

# EUROPE

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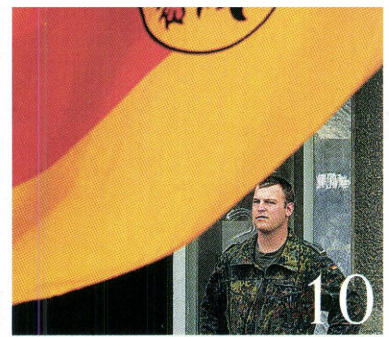
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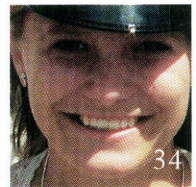
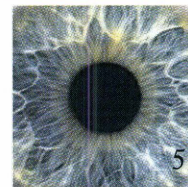
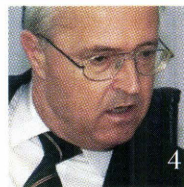
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# LETTER FROM THE EDITOR

**T**he European Union is the world's largest donor of humanitarian and development aid. It is currently active in more than eighty-five countries," writes David Lennon from London. He explores the numerous assistance programs the EU operates around the world and looks at the new EuroAid Cooperation office and explains how the EU has become the leader in taking action against hunger across the globe.

Terry Martin, reporting from Berlin, observes that German Foreign Minister Joschka Fischer has emerged as that country's most popular politician. He explains how the former radical, who once worked as a taxi driver, has become "Germany's man of the hour" after helping the Social Democratic-Green coalition win re-election this fall.

Martin also explores what Chancellor Gerhard Schröder will now do to patch up relations with the United States, which hit a "rough patch" during the election, when he vigorously disagreed with the Bush administration's policies toward Iraq. The German government is stressing its joint peacekeeping operations in the Balkans and Afghanistan with US troops and its support of the war against terrorism.

However, the German chancellor faces his biggest challenge trying to fix his country's struggling economy. The European Union's largest economy is looking at economic stagnation, high unemployment, and a large number of business failures. The chancellor has a daunting task ahead of him in restoring the nation's economic health.

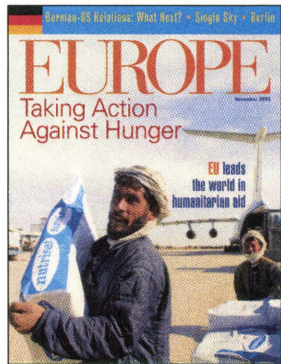
The German capital of Berlin is a prime example of the economic ills facing the country. *EUROPE* presents a profile of the "new" Berlin, which faces severe infrastructure and financial troubles as it undergoes the monumental transformation from a divided city located in communist East Germany to the capital city of a reunified Germany.

Farther east, the overall message from post-communist Central and Eastern Europe is that democracy prevails, writes Barry D. Wood as he analyzes the recent elections in Central Europe. Whatever the domestic politics prevailing in these nations, he contends, "the common foreign policy objectives of integration with the West remain unchanged."

Meanwhile to the north, the EU faces the thorny question of how to deal with the Russian enclave of Kaliningrad? John Burbank looks at the issues facing this decaying port, which is home to Russia's Baltic Sea fleet and is surrounded by Poland and Lithuania. Since both of these nations expect to join the EU, the region could pose many problems for the European Union.

In our Travel & Culture section, we profile Leipzig, which Lucy Gordan notes has been home to several famous German writers and musicians, including Goethe and Bach, and today is the perfect place for travelers who love books, music, and coffee. We also look at Romania's plans to build a Dracula theme park.

**Robert J. Guttman**  
Editor-in-Chief



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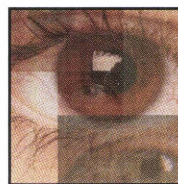
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# EYE ON THE EU

Profiling personalities  
and developments  
within the European  
Union



## WILL MALTA MAKE IT INTO EUROPE?

**O**ptimism is soaring within the European Commission over the prospects for completing the enlargement negotiations with ten candidate countries by the Copenhagen summit on December 12–13. Already several of the ten have provisionally closed twenty-eight of the thirty negotiating chapters, and the others are not far behind, with the exception of Malta, which so far has closed only twenty-four. Bulgaria (twenty-one) and Romania (thirteen) are further adrift, and it is accepted that they will not qualify for the first wave of entrants, who are penciled in for 2004.

For Malta, there are four chapters with serious problems still at issue. On competition policy, the problem is state aid to shipbuilding and other sectors. Malta has a big shipyard, a legacy of the days when it harbored a large British naval base, which operates only with the help of large state subsidies. The Maltese have asked for a seven-year transition period to phase them out but will probably have to settle for something less.

In agriculture, large sums of money are not at stake, but the country's small farms, mostly producing vegetables and milk products, are currently protected by import levies that will have to be scrapped. Maltese farmers will have to adapt to CAP rules that were designed for different types of countries

and farms. The EU negotiators believe that a satisfactory solution can be found under the umbrella of the Union's rural development program.

The environment chapter is near to being closed, although Malta's current standards are low and not widely respected, particularly concerning water and air purity and waste management. The most difficult issue has been nature protection, where Malta's large and influential body of hunters has waged a considerable battle over tightening controls on shooting migratory birds.

Perhaps the most difficult chapter may prove to be taxation, where Malta is holding out for the right to be able to continue a wide range of zero ratings of value added tax, principally for food and medicines. The Maltese negotiators have seized on the derogation won by the United Kingdom to keep its existing zero ratings when agreement was reached on VAT harmonization in 1992.

The EU position has been that all the new entrants must conform to the rules that apply to the other member states, i.e. that the reduced rate for "essential" items must be no lower than 5 percent. The Cyprus government, which had been in the same position as Malta, has accepted a transitional period of five years in which to phase out its zero ratings, and the Maltese are being pressed to follow suit.

Much more worrying than the actual membership terms is the absence in Malta of a consensus among the popula-

tion—and the political parties—that European Union membership would be in the nation's interest.

This was highlighted by a *Eurobarometer* poll in April, carried out in the twelve negotiating countries plus Turkey. This showed that in all thirteen countries more people were willing to vote in favor of joining the Union than against, but the margin in Malta was desperately narrow—a mere 4 percent.

Even more disquieting is the political party division. One of Malta's main political parties—the Labor Party—is firmly against membership, a stance it has maintained for a long period. Originally, the Maltese application was made back in July 1990, when it was championed by a Nationalist Party government led by Eddie Fenech Adami. When his government was defeated by Labor in the 1996 election, the application was promptly

put on ice by the new prime minister, Alfred Sant.

Sant's government was forced into an early election by internal dissension (unre-



Malta Prime Minister Eddie Fenech Adami (left) meets with Commission President Romano Prodi.

lated to the European issue), and by 1998 the Nationalist Party and Fenech Adami were back in power and had reactivated the application. The Labor Party has maintained its opposition, and the population remains dangerously polarized on the issue.

The next election is not due until 2004, but the government is planning to hold a referendum on EU membership in the summer of 2003. Ominously, the Labor Party—still led by Sant—has not committed itself to accept the verdict of the referendum.

So even if the negotiations with Malta are concluded satisfactorily on time, there is still a risk that things could go wrong. It would not be an enormous surprise if only nine new countries were to join the Union in 2004.

However, Fenech Adami has a strong argument on his side: that Malta's destiny lies in Europe rather than as an isolated island group off the North African coast.

—Dick Leonard

### To Join or Not to Join

**QUESTION:** "If there were to be a referendum tomorrow on the question of your country's membership of the EU, would you personally vote for or against it?"

	% FOR/AGAINST
Romania	85 / 3
Bulgaria	80 / 4
Hungary	70 / 10
Turkey	68 / 20
Slovakia	66 / 11
Cyprus	62 / 25
Slovenia	56 / 22
Czech Republic	54 / 18
Poland	54 / 26
Lithuania	50 / 20
Latvia	46 / 32
Malta	40 / 36
Estonia	38 / 27

Source: *Eurobarometer*, December 2001

# EURO NOTES

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



## THE FISCAL EFFECTS OF THE GERMAN ELECTION

**C**hancellor Gerhard Schröder's narrow victory in Germany's September 22 election triggered a nervous response in financial markets and among governments in the euro zone. The reaction was partly the legacy of a mean-spirited election campaign. Schröder broke ranks with the United States over Iraq and thereby energized the rank-and-file members of his own Social Democratic Party (SPD). But the cost was overturning fifty years of German solidarity with the US on matters of vital security.

The lingering cause for unease is the prospect of another term for the SPD-Green coalition in Berlin, particularly after eighteen months of missteps and bureaucratic paralysis that almost cost Schröder the election and fueled opposition charges that Germany is the sick man of Europe.

Over the past year, Germany has fallen to the bottom of the economic growth league in Europe. Unemployment has climbed above 4 million, despite the chancellor's promises to turn around the upward trend inherited from Helmut Kohl. The budget deficit is dangerously close to the limit of 3 percent of gross domestic product mandated by the European Union's Maastricht Treaty.

Conventional wisdom suggests that the short-term outlook is equally grim. As a leading exporter, Germany is vulnerable to contractions in foreign markets, particularly the United States. German

consumers have stopped spending, partly because of a barrage of new taxes ranging from gasoline to tobacco.

Even more important, the government has dragged its heels on much-needed structural reforms, notably in the labor and product markets. With its parliamentary majority whittled down to a mere nine seats, the SPD and the Greens will be more than ever in thrall to their trade union supporters and the vocal left-wing elements in their own parties.

There is, however, a more optimistic interpretation of the election outcome. For example, the argument that Schröder has his hands tied by his narrow parliamentary majority cuts both ways. It could allow him to impose tighter discipline on his party, if and when he decides to push new legislation through parliament.

The increased weight of the Greens in the new government is also a new factor in economic policy. Not all are members of the antediluvian left dedicated to opposing nuclear power. The party has lobbied hard for measures to tackle high labor and non-wage costs that are pricing German goods and labor out of the market.

The SPD-Green coalition's first move will be to carry out the recommendations set out by the Hartz Commission on employment. The body was set up in haste in the run-up to election day, but many of its proposals are common sense and a useful step toward tackling the German structural unemployment in a society that has nothing to do with the vagaries of the economic cycle.

The second move will be to

reduce tax rates. The cuts planned for the beginning of next year have been delayed for twelve months in order to finance the relief effort for the August floods. But they are still on the table. At the same time, talk of reintroducing capital gains tax is off the agenda.

In the medium term, there will most likely be a second stage to pension reform. Moreover, both the SPD and the opposition Christian Democratic Union (CDU) have agreed on

the need to reduce non-wage labor costs to less than 40 percent of employee salaries—a critical step to creating badly needed new jobs, especially in the former communist East.

The competitive pressures on Germany are both external and internal. The antitrust authorities at the European Commission have waged an intrepid campaign to reduce state aid and restrictive practices, such as the state guarantees to the *Landesbanken* or regional banks. This will continue.

Furthermore, peer pressure is operating in the euro zone. Schröder will no doubt have registered that the center-right government in France is talking more seriously about the need for tax cuts and structural economic reform. He cannot afford to sit on the sidelines.

Paradoxically, the new government in Berlin may have

some more room for maneuver following the recent moves by the European Commission to weaken the Stability Pact. It now looks as if Hans Eichel, Germany's finance minister, may have until 2006 to balance the budget.



Germany's Finance Minister Hans Eichel (left) and Chancellor Gerhard Schröder

The Stability Pact, which was originally conceived by Germany to impose fiscal discipline on its neighbors, has turned into a millstone around the government's neck. Its inability to take sufficient account of cyclical factors has meant that Germany has been tightening fiscal policy when on balance it should have allowed some loosening.

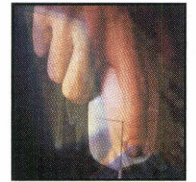
In the last resort, everything turns on whether Schröder uses his room for maneuver to push through serious economic reform. In his first term, he showed a willingness to experiment, particularly on capital gains tax reform.

In his second term, he will have to display similar leadership. The alternative is a continuation of low growth and high unemployment. That combination would be a disaster for Germany and the rest of the euro zone.

—Lionel Barber

# e-EUROPE

Tracking the news  
and trends shaping  
Europe's technology  
sector



## ALL EYES ON DAUGMAN

**F**razzled air travelers everywhere might soon be praising the name of John Daugman. His name might even become one of those that enters the language as a verb or a common noun, as in "I would have missed my flight had it not been for the Daugman" or "the airport was packed but they were Daugmaning everyone, so we breezed through."

Maybe. But whether or not the Cambridge University computer scientist becomes world famous, his name is on the patent for the world's hottest technology in security and identification.

In the post 9-11 world, no sector has seen a greater need for improved identification than the airline industry. Air travelers continue to face regular delays at ticket counters, security checkpoints, and immigration gateways. Passports have proved imperfect, with forgeries widespread in the underworld, so authorities have turned to technologists to devise new ways of ensuring that the people who pass through the checkpoints are indeed who they claim to be.

Biometrics—the scientific field that deals with human identification—analyzes a person's unique physiological traits to verify his or her identity. The best-known biometric approach, of course, is fingerprinting, which is more than a hundred years old. Other technologies use the palm, face, voice, retina, and iris.

Of all of these, iris recognition is generating the most buzz among technologists and the companies looking to buy the technology. Basically, it

involves examining the colored ring surrounding the pupil. These rings contain hundreds of characteristics that distinguish them from all others, making no two irises alike. Even on the same person, the left and right irises are different.

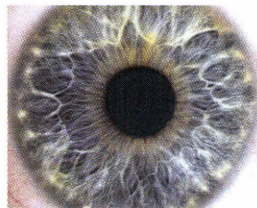
The idea that human eyes could be used for identification dates back to the 1930s. However, it was little more than fifteen years ago that two Boston ophthalmologists, Leonard Flom and Aran Safir, suggested the idea to Daugman, who was then teaching at Harvard. He began developing formulas for converting the individual characteristics of an iris into a distinct mathematical code and patented those algorithms in 1994. Today, the three are founders of Iridian, which licenses the technology to companies around the world, including IBM, Panasonic, Oki, and LG Electronics.

"I am still today the only person in the world who knows completely how iris recognition algorithms work," Daugman told me recently. "All currently deployed iris recognition systems are using my algorithms. However, there are many other companies today besides Iridian who are licensing my executable software."

The major appeal of Daugman's technology is its speed, ease of use, accuracy, and, when combined with smart card technology, the ability to maintain an individual's privacy.

Essentially, it works like

this: A person looks into a camera that records a digital image of one of his irises. A computer converts the image into a distinct code using Daugman's algorithms. That code can then be stored on a smart card. When the person goes to an airport check-in, he



**An iris contains more than four times as many distinguishing characteristics as a fingerprint.**

inserts his smart card into a reader and looks into a camera, which in a matter of seconds scans his iris and compares it with the information on the card. If they match, he's al-

lowed to pass through the checkpoint.

The whole process is non-invasive—no harsh lights are shined into the eye—and is unaffected by eyeglasses, color contact lenses, age, and diseases such as cataracts. It is also relatively private, since the information can be contained on a smart card and does not have to be stored in a database vulnerable to abuse or hacker attacks. Furthermore, it is highly accurate. The iris has around 400 distinguishing characteristics, and Daugman's method reads 266 of them, whereas fingerprinting reads about 90.

One of the first to implement the technology is Amsterdam's Schiphol Airport, which this spring teamed up with IBM to introduce an iris-recognition system that allows members of its Privium frequent flyer program access to expedited security and passport checkpoints. Currently, the service costs \$97 per year and is open only to European Economic Area passport hold-

ers. The airport is also using the technology on its employee identification cards and to restrict access to high-security areas.

This summer, London's Heathrow, New York's JFK, and Washington's Dulles airports also conducted iris-recognition trials, and Canadian Customs has announced it will be using the technology in its busiest airports by year's end. British officials have discussed including iris-scans on new "smart" passports.

However, the technology is not limited to travelers. NCR and Diebold are both developing bank ATMs based on iris-recognition, and Panasonic has licensed the technology for a range of products, including the \$240 Authenticam, which can be used to secure a home PC, replacing passwords with iris scans.

Industry figures are hard to pin down, but the market for all biometric devices is expected to grow from approximately \$400 million in 2000 to close to \$2 billion by 2005. In 2001, iris-scan products comprised roughly \$32 million or 6.1 percent of the market, but analysts believe the technology's real growth will come when it is harnessed to e-commerce applications.

Although Daugman, who is half-Latvian and half-Swedish, has remained little known outside technology circles, he did make world headlines earlier this year when he was consulted by *National Geographic* to confirm the identity of the famous Afghan cover girl. Of course, if his technology shortens the lines at the airport, he will be a superstar in many people's book. ☉

—Peter Gwin

# Forget Iraq... I need a Job!

**Although foreign distractions helped re-elect Gerhard Schröder, Germans expect him to deliver on the domestic front**

By Terry Martin

**A**nxiety over a possible war in Iraq dominated the last phase of Germany's election campaign, but fear of recession was never far from voters' minds. Rising unemployment, economic stagnation, and record business failures nearly cost Gerhard Schröder the ballot. If he fails to address these problems adequately in his second term, voters could prove less forgiving in 2006.

Just one month before September's election, Germany's jobless figure surpassed the psychologically critical 4 million mark. This played perfectly into the hands of the conservative opposition candidate Edmund Stoiber. He reminded Germans at every turn that their chancellor had broken his promise to reduce unemployment below 3.5 million. Schröder's failure to deliver new jobs became the conservative's clarion call.

The unflattering details of Germany's economic performance provided Stoiber, state premier of prosperous Bavaria, with plenty of ammunition. To start with, Germany's growth rate in 2001 was a dismal 0.6 percent. Analysts say this year could be even worse. On the business front, more than 40,000 German companies are projected to fail in 2002, exceeding last year's record high. In September business confi-

dence fell for the fourth consecutive month, while the country's blue-chip stock index, the DAX, hit a five-year low. Then, of course, there is unemployment, currently hovering around 10 percent. These combined forces are choking tax revenues and draining the social welfare budget. Government finances are severely strained.

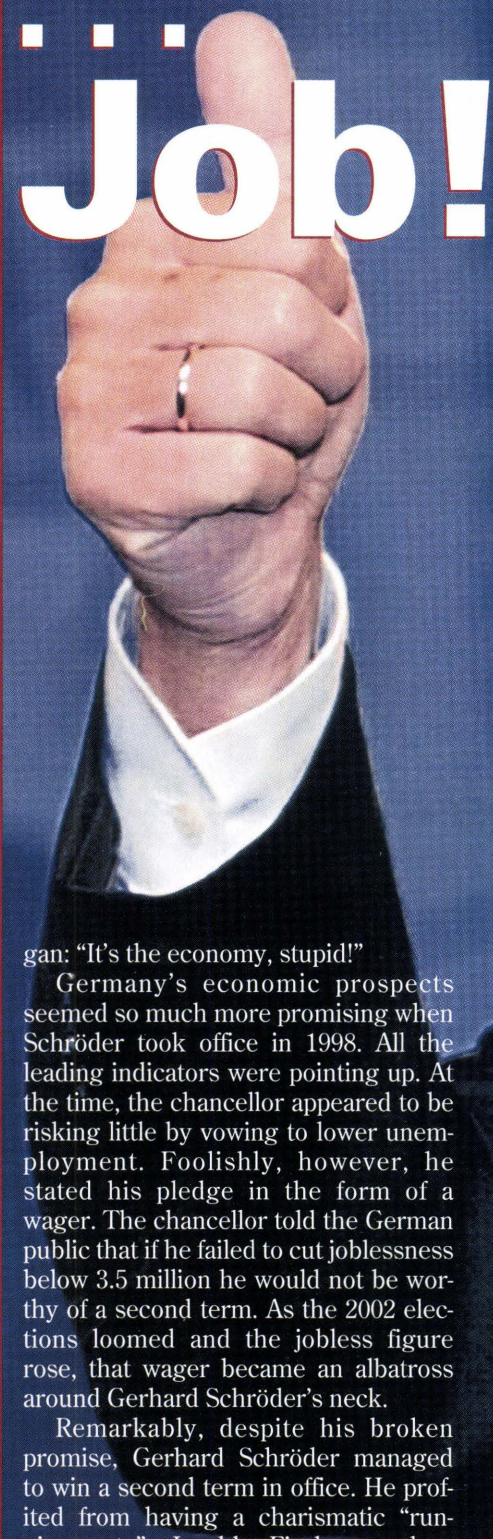
What caused this calamity? According to Stoiber, it was Gerhard Schröder's misguided economic policies. The conservative candidate accused his rival of pampering big business with tax breaks while neglecting the country's famed *Mittelstand* (small and medium-sized enterprises). Unfortunately, Schröder's much heralded tax reforms anticipated a scenario of economic expansion, not stagnation. When the recession finally hit, Germany's structural weaknesses made it more vulnerable than other European states. The EU's largest economy soon found itself performing at the rear of the club's statistical parade. This humiliating image served as Stoiber's favorite campaign illustration.

Less than sixty days before the election, the conservatives' strategy appeared to be working. Opinion polls showed Schröder's Social Democrats ten points behind Stoiber's Christian Democrats. Sensing parallels with past American elections, the German press revived a familiar English-language slo-

gan: "It's the economy, stupid!"

Germany's economic prospects seemed so much more promising when Schröder took office in 1998. All the leading indicators were pointing up. At the time, the chancellor appeared to be risking little by vowing to lower unemployment. Foolishly, however, he stated his pledge in the form of a wager. The chancellor told the German public that if he failed to cut joblessness below 3.5 million he would not be worthy of a second term. As the 2002 elections loomed and the jobless figure rose, that wager became an albatross around Gerhard Schröder's neck.

Remarkably, despite his broken promise, Gerhard Schröder managed to win a second term in office. He profited from having a charismatic "running mate"—Joschka Fischer—and an uninspiring challenger. But personalities were not enough to shift the focus of the campaign. Schröder required a *deus ex machina*. He got it in the form of a natural disaster (flooding) followed





## German Election by the Numbers

PARTY	PERCENT OF VOTES	SEATS WON IN PARLIAMENT
SPD	38.5	251*
CDU/CSU	38.5	248
Green Party	8.6	55
Free Democrats	7.4	47
PDS	4.0	2

*\*Note: The number of seats in the next Bundestag will increase from 598 to 603 because of the seats gained by the two lead parties through "overhang mandates," seats a party gains when it wins more directly elected seats in a particular state than it is allotted through proportional representation. SPD and CDU/CSU won four and one overhang seats, respectively. Source: Germany Information Service*

up by a foreign policy crisis (Iraq). These double distractions played to Schröder's leadership strengths and diverted the electorate's attention away from Germany's economic woes.

Those woes remain, and treating them will prove extremely difficult. Gerhard Schröder has some tax adjustments and labor reforms up his sleeve, but it will take more than that to put things right. Germany is already straining EU debt limits, so it cannot spend its way out of this crisis. Moreover, control of monetary policy has been ceded to the European Central Bank. Barring more divine intervention, German politicians cannot expect a quick fix for their moribund economy.

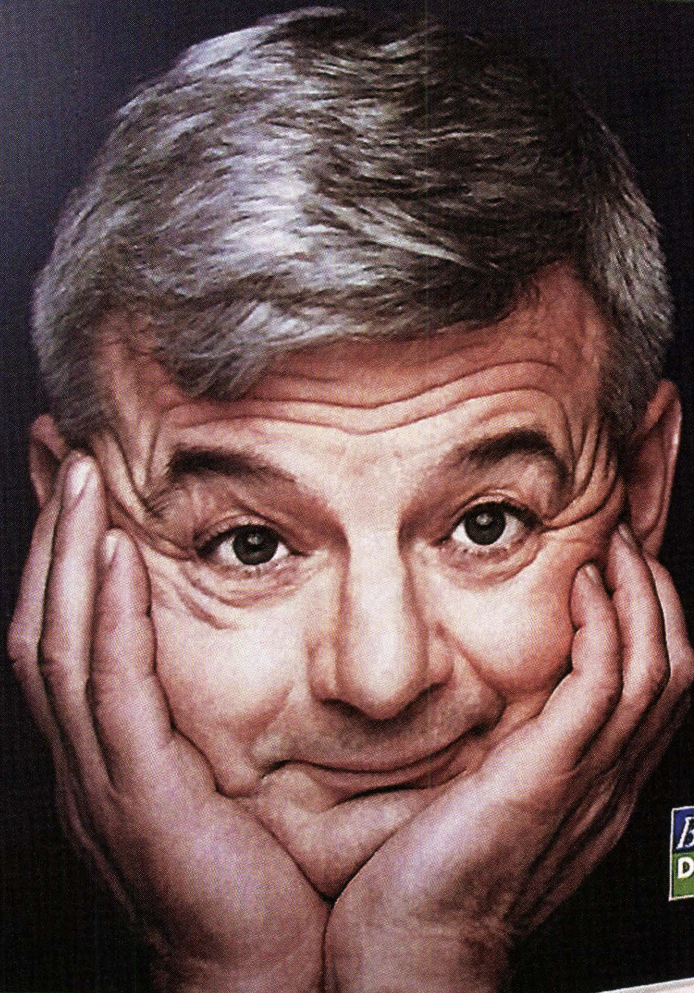
At this point Edmund Stoiber may still be feeling the sting of his election defeat. However, he must appreciate not being saddled with the chancellor's awful burden. ☺

*Terry Martin, based in Berlin, is a EUROPE contributing editor.*

**Chancellor Gerhard Schröder celebrates his Social Democratic-Green coalition's narrow win in Germany's election on September 22.**

**Außen Minister,  
innen grün.**

German Foreign Minister Joschka Fischer proved effective on the campaign trail this fall.



# Joschka

**G**erhard Schröder was reelected chancellor by the thinnest of margins. His Social Democrat Party (SPD) actually lost strength and ended up beating the conservative Christian Democratic Union (CDU) by just a few thousand votes. Election analysts say the SPD probably would not have gotten those decisive votes were it not for the support of Schröder's foreign minister, the Green Party's Joschka Fischer.

Because of Fischer's pivotal role in winning a second term for the SPD-Green coalition, some have suggested that he—not Schröder—is now Germany's most powerful politician. The nationally read newspaper *Bild* has dubbed Fischer "the secret chancellor."

To refer to Fischer as "chancellor" is not as far-fetched as it seems. He is officially Germany's vice-chancellor, second in command after Schröder. As foreign minister, he negotiates affairs of state, handling the country's most sensitive policy portfolio. And within the Green Party, itself, he is celebrated as a superstar.

What ultimately makes Joschka Fischer so fascinating, however, is not so much the level of his achievement but rather the breadth of his appeal. Despite his reputation as a left-wing firebrand in a fairly conservative country, Fischer has endeared himself to voters on both sides of the political spectrum. He is consistently rated Germany's most popular politician—far ahead of Gerhard Schröder.

That is quite an accomplishment for a former taxi driver who spent the 1960s fighting riot police in the streets. (Last year vintage photographs emerged showing him beating an officer.) Apparently, Fischer's youthful follies prepared him well for the thrust and parry of political life. Since joining the environmentalist Green Party twenty years ago, he has helped reshape Germany's political landscape.

Within a year of joining the Greens, Fischer was elected to the Bundestag, Germany's lower house of parliament. The image of him taking the parliamentary oath in jeans and tennis shoes sent a cultural shockwave through the establishment. By 1985, Fischer was environment minister in Hessen's state government, a role he relished but was destined to outgrow.

In 1994, the sharp-tongued environmentalist found a forum worthy of his talents. He became speaker of the Green Party parliamentary group. Germany's left-wing opposition had found a powerful new voice. Fischer's speeches sparkled with humor and intelligence, yet he always retained a gritty, down-to-earth quality that went down well with the man on the street. He established himself as parliament's chief apologist for peace, ecology, and civil rights. Fischer would become Chancellor Helmut Kohl's natural nemesis. The conservatives spent their last four years in office enduring the Green pragmatist's rhetorical barbs.

When Schröder finally defeated Kohl in 1998, the Greens formed a coalition with the SPD and entered government for the first time. The environmentalists' share of the vote was just 6.7 percent. But it was enough for them to pick up three cabinet seats, including the key post of foreign minister. Joschka Fischer had arrived.

To many people's surprise, Fischer turned out to be Germany's most effective foreign minister in a very long time. Whether he was working on a Middle East peace initiative or proposing a European constitution, Fischer demonstrated an extraordinary level of diplomatic expertise. By all accounts, he has performed his job superbly.

Ironically, Fischer's most important mission to date involved negotiations not with a foreign power but with his own party. He saved the governing coalition from collapse by convincing

the deeply pacifist Greens to approve German military intervention in both the Balkans and Afghanistan. It was a major feat, and it came at considerable cost. Endorsing the use of force caused a wave of defections and nearly led to the Green Party's demise.

By February of this year, support for Fischer's party had dropped so far that polls suggested it might not get back into parliament. Yet Fischer himself remained enormously popular with both his coalition partner and the public. The chemistry between the chancellor and his foreign minister was never in question.

All it took was the summer's massive floods and the threat of a war in Iraq to draw voters back to the Green agenda. The party capitalized on its peacenik and environmentalist roots and shamelessly exploited the popularity of its prize diplomat. Abandoning egalitarian tradition, the Greens built their entire campaign around Fischer. The SPD, too, sought to benefit from its association with the Green's leading light. Schröder and Fischer actually campaigned together, another first in German election history. They appeared in Berlin under the English-language banner "Go on Schröder and Fischer." The event proved a spectacular success.

When the votes were all counted, the Greens had more reasons to celebrate than anyone. Although they won just 8.6 percent of September's vote, they retained their status as the third-largest party in parliament—able to form a majority with the SPD—and improved their performance by nearly 30 percent over the last election. Best of all, they increased their influence in the governing coalition: while the SPD lost seats in parliament, the Greens gained. Had it not been for Joschka Fischer, Germany's Green Party might have been banished to the political wilderness, and Germany might have a different chancellor. ☹

By Terry Martin

# Fischer

# Germany's Man of the Hour

# Testing

## the German–American Bond

By Terry Martin

**T**alk about a rough patch. In September US–German relations hit rock-bottom. “Poisoned” was the word used by National Security Advisor Condoleezza Rice. In diplomatic discourse between allies, this is as bad as it gets.

Relations went ballistic when, in the middle of the German election campaign, Chancellor Gerhard Schröder decided opposition to US military intervention in Iraq would be a big vote getter. He was right. His ratings shot straight up, helping him close a ten-

point gap with the conservatives. Unfortunately, that position made Germany very unpopular in Washington where George W. Bush was clamoring for “regime change” in Baghdad.

As President Bush’s saber rattling grew louder, Chancellor Schröder’s antiwar rhetoric became ever more strident. The world’s two largest trading nations—who’ve enjoyed excellent ties for decades—suddenly found themselves on a diplomatic collision course, and both sides stubbornly stuck to their path.



Happier times: Bush met with Schröder in Berlin last May.

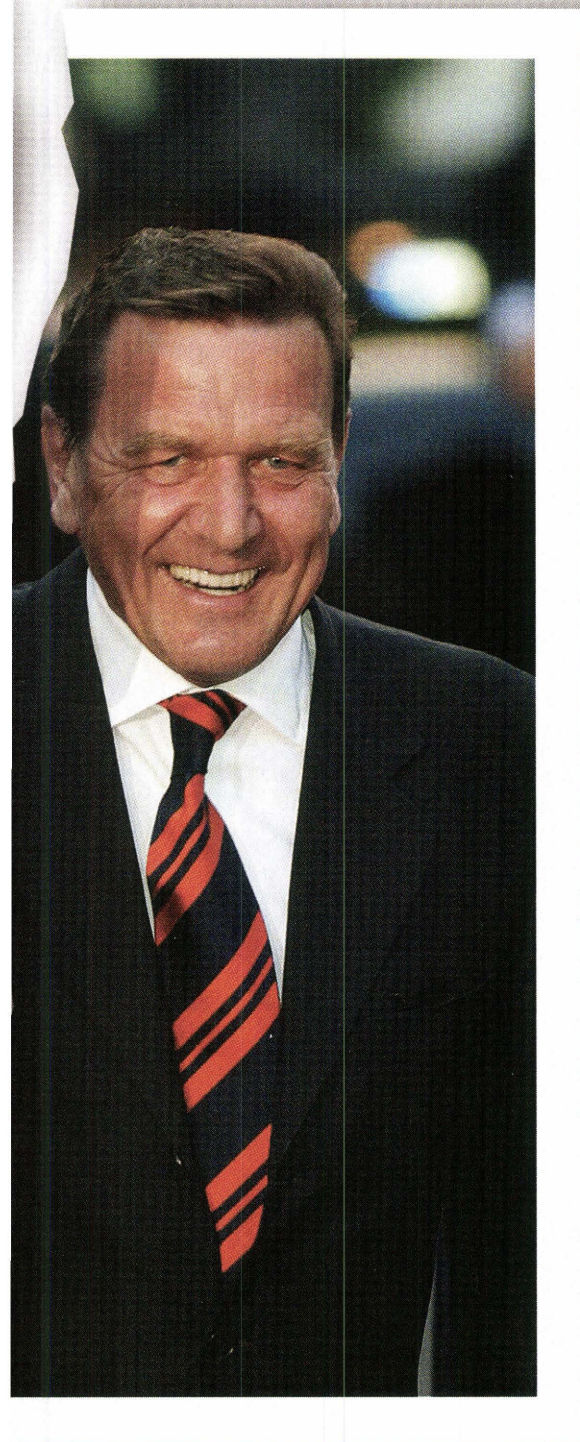


A crowd of nearly 4,000 demonstrators marched through Cologne on September 14 protesting a possible war on Iraq.

Bush lobbied hard for a United Nations resolution to use military action against Iraq. Schröder rejected it unconditionally.

Transatlantic observers watched with amazement as Schröder went further and further out on a limb. Twice a day at campaign rallies—and once in a nationally televised debate—Schröder put rejection of “a military adventure” in Iraq at the very top of his policy agenda. The crowds went wild. Germans (like the Japanese) have developed a deep-seated aversion to war.

Although awkward, the tension in



urgency. Finally, Schröder's aggressive manner and tone (more so than his message) risked creating an atmosphere of bilateral hostility with far-reaching consequences.

It was within this highly charged atmosphere, just three days before the election, that events took a terrible turn. German Justice Minister Herta Däubler-Gmelin was already angry at Bush for backing out of the International Criminal Court treaty. Then, in the midst of a heated debate, she hastily compared the president's tactics to those of Hitler, suggesting that George W. Bush—like “Adolf Nazi”—was using the specter of war to distract attention from America's domestic problems. This analogy was the diplomatic poison Condoleezza Rice referred to.

Schröder quickly issued a written apology to Bush. But it was too little too late. The damage was done. Needless to say, Däubler-Gmelin did not return to Schröder's cabinet. And Bush did not call to congratulate the chancellor on his election victory. Schröder's foreign minister, Joschka Fischer, got the job of patching things up and called Secretary of State Colin Powell the next day to keep the lines of communication open.

Sadly, the dispute over Iraq has overshadowed other important aspects of US-German relations: joint peacekeeping operations in Kosovo and Afghanistan, for example. Gerhard Schröder may have disagreed with Amer-

ica's stance on Iraq, but he is fully committed to the war on terrorism. Germany has 10,000 troops serving alongside American forces abroad. Immediately after the September 11 attacks, the chancellor famously declared his “unlimited solidarity” with the United States.

The “either-or” logic of war threatens to reduce the complex web of transatlantic ties to a single topic. This is most

unfortunate because it jeopardizes progress on a host of issues where Germany and the US disagree. America's refusal to sign the Kyoto protocol on carbon dioxide emissions, for instance, is immensely annoying to environmentally conscious Germany. Schröder's government objects to a whole range of US tariffs and subsidies, particularly those involving steel and agriculture. German companies also do not appreciate being force-fed America's new rules on corporate governance. Other disputes center on America's contempt for the International Criminal Court and Germany's abhorrence of the death penalty. In the machine of bilateral diplomacy, these points of friction require regular oiling.

Paradoxically, while Schröder's reelection campaign was accused of exploiting anti-American themes, the style of the campaign itself couldn't have been more American. For the first time in German election history, the main political rivals squared off face-to-face in nationally televised debates. The popular format, expected to be incorporated into future campaigns, was a direct import from the United States. This was the year German elections became “Americanized.”

US-German relations remained manageable during most of the campaign. Schröder apparently felt the transatlantic bond was strong enough to endure a few weeks of electioneering at America's expense. But the strategy was fraught with risks.

First, Schröder risked alienating many older voters who feel historically obliged to support the US on matters of security. Second, on a European level, he risked isolating Germany within the EU and jeopardized efforts to forge a common position on matters of global



German soldiers continue to serve as part of the International Security Assistance Force in Afghanistan.



# Berlin Blues

Thirteen years after the city was reunified, it finds itself struggling with finances, unemployment, and infrastructure

By Terry Martin

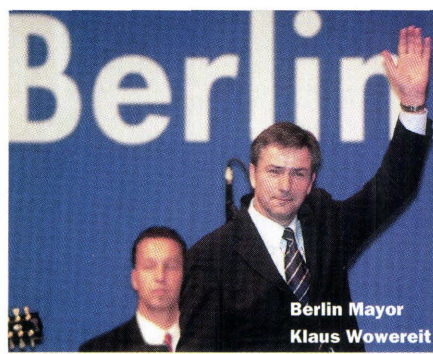
**N**ovember 9, 1989: the day the Berlin Wall fell. Germans refer to it as the *Wende*, the “turning point” in their postwar history. It was the event the world had been waiting for. Peace, unity, and prosperity beckoned. Berliners were euphoric. The *Wende* would unleash their city’s star potential, they thought, and help Berlin recover its status alongside London, Paris, and Rome as a major European metropolis.

Thirteen years later, that dream has all but died. The city is in deep financial straits; unemployment is 17 percent; the population is shrinking; and public services are deteriorating. A newspaper headline last August described the situation bluntly: “Berlin Hit Hard by Poverty.” So much for great expectations.

**Berliners seeking work line up for assistance at a city job center. Seventeen percent of the 3.5 million residents are unemployed.**

Today German print journalists (a melancholy bunch during the best of times) devote ponderous columns to the subject of Berlin's decline. The Berlin daily *Der Tagespiegel* dubbed it "The Capital Illusion." "Dreariness Royale" proclaimed the influential weekly *Der Spiegel*. These sources at least consider Berlin's fate a newsworthy topic. During the summer, the national daily *Frankfurter Allgemeine Zeitung* stopped publishing its "Berlin" section altogether, claiming there were not enough readers—or advertisers—to justify it.

So what happened? Wasn't there a huge building boom in Berlin? Didn't the federal government (formerly located in Bonn) move its massive ministries to the new German capital? Indeed, the entire German parliament moved there too. What about all those diplomats, journalists, lobbyists, and civil servants that came with them? And their families? Hey, we're talking about Europe's gateway to the East, the capital of the world's second-biggest trading na-



tion. Surely, Berlin must be buzzing.

Well, yes and no. In terms of culture—art, music, fashion, nightlife—Berlin is now far more vibrant than at any time during the cold war. International creative types continue to draw inspiration from this city in flux. The club and bar scene has boomed, capitalizing on the city's reputation for decadence and diversity. Three major universities provide a constant supply of youthful energy. Berlin is undoubtedly the most culturally progressive place in Germany, and the rents are cheap. But the city has never managed to attract the investors and big companies it had hoped for. Berlin is very hip. Unfortunately, it is also very poor.

On the surface, Berlin appears to be doing very well. Removing the Berlin

Wall may have robbed the city of its main tourist attraction, but it freed up some choice real estate. The skyline has been completely remade. Nowhere in Western Europe will you see such an exciting concentration of new architecture.

Potsdamer Platz (located on the former site of part of the wall) has been transformed into a state-of-the-art office complex and shopping center complete with an IMAX movie theater. The government quarter looks positively post-modern with the monumental new chancellery (white sandstone) juxtaposed with the historic Reichstag (bearing Norman Foster's signature glass dome). Some of the many new embassy buildings—notably those of the United Kingdom and Mexico—are architecturally daring. And the Jewish Museum, designed by Daniel Liebeskind, has been celebrated as a design marvel.

Although stylistically disjointed, the cityscape looks much better now than it did in 1989. Countless prewar buildings—public and private—have been



Potsdamer Platz, with its state-of-the-art office complex, is home to Sony's European headquarters, but the city's hopes to attract other major corporations have not been fully realized.

lavishly renovated. Museums have been restored (the Alte Nationalgalerie) or newly built (the Gemäldegalerie) to show off world-class art collections that had not been mounted in decades. And other ambitious construction projects are in the works. Museum Island, a giant UNESCO heritage site, will take ten years to complete. Ground will soon be broken on a new US embassy at Pariser Platz next to the Brandenburg Gate. The local and federal governments have even decided to pitch in and rebuild the Imperial Berlin Palace. No one can say that Berlin has not profited from the *Wende* architecturally.

The city's musical landscape has been enriched as well. "Techno," a form of electronic dance music, flourished in the city in the early 1990s. The Berlin deejays who perfected the beat are still very much in demand in New York and London. Hundreds of thousands of young people descend on the German capital every year for the Love Parade, an electronic dance music extravaganza that has spun off satellite events around the globe.

Berlin's nightclubs, famously trendy since the Weimar Republic, continue to serve as laboratories for stylistic innovation. Fashion-conscious "ravers" migrate from one underground venue to the next. Sadly for them, the city's supply of derelict buildings is dwindling, pushing the scene farther and farther east.

Classical music lovers, meanwhile, are spoiled for choice. On any given evening you can pick between performances at three major opera houses, one of which, the Deutsche Staatsoper, boasts Daniel Barenboim as its conductor. The city also boasts three major symphony orchestras, including the Berlin Philharmonic led by the innovative Simon Rattle. While funding for all this culture is growing more precarious, the quality standards are high, the tickets are generally affordable, and since 1989 you do not have to go through the Iron Curtain to get to the concert hall.

But a city cannot live from architecture and music alone. An industrial backbone, efficient governance, and a solid tax base are essential. And in all three areas Berlin comes up short.

Since 1991, Berlin has lost half of all its production jobs. That is largely because industry in the eastern part of the city collapsed after the *Wende*, and cold war subsidies stopped flowing into the western part. This, however, does not explain why the situation is not improving a decade later. Production orders have dropped 20 percent in the past year. Although the weak global economy has not helped, it accounts for only part of the problem.

According to Berlin's Industry and Trade Association (IHK), investors regard Berlin's administration as "not very business friendly." Berlin charges the

highest land acquisition fees in the country, twice as much as surrounding Brandenburg. Water prices are also rising. The IHK says that while it understands Berlin's desperate fiscal needs, higher taxes and utility costs are driving industry away.

The structural changes in Berlin's economy have shifted momentum to the service sector. The tourism, entertainment, and media industries have all recorded significant growth since 1990. Sony has moved its European headquarters to the German capital. Universal Music relocated its German offices to Berlin during the summer, shifting 500 employees to the city. The country's television networks have all moved resources to the capital. CNN International even opened a studio in 1996, broadcasting directly from Berlin three times a day.

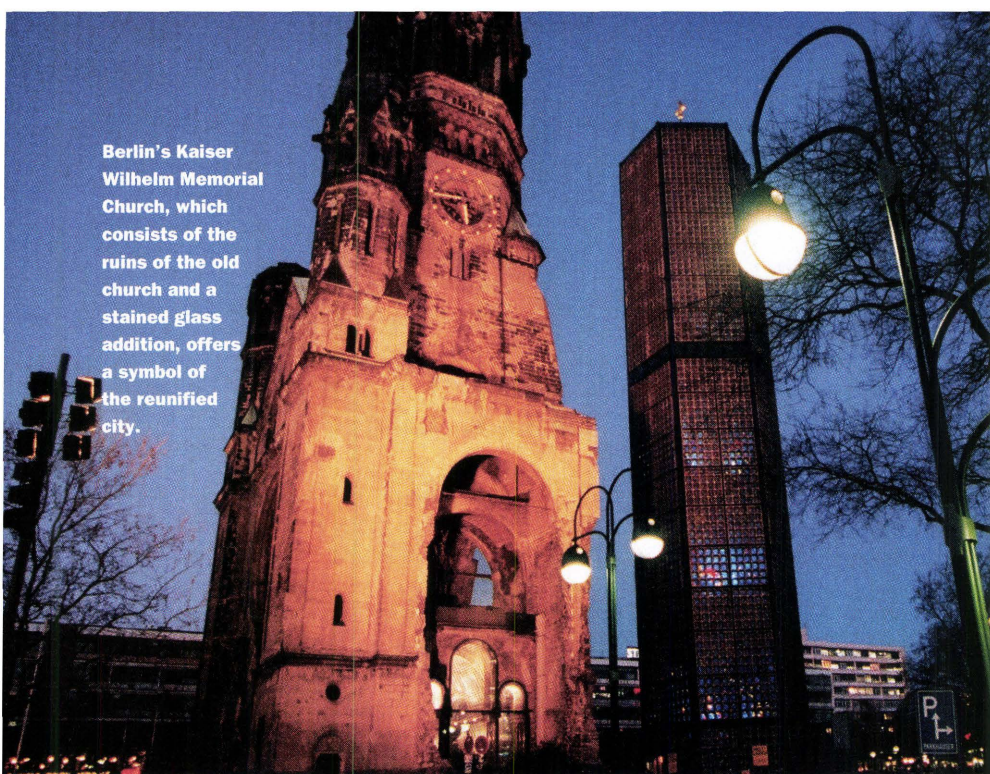
In the nineties Berlin succeeded in establishing itself as Germany's "Internet Capital." That is one reason why the dot-com collapse hit the city especially hard. Hundreds of startups bit the dust. The implosion of Pixelpark, the city's showcase web design firm, came as a psychological blow. So was CNN's decision in 2000 to pull the plug on its tiny Berlin operation. The gloom has extended well into the new millennium. Within the space of one year (through June 2002) the number of unemployed advertising industry workers in the city



Berlin's bar and nightclub scene has thrived irrespective of the city's other woes.



Berlin's Kaiser Wilhelm Memorial Church, which consists of the ruins of the old church and a stained glass addition, offers a symbol of the reunified city.



wall. Air quality is markedly better, too, now that homes in the eastern part of the city have stopped heating with brown coal. As for Berlin's shrinking population, it just means there is less competition for parking spaces, apartments, and concert tickets. Overcrowding is not a problem.

Just this summer *Nylon*, an American glossy magazine, published a sixty-page spread on Berlin entitled "A Tribute to the City of Tomorrow." Ironically, such tributes raise the same question Berliners were asking—albeit with greater existential urgency—at the height of the cold war: Will tomorrow ever come? Historians remind us that it took 762 years to make Berlin what it was on November 9, 1989. It was foolish to expect complete metamorphosis within a decade.

The wall's destruction was a historic event, but Berliners are realizing urban evolution is a lengthy process. The city can be thankful its transformation, though troubled, is proceeding gradually—and above all peacefully. While the dream of rapid growth may have fizzled, the city itself remains very much alive. ☺

rose from 10,000 to more than 15,000. Nearly 4,000 consultants and 2,000 media professionals lost their jobs in the same period. The outlook for these industries remains grim.

Bad supervision of Bankgesellschaft Berlin, a bank in which the city owns an 81 percent stake, has added to Berlin's woes. When the bank lost more than \$2 billion in bad loans, the cash-strapped city was forced to bail it out. Local politicians were implicated in shady financial dealings involving the bank, which led to the collapse of the city government last year.

Today, Berlin is operating with a \$2 billion deficit and a debt load of more than \$40 billion. The new government has entrusted Berlin's economy portfolio to a member of former communist PDS party. Public confidence in the more established parties is extremely low.

Rounding out the misery, a recent government report revealed that one-eighth of the city's population lives below Germany's poverty line. Only 41 percent of Berliners actually earn their living. Eleven percent survive on welfare or long-term unemployment benefits. Other statistics show that the city's schools are among the worst in the country, further frustrating Berlin's economic development efforts. Thomas Herz of the IHK says that, in addition to the city's opaque bureaucracy, "The bad reputation of the Berlin school system is the main reason leading executives are reluctant to relocate here."

All this, and yet, many residents and visitors insist that the quality of life in Berlin has increased noticeably since 1989. Some of the perks are simply part

of the peace dividend. The absence of cold war checkpoints, for example, makes road and rail travel far more convenient. (So what if all direct air routes between Berlin and the US have been cancelled for lack of business traffic.) The overhauled public transport system is now extremely efficient, serving suburbs that were inaccessible behind the

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# Central European Politics

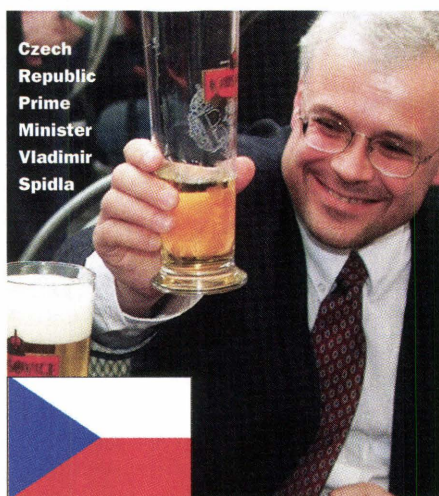
## Like Western Europe, But Different

By Barry D. Wood

In post-communist Central Europe, parties of the center-left are showing considerable resilience. In June, voters in the Czech Republic rejected the center right party of former prime minister Vaclav Klaus and opted to stay with a coalition led by the social democrats of Prime Minister Vladimir Spidla. In April, Hungarians dismissed the rightist nationalists who had led the country for four years. They brought back the former communist socialists of Prime Minister Peter Medgyessy. Last year, Poland's Solidarity-led rightist coalition was swept from office and replaced by the former communists of Prime Minister Leszek Miller.

Only in Slovakia has the center-right managed to hang on to power. There, to the surprise of many, a center-right coalition led by Prime Minister Mikulas Dzurinda trumped the left in the September 22 parliamentary election. The real loser was former strong man Vladimir Meciar. His Movement for a Democratic Slovakia got far fewer votes than it did in the 1998 election, although it remains the country's largest single party. The outcome is an endorsement of the pro-Western policies of Dzurinda and his determination to steer Slovakia into NATO and the European Union.

In all four countries, the common foreign policy objectives of integration with the West remain unchanged.



Charles Gati, an East European specialist at the Johns Hopkins School for Advanced Studies in Washington, DC, says that twelve years into Central Europe's transition from communism, there is no longer a left-right divide. "The socialists," he observes, "are as market-oriented as their opponents."

The overall message from post-communist Central and Eastern Europe is that democracy prevails. Freely contested parliamentary elections held at regular intervals with the vanquished moving to the opposition are the norm. Despite low standards of living, political extremism has thus far been rejected. People on the other side of what was the Iron Curtain see themselves as part of Europe and seek to join its institutions.

Siim Kallas, the centrist Estonian prime minister, personifies the region's impressive new political class. Speaking impeccable English, the trim fifty-four-year-old technocrat told an audience at Washington's National Press Club in September that the remaining months of 2002 are critical. Fresh from an Oval Office meeting with President Bush, Kallas said Estonia is ready for the NATO membership likely to be offered to his and six other countries (Latvia, Lithuania,

Slovakia, Slovenia, Bulgaria, and Romania) at November's NATO summit in Prague. Furthermore, he is confident his nation will be offered membership in the European Union at the EU summit in Copenhagen the following month. Kallas, who has served previously as his country's central bank chief and both finance and foreign minister, noted that updated forecasts show that Estonia's economy will again achieve 5 percent growth this year. Observing this polished performance, he remarked that it seemed impossible that only eleven years ago a then-dreary, beaten-down Estonia was part of the Soviet Union.

Sharon Fisher, a senior economist at the Washington-based PlanEcon consultancy, which specializes in Eastern Europe, says Eastern politics are much more personality based than on the Western side of the continent. In the Czech Republic, she says, it was not so much that people were endorsing the Social Democrats than that they rejected the hectoring, "I know best" style of former prime minister Vaclav Klaus, who had expected to be returned to power in June's election. In Hungary, she says, the public was turned off by the increasingly shrill nationalism of the young rightist prime minister, Viktor Orban. Hungarian voters opted in April to bring back the less flamboyant former communists they had swept from

Estonia  
Prime Minister  
Siim Kallas



Hungary Prime  
Minister Peter  
Medgyessy



office only four years earlier.

But the Achilles' heel for East European politicians could ultimately be the slow pace at which living standards are moving toward the much higher West European levels. The reality increasingly is settling in that even the fast reformers in Central Europe and the Baltics may never catch up. The European Bank for Reconstruction and De-



velopment (EBRD) calculates that economic growth rates in most countries would have to more than double from the current pace in order for living standards to reach those of even Greece and Portugal within twenty years. Only Slovenia, the richest part of the former Yugoslavia, appears to have a decent chance of achieving the 4.2 percent growth rate it must sustain to catch up within two decades.

The pain of the transition thus far is probably the reason support for EU membership has been declining recently in several countries. In Poland, where the economy has hit the wall after years of 3 percent-plus growth and where unemployment has soared to 17 percent, public support for EU membership has slumped to 54 percent. A referendum on membership is likely in the spring. Recent surveys show that in the Baltic States only 38 percent of Estonians, 46 percent of Latvians, and 50 percent of Lithuanians currently favor EU membership. By contrast, 70 percent of Hungarians and 66 percent of Slovaks favor joining the European Union. ☹

*Barry D. Wood is the international economics correspondent at Voice of America. He was based in Prague for three years and has been writing about Eastern Europe since 1989.*

# Investment Boom Continues in Central Europe

**T**o observe the industrial future of the European Union's proposed new members in Central Europe, come to Kolin forty miles east of Prague.

There ground has just been broken on what will be a \$1.3 billion auto manufacturing plant jointly owned by Peugeot Citroën and Toyota. Directly and indirectly, it will employ 10,000 workers and establish central Bohemia as the auto-making center of post-communist Central and Eastern Europe. It is the largest Japanese auto investment in the region, one that had been eagerly sought by Poland, where General Motors and Fiat already have big manufacturing operations. Toyota president Fujio Cho says the success of Kolin "is the key to Toyota's future in the European market." The first of the new generation four-passenger, environmentally friendly cars will roll off the line in 2005.

Nevertheless, Volkswagen has led the way in the Czech Republic and Eastern Europe. VW took over Skoda in 1991, and its plant northeast of Prague at Mlada Boleslav is the showcase for the German firm's \$4.7 billion of investments not only in the Czech Republic but Slovakia, Poland, Hungary, and even Bosnia. As many as 25,000 Czechs have jobs related to VW Skoda, which is regarded as the most successful industrial operation in Eastern Europe. Output has tripled since VW arrived, and vehicle quality matches or surpasses that in any VW plant. About a third of output is exported to Western Europe.

The big car companies are drawn to Poland, Hungary, and particularly the Czech Republic by several factors—skilled workers who earn 25 percent of what is paid in Germany, a well-developed industrial infrastructure, and proximity to Western markets and sources of supply in countries that will soon be EU members.

These three Central European coun-

tries—along with now fast-reforming Slovakia—have attracted more than three quarters of the \$113 billion of foreign direct investment that has gone into Eastern Europe (excluding the former Soviet states) since 1989. Poland—nearly four times more populous than the others—has received the most, with \$34 billion invested by foreign firms. However, it has lagged in recent years while the Czech Republic (\$26 billion) has been catching up, passing early leader Hungary (\$22 billion).

The bulk of that investment has gone into what was the industrial heartland of the old Austro-Hungarian Empire. Excluding its mountainous regions, that zone is roughly bordered by Prague in the west, Katowice in the Silesian district of Poland in the north, Kosice—the steel-making center in eastern Slovakia, and Gyor, Hungary in the south.

Germany is by far the biggest investor with the United States accounting for more than a quarter of the total. The US was an early leader with General Electric gobbling up the Tungstam lightbulb company in Hungary and Philip Morris buying Tabak, the biggest cigarette maker in the Czech Republic. More recently, GE Capital through acquisitions has become a major banking presence in the region. However, it is US Steel, implausibly perhaps, that has become the most noteworthy new American in-

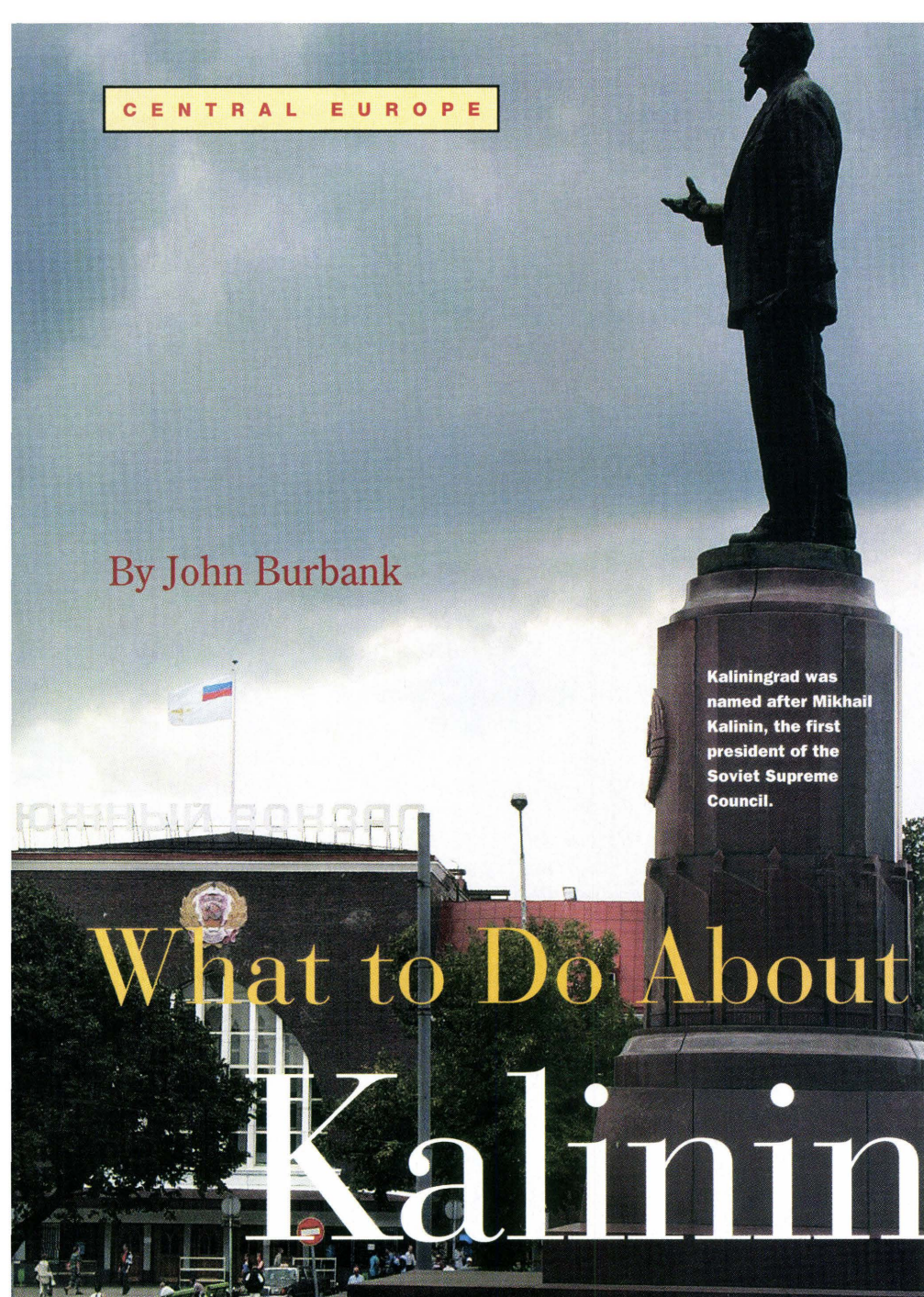
vestor. Two years ago US Steel took over debt-plagued VSZ, East Slovak Ironworks, which is arguably the most efficient steel operation in Central Europe. VSZ had been bled dry in a botched privatization undertaken by former Slovak leader Vladimir Meciar. A reformist Slovak government turned to the American firm to clean up the mess and commit to a \$700 million modernization. US Steel says it could not be happier and views VSZ as its entrée into the European Union. The firm is a major supplier to the region's auto manufacturers.

—Barry D. Wood



US Steel has invested in a mill in Kosice, Slovakia.

By John Burbank



Kaliningrad was named after Mikhail Kalinin, the first president of the Soviet Supreme Council.

# What to Do About Kalinin

# grad?

The EU faces a Russian-controlled enclave of smugglers and industrial decay in the Baltic

**I**f its current round of enlargement negotiations is successful, the European Union will soon include almost the entire Baltic Sea coast. With Latvia, Lithuania, Estonia, and Poland as EU members, perhaps as early as 2004, all but a short stretch of Russia's mainland coastline and its enclave of Kaliningrad would remain outside the Union.

The presence of the latter poses the EU with several troubling difficulties. Besides being a strategic military port for the Russian Federation, Kaliningrad is also a significant source of crime and pollution, problems that EU leaders worry will spread if left unchecked.

Meanwhile, Russian officials are concerned about being cut off from Russian citizens who live there and about Russia's declining power in the Baltic region.

Situated between Poland and Lithuania on the Baltic Sea, the Kaliningrad *Oblast* (or province) is roughly the size of New Jersey and is comprised of the city of Kaliningrad, which has a population of 500,000, and the surrounding hinterland with another 400,000 inhabitants. Before 1945, it was part of Germany, and the city was known as Königsberg, but after the Second World War, the Potsdam Conference divided what had once been East Prussia be-

tween Poland and the Soviet Union. The Soviets renamed both their portion and its chief city Kaliningrad, in honor of the first president of the Soviet Supreme Council, Mikhail Kalinin.

Today, Kaliningrad is an important, if decaying, military and industrial region of the Russian Federation. Home of the Baltic Sea Fleet, it is Russia's only ice-free Baltic port. It is also the site of the Yantar shipyard, one of the largest in Russia. Among other commercial considerations, the region produces 80 percent of the world's amber, which is used to make jewelry, tobacco pipes, and decorative objects. It also houses the Baltic's largest fishing fleet and holds underdeveloped oil reserves.

Since its incorporation into the Soviet Union to its present position as part of the Russian Federation, Kaliningrad has remained an important strategic and commercial interest. The numbers of military personnel have decreased to approximately 19,000, but a large amount of equipment, albeit largely unserviceable, and a significant number of installations are still located inside its borders.

However, the Kaliningrad region's most important assets are the ports it affords Russia's Baltic Sea Fleet. During

the cold war, the USSR and its allies controlled roughly 1,000 miles of the eastern Baltic coastline, stretching from East Germany to the Finnish border. That area has shrunk to only the port of Kaliningrad and some smaller installations, almost all of which are located within Kaliningrad Oblast. Without a viable presence in Kaliningrad, the Russian navy would be unable to operate effectively in the Baltic Sea and could limit its presence in the Atlantic to only submarines.

However, Russia also believes its presence in Kaliningrad ensures its status as a power in the northern European region. This is important in terms of

Russia's overall national security posture and as a means to discourage any wholesale persecution of Russian minority groups in the region. Moscow in the past has asserted that Russian minorities in the Baltic region have been the subject of "ethnic cleansing" and "variants of apartheid."

Kaliningrad is one of the poorest regions in the Russian Federation. According to Goskomstat, the Russian Federation's state statistical agency, 38.7 percent of the residents of Kaliningrad live below the nation's poverty level as opposed to 30 percent nationwide.

Regionally, Kaliningrad is an even bigger economic failure. Its 1999 per capita gross domestic product was five times lower than Lithuania's, eight times lower than Poland's, and forty times lower than the EU average. EU officials worry that Kaliningrad's economic woes combined with its other problems could spill into the Union once its neighbors become member states.

Of specific concern is Kaliningrad's reputation as a haven for organized crime, especially as a major hub for smuggling. Boasting prices that are one-third those in Moscow, Kaliningrad is an ideal location to obtain goods ranging from alcohol and cars to narcotics and weapons.

The latter item provokes special concern. Although the number of military personnel has been drastically reduced, a huge amount of military hardware remains in Kaliningrad Oblast. Most of it was transported to its present location by units hurriedly leaving former War-

saw Pact nations and the Baltic States. Although it has been steadily deteriorating since, observers worry it potentially could fall prey to weapons traffickers.

Of further concern is Kaliningrad's pollution. It is by far the most polluted region in northeastern Europe today, estimated to have more than 7,500 sources of air pollution, including 178 large industrial enterprises. Only 62 percent of these have any form of treatment facilities. Within the city of Kaliningrad itself, air pollution is five to six times greater than anywhere else in the Russian Federation, which itself has levels far greater than any EU country.

The city also faces serious infrastructure problems as well. Although it is a producer of oil, there are no refineries in Kaliningrad and no power plants. Kaliningrad receives its natural gas from Russia through a pipeline that travels through Lithuania but receives its electricity from a Chernobyl-type nuclear power plant located in Lithuania near the city of Ignalina. Furthermore, the region has a history of not paying its electric bill, which has resulted in several episodes of brinkmanship between Lithuania and the Russian Federation.

The city's water system poses an even greater problem. Most of it was built by East Prussia almost a century ago, and during periods of little or no precipitation, the system dries up. Water is frequently available in some areas for less than two hours a day and is often not potable.

EU countries and the Russian Federation have recognized the problems of Kaliningrad over the past decade and have undertaken many efforts to help

the region. Unfortunately, most of these initiatives have either met with failure or are still in the planning process. There is still interest on several sides about using Kaliningrad as a "pilot region" for economic policy. Visions of a Hong Kong on the Baltic are often touted by various trade and economic ministers in the region. However, such dreams are not likely to become reality anytime soon. As the EU enlarges eastward, it will have to come to terms with the fact it will eventually surround a Kaliningrad that continues to struggle under the burdens brought on by the collapse of communism.

Meanwhile, Russian officials continue to press the EU on matters of transit once Kaliningrad is surrounded by Union members. President Vladimir Putin has demanded that Russian citizens be allowed to travel between the enclave and the rest of Russia without having to obtain special visas. In September, European Commission President Romano Prodi said the EU would consider allowing Russians to travel without visas, provided a system of nonstop, high-speed trains could be implemented between Kaliningrad and Russia. Furthermore, he said the EU would consider issuing facilitated transit documents to those traveling frequently between Kaliningrad and the surrounding areas. "You could call it a Kaliningrad pass," said Prodi.

Although Kaliningrad Governor Vladimir Yegorov called the EU proposal a step forward, Dmitry Rogozin, Putin's envoy in Kaliningrad negotiations, said the two sides remained far apart on the issue.

Chris Patten, the EU commissioner for external relations, has stated that EU policy in the area must be an "all-European commitment" and that this is "just the sort of area where the EU should be cutting its foreign policy teeth." Given the profound nature of the problems in Kaliningrad, any meaningful recovery plan will no doubt be extremely expensive and any solutions will be long in coming. Without a decisive and long-term foreign policy plan toward Kaliningrad, many believe the EU can very well find itself looking at a constant and dangerous source of instability on its border for years to come. **E**

*John Burbank is a freelance writer who specializes in Russia and Eastern Europe.*



**Kaliningrad's most important assets are its seaports, which are home to Russia's Baltic Sea Fleet.**

By Axel Krause



# EADS

## Targets US Market

**Europe's largest aerospace company joins with Boeing to pursue military contracts**

**T**he most exotic sight at Britain's Farnborough International Air Show was not spotted zooming through the clear July sky. Rather, it was the leaders of the world's two aerospace arch rivals smiling and shaking hands. Philip Condit, CEO of Boeing, and Phillippe Camus and Rainer Hertrich, co-chief executives of the French-German-controlled European Aeronautic Defense & Space (EADS), used

the occasion to announce their agreement to cooperate in developing a multibillion-dollar, US-led global missile-defense system.

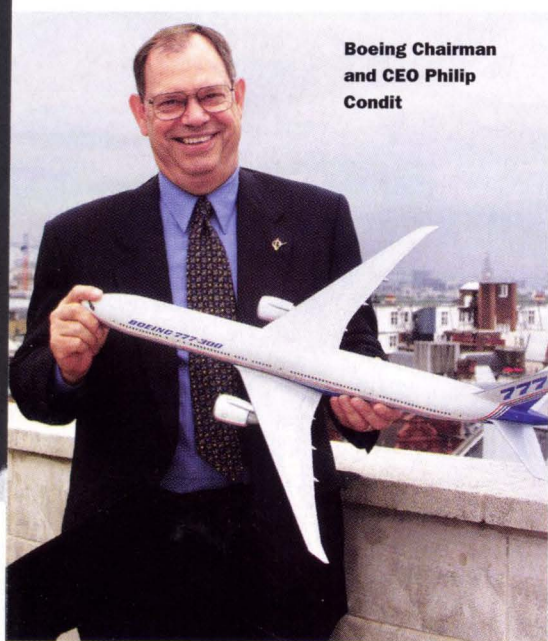
Although many crucial details, including financing and governmental approvals, are still being negotiated, the deal represented a major breakthrough in transatlantic cooperation in an area that for decades has been characterized by fierce, politically charged, worldwide competition. The battling has mainly focused on large passenger jets made by

Chicago-based Boeing and Toulouse-based Airbus, the four-nation consortium (United Kingdom, France, Germany, and Spain) that is 80 percent-controlled by EADS and accounts for more than the majority of its profits. But the worldwide rivalry also extends to spacecraft, missiles, helicopters, and military fighter and transport planes made by the two giants, and the CEO's glad-handing notwithstanding, it won't stop.

"In this business, everyone partners



EADS is the controlling shareholder in the four-nation Eurofighter combat plane.



Boeing Chairman and CEO Philip Condit

with everyone else, despite the competition, and this step (with Boeing) represents a first, major step for us to substantially increase our position in US defense markets, among others," said Ralph Crosby, who in September was named CEO of all EADS's activities in North America. A former senior executive of Northrop Grumman, the third-ranking US defense-aerospace company, and who helped develop the B2 stealth bomber, the fifty-four-year-old Crosby thus became the second senior-ranking American to join the top ranks of the EADS group; the first was John Leahy, executive vice president of Airbus. "Despite obstacles in the military area, we are also looking at acquisitions in the United States," Crosby remarked during an interview at the group's Paris headquarters.



EADS chief executives Rainer Hertrich of Germany (left) and Philippe Camus of France

The missile project, with an estimated \$48 billion price tag, would help offset sharp drops in demand among world carriers for their civilian planes, a slump Condit described as the "worst decline" in the industry's history. Both companies particularly hope to win contracts stemming from huge increases in US defense spending. Within the next few years, Washington will be shelling out three times the European Union total, rising to \$451 billion in 2007 from \$320 billion last year, including missile defense programs.

Several key EU countries are also planning increases. France, for example, has committed to boosting annual spending from around \$14 billion to \$15 billion between next year and 2008. France now spends the equivalent of just

less than 2 percent of its GNP on defense, which is below the UK's nearly 2.5 percent, currently rising to 3 percent, but well ahead of Germany's 1.2 percent, which most EU observers expect to climb slightly in the coming year.

Not surprisingly, Boeing and the second-ranking US aerospace giant, Lockheed Martin, are seeking to enhance their sales and generate profits in the fragmented Western European defense market. But the Boeing-EADS move is regarded as the most important step yet toward building transatlantic industrial-military cooperation.

Backed by the Bush administration as a way of engaging continental EU members in its global, anti-terrorist strategy, the agreement is described by Condit as a concrete example of "unity of purpose and appreciation of a common

global threat," emphasizing that "international cooperation is a cornerstone of missile defense." The agreement followed an earlier decision by Boeing to merge its space and communications unit with its military business into a new unit, Integrated Defense Systems, which could generate an estimated \$23 billion in sales this year, roughly comparable in size to its commercial jet business.

However, important obstacles loom on both sides of the Atlantic. Several

EU member governments have expressed deep skepticism about the anti-missile system's viability and usefulness, questioning the administration's targeting potential enemies capable of hitting Western targets with missiles, such as North Korea, Iran, and Iraq.

Some defense experts in France are already warning EU allies that the proposed deal could only result in enhancing Boeing's role in Europe, thus endangering a key component in EADS's strategy—challenging US dominance on the military side of the aerospace business, similar to its success with Airbus civilian planes. Others express a sense of déjà vu. "These kind of ambitious military space projects have been talked about before, notably during the Reagan era, but I will believe in this (Boeing-

EADS) accord when it is real and represents real money," said François Heisbourg, head of the Paris-based think tank, the Foundation for Strategic Research.

But Crosby and Jean-Louis Gergorin, EADS's executive vice president in charge of strategic planning, believe that their US links could extend well beyond Boeing and missiles and reach into areas such as tanker and aircraft, radar and helicopters, many designed for homeland defense, possibly through other joint ventures or acquisitions. "These will be major markets for us,"

Gergorin said. Crosby noted that one of his key roles in Washington will be attempting to persuade the Pentagon and reluctant members of Congress that European military technology can play an important and less-costly role in the administration's defense procurement programs.

EADS was created two years ago through the merger of France's Aerospatiale Matra, Germany's Daimler-Chrysler Aerospace, and Spain's Construcciones Aeronauticas groups, thus becoming the world's second-largest aerospace and

defense to be an important focus in the shifting defense environment," the two executives said through a joint statement, and "EADS possesses the entrepreneurial know-how, leading-edge technologies, and actively maintains the role as Europe's defense leader." Added Condit, "There clearly will be room for EADS...if you want systems to inter-operate, you have to have people on both sides working on that problem."

While the European company already has about 2,000 people on its payroll in the United States, including Airbus teams, its corporate headquarters are split between Paris and Munich, directing the work of some 100,000 employees at more than seventy production sites, mainly in Germany, France, the UK, and Spain. From Camus and Hertrich down, the working language in the company is English. Through its financial and managerial control, EADS is a leading launcher of commercial satellites (Arianespace); one of the world's largest makers of civilian and military helicopters (Eurocopter); and guided military missiles. Furthermore, the company is the controlling shareholder in the military aircraft programs of France's Dassault group, maker of Mirage and Rafale fighter planes and in the four-nation Eurofighter combat plane (UK, Germany, Italy, and Spain), which competes directly with the American Joint Strike Fighter, the F35 warplane developed by Lockheed Martin.

In recent weeks, investors appeared skittish about EADS's stock, which is traded on the Frankfurt, Paris, and Madrid exchanges. In early October, its price had slid to around \$9 per share, down 31 percent over the last twelve months.

Nevertheless, in its financial statement issued at the end of July, the company reported that its 2002 earnings before interest and taxes would be 20 percent higher than the \$1 billion previously forecast. EADS's cash position remained what Camus and Hertrich described as "strong," equal to around \$1.2 billion. "Looking ahead, we remain prudent," the CEOs said. "Key drivers of continued profitability will be Airbus...and the expected break-even for defense and civil systems for the full year," they said. ☉

*Axel Krause, based in Paris, is a EUROPE contributing editor.*

In addition to its Airbus commercial jets, EADS also builds satellites and rockets, which were on display at last year's Paris air show.





# Single Sky

## European aerospace authorities working to replace fragmented air traffic control system



By Bruce Barnard

**E**uropean Union governments are moving within sight of a landmark agreement establishing a so-called "Single European Sky" to replace the fragmented air traffic control system blamed for the delays and congestion that blight air travel across the continent.

The European Commission's long stalled proposal for a harmonized control system received a tragic boost in July from the mid-air collision of a Russian Tupolev passenger plane and a Boeing 757 cargo jet over southern Germany, which left seventy-one dead.

The EU's transport commissioner, Loyola de Palacio, said the accident, the first mid-air collision in Europe in more than twenty-five years and Germany's worst postwar air disaster, was caused in part by a lack of coordination between different air traffic control technologies. German controllers had seen the crash coming but did not have the means to contact their Swiss counterparts.

Six weeks later, the European Parliament overwhelmingly backed the Commission's plan to have the Single Sky in place by the end of 2004. The measure still has to be approved by the

fifteen EU member governments before it becomes law and despite opposition from air controllers in some countries; however, observers say there should not be a problem meeting the deadline.

The patchwork of national air control systems dates back to the start of air travel but cannot cope with the surge in traffic—there are more than 8 million flights in Europe every year, peaking at an average of 28,000 per day in the summer vacation season.

There are currently more than forty different air traffic control systems handling fifteen separate "skies" in Europe. A relatively short flight between Brussels and Rome, roughly the

same distance as between New York and Chicago, passes through nine separate control systems.

The only central body, Eurocontrol, with which the EU signed an accession agreement in October, merely coordinates the activities of separate air traffic management systems. But under the Commission's proposals it will be able to harmonize them, laying down binding rules for the whole continent.

"For too long, air traffic control has been dominated by considerations of national sovereignty rather than the needs of airlines and passengers," says Marieke Sanders-Ten Holte, a Dutch Liberal member of the European Parliament who helped steer the Single Sky legislation. A single system, she says, will create new and larger air corridors, allowing airlines to fly more direct routes, significantly cutting delays.

The European Commission estimates that the fragmented air traffic control system is responsible for 50 percent of the delays and reckons a harmonized system would save airlines roughly \$5 billion a year.

Not all European skies are overcrowded. In some places as little as 50 percent of air traffic capacity is used,

whereas a large strip of airspace from southeast Britain to Italy, taking in France, Germany, and the Benelux countries, is so congested that no more capacity can be added. Another problem is the large slice of airspace still reserved for military aircraft in spite of the ending of the cold war.

The downturn in European air traffic in the wake of the September 11 terrorist attacks significantly reduced delays in the first half of the year, but traffic is starting to pick up again, largely due to the rise of no-frills budget airlines, and delays are lengthening.

The delays were also reduced by the big increase in capacity resulting from the agreement in January to halve the minimum vertical separation of aircraft in the upper airspace from 2,000 feet to 1,000 feet in forty-one European and North African countries. The move, which was hailed as the biggest change in European air traffic management in fifty years, is aimed at boosting capacity from the North Atlantic to the Russian frontier, by around 20 percent.

The single sky plan has sparked a furious backlash and a spate of summer strikes by controllers in France, Germany, Greece, and Portugal who fear it is a backdoor to privatization that will result in job losses. The UK government partially privatized the National Air Traffic Services [NATS] last year, selling a 46 percent stake and management control to the Airline Group, a consortium of seven UK airlines led by British Airways and Virgin Atlantic. The post-September 11 slump in North Atlantic traffic slashed NATS revenues, and the government and private shareholders had to provide a \$155 million capital injection.

Some EU countries, like France, are leery of surrendering national sovereignty and giving up military airspace. However, a Single European Sky looks like an idea whose time has come. ☺

*Bruce Barnard, based in Cambridge, England is a EUROPE contributing editor.*

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# EUROPE

## Update

NOVEMBER 2002

VOLUME X / NUMBER 10

## STATE PROFILE: CALIFORNIA

*This is the third in series of occasional features that offer deeper insight into EU-US relationships at the state level and the people, organizations, businesses, and government bodies that comprise them.*

### Doing Business Together

From corks to cell phones, from almonds to digital pens, and from one executive suite to another, EU-California economic ties run the gamut of products, services, and people.

Ever since Portuguese, Spanish, and English galleons anchored at San Diego, Monterey, and Mendocino, Europeans and Golden Staters have imbedded themselves in one another's business.

Nowadays, post 9-11 and the advent of the euro, business is at its most problematic in a decade. Yet private sector strategies and public agency commitment ensure that the massive dual market of nearly 400 million people will weather the storm cycles as robustly as did their sixteenth-century seafaring predecessors. Says Lon S. Hatamiya, secretary of the California Technology, Trade, and Commerce Agency: "Our relations with the EU are very good. Of our total exports, 21 percent go to the EU, and they're one of our largest foreign investors. We're definitely intertwined in a great way."

For a generation, California has been heralded as gateway to the Pacific, hub of the

Asian century, and a Pacific Rim mega-state. All true, but during that same time, the economic, political, and cultural nexus with Europe has flourished also. Call it, in the age of so many of them, a *strategisch Partnerschaft*.

Moreover, in a kind of synergistic *pas de deux*, any differences between the US and Europe over Iraq or the war on terrorism will be buffered by their traditional transatlantic stakeholdings. Just as disagreements over trade and investment issues will not erode their mutual commitment to democratic institutions and individual liberties. "In discussing the transatlantic relationship..." Ambassador Günter Burghardt, head of the European Commission Delegation to the US, said in a speech to two California State Senate committees in March, "I am well aware that California constitutes a vital component of the EU-US economic relationship."

Consider corks. For decades, vaunted California wineries have plugged their vintages with corks from Portugal. Recently, however, complaints over "cork taint" and its deleterious effect on what is in the bottle, have led some vintners to use plastic or other substitutes, capturing an estimated 7-8 percent of the US market. Iberian cork-makers have responded by improving quality control and launching an impressive public relations campaign. So far, they have recaptured mar-

ket share and won over some California environmentalists, who praise the European cork industry as one accenting sustainable growth and protection of wildlife habitat.

Or take the transatlantic exchange of people, which is exactly what has been happening among EU and California corporations. In 1999, San Diego's Qwest Communications International hired Afshin Mohebbi as president and chief operating officer from British Telecom. Earlier this year, EADS, the European aviation and defense consortium, returned the favor, naming Ralph D. Crosby, Jr. as head of its North American division; Crosby had been president of Northrop Grumman's Integrated Systems Sector.

Other bilateral barometers: Two-thirds of all California almonds are shipped to European customers, and half the wind turbines generating energy in the state are of Danish origin. Furthermore, Allianz's PIMCO bond management unit, based in Newport Beach, with \$274.4 billion in assets and 550 employees received an "Award for Investment Excellence" from *Global Investor Magazine* this year, and Sweden's Anoto Group C Technologies subsidiary just signed up northern California's Logitech for its highly touted C-pen that transfers printed text from paper directly to computers. Also, the world's largest cell phone maker, Nokia of Finland, has

agreed with two California firms, Loki Software and Leap Wireless International to use Loki's games and Leap's Cricket handsets for its ubiquitous phones.

Overall, outside NAFTA, the EU is California's largest export market. Europe is the largest source of foreign direct investment (FDI) in the state, totaling \$53 billion in 2000, or almost half the state's total FDI. European trade and investment support more than 500,000 California jobs, many of them in highly skilled and well-paid sectors. Approximately forty-five member state consulates operate in California, aided by fifteen member state chambers of commerce. Predictably, after 9-11, tourism each way was down and continues to decline this year.

Also predictably, a few burrs under each economic saddle rub some the wrong way. California farmers, who energize America's largest agricultural machine, chafe at EU limits on genetically modified food products and gripe about EU agriculture subsidies. Euro-zone entrepreneurs threaten to pull up stakes if US politicians try to force them to swear the truth of their bookkeeping (as American chief financial officers have been made to do in the wake of dozens of corporate scandals). So far, the slumping greenback has not sparked an export spike from California—at least one not offset by surging imports.

## STATE PROFILE . . . (CONTINUED)

Last year, Willard M. Berry, president of the European-American Business Council, told a US House committee, "We have also got to find better ways of dealing with trade conflicts before they become an issue in the WTO."

For all the irritants, at least as many balms soothe the relationship. Just in October, for instance, the EU approved Alcoa's acquisition of Fairchild, a \$657 million deal that affects some 2,500 workers in each company's southern California operations. Much of California's high-tech sector remains dazed by the dot-com bomb, but biotechnology is an exception. After Unilever chairman Niall Fitzgerald noted during a speech in Wales early this year that California has spawned thirty times as many biotech companies as France in the past five years, Unilever pumped \$29 million over three years into a Santa Barbara venture aimed at identifying opportunities in genomics and advanced bioscience. "Biotechnology is

the only hope," says Jan Vaeth, a director of Hunnef Enterprises in San Francisco, which consults with small- and medium-sized European companies about coming to California.

Even tension over terror could create opportunities for European defense contractors, such as BAE Systems North America and EADS, which are active in California's booming aerospace, missile, and information military markets. "They're very, very interested," says Jack Kyser, executive director of the Los Angeles County Economic Development Corp.

Then there is the invisible side of trade and investment—the *je ne sais quoi* factor, if you will. Like seventeen other automobile makers, BMW has set up its design studio in southern California. "We want to take advantage of the car culture, the California melting pot, the free-thinking environment to promote something new," says executive director Neil Brooker.

Across the Atlantic in the

ancient city of Florence, Cal State University-Fullerton graduate Rachel Ferrari is doing the same thing—in reverse. "My roots are here," says the twenty-three-year-old who is studying Italian there. "And it's been fun finding them."

—Mike Tharp

### Unilever: Good California Citizen

Most Californians could not tell a Unilever from a unicorn, but the huge British-Dutch company has quietly emerged as a solid corporate citizen in the state. Well beyond its brand names of Dove soap, Hellman's mayonnaise, Lipton tea, and Knorr's soup, Unilever is engaged with the communities of its customers.

Unilever Bestfoods is the founding sponsor of Hunger Free America, a national initiative to raise awareness of childhood hunger in the United States. At a January symposium in Los Angeles, actor Jeff Bridges, founder of Hunger Free America, joined

with first ladies Sharon Davis of California and Columba Bush of Florida, along with Los Angeles Mayor Jim Hahn, to talk about solutions to the problem of hunger in children.

Six hundred miles north, at the University of California-Davis, Unilever Best Foods North America supports a project involving university researchers and seven area farmers on growing better tomatoes. The company has signed long-term contracts with growers who use such environmentally friendly practices as proper crop rotation, water recycling, and other sustainability plans.

Last year, Unilever received a "Waste Reduction Award" from the State of California, and conservation groups have praised the company for agreeing to buy fish only from well-managed fisheries.

This year the company began letting high school students in Pasadena get hands-on business experience by running its employee store on Fridays.

—Mike Tharp

## REPORTER'S NOTEBOOK: BALKANS LOOKING BETTER BUT SUCCESS NOT ASSURED

The good news from the Balkans is that on September 15 rival and sometimes warring political parties in the Former Yugoslav Republic of Macedonia (FYROM) put down their weapons and let the people speak through the ballot box. The Organization for Security and Cooperation in Europe (OSCE), which had deployed 800 observers to FYROM, declared the vote for 120 parliamentary seats free and fair. One top Western diplomat went further, calling the vote, which was won by the opposition, an "astounding" achievement.

For a country on the brink of civil war a year ago, the mostly incident-free election was a stunning achievement. Not only was there no tampering with the ballot boxes, but the corruption plagued,

often hard line nationalist government accepted the result and prepared to hand over power. A coalition led by the social democrats, who ruled from 1992 to 1998 is set to take over.

The politician to watch in FYROM is not the incoming prime minister or the mostly ceremonial president, Boris Trajkovsky. Rather it is Ali Ahmeti, the forty-three-year-old ethnic Albanian guerrilla fighter turned politician, whose new party, the Democratic Union for Integration, rolled over the Albanian parties that participated in the outgoing government. Ahmeti led last year's six-month long rebellion that was ended through a NATO, US, and EU brokered agreement that gave amnesty to the

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E. Free distribution outside the mail (carriers or other means)	3,420	3,270
F. Total free distribution (sum of 15D and 15E)	3,820	3,520
G. Total distribution (sum of 15C and 15F)	16,439	15,885
H. Copies not distributed	1,370	319
I. Total (Sum of 15G and H)	17,809	16,204
Percent paid and/or requested circulation (15C divided by 15G times 100)	70.86%	76.32%

## REPORTER'S NOTEBOOK (CONTINUED)

guerrillas and greater freedoms to the Albanian minority, which comprises nearly one-third of FYROM's population. Ahmeti—reviled as a terrorist by many Macedonians—now professes to be a peacemaker. He denounces the notion of a greater Albania and says he is determined to make ethnic harmony a reality in a multinational FYROM. Willing to stay out of the cabinet to assuage Macedonian sensitivities, Ahmeti's parliamentary debut is eagerly awaited. Macedonia needs all the help it can get. Unemployment has reached as high as 40 percent, and the economy remains in a deep slump.

However, while ethnic conflict is at least on hold in FYROM, other big issues in the southern Balkans are unresolved. Kosovo, the United Nations administered Serbian province that is now 95 per-

cent Albanian, remains a festering sore. While there is now an elected government in Pristina, the major powers are not yet ready to consider the territory's final status. While it is remote that Serbian authority will ever be reasserted, the European Union will not even consider the full independence that the Kosovo Albanians demand. Meanwhile there is increasing pressure to draw down the NATO led force that has maintained stability since ousted Yugoslav leader Slobodan Milosevic lost the war to NATO in 1999 and withdrew his troops from Kosovo.

Serbia, at this writing in early October, looks a lot better. Rory O'Sullivan, the Belgrade World Bank representative with long experience in the Balkans, says the Serbian reformers—in their first eighteen months—accomplished more than did any other East

European country during the same period of time. The currency has been stabilized, the banks restructured, macroeconomic stability achieved, trade reactivated, privatization begun, and a legal framework is being put in place. However, many observers in Belgrade expect the pace of reform to slow as Serbia heads toward parliamentary elections and the coalition that brought down Milosevic breaks apart.

The EU has been handed the principal political and economic assistance role in the southern Balkans. As part of that effort, its leaders had hoped to have its new military component, the Rapid Reaction Force, ready to take over from the 700 NATO peacekeepers now in FYROM. Alas, a dispute between the Turks and Greeks scuppered implementation at least until the New Year. Meanwhile,

the EU continues to pour in reconstruction aid, although the results are often not terribly apparent to inhabitants impatient with the slow pace of reform and integration into European structures. Cynics doubt whether many of the highly touted transport corridors in the region will ever be built. One that is booming, however, is Corridor 10, which extends from Budapest south to Belgrade, Skopje, and into Greece. The old Tito era highway that is the core of the project is crowded with the trucks that during the Milosevic era had to traverse horrendous roads to go around Serbia. The EU is ready to complete the final stretches of the corridor through Serbia (north from Novi Sad and south from Leskovacs), but as is normal in the Balkans, progress is agonizingly slow.

—Barry D. Wood

## EU NEWS

### Dutch Government Resigns

The government of Dutch Prime Minister Jan Peter Balkenende collapsed on October 16 after taking power in May. When announcing his decision to Parliament, Balkenende said, "I came to the conclusion that no further fruitful, long-lasting partnership is possible within the coalition... Therefore, I plan to offer the (cabinet's) resignation to the queen."

The crisis between the new coalition government spiraled out of control when disputes broke out between two cabinet ministers and other coalition partners openly questioned the credibility of the List Pim Fortuyn party (LPF). The party's controversial leader, Pim Fortuyn, was murdered only a few days before the May 15 general elections. His right-wing LPF was swept into second place behind the centrist Christian Democrats after it

gained 17 percent of the votes in the national poll. Although the two bickering Cabinet ministers tendered their resignations in hopes of

salvaging the government, it was too little, too late.

The resignation of the government sets the stage for new elections, which, under

Dutch law, must take place within eighty-three days. In the interim, a caretaker cabinet is in place.

—Susan J. Burdin

## WHAT THEY SAID...

**"The EU has warmly welcomed President Bush's decision to deal with Iraq through the UN system. As a union, we believe this is by far the best and incomparably the most effective way to take things forward. It offers the best hope of avoiding the potentially disastrous consequences of a spread of unilateral actions allegedly to 'solve' regional disputes."**

—Chris Patten, European commissioner for external relations

**"We fully share President Megawati's resolve that the perpetrators must be speedily brought to justice, and we in the international community must continue to do all we can to combat the scourge of terror, in all its manifestations."**

—Romano Prodi, European Commission president, on the terrorist bombing in Indonesia

**"Tonight I can drink a glass of Guinness and sing 'I love you like Ireland'."**

—Leszek Miller, Poland's prime minister, referring to Ireland's resounding vote in favor of the Nice Treaty, which allows for adding new members to the EU

**"We have everything to do—from eating a pizza in Naples harbor to seeing the Pantheon where our ancestors are buried."**

—Emanuele Filiberto Savoia, grandson of Italy's last king, Umberto II, celebrating the Italian parliament's vote to lift the fifty-six-year constitutional ban on his family's return

## BUSINESS BRIEFS (CONTINUED)

**GE Capital** has stepped up its hunt for European financial services companies, spending more than \$5 billion on two major businesses with more big deals in the pipeline as it takes advantage of industry restructuring and regulatory changes.

The General Electric subsidiary closed on a \$2.9 billion acquisition of **Deutsche Bank's** US leasing operations, **Deutsche Financial Services** [DFS], hard on the heels of the \$2.3 billion acquisition of the finance and leasing unit of **ABB**, the troubled Swiss-Swedish industrial group.

DFS provides commercial inventory financing for more than 1,000 manufacturers and nearly 14,000 dealers of technology products and industrial equipment.

The DFS deal was the first of several disposals planned by Josef Ackermann who took over as chairman of Deutsche Bank, Germany's biggest bank, in May.

**Vivendi Universal**, the French media company that acquired a Hollywood movie studio as part of an ill-starred bid to break the US grip on global entertainment, unveiled long-awaited plans to sell assets worth as much as \$12 billion to escape a debt crisis threatening its survival.

The group began the sell-off in early October with the \$866 million disposal of **Telepiu**, Italy's largest satellite television company, to **News Corporation**, the US media group controlled by Rupert Murdoch, and is close to sealing other major deals by year's end.

Vivendi is trading carefully over the sale of its French assets with politicians of both right and left saying they must not fall into foreign hands, especially its publishing business which includes **Larousse** and **Le Robert**, publishers of dictionaries and reference books that spread understanding of French culture around the world. "A breakup of Vivendi Publishing will deprive France of the

only international group that can compete with the large Anglo-Saxon publishers," said culture minister Jean-Jacques Aillagon. "We must avoid any sale that surrenders control of publishers such as Larousse that are part of our cultural heritage."

Vivendi is also selling the \$17.5 million New York apartment occupied by Jean-Marie Messier, who was ousted as chairman in July. Also on the block are peripheral assets such as a chateau outside Paris, an orange juice manufacturer in China, five jet planes, including an Airbus, and an aircraft-leasing business.

Vivendi has not said what it plans to do with its substantial stakes in **Vivendi Environment**, a large utility, and **Cegetel**, a French telecommunications company.

**Alcatel**, Europe's biggest telecommunications equipment maker, is another fallen French star struggling to survive a massive slump in sales with mass layoffs and asset sales.

The company plans to axe a further 10,000 jobs at a cost of \$500 million, cutting its payroll to 60,000 by the end of 2003 from 83,000 in June and nearly 100,000 in 2001.

Alcatel shares have plunged by more than 95 percent since the start of the year amid market fears of a liquidity crisis, which the company has tried in vain to deny. It claims it can meet day-to-day financial obligations without asset sales but said the \$500 million cost of the latest layoffs will be funded by disposals from its \$1.2 billion holdings in quoted companies, including a 15.8 percent stake in **Thales**, a defense electronics group.

German engineering and electronics giant **Siemens** is mulling a novel deal with **Motorola** of the US involving swapping two businesses that would see the German conglomerate exit the mobile phone handset business.

Under the planned transaction, Motorola, the world's

second-largest mobile phone manufacturer, would take over Siemens' handset operation, the fourth-largest, in exchange for its wireless networking equipment unit.

The transaction would boost Motorola's world's market share from 15.7 percent to 24.1 percent and substantially boost its presence in Europe where it has a market share of just less than 10 percent. Siemens would inherit Motorola's network business, which lost \$1.4 billion in 2001 on sales of \$6.5 billion.

Germany's ambitious attempt to build a European version of the **Nasdaq**, the US stock exchange for new economy companies, has collapsed after the **Deutsche Börse** announced the closure of the **Neuer Markt** next year.

The Neuer Markt, which was launched in 1997, attracted around 350 firms, including high-profile flops such as **EMTV**, the Munich media group that owns the Muppets, and **MobilCom**, the mobile phone operator.

The market value of the Neuer Markt's Nemax 50 Index peaked at \$227 billion in March 2000 but, after a series of scandals over falsified accounts and sales figures, had tumbled 95 percent to €12.2 billion at the end of September.

**Nokia** of Finland, the world's leading manufacturer of mobile phones, introduced Europe's first third-generation handset in a long-awaited launch that helped to dispel some of the gloom surrounding the technological and commercial viability of 3G telephony.

The new 6650 phone has a built-in camera and large color screen with a dual-mode capability allowing it to roam between 2G and 3G networks. The battery will last up to 2 hours 20 minutes in 3G mode and up to 2 hours 40 minutes on 2G with a standby time of fourteen days.

The phone allows Internet browsing at data speeds of

128 kilobits per second, about five times faster than current mobile networks. Nokia says it will take only five seconds to send a twenty-second video clip with sound over a 3G network compared with thirty seconds over a 2.5G network.

Nokia plans to begin commercial deliveries of the phone in the second half of 2003 priced similarly to its 7650 camera phone at between \$680 and \$780.

Europe's 3G telephony is facing an uncertain future because the \$110 billion spent acquiring licenses has forced many cash-strapped operators to delay the construction of networks. Industry analysts are impressed by the competitive price and the longer-than-expected battery life of the 6650, but they say a mass market for 3G services may not develop until 2005.

**Deutsche Post World Net**, Germany's giant mail, express and logistics group, is poised to unveil an ambitious program to boost its postal activities across Europe even as it struggles to integrate companies acquired in a \$5 billion spending spree.

"Over the next five years we will be active in all European countries," said chief executive Klaus Zumwinkel who plans to spend at least \$1 billion on joint ventures and small acquisitions to get a foothold in all European mail markets.

Deutsche Post wants to lessen its dependence on its German mail monopoly, which still generates 75 percent of its profits.

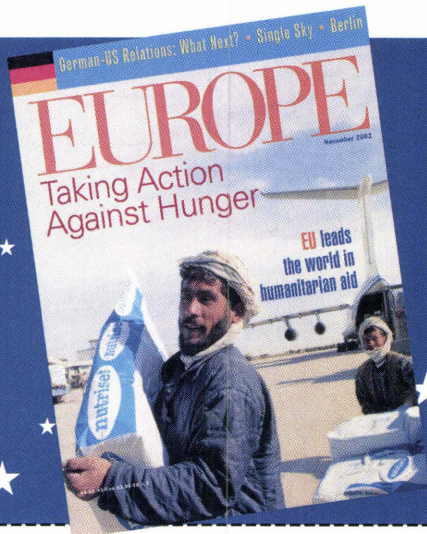
—Bruce Barnard



### Correspondents

Bruce Barnard reporting from London  
Susan J. Burdin reporting from Washington DC  
Mike Sharp reporting from Los Angeles  
Barry D. Wood reporting from Belgrade and Skopje

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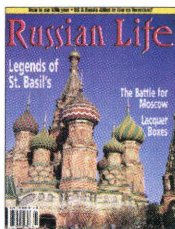
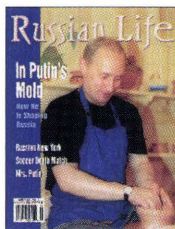
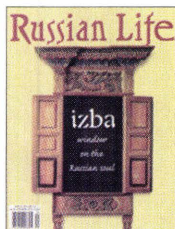
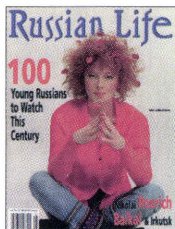
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By Bruce Barnard

# Opening

## Europe's Airline Industry

**Court  
expected to  
confirm EU  
authority to  
negotiate  
airline  
agreements**

**T**he European Union is poised to usher in the biggest change in international aviation in more than half a century that will unblock the long delayed consolidation of the airline business.

The European Court of Justice is expected to rule by year's end that eight EU countries acted illegally in signing bilateral "open skies" accords with the United States in a landmark decision that will give the European Commission the authority to negotiate future treaties on behalf of the EU as a single bloc.

This will pave the way for the European Commission, the EU's executive branch, to pursue its long-term goal of negotiating a Transatlantic Common Aviation Area with the US that will strip away the protectionist barriers to cross-border mergers that have prevented airlines from participating in the global consolidation that has reshaped almost every other sector, from pharmaceuticals to autos.

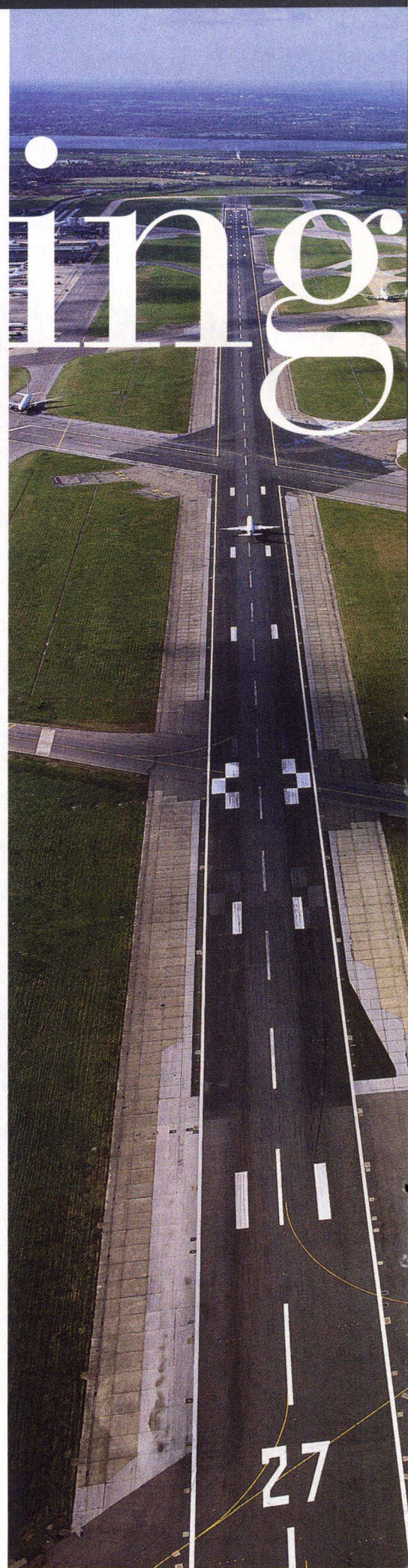
The Commission has long claimed bilateral deals with the US have hampered the deregulation and consolidation of the European industry by limiting transatlantic traffic rights to carriers from individual countries rather than the entire European Union. It alleges Washington has pursued a "divide and con-

quer" strategy to obtain favorable terms for American airlines, but EU member states ignored its plea in the mid-1990s not to talk with the US without agreeing on a common position.

In 1998, the Commission sued eight EU countries—Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, and Sweden—that signed open skies deals with the United States. In January, it won a major victory when an advocate general at the European Court of Justice issued a preliminary opinion that the accords involved "a case of discrimination based on nationality," which was illegal under the EU treaty. The full court is almost certain to endorse his finding.

The ruling will lead to the breakup of regulations governing global aviation written in 1944 that link a carrier's traffic rights with third countries to its nationality. These regulations, coupled with foreign ownership curbs, effectively rule out cross-border takeovers or mergers.

These rules have already scuppered consolidation among EU airlines. British Airways, for example, abandoned a planned merger with KLM in September 2000 after failing to agree on an ownership structure that would protect the Dutch carrier's traffic rights from the Netherlands. Washington had threatened to strip KLM of its rights to fly to







London's Heathrow Airport

the US if it was taken over by BA unless the UK government signed an open skies deal. A new bilateral accord remains as elusive as ever after eight years of haggling, and the negotiations, which focus on access to London Heathrow, the world's busiest international airport, look likely to be taken over shortly by the Commission.

Brussels wants to create a single transatlantic aviation market that will strip away foreign ownership limits—currently capped at 25 percent in the US and 49 percent in the EU—and agree on a common antitrust policy. It also wants to open up the entire EU market to American carriers in return for the US abandoning so-called “cabotage”—restricting the operation of domestic American flights to US carriers.

The US government has so far shown little enthusiasm for a completely open market preferring to strike open skies deals with individual countries. But attitudes in the industry are changing as it struggles to survive the post-September 11 slump in air travel, which has hit US carriers much harder than their European counterparts. “It’s time to lift the wraps on all investment restrictions,” said Don Carty, chairman and CEO of American Airlines. “As for cabotage, I’m not afraid of it, and neither should anyone else be.”

Leading US, European, and Asian carriers have skirted around the protectionist barriers by establishing global alliances like Star, oneWorld, and SkyTeam, but most executives see them as a second-best alternative to full-fledged international mergers.

The proposal for a common US-EU aviation market is gathering momentum, with the leading carriers on both sides of the Atlantic talking up the benefits of liberalization and some major players facing financial uncertainty.

But EU carriers cannot afford to wait for political breakthroughs to ease the way to consolidation, and most are involved almost continuously in negotiations over possible alliances. The latest maneuvers involve Air France and KLM, which pioneered the first transatlantic alliance with Northwest Airlines back in 1992 but has yet to tie the knot with a European partner after coming close to agreement with a string of carriers, including BA, Alitalia, SAS Scandinavian Airlines System, and Sabena, the now defunct Belgian airline. ☹

EU humanitarian funds are administered by nongovernmental organizations such as Doctors Without Borders, which posted doctors in this hospital in the Republic of Congo.

# EU Increases Aid Spending

The European Union is the world's largest donor of humanitarian and development aid By David Lennon

The US fights, the UN feeds, and the EU funds." That is how one French commentator describes the tripartite division of responsibilities in the world. A slight caricature, perhaps but with a kernel of truth. It also reflects the impression in some quarters that the European economic giant is a political pygmy.

The European Union is the world's largest donor of humanitarian and development aid. It is currently active in more than eighty-five countries as it pursues its goal of reducing worldwide poverty to ensure that globalization benefits not just the rich countries but also the poorest.

Perhaps it helps to understand the motivation for such big spending in light of Europe's history, especially during the first half of the twentieth century when the continent was devastated by military conflict. Today European governments prefer to spend their money on aid and peacekeeping abroad rather than arms and armament.

"We cannot have development without peace, nor can we have peace without development," declares Chris Patten, the EU's external relations commissioner. "We have no choice but to make the promotion of sustainable development as much a part of our fight for global security as the investment we make in our armed forces."

Acknowledging the "political pygmy" charge, he admits candidly, "There is a gap between the EU as the largest trading bloc in the world, the largest provider of development assistance, and the role that we are playing politically."

Patten sees "coordinating our trade, external assistance and political instruments so as to make a coherent whole" as essential for developing an integrated approach to EU relations with third countries.

The European Commission provides nearly 30 percent of global humanitarian aid, while EU member states are separately responsible for the management of 25 percent of all official humanitarian assistance distributed worldwide.

The EU contribution in development assistance is the third-largest in the world, and when you add the bilateral budgets of the member states, the EU becomes the largest provider of development assistance, accounting for 66 percent of all grant aid.

In the last two years, the European

Union increased its Overseas Development Assistance (ODA) by 21.1 percent to \$5.91 billion in 2001 after growing by 13.4 percent in real terms to \$4.91 billion in 2000. This is part of broader EU external relations spending, which amounted to \$11 billion in 2000, to support countries' efforts to gain accession to the EU, help maintain stability in neighboring regions, and provide development assistance.

Critics argue, however, that a troubling trend has arisen over the last decade as worldwide the aid given to support poor countries dropped by

world for stacking the odds in favor of EU farms in world markets and keeping out goods produced more cheaply in the developing world.

Trade protectionism and farm subsidies in the richer countries have grown in the past decade. "Trade rules drive everything, and they are set up in such a way that the ability to produce and consume in the south [hemisphere] is undermined," says Tetteh Hormeku of Third World Network.

As the developing world's biggest trade partner and aid donor, the EU is placing increasingly greater emphasis

ported in June that the European Union has substantially improved its development policies and strategies since the last review in 1998. The EU's regional, sectoral, and horizontal aid and development strategies now more clearly display an overall sense of vision, though still require attention to implementation issues.

Of particular note are improvements in the accountability and evaluation systems at all levels, the speedy and efficient delivery of humanitarian aid, and the clarification of the links between relief and development. The OECD also reported progress in the decision-



**Afghan workers load some thirty tons of food aid delivered from France onto a waiting truck at the Mazar-e-Sharif Airport in January.**

more than a quarter in real terms as richer countries failed to fulfill their promise to help poorer countries develop in a more sustainable manner.

The EU commissioner in charge of development and humanitarian aid, Poul Nielson, announced at the Johannesburg Earth Summit in August that the EU plans to bring its average ODA level up to 0.39 percent of gross national income. This increase from the current level of 0.32 percent will create an extra \$21.5 billion available between now and 2006, and an extra \$8.8 billion a year from 2006 onward.

Furthermore, the EU announced it is considering accelerating its program to scrap or at least lower some farm subsidies. The Common Agriculture Policy (CAP) is loathed in the developing

world for linking trade and political aspects with development cooperation. However, it remains evident that there is a need to take account of the developing world's interests in the EU's internal policies, such as the CAP and Common Fisheries Policy, among others.

In the past, and to some extent still today, the EU has been criticized for inconsistency and confusion in its aid and assistance programs. "Our tools are not always used in complete coherence," Patten acknowledged recently.

In response, the Commission set up the EuroAid Cooperation office last January as part of its efforts to reform the management of external aid. Along with other measures, this office appears to have had a real impact. The OECD Development Assistance Committee re-

ported in June that the European Union has substantially improved its development policies and strategies since the last review in 1998. The EU's regional, sectoral, and horizontal aid and development strategies now more clearly display an overall sense of vision, though still require attention to implementation issues.

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making process with member states and with "deconcentration" of authority to field offices. At the same time the committee reported the need to improve the coherence of a broad range of Union policies, to promote further its comparative advantage, to increase its visibility in the field, and to focus on measurable results in its regional and country programs.

"We need to go beyond simply creating a pot of money," says Patten. "For this assistance to be effective, we need to forge more links between aid, trade, and sustainable development as we work to rebalance the scales in favor of the poorest." ☺

*David Lennon, based in London, is a EUROPE contributing editor.*

# Leipzig

By Lucy Gordon

**Back on the tourist map, the city is the place for books, music, and coffee**

**L**eipzig is finally back on the tourist map. Before being enveloped by communism and obscured behind the folds of the Iron Curtain, the eastern German university town had been one of Europe's most vibrant centers of learning and art, yielding some of Germany's greatest minds. It was here where Goethe wrote, where Bach and Wagner composed, where Leibniz developed the basis for modern mathematics, and where Nietzsche studied philosophy. It is also where the first cracks in the Eastern Bloc emerged in 1989, when Leipzig's citizens led the revolt that toppled the communist regime.

Over the intervening decade, the city shrugged off the gray tones of communism faster than many of its eastern sisters, refurbished many of its cultural jewels, and is again beckoning visitors to experience the things it holds dear.

Certainly, books are among the things Leipzigers love most. Perhaps that is expected of a university town

The facade of Leipzig's Commerzbank is seen in the reflection of a modern office building.

with more than 20,000 students. But the city can honestly claim to have been a center of printing and bookselling since its first book fair in 1493. In fact, Leipzig claims several printing firsts, including the world's first textbook (1507), the first daily newspaper (1650), the first accurate scale city map (1749), and the first weather maps (1826). The German Museum of Books and Writings, established in 1884, contains some 500,000 items. A permanent exhibition, entitled *Mercury and Books*, describes Leipzig's 500-year publishing tradition.

At the Leipzig Workshops and Museum of Printing Art, visitors find themselves in more of a working print shop than a formal museum. Courses and workshops are offered, and students and staff members work side by side as visitors watch them operate a variety of different machines, many of which are the last specimens of their kind. Lead type is produced, a range of typesetters click and hum, and several different printing presses, perforators, and embossing, gilding, and glazing machines—all continue to produce printed materials.

In addition to its proud printing tradition, Leipzig, as the birthplace of Wagner and home to Bach, Schumann, Mendelssohn, and Liszt, also claims a place among Europe's music capitals. The world-famous St. Thomas Boys' Choir was founded here in 1212. Johann Sebastian Bach was its choirmaster from 1723 until his death in 1750.

Music lovers can enjoy free performances of Bach motets and cantatas on Fridays and Saturdays in St. Thomas Church, where Bach is buried below the high altar. The annual Bach Festival will be held May 23–June 1 just across the way at the Bach Archives and Museum, which is located in the restored residence the composer shared with his second wife, his seventeen children, a sister-in-law, a nephew, and a cousin.

Other musical highlights include the Neues Gewandhaus, which was built during the communist era. Since 1981, the controversial glass and concrete structure has been the home of the Gewandhaus Orchestra, Europe's oldest civic orchestra, founded by the citizens of Leipzig in 1743.

Composer Felix Mendelssohn, who lived in Leipzig from 1835 until his

death in 1847 and was greatly influenced by Bach, served as the orchestra's "spiritual rector" and conductor. The annual Mendelssohn Festival takes place November 1–4 and is the highlight of the Gewandhaus season.

Its classical roots notwithstanding, the city has embraced other musical genres as well. Twice a year it hosts the Honky Tonk Pub Festival, a musical and culinary journey. The second of this year's festivals kicks off November 8, and more than 130 bands will play jazz, blues, and folk in dozens of pubs, clubs, cafés, bars, and city arcades.

Beyond books and music, Leipzigers are passionate about coffee. After all, what beverage goes better with reading or listening to music or offers a more soothing counterpoint to the morning chill? The locals favor a *Schälchen Heessen*, a bowl of hot coffee served hot, strong, and sweet.

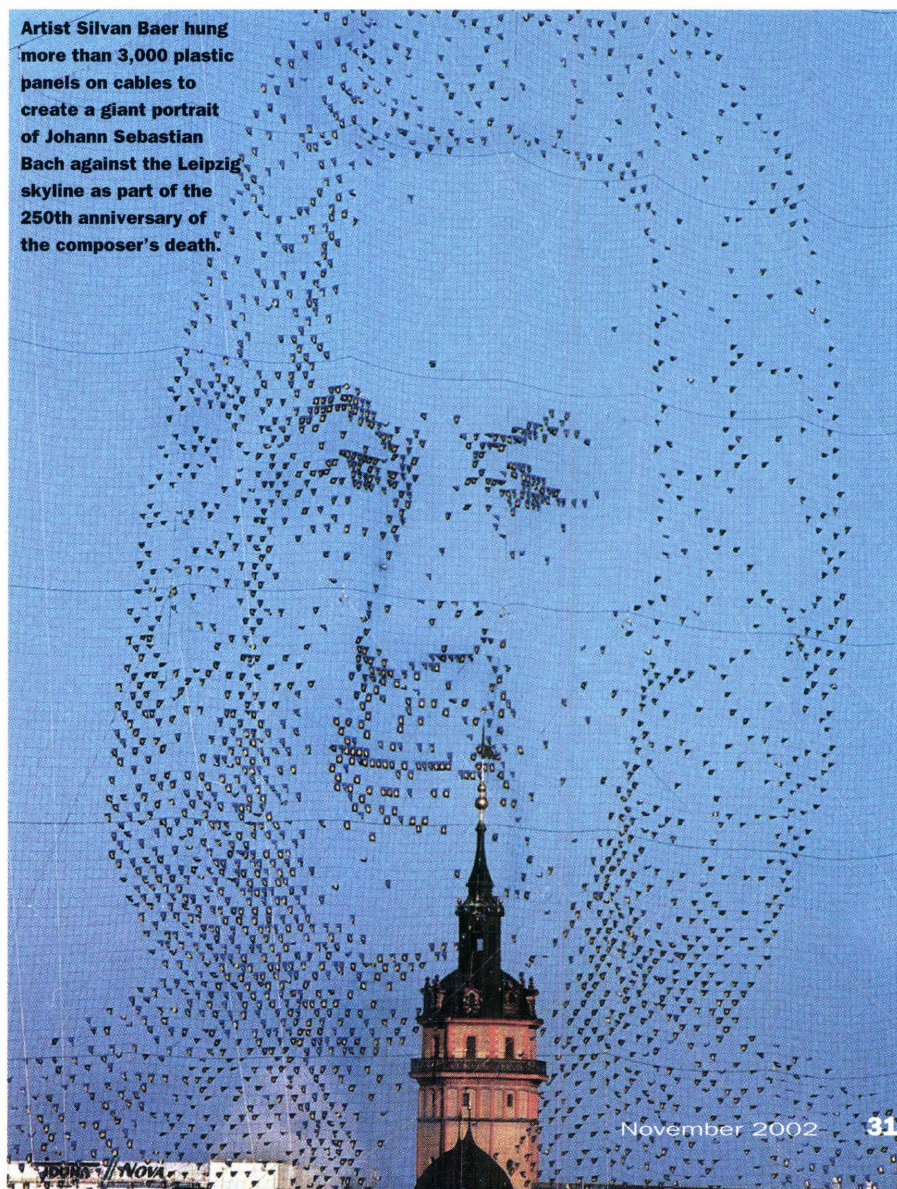
The first load of coffee beans arrived here in 1693, and a year later Adam

Heinrich Schütze opened the *Kaffee-Baum* or Coffee Tree, Europe's second-oldest coffee shop after the Café Procope in Paris. Throughout the intervening centuries, the establishment has been a favorite of many of the city's intellectual elite, including Germany's most famous writer Goethe, the poet E.T.A. Hoffmann, the painter Max Klinger, and the composers Liszt, Schumann, and Wagner. Some believe Bach composed his *Coffee Cantata* there in 1734.

The top floors house a permanent exhibit tracing the history of coffee and the development of its role in European culture, particularly in Saxony. Of the 500 items on display, the oldest is a document setting forth the first German Coffee House Rules enacted by Leipzig's city council on May 18, 1697.

Another Leipzig literary haunt not to be missed is the restaurant Auerbachskeller, which was founded in 1525. Goethe immortalized it in a scene

**Artist Silvan Baer hung more than 3,000 plastic panels on cables to create a giant portrait of Johann Sebastian Bach against the Leipzig skyline as part of the 250th anniversary of the composer's death.**



The peaceful revolution that reunited Germany began at St. Nicholas' Church.



2,000 at once), and detaining suspected dissidents. On view are disguises, surveillance photographs, and mounds of shredded documents the Stasi abandoned just before the fall of the German Democratic Republic. Visitors are invited to take a wad home as a souvenir.

Harking back to a more distant era is the *Völkerschlachtdenkmal* or Peace Memorial to the Battle of the Nations on the city's outskirts. It commemorates the 1813 victory of the Prussian, Austrian, and Russian forces over Napoleon. A stone marks the spot where the French leader stood during the epic three-day battle. Erected on the battle's one-hundredth anniversary, it remains Europe's largest monument and offers an unparalleled view of the city.

Leipzig's newest attractions, however, are much less somber. The Leipzig Zoo opened Pongoland, the world's largest ape enclosure, last year, and it will open a special tiger reserve as part of its 125th anniversary next year. Also opening in 2003, just south of the city, is Belantis, the first amusement park to be built in eastern Germany since reunification, which will include rides with EU member country themes.

With all of these attractions, old and new, and all of Leipzig's history and tradition, one imagines that if Goethe were to visit the city today, he would be inspired to repeat his famous pronouncement: "Leipzig is the place for me!" ☺

*Lucy Gordan, based in Rome, profiled antiquarian Roman dining in the October issue.*

in *Faust* where Mephistopheles and Faust carouse with students in the restaurant.

Today, the ground floor houses the Mephisto Bar, which has a reputation as one of the city's best nightspots, offering live music and its famous house cocktail, the *Mephisto Feuer* (Satan's Fire), a mixture of schnapps, orange juice, and sekt. Special seatings are offered downstairs in the oldest and most historic part of the restaurant, the cask cellar, and include legends about the cellar, accounts of Goethe's visits here, readings from *Faust*, a powerful *Verjüngungstrunk* (a "rejuvenation" drink, slugged down in one gulp), and a dinner of Saxon dishes.

For those who judge a city by the variety of its museums and art galleries, Leipzig will not disappoint. Some highlights include the Grassi complex, which is home to three museums. One wing is devoted to European arts and crafts from the Middle Ages to the early twentieth century, another wing traces the development of ethnic groups throughout Europe, and the third comprises a collection of almost 5,000 musical instruments spanning more than five centuries and includes the world's oldest intact piano.

Elsewhere, the Egyptian Museum at the University of Leipzig boasts an impressive 9,000-piece collection of antiquities, and the city's Fine Arts Museum

features works by Dürer, Rubens, Rembrandt, Rodin, and van Eyck as well as a rich collection of sixteenth-century paintings and engravings by Lucas Cranach.

Perhaps the most remarkable of Leipzig's museums is the one devoted to the Stasi, the former East Germany's secret police. Located in the former Stasi headquarters building (which Leipzigers stormed on December 4 and 5, 1989), the museum's wide-ranging exhibits depict the startling lengths the state-run organization went to disseminate propaganda and monitor the citizenry, opening mail, listening in on telephone calls (sometimes as many as

**Leipzig's trolley system offers convenient transport around the city.**



# The Wonderful World of Dracula?

## Romania banks on vampire history for tourist attraction

By Barry D. Wood

It's a great idea...maybe. But will it ever happen? And if you build it, will they come? We're talking about Dracula, vampires, and Romania.

The Romanian government, eager to open their distant eastern land to tourists, hit on the idea of a Dracula theme park two years ago. The plan was to capitalize on the Count Dracula phenomenon by building a resort and conference center in that part of Romania that has a genuine connection to the historical Dracula.

That character, of course, was a fictional creation of Irish author Bram Stoker, who never set foot in Transylvania or adjacent Romanian territories. Nonetheless, Stoker's 1897 novel created the legend that led to the hugely popular Hollywood movie adaptation in the 1930s and later to the Count Dracula of children's television fame. Today there are thousands of Dracula clubs around the world. And what semi-affluent parent could refuse his child's request to visit the land of the "real" Dracula?

Stoker got the idea for his Count Dracula from Prince Vlad the Impaler. Vlad lived in the fifteenth century in a Romanian area well north of Transylvania (which was ruled by Hungary until the First World War). Vlad was a rather brutal freedom fighter against the Turks, known for impaling the heads of his victims on wooden stakes, which he then left for all to view. Stoker gentrified Vlad (known as Dracul in Romania), making him an eccentric nobleman—albeit a vampire—who inhabited a castle in the Transylvanian mountains. That is the Dracula we know.

In March 2001, Romanian Tourism Minister Matei Dan said the government would build a Dracula theme park that would open in the summer of

2002. But he ran into problems over funding and location. The town of Bran, in the mountains north of the capital Bucharest, wanted its own Bran Castle, a home to Romania's former royal family, to be the centerpiece. In-

deed Bran Castle for years has drawn several thousand Dracula tourists. But instead, the tourism ministry chose the smaller medieval town of Sighisoara farther north. This provoked howls of protests from groups such as Greenpeace, Unesco, and even the United Kingdom's Prince Charles, who claimed development would threaten Sighisoara's fragile environment and its ancient citadel, which has been designated as a heritage site. Stunned, the tourism ministry pulled back and commissioned a site assessment survey by outside consultants. Their report, due this fall, has not yet been made public.

Undeterred, the government says the Dracula theme park will be built. Estimates had put the cost as high as \$60 million. But assuming it is built,

will it be viable? As one who has journeyed—daughter in tow—by slow train east from Budapest to visit Bran Castle, we are talking about a beautiful but very remote region. Not everyone is going to come by plane. For tourists to come in numbers to central Romania, decent roads will need to be built, along with gas stations, restaurants, and motels. For a region cut off from development for nearly a century, investing in a Dracula theme park seems like a huge risk. ☹



# CAPITALS

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



Nordic walking has a growing number of fans in Europe.



## HELSINKI

### NORDIC WALKING ANYONE?

**B**e prepared for a new exercise fad from the Nordic part of the world. Although it has still to reach the United States, Nordic walking—developed in Finland three years ago—is gathering en-

thusiasts in Sweden, Norway, and Denmark. The hobby has spread to Germany, Austria, France, and even Australia has a growing number of fans who enjoy it on surf-pounded beaches.

Nordic walking? It sounds simple, really, and indeed, it is simple. This Finnish invention consists of two poles similar to ski poles except they are adjustable and

are missing the disc at the bottom that ski poles have to limit penetration of the snow.

For maximum effect, the poles are adjusted to chest height from where they are moved, alternately in rhythm with the Nordic walker's steps.

Unsurprisingly, Finland's largest ski pole manufacturer, Exel, is the prime



mover in this all weather recreation and the makers of heart rate monitors also have gotten involved.

Its proponents say Nordic walking provides more energy output for the same perceived level of exertion. Walking is fine—doctors are always encouraging it—but Nordic walking keeps those arms moving to some purpose as well.

During normal walking, the heart beats an average of 130 times a minute while Nordic walking boosts that to 147 times a minute—a 13 percent increase. Some experts estimate exercising with the Nordic sticks can provide a 20 percent increase in calorie consumption.

Nordic walking also provides several other benefits. It offers a less daunting form of exercise for the overweight who can perambulate at their usual speed but to greater advantage. The poles are also perfect for the elderly or infirm because those users cannot fall down when Nordic walking and their stiff or weak joints are comfortably supported.

At first, there was some resistance to this exercise despite the widespread endorsement of the medical profession because, well, some people felt silly using the poles.

A friend bought some a few years ago, yet even now will only use them during the winter—in other words under darkness because he is embarrassed to do otherwise.

As usual, marketers are making a difference. They urge enthusiasts to buy winter walking poles (those with metal, ice-snagging points on them) plus a pair for the summer which feature a rubber

**During normal walking, the heart beats an average of 130 times a minute while Nordic walking boosts that to 147 times a minute—a 13 percent increase. Some experts estimate exercising with the Nordic sticks can provide a 20 percent increase in calorie consumption.**

“paw” the better to engage forest terrain or tarmac. They even sell special Nordic walking gloves (with reflector strips on them for safety in dark evenings) that help the user to hang on to the sticks with greater style and aplomb.

While the Finns are for the most part fitness fanatics, they are always looking for new ways to lose weight, and Helsinki dwellers are becoming especially keen on “the Nordic” because it suits the urban environment just as much as woodland.

However, a high-speed refinement of Nordic walking has already been developed which involves roller blades plus specially designed, angled, Nordic poles. This combination allows the user to generate great, some say dangerous, velocity.

Local media have wryly noted the most enthusiastic practitioner of this new way of rushing about is none other than Sauli Niinistö, forty-seven, Finland’s minister of finance.

—David Haworth

## BRUSSELS

### A NEW LINGUISTIC DEBATE

**B**elgium is famous—perhaps notorious—for the linguistic quarrels between its Flemish-speaking majority and the minority of French speakers. These quarrels were greatly eased by changes in the country’s constitution in the 1980s and 1990s, which converted a highly centralized state into a federation. The changes effectively meant that each language group would govern itself, while major powers were transferred from the national government to three regional authorities, covering Dutch-speaking Flanders, French-speaking Wallonia, and bilingual Brussels.

Few non-Belgians seem aware, however, that there is a third language group in Belgium. In the eastern part of the country lives a German-speaking population, 71,000 strong, clustered round the towns of Eupen, Malmédy, and St. Vith. This area was linked historically to the independent Prince Bishopric of Liège but was ceded to Prussia after the Napoleonic Wars. It was transferred to Belgian jurisdiction in 1918 as reparation for the damage done by the German invasion in 1914. During the Second World War, the area, which largely consists of attractive agricultural and wooded areas on the edge of the Ardennes, was heavily fought over by German and American troops during the Battle of the Bulge.

Its people have never expressed any desire for reunification with Germany, and they have settled down comfortably as Belgian citizens, enjoying full autonomy in education and cultural and linguistic affairs. These issues are governed by an elected council, which has full control of the schools in the nine communes concerned, for which it receives generous financial support from the national government.

Over the years, this degree of autonomy has appeared to satisfy the demands of Belgium’s German-speaking citizens, but now their chief minister, Karl-Heinz Lambertz, has proposed that they should have their own distinct regional government, on a par with Flanders, Wallonia, and Brussels. Until now, it has been part of the Walloon region. As the three existing regions number their populations in millions, there is widespread skepticism as to whether the small Germanic population would have the capacity to manage effectively the large powers and competences handed over to the regions under the latest constitutional reforms.

Wallonia’s chief minister, Jean-Claude Van Cauwenberge, has indicated his willingness to discuss a partial transfer of powers but has ridiculed the idea of full regional status. Lambertz, however, is determined to push ahead with his project and is proposing to hold a referendum among the German speakers. It is doubtful whether this would be legal under Belgian law, which confines the holding of “popular consultations” to the communal authorities.

Lambertz, however, has persuaded eight out of the nine communal authorities to agree to hold such consultations, though it is far from clear that they would produce a clear mandate for regional status. Many Belgians, relieved that disputes between French and Dutch-speakers have sharply declined in recent years, are desperately hoping that those old arguments will not now be replaced by a serious rift with the country’s hitherto compliant Germanic population.

—Dick Leonard

## LONDON

### UGANDAN-ASIAN IMMIGRANTS A BRITISH SUCCESS STORY

**I** was shivering when I arrived at London’s Stanstead Airport direct from Uganda. I thought it might be an African fever, and then I realized it was the cold. I had never been cold before,” recalls Jaf-



Members of the UK's Ugandan-Asian immigrant community have distinguished themselves as some of the country's most entrepreneurial citizens.

fer Kapasi. He was one of the 27,000 Asians thrown out of Uganda in 1972 by dictator Idi Amin, who gave them ninety days to pack up and leave.

Today Kapasi and a remarkable number of those penniless refugees who arrived thirty years ago with nothing but the clothes on their backs have risen to the top in all walks of life in the United Kingdom.

They got a frosty reception when they stepped off the planes in Britain, and it was not just the weather. The racist National Front was riding high in the opinion polls, and it fed people's fears of the newcomers with their different skin color, religion, and lifestyle.

It was not an easy time for the newcomers still stunned by their sudden expulsion from the country they had lived in for generations. But their hard-working industriousness, which made them succeed in Uganda, asserted itself here, too.

The descendants of the Asians brought to Africa to build railways in the days of the British Empire are now Britain's most successful immigrant community. Ugandan Asians are prominent in politics, media, sports, and even the police.

It is in business, however, where they have been outstanding. From dominating the local corner stores, thanks to their willingness to stay open all hours, to powerful industrialists with world empires, the Ugandan Asians have transformed the areas where they resettled.

One example is Leicester. This was a deprived Midlands town when it was told the newcomers would be housed there. The local council was frightened about the impact of this influx and even took out ads in Ugandan newspapers warning them not to come because there were "no houses, no jobs, and full schools." Today it is estimated that the immigrants have created 30,000 jobs there.

The immigration debate rages, with asylum seekers the object of much criticism and even hatred. But the reality as shown by the success of the Ugandan Asians is that immigrants present opportunity, that they can contribute much more than they may cost the country when they first arrive.

It is perhaps because of this experience that the government recently welcomed the news that some 15 million people, predominantly legal migrants, are

**The descendants of the Asians brought to Africa to build railways in the days of the British Empire are now Britain's most successful immigrant community. Ugandan Asians are prominent in politics, media, sports, and even the police. It is in business, however, where they have been outstanding.**

expected to come here over the next forty years. As 10 million people are expected to move abroad in the same period, the newcomers will play a vital role in filling skills shortages, helping the economy to grow and to balance the aging population.

Despite the fears whipped up by the right wing and racist groups, the reality is that these immigrants have enriched the country in all aspects, and the majority of Britons today accept the fact that they now live in a multi-cultural society. The Ugandan

Asians have made a major contribution to this new reality.

Jaffer Kapasi is today a successful financial consultant and a leading member of the Leicester Asian community. In 1997 he was awarded the Order of the British Empire by Queen Elizabeth. He points proudly to two of his brothers who own a hardware business, another who is an accountant, and his two sisters who hold top positions in education and local government. "We have been very happy here," he says, adding modestly, "We have done well."

—David Lennon

## MADRID

### HIGHWAY WOES

Throughout the year, Spaniards enjoy long breaks when a national or local holiday is fused onto a weekend to make a three- or even four-day fiesta called a *puente* or bridge. Many people leave the cities for a visit to the beach or the mountains or to their hometowns to attend

## BERLIN

UP A RAGING RIVER  
WITHOUT A PADDLE

**W**hen disaster strikes Germany, it is usually of the man-made variety. Wars, hot and cold, have been making a mess of the place for centuries. At least Mother Nature has been merciful for most of modern history. Or rather, she was until September, when the waters of the Elbe and Mulde rivers began their relentless rise.

Before the waters receded, they would kill at least twenty people, drive tens of thousands from their homes, wreck major transport routes, and destroy tens of billions of dollars worth of property. Like most floods, these were painful, ugly, and expensive. And they could not have come at a worse time.

The flooding was not limited to just one region. While most of the damage in Germany was done in the country's East and North, the southern state of Bavaria was also hit. Even greater devastation was recorded in Eastern Europe, particularly on Russia's Black Sea coast. A tornado struck a resort there at the height of the tourist season. Dozens were killed.

The storms east of Germany contributed directly to the horror that would roll across the Czech border and down the Elbe River toward the North Sea. The heavy rainfall in the Erzgebirge Mountains (which form a natural boundary be-

tween Germany and the Czech Republic) could no longer be absorbed by the saturated soil. The runoff flowed into the Vltava River, which proceeded to plow a destructive path through the city of Prague.

The water then entered the Elbe and gathered enough momentum to blast through Dresden's central train station. The sight of a raging torrent tearing through the center of a major transportation hub captured the country's attention. If Germans ever needed a reminder of what links them fundamentally to their eastern neighbors, the floods provided it in frightening detail.

Remarkably, Dresden's train station—though badly damaged—was completely dry within three days. The sky was blue, temperatures hovered in the nineties, and the state of emergency in southern Germany was called off. However, the calm was deceptive. The flash floods had passed, but the Elbe was still rising. Germany began acquainting itself with the brutal logic of river flood dynamics: high waters upstream tend to move downstream. Tracking the water's progress along the Elbe's 186-mile length became a national obsession.

The city of Dresden, promoted as the "Florence on the Elbe," was forced to evacuate a large section of its population. Power stations were knocked out, the city's main waterworks was put out of commission, and thousands of art treasures—including a priceless collection of Old Masters—had to be rushed to safety. Only one of the city's eight bridges re-

local festivals or just to spend time with family members.

Add to these events the long summer vacation, the Easter Holy Week, and Christmas and the result is regular massive traffic jams at the beginning and end of each frequent holiday period on the nation's badly congested highway system. For now, it appears the situation is only going to get worse.

Spanish traffic officials blame it partly on an alarming increase in the number of private cars. In the first four months of this year, automobile traffic rose by 8.2 percent compared to the same period in 2001, with the overall number of motor vehicles up 6 percent. At the same time, long promised improvements in the country's highways are not keeping pace. Even on a regular weekend, the main, mostly four-lane, highways leading out of Madrid are packed bumper-to-bumper on Friday evenings, and the situation is reversed on Sunday as everyone returns to the city. Around the country, dozens of people die in traffic accidents each week-end with many of the mishaps blamed on poor road design or maintenance.

To remedy these woes, officials plan to increase Spain's 4,800 miles of highways of four lanes or more to 7,800 miles over the next five years, but of course, funding such a massive endeavor is the big problem.

Of the almost \$38 billion needed for new highways or upgrades, the Development Ministry hopes around 30 percent will come from Brussels. However, the European Union has yet to promise the needed money, pointing out that new Eastern European members likely to join the Union are in more desperate need of EU transport infrastructure funding and will be at the head of the line.

Also uncertain is the private sector's role. Ministry sources say they would like to see private operators stump up another 21 percent of the costs in exchange for concessions on tolls, service areas, and hotels. However, the companies are demanding better terms and fiscal incentives before they will bid for tenders and sign on.

Another potential obstacle concerns the economy. When the government put forth its highway plan, the Spanish economy was expected to grow around 3.2 percent this year. That target figure is now a full percentage point below expectations with the result that the government just might not be able to afford all of its grand designs.

—Benjamin Jones



Rescue workers use hovercraft to navigate the flooded streets of the eastern German town of Dresden.

mained passable. The river peaked at a level nearly five times above normal. Water was lapping at the front doors of Dresden's famous Semper opera house.

More than 20,000 German soldiers were mobilized for the relief effort. Up and down the Elbe, they joined hundreds of thousands of volunteers toiling furiously to save their cities. Millions of sandbags were filled and hoisted by hand into position behind the dykes. It became the biggest civil defense deployment in Germany's postwar history.

Finally, to place the high-water mark in historical context, consider this: August's peak on the Elbe exceeded the record set in Dresden 150 years ago. Historians downstream in Magdeburg suggested that their city had not seen the river rise this high since the thirteenth century. This was no ordinary flood.

—Terry Martin

## PARIS

### FANTASY AND THE TEDDY BUDDHAS

As 2002 draws to a close, a loud chorus of "Thank heaven!" can be heard from around the world. It has been a stormy year on our planet, economically, politically, and meteorologically speaking. When times get tough, the tough guys may get going, but most of us just long to get away to a cuddlier, safer, non-threatening world.

In France, the style gurus who predict upcoming trends in fashion and lifestyles see this winter shaping up as the Great Escape. Back into the womb, back into the playful world of childhood, back into the past, back to nature, or off to fantasy worlds and exotic places. The flight from harsh reality is taking several different routes.

The mascot of the season promises to be the "Bouddhours"—the Teddy Buddha—with the head of a Teddy Bear, wearing a blissful smile, stuck onto a Bud-

dha body. A bizarre cross between quirky toy and spiritual totem, Bouddhours could easily land a starring role as the new Jedi teacher in a future Star Wars episode if Yoda ever agrees to retire.

The Parisian agency that dreamed him up has also designed a swing chair that can be hung up in any house with enough room for rocking away your insecurities. For some more relaxed indoor fun, another designer has created a curvaceous, candy-colored sofa on wheels, and Tom Ford has signed a black vinyl folding massage table for Gucci that is sleek enough to sit in the living room as a spare table when no one is being oiled and kneaded on it. The reassuring concept of going for a ride (on your swing, on your sofa...) without ever having to leave the comfort and safety of home is being carried over into the backyard, where this winter's trendy feature is a painted gypsy caravan.

Outside the house, the French are also looking for feel-good, non-threatening activities. Both men and women are flocking to spas, where they can pamper and relax body and mind with warm baths, reflexology, shiatsu, and Indian massage—the more exotic and ancient the treatment technique, the better.

Body hair, we are told, is out. Except for your head, you should be as smooth as a baby's bottom, and that includes the male of the species. More and more beauty salons for men are opening, where beauticians are ushering hirsute specimens into their cubicles and, a few hours of torture by wax later, sending them forth devoid of all bodily hair.

Paradoxically, fake or real fur is one of the hot fashion items for the cold season. Fur-lined boots, fur dresses, coats, and hats are making a comeback. If that does not tickle your fancy, then feather accessories for necklines,

eyelashes, and hair provide another soft touch. Fabrics are soft, light, fluid, and even leather is crumpled and aged into a comfortable, second skin. Ethnic touches from East and West, such as Indian embroidery,

knitted caps, cowboy boots, and turquoise-studded leather belts are travel souvenirs you can acquire without having to take a trip.

Those who do travel, go to out-of-the-way places, where you can leave the worries of the twenty-first century behind. Horseback safaris through Mongolia, with a *yurt*, a native tent, pitched in the Gobi desert, are all the rage, so are other destinations that have lots of wide-open spaces and few modern conveniences.

Far more comfortable and accessible are the "dorming" spaces being installed in several nightclubs and restaurants in Paris. Giant cushions piled in a softly lit corner, or mattresses in curtained alcoves (patrolled regularly to make sure they are not mistaken for private bedrooms) make it possible to relax between frenetic bouts of dancing, talk to your friends, and make new ones.

Whether swinging gently at home, reclining on a nightclub mattress, sprawled on a massage table, or snoozing in a Mongolian tent, it looks like the French may well spend the winter curled up under a (preferably fur-lined) blanket, hugging their Teddy Buddhas, waiting for the storm clouds to roll by.

—Ester Laushway

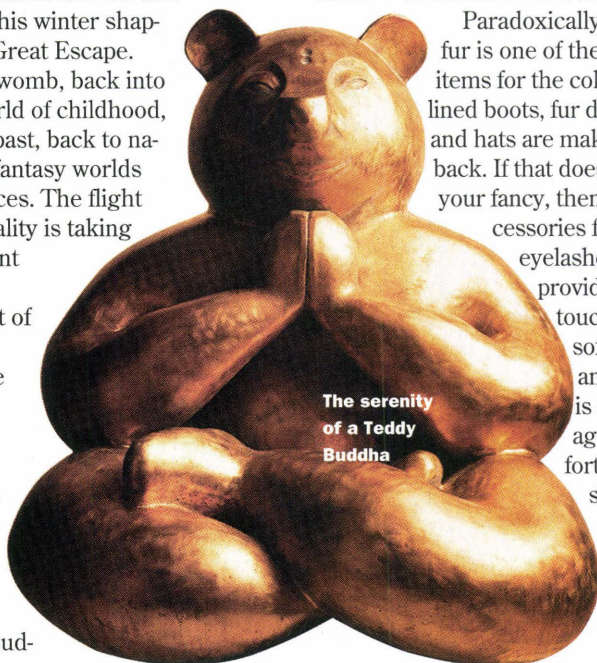
## DUBLIN

### AMERICAN COLLECTOR'S AWARD-WINNING LIBRARY

It is probably one of the most exciting and comprehensive collections of its kind in the world, located in the heart of Dublin and named earlier this year as European Museum of the Year—the first Irish museum to achieve this distinction.

The Chester Beatty Library, which was bequeathed to the Irish people by the American mining magnate and collector, Sir Alfred Chester Beatty, contains some of the finest treasures of the great cultures and religions of the world. Moreover, it may never have come to Ireland but for Beatty's dislike of postwar British socialism.

Michael Ryan, director of the library, says the collections "open a window on the artistic treasures of the great cultures and religions of the world." He says the library's rich collection of manuscripts, prints, icons, miniature paintings, early printed books, and *objets d'art* from countries across Asia, the Middle East, North Africa, and Europe offer visitors a visual



The serenity of a Teddy Buddha

feast—all the result of the collecting activities of one man.

Beatty was born in New York in 1875 of Irish, Scottish, English, and New England descendants and is best remembered today as a distinguished book collector. He was educated at Princeton and Columbia, where he graduated in mining engineering in 1898. He started his career as a laborer in mines in the southwestern United States and, by the age of thirty, had achieved much success and

was already a millionaire—his later entrepreneurial skills saw him involved in the opening of mining enterprises not only in the United States but also in Africa and Europe.

That wealth allowed him to indulge his collector's instincts—firstly of minerals and stamps, later of Chinese snuff bottles carved from gemstones. He also began to buy books and manuscripts, and by 1911 when he left America for Britain—a widower with two young chil-

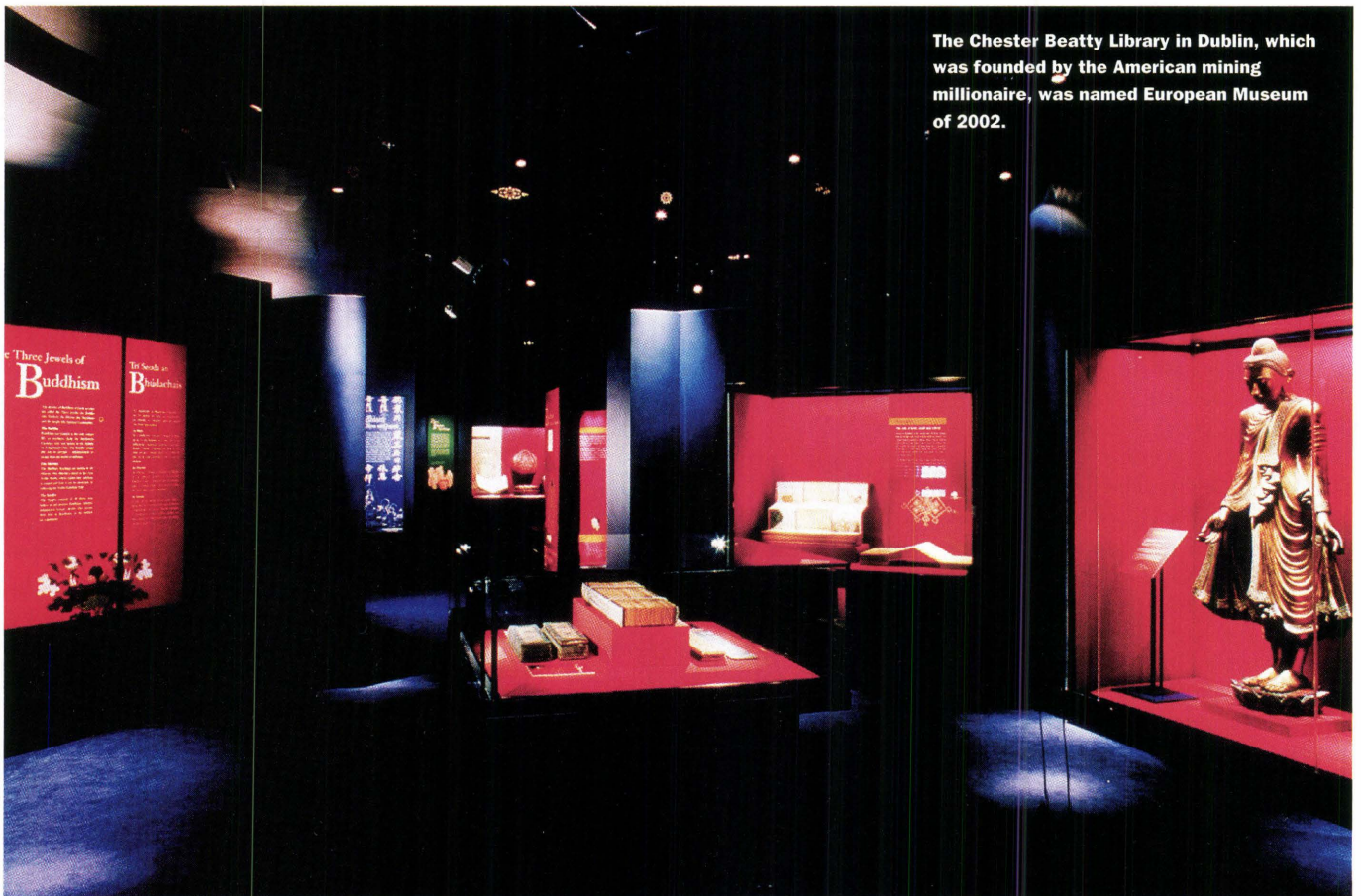
dren—he had become a very discerning collector.

In London, he bought Baroda House in Kensington Palace Gardens, filling his library with important printed books, European and Persian manuscripts, and Old Master prints.

He remarried in 1912, honeymooned in Egypt with his new wife, Elizabeth Dunn, eventually bought a winter home in Cairo, and intensified his interest in Islamic culture. A trip to Asia five years later stimulated his interest in delicate Chinese silk paintings and Japanese woodblock prints.

Over the years, Beatty built a brilliant collection of illuminated copies of the Koran, plus Mughal (Indian), Turkish and Persian manuscripts and Christian Coptic, Syrian, and Greek manuscripts. His vast collection includes not just exceptional Islamic, East Asian, and biblical manuscripts but also outstanding Western printed books, Old Master prints, and Southeast Asian, Tibetan, Ethiopian, and Armenian holdings.

Beatty became a naturalized British subject in 1933. His close friendship with US president Herbert Hoover and British prime minister Sir Winston Churchill was solidified through his ad-



**The Chester Beatty Library in Dublin, which was founded by the American mining millionaire, was named European Museum of 2002.**

## COPENHAGEN

## DANISH GIRL POWER

visory and other work in Britain during the Second World War. However, post-war austerity, rising taxes, and his intense dislike of socialism added to a growing disillusionment with life in Britain.

During a visit to Ireland in 1949, he was encouraged to set up his library in Dublin. Three years later, he had built new premises in the leafy suburb of Ballsbridge and opened it to researchers. The following year Britain's Queen Elizabeth knighted him in recognition of his wartime services.

He died in 1968, leaving his library as a public charitable trust supported by the Irish State and became the first private citizen of the republic to be accorded a state funeral.

Tom Hardiman, chairman of the library's trustees, says the limited facilities in Ballsbridge prevented the effective display and conservation of the Beatty collections. So a new location was identified—within the historic center city walls of Dublin Castle (itself dating back to the early thirteenth century).

The relocated library was formally opened on February 7, 2000—the 125th anniversary of Beatty's birth. With its purpose-built galleries, sophisticated display and conservation technologies, and a well-equipped reference library, it is ideal for scholars and the public—recognized in the European award presented by Belgium's Queen Fabiola in May.

Its new home notwithstanding, works from Beatty's collection are much in demand for a variety of exhibitions worldwide. This fall nine of the library's finest examples of fourteenth-century Persian painting and calligraphy are being exhibited as part of *The Legacy of Genghis Khan* at the Metropolitan Museum of Art in New York (October 28, 2002 through February 16, 2003). Also opening in New York this fall (November 1, 2002 through January 26, 2003) at the Brooklyn Museum of Art is *The Adventures of Hamza*, an exhibition of the *Hamza-nama*, a sixteenth-century Mughal manuscript recounting tales from the life of the Prophet Muhammad's uncle, Hamza. Also next year (June 18 through September 7, 2003) the library will lend eight Mughal miniatures titled *Goa and the Great Mughal* to the Gulbenkian Museum in Lisbon.

What is the value of the Chester Beatty collections? None of its trustees would hazard a guess. The best estimate: priceless.

—Mike Burns

A life spent slaving over a hot stove holds less and less appeal for young Danish women. Today, members of the so-called weaker sex are entering higher institutes of education in record numbers and are rapidly marginalizing their fellow male students as they go along.

This year, the vast majority of the 60,000 hopeful Danish youths who applied for admission into the country's universities were women. And surprisingly, the number of female candidates was particularly high in traditionally male-dominated fields such as law and medicine. According to the office of the national application system for university and college entry, female students will comprise 70 percent of the total student body at these institutions this year.

The development, however, has not come about overnight. Since 1993, the number of women admitted into five of the country's biggest universities has increased by 30 percent, and today six out of ten students at the universities are women.

But what has triggered young Danish women's rapid progress in terms of education? According to Jakob Lange, who heads up the registrar department at the University of Copenhagen, one of the reasons is the Danish high school system, which is very attuned to female values. It

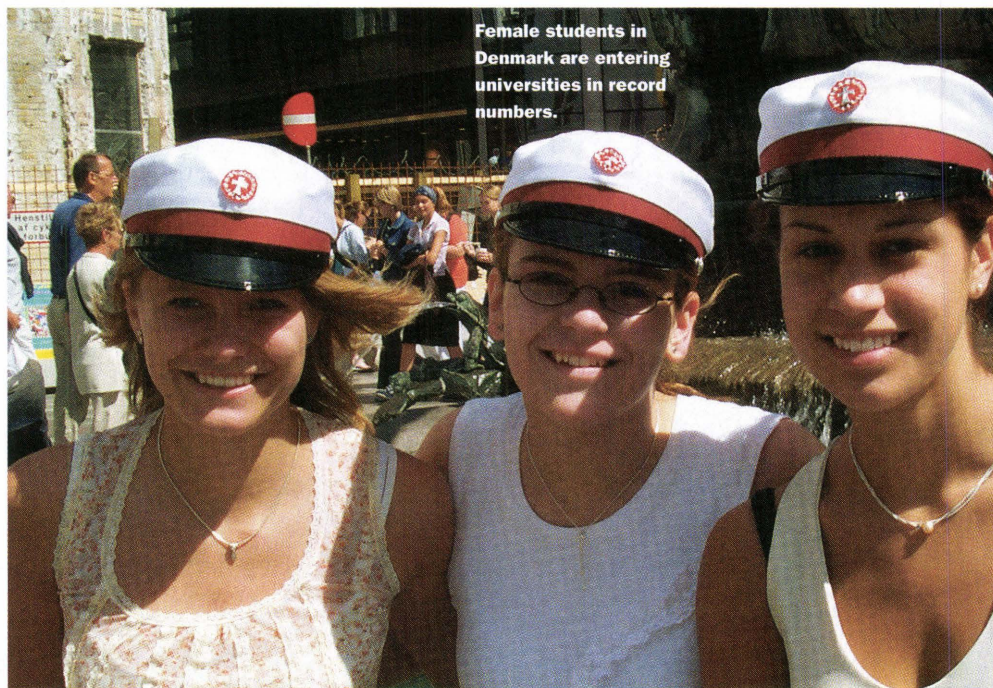
also has a large number of female teachers, who act as successful role models for female students. "Consequently, the girls obtain high grades and develop a desire to pursue further studies," he says.

"Another reason behind the increasing numbers of female candidates [in traditionally male-dominated fields] is that there is already an excess of applicants for the more traditional fields of education, such as teaching and nursing. Today, there is another type of young woman, who chooses to enter the more prestigious studies such as law, medicine, and political science," he comments.

"Similarly, there is a small but constant increase in the number of women among students of engineering and natural science. However, even though we have seen an annual growth of 1 to 2 percent within these fields the last few years, young women still constitute a minority here," Jakob Lange asserts.

In some circles, the slide toward an educational imbalance between the genders has caused concern. One Danish university, Syddansk Universitet, has even chosen to lower the admission requirements for prospective medical students to ensure that some male applicants who would otherwise not be considered eligible are admitted.

Lange, however, does not share that unease. "We must not overestimate the implication of the figures. As long as we have a gender division, which is sixty-four or even seventy-three, either way



Female students in Denmark are entering universities in record numbers.

there is no cause for alarm. Furthermore, the present trend is a sensible step in the development toward sexual equality," he ascertains.

He believes, however, that the development will influence Danish society in the future, and that employers will be among those most immediately affected. "Young Danish women are less willing to work around the clock. At present, this also seems to characterize young Danish men, but women still hold firmer ground on the issue. Therefore, employers will need to change their outlook," he says.

In Lange's opinion, however, the trend also urges the Danish educational system to consider why high schools appeal so much more to Danish girls than boys.

"There are certainly boys who have a lot of potential and who could achieve higher goals. Today, many of these young men end up with a shorter, more practically oriented education. And that is a shame if they have the talent to do more," he remarks.

—*Maria Bernbom*

## LUXEMBOURG

### GLOBAL BROADCASTER STILL GROWING

**T**he annual meeting of SES Global in Betzdorf, just outside Luxembourg city, in May this year emphasized again the remarkable grip this small country has on worldwide communications. Many people have heard of RTL, the former Radio Luxembourg, that has become the dominant force in European commercial television. Not many know that SES Global is now the world's largest satellite operator with 95 percent of the world's population living under its global footprint.

This came about last year when the Luxembourg company—then called SES Astra—bought General Electric's Americom subsidiary, which distributes hundreds of US television channels to cable networks. The American corporation received some \$4.3 billion in cash and a 21 percent stake in SES Global in what stands as the biggest corporate deal ever transacted by a Luxembourg company.

SES was already Europe's leading direct-to-home satellite television broadcaster and intends to use the GE acquisition as a springboard for its broadband Internet strategy, at present in its infancy. Americom also supplies telecommunica-

tion and Internet services for big name clients such as AOL Time Warner and Disney.

"Part of our strategy is to build on geographical expansion, and we've now done that with the Americom acquisition. The second pillar is diversification into the broadband and multimedia market. By 2005–06, we think that roughly a quarter of our revenues should come from multimedia applications," says Yves Feltes, press relations manager.

The key to this is SATLYNX, a new company created by SES Global with Gilat Satellite Networks this summer that will provide two-way satellite broadband communication services to enterprises, consumers, and small office/home office users throughout Europe. SATLYNX aims to become Europe's leading provider of two-way satellite broadband services.

Following the acquisition of Americom, SES Global now operates twenty-nine fully owned satellites with an additional thirteen in Scandinavia, Asia, Argentina, and Brazil where the company has "strategic participation." Stockholders were told in May that these had delivered a 17 percent increase in revenues to just less than a billion dollars last year with pretax earnings rising 12.1 percent to around \$800 million. Growth this year would be slower but would pick up from 2003 when the broadband activities started to kick in.

SES Global stock is listed on the Luxembourg and Frankfurt exchanges, but given the size of the GE shareholding, the 20 percent stake indirectly held by the Luxembourg government through public financial institutions, and a similar holding by Deutsche Telekom, the market in them is not particularly liquid. The board of directors has authorized an application for a stock offering and listing in New York, but this will not happen until market conditions improve.

SES shares were trading this summer at around half the price at which they were issued to the public in 1998—a fall that corresponds closely to the sector performance over the period. Many people felt that the collapse of the Kirch television operation in Germany earlier this year would damage SES, but Feltes said only about 4 percent of revenues came from the German company and the situation was "not catastrophic."

"The package has been reduced but we anticipate that somebody else is going to run the (Kirch) pay-TV operations, and

the commercial channels are not really affected by the crisis," he said. Presumably, this will have been digested by the time American investors are offered the shares.

There are not many private stockholders in SES Global, and they have not had an easy time in the past two years, but in Luxembourg anyway, their faith is unshaken. Very few of those who bought four years ago have sold their holdings. The sharpness of SES management should see them vindicated in due course.

—*Alan Osborn*

## LISBON

### BOGGED DOWN BENFICA

**A**ny visitor to soccer-mad Portugal wanting to kick-start a conversation in a bar or café could do worse than try the opening gambit: "How about Benfica?"

Mere mention of Portugal's biggest—if not always its most successful—club is virtually guaranteed to trigger a reaction from men—and many women, too. Opinions on the Lisbon team's latest performance or its prospects are fervently held and expressed.

Three months into the soccer season, fans of Benfica and its big rivals—last year's champions Sporting Lisbon and Oporto's two big clubs, FC Porto and Boavista—already have plenty to talk about. As in previous years, topics of conversation are far from restricted to the field. Allegations of biased referees, links between soccer and politics, and money troubles have all dogged the sport of late. But Benfica has emerged as the uncontested leader, though its fans regret not in sporting terms but in the controversy stakes.

The club has long struggled with enormous debts in the form of bank loans and outstanding tax and social security payments. How to deal with these has prompted prolonged and at times heated debate among its members, who as with other Portuguese soccer clubs actually own Benfica. The organization's general assemblies can be rowdy affairs.

The club's reputation hit rock bottom earlier this year when former chairman João Vale e Azevedo—who had been elected by the members then toppled when his deal-making raised suspicions—was sentenced to four-and-a-half years in prison for fraud. The crime re-

lated to more than \$900,000 raised from the sale of a player during his tenure. Vale e Azevedo was cleared of thirteen other charges brought by prosecutors, including one of money laundering.

Benfica's ongoing troubles even brought into question its status as the venue for matches in the 2004 European Championship finals, when Portugal will host Europe's leading national teams in the world's second-most competitive international soccer competition. For months, the club dithered over whether to build a new arena to replace its famed but ageing Stadium of Light, even as European soccer officials warned that time was running short.

Eventually, the club opted for a new stadium, after the city council offered some extra aid. However, Benfica was soon hit by another crisis. Tax officials are demanding that it hand over \$1 million in interest on \$10 million in tax owed for 1998–2000, rejecting the argument that because Benfica owned up to the debts (which officials had overlooked), it should not have to pay the interest.

At a time when ordinary taxpayers are having to fork out more—notably in the form of a two-percentage-point increase in sales tax—to help trim a bloated state deficit, it would look bad if a soccer club got special treatment.

Benfica thus looks set to go on supplying material for conversations in bars and cafés across the land, but unfortunately not just on the subject of its match results.

—Alison Roberts

## STOCKHOLM

### MINISTER OF FLAIR

**T**he lobby of the stately Swedish foreign ministry building appears to have been turned into a botanical garden. Fanciful flower arrangements bloom everywhere, lighting the somber decor with rainbow colors and perfuming the air. But this is no tribute to a visiting dignitary. This is Swedish design for export. The flowers are the brainchild of Per Benjamin, a Swede who is an international winner in flower arrangement and design. And exporting Swedish design is the brainchild of Trade Minister Leif Pagrotsky.

"Nobody's prepared to pay more for something that doesn't have some added value," says Pagrotsky. "Design gives that added value. Good design gives a

vital competitive edge in the increasingly internationalized market."

As trade minister, most of Pagrotsky's time goes to considerably less entertaining work, such as lodging complaints against US duties on steel imports. The design project was his initiative and comes from a personal interest. He supervised the decoration of his foreign ministry office, a modern-minimalist oasis in the midst of the sometimes overwhelming traditional diplomatic sobriety that characterizes the rest of the building.

Pagrotsky has also been at the forefront when it comes to publicizing Swedish music and Swedish cooking. Again, his interest is personal. When he is not at a concert, he spends time cooking with his teenage daughter. Although he claims not to be a good cook, Pagrotsky offers his chocolate mousse recipe on his Web site.

The idea for marketing Swedish design got its start during Sweden's EU presidency last year. Since then, the foreign ministry has budgeted the equivalent of about \$210,000 for marketing Swedish design abroad, including \$42,000 for embassies and consulates to use. While it is not a lot of money, it is enough to pay for some exhibits, as well as programs to help Swedish designers learn more about selling their creations abroad.

What is thought of as Scandinavian design is well known in the United States but tends to be largely Danish. Pagrotsky wants the world to know that Sweden has more to offer than just Orrefors crystal and Ikea furniture.

One of the fastest growing areas of Swedish design is clothing. Young designers such as Filippa K are gaining international reputations with their offbeat looks and innovative use of materials.

There is also a push to encourage fledgling designers. For the past four years, the design industry group Svensk Form has sponsored a contest for young

**What is thought of as Scandinavian design is well known in the United States but tends to be largely Danish. Pagrotsky wants the world to know that Sweden has more to offer than just Orrefors crystal and Ikea furniture.**

designers from all fields. The winners' work is shown in a traveling exhibition in Sweden. There are plans for an international show as well.

In trying to market Swedish design, Pagrotsky sees advantages in joining forces with Finland, long known for such design innovators as clothier Marimekko, architect Alvar Aalto, and more recently, Nokia cellular phones.

In March, the Swedish and Finnish governments arranged a joint design



Sweden's  
"minister of flair,"  
Leif Pagrotsky

seminar at the Swedish embassy in Helsinki and hope to repeat the conference in Stockholm.

For his efforts, Pagrotsky last year won recognition from the Swedish advertising industry. "Creating an image requires more than just talk. Words also have to be turned into something concrete to get results," industry judges said in awarding Pagrotsky a special prize. "He has given little Sweden a powerful voice and spotlighted (it) far beyond the country's borders."

Pagrotsky sees Swedish design as something more than tangential to mainstream exports, such as Volvos or forest products. In fact, Pagrotsky thinks the ideal is to integrate design with basic industry.

"A car that has style sells better, which creates more jobs," he points out. "Design benefits all of Sweden." It is also more fun than complaining about steel import duties.

—Ariane Sains



## AMSTERDAM

## THERAPEUTIC CLONING ON HOLD

**F**or a short time this summer, the Netherlands had a law that allowed for the prospect of embryonic cloning. But a month after the upper house of Parliament passed the Embryonic Life Bill, the new government that took office in mid-July scrapped one of its key provisions. It stated that during its term the prohibition on creating laboratory embryos would not be lifted.

The legislation started with the previous government coalition comprised of leftist and liberal parties. On moral and ethical issues, it took a decidedly progres-

sive stance. Among other initiatives, it legalized abortion, regulated the use of small amounts of soft drugs, legalized under strict conditions euthanasia, and also passed a bill through parliament on the use of embryos for biomedical research and gene therapy. To be sure, the law explicitly prohibits reproductive cloning or the changing of genes in the germ line. But it does allow embryos leftover from fertility treatments to be used for research. Moreover, depending on future scientific developments, the law opened the possibility for the special creation of embryos for scientific and medical use without further parliamentary approval—a kind of embryonic fast-track procedure.

Special creation of embryos opens the way for the cultivation of stem cells, the

cells that develop in the first phase of cell division after fertilization. It means that a cell nucleus of a person is transferred into a de-nucleated egg cell and subsequently stimulated to turn itself into stem cells. This process of so-called therapeutic cloning (as opposed to reproductive cloning) offers new possibilities for a range of biomedical treatments. With these stem cells, it is hoped regenerative therapy for diseases such as Parkinson's, AIDS, and numerous others may become reality.

In the United Kingdom, this is legal, and the Netherlands seemed set to become the second European country to allow therapeutic cloning. But with the new more conservative government, the ideology has shifted. The new majority

Cloned cattle Bell and Holly were born in the Netherlands in 1998.



**Special creation of embryos opens the way for the cultivation of stem cells, the cells that develop in the first phase of cell division after fertilization... This process of so-called therapeutic cloning (as opposed to reproductive cloning) offers new possibilities for a range of biomedical treatments.**

consists of the Christian Democrats, the Liberals, and a loose anti-immigration party. Ethical and moral issues are back in vogue. The Christian Democrats have vowed not to revoke the basic principles of the embryonic life law, although they opposed it in parliament. However, the conditional provision for the creation of embryos in the future will not be activated.

—Roel Jansson

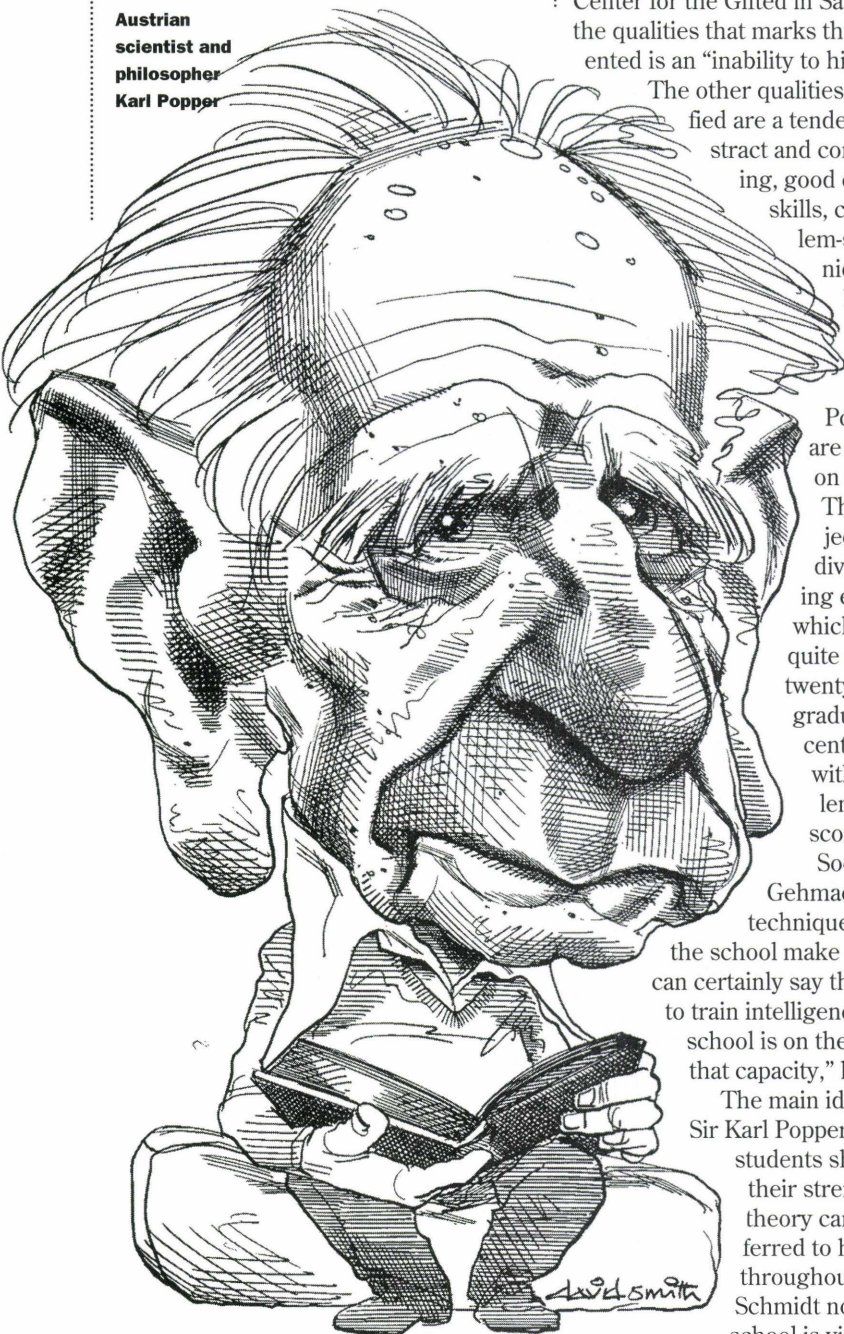
## VIENNA

## GIFTED SCHOOL INFLUENCES AUSTRIAN EDUCATION

**T**he Sir Karl Popper School for the Highly Gifted, opened in Vienna in 1998 for extremely talented high school students, may become a model of learning for schools throughout Austria. The high school's unique environment attempts to foster communication and develop the latent gifts its students possess.

The Popper School system, while highly controversial at the time of its in-

Austrian scientist and philosopher Karl Popper



roduction, seems to have convinced many of its skeptics over the last four years. The school was originally criticized for being elitist—called an “educational ghetto” that segregated its 150 students from a normal high school experience.

Some of the criticism came from how the students were selected. Only 2 to 3 percent who applied were accepted. Interestingly, Günther Schmidt, the school's president, says that the students accepted are not necessarily the students with the best grades. In fact, many are in the C-grade range. After all, according to a study released by Helene Humer at the Center for the Gifted in Salzburg, one of the qualities that marks the highly talented is an “inability to hide boredom.”

The other qualities she has identified are a tendency toward abstract and complex thinking, good concentration skills, creative problem-solving techniques, a high learning curve, and a good memory. Candidates for the Popper School are selected based on these qualities. They are then injected into an individualized learning experience, which has proven quite successful. Of twenty-four recent graduates, 75 percent graduated with either excellent or very good scores.

Sociologist Ernst Gehringer thinks the techniques employed by the school make sense: “One can certainly say that it is possible to train intelligence, and the school is on the right track in that capacity,” he says.

The main idea behind the Sir Karl Popper School is that students should develop their strengths, and this theory can be transferred to high schools throughout Austria. Schmidt notes that the school is viewed as an ex-

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periment. He also believes that if the school is a success, all schools will adopt its learning methodology.

Some of the school's non-traditional approaches to learning include interactive games, accelerated foreign language classes, and independent study programs. Teachers are meant to function as coaches, encouraging individuals to foster their skills. However, students are rewarded for developing skills, not simply possessing them.

“The grading system rewards hard work, not talent,” Schmidt clarifies. Also, students are not allowed to close themselves off. Inter-communication skills are considered very important and are developed in class.

Will the Austrian school system be reinvented because of the Sir Karl Popper School? Perhaps not, but some of its learning techniques will be employed in the next several years. While the entire concept cannot be directly translated, a more interactive, individualized learning program will likely be adopted in Austrian schools.

—Alexandra Hergesell

## ATHENS

## GAMING CRACKDOWN THWARTS INTERNET CAFÉS

**B**emused shoppers stopped in their tracks when Alexis Asteriades, an Internet café owner and skilled mountaineer, rappelled down the White Tower, a medieval landmark in the center of

Thessaloniki in northern Greece. But the stunt was not a just a dare. Asteriades said he wanted to highlight the problems of Web enthusiasts who feel they are being unfairly included in a crackdown by the Socialist government on illegal gambling.

A new law approved by parliament last summer was intended to penalize operators of unlicensed slot machines at cafes and amusement arcades. However, it also had an unforeseen impact on Greece's 1,500 Internet cafes because it banned the playing of almost any kind of electronic game in a public place.

"It was a crazy situation. You could play solitaire or mahjongg at home, but if you downloaded it at your local Internet café, you'd be liable for a €5,000 (\$4,938) fine—and the café owner could lose his license," said Michalis Kapetanakis, an Internet café operator on the island of Crete. According to the law, repeat offenders could face a one-year jail sentence and a \$74,000 fine.

Recently, however, a court in Thessaloniki stood up for Web surfers' rights. Judges acquitted two Internet café owners of violating the law by allowing their customers to play on-line chess and counter-strike—a popular game that pits five-person teams of terrorists against counter-terrorists. As the trial opened several hundred demonstrators gathered outside the courtroom shouting, "No to censorship on the Internet."

Inevitably, the trial made headlines on Web sites around the world and prompted a deluge of e-mails to the Greek government. In response, embarrassed officials at the finance ministry rushed through a special directive that allows electronic games to be played at Internet cafes, provided the owner and his customers are not making extra profits from them.

But that does not go far enough for the café owners, who complain they lost between 50 and 90 percent of their average daily business over the summer. They are pressing the government to change the law immediately. Thanasis Zachariades, president of the Internet café owners' union says, "There's too much room for misinterpretation under the current arrangement. It should be a priority for parliament to amend the law."

A scandal last winter over the scale of illegal gaming in Greece forced the government to take drastic measures. The legislation was hastily drafted after a secretly taped video was screened on a pri-

vate television channel. It showed the head of the parliamentary committee tasked with addressing the problem of unlawful gambling playing an unlicensed slot machine in an amusement arcade that had been transformed into a gambling den.

At the same time, however, the government is keen to promote use of the Internet. The Greeks have the fewest Internet connections and lowest usage of computers in Western Europe, with only about 15 percent of the population signed up with an Internet service provider outside work. As a result, Internet cafes play a significant role in helping to develop the culture of cyberspace.

Zachariades says that because broadband connections are not yet easily available to ordinary households, many young Greeks head for the Internet café to play their favorite games. "We're seriously behind northern Europe on providing bandwidth to consumers. But Internet cafes have broadband connections as well as state-of-the art PCs, so you can pick up e-mails and download new games much faster than at home."

Greece is similar to Spain and Italy in having a flourishing Internet café society, he adds. "Especially outside Athens, the Internet café is a place where you enjoy networking both on and off-line."

—Kerin Hope

## R O M E

## MUCH ADDO ABOUT A CHADOR

Immigration, both legal and illegal, is a growing concern in many European countries, and Italy is no exception. It does not take much to spark fears and suspicion. *Il Corriere della Sera*, the country's biggest daily newspaper, regularly publishes photographs taken by readers that illustrate curious aspects of Milan, the city where it has its headquarters. Recently, the photo appeared of a woman with her face hidden by a chador as she did her shopping at the local outdoor market. The reader-reporter commented, with a touch of indignation, "And this happens despite Italian laws forbidding hiding one's face in public."

In fact, this particular Italian law, like those of some other Western countries, forbids wearing clothing in public that makes it difficult to recognize a person "without a justifiable reason."

The photo and caption set off a heated public debate. As can be imagined, it was

fueled by a variety of motivations—some by genuine concern for public safety and others by unreasonable fear of strangers and racism.

Of course, the crux of the issue turns on whether a centuries-old custom from a foreign culture can be considered a "justifiable reason" in a country with different traditions. It must be noted that the question of wearing chadors in public is a thorny issue in many non-Muslim countries.

What some Italians wonder, however, is whether a civil regulation is the right way to address a complicated social issue—an issue much broader than wearing chadors—but, in fact, how different cultures can cohabitate peacefully and respectfully. A few followers of Umberto Bossi, a government minister and the leader of the xenophobic Northern League, would be happy if it were decided that all followers of Islam living in Italy should be forced to abandon their customs, or perhaps be confined to a ghetto.

Moderates countered that the larger, and more important, issue will not be solved by simply invoking an article of a law. Rather, they argue that all the ramifications should be considered when individual freedoms are at risk. Some people are disturbed by the sight of a chador, others by a goat butchered in a courtyard, and still others by the infringement of liberty and equality, even if for "justifiable reasons."

—Niccolò d'Aquino

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# ARTS & LEISURE

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



## MUSIC

### ACOUSTIC ALCHEMY AT HOME IN AMERICA

Jazz guitarist Greg Carmichael is a member of the Mile High Club, sort of. Actually, this particular branch is reserved for musicians who got their big break playing on jetliners and includes only two known members, Carmichael and his late partner, guitarist Nick Webb. Back in 1986, the British duo answered an ad for Virgin Atlantic, which was looking for entertainers to perform during a flight from London to New York.

"Fire eaters and jugglers need not apply, it said," Carmichael remembered recently after a performance with Acoustic Alchemy (the band that evolved from his partnership with Webb) in Arlington, Virginia, part of an eighteen-city tour this fall. He and Webb saw it as a free trip to the US to market a demo tape and strummed their way across the Atlantic at 30,000 feet. "We had to play ten minutes in economy and twenty minutes in first class," he recounts. "It was wild though, because we had to fight the turbulence as we were walking up and down the aisles."

When they landed, the duo headed for Nashville, where their catchy instrumental melodies, mixing nylon and steel-string guitars, caught the ear of MCA executive Tony Brown. A few weeks later, they had signed a record deal and were on course to carve out a niche in the smooth jazz arena.

They chose the name



Acoustic Alchemy to reflect their musical philosophy. Webb wrote in the liner notes for their first CD, *Red Dust & Spanish Lace*, that since 'alchemy' refers to the transmutation of the baser metals into gold, then "Acoustic Alchemy must mean 'the transformation of musical instruments into more than their parts'."

The album proved worthy of the band's name, offering a mix of effervescent, upbeat songs tempered with a few introspective ballads. "Nick's and my rule of thumb was that everything would begin with the two guitars," says Carmichael. However, the guitarists also added a blend of percussion and electric bass along with a variety of keyboard effects that created just the right simmering backdrop for their Spanish-flavored gui-

tar picking. The CD came out just as the New Age and smooth jazz formats were gaining popularity in the US and right away became a hit with jazz radio stations. Webb and Carmichael returned to the US to promote the record not realizing the extent of their growing popularity.

"I'll never forget the first US gig we did," says Carmichael. "We started playing 'Ricochet' (one of the songs from the CD) and suddenly people were cheering and clapping. We had been playing this same song in restaurants in London, and people had been ignoring us. Suddenly there were all these people who knew our stuff."

The band has seen its share of success and turbulence since then.

Acoustic Alchemy continued to build its US audience

over the next decade. While remaining true to the band's founding principle of featuring guitars at the core of their sound, Webb and Carmichael increasingly experimented with a broad diversity of arrangements and instruments, adding electric guitars, saxophones, and various brass instruments to the mix.

In 1997, as the band prepared to begin work on its tenth CD, Webb was diagnosed with pancreatic cancer. They set up a studio in a rented manor house near Webb's country home outside Bath. Although he was able to write much of the music, he never recorded any of the tracks that would become *Positive Thinking*.

"We were there working away, and although he didn't really come in very much, we thought he would be ok," re-

members Miles Gilderdale, who had joined the group two years before as a backup electric guitarist. "Then one day we got the phone call that he had passed away."

The band was determined to finish the album in a way that honored Webb, but after it was done, they found themselves without one of their leaders and unsure of what to do next. Nevertheless, they had a new album that they needed to support with live performances. So, longtime contributor John Parsons filled in for Webb on the tour, and Acoustic Alchemy, almost reluctantly, headed back to America and its fan base.

The response was tremendous. Gilderdale remembers everyone who came to see the band saying, "Thank God you're still going on. You're not going to stop are you?"

In 1999, Gilderdale officially joined Carmichael as co-leader of the band and as the other principal guitarist, and Acoustic Alchemy's sound continued its evolution. Originally a French horn player, Gilderdale studied brass in college. "I also played a lot of jazz, rock, blues, James Brown songs," he acknowledges.

During a recent evening's performance, the careful listener can pick out several of those elements in Acoustic Alchemy's current sound. The same crisp pick work now shares space with a playful spectrum of guitar sounds, spanning funk and R&B to hard-driving rock and roll.

"The beautiful thing about Acoustic Alchemy is that it allows for diversity," says Gilderdale. "As long as it's based on the guitar, then we pretty much have the freedom to do what we like."

At the same time, the duo has sought to highlight the talents of bassist Frank Felix and keyboardist Tony White. Their joint efforts have paid

off. Last year, the band won its third Grammy nomination for its CD *AART*.

After concluding its fall tour, Acoustic Alchemy will head back across the pond to begin work on a new record, which they hope to release next spring. In the meantime, there are a few dates at home in London.

Ironically, it has only been in the last few years that the band has found success on its native shores. "Europe has been really slow for us. Five or six years ago, we couldn't get arrested over there," jokes Carmichael. However, with the growing popularity of London's Jazz FM, the band is finally picking up some dates closer to home.

He shakes his head at the irony and looks out over the now deserted concert hall. "It all started here," he smiles, "Thanks in part to Virgin Atlantic."

—Peter Gwin

## BOOKS

## LONGITUDES & ATTITUDES: EXPLORING THE WORLD AFTER SEPTEMBER 11

By Thomas L. Friedman;  
Farrar, Straus & Giroux;  
379 pages; \$26

*"If 9/11 was indeed the onset of World War III, we have to understand what this war is about. We're not fighting to eradicate 'terrorism'. Terrorism is just a tool.*

*We're fighting to defeat an ideology: religious totalitarianism. World War II and the cold war were fought to defeat secular totalitarianism—Nazism and Communism—and World War III is a battle against religious totalitarianism, a view of the world that says, My faith must reign supreme and can be affirmed and held passionately only if all others are negated.*

*That's bin Ladenism. But unlike Nazism, religious totalitarianism can't be fought by armies alone. It has to be fought in schools, mosques, churches, and synagogues, and can be defeated only with the help of imams, rabbis, and priests."*

Thomas Friedman, the three-time Pulitzer prize winning foreign affairs columnist, for the *New York Times*, has written what he calls "one reporter's journey in the world after 9/11." And, indeed more than anyone else writing today, Friedman's "word album" of his impressions of the Arab world, Europe, Russia, and the United States after the terrible events of September 11, 2001 provide first-hand insights from key players and minor actors on why we are now facing a new and scarier world.

The author, sees a "poverty of dignity" and not "a poverty of money" that is "behind a lot of Muslim rage today." He calls on moderates in the Muslim world to speak out against the "hijacking" of their religion. How can the Arab world enter into the modern world if their schools do not teach their children any skills needed in the twenty-first century and instead only teach hatred of the West? How can these people who hijacked the planes hate the West more than they love life? What is it about Saudi Arabia that produced most of the terrorists on September 11? And, what can Europe, the United States, and Asian nations do to help guide a new generation of Muslim children into the modern world of globalization?

Although this excellent book asks the right questions, there are still no definitive answers to how the world can

successfully solve the problem of "bin Ladenism" and how the Middle East can turn into a peaceful region.

Although most of Friedman's travels are to Middle Eastern countries, he does go to Europe and provides us with useful insights into "the mosques of Europe."

The author ponders why "virtually all of the September 11 plotters were living in Europe, on their own, grew alienated from the European society around them" and gravitated toward fanaticism.

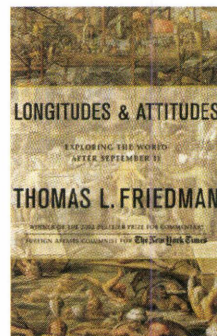
Interviewing a Muslim woman in the Belgian legislature, he discusses the idea that "Europe is not a melting pot for Muslims." This alienation "produces a poverty of dignity" that drives people to do extreme things. "There are pools of such highly-deprived people all over the Muslim diaspora in Europe... [They] become aware that the Islamic world has fallen behind both the Christian West and the Jewish state in education, science, democracy, and development. This produces a cognitive dissonance in these young men—a cognitive dissonance that is the original spark for all their rage."

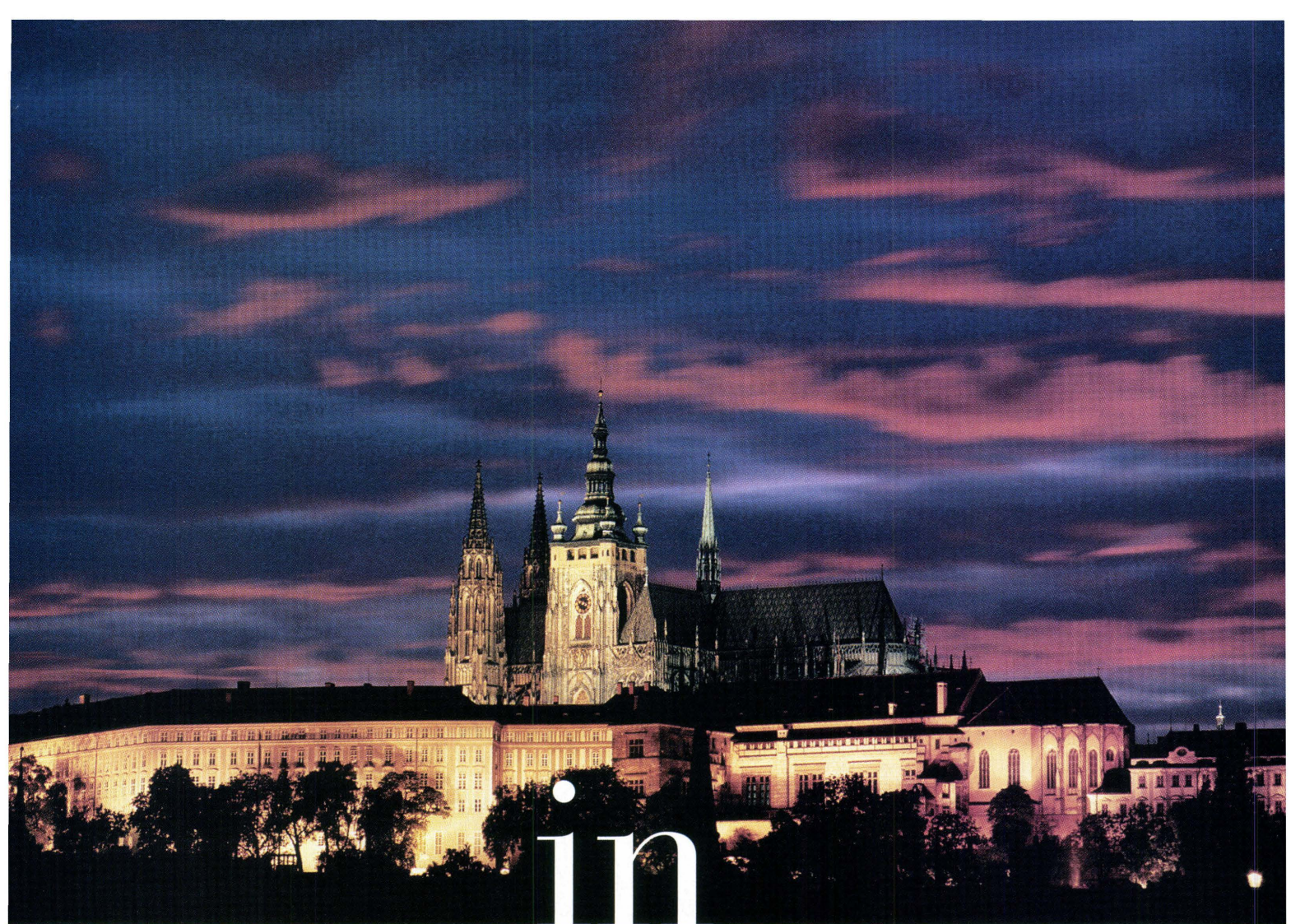
Fauzaya Talhaoui, the Muslim woman in the Belgian parliament, says young Muslims in Europe need to feel connected and part of society. They need to assimilate, and there has to be more of a "melting pot" mentality.

She says young unassimilated Muslims in Europe take the view "if you want to treat us differently, we will act differently."

Friedman has given us a brilliant glimpse of our changed world after September 11. He has asked the right questions, but unfortunately the answers are not yet available.

—Robert J. Guttman





in  
CLOSING

# Czech Republic Hosts NATO Summit



**O**n November 21, Czech President Vaclav Havel will open the two-day NATO summit with a reception for Secretary-General Lord Robertson and the nineteen NATO heads of state and/or government at Prague Castle. More than forty-six heads of state, 2,500 delegates, and 3,000 journalists are expected to attend, in addition to thousands of individuals who will take part in associated events, making it the largest meeting ever hosted by Prague or the Czech Republic.

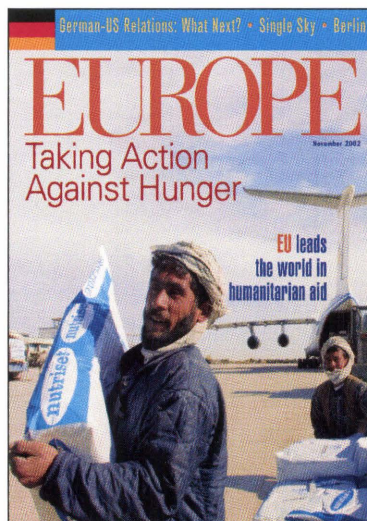
Besides being a national cultural monument, Prague Castle is the seat of the head of state and houses the offices of the president of the Republic. The castle is open to the public, but staterooms are reserved for official state visits and events. Cultural events, including theater presentations, concerts, and art exhibitions also take place within the castle walls.

—Susan J. Burdin

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