of inhumanity and destruction of the legal ethics of a modern democratic society. Fears were voiced that, by sheer eagerness to act, democratic rights would be put at risk. Ultimately, society would surrender itself to an essential terrorist weapon—fear.

“The bill is a poor piece of legal work, only carried out because of a massive political pressure for action,” said associate professor of law at the University of Copenhagen, Jørn Vestergaard, to the Danish daily *Politiken*. “The government has put forth plans that are neither called for or well-prepared, raising grave problems for legal protection in Denmark,” he stated.

The Danish Center for Human Rights has asserted that the bill was excessive in its attempt to contain terrorism as well as weak in its definition of terrorism. The organization noted that the proposal to grant the police wider surveillance powers was out of line with European human rights conventions and that the revised extradition measures will conflict with anti-torture conventions.

The Danish tabloid *Ekstra Bladet* commented on the extradition issue, naming it the most frightening part of the anti-terror bill: No civilized country would put its citizens at the mercy of another country. Nevertheless, that is where the government is heading—backed by a solid parliamentary majority. The intention is obvious: Some Danish citizens are more Danish than others, the paper raged, thus linking the bill to domestic immigration issues.

After a month of thoughtfulness, the Danish legal societies uttered their opinions as well. “If the anti-terror bill is passed, Danish society will no longer respect the security of life and property,” spokesman for the Danish Association of

Appointed Lawyers, Thomas Rørdam, told *Politiken*, urging Danish politicians to be levelheaded.

Meanwhile, the newspaper *Jyllands-Posten* underscored the necessity of acting cool, calm, and collected in the current crisis, warning that hasty countermeasures against terrorism might threaten democratic rights. "The bill is, putting it mildly, out of order with the principles on which a democratic society is built," the paper stated.

Twenty days after the anti-terror bill was presented, the Danish general election put a stop to nine years of center-social democratic leadership, handing over power to a new liberal-conservative government. However, Jens Kruse Mikkelsen, head of the ministry of justice department, which is responsible for the anti-terror bill, does not expect this change of government to have much effect as the bill is backed by social democrats, liberals, and conservatives. "The new minister of justice may wish to make certain changes," he says. "But only specific details are likely to be changed—not the general lines."

— Maria Bernbom

HELSINKI

NORDIC READINESS

One of the Finns' most unnoticed characteristics is their capacity for stealth. Most obviously, it shows in their hunting and fishing skills—hunting especially. To get in the proper position to drop a moose or a bear, evading the acuity of those creatures' hearing and sense of smell, takes an immense skill that has been passed down through generations.

It was a facility that terrified the invading Soviets during the Winter War (1939–1940): the Finnish "ghosts" who appeared soundlessly in the night to put a blade across their enemies' throats severely demoralized Stalin's forces, who had been told Finland would fall in a matter of days.

Trying to operate in Finland, foreign terrorists would find themselves up against security agencies with highly developed spy craft and state-of-the-art tracking techniques. In the street, it's just as likely to be the person up ahead who is "following." Likewise, in an apartment block, the stranger coming down the staircase toward you could actually be the tail—not the figure on the floor below.

Although there aren't many still alive

who can recall 9:20 am on November 30, 1939, when the first Soviet bomber appeared over Helsinki (naturally without war being declared) to start the winter hostilities, the trauma of that event has burned like a branding iron into the Finnish soul and influenced their preparedness for trouble ever since.

Ever since then, the Finnish security doctrine has included two alarms. The first is the self-evident public alarm that warns the maximum number of people in the shortest possible time of any impending threat. The second is a "silent alarm," which is unsuspected by the public when it is raised but which puts the military, the police, and the entire emergency services on full alert.

Since World War II, two publicly acknowledged occasions have warranted the second alarm. The first occurred in 1948 when the Communist Party in collaboration with certain elements in the police tried to stage a coup d'état that was bloodlessly thwarted. (The conspirators had no idea of the alert against them.) The other known occasion was during the Soviet invasion of Hungary in 1956.

Whatever the type of national emergency, the response is much the same. The military, the police, intelligence experts, the border guards, and all the civilian authorities mesh in prearranged configurations—depending on the nature of the threat. Every factory, every institution, every apartment block have nominated volunteers who are trained to respond to any emergency, in particular leading neighbors and colleagues out of any danger zone.

There are four levels of alert—basic, leadership, amber, and full. In the leadership case, certain people within any community are obliged to stay within reach or come to their work place at a prescribed time; in Helsinki, the whole process can shift from basic to amber in forty-eight hours and from amber to full in twenty-four hours.

Traditionally, preparedness has above all meant the protection of underground shelters: one can see the vast steel doors positioned in some of the city's granite outcrops. The seemingly large metro stations of course have a dual function.

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guarded and several alternatives for providing and distributing them are mapped out in view of different kinds of crises or disturbances. The capital is prepared to keep up operations like this for at least six months; the city hall allocates funds for emergency measures in their normal annual budgets.

"These arrangements are so much part of our normal administration that we don't even think about them very much—still less question them," one official said, referring to the city's Emergency Bureau, which is led by the emergency planning manager.

If a situation is so serious, the operations in a state of emergency are led from the Helsinki control center in an underground shelter at Laakso.

The city would cooperate closely with the military authorities in the case of any catastrophe or even armed conflict in other, distant parts of the world. But the authorities believe individual initiatives will remain a vital part of preparedness, and it seeks to encourage this by distributing a security manual to all households.

The Helsinki template for security arrangements is copied, with minor local variations, by cities all over the country.

Civil defense in Finland is, if you like, another irritating example of the "perfect" Nordic model: this is how it should be done and invested in. But no one doubts the effectiveness of the system were it to be put under the strains of a catastrophe.

—David Haworth

LUXEMBOURG

MONEY TRAIL

If you have an appointment at the American or British embassies in Luxembourg, these days it's best to allow an extra half-hour to get in. Stretches of nearby road have been sealed off and police armed with machine guns check every visitor. Security has also been stepped up at the French and German embassies where concrete blocks have been laid to prevent car bombs. Elsewhere armed guards have been posted around American banks, company premises, and military establishments like the US army warehouse-stocking agency, WSA. Airport security has been significantly tightened.

The Luxembourgers are not normally a showy or trigger-happy people, but they were quick to see the danger of terror attacks against the big American presence in the country after the events of September 11 and they acted promptly—extra guards were ordered to the US embassy within hours. A somewhat febrile mood settled on the city for weeks afterwards and even though this has now eased, the outward show of arms remains in place. The civil defenses have not been tested though there was one short-lived scare when a branch of Rothschilds bank sent out a fax saying that a letter it had received had tested positive for anthrax. It was all a hugely embarrassing mistake, and the perpetrator of the hoax has now been arrested, but the story suggests

something of the tension felt by many people this fall.

But to think of Luxembourg is to think of banks, and in particular, the secrecy that surrounds some accounts maintained in the Grand Duchy. Here the response of Luxembourg has been every bit as cooperative as the US and her allies could wish. When a letter from the FBI arrived in November asking for details of some accounts suspected of being part of the terrorist financing network, the Luxembourg authorities immediately launched a dawn raid on six premises, interrogating staff, and confiscating documents. Apparently no incriminating evidence was found, but the unprecedented raids have been seen as a clear signal that Luxembourg will not hide behind bankers' discretion if there is a terrorist money trail to be followed.

The direct threat to Luxembourg itself from terrorism is not great.

Throughout history, the country has avoided any provocative gestures to others and, outside of cranks and minor mischief-makers, has never been the target of any in return. Even if it had the will, the tiny country is in no position to send troops, equipment, or expertise to Afghanistan. It is not neutral, but its opinions are kept firmly within the European mainstream.

Nevertheless, there is a Luxembourg army and a civil defense force and a recently beefed-up counter-terrorism unit within the police. Since September 11, these have been put on a higher alert status, and special equipment designed to cope with chemical or biological attacks has been distributed. As in any country, the defenses center on key energy sources, communications, and vital government command units.

But there is an unexpected location on the list—the lake of the Upper Sûre in northern Luxembourg. On the face of it a beautiful and highly popular recreational lake for boating, fishing, and bird watching, the lake is also the source of more than three-quarters of Luxembourg's drinking water. "If you want to create a real catastrophe in the country go for the water supply at the lake," says a government official. Without fuss and without public announcement, the police guard over the lake has been quietly doubled in strength since September 11.

—Alan Osborn

STOCKHOLM

CHASING SUBS

Before September 11, the Swedish civil defense was mostly wondering what to do with itself. The cold war was over and there seemed little need any longer to keep a wary eye on neighboring Russia. Indeed, Defense Minister Björn von Sydow was more interested in involving his department in programs to help improve infrastructure, clean up the environment, and generally improve living conditions in the former Soviet Union. To help move things along the defense and foreign ministries set up a joint group, a clear sign that civil preparedness had spread beyond military considerations.

Surprisingly little has changed since the terrorist attacks. Officially, security in public buildings has been tightened somewhat although that isn't especially noticeable. Bags are scrutinized more carefully at airports, but unlike in the United States and on the continent there are no special military or police guards with rifles. Security at Sweden's eleven nuclear power plants was assessed and found to be adequate against terrorist threats. There was no rush to set up a special office for domestic security. The established civil preparedness office continues to be the purview of the defense ministry.

Although the terrorist attacks have made Swedes wonder more about what could happen in their country, they probably don't think much about national security in general. Security was of course a concern during World War II, since neutral Sweden was bordered by Denmark, Norway, Russia, and Finland, which were all fighting. There was also the threat that Germany would try to move supplies via train through Sweden. Border security was tightened, but at the same time, border guards proved to have remarkably poor vision when it came to seeing Norwegian resistance fighters and military personnel coming into Sweden.

Norwegian explorer Thor Heyerdahl, who was in his country's military during the war, even notes in his memoirs that the Swedes allowed, and helped with, an elite training school for Norwegian fighters in Sweden. That surely jeopardized Sweden's official neutrality and domestic security.

After the war, the focus was on Russia. Swedes held their breath during the

Cuban missile crisis, all too aware of what might happen in their country if war broke out between the United States and their neighbor to the east. Beyond that, the Swedish military spent a good deal of time chasing submarines, real and imagined, in Swedish waters.

Just recently, a report on the submarine situation by former ambassador Rolf Ekéus, who also led the United Nations' Unscop group charged with finding weapons of mass destruction, concluded that the late prime minister Olof Palme and former prime minister Carl Bildt, had no reason to single out the Russians as the only ones sending submarines to Sweden. Aside from one highly publicized instance in 1981 when a Russian submarine ran aground in Sweden, Ekéus claimed there was no evidence to support the idea that Russian subs were all over the place.

The report was controversial. Even more controversial was the contention a week later by security policy researcher Ola Tunander that both NATO and Russian submarines were in Swedish waters during the cold war. His claim was backed up by Leif Holmström, former director of the Swedish navy's submarine analysis unit. Swedes still cherish their neutrality and don't see NATO membership as a way to improve national security, so both claims were shocking to many.

But, for at least some, whether there were submarines and whose they were isn't really very important any more. In an editorial, the Swedish daily business paper *Dagens Industri* opined it would be "naive" to think there weren't submarines from both sides traveling through Sweden. But, the paper added, with twenty years' hindsight, it's difficult to understand why the possibility of a NATO submarine in Sweden was front-page news in 1983.

Twenty years from now, it will be interesting to see whether the Swedish perception of what threatens national security has changed even further.

—Ariane Sains

THE HAGUE

SKATING BARRIER

The artificial ice-skating rink that opened this winter on the pond in front of the Dutch prime minister's office is smaller than originally intended. For security reasons, it was deemed unwise to facilitate access across the frozen water, albeit on skates, to the *Torentje*,

the small tower that is the office of Prime Minister Wim Kok.

The historic government complex in the heart of the Hague used to be completely open for visitors, pedestrians, and traffic. Politicians, cabinet ministers, and parliamentarians could be spotted walking—and sometimes riding a bicycle—across the *Binnenhof*, the interior court of the buildings that are now part of the parliament and government offices. After the events of September 11, things have changed. A barrier has been installed that can block access to vehicles. Key cabinet members now have security protection and are driven in armored cars.

The Netherlands, with its huge oil refinery industry near Rotterdam and home of some major international institutions like the Peace Palace in the Hague, could be an easy target for terrorist assaults. In fact, on September 27 the country faced its first real experience of a terrorist threat. Early in the morning, three traffic tunnels—the Coen Tunnel and Zeeburger Tunnel in Amsterdam and the Benelux Tunnel in Rotterdam—were taken over by special forces of the Dutch army and police. Armored vehicles and tanks moved in front of the entrances to the tunnels, while sharpshooters took up strategic positions. Cars were searched and people were arrested. The air space above Amsterdam was temporarily closed, and vessels were prohibited from sailing the North Sea channel that links Amsterdam with the North Sea.

The government was taking no chances and ordered the highest form of alert after it received, late afternoon the day before, a letter announcing that three cars would explode during rush hour the next morning in the Amsterdam and Rotterdam tunnels. These tunnels are not only vital to traffic but the waterways above them are also the main arteries linking the harbors to the sea. The floods resulting from any explosions would be disastrous in this part of the country that is entirely below sea level.

The threat was deemed serious by the secret services and the government. The cars mentioned in the letter had actually been stolen a few months earlier. The explosives discussed—sulfur, nitrate, and oil—could cause a disaster.

In the end, nothing happened, except for huge traffic jams and an acute sense of panic among bewildered commuters. Never before had there been such a visible show of military force in the Nether-

lands. This may have prevented the actual attack, but even if it had been a false alarm, it offered the government the opportunity to show that it is capable of mobilizing security forces at short notice.

Since then, life has gone back to its normal rhythm. That includes daily traffic jams at the entrances of the tunnels and no ice-skating under the window of the prime minister's office.

—Roel Janssen

MADRID

GUARDIA CIVIL

Fighting terrorism is nothing new to the Spanish security force, which, over the past three decades, has battled violent independence-minded Basques, armed radical leftists, and the odd band of unrepentant extreme right-wingers who still pine for the return of the days of Francisco Franco.

These tasks have fallen mostly to the Guardia Civil or civil guard, a militarized police force created in the nineteenth century and famous for their curious three-cornered, patent leather hats. Nowadays the agents are a combination of county sheriff, state trooper, customs officer, federal marshal, coastguardsman, and NARC.

Violate a traffic law on a national highway, try to smuggle in some cocaine through the airport or onto a Mediterranean beach at 3:00 am, or break into a small town bank, and it's the civil guard who come after you. But it's rooting out the armed Basque separatist group ETA where the civil guard has earned its spurs as an anti-terrorism force.

Under Franco, the guard was a rabidly conservative and brutal outfit that was instrumental in carrying out the general's repression of nationalist Basques and Catalans, leftists, and others who didn't toe the government line. And once ETA began its terror campaign in 1968 to carve an independent nation out of northern Spain's three-province Basque region, the civil guard was a primary target.

ETA members ambushed guard patrols on rural Basque highways, assassinated senior civil guard officers, and launched homemade rockets at guard barracks where the agents and their families live under virtual siege in some parts of the Basque region. There was also the occasional car bomb attack on a passing busload of civil guardsmen.

Of the more than 800 fatal victims of ETA violence over the past thirty-three

years, most were members of the Spanish security forces and the majority of those were civil guards.

Although officers and agents of the force remain in ETA's crosshairs, the terrorists have lately concentrated on politicians, judges, and other government employees. But they are also turning their guns now on officers belonging to the red-bereted Basque regional police, the Ertzaina.

In a letter taking responsibility for the killings of its latest Ertzaina victims, a man and a woman officer gunned down while directing traffic in a small Basque town, ETA accused the regional police of "serving the interests of the Spanish state" and threatened to kill more agents.

—Benjamin Jones

LISBON

TIGHTENING SECURITY

Right from the start, Portugal's government made clear its readiness not only to support an international coalition against terrorism but also to act to safeguard the security of its own citizens in the face of possible threats to internal security.

In a speech to parliament, Prime Minister António Guterres cited the declaration by the European Council—the gathering of EU heads of state and government—that: "The countries of the Union are ready to take part in anti-terrorist actions, each according to its means." Meantime, beyond the immediate steps to heighten airport security, Portugal's defense, home affairs and justice ministers were asked to review the country's information, security, and defense systems in the light of the new threat.

Policy makers are aware, though, of the need to ensure that anxiety does not tip over into xenophobia. "The line of contact between Christian and Moslem civilizations, from Central Asia to the Straits of Gibraltar, cannot be turned into a line of confrontation," said Guterres. He is well aware that this line passes close to Portugal: it is Rabat in Morocco, not Madrid, that is the nearest foreign capital to Lisbon.

There is also concern in Portugal that hard-won freedoms be protected. The European commissioner coordinating the EU's internal response to terrorism, António Vitorino, may be a former Portuguese minister who has won praise for his competence and determination, but civil liberties groups in Portugal as else-

where are worried about measures—such as a common EU arrest warrant—that they see as dangerously illiberal.

Initial results of Portugal's own policy review emerged on November 1, when the prime minister unveiled plans for better coordination between the secret services and more resources for policing and decontamination teams. He sought to allay fears about civil liberties, pledging to stop any shift "from a state of law into a police state."

Under the plan, the Polícia de Segurança Pública, the main urban force, gets more money and multi-annual budgets to improve planning. There are to be more nuclear, biological, and chemicals decontamination teams and stocks of medicines for treatment and prevention. So far, these have not been needed, although there has been a spate of false alarms, including bomb threats and fake anthrax attacks—most notoriously when a group of men overpowered a security guard at a Lisbon water tank. Tens of thousands of local residents saw their supply cut off for hours as a precaution while the water was tested.

The government has also proposed a new law on organized crime, following the recently approved criminal investigation law, and a constitutional amendment that makes it possible for the police to make night searches and terrorism suspects to be extradited to other EU member states that have life imprisonment. This amendment is condemned by the political left, which sees it as destroying a key constitutional plank.

Partly to soothe such fears, Guterres ruled out merging Portugal's two secret services, the Information and Security Service (known by its Portuguese initials as SIS) and the Defense and Military Strategic Information Service (SIEDM). They will remain barred from engaging in police-like activities such as interrogations, arrests, and phone tapping. But Guterres announced the creation of a new National Information Authority—its members appointed by the prime minister—to include representatives not only of the secret services but also police chiefs.

The announcement was well received by the opposition, who are concentrating their fire on the government's economic record. They did not question the use of soldiers to protect non-military installations—something that has been controversial in the past, as in other countries where the army once played a political role. (Portugal's constitution rules out

the use of military personnel for internal security missions.) To clarify the situation, the government has asked the attorney general to rule on what the military may do under the constitution.

Reviewing defense and security policy is never easy; the last time it was done in Portugal was eighteen years ago. But with the armed forces more thinly stretched than ever—from the former Yugoslavia to East Timor—and facing a budget squeeze prompted by membership of the European monetary union and a slowing global economy, it is even harder. The defense minister has warned the armed forces to brace for far-reaching reform, including cuts in some areas—just as they are being asked to perform literally beyond the call of duty.

—Alison Roberts

PARIS

VIGIPIRATE

Since September 11, security has become such a crucial concern here in France that authorities sometimes end up looking slightly silly just to avoid feeling sorry. One night last November, for example, a heavily armed police strike force arrested four hooded men wearing combat outfits and carrying rucksacks, as they were creeping up to the house of the French minister of justice, Marylise Lebranchu. The quartet turned out to be a commando belonging to the Liberation Front for Garden Gnomes, a collection of harmless oddballs whose self-appointed mission is to kidnap “captive” garden dwarves and set them free in the wild.

The incident provided a bit of welcome comic relief from a situation that is deadly serious. To protect its citizens, the French government has taken the stance that it is better to err on the side of caution, and risk drawing a few laughs, than to take any possible threat too lightly.

The day after the attacks on the United States, France activated a heightened version of its domestic anti-terror security plan called Vigipirate, first created in 1978. Designed to mobilize the police and military in times of crisis, it calls on personnel from the French Armed Forces to assist and strengthen municipal and national police forces. They patrol and check areas where the public gathers, such as train and metro stations, airports, museums, shopping centers, and schools.

Vigipirate was implemented for the



A French soldier stands in front of a missile launcher positioned to guard the Cogema nuclear waste reprocessing plant in Normandy.

first time in 1986 during a series of terrorist bomb attacks in the Paris region. That was the year we moved to France, and I remember looking in vain for a trash can: they had all been either sealed up or removed. Five years later, during the Gulf War, and then again in 1995, following a car bomb attack in a suburb of Lyon, Vigipirate was reactivated. The next time it came into full force was for a much happier but potentially volatile occasion: the 1998 World Soccer Cup. In between those dates, it has never been totally abandoned, just scaled down in intensity.

This time, the French government is applying a maximum strength Vigipirate plan with increased security measures and personnel. In Paris, 600 additional policemen, 1,300 gendarmes, and 850 paratroopers have been deployed, bringing the total number of people working to keep Parisians safe to 7,000.

Surveillance has been particularly heightened around all types of transportation, with air travel, understandably, heading the list. Armed troops regularly patrol airport terminals and passengers can expect the dogs with them to have a good sniff at their suitcases. Airport personnel carry out manual checks of a high percentage of carry-on baggage and sweep hand-held metal detectors up and down the limbs of most male travelers, who usually carry some spare change in their pockets. To survey the skies, a dozen air force fighter jets

are on permanent standby at five airbases, ready to take off at only two minutes' notice.

Biotox, the bio-terrorism and infectious disease prevention part of Vigipirate, developed since 1999, is providing intensified security of food and water distribution systems and ensuring stockpiles of medication and vaccines. Disease control centers and hospital labs are open twenty-four hours a day for immediate testing of any suspicious substance. It is worth noting that, in its latest survey, the World Health Organization rated France as the top country in terms of overall health care and health systems performance.

All these measures have the wholehearted support of the French. Far less popular are those that can be construed as an infringement on the human rights that the French hold so dear. In a communiqué dated October 3, the *Ligue des Droits de l'Homme* (the Human Rights League) condemns the government's decision to give security forces the right to check identity papers and carry out searches, without any apparent motive or legal warrant, as an oppressive restriction of individual liberty. The League claims that “far from having the desired effect, these government measures will only increase the feeling of insecurity.”

Anti-racist organizations point out that the majority of these random checks are conducted on people of North African

and Middle Eastern origin. The ecumenical association CIMADE recently published a statement warning that the Vigipirate plan “is likely to increase extremist rhetoric” at a time when snap judgments based on skin color should be carefully avoided.

French voters are not forgetting that presidential elections are coming up soon either, and that part of the intense concern for public safety, which all the country’s leading politicians are loudly proclaiming, is pure and simple pre-election strategy.

Whatever the motives, security has become a global priority for the year 2002. To encourage international cooperation in the fight against terrorism, the French High Committee for Civil Defense organized an international symposium in the south of France just before Christmas. It brought European and American experts and analysts together to share the programs each country has launched to combat the threat faced by us all.

The message that emerged from that symposium is clear: terrorism counts on panic and isolation, but Europe and the United States are determined to take a united stand to combat it and win.

—Ester Laushway

VIENNA

BENDING NEUTRALITY

Even as the formation of a European Union army becomes a reality, Austrians stand by their bid for neutrality. Politicians such as Alfred Gusenbauer, the Social Democrat (SPO) party leader, are wrestling with public opinion in an attempt to justify a stronger military role for Austria.

The Austrian newspaper *Die Presse* took a poll of 999 Internet users, questioning whether neutrality was an outdated stance in light of the EU decision to gather troops. The results indicated that 60 percent of those polled were in favor of maintaining neutrality. This majority did not vary based on sex, but age and income were deciding factors. According to the figures, younger and high-earning individuals tended to question Austria’s neutrality more readily. Older Austrians were overwhelmingly in favor of neutrality, with even thirty to forty-year-olds showing a 71 percent faith in maintaining the status quo. Perhaps the specters of previous wars still haunt those who hold on to a neutral stance. The question remains how Austrian

politicians will weigh national opinion, which favors security with the EU stance of involvement. EU troops were formally announced as ready for mobilization at the EU conference in Laeken, Belgium, although the buildup process has not yet been completed.

Gusenbauer is pushing for a new and more dynamic interpretation of neutrality. “Austria in a changed world” is the name of his campaign that was launched in December. He stressed the importance of EU–US cooperation in speeches aimed at changing public opinion. According to *Der Kurier*, Gusenbauer said that up until now, neutrality has been viewed in an overly static, militaristic light. He said that neutrality meant more than “just staying out of it.” Instead, he said that Austria must demonstrate its belief in peaceful cooperation and uphold the universal rights of the United Nations. “Not always reacting passively, but actively transforming politics. This is in reality part of a modern understanding of the politics of neutrality,” he said. Gusenbauer made it clear that he favored taking an active part in Laeken and standing by the US in the Middle East and that such a policy represented the way forward for Austria. It remains to be seen if he can bend Austrian public opinion. The thin line between security and isolation has become a hot topic as Austria faces new challenges.

—Alexandra Hergesell

ROME

VATICAN AND ANTIQUITIES SEEN AS TERRORIST TARGETS

All Italian cities of art are under constant surveillance, albeit discreet so as not to alarm the tourists. Ever since the international alarm broke out, all the important museums, art galleries, monuments, and every other attraction that has made Italy the country with the highest concentration of masterpieces in the world have been placed under tight control.

In Italy, there is another, important target to defend, which requires security measures beyond the normal precautions followed by every country in the Western world in airports, railroad stations, and government buildings—the Vatican.

After rumors of a possible terrorist attack during one of the masses celebrated by the pope, or during another religious ceremony, extraordinary measures have been adopted in Saint Peter’s Square and throughout Vatican City. Besides John Paul II, a few other prelates now have armed guards. Pilgrims and visitors must undergo security checks in order to enter the huge and beautiful square that is the symbol and fulcrum of Christianity. The square is now completely cordoned off,

In the capital, besides the main basilicas, special surveillance is focused on the Coliseum, which is no longer illuminated at night, and the archeological sites of Imperial Rome.

and plainclothes detectives roam the crowds. Although this is supposed to be top-secret, it seems that military posts have been installed, and the air force conducts constant surveillance from the sky.

The government, however, has decided not to officially allocate the armed forces. Surveillance of sensitive targets has been placed in the hands of the state police and the Carabinieri, which have traditionally had such jurisdiction. Nevertheless, the army has been called in. Military patrols—for the first time ever including female soldiers now that the armed services have been opened to female volunteers—are discreetly placed, not inside airports, so as not to increase

the sense of discomfort and worry of the arriving and departing passengers, but outside in key, background positions.

However, Italian officials’ major worries center on the areas around the art masterpieces. In the capital, besides the main basilicas, special surveillance is focused on the Coliseum, which is no longer illuminated at night—a shame, since it is truly a unique and magnificent sight—and the archeological sites of Imperial Rome. In Venice, teams of 150 anti-terrorism agents patrol day and night the sites deemed most at risk—the splendid Rialto Bridge, Saint Mark’s Square, and the Ducal Palace. In Florence, which has been divided into four areas of major risk, attention is centered on the Piazza della Signoria, the Santa Maria Novella, and the Baptistery. In Naples, which also hosts several NATO bases, the Maschio Angioino fortress, the entire area of Capodimonte, and the beautiful seaside promenade of Via Caracciolo are carefully watched.

Will all this control prove to be useful? In Italy, a terrorist attack like the tragic

one that destroyed the World Trade Towers in New York would destroy centuries of history and art.

—Niccolò d'Aquino

ATHENS

ILLEGAL IMMIGRANTS BRING SECURITY CONCERNS

The biggest security headache that Greece is likely to face over the next decade is the probable arrival of tens of thousands of illegal immigrants seeking a place to live and work in the European Union.

As Greece feels the pressure from a fresh wave of arrivals, Costas Simitis, the Socialist prime minister, has proposed the EU assist countries whose borders form the Union's frontier to cope with the pressure of illegal immigration. These areas include Greece's eastern border through the Aegean islands, increasingly used by human traffickers as a route to Western Europe.

The government has made clear it will offer humanitarian assistance in line with its international obligations. But policy has to tighten, foreign ministry officials say, to prevent the country being flooded with migrants for whom jobs cannot be found. Greece has already taken a restrictive line on requests for political asylum, making offers to only 10 percent of applicants, the lowest percentage in the EU.

Greece is still trying to absorb more than 600,000 illegal immigrants—marking a 6 percent increase in the population—who arrived in the 1990s, mostly from neighboring Albania but also from the other Balkan countries, Ukraine, and the former Soviet Union. The government recently granted an amnesty on repatriation and more than 300,000 immigrants have applied for five-year work and residence permits that would allow family members to join them.

The past year has seen a sizeable increase in the numbers of people arriving in Greece aboard poorly maintained ships operated by traffickers who specialize in bringing Kurdish immigrants from Iraq to European Union countries. In northern Greece, immigrants are guided across the Evros River that marks the frontier with Turkey or hidden in trucks making cross-border journeys.

An estimated 40,000 illegal immigrants arrived in Greece last year.

Greece's merchant marine ministry said it had picked up more than 3,000 illegal immigrants—among them 1,000 Afghans—who were landed on Greek islands after making the crossing from Turkey. In November, Greek coastguard ships rescued more than 700 migrants from a sinking vessel that was trying to reach Italy. One month later they were still on the Ionian island of Zakynthos, with local authorities growing increasingly concerned about their situation.

On a visit to Athens last November, Ismail Cem, Turkey's foreign minister, signed a bilateral agreement on returning illegal immigrants. This measure would help relieve the pressure on Greece, as it would discourage traffickers in Turkey, a base for organized criminal networks that move large numbers of immigrants, from landing them on Greek islands.

Greece has already tightened border controls along the mountainous frontier with Albania and Bulgaria and signed agreements with both countries' governments on returning illegal migrants.

Most immigrants find work in the gray economy on farms and construction sites and in the tourist industry during

the summer. But saturation point is close, say analysts, given Greece's high unemployment rate.

Concern is mounting over the activities of organized criminal networks in Greece with connections to Russian and Albanian groups. The northern city of Thessaloniki has become a hotspot for cigarette and drug smuggling according to police. More than 20,000 East European women are believed to be working as prostitutes in Greece.

The government has presented legislation for approval by parliament on combating trafficking in women and providing shelter and psychological support for women forced into prostitution. The measures will bring Greece in line with its EU partners, ending the current practice of arresting and deporting foreign prostitutes.

"During the cold war era, Greece was a frontline state facing the Warsaw pact. We also faced a threat from Turkey," said a defense ministry adviser. "The region is a very different place but we're liable to feel the impact of political and economic turbulence in a much broader area from the Middle East to the Caucasus."

—Kerin Hope

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ARTS & LEISURE

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



CRESCENT & STAR: TURKEY BETWEEN TWO WORLDS

By Stephen Kinzer; Farrar, Strauss, and Giroux; 252 pages; \$25

About a decade ago, the Turkish ambassador in Washington invited a group of correspondents to lunch and through most of meal painted a picture of his country surrounded by hostile nations, Syria, Iraq, and Greece just to name three. As the guests departed the elegant table, there were several mutterings that even paranoids have enemies.

According to Stephen Kinzer's new book about an important but poorly understood nation, this dark approach to internal and external affairs has begun to lift dramatically, and the promise of even more optimistic change is in the air. Crucial is the prospect of joining the European Union. If realized in a decade or so, Turkey will achieve the vision of Kemal Attaturk, the founder of the modern republic, that Turkey becomes a European-anchored nation.

In Kinzer's penetrating reportage on present-day Turkey, Attaturk's vision of a secular, modern, and Westernized nation is a central theme. But the major tension that runs through both recent Turkish history and this book is that the vision has been pursued all too often in an autocratic, heavy-handed, and sometimes all too bloody manner that has left Turkey outside the club of democratic nations. This dichotomy is the

working premise of this *New York Times* journalist, whose tour of duty in Turkey has left him most sympathetic to the Turkish people and especially to the younger generation's aspirations for a fully democratic state.

Some might argue too sympathetic.

For example, the Armenian genocide gets passing mention, and Turkey's invasion and division of Cyprus in 1974 is explained through a Turkish perspective.

Yet, Kinzer is hardly giving Turkey a free pass, especially in terms of domestic governance. The late president, Turgut Ozal, and the current one, Ahmet Necdet Sezer, are the only modern Turkish politicians to merit praise. Kinzer understands how the army came to be the guarantor of Kemalism, the vision of a modern, secular state, but he firmly states that there is no longer any excuse for suppression of the Kurds, military coups, and violation of full religious freedom even though the secularists were fighting the threat of Islamic extremism. These practices of the army and governing class have kept Turkey a step removed from democratic and secular Europe, and it's time to let the Turkish people take control of their destinies, the author argues.

For a non-expert audience, Kinzer's tracing of modern Turkish external relations, es-

pecially with Greece, is particularly valuable. He states that Turkish-Greek antagonism is not rooted in ancient history, indeed the two people have been intermingled through millennia, but in the corrosive nationalisms that made the twentieth century such a misery.

The author makes a strong case that the Greek response to the Turkish earthquake in 1999 was a decisive turning point in pushing the two nations to start working through their emotional and

territorial grievances. This followed the upheaval in the Greek government following the disclosure it had given safe harbor to the Kurdish terrorist leader Abdullah Ocalan. What came next was Greece's dropping its veto on Turkish membership to the European Union. The relationship is hardly trouble-free at this moment, but the author is optimistic on this point as he is about most issues facing Turkey, assuming the governing elite can bend with the winds of democracy. But even Kinzer realizes that is still an assumption, not yet a proven fact.

It's hard to imagine a more delightfully readable and accessible book about a nation that has occasionally made headlines but more often than not ranked as a secondary priority among American and European policymakers. But secondary no longer. This

book was written and published before the events of September 11 defined a newly pivotal role for Turkey, because of its geography, its status as a NATO member, and its unique role as a secular Muslim nation. We will all be hearing and reading more about Turkey in the days ahead, and there is no better place to start than this compact and impressive work.

—Michael D. Mosettig

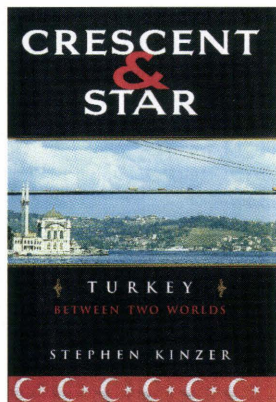


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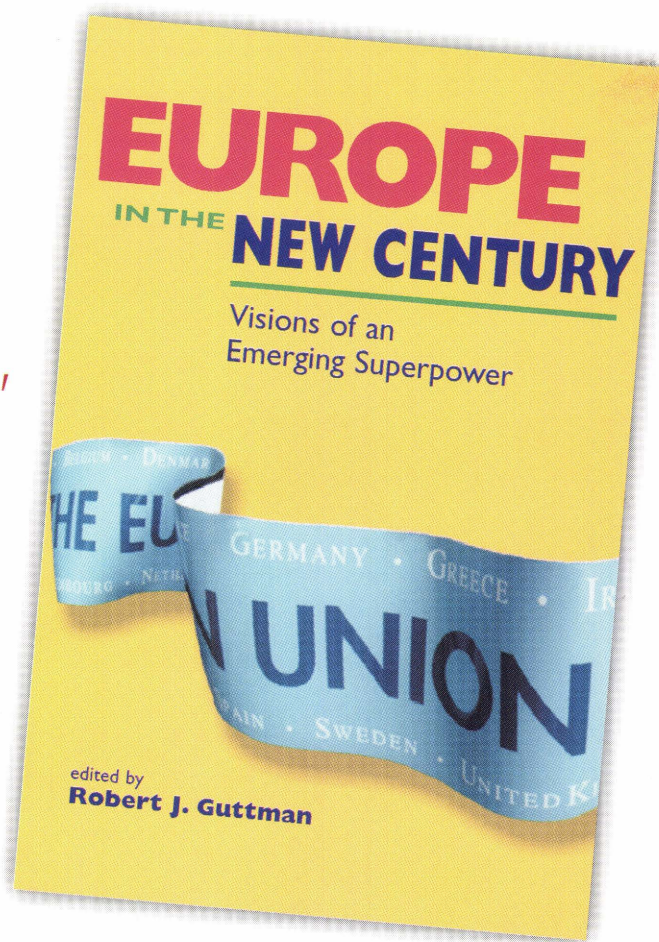
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