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The Greeks discovered it 2600 years ago, and many tourists are now following their example.

Two ardent promoters of the historic port share their views
on why Marseille is becoming the "hot" new Mediterranean destination.

DESTINATION: MARSEILLE

Dominique Vlasto,
*Deputy Mayor for Tourism
of the City of Marseille*



Q: How did the 1999 tourist season compare with the previous year, when the World Soccer Cup attracted so many new people to Marseille?

Dominique Vlasto: Tourism professionals in the region are calling 1999 "the year of the century." In fact, the 1998 World Cup really started the ball rolling, if I may say so. The soccer play-offs showed the world what Marseille is truly like, what a vibrant, beautiful city it is.

Since then, we are attract-

ing more and more visitors, with the hotel occupation rate averaging 75 per cent, compared to 67% in 1998. A particularly encouraging trend is that both French and foreign tourists are no longer just passing through Marseille: it is becoming a desti-

nation in its own right, an ideal base from which to visit the rest of Provence.

Q: Are there other reasons besides the World Cup for the growing popularity of Marseille as a holiday destination?

DV: Yes, there's been a definite and positive change in attitude on the part of the people of Marseille. In the past, the city was criticized a great deal, even by the people who live in it. Within the last two years, there's a new commitment to sharing the best of Marseille with visitors.

The influence of various movies made in Marseille, such as *Taxi* and *Marius and Jeannette*, should not be underestimated, either, and

the celebrations of its 2,600th anniversary also attracted many people.

Q: What new tourism projects do you have planned for the new millennium?

DV: In 2000, we are launching a "City Card", which gives access to museums and many leisure activities in Marseille.

Personally, I'm working on increasing the number of 4-star hotels in the city, because the growing popularity of Marseille with Americans and other foreign visitors is creating a demand for more luxury hotels. People have realized that Marseille is the ideal gateway to the entire region of Provence.

Visit the NEW Web Site of the Marseille Tourist Office and Convention Bureau:
<http://www.marseille-tourisme.com>

Georges Antoun,
*Deputy Chairman for Tourism
of the Chamber of Commerce
and Industry of Marseille-
Provence*



Q: How important is tourism for the economy of Provence?

Georges Antoun: Tourism is an industry in its own right, which has an impact on all sectors of the regional economy. The tourist industry makes it possible for people to discover a region in which they may later want to invest and the spin-off from tourism contributes a great deal to the economy of Marseille and the surrounding region.

Q: What are the tourist facilities that Marseille currently has to offer, and what plans do you have for developing them further?

GA: First, the main tourism infrastructure is the city of Marseille itself, because its 2,400 hotel rooms offer the

largest choice of accommodations in the region. The city also has two well-equipped and centrally located convention centers: one at the historic Pharo palace, the other at Parc Chanot.

By 2001, those existing facilities will be enhanced by a brand new cruise terminal, now under construction, and the arrival of the high-speed TGV train, which will bring Marseille within 3 hours of Paris.

Q: What are you doing to inform American tourists, who may never have been to Marseille, about all that it has to offer?

GA: On the American market, which is very important for us, we have launched an

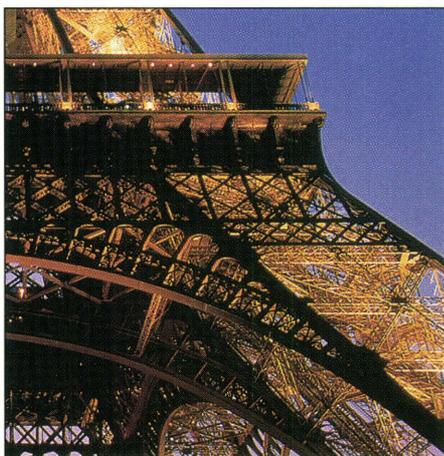
extensive campaign targeting three major cities. We began in March 1999 in New York, with a tourism promotion of the entire region of Provence, with a special accent on its gastronomy. In spring 2000, we will visit Chicago and in 2001 Los Angeles.

The 50 professionals who came to New York have already had excellent results: more and more Americans are booking holidays in a region that combines magnificent natural and historic sites with delicious and healthy cuisine, and a welcome that's as warm and inviting as its climate.

Visit the Web Site of Marseille's Tourism Professionals: <http://www.provencetourism.com>

EUROPE

MAGAZINE OF THE EUROPEAN UNION



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EUROPE IN THE NEW CENTURY

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LETTER FROM THE EDITOR

Europe 2100! How will Europe look in the twenty-second century 100 years from now? We asked our Capitals correspondents to use their imaginations in predicting how their nations might look in 2100. From reports of Eiffel Towers in outer space and new underwater communities in the seas off the coast of France to ski resorts under domes in Austria and super smart appliances in Sweden, *EUROPE*'s fifteen Capitals correspondents forecast an exciting and unpredictable next, next century.

Portugal takes over the presidency of the European Union beginning January 1, 2000, and our Lisbon correspondent Alison Roberts reports the capital city will host a number of special events during Portugal's six-month tenure. Furthermore, the Portuguese are planning a special summit on employment in March, a summit on EU-African relations in April, and a forum in June looking at foreign direct investment and globalization issues.

EUROPE begins a new series looking at the leading cities of Europe over the past 100 years and into the new century. Lisbon, which has witnessed almost every type of political regime in the past century, is our first city profile. *Lisboetas*, as natives of Lisbon are called, are welcoming more and more visitors, as Portugal's capital is rapidly becoming a booming tourist destination.

EUROPE also looks at one of Portugal's most admired businessmen, Belmiro de Azevedo, chairman of the Sonae Group,

which he compares to General Electric and Wal-Mart. A tough global competitor, De Azevedo is putting his mark on the global business scene from Brazil to South Africa.

Getting back to the new century, *EUROPE* asked journalists and diplomats from around the world to discuss the major challenges their respective countries and regions will face in the next decade. From Scandinavia to Paris to Washington, DC to Tokyo, we look at the issues that will dominate the beginning of the twenty-first century.

Lionel Barber, reporting from London, puts the "European Project" into perspective when he writes, "Early in the next century, in 2007, the European Union, will celebrate its fiftieth anniversary. In many respects Europe will be able to proclaim a spectacular success." However, he goes on to state, "The twin issues of economic and monetary union (EMU) and enlargement will shape the Union's destiny for the next ten years."

EUROPE provides a history of business successes and failures over the last 100 years across the Continent and in the United Kingdom and Ireland. Contributing editor Bruce Barnard remarks that at the turn of the century "the future has never looked brighter for European business."

On a lighter note, Ester Laushway guides us through the many millennium parties and festivities taking place across Europe, from Edinburgh to Lapland. There is still time to make your reservations!

EUROPE will begin our letters to the editor column in February 2000. Please send us your thoughts on whatever issues you like by regular mail or to my e-mail (Robert.Guttman@delusw.cec.eu.int). We welcome your comments.

Finally, the staff of *EUROPE* wishes all of our readers a very Happy New Year and a peaceful and prosperous new century.



Robert J. Guttman
Editor-in-Chief



2100 A European Odyssey

EUROPE

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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

BULGARIA AIMS FOR EU

The European Commission made a recommendation to start membership negotiations with the five East European countries left out of the fast track two years ago—Latvia, Lithuania, Slovakia, Romania, and Bulgaria. A similar recommendation will be made concerning Malta, where the previous government had, itself, put the application on hold but where its successor is eager to press ahead.

Two years ago, the EU leaders had based their decision on the apparent failure of the five East European countries to meet the criteria for membership set out at the Copenhagen summit in 1993. Of the five, Slovakia was held to have failed to meet the political criteria because of the serious human rights abuses under the government led by Vladimir Meciar. His defeat in the 1998 election has led to a substantial improvement, so now the green light should be given to Slovakia's application.

The other four candidate countries were held to have satisfied the political requirements, but they fell down on the economic criteria. These were defined in Copenhagen by two main criteria: the presence of a functioning market economy and the capability in the medium term to withstand the competitive pressure of market forces in the European Union.

All four countries were held not to fulfill these conditions, but it was an open secret that the country that had

failed most completely was Bulgaria. Since the collapse of communism in 1990, successive Bulgarian governments, mostly dominated by ex-Communist Party members, had grossly mishandled the economy. The extent of their failure can be seen by looking at the economic statistics for 1997, when inflation was running at nearly 600 percent, the growth rate was minus 7 percent, and the base interest rate was 74 percent. Just one year later the economic situation had been transformed.

What had happened in the meantime? The short answer is that an election was held in which the ex-Communists were roundly defeated and a new government pledged itself to make a fresh start based on accelerated privatization and a stability and economic growth-oriented macroeconomic policy. The key decision taken by the new government was to tackle the inflation problem head on by handing over control of the Bulgarian economy to a currency board arrangement (CBA).

This change was put into effect by the Law of the Bulgarian Central Bank, which came into force in July 1997. Under the CBA, the Bulgarian lev was pegged to the deutsche mark (1,000 lev per DM). On January 1, 1999, the fixed exchange rate to the DM was converted to the euro, based on the official exchange rate of the DM against the euro. The choice of the euro as the peg currency was designed to reinforce the political objective of

EU accession and, eventually, to facilitate Bulgaria's integration into Economic and Monetary Union.

Under the CBA, the Central Bank is obliged to buy and sell any amount of foreign or domestic currency at the fixed exchange rate, and the size of the domestic money supply is dependent on the Central Bank's stock of foreign currency reserves. The bank is prohibited from lending money to the state or any state agency except against purchases of special drawing rights from the International Monetary Fund. Banks and companies now

bankruptcy laws, intellectual property, trade liberalization, and the growth of trade with the EU (now 60.3 percent of exports and 49.3 percent of imports—higher than achieved by either Greece or Spain before they joined the EU). Furthermore, its progress had continued despite the disruptions caused by the Russian and Asian financial crises of 1998 and the more recent upheavals consequent on the Kosovo conflict.

As Michael Emerson, a leading economist and former EU ambassador to Moscow, recently put it, "Bulgaria, which for the first

Bulgarian economy

	END 1997	END 1998
Inflation	578.6%	0.96%
GDP—real growth rate	-7%	+3.5%
Base interest rate	74.1%	5.4%
Exchange rate (level to US\$)	1,776.5	1,675.1
Foreign reserves (US\$m)	2,483.5	3,053.5

know that they have to repay loans with no prospect of being bailed out by the state—if they are unable to do so bankruptcy threatens.

Last summer the European Commission and the Bulgarian authorities made a joint assessment of Bulgaria's meeting the membership criteria, and the verdict was overwhelmingly favorable. Bulgaria was awarded high marks on privatization progress, the reduction of the budget deficit, the new

seven years after 1990 had done almost everything wrong, has done almost everything right during the past two years." Not only should this ensure its early entry into the Union, but it has set a potent example to other southeast European states, such as the Former Yugoslav Republic of Macedonia, Albania, Croatia, and Bosnia-Herzegovina, which have long-term aspirations for membership.

—Dick Leonard

EURO NOTES

EURO RATES MOVE UP

For the first time since the launch of the euro, the European Central Bank has raised interest rates. The increase by 0.5 percent to 3 percent is widely viewed as a preemptive move to contain inflation and lay to rest uncertainty over the course of monetary policy.

In the financial markets, the ECB's tightening was generally well received. After several hawkish statements from senior officials, the bank might have lost some credibility had it not acted.

Nevertheless, doubts linger about the manner in which the ECB managed market expectations, particularly in the critical period immediately after the annual meeting of the International Monetary Fund/World Bank in September. Some commentators believe that loose public talk may have maneuvered the ECB unnecessarily into a position where it had no alternative but to raise rates.

Wim Duisenberg, ECB president, stresses that the bank tried to send signals to the markets as early as July that a rate increase was in the offing. It was then that he first floated the notion of a "tightening bias creeping into our deliberations." By late September, after the IMF meeting, Christian Noyer, vice president, went one step further, alluding to inflationary pressures in the euro zone.

The ECB may have been borrowing consciously from the practice of Federal Re-

serve Chairman Alan Greenspan, whose elliptical phrases have mesmerized the markets while preparing them in advance for an interest rate change. The difference, of course, is that when Greenspan speaks the world listens, whereas the world is often distracted by several "mini-Greenspans" in Europe seeking to articulate ECB policy.

The other message behind the half percentage point rise is that the ECB believes that the worst effects of the Asian financial crisis have dissipated. Economic growth in Europe has resumed and is expected to rise to 2.75 percent or 3 percent next year after about 2 percent this year. The recovery has taken root far more quickly than the ECB anticipated when it cut interest rates by 0.5 percent in April when the risk of deflation in the euro zone seemed serious enough to demand urgent action.

By taking its benchmark rate down to 2.5 percent, the ECB had reduced real interest rates to historic lows. In some countries with inflation above the euro zone average—notably Ireland, the Netherlands, Portugal, and Spain—real interest rates were close to zero. This situation was plainly uncomfortable not just for the ECB but also for some national central bankers who could see inflationary pressures increasing at a far faster rate than, say, in slow-growing Germany.

Despite this need to cool down the "hot" periphery, the ECB has shown itself to be

more risk-averse than the US Federal Reserve. In the 1990s, under Greenspan, the Fed has, for the most part, allowed growth to continue without responding with higher interest rates. The argument, which has won the respect of the markets partly because it has sent stocks and shares to

record highs, is that there was no need to act because inflationary pressures have remained subdued.

By contrast, the ECB acted despite growth being below trend and despite a great deal of slack in the euro zone economy. The ECB could point to accelerating money growth and rising industrial prices as reasons for acting; but the greatest fear was that wage demands could have picked up when bargaining begins early next year. Once again, the worrisome area is Germany.

The Red-Green coalition led by Chancellor Gerhard Schröder is as shaky as ever after a string of regional election humiliations. Trade unions are restive over the government's insistence on reining back public spending and reforming the welfare state. Despite the revolutionary corporate restructuring that is sweeping through the major industrial countries as

The ECB could point to accelerating money growth and rising industrial prices as reasons for acting; but the greatest fear was that wage demands could have picked up when bargaining begins early next year.

a result of increased competition in the euro zone, broad swathes of German society remain resistant to change. Pay restraint is far from assured.

In France, too, the government looks a lot less secure than it did three months ago. The departure of Dominique Strauss-Kahn,

who headed the economics and finance super-ministry, has robbed the government of its single most credible figure, with the exception of Prime Minister Lionel Jospin.

Strauss-Kahn has vowed to clear his name, which has been sullied by allegations relating to his role in the funding of the Socialist Party, but he will be sorely missed on the European stage where he was the leading exponent of closer policy coordination in the euro zone alongside the ECB.

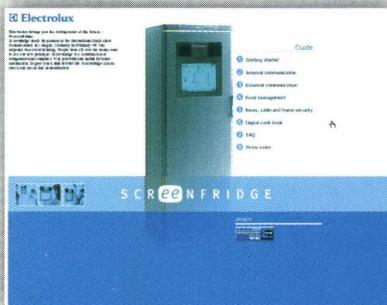
In conclusion, the ECB's interest rate rise may have been big enough and decisive enough to put off the need to act again in the next three to four months, boosting confidence in the economic outlook. However, the prospects for political instability in France and Germany, the two core countries in the euro zone, have paradoxically increased too.

—Lionel Barber

EU ONLINE

SWEDES BUILDING KITCHEN FUTURA

Are you ready for the kitchen of the future? Evidently, two Swedish firms think so. Household appliance maker Electrolux and telecom giant Ericsson have announced the launch of a joint venture to build the "Networked Home" (www.E2-home.com). Their goal is to provide householders with the ability to control their homes' systems and appliances through telephone connections and the electric-



ity system. "Why should our future homes be a copy of the past?" asks Electrolux CEO Michael Treschow. "We want to make people's lives more convenient and enjoyable by combining household appliances and resources of the Internet."

The nerve center of the networked home will be the high-tech kitchen, consisting of appliances able to communicate with each other, their owners, and the outside world through the Internet. Moreover, if Treschow has his way, the command module of kitchen futura will be Electrolux's Screen Fridge (www.electrolux.com/screenfridge), which, according to the company, is "a refrigerator that thinks."

"We know from surveys that in most homes the refrigerator is by far the busiest spot in the house," says Per Grunewald, head of Electrolux's New and Future Business Division. "All family members use the fridge, and not only for food—it's where you put messages, lists, and things to do."

Equipped with a video camera, microphone, television, radio, and a computer connected to the Internet, this super Swedish appliance can help with grocery shopping and ideas for meals, keep track of what's in the fridge (and how long it's been there), as well as act as the household message center.

So how would Screen Fridge make a family's life easier? Consider the following scenario: Little Sven Svenson comes home from school to find the video message light blinking on the Screen Fridge. He presses a button next to a video screen built into the fridge door and an image of his mother appears reminding him that she won't be home until six. He uses the fridge's touch pad to check his e-mail and a couple of his favorite Web sites and then sends his mom an e-mail saying that he's gone to hockey practice and will be home soon after her. Meanwhile, Screen Fridge has sensed that the milk supply is running low and has e-mailed Mrs. Svenson at the office, asking her whether she will pick some up on her way home or if it should order some from the grocery store and have it delivered. Mrs. Svenson then 'asks' Screen

Fridge to suggest recipes for dinner based on the items it contains, and it e-mails her five suggestions from its digital cookbook.

Sound far fetched? Although products like Screen Fridge are still being tested, the networked home is probably not that far away. Electrolux and Ericsson hope to establish an early presence in a market that's expected to grow to 20 million homes in Europe and North America by 2005 and be worth some \$15 billion. The Swedish duo along with TeleDanmark, the Danish telecom group, plan to test their ideas on 200 Danish households this year in a joint venture.

FOOL VENTURES ABROAD

The Motley Fool, the personal finance Web site for those who think a bond curve has something to do with 007's girlfriend, is going global, well European...at least for now.

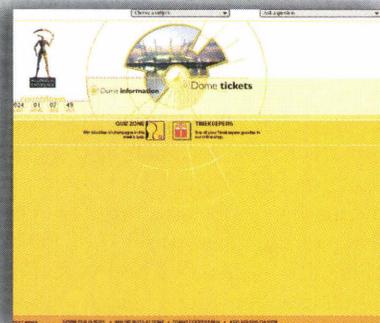
In 1997, the company launched Motley Fool UK (www.fool.co.uk), which now registers 7 million page views per month. The company is now gearing up for a German version in 2000. The Alexandria, Virginia-based company was founded in 1993 as a newsletter before moving to the on-line world. It has since emerged as one of the Web's preeminent personal finance sites attracting netizens looking for plain-spoken advice about everything from investing in the stock market to financing the purchase of a home.

CLICKS OF THE MONTH

Since new millenniums only occur once a millennium, it seemed only fitting to profile a couple of sites focused on what else—the new millennium. And what better place than where it will officially begin—Greenwich, England.

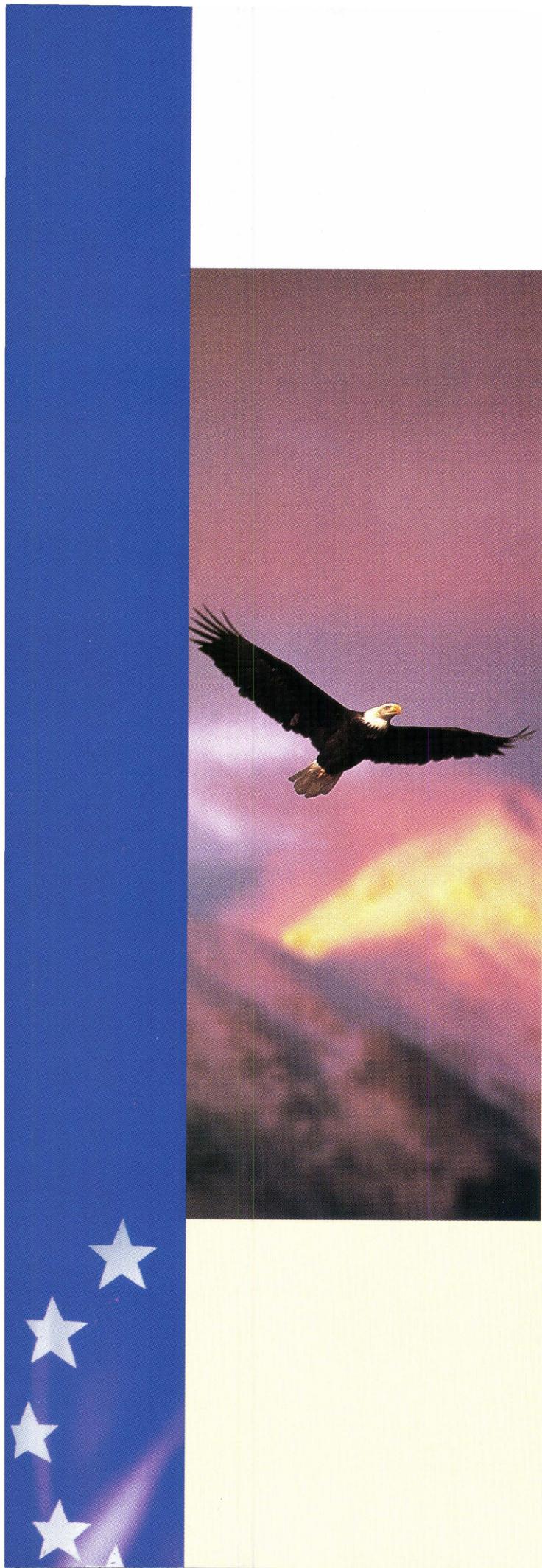
For those who have basic questions about what all the fuss is over 2000, the Royal Observatory at Greenwich (www.rog.nmm.ac.uk/mill) offers answers to a variety of such questions—both historical (such as how the Christian calendar became widely adopted) and scientific (such as how time zones are calculated).

Certainly, the place to be in Greenwich for the new millennium will be the new Millennium Dome, which opens on January 1, 2000. But if you can't be there in person, you can at least visit it via the Web (www.dome2000.co.uk). The site offers a 3D tour of



the massive millennium monument designed by uber architect Sir Richard Rogers. Of course, if you have an old computer and haven't prepared it for Y2K, it might be best to visit these sites before the clock strikes 2000.

—Peter Guin



Shaping Europe for the Millennium

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

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

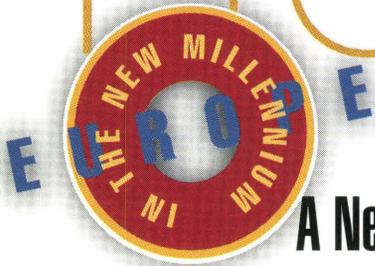
1 euro: approximately US\$ 1.06



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The European Project

By Lionel Barber



A New Century of Challenges Begins with EMU and Enlargement

Early in the next century, in 2007, the European Union will celebrate its fiftieth anniversary. In many respects, “Europe” will be able to proclaim a spectacular success: reconciliation between France and Germany, the launch of the single European market, and the launch of the euro in 1999.

History’s final verdict, however, will depend on whether the EU can make economic and monetary union (EMU) work and whether it can simultaneously manage the process of enlargement to Central and Eastern Europe. These twin issues—EMU and enlargement—will shape the Union’s destiny for the next ten years.

In the first instance, EMU will dominate. The first twelve months, after the transition to a fixed exchange rate regime for the eleven members of the euro zone, have proven remarkably trouble-free. The European Central Bank has slowly begun to establish credibility in the financial markets. A

sound economic recovery is underway.

However, many questions remain about the ability of the euro zone to operate a one-size-fits-all monetary policy in countries with different growth and inflation rates. Despite a heroic performance to qualify for EMU membership, there are lingering doubts about Italy; and no one knows how the ECB will respond to the first crisis when it inevitably comes.

Enlargement will do much more than change the EU from a rich country club to a true European Union embracing East and West. The addition of ten to fifteen new, poorer members will force deeper reforms in core policies, such as the generous regional aid budget and the much-criticized Common Agricultural Policy, both of which could trigger a backlash among the present fifteen EU members.

Enlargement will also increase pressure on the EU to develop a more coherent foreign and security policy, especially toward potentially troublesome neighbors such as Russia, Ukraine, and Belarus. The relationship with Turkey—big, poor, unstable, but still knocking on

the EU’s door—will remain as delicate as ever. Moreover, the EU’s newfound commitment to a common defense policy will change how outsiders view the Union: it will no longer be regarded as a purely civilian actor.

Finally, enlargement will make the governance of the Union even more complicated. Thorny issues include the size of the European Commission; the right of member countries to appoint at least one commissioner; the balance of power between big and small countries; and the size and precise role of the European Parliament.

The challenge over the next decade will be how to reconcile this commitment to a “wider Europe” through expansion to the East with a “deeper Europe” that has resulted from the launch of the single currency.

To a degree, the tension has existed ever since the original six member countries opened their doors to the United Kingdom, Denmark, and Ireland in 1973. This enlargement laid the basis for the two later phases to add Spain and Portugal in 1985 and the Scandinavians (plus Austria) a decade



sectors, such as the professions and the construction industry.

For the moment, Romano Prodi, the new president of the European Commission, has avoided walking into this minefield. Instead, he has made clear that he wants as wide an enlargement as possible.

He sees risks in confining it to a few privileged countries, such as Hungary and Poland, partly because this would risk drawing new dividing lines across the continent. He has also floated the idea of offering a definite timetable for joining, a long-standing demand of the Eastern Europeans. The majority of member states, however, are expected to resist this scenario.

One way to manage a jumbo enlargement is to revive Franco-German thinking in the early 1990s on the future course of integration. At that time, both countries were eager to maintain political momentum behind EMU and therefore floated the idea of a Europe of concentric circles in which an advance guard of countries would form a "Monetary Europe," while laggards such as the UK remained outside but belonged to a "Political Europe."

Over the next decade, the theory goes, the Central and Eastern Europeans would remain part of the Political Europe, which would include obligations under the foreign and security policy and the justice and home affairs area. However, they would not be obliged to meet all the obligations of the single market, including EMU.

The advantage of this approach would be those countries that are willing and able to advance the cause of the Union could move ahead without being held back by laggards. At the same time, those willing but unable would be required to commit to the goals of the advance guard and catch up later.

In practice, however, the question remains whether this would be enough to qualify for "full membership" for the Central Europeans. Anything less would be very difficult for them to accept. If the present members can offer a credible answer, the EU's fiftieth anniversary will be a cause for a real celebration rather than an occasion for a mid-life crisis. ☺

Lionel Barber is a EUROPE contributing editor and the news editor for the Financial Times in London.



In October, European Commission President Romano Prodi (right), European Parliament President Nicole Fontaine (center), and Commissioner Günter Verheugen, the EU's point person for enlargement, participated in an EP hearing on adding new members to the Union. Enlargement, along with the further development of the euro, stands as one of the critical challenges facing the EU in the coming years.

later. Expansion into the former Soviet Empire, however, presents difficulties on a far greater scale.

The orthodox approach is to insist that the newcomers conform to the political and economic obligations of membership, known as the *acquis communautaire*. But this EU inventory runs to more than 80,000 pages. It is a work in progress and represents a formidable hurdle to membership (though also a useful blueprint for the former communist countries to modernize their own national legislative codes). To insist on the full application of the *acquis* could condemn the majority of applicants to an indefinite delay outside the EU club.

The question that must be decided early next century is whether to allow

lengthy transition periods for the applicants. This approach worked for Greece, Spain, and Portugal; but it was limited to a few difficult areas, such as fishing and agriculture. In the case of the Central and Eastern Europeans, the scope for transitional arrangements is far greater.

Most countries are still struggling to get to grips with the pollution of the communist era and, therefore, would have problems applying EU environmental standards. By contrast, many of the present EU members have grave doubts about allowing the free circulation of farm products and cheap labor from the East. Countries such as Austria and Germany worry about dislocation in their own politically powerful farming communities as well as vocal

21st Century Views

As the twenty-first century begins, the European continent enjoys unprecedented unity and security. However, observers are already sizing up the new century's first hurdles. We asked a group of journalists from some important cities throughout Europe, the US, and Japan to summarize the view of the new challenges.

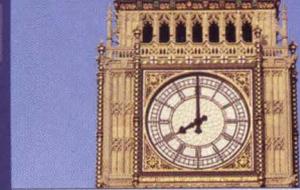
PARIS



BERLIN



LONDON



COPENHAGEN



BUDAPEST



WASHINGTON



TOKYO



PARIS

Whither the French model?



The French are a proud people and with reason: they boast men of letters from Molière to Camus, philosophers from Descartes to Sartre, artists from Poussin to Matisse, soldier-heroes from Napoleon to De Gaulle. Most of all, they are proud that the French Revolution has given the world the democratic ideal of “liberty, equality, fraternity.” In other words, no other country, at least since the fall of the Roman Empire, has had such a civilizing influence on the world.

So why do they gaze at the future with a certain sense of unease? Why do opinion polls show such supposedly Germanic angst? The simple answer is that, for all the nation’s economic achievements in the second half of the twentieth century (France is the world’s fourth-biggest economy, second-biggest exporter of services, first destination for foreign tourists), many of its citizens, from the elite graduates of the *grandes écoles* to ordinary workers, suspect “the French model” is becoming outmoded.

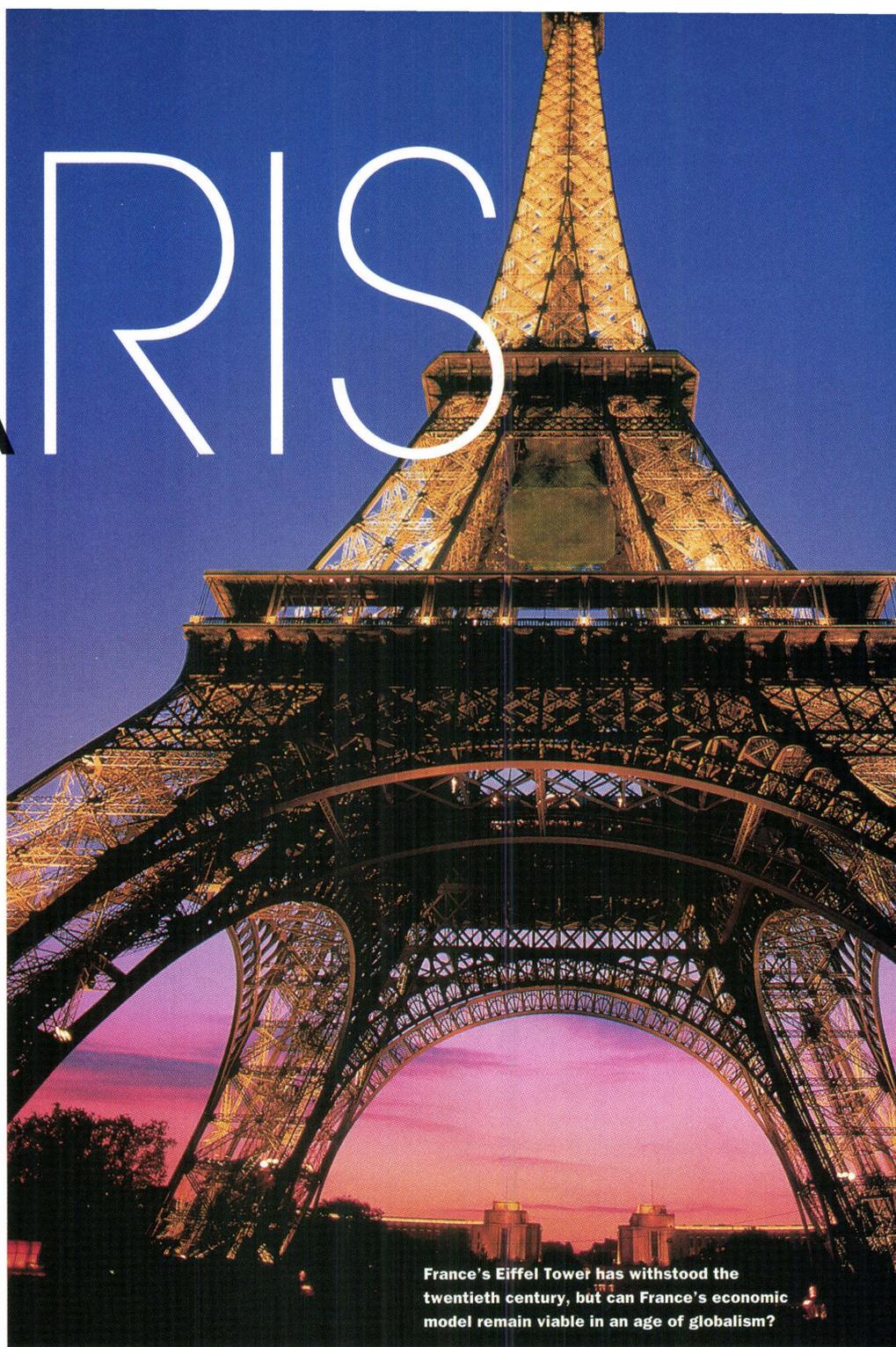
More to the point, they fear it is losing ground to “the Anglo-Saxon model” of the United Kingdom and the United States that they have traditionally scorned. When President Jacques

Chirac recently welcomed to the Elysée Palace the international council of the New York-based Museum of Television and Radio, he apologized “for not speaking English well enough” for his audience to dispense with headphones and then defended the right of any country to subsidize its film and television industry whatever the general rules governing world trade. “You know,” he said, “France is fighting for a ‘cultural exception’ not for its own use so much as for cultural diversity throughout the world...We refuse to consider cultural products, whatever

they may be, as simple merchandise, subject to the law of the market.”

Virtually every politician in France will agree with the president. After all, in the past fifteen years, while the sales across the Atlantic of French television programs have been almost invisible, the number of hours of *Dallas* and other American soap operas shown on French television screens has multiplied by a factor of 150—despite rules designed to protect French productions.

But look more closely at the president’s speech. What is surprising is not



France's Eiffel Tower has withstood the twentieth century, but can France's economic model remain viable in an age of globalization?

the defense of France's cultural heritage, a process that has long included both subsidies to the film industry and ritual pronouncements on the purity of the French language from the Académie française, but Chirac's apology for not speaking good enough English. In the days of De Gaulle such regrets would have been inconceivable. Indeed, not until the era of Valéry Giscard d'Estaing, in the 1970s, did a French president dare utter a public word in English. Now, a certain fluency in English is almost a prerequisite of France's business and political elite. Moreover, the Anglo-Saxon habits of business—hostile takeovers, stock options for executives, considerations of shareholder value, and so on—have become commonplace in the French business scene.

The challenge, therefore, for the next century is for France to adapt to these Anglo-Saxon ways without eroding the sense of their own identity. In theory, at least, it should be easy. Great cultures do not lose their power simply because the world around them changes—otherwise the cultures of China, say, or Russia would long ago have disappeared.

But in practice will it be as difficult as many French fear? Recently the newspaper *La Tribune* rightly wrote, "The French don't know whether they should look forward to, or dread, the twenty-first century." Their doubts are reasonable enough. The French model is one in which the state has a large role and

in which consumers matter as much as producers. How can this model of high government spending and high taxation survive, ask the skeptics, when there is the constant pressure of globalization and the increasing influence of the unregulated Internet? This combination, they claim, drives down prices and weakens the social protection the French hold so dear. After all, hourly labor costs are more than 50 percent higher than in the UK, and spending on social services is more than 10 percent higher.

Yet, with luck, the doubts may prove exaggerated. As *La Tribune* pointed out, the French model may need to be modernized—but a lot of the work has already been done. The nationalizations of the 1980s, the early Mitterrand years, have long since been reversed. The controversial imposition of a thirty-five-hour week from January 1, 2000 is forcing manufacturers to invest in high technology, just as the creation of the euro is increasing cross-border competition. Since the French, perhaps more than any other nation, admire logic (it remains a subject on every schoolchild's syllabus), they will see the need to adapt to surrounding circumstances and will be clever enough, as in the French-inspired creation and management of the European Union, to make sure the adaptation is on their terms. ☺

John Andrews is the Paris bureau chief of the Economist.

BERLIN

How the old century will affect the new.



Yes, the "Berlin Republic" of the next century will be more assertive—toward France and, if the US

Congress continues to shed international commitments, toward America.

The expression of this assertion, however, will emphasize a more pan-European approach in German policymaking. The last thing Berlin wants is to risk repeating the tragedies of the past century and a quarter by once again seeking some go-it-alone *sonderweg* or "special way."

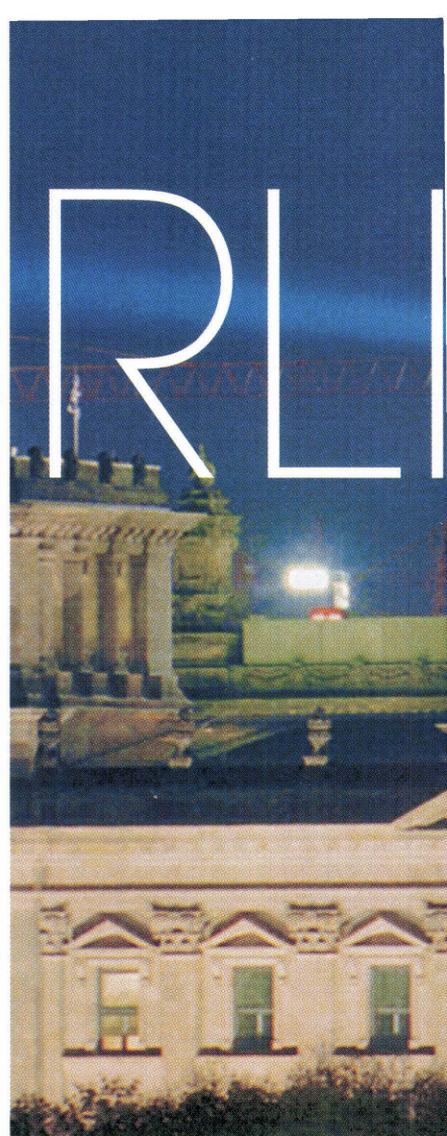
The reason for today's shift to more assertion (and responsibility) has nothing to do with megalomaniac ghosts of the past, which, pundits speculate, might be conjured up by the government's move from bucolic Bonn to power-city Berlin. Nor does the arrival in leadership of a new generation born after Hitler and World War II offer the full explanation for increasing German visibility in foreign policy.

Perhaps the most accurate analysis would say simply that the Federal Republic is growing up. It has atoned for the crimes

of Nazi Germany, most persuasively in creating a robust democracy that eschews extremism. It has now, as unified Germany, exercised full sovereignty for a decade. It is ceasing to be a political dwarf and is becoming instead the regional mover and shaker that the world's third-largest economy warrants.

Berlin acknowledges, of course, that its history places a special responsibility on Germany to promote integration and prevent atrocities in Europe. For the first time in decades, however, it is no longer in thrall to Paris for moral legitimacy in its foreign policy. Nor, now that Moscow no longer threatens it, is Berlin in the same cold war thrall to the security provided by the US superpower.

That said, Germany still sees its interests as best promoted by joint French-German initiatives for intensifying the political inte-



The futuristic glass-dome covering a renovated Reichstag is intended to symbolize Germany's commitment to transparent government.



gration of the European Union. Furthermore, current cooperation with the US is so close that some domestic critics of Foreign Minister Joschka Fischer charge him with being far too cozy with Secretary of State Madeleine Albright.

In this sense, full German participation in NATO's military action in Kosovo, and indeed current German command of NATO forces there, is less a sign of German assertion than it is a repayment of historical debts. When Fischer convinced his skeptical Green Party to support the NATO operation, he did so by stating that when his two basic principles came into conflict—no more war and no more genocide—then the latter had to take precedence.

In invoking the horror of genocide, Fischer was alluding less to the overt death camps of 1943 and 1944 than to the infamous Night of Broken Glass in 1938, when Nazi thugs destroyed the synagogues, and "good Germans" shut their windows, looked the other way, and failed to prevent worse. Today's Germans, he argued, must never again ignore even the early stages of atrocities in Europe.

Whatever the logic of Berlin's growing activism, Paris will certainly have pangs as the French-German balance shifts. France rejoiced in the forty-five-year division of Germany, and it has had to readjust as the end of the cold war reunified Germany, rendered irrelevant France's nuclear weapons, and increased the value of the strong deutsche mark. Paris can no longer expect, as it did from the 1960s through the 1980s, that it will be the political "rider" atop Germany's economic "horse." Berlin is already the co-steerer of the European project, and the French will have to adjust to the new bilateral equality.

The fact that Paris has not yet done so—and that Berlin will still sometimes yield to French pressure—was illustrated in the EU's writing of its mid-term budget last March under the German EU presidency. In part because of tactical errors by Chancellor Gerhard Schröder—but also because Berlin gave priority to solving the crises of Kosovo and the mass resignation of the European Commission under charges of financial irregularities—Berlin sur-

rendered to French national interests. In the end, Chancellor Schröder agreed that the EU farm subsidies that especially benefit France would continue largely unchanged—while France's modest dues would not increase and Germany's bankrolling of 60 percent of net EU money transfers would persist for the next six years.

This subordination of narrow German interests to broader European needs represents, of course, a commitment by the German political elite rather than the electorate. It is significant, however, that the German public as a whole is taking in stride the elite's forfeiture of the deutsche mark to a supranational currency that it once strongly opposed—and apparently does not even mind the drop in the value of the euro that it once feared.

When it comes to the US, Berlin will increasingly whittle away the unilateral intelligence prerogatives Washington exercised in Germany during the cold war. The wrestling will remain discreet, but Berlin will insist that Washington pay the courtesy of telling it what the CIA is doing on sovereign German soil—and also that US intelligence agencies not spy on German industry. Here the recent German expulsion of some CIA operatives is a signal.

By far the more important transatlantic issue for Berlin, though, will be US-EU relations. As the European Security and Defense Identity and Common Foreign and Security Policy come alive under European Commission President Romano Prodi and the EU's first foreign policy spokesman, Javier Solana, Washington will have qualms about European rivalry. It will fall to the Germans to persuade the Americans that they are not seeking (as the French are) an end to American hegemony but rather the capability to share America's security burdens in Europe—and thus to keep the US engaged here.

The more Congress abdicates American leadership by such moves as rejecting the nuclear test-ban treaty, however, the stronger the German impulse will be to strengthen Europe's ability to act autonomously. ☉

Elizabeth Pond is the author of The Rebirth of Europe.

LOND

ON

New century begins with tough decisions.

Over the next five years, the British government faces choices in its relationship with Europe no less fateful than in the mid-1950s, when the United Kingdom declined to join the six founding members of the European Economic Community.

Now, as then, the question is whether the British are content to play the role of passive bystander or whether they are willing to become an active partner in shaping a new political and economic order on the European continent.

The most pressing issue is economic and monetary union. Notwithstanding its huge parliamentary majority, the Labor government is playing a waiting game on EMU, preferring to defer a decision until after the next general election when Prime Minister Tony Blair has pledged to hold a referendum.

Since the general election must be held by May 2002 at the latest, most expect a referendum to be held either in the autumn of that year or spring 2003. The outcome marks a supreme test for the next government, and it could also define the UK's relations with Europe for the next generation.

A vote against EMU would strike a crippling blow to Blair. It would virtually guarantee the Labor government losing power in the following election. It would also consign the UK to the continental periphery to the point where some EMU supporters believe that even EU withdrawal could become a possibility.

The European debate in the United Kingdom is more polarized today than at any time since Margaret Thatcher. She railed against the integrationist approach pursued by Jacques Delors in the mid-1980s and received widespread publicity for her recent comment that most of the

bad things in the UK stemmed from Europe.

The civil war inside the opposition Conservative Party is mostly to blame for the tenor of the debate. The Tories are split between die-hard "europhobes" who have never forgiven "europhiles" such as Kenneth Clarke, the former UK chancellor of the exchequer, and Michael Heseltine, former deputy prime minister, for ousting Thatcher in 1990. Leaning toward the ever more vociferous "europhobes" is an unsteady leadership centered around the youthful William Hague.

Hague, however, believes his opposition to EMU is a vote-winner. He cites the Tory advances made in the recent European parliamentary elections (on an admittedly low turnout). But he also argues that the UK should press for a far more flexible approach to integration in the EU.

At the October Tory party conference, several keynote speakers called for a new treaty mechanism that would allow countries to pick and choose areas in which to cooperate rather than being herded into the same pen. John Maples, shadow foreign secretary, said such flexibility was necessary as the process of absorbing new members from Central and Eastern Europe gathers pace.

The Labor government has so far steered clear of this seductive a la carte approach to Europe. Ever since Labor swept into office in May 1997, the government has pursued a twin-track approach: taking a practical, rather than an ideological, approach to Europe at home, while reassuring partners abroad that the UK is committed to an active role in Brussels without moving prematurely on EMU. These are tactics that Tony Blair will pursue, assuming he stays in power in the next five years.



Many in the UK are wondering who will emerge as the "next Churchill" to guide the country through its coming difficult decisions.

As one top adviser to the prime minister said, "We think Hague's anti-European stance is a gift because it buys us time to prepare opinion ahead of the euro referendum."

In the negotiations on the Amsterdam treaty, Blair took a much more pragmatic attitude than his conservative predecessors. On issues such as more majority voting, he was open-minded, refusing to see them as wholesale assault on national sovereignty. He says he will take the same open-minded position in the upcoming revisions of the treaty in 2000–2001.

Prime Minister Blair has also pushed the case for greater defense cooperation in Europe, which was built initially around the UK and France. To a degree, this position has helped him to rebalance the dominant Franco-German axis; but it has also put him at the forefront of the debate about how Europe can effectively share the burden of providing security in Europe alongside the US.

Third, Blair has begun to mobilize the pro-European lobby in the United Kingdom in the run-up to the euro ref-

erendum. The very name of the "Britain in Europe" campaign gives the game away: Blair believes there is little to choose between being a fully committed member of the EU and a member of the euro zone. In effect, the two are inseparable.

Blair has a good chance of winning a referendum on EMU, providing he can muster the support of business, especially foreign investors such as the Japanese. Their prime concern is that a British decision to indefinitely postpone a decision on EMU could jeopardize access to the European single market.

But a significant portion of public opinion remains virulently opposed to EMU and unconvinced about the merits of EU membership. The polls suggest the proportion could be as high as 30 percent—enough to ensure that Europe will remain the single most divisive issue in British politics early in the next century. ☹

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

SCANDINAVIA

Nordic values a source of strength in the new economy

The first obstacle to any attempt at predicting the Nordic contribution to Europe in the twenty-first century is a formidable one. There is no such political animal as a Nordic identity, and all ambitious projects to forge common policies for the Nordic group—Denmark, Finland, Norway, and Sweden—have come to grief.

Though the combined voting power of the current Nordic countries in the EU outweighs that of Germany, there is no concerted action similar to that of the three Benelux countries. Finland is the only Nordic nation to participate fully in the process of EU integration. Norway is not even a member, though likely to join if and when the oil wells run dry in a few decades.

English is replacing the Scandinavian languages in nearly all Nordic interfaces, especially those involving the young. Yet, the seemingly inevitable

conclusion, that it is fruitless to look for a Nordic contribution to anything, is dead wrong. If knowledge, values and ideas will play a much more important part in shaping the future in the twenty-first century than in the redundant twentieth century, then the Nordic contribution will make a difference. A credible assumption, given the fact that the new economy depends on the knowledge and ideas of people, who are driven by values.

A distinct Nordic identity does not emerge from this perspective. But it is certainly possible to identify a set of common Nordic attributes and a set of shared values that will have an impact on the European Union in the new century. The common attributes include a high level of participation in the work force, especially for women, and a comparatively high standard of education, especially at the primary level. Both of



these are major assets in societies facing the economic challenge of a shortage of young people as their populations are growing older each year.

Female participation rates in the work force varied from 61.2 percent in Finland to 73.5 percent in Norway in 1998, compared to the average of only 51.3 percent in the European Union. In young families, the rate is closer to 90 percent in all the Nordic countries. High tax rates are a powerful motivator, as two incomes are normally needed to own a home and maintain an acceptable standard of living. But money is only part of the story and less exportable to the European Union than the values that drive women into the work force.

Working women enjoy much higher status than non-working women in the Nordic countries. Their right to combine careers and children is a value not only accepted but actively promoted by society as a whole and also by employers. At the top echelons of management, women in the Nordic countries are still in a minority, but major firms are now preparing to change management positions dramatically to attract women.

Nordic firms are likely to propagate this change within the greater European Union, as they participate in the mergers and acquisitions that will restructure European business in the first decade of the twenty-first century.

Another essential value driver is the high priority given by the Nordic countries to the environment. Sweden is shutting down its nuclear reactors and forcing the business and farming sectors to accept severe environmental regulation. In Denmark, a whole new wind energy sector has capitalized on this trend, making the Danes major exporters not just to Europe but also to the

United States. Government support is critical as both the business and energy economics are doubtful, but hopefully they will improve. The Nordic countries will then have a head start in a market based environmental industry.

Providing welfare to those in need, whether they can afford to pay or not, is the classic value definition of the Nordic welfare states. In October, *Fortune* published a commentary by US economist Paul Krugman marveling at the ability of the Swedish model to produce welfare and economic growth. It is true that economic growth has been impressive in the Nordic countries in the 1990s. But Krugman's column is aptly titled "No Free Lunch," and Nordic-style welfare is an extremely expensive meal. Although a majority of Nordic voters today are prepared to accept the world's highest tax rates to sustain the current standard of welfare, politicians dare not further increase taxes.

As current demographic trends guarantee a sharp increase in welfare as the population ages, there is no alternative to reform. The need to harmonize indirect taxes and, in the long run, even direct taxes to remain competitive exacerbates this need for reform. Not surprisingly in a Europe that is integrating, the Nordic contribution is not a one-way street. Some of the Nordic countries have already started lowering taxes, and the rest will follow. If the Nordic countries can develop less expensive and more efficient Nordic models, they may yet save their own welfare states and give a major boost to the new economy in Europe in the twenty-first century. ☺

Leif Beck Fallesen is EUROPE's Copenhagen correspondent and the publisher of the Børsen newspaper.

CENT

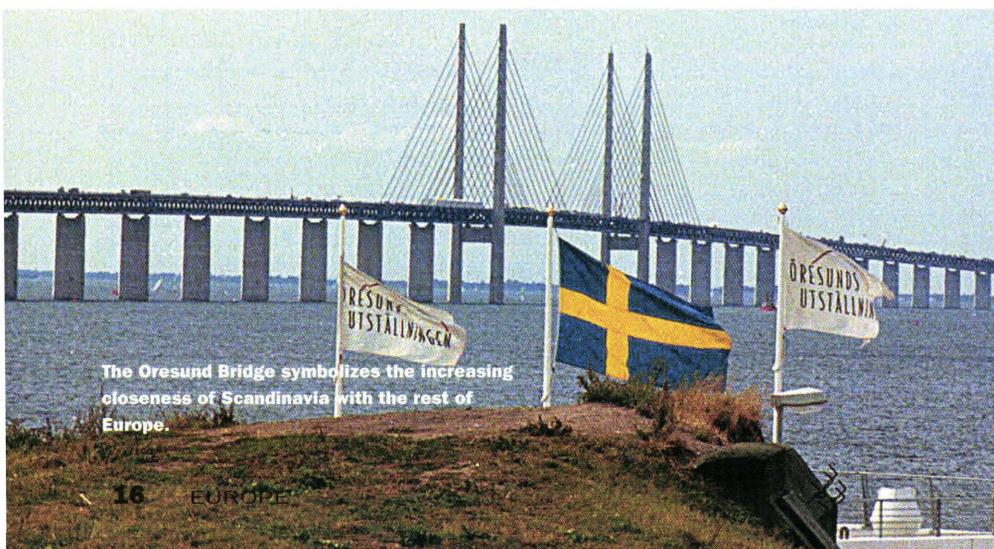
Budapest, Prague, and Warsaw hope to join the EU in the new century



In the year 2003—under the best case scenario—Central European dreams of rejoining the West could be a near reality. European Union accession agreements most likely will have been signed in 2002. Poland and Hungary hope to join in 2004. Germany's and Austria's eastern borders will be nearly formality free. Middle-class Poles will travel as easily to Berlin as they do now to Krakow. Fast trains will have put Vienna within two hours of Budapest and four and a half of Prague. An unbroken ribbon of freeway will connect Munich to Prague, while a similar highway is being completed from Prague north to Dresden and Berlin.

Adam Michnik, the Solidarity activist who is editor of Warsaw's leading daily, concedes that Polish dreams are coming true. Poland, he observes, has no conflicts with its neighbors and no national minority problems. In just ten years, he says, "Poland traveled the road from dictatorship to parliamentary democracy, from monopoly to pluralism, from shortages to a market, from the Warsaw Pact to NATO." He might have added that, under both leftist and rightist governments, Poland pursued reform policies that from 1996 to 1999 yielded annual growth rates of 5.5 percent, more than double the EU fifteen average.

But despite Poland's success, it will be decades before the huge income gap that separates the EU from even the fastest Eastern reformers is closed. Ten years into the transition, Easterners may be free to travel to the West, but the cost is often prohibitive. Austria's Employment Chamber puts the wage gap between the average Austrian and his Czech counterpart at nearly seven to one, a figure little changed from 1990. And the Czechs are richer than



The Oresund Bridge symbolizes the increasing closeness of Scandinavia with the rest of Europe.



CENTRAL EUROPE

Leaders in the Central European capitals of Hungary, Czech Republic, and Poland will begin negotiations for EU membership in 2000. (Above: Hungary's Parliament in Budapest)

the Poles or Hungarians. Eurostat puts average per capita income in the Czech Republic at 63 percent of the EU average. Comparable figures for Hungary and Poland are 47 percent and 40 percent.

Given current trends, Hungary's center-right government is likely to be returned to power in elections scheduled for 2002. Prime Minister Viktor Orban has staked his future on quick Hungarian integration into Europe. The thirty-six-year-old Orban says Hungary will be ready to join the EU in 2002 and that if this date is not met it will not be because of any deficiency in Hungarian preparation. Indeed, ING Barings Bank is so bullish on Hungary that it argues that the country will be prepared to adopt the euro currency by 2006. Budapest's mayor, Gabor Demszky, believes Hungary already has the best functioning market economy in Eastern Europe. Hungary, he says, has become a regular Western state where "a generation is growing up that speaks foreign languages, travels, and studies abroad, browses the Internet, buys shares, and wants a challenging and lucrative job."

Hungary's economy, the leader in at-

tracting Western investment (\$19 billion by 1999), has made more improvement recently than at any time since 1989. Growth is expected to have reached 4 percent this year, rising to 5 percent in 2000.

Of all the Central European capitals, frustration runs deepest in Prague. Central Europe's early winner in reform under former center-right prime minister Vaclav Klaus, the Czech Republic has been floundering since 1997. Klaus was forced from office at the end of that year, and a weak Social Democratic government emerged from elections in the summer of 1998. Its performance has been disappointing even to its staunchest supporters. Public disgust is reflected in rising support for the unreconstructed communists, who by some surveys are now the most popular party in the country. Public enthusiasm for joining Europe, never overwhelming, has sunk to only 55 percent.

The European Union in its October 1999 progress report on its prospective Eastern members gave the Czech Republic its lowest marks. Of six Eastern hopefuls, only the Czech Republic was singled out as needing to make serious progress in reforming its economy and

establishing an EU compatible legal and administrative structure. Prime Minister Milos Zeman responded lamely, observing that catastrophic scenarios predicting that the Czech Republic would fall from the first group of applicants didn't materialize. President Vaclav Havel blames Klaus for the malaise saying he halted the reform process at the halfway point, leaving banks and many industrial enterprises in the public sector.

There is a second, less-optimistic scenario for Central Europe. It extends from the October electoral success of the ultra-rightists in Austria. Georg Haider's Freedom Party, which received 28 percent of the vote, is not only anti-immigration but also anti-EU expansion. Some analysts say the rise of the right in Austria may prompt the government in Vienna to step away from Austria's embrace of EU expansion. Should that happen, Austria may try to block early expansion or limit it to merely Hungary. The Austrian questions and uncertainties farther east in the ruins of the former Soviet Union make predictions about 2003 a perilous exercise. ☐

Barry D. Wood is EUROPE's Central Europe correspondent.

WASHINGTON

US sees a Europe "whole and free" in the 21st century

When Americans look at where Europe is likely to be heading in the new century, they ought to be pleased with what they see. Finally, it seems the European Union is doing many of the things that Washington has long wanted.

The Europeans say they are getting serious about building a common foreign and security policy, which includes a new effort to construct a European defense pillar in the Atlantic Alliance, as US presidents since John F. Kennedy in the 1960s have consistently advocated.

The EU is completing its single market with a single currency, guaranteeing easier access to a pan-European market for US businesses and financial institutions. Furthermore, it is taking steps to create the "Europe whole and free" that President George Bush called for after the fall of the Berlin Wall by admitting most of the former communist nations of Central and Eastern Europe.

Rather than construct the Fortress Europe that many Americans feared at the beginning of the 1990s, the Europeans have become increasingly vigorous champions of international free trade. They have taken the lead in calling for a new round of multilateral trade negotiations—a role traditionally played by the United States in the half century since World War II.

In the burden-sharing department, the EU is making big financial contributions to policies important to Washington, such as the Middle East peace process and the rehabilitation of Central and Eastern Europe.

While Washington and Brussels are engaged in a number of serious trade disputes, the EU is not generally seen

in Washington as a predatory trader in the same way that some Americans regard China and Japan, with their huge trade surpluses.

All that should please those Americans who follow European affairs. Of course, life is not that simple. The underlying ambivalence that has long characterized Washington's attitudes toward Europe, and especially to European integration, has been much in evidence in recent months. It is likely to become even more evident in the years ahead as Europe grows stronger and more united.

US officials often dispute this. They insist that Washington has always strongly supported European economic and political integration and will continue to do so in the new century. That is certainly true, but it is not the whole truth.

American support for European integration has usually been based on the tacit assumption that it will create a Europe that continues to look to Washington for leadership and does not pursue policies that might conflict with US interests.

It was easy to maintain that support when moves to European integration were still largely limited to economics and the creation of a single market that would benefit US business. American leaders could comfortably pigeonhole the EU as a regional economic power, while the United States was the West's, and now the world's, geopolitical leader.

Of course there would be trade disputes, but so long as the Europeans had not achieved common policies in areas like foreign policy and defense, the question of whether such policies would be in America's interest did not arise. That question, however, will now increasingly have to be faced.



The Washington Monument is currently encased in scaffolding as it undergoes refurbishment.

ON

Already, Americans have had to reassess their attitudes to Europe, following the birth of the euro last January, which many in Washington had dismissed as unlikely to happen.

The initial plunge of the euro against the dollar reassured some of those Americans who had feared it might prove an unwelcome rival to the dollar—there was some “quiet glee” in Washington at the euro’s fall, according to one European official. But that satisfaction will probably be short-lived as the euro strengthens against the dollar, as it is likely to do in the years ahead.

As that happens, it will become increasingly clear to Americans that Europe, already the world’s biggest trading bloc, is becoming a major international financial power as well. If and when the common foreign and defense policy takes shape, Europe will increasingly also emerge as a power in the diplomatic and political sense.

That prospect is already causing tensions. American officials have made clear that they do not want a stronger European defense capability to be constructed outside the US-dominated command structure of the North Atlantic Treaty Organization.

But many Americans are also skeptical that the Europeans will be able to build the stronger, more consolidated defense forces that European leaders are promising in the aftermath of the war in Kosovo, in which American forces played an overwhelmingly preponderant role.

The skeptics may be right. The International Institute for Strategic Studies in London warned in October that the Europeans were unlikely to spend the money necessary to fulfill their pledge to create “a capacity for autonomous action backed by credible military forces,” a commitment made at the EU’s June summit meeting in Cologne.

Nevertheless, it is probable that Americans will continue to underestimate the EU’s chances of achieving a common foreign and security policy, in much the same way that they pooh-poohed Europe’s claims that the euro would be introduced on time. They may then be unpleasantly surprised when they discover that the process is going

further than they expected.

A number of things are relatively certain. One is that the ambivalence of American attitudes will increase as the Europeans move further toward common policies, which will inevitably not be the same as those of the United States, for example on the Middle East.

If the past is any guide, Americans will increasingly seek a voice in formulating the new common European policies. When those requests are not granted, or at least not granted in full, the views of the minority who argue that European integration is essentially anti-American will gain weight. That means that Europeans will have to be perhaps more sensitive than in the past to American concerns as they try to steer a path between asserting greater European unity and independence and maintaining a strong and cooperative relationship with the United States.

The fact remains that whatever misgivings they may have about particular aspects of the relationship, few Americans doubt that a strong transatlantic partnership is in the long-term interest of the United States. ☹

Reginald Dale writes a column from Washington, DC for the International Herald Tribune.

TOKYO

Japanese want closer ties to Europe

Japan is going through one of those periods of upheaval that have punctuated its history. As we enter the new century, it is even more difficult than usual to understand the Japanese view of Europe. But if I have to sum up, I would say that Japan looks on the new Europe with a mixture of anxiety and hope.

Anxiety because just at a time when Japan has been going through difficulties and its postwar development has run out of steam, the European Union

has been forging ahead with the launch of a single currency, enlargement to Eastern Europe, and new “constitutional” arrangements. The thought must have crossed more than one Japanese mind that the new and more powerful European Union would be some sort of threat to the established order.

Hope, because the experience of Europe carries several messages that find an echo on the other side of the world:

how it is possible for countries to overcome traditional enmities and work closely together; how it is possible for a modern economy to shed an old skin and revitalize itself; and how it is possible for a multipolar world to emerge and work through multilateral agreements? I refuse to call these “lessons” because that sort of terminology has long been out of place. Much of the anxiety has now been dispelled, but the interest and hope of the Japanese people in the European Union still seem to be very strong.

The more reflective observers have always suggested that, whatever the economic impact of the euro, the more pervasive long-term effect might be psychological. The euro makes the European Union visible for the first time, both to its own citizens and to its partners around the world. That has certainly been the case in Japan, where policymakers warmly welcomed the advent of the euro. At the start of 1999, the then-foreign minister called it “a



historical step in the European integration process.” When Prime Minister Keizo Obuchi visited Europe a few days later, he expressed a strong commitment to strengthening EU-Japan relations and a desire to establish “tripartite cooperation” between Japan, the European Union, and the United States.

Over the last eighteen months or so, Japan has been particularly preoccupied with its internal economic difficulties. Nevertheless, the emergence of the euro as a normal international currency (with both upward and downward fluctuations) has been followed with intense interest. Japanese industry is well placed to benefit from this completion (and future enlargement) of the single market, and Japanese financial investments will have a broader range of possibilities to choose from. Indeed, the advent of the euro may well proceed a more transparent and more stable international financial architecture, which would be particularly helpful for the yen. However, the emergence of such a major new actor inevitably challenges ingrained assumptions and habits, and it does not appear the Japanese general public fully understands that Europe is now the largest single integrated economy in the world.

Many Japanese will cheerfully acknowledge that, while they admire the process of European integration, they do not altogether understand it. Their sense of nationality is so strong that the notion of overlapping identities does not come easily. Certainly, the process of postwar reconciliation that we have seen in Europe may be difficult to translate to the rather different circumstances in East Asia. However, a start has been made with South Korea, and there is even some talk now of creating a free trade area between the two countries.

Nevertheless, the Japanese view of Europe is changing. It is no longer simply a destination for honeymoon trips and a source of luxury goods. Europe’s success in dealing with its “economic sclerosis” in the late 1970s and early 1980s is some encouragement as Japan endures its own economic travails. In fact, the European Commission has a “regulatory reform dialogue” with the Japanese authorities, and—while we think it would be in the interest of Japan itself to do a lot more a lot quicker—the changes underway in the



A Japanese bullet train glides above Tokyo traffic.

Japanese economy should not be underestimated. It remains an immensely wealthy country, not least in people, and there is no doubt it will bounce back, although it will have to pay a heavy price for the excesses of the recent years.

Japan also sees parallels with the Europe of today and, indeed, with the Europe to come. Confronted by the challenges of globalization, Japan often takes a position not dissimilar from the European one. Be it the “third way” on social questions, be it “multifunctionality” of agriculture, be it the “labeling” of genetically-modified organisms, these all reflect a complex view of society. Moreover, the parallel is often drawn between Japan and Europe, both having ancient and sophisticated cultures and both facing similar problems in the future, not least the demographic shift to an older population.

Of course, the links that bind Japan to the United States, not least the defense guarantee, are extremely strong, just as they are between Europe and the United States. But Europe is looming larger, especially in the consciousness of policymakers, and coming into sharper focus.

This increased profile finds practical expression in two ways. First, Japan shares with the EU a fundamental orientation in favor of multilateral arrangements overseeing the world economy, notably trade. The EU has grown rather used to such arrangements be-

cause it uses them so much. Japan is very attached to having a rule-based system, especially for international trade. This convergence of views has meant that the EU and Japan have worked together closely on WTO issues.

Second, a distinct “deepening” and “widening” is underway in the EU’s bilateral relations with Japan. These trends were dominated in the early days by bilateral trade conflicts. Not only have these conflicts largely faded away, but the two sides are working together much more closely on a whole range of issues, from the environment to foreign policy. Japan and the EU are developing political cooperation in areas as far apart as Cambodia and Kosovo.

I hesitate to predict how EU-Japan relations will develop in the new century. Japan’s perspective will inevitably depend on what happens in Europe, itself. So much has happened over the last fifteen years or so, and the pace of change seems almost to be accelerating. However, one thing does seem clear: Japan is following developments in Europe closely at the end of this century, just as it did at the end of the last. Undoubtedly, it is in Europe’s interest to reciprocate with what is after all the massive economy and stable democracy at the heart of the Asian system. ☺

Ove Juul Jørgensen is the head of the European Commission Delegation to Japan.

The transatlantic merger of Daimler and Chrysler is one example of how European business will meet the challenges of globalization in the coming years.

By Bruce Barnard

21st Century

Euro Business

The outlines of a single pan-European economy to rival, and eventually overtake, the United States are clearly visible as a century, scarred by national divisions, draws to a close. On paper, Europe is already within an ace of catching the US. It has a single market of 345 million consumers and, for the past year, a new currency, the euro, to challenge the greenback. The eleven nations in the euro zone have a combined gross domestic product of \$6.2 trillion compared with the US's \$8.1 trillion, and their 19 percent of world exports edges out the US with 14 percent.

Europe's success, however, isn't guaranteed. The euro has still to be tested by a foreign exchange crisis, and it won't be a real "bills and coins" currency for another two years. Meanwhile, the single market, which celebrates its seventh birthday on January 1, still has large gaps and is a long way from its goal of making it as easy to do business between Munich and Madrid as it is between Dallas and Detroit.

Nevertheless, the face of European

business has changed dramatically during the final decade of the century as privatization and deregulation, which were pioneered in the United Kingdom in the 1980s, swept across the continent, removing government from industries like steel, electricity, and air transport, which had been state-dominated for the past fifty years. This change was accompanied by the birth of a new investment culture as middle-class investors switched from government bonds into new products like mutual funds and stocks and as alien Anglo-American concepts like share options and shareholder value became common parlance in European boardrooms.

Europe is also shedding nationalist barriers that have kept its companies penned in domestic markets unable to reap the economies of scale available to their American and Japanese competitors. Rolls Royce, Bentley, and Rover, the United Kingdom's most famous car marques, are owned by Volkswagen and BMW of Germany. Volvo sold its car division to Ford Motor Company to concentrate on becoming the world's largest truck manufacturer.

Hostile takeover bids, taboo in most of Continental Europe until the late 1990s, are becoming a normal business activity following a series of audacious deals last year, including Olivetti's takeover of the much larger Telecom Italia from under the nose of white knight Deutsche Telekom and the abortive \$40 billion failed double-barreled bid by Banque Nationale de Paris for fellow French banks Paribas and Société Générale.

In short, Europe is becoming more like the United States, which ended the century as the economic role model for the twenty-first century. And in some key sectors it is equaling the US after a series of spectacular takeovers, including Daimler's merger with Chrysler, Vodafone's \$62 billion acquisition of AirTouch, and British Petroleum's twin purchases of Amoco and Arco.

The US, however, pulled further ahead in the 1990s thanks to the Internet-based revolution, which exposed Europe's weaknesses in the dawning information age: an aversion to risk, high taxes, red tape, and inflexible labor markets.

The US's overwhelming dominance in the new high tech-sectors, the global success of brands such as McDonalds, Coca-Cola, and Disney, and the resurgence of traditional sectors, like autos, has put it in the driving seat once again, its lead exaggerated by the financial crisis that sapped Asia's confidence.

But European business is determined the twenty-first isn't going to be an American century. Some old companies are still in business and thriving; others have reinvented themselves. Europe is finally spawning successful startups and an ever-increasing band of world-class multinationals. Furthermore, Europe also leads the US in a few high-tech sectors.

KLM may be the world's oldest airline, but as it celebrated its eightieth birthday in 1999, it continued to head the pack continuing the innovations that has enabled it to survive in a cut-throat business from a home market of fewer than 15 million people. The carrier, which clinched the first transatlantic alliance—with Northwest—broke new ground in November by launching a fifty-fifty, cross-border joint venture with Alitalia, the Italian carrier, paving the way for the world's first cross-border merger in the airline business.

Michelin of France may be a 110-year-old family company run by the great grandson of its founder, but it is also the world's second-largest tire maker after Goodyear-Sumitomo. Fiat, the Italian auto maker, celebrated its seventy-fifth birthday in 1999 with a record \$8.8 billion takeover of Case, a US tractor manufacturer.

Several companies have completely reinvented themselves in the 1990s. Mannesman, founded 113 years ago by two brothers who invented a new method of making stainless steel tubes, obtained its first mobile telephone license at the beginning of the 1990s and ended the decade as Europe's biggest operator with 20 million customers after a \$33 billion takeover of Orange of the UK in October. Philips, inventor of the audio and video cassettes, has survived a savage restructuring to move into new sectors like liquid crystal display and Internet-based technologies.

Some European companies have defied all the odds, confounding analysts who predicted their demise because they were too small to survive in a global market. Renault, France's state-

owned car maker, whose obituary was penned in the late 1980s, has bounced back in dramatic fashion in 1999, buying a 36.8 percent stake in Nissan, its Japanese rival, for \$6 billion, investing a further \$5 billion, and masterminding a savage \$9.5 billion restructuring involving plant closures and 21,000 layoffs—all within a year.

Firms that rarely ventured beyond their domestic markets have become world leaders in cutting edge businesses in the space of twenty years. Bertelsmann began life in 1835 as a family company in the small Northwest German town of Gutersloh publishing Bibles, hymnals, and Lutheran tracts. Still family-owned today, it runs a \$15 billion-a-year business with activities in fifty-three countries spanning newspapers; television stations; record labels, including RCA and Arista in the US; publishing firms like Doubleday and Random House; and the Internet through joint ventures with America Online and Barnes and Noble.

Europe also boasts a clutch of companies that have come from nowhere to challenge US firms in all-American businesses. The most spectacular, and improbable, success story is Nokia of Finland, which transformed itself from an industrial company with a product range spanning electric cables and toilet tissue into the world's leading manu-

facturer of mobile telephones. Another unlikely player in an all-American sector is SAP, a German company founded in 1972 which has become one of the world's biggest business software suppliers.

Nokia, based in a country on the edge of Europe and SAP, which grew in a country famed for over-regulation and an aversion to risk and change, have shown that European firms can take on the Americans and beat them. Some executives reckon Europe is poised to overtake the US in products based on markets where it has established a lead. The UK could lead the next computing revolution because it has "the most exciting telecoms industry in the world," according to Jan Wareby, vice president of Ericsson, the Swedish telecoms group. "We are watching a new industrial revolution going on, and the center of gravity is shifting from Silicon Valley to north-western Europe."

Meanwhile, European business can look forward to a steady flow of dividends from its single market and the euro as well as the enlargement of the EU to the former communist nations in the East. For European business, the future has never looked brighter. ☺

Bruce Barnard is a contributing editor to EUROPE.



Portugal Prepares for EU Presidency

Special summits planned

By Alison Roberts



Prime Minister Antonio Guterres and his Socialist Party won re-election in Portugal's October general elections.

The past few years have been ones of breathtaking change for Portugal. Since it joined the European Union in 1986, EU-funded roads, bridges, and buildings have transformed the face of the country. But there have been other, less visible but no less far-reaching changes: myriad training programs and enterprise projects and a shift in national identity reinforced by entry into the monetary union.

Where Portugal once sought to be “a good pupil,” in the words of its prime minister at the time of EU accession, it is now confident about its place in Europe. Government officials, while working hard to prepare the coming EU presidency, are far more relaxed about taking charge than were their predecessors last time, in 1992.

That was a big national event, with the closing summit held in a giant purpose-built complex and souvenirs lavished on visitors to make a good impression. Some dubbed the period “the presidency of presents.”

Portugal wants things to go smoothly this time, but the approach has changed.

“When Portugal joined, it was to protect its basic interests—to secure aid, boost its fragile industries, raise the issue of East Timor,” explains Francisco Seixas da Costa, secretary of state for European Affairs. “But after [the Maastricht Treaty], and as the Portuguese developed a European consciousness, the government tried to ensure we had an input in each policy area.”

The result of years of behind-the-scenes work is that many Portuguese officials are highly respected by their EU partners, often enabling the country to punch above its weight. One notable example is Prime Minister António Guterres, who at the EU budget reform talks earlier this year helped broker a final deal even once Portugal's own package was settled.

“Guterres showed in the Agenda 2000 negotiations that he had a capacity for arbitration,” says João Faria, deputy head of the European Commission's Lisbon office. “He has strong diplomatic skills, and his good relations with left-of-center governments could be important.”

Take employment policy, which is to be the subject of an extraordinary EU summit in Lisbon on March 23–24.

Guterres, whose Socialist government was re-elected in October, last year drew up a report on employment at the request of leaders of European left-of-center parties. It's a thorny issue, with the UK's pro-free market Labor government tending to side with its right-of-center Spanish counterpart against France and Italy. But Guterres is recognized as an undogmatic thinker on the issue—"sort of Mr. Employment," in the words of one EU official.

Portugal, says Secretary of State Seixas da Costa, will seek a consensus on policies "in tune with modernity"—not neo-Keynesian spending policies but taking account of the role of new technology in job creation and stressing training.

Portugal itself, despite boasting one of the EU's lowest jobless rates, is well aware of the importance of training. EU structural funds have helped it hugely in improving its people's qualifications—in 1996, there were fifteen times as many adults in training programs as a decade earlier. But its work force remains the EU's least qualified, and long-term unskilled unemployment is chronic.

Guterres and Finnish Prime Minister Paavo Lipponen, who has the presidency until the end of 1999, have already asked fellow governments for creative contributions to the employment summit.

"Europe must extract maximum benefits from the single market and the common currency to improve its competitiveness," they wrote. "A new paradigm is emerging: that of a society of innovation and knowledge. Europe is falling behind."

There is talk of an inter-ministerial conference on information technology during the presidency, to prepare a summit on that subject in the future.

Another of the big set pieces that Portugal is preparing is a joint summit between EU and African states in Cairo on April 3–4. Heads of state and government from all African countries are invited. Portugal, which has fostered close relations with Morocco in recent years, is working hard to ensure that both it and neighboring Algeria attend despite an ongoing dispute over western Sahara issues.

Separately, the EU must reach a new

accord with Morocco on fishing quotas in the first half of 2000. This is particularly important for Portugal and Spain.

The EU-Africa summit is largely Lisbon's initiative; Portugal believes it can make a real contribution to improving the EU's neglected relations with Africa because of its centuries of contact with the continent, starting with the fifteenth-century discoveries. More than a million of Portugal's 10 million residents have ties to Africa, either as *retornados*, who were born or brought up in the colonies, or as immigrants.

"We like Africa, and one does well what one likes," says Faria at the Commission. "For us, the link to the south is an obvious one, just as for the Finns, relations with Russia are important."

The EU has formal relations with North and South America, the Association of Southeast Asian Nations, and Mediterranean countries. For Africa, there is the Lomé Convention, which channels aid to members' former colonies, but there is no forum for Africa as a whole that could help prevent regional conflicts.

The planned summit, like the Euro-Mediterranean dialogue promoted by France, is also part of efforts to balance changes set in train by EU enlargement.

Since most aspiring members are in Eastern Europe, the EU's center of economic gravity is bound to shift eastward. The countries knocking on the EU's door are already competing fiercely for investment; some have strong traditions in sectors where Portugal is trying to grow—and better-qualified people.

A recent study carried out by the UK-based Center for European Policy Studies found that Portugal is the EU member facing the greatest combination of negative effects from enlargement. The main issue is the loss to poorer entrants of the EU structural funds that in recent years have represented 4 percent of Portugal's gross domestic product. The EU's richer states are refusing to pay more for enlargement.

However, the study also found that Portugal, as a small, open economy, has more to lose from globalization and

global financial crises than from enlargement. As yet, the euro zone has no mechanism to help members hard hit by such shocks.

Trade issues will loom large during the presidency. This is one area where there are serious differences between the US and EU.

As for Portugal, whereas it once had protectionist instincts, the new consensus is for opening up the economy. Its officials see it as important to encourage fair competition and note that Eastern European countries have already shown themselves a suitable place for Portuguese investment.

In Poland, for example, Portuguese retailer Jerónimo Martins owns the largest cash-and-carry chain and Banco Comercial Português.

For security reasons, enlargement is seen as not only inevitable but necessary.

"Enlargement is an aspect of globalization," says Seixas da Costa. "But it's also an element of the stabilization of Europe and the spread of peace. This is part of our interest as a NATO member."

Portugal has a good understanding of both the advantages and difficulties of joining the EU, and is sharing it. It recently held a series of free seminars for Eastern European officials on the impact of EU accession, on the basis that they need to hear from a country like Portugal, rather than just richer states such as the UK or Germany. If the newcomers are not well prepared for the EU's single market, Portuguese officials warn, their companies could be destroyed in two years.

Formal talks with the applicants are well underway and will continue throughout 2000. The European Council of next June, to take place in Santa Maria da Feira, near Portugal's second city of Oporto, will be a chance to take stock.

Thanks to the Agenda 2000 settlement, which ring-fenced structural funds for existing members through 2006, net recipients such as Portugal have no short-term interest in blocking enlargement. They could lose out, however, in the longer term.

"Portugal has seven years to benefit from this funding," says Seixas da Costa. "If it can't manage to pull itself up by then, things will then become much more complicated because of enlargement." ☹

Since most aspiring members are in Eastern Europe, the EU's center of economic gravity is bound to shift eastward.

EUROPE update

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WHAT THEY SAID: LISBON MAYOR DISCUSSES CITY'S FUTURE

João Soares, Lisbon's mayor, has politics in his veins. A leading light in Portugal's ruling Socialist Party, he is the son of Mário Soares, who gained international renown as a leader of the resistance against the Salazar dictatorship and then as Portugal's president. Mayor João Soares spoke to EUROPE correspondent Alison Roberts in the Lisbon suburb of Benfica, where he was inaugurating a day center for elderly people.

This center aims to fill a gap in the welfare system. Is an aging population one of Lisbon's main problems?

We are very concerned about the city's older inhabitants. We don't want the city to age badly, forgetting older people. It's true that the city of Lisbon—not Greater Lisbon, which has a population of 3 million, while the city has about 1 million—has lost young people in the past twenty years because it hasn't met their housing needs. I'm hopeful the next census will show that we've turned that around.

What are the city's other main problems?

There are a few areas where we're focusing our resources. First, housing—the top priority is to get rid of the shantytowns. We've reduced the number of shacks from 20,000 to about 7,000, and we're committed to rehousing the remaining in-

habitants by the end of my term in two years' time. Secondly, urban rehabilitation in general: renovating listed buildings and upgrading basic services. You can swim in the river again; sports events are being held on it for the first time in years. We still have some way to go, though, before the dolphins come back. Finally, transportation: we've been building underground car parks for the first time in twenty years, but public transport has the priority. We're putting private cars in their place, after people, and the subway is finally keeping pace with the city's needs.

What was the impact of Expo '98, the World Fair held last year? In terms of tourism, have you kept up the momentum?

Expo was just the intensive application in one area of our policy for the city as a whole. The area didn't fit in with its surroundings. Now we're knitting together the urban fabric around it. As for tourism, we've raised the hotel occupancy rate from 1998 to 1999, and we've gone from second place behind Oporto on Europe's Atlantic coast in terms of oceangoing passenger ships to first place. We have a very considered strategy. We'll have a big congress center, as soon as the EU presidency is finished, in the form of the former Lisbon trade fair grounds.

From 2000, Lisbon and the Tagus Valley loses its priority status for EU aid. What are the implications? Many Portuguese—even government officials—would tell you that it's bad. For me, it's a cause for satisfaction, because it means we're on the right road.

That's what the prime minister says about Portugal: that he would be happy if Portugal became a net contributor to the EU because it would mean it no longer needed aid. I haven't heard that, but it shows we think the same way. We're personal and political friends.

We've just had an election in which your party gained seats in parliament. Is that good for Lisbon?

In Lisbon, I head a coalition between the Socialists and the Communist Party. Of course, I'm always happy to see the left make gains in an election, even when it's not only us. But since the Socialists came to power nationally in 1995, our relations with the government have been transformed for the better.

The newly formed Left Bloc won two parliamentary seats in Lisbon. Does this show discontent with Socialist policies?

No, on the contrary, it expresses a desire that the left be true to itself. People were

confident that the Socialist Party would win, so felt they could vote in a more ideological way. There was a desire to reaffirm left-wing values on issues such as the decriminalization of abortion [rejected in a referendum in 1998] and other social issues. I'm pleased about that.

Many big European cities have problems with racism. What's the situation here?

We're the safest capital in Europe as far as crime goes. Like everyone, we have problems, but mainly with drugs. We had one racist attack a few years ago, but I sincerely believe there's no such problem in the city that merits special attention—though there are sometimes in the suburbs.

There have been some big public works in recent years. Are there more in the pipeline?

The city has been evolving well, but there are no massive projects outstanding; just some medium and small-scale ones. A new bridge is nothing exceptional in a city that, thankfully, already has two, even if it needs two more. As for a new airport, it's not urgent. I think the one we have is a trump card. I've often received visitors from northern Europe who come to Lisbon in the morning, meet me and other officials in the day, and return in the evening. There are few EU capitals where you can do that.

BALKAN NOTEBOOK

Kosovo Prepares for Winter

With the harsh Balkan winter bearing down, the European Union and international aid organizations working in the region are scrambling to provide snug shelters for the hundreds of thousands whose homes were damaged during the war in Kosovo.

About 120,000 homes, providing shelter for 800,000 people, were damaged or destroyed by Yugoslav forces or in the NATO bombing campaign. Electricity can be spotty in cities like Pristina and virtually non-existent in parts of the countryside, while food must be trucked in from abroad.

"For a very large number of people out in the villages, especially the most severely destroyed, there's no doubt about it going to be an extremely hard winter. But the international community has gotten its act together rather well, and there will be no humanitarian crisis this winter," predicted Roy Dickinson,

spokesman for the European Commission's Task Force for the Reconstruction of Kosovo.

Already, the EU, the United Nations High Commissioner for Refugees (UNHCR), and other aid organizations have provided thousands of "winterization kits"—essentially heavy-duty plastic sheeting and lumber so each habitable home has at least one room that is warm and dry.

For those whose homes are beyond repair, collective centers are being set up across the province to house 15,000 people or more. Some centers will be in refurbished homes, while others will be located in partitioned-off barns, said Peter Kessler, spokesman for UNHCR. Aid agencies expect many men will try to stay on their properties to guard their land and tend their livestock, so 15,000 rubberized tents with stoves are being dispensed.

When the snows come, "getting aid to higher ele-

vated villages is going to be difficult," Kessler said. Somehow, aid agencies will need to provide food for the next four months to 70,000 people living in villages at least 3,000 feet up in the formidable mountains of Kosovo.

Other concerns are how to provide fresh water and heating. Many wells have been tainted by chemicals, gasoline, livestock carcasses, and human bodies. Aid officials have already inspected and cleaned 15,000 wells, and the program is ongoing.

UNHCR, the EU's ECHO program, and the International Organization for Migration are providing nearly 3.2 million cubic feet of firewood to villagers, while international experts are working with local managers to upgrade the two decrepit power stations near Pristina. The coal-fired plants have the capacity to meet Kosovo's electricity demands, but a lack of investment has left the plants in poor condition.

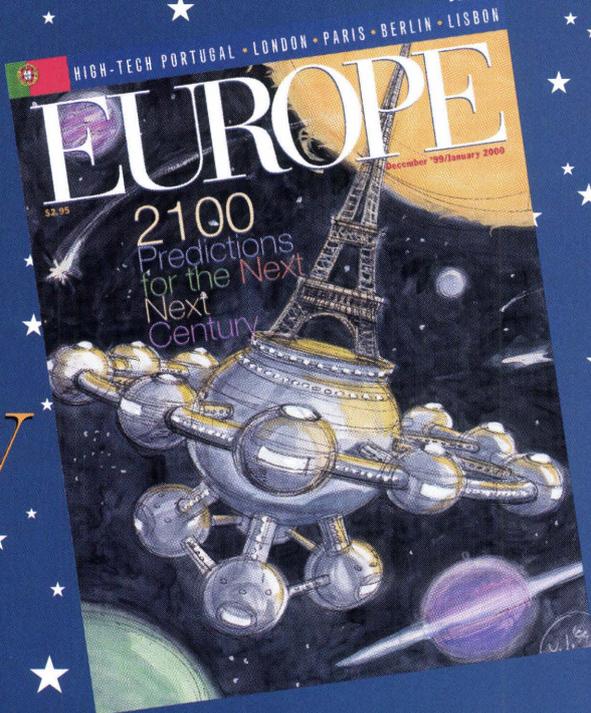
EU countries also are working with NATO-led troops to upgrade roads, provide snow plows, reopen the railroad, and even donate train carriages.

A donors conference organized by the European Commission and the World Bank in November drew \$1 billion in pledges, with almost all of the money going to reconstruction and recovery projects. Of the \$1 billion, more than half was pledged by the EU.

Much remains to be done. The EU already has launched a program to permanently repair houses by providing roofing materials and new windows and doors. Non-governmental organizations disperse the material, while the residents do the work. "Rebuilding 120,000 houses is something that's not going to be done in a couple of months or even a couple of years," Dickinson said. "But it shows the international community is not content to just give plastic and say 'after that, it's up to you.'"

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EU NEWS

No Agreement at WTO Talks in Seattle

The World Trade Organization talks held in Seattle ended without agreement on an agenda for a new round of trade liberalization. The week of discussions (November 30–December 3) between trade ministers from 135 nations was disrupted by rioting protestors and a subsequent police crackdown. No joint communiqué was issued after the meetings ended. Pascal Lamy, European Commissioner for trade, stated in a press conference in Seattle that “the WTO really needs reform.”

Northern Ireland's New Cabinet Begins

In Northern Ireland, a power-sharing cabinet composed of Catholics and Protestants began working together in December to begin implementing last year's peace accord. “Easy to say, not easy to achieve,” noted Irish Foreign Minister David Andrews. “But together we have achieved great things, and this is a red-letter day. All of us here today will never forget it.”

EU Criticizes Russia's Force in Chechnya

Finland's president and the head of the current EU presidency, Martti Ahtisaari, condemned Russia's use of “excessive” force in Chechnya. “We urge Russia to observe its commitments under international law,” he added. “We strongly underline the need of a dialogue between the Russian government and elected leaders of the north Caucasus, including Chechnya.” Ahtisaari made the comments as part of a speech before the summit of the Organization for Security and Cooperation in Europe in Istanbul in late November.

EU Entry Talks Expected in March

Günter Verheugen, European Union commissioner for enlargement, stated in late November that he expected to formally open membership talks with six new nations before the end of March, 2000. Slovakia, Lithuania, Latvia, Bulgaria, Romania, and Malta would join Poland, Czech Republic, Hungary, Slovenia, Estonia, and Cyprus as prospective

candidates for future membership in the European Union.

Chirac, Schröder Express Faith in Euro

French President Jacques Chirac and German Chancellor Gerhard Schröder told a news conference after a regular Franco-German summit in late November that there is no reason to doubt the euro. “The euro is based on the world's premier economic power, and a power which is doing well today,” stated Chirac. “One should not accord too much importance to the relationship between the euro and the dollar,” Schröder added. “Fluctuations have always existed.”



Correspondents

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Alison Roberts in Lisbon

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BUSINESS BRIEFS

Cunard, owner of the *Queen Elizabeth 2* passenger ship, is to spend between \$600 million and \$800 million on the first transatlantic liner to be built for thirty years. The new 142,000-ton vessel, to be called the *Queen Mary*, will sail between New York and Southampton.

Miami-based **Carnival Cruise Line**, Cunard's owner, believes there is pent-up demand for a vessel that recalls the bygone era of the Atlantic ocean liner. Unlike today's modern glitzy cruise vessels, the *Queen Mary* will have palatial state-rooms, grand staircases, and large promenades.

The *Queen Mary*, which will be able to carry 2,500 passengers, is one of some fifty cruise vessels that will be delivered over the next five years, increasing the capacity of the world fleet by 50 percent.

The current cruise order book is worth more than \$17 billion, with the bulk accounted for by shipbuilders in Finland, Germany, France, and Italy. Japanese and Korean shipbuilders, which account for 70 percent of all orders, mainly tankers, bulk carriers, and container ships, so far have failed to break Europe's near monopoly of the cruise ship market.

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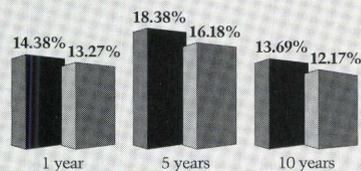
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BUSINESS BRIEFS (CONTINUED)

tional, the biggest US air freight coordinator in a \$1.14 billion acquisition that took its total spending over the past eighteen months to more than \$4 billion as it transforms itself into one of the world's biggest transport firms.

The move into the US underlined Deutsche Post's determination to challenge **UPS** and **Federal Express** for leadership of the fast growing market for logistics services for the world's top multinationals. UPS's recent \$5 billion plus initial public offering was partly motivated by the need to respond to Deutsche Post's aggressive expansion.

Deutsche Post, which will be privatized next year, has acquired leading transport, distribution and express delivery companies across Europe as well as a strategic 25 percent stake in Brussels-based **DHL**, the global courier group. This deal has prompted speculation it will team with **Lufthansa Cargo**, the German airline, which also has a 25 percent stake in DHL.

Industry analysts say FedEx and UPS are certain to acquire foreign companies very shortly to keep pace with Deutsche Post.

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Terra Networks, an eleven-month-old Spanish Internet service provider that doesn't expect to turn a profit until 2003 at the earliest, became the country's eighth-largest company. Its spectacular initial public offering raised twice as much as Europe's previous top Internet share, **Freeserve**, a British company that came to the market earlier in the year.

Terra has half as many users as Freeserve but is worth more than twice as much because it operates in both Spanish and Portuguese. These languages give it access to markets not just in Spain and Portugal but across Latin and Central America as well as the growing Hispanic community in the US.

Terra is aiming at a largely virgin market of 500 million people. Latin America will have 34 million Internet users in 2000 and is expected to grow at 85 percent annually for the next decade. The company, which is 70 percent owned by **Telefonica**, Spain's national telecoms group, has targeted 15-20 percent of the market, which means raising its customer base from 850,000 today to 18 million in five years.

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Ford Motor Company is to launch the Think electric car in Scandinavia following its acquisition of 51 percent of **Pivco Industries**, the Norwegian company that developed the two-seater vehicle.

Pivco's plant outside Oslo has an annual capacity of 5,000 cars, but its simple design and use of thermoplastic body panels allow it to be easily manufactured at other plants.

Hertz, Ford's auto rental unit, will supply and distribute the car across the Nordic region and has already become the preferred supplier to **Telenor**, the Norwegian state telecoms group.

With a limited range of around fifty miles between recharging batteries and a maximum speed of slower than sixty miles per hour, the car will not have a mass appeal. But Ford plans to market it across Europe and later in North America.

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NASDAQ, the US screen-based stock market, is planning to launch a pan-European stock exchange next year aimed at the continent's top companies, stealing a march over an alliance between the **London Stock Exchange** and the **Frankfurt Borse**.

The new venture is being launched by a consortium whose other members are **Softbank**, the Japanese media bank; **Vivendi**, the French telecoms and utility group; and **E-partners**, an Internet company linked to media magnate Rupert Murdoch. The group plans to start

a screen-based service, accessible on the Internet, in the fourth quarter of next year. The new exchange would complement the recently launched **NASDAQ Japan**, the first foreign trading market for shares in Asia and permit twenty-four-hour trading across the globe.

NASDAQ's arrival is sure to intensify competition for high-tech companies, which are being courted by Frankfurt's **Neuer Markt** and the Brussels-based **EASDAQ**, which was modeled on NASDAQ.

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The cost of international calls in the European Union has fallen by 40 percent in the past two years and business tariffs are down by 25 percent following the deregulation of the \$110 billion-a-year industry. But wide differences in the rules are slowing the development of a single telecoms market, according to a report by the **European Commission**.

International calls are cheapest in Denmark, the most open EU market where the national telecom operator **Tele Danmark** has seen its market share slide from 82 percent to 64 percent in the past year. Belgium and Portugal have the most expensive international calls among the fifteen EU nations.

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Thames Water, the UK's largest water company, became the latest European utility to cross the Atlantic, paying \$930 million for **E'town**, the fourth-largest US quoted water supplier serving 1 million customers in New Jersey. The deal will provide Thames with a platform for further expansion in the US where only a fifth of the water industry is in private hands and is being deregulated.

European utilities have spent more than \$15 billion in the US, the world's biggest water market, in the past eighteen months. France's **Suez Lyonnaise des Eaux** paid \$2.2 billion in August for the 67 percent it did not already own of **United Water**

Resources, the second-largest private US water utility. **Vivendi**, the French utilities and media group, paid \$6.2 billion in March for **US Filter**, the largest US water and waste treatment company.

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Sales over the Internet in Europe doubled over the past year, rising from 2 percent to 4 percent of total corporate sales and are poised for spectacular growth, according to a new survey. The survey by **KPMG Consulting** also predicts that Internet sales in Europe will soar from \$288 billion this year to more than \$2 trillion by 2002. Nearly two-thirds of companies have Internet-based sales up from 45 percent a year ago.

But Erkki Liikanen, the EU's enterprise commissioner, warned Europe has only three to four years to close the Internet technology gap with the US. Figures from the European Commission show that 30 percent of the population in the US and Canada are wired to the Internet, while fewer than 15 percent are connected in most EU countries and less than 5 percent in France, Italy, Ireland, Greece, and Spain.

The EU's main advantage is that it leads the US in mobile phone technology, which will replace the personal computer as the main Internet terminal in the future, he said.

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Italy's privatization program gathered pace with the government unveiling plans to sell **Autostrade**, Europe's biggest toll highway network, hot on the heels of the \$19 billion initial public offering, the world's largest, by **Enel**, the giant state-owned electricity utility.

The sale of the government's remaining 56 percent of Autostrade was expected to raise more than \$4 billion, with 40 percent reserved to individual Italian investors and the rest to Italian and international financial institutions.

High-Tech Portugal

By Alison Roberts

**Will
Portugal
Emerge
as
Europe's
Silicon
Valley?**

In recent years, Portugal has been successful at attracting investment in low or medium-tech manufacturing operations, such as the automotive and electronics industries. Its trump cards are its combination of relatively low labor costs—a manufacturing worker here costs less than one quarter of his German equivalent—with the quality and reliability of an educated and flexible work force. Portugal has the longest working year in the EU, the lowest rates of absenteeism, and few strikes—all this in a fast-growing economy with access to the world's largest market—the European Union.

Nevertheless, there are those who believe that social, administrative, and infrastructural changes now underway could transform the country's prospects. As the location of a company's headquarters becomes less important in many industries, Portugal could attract a new type of investment.

"Sooner or later Portugal has to be the California of Europe," says Carlos Quintas, founder and chief executive of Easyphone, a Portuguese-based company that designs software for universal contact centers (managing both phone and e-mail messages). Quintas, a



recognized expert in computing and telephony who predicts that Easyphone will be "the Microsoft of contact centers," knows Silicon Valley well.

"Everyone who comes to Portugal thinks they could live here," he says. "Those who have more money go to where there's a high quality of life—and we have a climate like California's."

Of course, that has always been one reason why foreign direct investment gravitates to Portugal—and still does. Although Ford Motor Company recently indicated its intention of selling its stake in the huge AutoEuropa joint venture to its partner Volkswagen, recent months have seen several new investments in auto components, including one at a plant owned by Ford's Visteon unit.

For sure, the fact that Portugal offers the most generous incentives in Europe plays a role. But there are other factors. A 1998 Bertelsmann Institute

study, comparing labor costs and the business environment, ranked Portugal the sixth-best country for direct investment. The 1998 *Global Competitiveness Report* put it second among industrialized countries in terms of openness.

Meanwhile, the government is actively encouraging high-technology investment, with grants of between 25 percent and 50 percent of project costs, and cash grants of up to 90 percent of training costs. (That's aside from the tax breaks and soft loans on offer for most big projects.)

The work force is also more sophisticated than it used to be, as Alcatel can testify. In 1989, the French giant set up a center in Portugal for the design, development, and production of telecommunications network management software that now exports worldwide. Officials cite the flexibility and creativity of local engineers as the reason for its success.

Those who know Portugal's business landscape highlight the fact that it has developed one of the most advanced data and telecommunications networks in the world, with local switching 99 percent digitized. The late modernization of the system is an advantage because it means only the latest technology was installed. Moreover, since British Telecom has a stake in Portugal Telecom, the former state

monopoly that has been 90 percent owned by investors since the latest privatization in July, PT is part of the Concert alliance, facilitating international corporate networks.

Portugal's consumers are changing, too, and there is no doubt about their enthusiasm for technology. Market penetration by mobile phones, which in 1996 was half the EU average, stood at 31 percent in 1998 and is set to reach 45 percent this year. Only Italy and Scandinavia have higher rates.

Telecel, the unit of US-headquartered Airtouch that in 1992 shattered the monopoly of state-controlled mobile phone company TMN, played a key role in this transformation. As well as subsidizing handsets—cranking up demand in a country where income per head is just 70 percent of the EU average—Telecel was the first mobile carrier in the world to offer pre-paid packages. That move broadened a narrow market to include people on a budget and was widely copied.

"Telecel drove the market's growth," says Chief Executive António Carrapatoso. "Other Airtouch units took a look at what we did and used the idea."

Competition in the mobile market is now fierce, with prices among the lowest in the EU even as fixed-network calls remain the highest. That anomalous situation is likely to change when the market for public telephony opens in January. Although Telecel has pondered the possibility of entering this huge market together with a domestic or foreign partner, for now it is sticking to corporate/private networks. It is already free to choose its international carrier, and since Airtouch merged with Vodafone of the UK, the potential for economies of scale—and price cuts for international calls—has increased.

In the meantime, Telecel has entered another growth market: the Internet, which in Portugal is currently dominated by a subsidiary of Portugal Telecom. Carrapatoso acknowledges the crucial differences between the company's core activity and this new area.

"There is a low penetration rate of PCs in Portugal and a lack of knowledge, which is hardly the case with mobiles," he says. "We believe the market will accelerate after our entry."

In 1998, the Internet accounted for barely 1 percent of telecommunica-

tions, but that figure should grow to 10 percent within five years, according to Carrapatoso. Where just 4 percent of households now have Internet access, he sees that at one-third in five to ten years.

Unsurprisingly, information technology services for business is an expanding area, at a time when rapid changes in the economy are requiring companies to operate faster and more efficiently. According to José Joaquim Oliveira, director of IBM Portugal, the growth of electronic commerce and related developments require the integration into companies' IT systems of new tools to help them better manage knowledge and human resources.

Other providers have made a similar diagnosis; ICL, for example, has announced plans to expand its range of services here to include e-commerce and customer relationship management. Oracle, which has been in Portugal for nine years, claims to be seeing ever more demand for its services—helping clients process key data and customizing software for large corporate and government clients.

Telecel's Carrapatoso sees Portuguese business as receptive, but passive, to new ideas. "I think business is quite open—they want solutions," he says. "But they don't take the initiative."

Easyphone's Quintas agrees. "Most managers here don't know much about the Internet or e-mail," he says. "Any manager in the US, whether aged fifty or twenty, uses computers to make life easier."

Microsoft, however, is happy with how the market is developing, and its managers enthuse about the positive attitude to technology. Microsoft has benefited from Portuguese willingness to tackle foreign languages; half the titles it sells here are in English. The initial shortage of Portuguese-language software, rather than dampening demand, fostered the emergence of a home-grown industry that now exports to Brazil and even the United States.

Such developments are reassuring. For in the future, with stiffer competition from Eastern Europe, Portugal will be able to rely less on its old trump card—low costs—and more on positive strengths such as flexibility and openness to new technology.

For that to happen, says Telecel's Carrapatoso, there are two main tasks: raising the level of qualifications, especially among the young, and creating an environment that lets them be productive once qualified. That means tackling bureaucracy, market distortions, and unfair taxes.

Nowadays, Easyphone has little problem finding the trained staff it needs from Portugal's top technical schools. But its history illustrates one big problem startups face here. Founded in 1995, it had to turn to a US venture capital company for seed money. It was only this year that a Portuguese bank took a stake, and a Dutch venture capital firm provided another cash injection.

"Risk capital is underdeveloped here, and those firms that do exist are inadequate because the market is not big enough for them to specialize," says Quintas. "They're afraid of investing in high-tech because they don't know how to assess the market when there's no cash flow projection."

"That's one of the reasons why there aren't more high-tech companies in Portugal," he adds. What's needed, he argues, is to break the cycle by giving tax incentives for investment in software businesses, as in Ireland.

For now, though, Portugal is likely to continue to rely on large-scale projects such as the huge Siemens micro-electronic components plant at Évora, southern Portugal, which opened with much fanfare (and government incentives) a couple of years ago. But even that strategy has its risks. Last November, Siemens announced plans to spin off its components operations, including three in Portugal. Though part of a broader strategy and unlikely to mean the outright sale of the units, the move leaves a question mark over the future of the Évora plant.

Nevertheless, the German group is in Portugal to stay. The new trains on Lisbon's extended metro system were built by one of Siemens' local subsidiaries; its medical engineering unit builds radiology systems; and others install computer networks and are currently providing 1 million local ISDN phone lines for simultaneous transmission of voice, video, and data. ☐

Alison Roberts is EUROPE's Lisbon correspondent.

SONAE

Portuguese Firm Discovers New Worlds of Profit

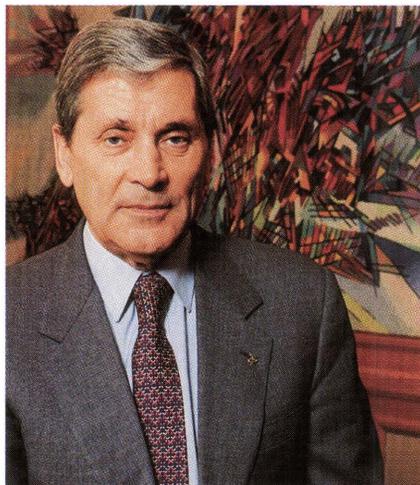
By Robert J. Guttman

We are very much the General Electric of Portugal," declares Belmiro de Azevedo, chairman of the board of the powerful Portuguese holding company, Sonae. "We are very similar in concept to GE as we are a diversified group of companies. We are one of the most global retail businesses with close to 50 percent of our retail business being generated outside of Portugal. Nowadays, our industrial division does 83 percent of our business outside of Portugal."

De Azevedo, a self-made billionaire (*Forbes* lists his net worth at \$2.1 billion) through his holdings in the Sonae Group, is one of Portugal's best known, most admired, and most influential businessmen. He started working for Sonae in 1965 and has risen to become its leader as well as its majority shareholder. In an interview in his office in Maia, a town located just outside the city of Porto, the fit sixty-one year old, who plays squash and exercises every morning, summed up his major motivation: "I like competition. I am an entrepreneur, and I am a risk taker."

That entrepreneurial attitude is evident in Sonae's growth over the last thirty years. From its founding in 1959 as a small wood derivatives company, the Sonae Group enters the new century as a multifaceted global business centered on developing and managing shopping centers, supermarkets, and hypermarkets and is building new businesses in the telecommunications and tourism sectors. It is now Portugal's largest non-financial group and the country's largest employer with more than 20,000 employees. In 1998, Sonae's turnover grew by 22 percent and operating results increased by 24 percent.

Called the "Portuguese Professor" by the *Economist*, De Azevedo, who studied at Harvard and Stanford and has



Belmiro de Azevedo

a degree in chemical engineering from Oporto University, repeatedly stressed the importance of education during our lengthy interview. "The best thing I want to do is to educate people and train people. My company is a living business school. I really believe so much in education that [Sonae] is known in Portugal as probably the company that puts more time and money into education and educating our own people."

"We are, in a way, the Wal-Mart of Portugal," declares De Azevedo, commenting on his highly successful supermarket and larger retail stores called "hypermarkets." "We have a larger share of the market in Portugal in retail than Wal-Mart has in America. We like big competition with the big people like Wal-Mart."

De Azevedo has moved Sonae into telecommunications and says his mobile phone system has been a tremendous success. "The ultimate goal for everyone is to be a wireless, switchless company," he says. "We want to be a marketing company. We want to be the communicator, and we don't care who owns the infrastructure."

Besides telecommunications, De Azevedo sees tourism as a growth area.

"We bought a piece of land that has been in bankruptcy south of Lisbon, and we are building a mix of resorts, hotels, and apartments. It is a big investment. If we succeed on this project we will build down to the southern part of Portugal and later develop projects in Brazil."

Talking about his main markets outside of Portugal, De Azevedo says, "We are number one in the world in the wood board business, ahead of Georgia Pacific and Louisiana Pacific. In retail, we moved from number nine to number three in one year in Brazil. We feel we are practicing the idea that Europe is kind of a bridge between continents. The Portuguese have been the first global people in the world and the first global traders."

As someone who saw his company greatly benefit during the 1980s from Portugal's entry into the European Union, De Azevedo is a committed European. He believes the issue of social security reform will be an important topic during Portugal's turn at the helm of the EU presidency, beginning in January, 2000. "If we can do some brainstorming and decide which [social security] model to adopt, then it's a little bit up to Europe but mostly [up] to the different countries to move to that direction—whether it is the Chilean model or the American model."

Beyond the six-month EU presidency, De Azevedo is looking forward to the year 2001 when his hometown of Porto takes a turn as one of Europe's Cultural Capitals. "What we are going to do in Porto is very different from what has been done in Lisbon when Lisbon was the Capital of Culture," he says. "We think that Porto will invest mostly in modernizing old buildings and revitalizing the old part of the city. The only thing that's going to be built is the music house. We want to bring life back into the downtown."

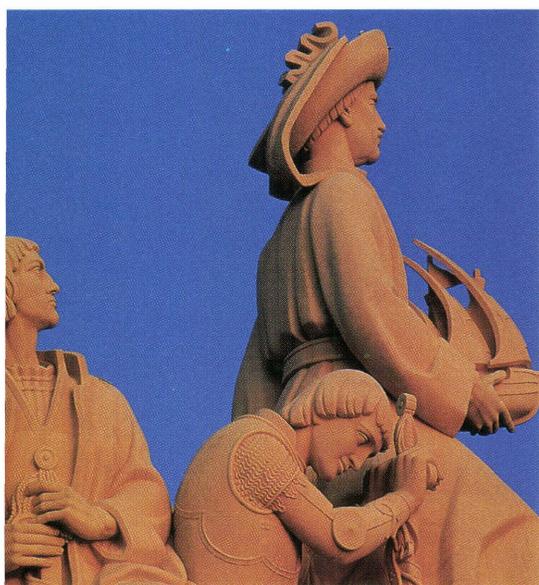
As Nokia has helped put its native Finland on the global business map look for Sonae to do the same for Portugal in the twenty-first century. Don't bet against a company whose chairman compares his firm to GE and Wal-Mart and says, "We are one of the most well-known companies in the world, and we are one of the most global." ☺

Robert J. Guttman is EUROPE's editor-in-chief.

Lisbon

One Hundred Years of

By Alison Roberts



For *Lisboetas*, as natives of Lisbon are called, 100 years is a laughably short span of time. Because of their history of ocean-going discoveries of new lands and cultures, they are in the habit of looking back several centuries. They did so in 1998 for the 500th anniversary of Vasco da Gama's voyage to India, and they will next year for the 500th anniversary of Pedro Álvares Cabral's voyage to Brazil.

In fact, the past century has been untypical of the 800 years since Christian armies drove the Moors out of Lisbon. For most of that time, the city was the center of a stable monarchy, but since 1900 it has witnessed almost every imaginable type of political regime: a

bourgeois republic, fascist dictatorship, left-wing revolution, and now parliamentary democracy. From a sleepy backwater in a mainly rural country, Lisbon has become the nerve-center of one of the EU's fastest-growing economies.

Throughout, Lisbon has retained qualities that make it unique among European capitals. You can still rattle through narrow medieval streets on an ancient electric tram, hearing the call of a knife-grinder plying his trade in the Moorish old town, which is little more than a mile from the yuppie-filled glass-and-concrete buildings of the banking district.

The century that produced this fascinating mixture began violently. In 1905, King Dom Carlos I and the Crown Prince were shot dead in Praça do Comércio, in downtown Lisbon. Manuel, the king's younger son, took the throne at the age of eighteen, but he lasted only until the revolution of 1910, when warships shelled his residence from the Tagus River and forced him to flee the country. The Republic was proclaimed from the balcony of Lisbon City Hall, confirming the city's role as the home of liberalism. Lisbon was undergoing other dramatic changes, too. Electrification started in 1901, and the city's signature yellow trams began their clanking odyssey soon after. Industrialization started to gain a foothold, and the docks on both sides of the Tagus stepped up their noisy activity.

But the Republic was soon mired in chronic instability. In 1917, an army major named Sidónio Pais led a successful military revolt and instituted what many consider to be Europe's first

ever stab at fascism: a populist regime that in its brief existence saw mass demonstrations in his favor, mass arrests of opposition leaders, and heavy censorship. But Sidónio, too, was assassinated after just a year, leaving Portugal rudderless at a time of deep divisions. In the traditionally conservative north, rebels proclaimed a restoration of the monarchy, and Lisbon-based republican forces took a month to regain the initiative. Forty-five governments came and went before the army stepped in again in 1926. Throughout the period, Lisbon had a vibrant cultural and intellectual life. Writers of that time, such as Fernando Pessoa and Mário da Sá Carneiro, who whiled away time in Lisbon's famous cafés, are still popular among the Portuguese, who like to think of themselves as a nation of poets. But political events soon imposed themselves on Lisbon's cultural renaissance, in the form of the "Novo Estado" (New State). After two years of military rule, a dour economics professor, António Oliveira Salazar, consented to become finance minister on condition that he have full control over economic policy. He was soon prime minister and entrenching a dictatorship that lasted four decades.

Salazar may have given Portugal—and Lisbon—the stability it lacked, but it soon looked more like stagnation. By the 1950s, a building boom and public works projects such as the subway and the suspension bridge over the Tagus gave Lisbon a veneer of modernity. But most Portuguese—including *Lisboetas*—remained dirt poor and illiterate.



At left: Portugal's famed explorers are honored with the Monument to the Discoverers. Above: Lisbon's pristine Edward VII Park offers a grand vista of the city. Below: One of Lisbon's trademark streetcars, which have been carrying Lisboetas throughout the city for nearly a century.

The mood of the Salazar years is often summed up by three F's: Fátima, football, and fado. Fátima is the town north of Lisbon where, in 1917, the Virgin Mary was said to have appeared to three shepherd children. The Estado Novo picked up on the cult that blossomed after the event, building a huge shrine at Fátima that became a major pilgrimage site. Soccer was the secular religion, with the masses getting fired up by the successes of Benfica, Lisbon's leading club, in European Cup competitions. And the popularity of *fado* (which literally means "fate"), a melancholy Lisbon folk music, reached its peak under the dictatorship, with people flocking to bars to hear singers such as Amália Rodrigues.

For many Portuguese, all this was not enough to keep them satisfied. Thousands emigrated to escape poverty or avoid being drafted into the army to fight in the bloody colonial wars in Africa.

This world was finally turned upside down by the 1974 revolution, a bloodless coup that put tanks and cheering crowds onto the streets of Lisbon. After decades of repression by the Salazarist secret police, the political energies of Lisboetas burst forth in an explosion of meetings and street rallies that

gradually settled down into the more settled framework of a parliamentary democracy.

Portugal's entry into the EU in 1986 opened a new chapter in Lisbon's history, with the latest page being the country's membership in the European monetary union. Lisbon shops lost no time in labeling goods in escudos and euros, and public support remained strong for European integration.

But the city has not forgotten its roots. When Amália Rodrigues died last October, three days of national mourning were declared, although a general election was just five days away. And when EU leaders come to Lisbon in March for the extraordinary EU summit on employment, they could well be overshadowed, at least in Portuguese eyes, by that 500th anniversary of the discovery of Brazil. ☺



TRAVEL

PORTO

The city that works

By Benjamin Jones



The Ponte de Dom Luis I, completed in 1886, links Porto to Vila Nova de Gaia.

It all begins in Porto with the Douro River, the waterway that slices through the dramatic gorge on which the city is located, flowing west from the Spanish border to the Atlantic Ocean. “Douro” is Portuguese for “gold,” and the river certainly brought this northern city its fortunes, providing a highway from the interior for the precious port wine and other products to be shipped to market and a convenient place for foreign vessels to safely shelter and trade.

well, and experiencing one of Europe’s least known yet loveliest cities.

Porto knows how to play. Throughout the year there are rock, jazz, classical music, film, and arts festivals and in 2001, Porto will be one of the European Cultural Capitals. The best way to travel to Porto is by train, arriving eventually at São Bento station smack dab in the city center and beautifully decorated with murals made of blue and white tiles depicting either scenes from the history of transport or the famous battle of Aljubarrota.

added to over the centuries. Inside, the vaulted main chamber and mighty columns lack the over-fussy decoration of many Iberian cathedrals to provide a dignified yet awe-inspiring space.

These are the places the citizens of *Porteños* worshipped God. To see where they worshipped mammon, it is a short stroll through the medieval-like warrens to the Placa de Dom Infante Henrique where the Palacio da Bolsa, or stock exchange, stands.

In the last century, Porto’s entrepreneurial elite thought highly of themselves and their businesses and built a monument to both, sparing no expense. The building’s main courtyard is a marvel, and there are the coats of arms of nations with which Porto traded in the early 1900s, including the United States.

Up the marble stairs and past the very heavy and very expensive chandeliers are a room entirely furnished, lined, and finished in precious hardwoods where commercial squabbles were settled and the famous Arab Hall in which artisans copied the Moorish decorations, script, and curlicues of the caliphate in Granada, Spain.

A leisurely stroll through the streets of Porto is a welcome change from formal sightseeing. Up past the São Bento station is the old Mercado Bolhao, a classic European covered market with stalls selling everything from garden-fresh produce pulled that morning from some farmer’s small plot to rabbits, chickens, and guinea fowl to crusty loaves of the local bread. In the same neighborhood are a plethora of shops with colorful art deco facades and around the corner is Rua de Santa Catarina, a bustling pedestrian street filled with high-fashion boutiques, street performers belting out fado (Portugal’s version of the blues), and the wonderful fin-de-siècle Cafe Majestic—all brass, mirrors, and marble.

At night, it is back down to the river and the Cais da Ribeira quayside neighborhood with its tiny bars and seafood restaurants. On a warm evening, one can sit at a sidewalk table, dine on fresh fish or *frango* (spicy grilled chicken), sip a chilled local white wine, and watch the lights from the port lodges across the way play on the Douro. ☺

Benjamin Jones is EUROPE’s Madrid correspondent.



For centuries, port wine has been transported from Porto via the Douro River.

From the river, Porto marches up the steep northern bank of the gorge with its aging apartment houses, churches, and public buildings almost all of gray granite, which gives the city at first acquaintance an austere look. And as the old Portuguese refrain on its main cities asserts: “Coimbra studies, Braga prays, Lisbon shows off, and Porto works.”

Another old adage claims that “Porto does the work, while Lisbon spends the money.” Portugal’s second city was, in fact, built on trade, but it is no dour, money-obsessed metropolis. A visitor will find it a funky, fascinating, and lively place to spend a few days trudging the hills on sightseeing forays, eating

As in any compact city, the delights of Porto can all be easily reached by foot, and after ditching the luggage at one of the many nearby pensions or hotels, one can set out to explore. The Torre dos Clerigos, atop the oval church on the “rua” or street of the same name, affords good views of the city at the top of a 225-step climb. From here, the port wine lodges of Vila Nova de Gaia are clearly visible to the south and to the west, at least on a clear day, is the Atlantic coast.

Down through the narrow and steep streets to the city’s other most important landmark, also a church, is the Se Cathedral, first constructed in the twelfth-century but remodeled and

Millennium Mayhem

By Ester Laushway

In January and February, I predict that analysts will have more patients than ever stacked up on their couches, with a virulent new strain of the New Year's blues. Anyone who has not celebrated the start of the new millennium by bungee-jumping out of a helicopter over Victoria Falls, say, or greeted the twenty-first century without Elton John or some other planetary celebrity singing *Auld Lang Syne* in their ear, will be feeling grossly inadequate and inferior to the rest of the world. If you believe the publicity, everyone will be out there, spending their lifetime savings on the mother of all parties, and those who do not have a night they can remember and brag about for the rest of their lives, will be branded as social failures.

On December 31, the world will sparkle and glitter with so many festivities that it will resemble a mirror ball spinning through space. While there will be some sort of bash on every block, the most lavish celebrations will cost you—a lot. Ritz-Carlton is offering the “ultimate” millennium experience at its luxury hotels around the world: two nights in the best suite, with a private dining room and a twenty-four-hour private butler to go with it, daily massages, his-and-her eighteen-karat gold watches, a chauffeured Jaguar, and other little gifts, depending on the location. The price—\$100,000. In comparison, trips around the world on various boats and planes are a bargain, costing on average from \$75,000 to \$30,000 a person.

Lack of that kind of money need not hold you back from having a New Year's you will never forget, in the company of thousands of other party goers, all far louder, sweatier, and more uncouth than you, of course. In Europe, crowd control will be tested to the limit in every major city.



New Year's revelers plan to party

Edinburgh's Hogmanay street party, the city's biggest annual celebration, is expected to welcome its biggest crowd this New Year's.

Edinburgh is expecting half-a-million revelers to show up for its giant Hogmanay Festival, described as the most extravagant street party on earth. The city has had some practice in hosting this kind of craziness: New Year's Eve has been the biggest celebration of the year in Scotland ever since the Protestant reformation of 1560 when *holidays* (holidays) like Christmas were banned. The Millennium Hogmanay will spread over several days, with 100 events scheduled, including concerts by UB40 and the Pretenders, circus performers, street theater, torchlight processions, highland flings, and general wild carousing. Claustrophobes and teetotalers should definitely abstain.

The historic Brandenburg Gate in Berlin will be the center of another massive street fair and party, with competing disc jockeys and bands, and a midnight fireworks display.

In Vienna, the city of music, the traditional New Year's Eve concert performed by the Vienna Symphony and the Vienna Hofburg Orchestra will have some non-classical competition this year. Stages will be set up throughout the city, for various music, dance, and theater performances. If you enjoy contact sports and Strauss, you can waltz your way into the new millennium with 600,000 other trippers of the light fantastic.

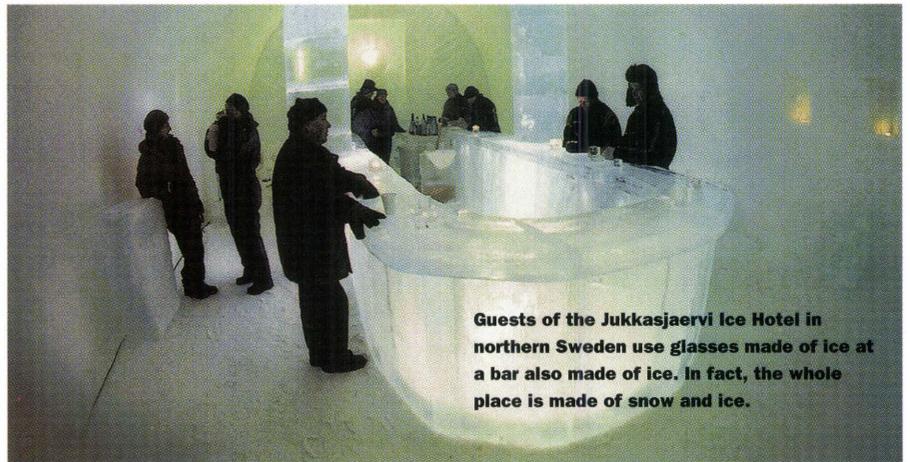
Dublin is another European capital that will be alive with the sounds of music on December 31. Plans for a giant concert are underway, after the originally scheduled finale to the century met an untimely end. The millennial clock in the Guinness-brown River Liffey, dubbed the "Time in the Slime" by Dubliners, was supposed to rise up on the stroke of twelve and erupt into a dazzling fireworks display, but it had to be fished out because it was congesting ship traffic and not keeping correct time, either.

The clock on top of the Eiffel Tower in Paris has been counting down the days to 2000 with no technical hitches so far. On December 31, it will switch to counting the hours, minutes, and finally seconds. Rumor has it that at midnight, the tower will lay a gigantic "egg," which will crack open to reveal a set of large video screens broadcasting millennial celebrations from around the planet, while 20,000 electronic flashes light up the entire tower. Down below,

along the Champs Elysées, a spectacular light and laser show will take place, although reports differ on its exact format. One set of press releases describe a series of monumental "doors," like Stargates, each its own little universe, linked by a red carpet; other reports announce a huge Ferris wheel on the place de la Concorde, spilling out images, with the wheel theme repeated along the Champs Elysées.

Lisbon has promised a twenty-mile-long fireworks extravaganza along the Tagus River on the big night, so daz-

tion only" New Year's Eve gala attended by the British Royal family and well-connected citizens like Prime Minister Tony Blair. Peter Gabriel has written the music and conceived the show: a high-energy aerial acrobatics spectacle that has sixty-one performers skydiving, dancing, and rocketing down to the audience from mobiles spinning through space. Once it has been launched, the Millennium Show will be performed up to five times daily to audiences of up to 12,000 all through the year 2000.



Guests of the Jukkasjaervi Ice Hotel in northern Sweden use glasses made of ice at a bar also made of ice. In fact, the whole place is made of snow and ice.

zling that it will not only awe everyone watching it on Earth but also draw gasps of admiration from any astronauts or aliens orbiting our fair planet. An all-night party with music and dance shows and performances by Portuguese and Brazilian artists will keep everyone awake until morning, with a giant bonfire chasing out the dark and the demons of the past.

Rome is holding to its image as the Holy City with a week of commemorations of the birth of Christ, which are expected to attract nearly 13 million visitors. The pope will celebrate a special New Year's mass at St. Peter's Basilica to usher in the year 2000.

Away from Europe's capitals, the night will be no less lively, with crowds converging on symbolic sites such as Stonehenge in the United Kingdom, which has been a New Year's Eve party place ever since ancient Druid times. In Greenwich, the official "starting point" of the new millennium because international time is set at the Royal Greenwich Observatory, the \$1 billion Millennium Dome is being referred to as "the twenty-first century Stonehenge." The twenty-acre, flying saucer-shaped structure will be christened with a "by invita-

On a smaller scale, and a good opportunity to behave outrageously without being recognized, are various costume balls, such as the decadent Louis XIV "Bal du Roy" in the opulent surroundings of the Château of Versailles, the masked Venetian revels in the Palazzo Vendramin, and the Mardi Gras masquerade ball in Galway Bay, Ireland.

An opportunity to really chill out is offered at the Ice Hotel in Sweden's Lapland. Chiseled out of solid ice, the hotel melts each spring and is rebuilt the following fall. On New Year's Eve, guests will dance the night away before retiring to catch a few winks on their reindeer skin-covered ice-beds.

If all this choice has you reeling, and every member of the family wants to do something different anyway, you may start to give way to party paralysis and wish that you could just watch it all on television. Try not to panic. Once the clocks have struck twelve on December 31, we will all be safe from this kind of pressure "to party or perish" for another thousand years. ☺

Ester Laushway is EUROPE's correspondent in Paris.

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

2100 **A European Odyssey**

It has been said that how one views the future says much about the present. For the twentieth century's final installment of "Capitals," we asked our correspondents to gaze into their crystal balls (or some other appropriate future-seeing apparatus) and describe their cities and countries in the year 2100. Some fancifully envisioned dramatically evolved societies while others soberly projected more modest changes. Here follow their predictions.

PARIS

A FUTURE UNDER THE SEA AND UP IN THE AIR

It's 2100 and fifty years have passed since the world's top scientists emerged from the Emergency Earth Summit in Santiago de Chile with the grim announcement that our planet was doomed. Pollution levels of the air and soil had reached such irreversible levels that plant and animal species were dying out at the rate of several dozen an hour. Moreover, mankind would soon join them, unless some drastic action was taken.

The apocalyptic cry was heard. The Group of Three global powers—Europe, America, and Asia—with considerable financial and technical support from corporate powerhouses like Microsoft, Nokia, and Sony, reacted with admirable speed. They conceived and constructed two new types of frontier communities within the following three decades: under-sea settlements, which used the oceans' still plentiful resources and supplemented them with genetically-engineered plant and animal life, and space stations, modeled on the quaint prototype MIR, which had crashed to Earth in 2005.

The controversial issue of who should live where was finally decided by a planetary referendum, which resulted in a six-month rotating system, with everyone living under the sea for half the year and up in space for the other half.

Nations grouped together to build these new colonies. France joined the other countries of the Mediterranean Basin to construct "Calypso," the sea base built off the coast off Corsica and named after the boat of an early French sea pioneer, Commander Jacques Cousteau. In space, the French settled into the "Marianne" module of the pan-European space station Alpha, which orbits the Earth together with its sister stations Beta, Gamma, Delta, Theta, and Kappa, each housing the nations of North and South America, Africa, Asia, and Australia.

After some initial adaptability problems, resolved with the help of genetic engineering, these colonies are now thriving. On Calypso, the French are again specializing in fine food and drink. They have developed a caviar-bearing lobster and are harvesting a vintage "Château de Ma Mer" champagne, cultivated from a fruit-bearing alga.

Permanently connected to the World Wide Web by means of fiber optic cables laid on the ocean floor, French children attend virtual school to learn the four

R's. The traditional three (reading, writing, and arithmetic) had to be supplemented by relationship studies, when it was found that over-dependence on technology was producing a generation of socially unaware children. These 'gene-agers', as physically and mentally perfect as genetic planning can make them, are often unable to sustain a conversation, shy away from eye contact, and avoid any kind of physical closeness. With relationship studies on the curriculum, they are being weaned from the video screen for two hours every day.

Traffic congestion in the Mediterranean is increasing, with collisions between mini-sub and sea-scooters causing more than a thousand casualties a year. The French are often implicated in these accidents but have refused to limit the use of their vessels to designated sea channels, claiming that such restrictions are an infringement on their human rights.

Up on Alpha, French artists have erected a life-size replica of the original Eiffel Tower, which the French government had sold to a wealthy American in 2023 as a wedding present for his wife. Although the sale was necessary as an emergency measure to combat the crippling debt of France's collapsing social security system, French national pride took a severe blow when the Texan billionaire had the tower taken to Houston and painted pink, his bride's favorite color.

Luckily, enormous strides in preventive medicine, the legalization of euthanasia, and the boom in employment opportunities generated by the colonization of sea and space have gone a long way toward solving the French social security crisis. A radical change in government has also done a great deal to fill France's public coffers again. After the *Grande Grève* (Great Strike) forty years ago, when Paris was nearly buried under piles of rotting fruit and sheep carcasses, and transport ground to a halt nationwide for six months, a coalition of the

theme wine tastings from a collection of vintage bottles; and lessons in the art of blending perfumes from natural flowers and essences, conducted by a famous “nose” from the house of Chanel.

Advance bookings for these and other activities have exceeded all expectations, but by far the most overbooked section in Hedonist Heaven is a weeklong seminar in natural child conception techniques, also known as lovemaking. Demand for this section has been so high that Virgin is considering building a “Jardin de Venus” extension to the park. Access will be strictly monitored, as there have already been a few cases of fake ID’s being used by over-age couples trying to get around the maximum age limit of eighty, set for health reasons, to make advance reservations.

Construction of this first Earthpark has started and while exploring the site, scientists found definite signs that the Earth’s ecosystem is beginning to recover. Several species of plants and insects have reappeared on the planet’s surface, and a few birds have been sighted.

These are only timid beginnings, but modern science and technology will be able to assist and accelerate natural evolution, and some optimistic forecasts predict that by the year 2200, the Earth’s surface will be green again, teeming with plant and animal life, and waiting to welcome man back. This time, when we return to our roots, with the lessons learned this century, we will do it right!

—Ester Laushway

THE HAGUE

VISIONS OF THE 21ST CENTURY DUTCH

Looking back on the twenty-first century, perhaps the biggest change for the Dutch was that the 400-year-old Kingdom of the Netherlands ceased to exist as an independent nation. That country, which started in the sixteenth century as an independent union of seven provinces, formally became a small state within the hugely expanded European Federation (formerly the European Union).

The Royal family decided to leave the country. Luckily, thanks to the marriage of Prince (later: king) William Alexander to a woman from the Argentine landing class with whom he fell in love in

Greens and a resurrected, reunited moderate Right took power. Its support of environmentally “correct” business, such as green tourism, has garnered France some lucrative contracts in emerging fields such as outer space travel and, just recently, the Earthpark project.

Masterminding this ambitious and admirable program is the great-grandson of the late Sir Richard Branson, the founder and first CEO of Virgin Galactic. His plan is to construct a series of domed theme parks on the Earth’s surface to preserve

some of the planet’s most popular traditions and customs. France put in the winning bid for the first of these to be built, dedicated to the five senses and nicknamed “Hedonist Heaven” by the media. Early press releases have tended to downplay the educational aspects of the park, billing it mainly as a “sensational” vacation.

Among activities offered will be cooking lessons with a master chef, using non-processed ingredients specially grown and raised in the park’s own farm;

Up on Alpha, French artists have erected a life-size replica of the original Eiffel Tower.

DRY BUT PROSPEROUS

Ireland's rugged West coast, pockmarked by centuries of battering from cascading Atlantic breakers, has become the new sun playground of Europe—all inside a century that has seen the country transformed from a mainly agrarian society to a land of honey minus the milk.

The vertigo-inducing rock cliffs are still there, but the beaches have become rolling stretches of warm white sand, kissed by the twin effects of global warming and the seemingly ever-expanding waters of the Gulf Stream.

The once-familiar stone-built thatched cottages dotting the surrounding hills have been replaced by hundreds of Caribbean-style luxury villas, the haunt of Europe's new billionaires.

How has it happened within 100 years? Well, the European Union has played its part as it expanded to unite countries from the Atlantic to the Urals (fulfilling the once seemingly fanciful dream of a former French president Charles de Gaulle).

Ireland, now the central bridge between Europe and the United States, has capitalized on these developments—but at a price.

The “green and misty isle” that so delighted the visiting twentieth century US President John F. Kennedy has lost most of its legendary greenery. Rainfall has reduced to Gobi Desert proportions, wells have dried out and patchwork fields once populated by thousands of cows and other farm animals have become barren stretches of water-starved scrub.

Snakes, banished by the fifth century Saint Patrick, now infest those same fields. And milk, once the main added ingredient for millions of tea drinkers, is now a rarity, although natural honey is produced in huge quantities by an infestation of bees and has led to an alarming increase in the numbers of diabetes sufferers.

The once-staple diet of potato—the high-protein tuber that was hit by blight in the nineteenth century and led directly to an Irish famine, causing millions of deaths and widespread emigration—has been replaced by imported rice and exotic fruits and vegetables, which are served with rare fish and wildfowl.

1999, the family was able to move to Argentina and continue a life of tranquility on the Argentine pampas.

Changes in the twenty-first century were far bigger than in the twentieth, when the Netherlands' economy gradually evolved from agricultural-based to industrial-based before finally developing the basis for its modern services-based economy. The Randstad, the area roughly defined by the present-day cities of Amsterdam, the Hague, Rotterdam, and Utrecht, developed into one megacity, with 16 million inhabitants and an agile system of fast underground traffic connections.

Except for five main corridors toward what used to be Germany and Belgium (both now states in the European Federation), the rest of the country has been returned to its original natural habitat. Indeed, the wide moors of northeastern Netherlands territory are flocked with roaming herds of wild cattle. This return to nature occurred in the beginning of the twenty-first century when Dutch agribusiness was facing untenable manure production that created tremendous environmental problems and provoked sharp political controversies. Eventually, the then-European Union levied huge fines against the Netherlands for not complying with its tough environmental directives. It meant the end of the overpopulation of stables with cows, chickens and hogs, and it greatly improved the quality of the air and soil in the Dutch countryside.

In the beginning of the twenty-first century, congestion on Dutch roads, railways, and harbor systems and indecisiveness in building new infrastructure cost the Netherlands its position as the favored transportation gateway to Europe. However, by the latter part of the century, the Dutch finally completed several major infrastructure projects and reestablished their position at the forefront of the transport sector. Chief among these projects was the relocation of Schiphol Airport on an enormous artificial island built just off the coast of the Netherlands in the North Sea. It is now the largest airline hub in northwestern Europe, offering connections not just to Amsterdam, but also to London and Paris by high speed underground links. The North Sea Airfield, as it is known, also offers freight facilities for the entire Northwestern part of the European Federation.

In many other ways, Dutch society

changed dramatically in the last 100 years. Islam became the largest single religion, after the exceptional influx of refugees from primarily Islamic countries in the late 1990s. The Dutch Reformed Church, which had been instituted as the official state religion by the founding fathers, diminished into relative obscurity. The Dutch branch of the Roman Catholic Church, which for most of the latter half of the twentieth century had been a dissident voice within the Vatican-led mother church, abolished itself in a spectacular outdoor ceremony celebrated by a married priest.

Only the old people still speak Dutch. A new kind of European Esperanto has become the daily language of most inhabitants, and Dutch is considered an archaic dialect with difficult guttural sounds.

For a large part of the early twenty-first century, the Dutch economy thrived on the export of marijuana, hash, and synthetic drugs, which were liberalized well ahead of neighboring countries. But after the Germans and French finally decided to give in to the insatiable demands of their aging populations for entertainment drugs, it took only a few years for French food giants and German industry to dominate the business, financed by the City of London. The Dutch homegrown marijuana lost out to the upmarket, fashionable French brands and the solid reputation of German synthetic drugs.

The country found new economic activities in a renaissance of the arts. Once pollution had disappeared, the Dutch skies, famously rendered by seventeenth-century painters, returned to their startlingly deep blue.

Painting, music, and the performing arts saw major advancements, particularly electronic arts. The investments made by governments a long time ago in developing electronic infrastructure and better educational systems eventually paid off. The Netherlands, once known for its “polder model” of cooperation between government, unions, and employees to tackle economic problems became the home of the “polder valley,” a new concept of businesses and artists jointly exploring the outer limits of electronic applications. It became a hugely successful trend, turning the Randstad into the European Federation's intellectual and cultural capital on the threshold of the twenty-second century.

—Roel Janssen

Global warming has taken much of the green out of the Emerald Isle, but the upside has been that Ireland is now the new sun playground of Europe.



Super highways, the successors to the old auto routes, have replaced the once tree-lined roads and crisscross the country, but new forms of uranium-powered people-carriers and transporters imported from Mars have led to some protests by the once-powerful lobby group known as “the Greens.”

Old-fashioned diesel and electric trains have been replaced by hurtling rocket-propelled tubes, which, depending on size and demand, carry thousands of people between island destinations and through the two chunnels that link the island with Britain and onward to the European mainland.

Plans for another chunnel linking Ireland with the United States are at an advanced stage, although difficulties have arisen on two of the chosen paths because of obstructions created by forests of submerged oil derricks. The replacement of oil and other fossilized fuels with imports of more modern gasses from other galaxies has been broadly welcomed, particularly by environmen-

talists; however, older people talk fondly about the days when houses were heated by turf from the ancient peatlands that once dotted the landscape.

For many years, the declining influence of religion caused alarm among traditionalists, but a changed approach by bishops of the Roman Catholic church toward contraception, divorce, and abortion has brought about a surprising surge in population and attitudes. Having conceded political defeat on these issues, religious leaders found (surprisingly to them) that most Irish people felt that without sanctions being applied to them the element of excitement died and the country is now mainly populated by conformists.

Consequent growth in the birth rate has doubled the capital city’s size, with almost 3 million people in the Greater Dublin area. The city’s ever-increasing wealth has led its leaders to propose changing its ancient Viking name from *Baile Atha Cliath* to “Dublin Mercantilia.”

This proposal has not won universal acclaim, particularly in Castlebar, Cork, Galway, Limerick, Sligo, Athlone, and other cities, but the city government has been in talks with the national government about transferring some industries and population to create a better balance between the regions.

The new inter-island parliament involving England, Scotland, Wales, the Isle of Man, Jersey, and Ireland, appears to be working in harmony, although some disquiet has emerged about lack of representation by English members still regretting the end of the old Westminster Parliament.

All in all, Ireland has changed dramatically in this last century. Of course, Northern Ireland continues to present problems, but hopes are high that a new initiative, involving George Mitchell IV, a great-grandson of the former US Senator, will lead toward peace and reconciliation among the divided people of that troubled area.

—Mike Burns

MADRID

DIVERSITY WILL INCREASE AND RETIREES WILL FLOCK

In the twenty-five years since the death of dictator Francisco Franco, Spain has undergone some amazing changes. While for decades it was sometimes kept at arm's length by its more democratic neighbors, it is now a fully engaged member of the European Union and NATO, and Spaniards fill many key posts in international organizations.

Economically, too, the country has grown by leaps and bounds, and Spaniards now enjoy a standard of living and leisure unprecedented in the country's history. People live longer, are healthier, have more free time, and travel abroad more than ever before.

In short, Spain is becoming like any other prosperous Western democracy and will almost certainly continue to do so. While the transformation the country will undergo over the next 100 years will reflect the changes going on in the wider world, Spain in the year 2100 will also become more like everywhere else in other ways, especially socially.

Increasing immigration is already changing Spain's once largely homogeneous society, a trend that will not cease anytime soon. More immigrants from the Magreb region and Sub-Saharan Africa will flood across the Mediterranean to take up residence and work here, while the influx of Latin Americans, already pronounced over the past decade, will continue.

Within a few more decades, Spanish cities will look more like those in France, the United Kingdom, and the Netherlands, with their own ethnic neighborhoods, immigrant success stories, and a true multicultural society. As this occurs, many Spaniards' current mistrust—and in some cases even dislike—of immigrants will change for the better.

At the same time, another social phenomenon will change Spain. Tens of thousands of northern Europeans are buying homes along the Mediterranean coast of mainland Spain and in the Balearic and Canary Islands and bringing their languages, customs, foods, and attitudes to their new home.

Many are retiring or planning to retire under the Spanish sun and as Europe's population ages, this trend will

continue until perhaps vast swathes of the country, or at least those with balmy weather and lots of golf courses, will resemble the US retirement paradises of Florida and Arizona. Europe's own "heaven's waiting rooms" with legions of multilingual geriatric specialists, old folks homes, and wheelchair emporiums.

So while Spain in the next century will resemble more and more its European partners politically and economically, it will also mirror those countries which have seen mass immigration and become richer and more interesting societies because of it.

—Benjamin Jones

STOCKHOLM

GEORGE JETSON MEETS SVEN SVENSSON

Stock quotes flashing in front of his eyes, via virtual glasses, Sven Svensson strolls the streets of central Stockholm chatting—on the cellular phone installed in the glasses—to his daughter. She needs information for a school report, but the family's new, infrared-driven laptop, with wireless broadband connection hasn't been delivered yet. So Sven surfs the Web for her, sending information that pops out of the family's (quaint, but still functional) fax machine.

Then he sends a message to his wife, letting her know he'll be a little late for dinner. She retrieves it via the computer hookup in the family's refrigerator. Then she programs the outside lights to go on as Sven comes home and the heat to turn on in the bedroom several hours later. She also asks the refrigerator to inventory its contents and make up a shopping list for the coming week.

It may all sound like science fiction. But Swedish life in the twenty-first century is apt to resemble this scenario and not just for a select few. Sven Svensson, the Swedish equivalent of America's Joe Sixpack, will routinely use the latest technology.

The seeds of the technological revolution are already there. Telecom company Ericsson is marketing its E-box in con-

junction with companies such as Electrolux and the utilities. The box lets you control everything in a house or apartment via fixed telephone lines, cellular connections, and the electricity system.

All of this could mean better control of electricity and telephone costs and better communication for families increasingly on the move. That's the good news. But the new century is also likely to bring some less-pleasant changes.

For one thing, the face of the Swedish health care system is apt to change dramatically. Instead of state-run hospitals and public clinics, more and more hospitals will be privatized, and waiting times for operations will be short only for those who have private insurance.

There will also be too few publicly operated homes for the elderly and a dearth of home care workers. As with health care, the socialist Swedes may find that money talks and the public system can no longer be relied on.

For younger people, too, housing will be a question. The continuing shortage of rental housing in urban areas will force more and more Swedes further and further from city centers. On the other hand, given the state of computer technology, that may not be too much of a problem.

Then again, many Swedes may not even live in Sweden. Taxes will still be high, and like it or not, Sweden will be entrenched in Europe in the new millennium. So Swedes will become increasingly mobile, living abroad and coming back only for summer vacations.

Living abroad will be made easier by the fact that Sweden will have finally joined the EU countries using the single currency, the euro, so nobody will have to worry about converting krona.

As for those summer vacations, they'll still be in July, in spite of the Continental preference for August, because some things never change. And when they come back, Swedes will still be clinking as they carry their bottles of booze off the planes. Duty-free shopping may have disap-

peared, but alcohol will always be cheaper abroad.

—Ariane Sains

As with health care, the socialist Swedes may find that money talks and the public system can no longer be relied on.

In 2100 London, some familiar vestiges of the twentieth century remain, such as red double-decker buses—although they now silently cruise along on a cushion of air.



LONDON

ENGLAND GOES BACK TO THE FUTURE

England has become what it always dreamed of being, an island unto itself.

After expulsion from the European Union in 2032 and the collapse of the thirty-five-year alliance as the fifty-first state of the United States, the country again stands proudly alone and separate.

Today, in the year 2100, England is following its own traditions, withdrawn from the world outside. Scotland and Wales have long since gone their own way as part of the Celtic Club, together with the Irish and the Bretons.

The divine right of kings has been re-established as the centuries of experi-

mentation with parliamentary rule and various forms of democracy proved to be divisive, and ultimately ineffective in the face of autocratic multinational corporations. Now the king rules as a benevolent dictator, and once again God is an Englishman.

Every Englishman's home is his castle, albeit a high-tech castle where interconnectivity means that all of life can be ordered from within and all needs satisfied by issuing a few thought-commands to the central "Utility and Life Needs" system.

During their virtual reality history lessons children viewing the computer mouse of a hundred years earlier fall about laughing. "Everyone knows that you think-issue the order, and it happens. Silly, primitive twentieth century man," they say thoughtlessly. But many of the external manifestations of the

twentieth century Englishman's environment have been reinstated.

The once beloved red "telephone" boxes are back on every corner, serving as "Complete Life Communication Modules." Red double-decker buses whoosh along on their cushion of air, taking people around the cities or out to the "Personal-Transport-Unit" parks on the outskirts. And, having rejected both Europe and the US, naturally all traffic once again drives on the left.

It was after the collapse of the Grand Atlantic Alliance, during which England became the fifty-first state of the US, that a reversion to as many old ways as possible accelerated. First to go was decimal currency. Back came pounds, shillings, and pence, and twelve rather than ten became the mathematical base.

Liters and kilos had, of course, gone with withdrawal from the EU. Back were

gallons and pints, pounds, and ounces. Meters and centimeters had been replaced by yards, feet, and inches.

Unfortunately, some of the retro-English developments have been a bit disdressing. With huge tariff barriers against the importation of “foreign muck” foods, the Englishman has reverted to his tradition of eating overcooked, fatty, and greasy foods. Fish and chips and pork pies delivered to every home in the land through the “Shakespeare Food Chain Pipe” ensure that food is fast, cheap, and consistently poor in quality. Still, there is roast beef again and Yorkshire pudding too, both of which had been banned in the early part of the century by the bureaucrats of Brussels.

With expulsion from the European Union for persistently and irritatingly questioning the logic and effectiveness of EU decisions, the English have been able to really indulge their eccentricities.

Many quintessential English traits and practices of the nineteenth and twentieth century reappeared as the island race drew in on itself. Courtesy and good manners are back, and men give up their seats to ladies on the transport modules. Despite long exposure to the American way of life, people have reverted to their tradition of not speaking to anyone unless they are formally introduced, and they always say “sorry” if you step on their toes.

Today, every true Englishman wears a bowler hat, a pin-stripe suit, and carries a rolled umbrella. No one can quite see the point of the umbrella, as global warming has made it obsolete, but the king insists on it!

—David Lennon

ROME

TWO GENTLEMEN FROM FUTURE ROMA

That morning, Muhammed Polansky threw himself into a long discussion with his old friend Mbato Kovacevich, whom he met at the bar for the Sacred Rite of the Cappuccino. “Being the good Italian that I am, of course, I am in perfect agreement with the new plan for Total World Agglomeration. And since you are just as Italian as I am, you should see it the same way. I still remember the funny stories my grandfather used to tell me about the beginning of globalization 100 years ago and how so many people

were confused and reluctant to accept it. But it seems to me that now, at the end of the year 2100, the traditions of us real Italians should be respected and preserved.”

“It seems to me,” Kovacevich interrupted huffily, “that you are suffering from a dangerous and nostalgic nationalistic mentality, which is not in line with the official position of the Western Congress.”

But Polansky remained adamant. “Let me list the improvements that our beloved country has made in the past few years, improvements that keep us in the top few positions in the official list of the nicest and most agreeable places to live on this planet. I approve of all these things. There can be no discussion about racial integration,” and he lowered his voice a bit. “In fact, just last century both you and I would have had a few problems passing ourselves off as typical Italians. My grandfather still remembers when Italian children were almost exclusively pale-skinned. Today, instead, my dark skin, blue eyes, and curly hair and your black skin, blond hair, and almond-shaped eyes are the norm.”

“Of course,” his friend shrugged, “the old inhabitants had stopped having children.”

“Right. And all the other improvements have made this nation truly efficient and pleasant to live in. Control of finance and the economy were felicitously contracted out to the Germans a while ago. Do you remember when at school we used to study about the huge deficit in public spending? I’m sure our ancestors would find it incredible that we have had a balanced budget for three generations, just like the *Perfect Economist’s Galactic Manual* prescribes.”

“What about entrusting tourism to the Japanese tour operators?” Kovacevich asked. “They’ve proven far more efficient,” countered Polansky, “and the idea of handing the management of the museums and the enormous Roman and Etruscan archeological parks over to the Americans was a stroke of genius. Finally, after centuries of neglect, all the artistic and cultural masterpieces of Italy are being made the most of. And they are bringing lots of money into the public coffers. So what if a few monuments have moved to the other side of the Atlantic. Let them keep the original Colosseum in Texas, the techno-plastic copy they built for us in exchange is more beautiful and better illuminated for the

evening world video shows.”

“Okay, so what about food,” challenged Kovacevich, “another one of our famous traditions?”

“Again dividing the management was the answer,” said Polansky. “The French have done a wonderful job with the luxury restaurants, and the Arabs have excelled at fast food and informal restaurants. For that matter, the Russians and the Chinese have done a fine job managing the lotteries and, I might add, with nary a scandal.”

“But what about the division of politics?” demanded Kovacevich, a hint of frustration in his voice.

“Well, the Vatican’s control of national affairs in conjunction with the First Western Mosque seems to be working smoothly, and I’ve heard few complaints about the Afro-Phillipine brotherhood’s handling of local administrations.”

“Well, speaking about politics, let me say this,” Kovacevich interrupted again. “To me it seems rather anachronistic that the old Roman Palaces should still have those old privileges.”

“No, come on. It’s for the tourists,” smiled Polansky. “A trip to Rome wouldn’t be complete without a visit to the Downtown Bureaucratic Triangle. Tickets to old Andreotti’s orations in the antique Italian parliament sell like hotcakes. And then, when the 200th Save Venice Commission is in session, the kids in the audience go wild. And no one would dream of ruining the show by mentioning the obvious: that Venice was saved a while back by the Americans and the British. It is also a way to show off the old Italian minority. Souvenir photos always sell well.”

“OK, then, if everything is fine and you agree with me, why are you so irritable this morning?” Kovacevich asked.

“Because there is a limit to everything. Didn’t you hear this morning on Virtual Personal News that they have modified the Official Spaghetti Recipe? Besides the classic one using ketchup, a derivative of the ancient use for tomatoes, now they have authorized a version that uses tofu. It’s outlandish!”

—Niccolò d’Aquino

VIENNA

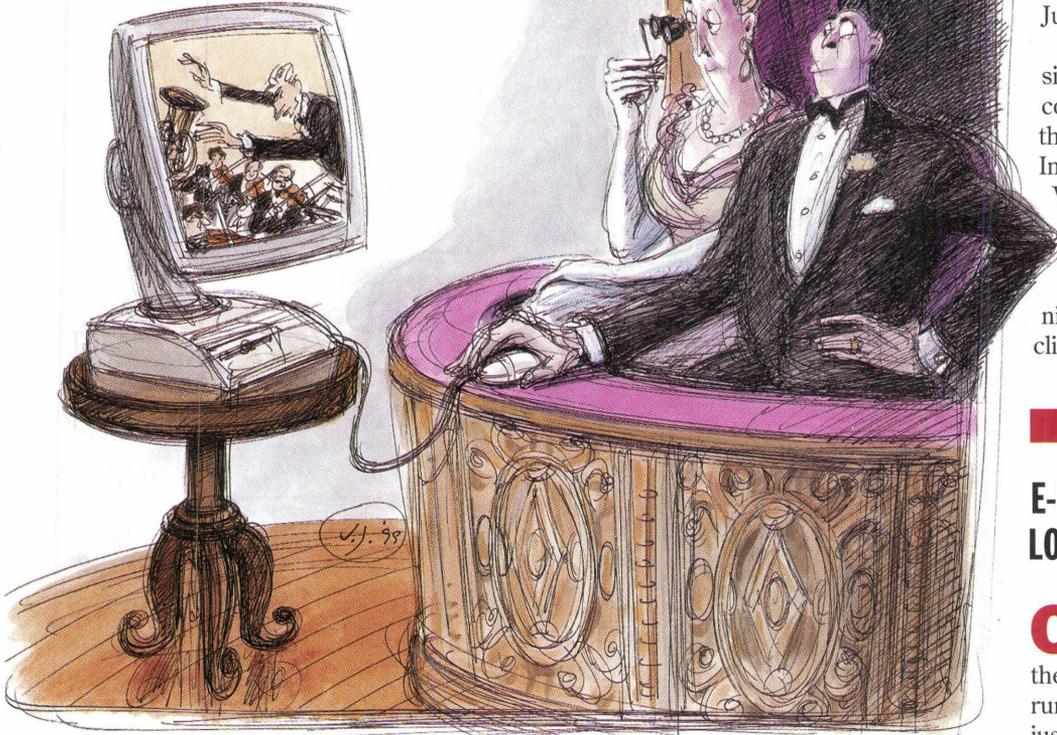
EUROPE’S CENTER, AGAIN

As borders tumble within Europe, Austria will be rejoined with terri-

tory it controlled until the end of World War I. This time, however, the common governing structures will be put in place under the auspices of the European Union.

With Hungary, Poland, the Czech Republic, and Slovenia among the front-runners to join the EU, and Slovakia and Romania close on their heels, Austria will play an even bigger role as the gateway to the East.

And later in the coming century, Bosnia, Croatia, Yugoslavia, and Ukraine will have transformed themselves into modern democracies with thriving



Vienna's famous music tradition continues into the twenty-second century as the Internet now offers performance-quality video and audio of the city's renowned Philharmonic.

economies, making them eligible for EU membership as well, and reuniting Austria with all the territory it oversaw during the Hapsburg Era.

Already, hundreds of international businesses have their Central European headquarters in Vienna, and that trend will thrive in the years ahead.

High-speed rail systems will link the major capital cities, and residents will be able to zip to work between Budapest and Bratislava, Vienna and Prague. Furthermore, commuters won't have to cross borders nor exchange currencies.

As the hub of business for the region, Vienna again will be a polyglot city, with even more Serbo-Croatian, Slovakian, and Slovenian heard on the streets, though English will remain the overriding language of the business world.

Shiny steel and glass office and residential towers will continue to spring up along the Danube River. But now elevated and covered moving walkways will carry pedestrians from building to building, and even span the Danube River, providing easy access to the United Nations headquarters and office buildings on the far shore.

With Vienna's strong emphasis on the environment, the linear parks providing the city with a breath of green will remain. Moreover, the central city will become a giant pedestrian zone, with only buses, taxis, and the U-bahn ferrying passengers from place to place.

As a major north-south and east-west thoroughfare, Austria will step up measures to protect the fragile environment in the Alps, banning trucks and digging its own "Chunnel" of sorts under the

mountains for a railway to transport freight from place to place.

Tourism will continue as a major industry of this Alpine nation. However, to guard against the effects of global warming and the whims of Mother Nature, posh ski resorts will be built under domes, and skiers and snowboarders can swoosh down the slopes even on the warmest of July days.

The country's rich musical tradition will, of course, remain. But through the power of the Internet, concerts by the Vienna Philharmonic Orchestra and other famed ensembles will be broadcast day and night worldwide with the click of a mouse.

—Susan Ladika

BERLIN

E-EVERYTHING BUT LOVE WILL REMAIN

Our cars talk; our gourmet meals cook themselves; our houses are run by computers that adjust the temperature, lights, security settings,

and order groceries. Of course, everything will be completely global and digital and reachable via the Internet. Without a doubt we will all have a phone either in our pockets or strapped to our wrists, and our offices, of course, will be portable.

"There is nothing new to all this," comments one computer expert. "We have been saying it for years." And so they have. The difference is that now we—the ordinary customer—are finally getting there. And it is a quantum leap from the way we used to understand the world.

In the old days it was the older generations who, with their life and work experience, helped the young master their lives. However, in 2100, it will be just the reverse. Will the young realize that old people also have valuable contributions

to make, or will the gap between young and old grow wider? Only time will tell.

This much is for sure. Tomorrow's youngsters will differ quite dramatically from their parents. They will have a better graduate or professional training, but finding work could be a problem. Young Germans will drift between part-time jobs. They will be more mobile than their parents, and buying a house will no longer be a purchase of a lifetime. Yet for those employed in fast-growing sectors, there will be increasing pressure, longer working hours, and higher levels of stress.

What it all involves for the economy is unclear. Consider manufacturing. The tastes of the younger Germans will be highly individual and fickle. For manufacturers, this will mean smaller production volumes and more money will be needed for market research and advertising. The main challenge will be how production volumes will also provide a chance for the skilled worker rather than robots because human beings are more flexible to adjust to new designs and demands.

Over the next decades the technological revolution and globalization will continue at a dizzying pace. German society will be richer but probably more unequal. High standards of living may not be accompanied by a high quality of life. Alcohol and drug use may increase. Personal security will be in jeopardy, as crime and divorce look set to rise above twentieth century levels, and future Germans will worry and complain even more than they do today. Fewer people are likely to start families. Single parent and one-person households will probably increase. The human life span will be extended substantially, and the proportion of gray heads walking around will increase dramatically (or decrease depending on scientific advancements in the cosmetic sciences and the level of vanity among our descendents). But we shall have to wait for another millennium to achieve the 969-year lifespan of Methuselah in the Bible.

Of course, we all know that consumers will drastically change their buying habits in the new e-economy, but perhaps less than one might think. The German homemaker will still prefer to buy his or her food personally rather than to leave it to the refrigerator to order it direct from the Internet. Indeed, we may even see an anti-technology movement, back to the home, away from the trap of the twenty-four-hour society. But despite all these changes, I fear-

lessly predict that human striving for happiness and love will continue unabated. Future generations will be touched by the very human aspect of strong love between husband and wife, as we were when Raisa Gorbacheva, wife of Mikhail Gorbachev, the last president of the Soviet Union, died last September and her husband was at her side.

—Wanda Menke-Glückert

ATHENS

WELCOME TO THE BIG OLIVE

Since peace prevailed in the Balkans during the early decades of the twenty-first century, the region prospered and Athens became the capital of the wealthy Southeast European Federation by the end of the century. Furthermore, Greece has joined with Turkey to transport the oil and gas wealth of the Caucasus to Europe.

As for Athens itself, it has regained much of its former splendor. The Elgin marbles have returned after spending some 200 years at the British Museum in London. In addition, engineers working closely with archaeologists have encased the Parthenon and other temples on the Acropolis hill in a high-tech plastic bubble to protect them from atmospheric pollution and, thereby, allowing for the return of the ancient frieze to its original position atop the city's most famous landmark.

Using advanced satellite photography techniques, archaeologists pinpointed other ancient Athenian landmarks—even some of the sculptures that stood outside temples and public buildings—and excavation teams restored the sites as part of a giant archaeological park and open-air museum stretching across the center of the capital.

A few decades after the beginning of the century, the Greeks gave up most manufacturing to focus on developing the country's tourist potential. Furthermore, growing concern about protecting the environment brought other changes. The barren mountains overlooking the capital were replanted with cypress, oaks, and olive trees, increasing rainfall and providing a green belt for leisure activities.

The government took drastic steps to reduce smog by passing one of Europe's first laws mandating that all cars be powered by pollution-free solar panels or fuel cells. Engineers teamed with architects

to create "smart" buildings that deflect the summer heat and pipe seawater from the Saronic Gulf to rooftop swimming pools.

Many Athenians long ago moved to the islands to telecommute via wireless Internet connections, although some still travel into the capital using a vast network of super-fast catamarans and shuttle airplane services that run precisely on time and have not seen a workers' strike in more than fifty years. Some tourists, however, prefer to take slower boats and recreate the voyages of earlier days—from an early twentieth-century fishing caique to an ancient Greek merchant vessel or even a reconstructed *trireme*, an oar-powered ancient warship.

Cleaning up the seas around the capital proved to be another early twenty-first century priority, especially as the Greeks turned to a healthier diet, replacing most meat with fish. Marine life—including schools of dolphins—soon returned to the coasts around the capital as ships started to use ecologically friendly anti-fouling paints. Aquaculture units, in their infancy in the late twentieth century, soon flourished, growing a variety of Mediterranean fish, and rocky outcrops in the Saronic were transformed into lobster and octopus farms.

In business, Athens has become the "Big Olive," a trading capital for one of the most important commodities of the twenty-second century. Soaring demand worldwide for olive oil by increasingly health-conscious populations brought a massive increase in olive plantations around the southeast Mediterranean, from Turkey and Syria to Tunisia and Libya. The Athens olive oil exchange now trades in futures of every variety, from cold-pressed extra virgin for the US gourmet market to bulk supplies for Siberia and South Africa. The benchmarks for the traders are traditional high-quality olive oil from the Peloponnese and the island of Crete.

Politics still matter, of course. The federal parliament has moved from the city center to a hilltop site on Mount Parnes overlooking the capital to accommodate deputies from Greece and the northern states of Albania, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Bulgaria, and Romania. A complex proportional electoral system is used to elect the president of the Southeast European Federation. Though Greeks are outnumbered by Slavs, the federation's official lan-

guage is English. And the biggest issue on the political agenda at the start of the twenty-second century? Extending membership in the federation to its closest ally and biggest trading partner—Turkey.

—Kerin Hope

COPENHAGEN

THE GREATER MERMAID REGION

Visitors to Copenhagen in the twentieth century were regularly disappointed by the size of the Little Mermaid, despite the warning implicit in its name. In the year 2100, a much larger Oresund Mermaid statue was erected on the artificial island that was created as part of the Oresund Fixed Link, the bridge, island, and tunnel that opened in the year 2000 and joined Denmark and the southern part of Sweden.

The Oresund Mermaid, however, no longer symbolizes a city or a country but rather the Greater Mermaid Region with a population of more than 2.5 million. Two-thirds on the Danish side of the Oresund, most in Copenhagen, and one-third on the Swedish side, though these have become pure geographical, rather than national, distinctions since the formal demise of the nation states in the middle of the twenty-first century.

The Greater Mermaid Region is the gateway to the Baltic Sea and the richest in the northeast part of the European Union, much to the chagrin of the Stockholm Region. As so often in history, infrastructure made the difference. The \$2.1 billion Oresund Fixed Link raised daily number of commuters from a mere 6,000 to more than 60,000. While most of the pre-Oresund Fixed Link commuters possessed low or medium skills, virtually all the twenty-second century commuters are highly skilled people, the majority with degrees.

In the twentieth century, highly qualified people refused to invest three to four hours per day to get to and from work in Denmark and Sweden. They did not have to since they could easily find jobs where they lived. But with total daily travel time reduced by the Oresund Fixed Link, travel time was halved, and virtually overnight the labor markets of what in the twentieth century was called the “new economy” on both sides of the waterway were integrated with information technology and biotechnology driving the growth.

Simple old-fashioned economics 101 did the rest. The best companies snapped up the best people, and the poor performers were quickly weeded out. The wage levels and intellectual challenges of the best companies in the region attracted the best minds from all over the world, much like Silicon Valley in the US was a magnet to the rest of the world in the twentieth century. But many never moved physically, for Cyberport Copenhagen was very early in the twenty-first century renamed Mermaid Cyberport, one of the largest digital work places in the European Union.

At the start of the twenty-first century, the Medicion Valley of pharmaceutical and biotechnology shared the torch of growth in the Mermaid Region with the IT sector, but by the middle of the century they had merged with life and environmental sciences. Mermaid products claimed a large share of the global market for food, most produced globally but with quality control firmly anchored in the Mermaid Region.

US industry totally dominated the market for genetically modified prod-

ucts, but the Mermaid Region, with centuries of Danish agricultural experience at its disposal, managed to develop the market for organic products. By the end of the twentieth century, Denmark’s worldwide market share of organic products amounted to a minuscule 3 percent but still among the largest in the world. By the middle of the twenty-first century more than 25 percent of food sold in the world’s richest countries was organically produced, much of it carrying a Mermaid seal.

It is said that history never repeats itself, but historians noted that the growth in the first century of the new millennium was reminiscent of the growth in the Oresund Region in the years 1000-1250 AD. All the major cities of the region were founded in that period, and they all thrived on trade with the Baltic Sea area, exploiting their knowledge and resources to the utmost. Technologies and products are vastly different in 2100, but the first and second spurts of regional growth share one characteristic: they are both knowledge-driven.

—Leif Beck Fallesen

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9/92	~\$13,000	~\$13,000
9/93	~\$14,000	~\$14,000
9/94	~\$15,000	~\$15,000
9/95	~\$16,000	~\$16,000
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LUXEMBOURG

TRADITION OF ADAPTATION TO CONTINUE

Once had a glimpse of a perfect European rural landscape. Driving across northern Luxembourg near Esche-sur-Sûre, I saw farmland stretching away in a clean unbroken sweep to the wooded hills of the Ardennes. The few houses visible seemed freshly painted and carefully designed to blend with the folds of the countryside.

It was like a picture from a child's storybook. It seemed that this might be an image to which all agriculture in Europe could aspire, but my host, a Luxembourg history professor, corrected me. There were few farmers in Luxembourg, he said. The houses mostly belonged to "bankers, television executives, and eurocrats." That landscape probably hadn't changed much in appearance in the past 100 years, but the quality of life behind it had undergone a complete revolution.

Luxembourg enters the new millennium in a condition that many people see as a preview of life to come for most European citizens.

Perhaps more than any other EU country, Luxembourg has escaped from the shackles of the past. Its people today are wealthy, healthily engaged in the growth industries of the future, multilingual, and receptive to cultural influences from across Europe. The Luxembourgers retain a national identity and take pride in it. However, unlike most other EU member states, a sense pervades of belonging to a wider grouping where the borders with other countries are seen more as openings and opportunities than as the source of friction.

Will one be able to say the same thing about Luxembourg a 100 years from now? The professor said that Luxembourg had earned its present prosperity, its social tranquillity, and its optimism largely through the efforts of businessmen and women who had not only been quick to see things coming but had the flexibility to respond in a way denied to larger countries.

A classic example is the sharing out of national broadcasting frequencies in the 1930s when the Luxembourg government decided that the country was too small to sustain a state operation and

turned the matter over to private enterprise. This decision resulted in the creation of Radio Luxembourg, the precursor of today's Compagnie Luxembourgeoise de Telediffusion (CLT), one of the giants of European broadcasting. In much the same way, Luxembourg was among the first countries to see the emerging crisis in the steel industry and take quick, if painful, action to adjust. Luxembourg led the way in exploiting the European currency markets in the 1960s to establish a financial sector that is today ranked as the sixth-largest in the world.

I asked a senior member of the government if it was possible for Luxembourg to stay ahead of the game in this way. "If you're looking at the next twenty years, and in these specific industries, then I think not," he said.

He thought that Luxembourg's leading role in financial services would inevitably be whittled away by the growing monetary union of the EU member states. CLT would remain a major player in broadcasting, but cross-border amalgamations of television companies would make the idea of national ownership meaningless, and the same would be true in the steel industry.

How then did he see life for the average Luxembourger 100 years from now? "We already have a very mixed population. A third of our total work force is foreign—that is we have a very large number of migrant workers from Portugal, many thousands of daily commuters from Belgium, Germany, and France as well as the international staff of the European institutions. All these numbers are growing. By the end of this century, there may be relatively few true Luxembourgers. But perhaps because of that, their national pride may be stronger. What I am sure of is that there will still be a Luxembourg—and I mean a people with a history and with pride and not just a tiny dot on the map."

Perhaps my interlocutor was too modest to say it, but it seems to me that this analysis omits that well-proven ability of Luxembourg to turn its small size to advantage, in politics as well as business. I would be very surprised if, in the year 2100, the average Luxembourger, however you define him or her, was not richer, better-fed, and more cosmopolitan in outlook than the citizens of neighboring countries—if indeed the idea of "country" still exists then.

—Alan Osborn

BRUSSELS

AT THE HEART OF A MUCH BIGGER EU

One confident prediction that can be made about the European Union in the twenty-first century is that it will be substantially larger than it is today. Whatever vicissitudes befall the negotiations with the current candidate countries, little doubt exists that all of them will eventually find a place within the Union, even if it turns out to be later rather than sooner. This forecast applies equally to those candidate countries (including Turkey) that were not among the six chosen for fast-track treatment two years ago.

These countries are likely to be followed eventually by the other states of southeast Europe, such as Albania, the Former Yugoslav Republic of Macedonia, and Croatia. Even Serbia stands a chance, if and when, it establishes itself as a stable democracy. Nor is it probable that the remaining non-member countries in Western Europe—Switzerland, Norway, and Iceland—will remain forever outside the fold. Economic self-interest will surely eventually overcome current doubts and hesitations. The question that really arises is whether the borders of the EU will eventually be coterminous with those of Europe as a whole.

Such an eventuality is far from certain, and Russia's position remains the key. Up until now, no serious consideration has been given to Russian accession to the Union. The question of scale has seemed to rule it out. Even discounting the vast tracts of Asia that fall within its territory, Russia is too large and too populous to fit in easily as an equal partner with far smaller European states to its west. This size differential means that, even if it were to meet all the political and economic criteria for membership, its accession would be problematic, to say the least.

Things might look different in fifty or one hundred years time, but at present a free trade area, a customs union, or a specially negotiated relationship all look rather more likely than full membership. This scenario leaves open the possible long-term status of the intermediate states of Ukraine, Belarus, and Moldova. It is certainly conceivable that they might join the EU, or they could opt for

some sort of federation or confederation with Russia, as Belarus President Lukashenko seems to favor.

So a bigger Union seems inevitable, but what kind of Union? Will it progress into a United States of Europe, as many have advocated and others feared. This seems improbable. The EU's structures and powers will undoubtedly undergo substantial modifications, but most, if not all, the European nations' senses of identity are too strong for them to be easily merged. More likely, the present hybrid model of supranational institutions linking nation states that retain a large measure of sovereignty will persist. Economic considerations, however, if nothing else will eventually force a merger of defense capabilities, and the idea of a common foreign policy will take on more flesh.

How much weight will the EU have in the world by, say, the mid-century? My bet is that it will be one of four major players, along with the United States, China, and India. The two latter countries will be vastly larger in terms of population (with perhaps 2 billion people each, compared to a maximum of 500 million for the EU and 350 million for the US). Only by retaining at least some of their technological edge will Europeans and North Americans be able to stay in the same league as their Asian rivals. Their demographic inferiority should act as an additional spur in favor of transatlantic cooperation rather than rivalry in both economic and military fields, and some sort of permanent political link might conceivably ensue.

On a lower level than the "super four," will be a range of medium powers made up of countries with relatively large populations and/or technological expertise. These should include Japan, Russia, Brazil, Mexico, Indonesia, Nigeria, and, possibly Pakistan, though some at least of these countries may well fragment into smaller units.

It looks like a multipolar world would be a much safer place if the powers of the United Nations were to increase substantially. Where will little Belgium stand in all this? A very tiny place, with perhaps half its present population, if current trends persist. No bad thing, perhaps, as it is currently the most densely populated country in mainland Europe.

Will it be a single country—and will that matter? Not very much in fifty or one hundred years, I would guess, though I would also predict that present

difficulties between Dutch and French speakers will disappear. By mid-century, if not before, all Belgians will probably be speaking the same language—English.

—Dick Leonard

HELSINKI

GROUNDWORK LAID FOR FUTURE CRIME BUSTERS

A Finnish diplomat made a prediction during the European Union summit meeting at Tampere, a town about 100 miles north of Helsinki, in October. "One hundred years from now, the leaders of Europe will gather here to celebrate, and they will say that this is where it all began," he predicted, "Tampere will prove one of the landmarks in the development of the EU."

He was referring to the surprisingly comprehensive blueprint for the creation of "an area of freedom, security, and justice in the European Union" that had just been agreed by the heads of government

of the fifteen member countries. While not everybody present accepted (and certainly not in public) that this marked the beginning of the construction of a single legal and police system for the EU, few disagreed that something important and perhaps historic had been achieved.

What the Tampere summit agreed was the creation of a new office of European crime-busters—a unit of prosecutors and magistrates charged with tackling cross-border crime and given powers to swoop into national preserves to carry out investigations. The agency, which would coordinate the drive at a pan-European level, would be comprised of a special breed of European policemen to be trained at a new Euro-police college. Such an initiative is a bold thrust into new territory for the EU where member states have until now regarded national control over the police as one of their untouchable rights.

At the same time, the EU leaders agreed to "mutual recognition" of each others' court judgments and said they would work toward establishing a com-

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mon EU system for granting asylum, dealing with immigrants, and ending the need for extradition proceedings between them.

Some of the more excited observers called it a framework for the development of a "European FBI" and eventually, the basis for a legal constitution for the EU. Others were careful not to arouse political sensitivities in their home countries. Policing, internal security, legal, and constitutional traditions are deeply rooted in some countries—in the United Kingdom, for example, the cornerstone of present law is the Magna Carta, dating back to 1215.

Nevertheless, the Tampere declaration represented a timely response to the growing impatience in many EU countries for the Union to make itself more relevant to the wishes, needs, and fears of the average citizen. Too often, the EU can seem little more than a giant marketplace or political talking-shop. Too often, it has seemed the borders have been opened to international drug traffickers, money-launderers, and organized crime syndicates yet firmly closed to the police, customs officers, and prosecutors who would tackle them.

Even if the Tampere proposals do no more than even up that balance, the Finns will deserve a lot of gratitude, and the name of the old industrial city will be written into EU history. However, Finland will be disappointed if the new century does not bring a far more important development. A development that, moreover, will come wrapped in the authentic trappings of Finnish history—namely the creation of the "Northern Dimension" to Europe, the development of a vast economic grouping stretching from Moscow to western Norway with Helsinki as its geographical and maybe political center.

The Finnish goal is to bring Russia, with whose history Finland is so closely interwoven, into the great economic engine of the EU, opening new major trading routes where oil, gas, and minerals from the East can be matched by goods and services from the West. With an 800-mile land border with Russia and close sea links with the ports of the Baltic republics, Finland would be at the hub of any northward concentration of European endeavors. It will not happen overnight, but the vision in Helsinki goes well beyond the next generation and certainly looks beyond the present financial and environmental problems in its troubled eastern neighbor.

Not all Finns are quite so visionary, however. "Can you foresee Russia becoming a member, alongside you, of the European Union some time in the next century?" I asked a foreign office official in Helsinki. "At the moment, I'd settle for just getting the city of St. Petersburg to stop contaminating our waters with its sewage," he replied.

—Alan Osborn

L I S B O N

HOPING FOR A GREEN FUTURE

Lisbon has changed rapidly in recent years and not always for the better. At any one time, several of its squares or streets are being dug up for an underground parking garage or subway station. In the old parts of town, a series of renovation programs have left whole streets swathed in scaffolding, and sidewalks heaped with building materials.

While residents may be grateful something is being done to improve the city's facilities, it has been hard to endure the noise, dust, and traffic diversions. Nevertheless, according to city planners, the urban landscape that will emerge from all this upheaval will be prettier, cleaner, and offer better public services—all without losing its special character.

"I hope Lisbon changes as little as possible, in contrast to what others say," says Lisbon Mayor João Soares. "I want it to remain faithful to its best traditions. That means modernizing and becoming more human but respecting its heritage."

Not everyone agrees with the strategy being followed. Lisbon's narrow streets were never designed for the automobile, critics argue, and planners should not entice more drivers into the center. Instead, they should fund better public transportation.

The Portuguese, however, are in the throes of a love affair with the motor car. The affection may be unrequited. Portugal has the worst accident rate in the EU, and Lisbon suffers from chronic traffic problems, lying as it does in the bend of the Tagus River. However, it will be a while before the automobile loses its attraction for people whose grandparents, or even parents, drove nothing faster than a donkey cart.

If Lisbon follows the pattern of cities in richer EU countries, such as Germany, there will be a growing awareness of the need to control automobile use. Al-

ready, the poor quality of life in the city, as well as a lack of affordable housing, has been a factor in the shift of population to the suburbs.

Officials are taking steps to prepare the center to compete with out-of-town facilities, such as shopping malls. The Chiado, the historic district gutted by a fire in 1988, was almost fully restored to its former elegance by the fall of 1999. On the cultural front, Lisbon is also going from strength to strength with the recently opened and acclaimed Museum of Design set to expand dramatically and the performing arts gaining ever more visibility.

The Lisbon of the next century should also be greener. In order to meet the target of 290 square feet of green space per inhabitant by 2001, the city's landscaping department has designed new parks and gardens and planted more than 50,000 trees along the avenues.

In the words of Mayor Soares, "What we need is a city where people feel good, where they enjoy working, living, loving, and dreaming."

—Alison Roberts

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ARTS & LEISURE

BOOKS

A HISTORY OF THE TWENTIETH CENTURY: VOLUME TWO: 1933–1951

By Sir Martin Gilbert; William Morrow and Company; 927 pages; \$35

The Second World War has dominated the twentieth century: the fighting that took place on the battlefields, by land, sea, and air between 1939 and 1945, and the killings that were perpetrated behind the front lines saw the greatest loss of military and civilian life in so short a time in recorded history," remarks Sir Martin Gilbert in his masterfully written book on the years 1933–1951.

Although the book is a brilliant history of our troubled century, his writing is so descriptive and colorful that it reads as if it were a novel told by a narrator who was present at each and every event, good and bad, that took place around the world during these tragic days.

One of the recurring themes throughout the book is Hitler's policy to obliterate the Jewish people and their religion from Europe. "The mass murder of the Jews to their deaths remained a Nazi priority. In the end, the mass murder of Jews was the only element in Hitler's war policy that succeeded," states Gilbert, who has written extensively also on the Holocaust. The idea that a civilized state planned and carried out these acts of vio-

lence is mind numbing. Gilbert documents each of these grizzly episodes in vivid detail. The revival of a Jewish community in Berlin and around Europe today indicates that man's capacity for survival is stronger than the brutal barbarism that once existed and hopefully will never show its face on the planet ever again.

Another theme of this period of the twentieth century is the plight of refugees. "The twentieth century was never free from the plight and burden of refugees and their personal suffering. In 1937 there was an estimated 700,000 refugees worldwide," reports the author. In fact, in the last sentence in the book, he states, "In the ongoing discussion as to whom the century can be said to 'belong', there were many who call it the century of the refugee."

Gilbert mentions the "cause of European Union" and writes that in 1950 "France and Germany—three times military adversaries in the previous eighty years—took a positive and practical lead in the move toward a united Europe."

There were some positive accomplishments before and after the horrors of the Second World War. As Gilbert notes, "In October, 1933 a commercial flight from Britain to Australia was completed in the record time of six days, seventeen hours, and fifty-six minutes." And in the same year, a lesser triumph was realized when the Ritz cracker was introduced in the United States.

Gilbert's book makes these events—good, bad, and

horrible—come alive on the pages. Hopefully, his keen insights and vivid portraits of pure evil during these years of ethnic hatreds, lawlessness, genocide, and violence will help us never to return to this type of insanity again, and the twenty-first century will be known as the century of peace and tolerance. We can only hope that we have learned from our mistakes. I look forward to his final book on the years 1951–2000 when we can read of a Europe moving together rather than tearing itself apart.

THE LAST APOCALYPSE: EUROPE AT THE YEAR 1000 AD

By James Reston, Jr.; Anchor Books, 277 pages; \$15

Queen Sigrid, the Strong-Minded; Ethelred, the Unready; Al Mansor, the Avenging Moor; Gerbert, the Wizard; and Theophano, Almost Purple-Born are some of the characters who lived in the chaotic world of Europe shortly before and shortly after the year 1000 AD.

James Reston, Jr., a prolific writer on a wide range of subjects, has written an exciting glimpse into life as it may have looked more than 1,000 years ago. Using poetry and sea adventure stories handed down through the centuries, he has written a lively and engaging book on a period largely forgotten in the modern era.

As he states, "In 999 AD, the apocalypse lay in the forces of history. It can be found in the collective

clashes of personalities...in the determined cruelty of Olaf Trygvesson, in the wisdom of Thorgeir and the jealousy of Sigrud, in the brave curiosity of Leif Eriksson... and the brilliance of Gerbert."

Writing almost in the vein of a travelogue—carrying the reader from Scandinavia and life among the Vikings to Spain and the Moors to Italy and the early religious leaders to England and its ancient battling tribes—Reston paints a picture of a Europe in transition.

"At the turn of the last millennium, Europe Christianized, almost all at once... Christianity in 999 AD represented civilization and learning and nationhood against the darkness of heathenism, illiteracy, and tribal chaos. The forty years before the end of the first millennium is a continuous, spirited, brutal dialectic between Christianity and heathenism. For the royal players who are my main characters, the religion of Christ...meant dignity and stature. The change was, in short, apocalyptic," relates the author.

As we enter the dawn of another new millennium looking for a peaceful, integrated Europe, we see that in 999 AD "Christian Europe had become a reality. It became a community of nations, with a continental view... The dream of civilization had been recaptured. As the new millennium began, the absence of terror was the important thing. Hope and excitement about the future was the mood."

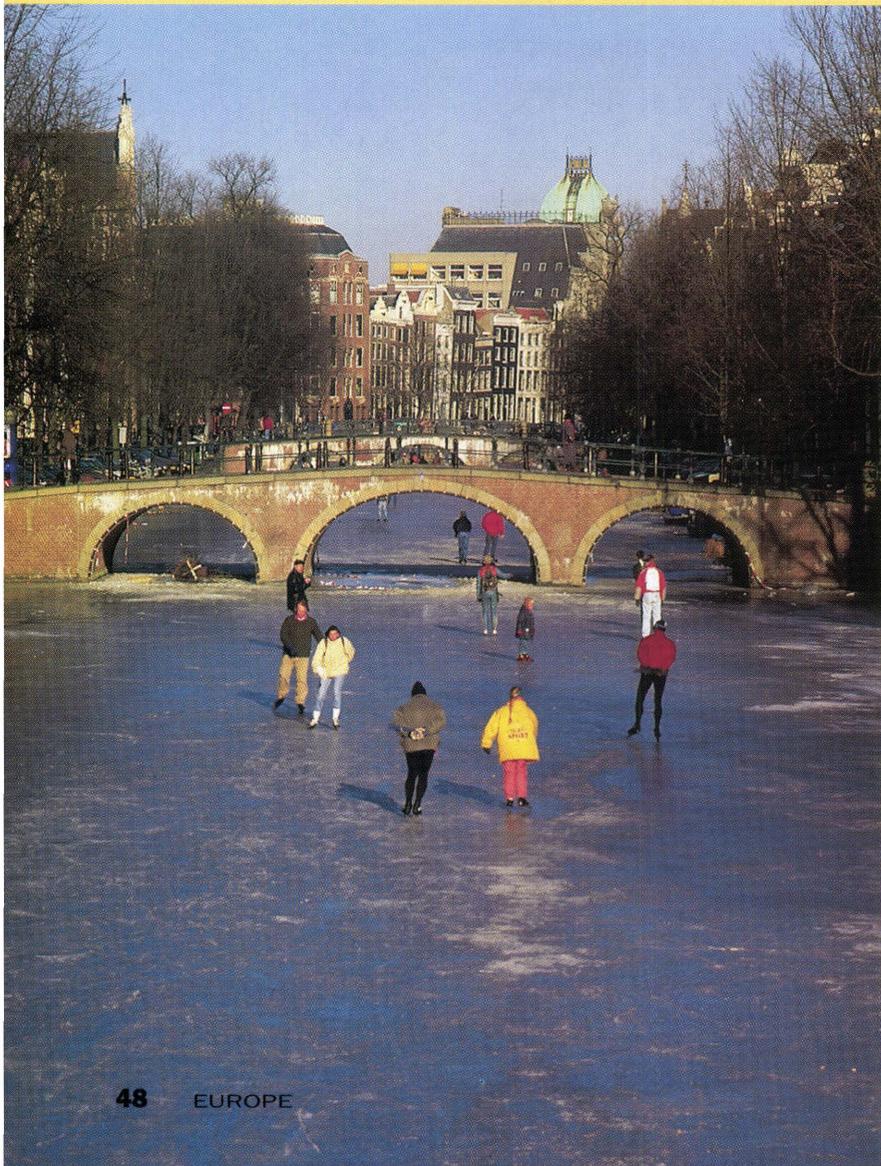
—Robert J. Guttman

YESTERDAY



AND

TODAY



Y2-Skate

The year 2000, historians believe, roughly marks the 3,000th anniversary of ice skating. Probably born in Scandinavia around 1000 BC, prehistoric man likely used the rib bones of elk, reindeer, or other animals as a means of travel. It wasn't until the seventeenth century that skating became a well-established sport.

As recreation, skating has been practiced on the canals of the Netherlands since the Middle Ages. Skating was popular in England in the seventeenth century, and the first skating club was formed in Scotland in 1742. Marie-Antoinette was among the French court skaters in 1776, and Napoleon Bonaparte skated at Auxerre in 1781.

E.W. Bushnell, an American, invented the first all-steel ice skate that clipped onto the boot in 1848, and it wasn't long before figure skating came onto the scene. The first artificially frozen ice rink was opened in London in 1876. This led to figure skating being introduced into the 1908 Olympic Games in London.

The Dutch, however, have long had a special relationship with the ice. Whether it's a boys' speed skating team (like the one from the beginning of the twentieth century pictured above) or modern skaters out for a leisurely glide along an Amsterdam canal (bottom), the Dutch as a nation love to skate.

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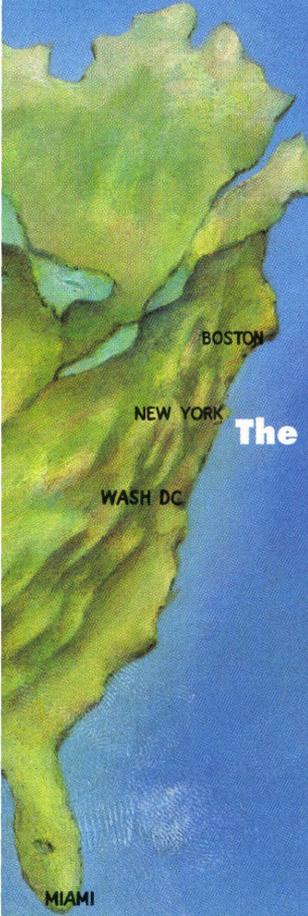
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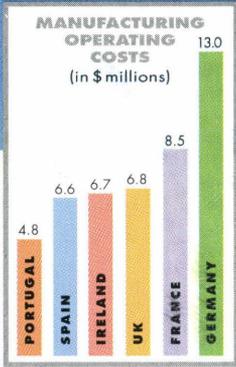
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