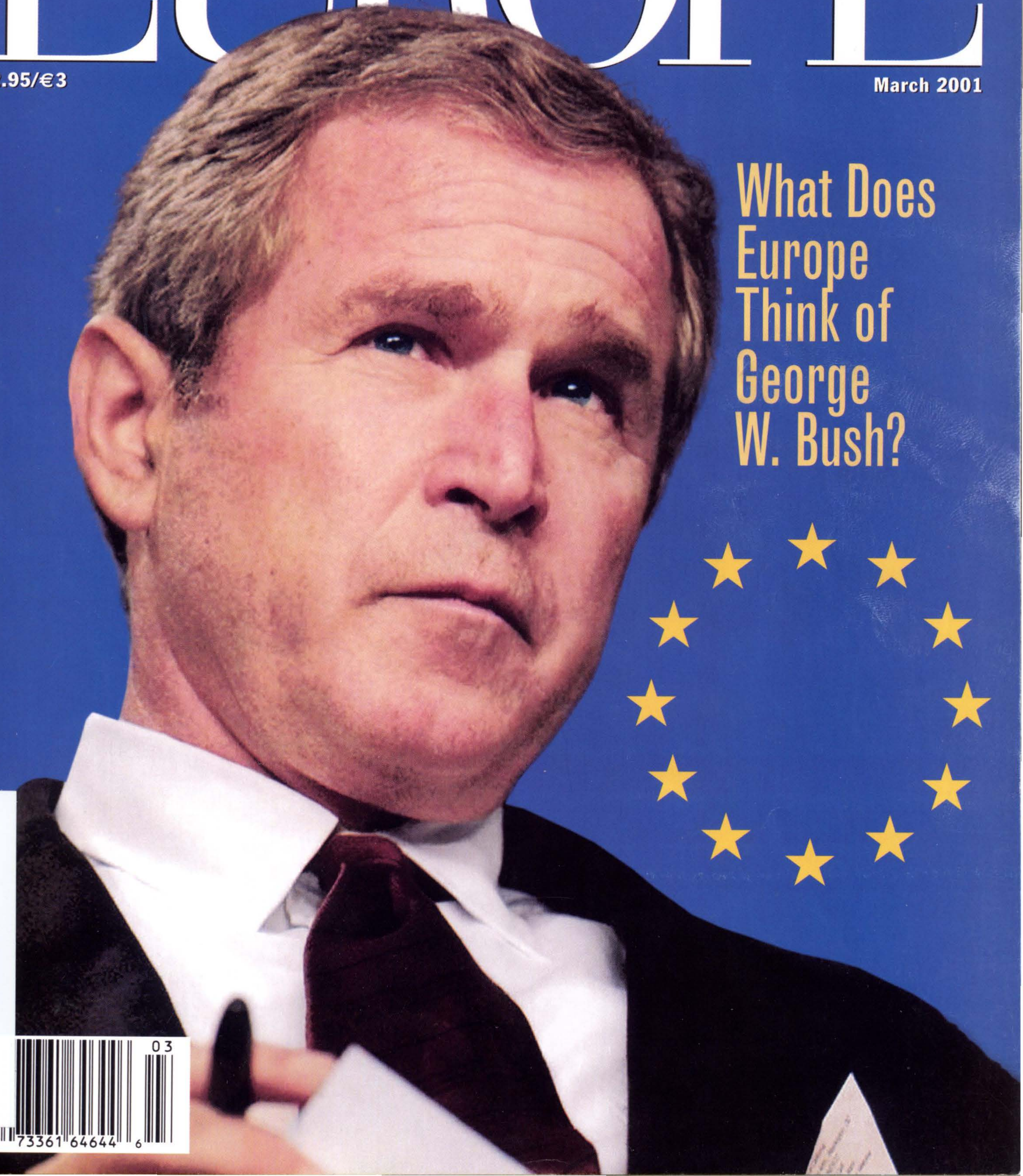
GREECE & TURKEY • EURO EXCITEMENT • OLYMPICS 2004

EUROPE

$2.95/€3

March 2001

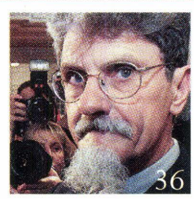


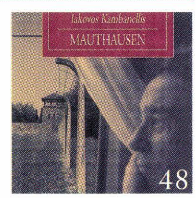
What Does Europe Think of George W. Bush?

ECIS: 2

CONTENTS

EUROPE
Magazine of the European Union
MARCH 2001
NUMBER 404



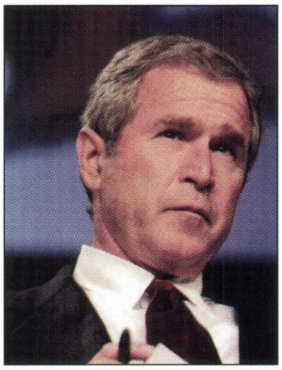


LETTER FROM THE EDITOR

What does Europe think of the forty-third president of the United States George W. Bush?

EUROPE asked our correspondents in London, Paris, and Berlin to discuss how the new Bush administration is viewed from their respective capitals. Martin Walker offers a European view from inside Washington.

Among European government leaders, there is a wait and see attitude on how the new administration will deal with the critical transatlantic issues of the day. Most European diplomats know very little of the forty-third president other than the fact that his father was the forty-first president. However, there is a belief that the new president has chosen a solid foreign policy and trade team who can work well with their European counterparts.



What does Europe think of President Bush?

In an exclusive *EUROPE* interview, Ambassador Günter Burghardt, the head of the European Commission's Washington delegation, speaks out on the EU–US relationship, trade matters, the Balkans, NATO, the death penalty, the euro, and enlargement. Ambassador Burghardt believes it may be time "for a strategic dialogue on the broader geopolitical and societal issues in order to create a kind of new kinship across the Atlantic between the New World and the New Europe."

On the EU's economic front, many continue to ask how the euro is doing. According to Norbert Walter, chief economist for Deutsche Bank Group in Frankfurt, the euro is "working very well, indeed." In fact, writes Walter, "the euro has been a success story in many respects" In his article, he discusses why enlargement will strengthen the euro and why the area known as Euroland is geared up for economic growth.

Our fifteen Capitals correspondents detail how the introduction of the euro will affect their individual nations next year. The twelve euro zone correspondents talk about replacing their national currencies with the new currency, while our writers in London, Copenhagen, and Stockholm discuss what it will be like not to be included in Euroland.

Greece became the twelfth member of Euroland in January. Kerin Hope, reporting from Athens, says there is a mood of optimism in the fact that Greece reduced their budget deficit and reduced inflation "to levels required for adopting the euro." She reports on what the Greek government is doing to prepare for the introduction of the new single currency.

While Greece focuses on adopting the euro they are also working hard to host the 2004 Summer Olympics in Athens. According to Gianna Angelopoulou-Daskalaki, the head of the Athens Olympic committee, Greece must "run a marathon at a sprinters' pace" to be ready in time. We detail how the Olympic preparations are going.

In a lighter vein, *EUROPE* offers our readers an in-depth look at European cashmere. We explore the entire process from the Asian goat herds to the Scottish and Italian woolen mills to the fashion runways of Milan and Paris. In addition, for our readers planning a trip to Greece, we offer some out-of-the-way Athens excursions.

Next month, *EUROPE* looks at "Transatlantic Ties and Transatlantic Tensions."

Robert J Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

PUBLISHER	Willy Hélin
EDITOR-IN-CHIEF	Robert J. Guttman
GENERAL MANAGER	Anne Depigny
SENIOR WRITER	Peter Gwin
ASSOCIATE EDITOR	Susan J. Burdin
SECRETARY	Julie Calaz
CONTRIBUTORS	
ATHENS	Kerin Hope
BERLIN	Terry Martin
BONN	Wanda Menke-Glückert
BRUSSELS	Dick Leonard
COPENHAGEN	Leif Beck Fallesen
DUBLIN	Mike Burns
THE HAGUE	Roel Janssen
HELSINKI	David Haworth
LISBON	Alison Roberts
LONDON	Lionel Barber Bruce Barnard David Lennon
LUXEMBOURG	Alan Osborn
MADRID	Benjamin Jones
PARIS	John Andrews Axel Krause Ester Laushway
ROME	Niccolò d'Aquino
STOCKHOLM	Ariane Sains
VIENNA	Alexandra Hergesell
DESIGN	The Magazine Group, Inc. Jeffrey Kibler
ADVERTISING INFORMATION	Gary Voudrie tel. (202) 721-1458 fax (202) 331-7311

EUROPE, *Magazine of the European Union* (ISSN 0191-4545), is published on the 15th of each month, except January and August, by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037.

EUROPE, published 10 times per year, is available by subscription for $19.95 per year; $34.95 for 2 years; $46.95 for three years. Add $10.00 to non-U.S. subscriptions for postage and handling. Student rate (with proof of enrollment): $14.95 per year; $25.95 for 2 years; $35.95 for 3 years. Bulk rate also available. **Editorial, permissions, advertising, and circulation offices:** 2300 M Street, NW, Washington, DC 20037; Telephone (202) 862-9555. Available in microform from UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700

World Wide Web: www.eurunion.org

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

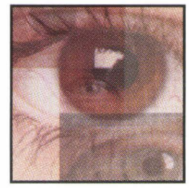
Subscriber services: 1-800-627-7961. (In Canada call 303-604-1464.) Periodicals class postage paid at Washington, DC and additional entry. **Postmaster:** Please send change of address forms to *EUROPE,* P.O. Box 55935, Boulder, CO 80328-5935.

PRINTED IN THE U.S.A.

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

EYE ON THE EU

Profiling personalities and developments within the European Union



BRITS FIND EU VOICE IN THINK TANKS

Over the years, the official influence of the United Kingdom government within the EU has probably been consistently less than it should have been, considering the size and importance of the country. This was partly a consequence of the UK not having been one of the founding members and to the subsequent negative and half-hearted approach of successive governments, culminating in the Thatcher and Major years. Things have improved considerably under the Blair government, but even so its reluctance to commit itself unequivocally to the single currency has led to its exclusion from the Euro-12 committee of the Council of Ministers, and consequently the British voice is not heard in what is becoming one of the key EU forums.

Paradoxically, however, the influence of British individuals has almost certainly been as great as that of people of any other nationality. This is because Britons have founded and run many of the important think tanks that are focused on the work of the EU. Whenever and wherever questions of EU policy and development are debated, British voices are to the fore.

The first of these think tanks to be established celebrates its twentieth anniversary this year. It was set up by economic historian Peter Ludlow, who asked himself the question "Why isn't there a Brookings Institution for the European Community?" and attempted himself to remedy the deficiency.

It was hard going. The Center for European Policy Studies (CEPS) was set up in a single room in the University of Louvain-la-Neuve with Ludlow and a secretary as the only staff. Financial help from a couple of charitable foundations enabled him to move to more spacious premises in Brussels, and the organization gradually expanded until today, when the staff is nearly forty, including some part-timers. CEPS (www.ceps.be) receives a small annual grant from the EU, but depends mostly on corporate funding, which tends to fluctuate violently from year-to-year. The organization is run on a veritable shoestring compared with Brookings but has built up a considerable reputation for its research work, publications, and active contribution to the European debate.

> **Britons have founded and run many of the important think tanks that are focused on the work of the EU.**

Ludlow retired as director last year, though he continues as founding director and head of its political institutions program. The new director is Daniel Gros, a German economist, who is probably the world's greatest authority on the euro outside the European Central Bank. He is flanked by Belgian Karel Lannoo as chief executive officer. CEPS has been especially influential in the development of EU policy toward Eastern Europe and the former Soviet Union. It was one of its senior research fellows, Michael Emerson, a former senior EU economist and ambassador in Moscow, who devised the Balkans Security Pact and authored a similar project for the Caucasus region, now being seriously discussed by European governments, while the Russians are showing a cautious interest.

Sometimes seen as a rival to CEPS, the European Policy Center (www.The EPC.be) was established five years ago by two Britons, lawyer Stanley Crossick and journalist John Palmer, and a Dutchman, Max Kohnstam, a former aide to Jean Monnet, one of the EU founding fathers. Like CEPS, it runs a full program of events in Brussels, at which ministers, commissioners, diplomats, and top EU officials discuss their policies with influential audiences, but its research program is much less developed. EPC's strength lies in its expert analysis of EU developments on a day-to-day basis, and its electronic public policy journal, *Challenge Europe*, provides the best running commentary currently available on the European Union. The EPC also produced invaluable annotated editions of both the Maastricht and Amsterdam treaties, and it is very much to be hoped that they will follow them with a comparable volume on the Treaty of Nice.

Outside Brussels, there are two other important British-led think tanks concerned with EU affairs, both based in London. The Center for European Reform (www.cer.org.uk) was established in 1997 by an eminent group of supporters to promote the European debate and, especially, to encourage a more enthusiastic British participation. Since then, it has produced a steady stream of high-level publications, as well as organizing a formidable program of conferences and meetings. Its director is Charles Grant, formerly a senior journalist at the *Economist* and author of a highly praised biography of Jacques Delors.

Finally, there is the Foreign Policy Center (www.fpc.org.uk), established in 1998 with the backing of Tony Blair and Foreign Secretary Robin Cook. Although it is generally seen as a 'New Labor' outfit, it has retained its independence and has produced a number of thoughtful and influential publications on the European Union, including notably *Network Europe* and *The Future Shape of Europe*. As the director happens to be my son, Mark Leonard, family modesty prevents me from saying more.

—Dick Leonard

EURO NOTES

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

SOFTER US ECONOMY, STRONGER EURO

The euro has finally turned the corner. After a miserable performance in the first two years, at least in terms of the exchange rate, the single European currency seems to have confirmed its year-end recovery against the dollar.

The recent pattern of euro strength looks assured. Most forecasters predict a sharp slowdown in US economic growth this year, possibly even a recession. By contrast, the euro zone is likely to suffer only a modest slowdown in growth, from around 3 percent in 2000 to something between 2.5 and 2.75 percent in 2001.

The contrast between an uncertain US outlook and a solid European performance was one of the prime themes of the World Economic Forum summit of business and political leaders in Davos, which led to a spate of American newspaper stories along the lines of "The Hour of Europe."

The mood swing in the US may be overdone, not least because a stronger euro may be bad news for the euro zone's exporters. But it does help the European Central Bank's fight against inflation and removes the threat of higher interest rates—which is why Europe's politicians are looking relieved.

For much of last year, many were wringing their hands about the weak euro. Having overpromoted the currency as a rival to the dollar, they were at a loss to explain why it fell almost 30 percent from its initial high in early 1999 to a low of just more than 80 cents.

Still, the bounce back to between 90 and 95 cents, with the possibility of dollar parity in the coming months, does raise questions anew about what might be considered an appropriate level.

Didier Reynders, Belgium's finance minister, and Javier Solana, the EU's high representative for foreign and security policy, at a meeting of the Euro Group.

What is striking is how some central bankers such as Christian Noyer, ECB vice-president, made clear that a euro at around 85 cents was fundamentally undervalued. Today, they no longer sound quite so convinced now that parity with the dollar looks like a possibility.

Though few would admit it, plenty of European leaders would sympathize with Gerhard Schröder, German chancellor, who said last year that a weak euro had helped German exporters. By implication, he was also pointing to the benefits of a weak currency for the hard-pressed manufacturing in the former East Germany where unemployment is chronic.

On the other side of the North Sea, the stronger euro has offered a degree of relief to British manufacturers who have been suffering heavily because of a supercharged sterling. In the past twelve months, the strong pound has served as justification for car manufacturers to slash jobs and capacity, from Ford at Dagenham to General Motors at Luton, both outside London. Over the same period, the number of manufacturing layoffs in the United Kingdom totaled 96,000.

The big question is whether the European economy can survive a sustained period of euro appreciation without a sharp slowdown in growth. The neatest solution would be a gradual appreciation of the euro and no 'hard landing' in the US. This is the controlled outcome upon which US Fed Chairman Alan Greenspan and ECB President Wim Duisenberg are pinning their hopes.

In the longer-term, one of the issues under review in Brussels is whether the gyrations of the euro reflected the relative modest performance of the European economy in comparison to the rip-roaring growth of the US. Or was the period of sustained weakness, as some believe, due to a political failure to speak and act coherently on behalf of the euro?

Didier Reynders, the Belgian finance minister, inclines toward the latter explanation. He has taken over the rotating chair of the euro-twelve, which (now including Greece) comprises all members of the euro zone. He will have the job for twelve months because Sweden, which has the EU presidency in the first half of 2001, remains outside the euro zone.

Yet, it would be unwise to ignore fundamentals such as capital flows. For most of 1999 and 2000, European companies were investing heavily in the US, drawn by the allure of the Internet-driven "New Economy" and the associated wave of takeovers. The subsequent stock market correction has made everyone a lot more cautious.

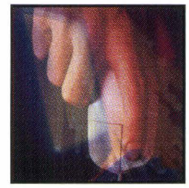
Stephen King, a currency expert at HSBC, says, "European companies have gone into the US thinking they can get a good deal and make lots of money; but now they are finding it is not so easy."

The same argument applies to those companies who borrowed heavily in cheap euros to buy US assets. That looked like a sound proposition when the US economy was looking at annual growth rates of between 4 and 5 percent; but now that those same companies are seeing the cost of borrowing rise and the US economy slow down, the calculation no longer looks like a one-way bet.

—Lionel Barber

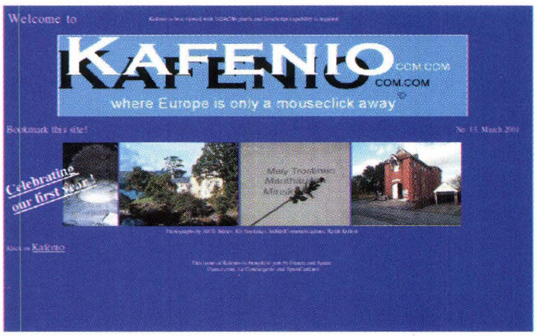
e-EUROPE

Tracking the news and trends shaping Europe's technology sector



AEGEAN ADVENTURES IN E-PUBLISHING

In the Internet age, web-focused businesses based in far-flung locales have become familiar stories. However, a decade ago, it would have been unthinkable that two people could pick up and move to a secluded Greek island and start an international magazine. But in the early 1990s, German photographer Alf Meier and his American journalist wife, Roberta Beach Jacobson, were envisioning just such possibilities. Now as the founding editors of the on-line journal *Kafenio*, they have realized their dream.



Based in Frankfurt, Meier (forty-six) and Jacobson (forty-eight) found their ideal spot while vacationing on the island of Karpathos. Situated twenty-six sea hours from Athens, midway between Rhodes and Crete, they were charmed by its picturesque mountains and quiet seclusion and began making plans to relocate there. They took lessons in modern Greek, found a place to live, and set in motion the plans for *Kafenio,* which means 'coffee-house' in Greek.

Jacobson describes their new base on Karpathos as "really in the middle of nowhere." With a population of 250 and a strong agriculture tradition, the island is indeed a world away from the glitzy media megalopolises, but Jacobson is quick to note the positives. "Our Internet connections are better than in Frankfurt," she says, "quicker—because of fewer customers—and cheaper." Now, the couple relies almost exclusively on the Internet for their livelihood. "We've cut down snail mailing to less than 5 percent of our work," says Jacobson.

Their plan encountered its first crisis when their domain registration went astray in the mail, and someone claimed the web address "Kafenio .com" ahead of them. They regrouped and added an extra 'com', becoming Kafeniocom .com.

Originally, the couple planned to cover only Greek culture, but they soon broadened their scope to encompass all of Europe. "We noticed there was no on-line niche covering only European culture," says Jacobson, "so we decided we would tackle this." They launched *Kafenio's* first issue into cyberspace exactly one year ago and have posted a new issue each month since.

The site is divided into three main sections. "Features" usually includes four new stories per edition. In the first twelve issues, they have published an eclectic mix of articles from across the EU. They have regular contributors based in London, Vienna, and Copenhagen but have published stories from as far afield as Poland, Romania, Australia, and Botswana. Most of the stories have focused on travel-related themes, with titles such as "Denmark's Smallest National Park" and "London's Riverside Pubs." However, this section has also included articles on heavier topics, such as Kosovo and the euro's implementation. The "Departments" section offers a monthly take on sports, a guest columnist, and a review of top European web sites, and "Insider Europe," provides a calendar of upcoming events, festivals, and special travel deals.

The site has a homemade feel, devoid of the slick web effects on bigger, fancier e-zines like *Slate* and *Salon*. The layout is a bit unwieldy, and I found that some of the photos wouldn't download. Nevertheless, the design is reader friendly, unlike many more elaborate e-zines; the navigation is easy to follow; and all the links work. As for the content, the writing is often very fresh and sometimes irreverent, as reflected in stories like "I Temped for the Vatican." Unfortunately, only the current month's stories are accessible.

According to Meier, *Kafenio* consistently averages 15,000 visitors a month, but from day to day, the number varies widely. "We have had days with only thirty-nine visits," he notes, "and others topping 8,000." As for where the readers come from, no two months are alike. In February, 26 percent of the site's visitors clicked in from the US, perhaps not a surprise since the site is published in English; however, the next biggest audience came from Spain (12 percent), well ahead of the UK (4 percent).

So, a year after taking the plunge into the world of cyber publishing, what's the couple's outlook on the number of dot-coms going the way of the dodo? "We don't expect to get rich doing this," says Jacobson. Therefore, *Kafenio's* overhead costs are purposely "rock-bottom." "There have been some fine e-zines around that went down the tubes fast," she observes. "Simply having a high quality product does not mean something will last."

Meier is also realistic if a bit more optimistic. "Most dot-coms were only good at one thing, burning capital on advertisement to [in turn] lure new advertisers to burn money on advertisement," he says. "Even the dumbest investor gets wise to this scheme sooner or later." However, he believes web-based magazines might be the one dot-com sector with a better outlook for the future since most people use the Internet to find information.

Overall, Jacobson counts their first year on-line in the Aegean as a learning experience. "I suppose there are plenty of bad days in this business, but you get over them," she says. "We live on a tiny island, surrounded by goats and cats. We experience frequent power outages. So far, this has not happened on the first of the month as we are uploading *Kafenio*."

—Peter Gwin

How Is the Euro Working? "Very Well,

By Norbert Walter

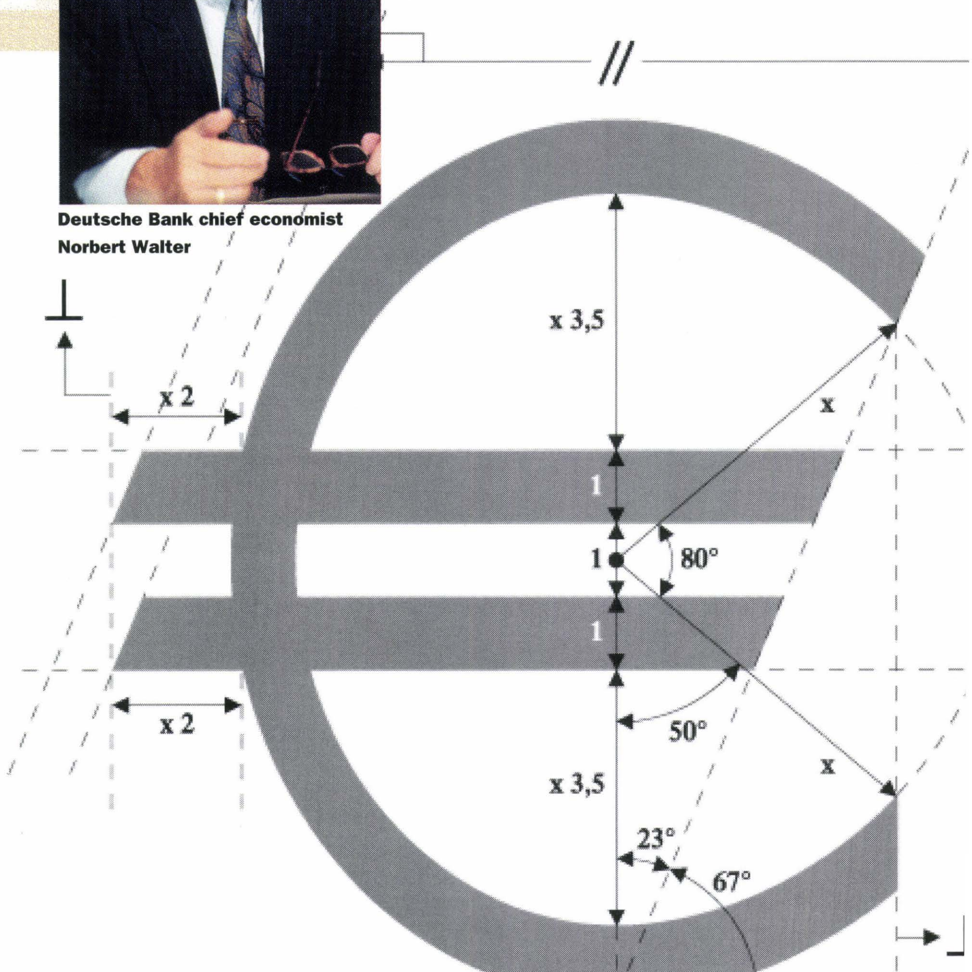
The euro has been a success story in many respects. By all criteria, the European Central Bank has done an excellent job. Inflation in Euroland remains subdued and long-term interest rates relatively low thanks to the preemptive tightening of monetary policy that started in November 1999. Even the oil price hike didn't push inflation above 3 percent or long-term rates above 6 percent. In the course of 2001, inflation will head toward 2 percent, the target rate of the ECB, and bond rates will likely be as low as 5 percent.

The growth performance is also quite good. GDP is expected to grow a good 3 percent in 2000–2001. Intra-European trade is benefiting from the elimination of exchange-rate risks. A unified European capital market is emerging. International bond issues in euros are almost as important as dollar-denominated international bonds, each accounting for about 40 percent of the total market.

Until late 2000, there was only one weak spot: the euro exchange rate had declined substantially. In spite of its recent recovery, it is still far below the rate that market observers regard as compatible with the economic fundamentals. The G3 (the US, Europe, and Japan) were right in trying to signal to the markets by concerted foreign exchange interventions in September 2000 that the depreciation of the euro is overshooting. Unfortunately, they were much too shy to sell excess dollar reserves when the time was right.

One reason for the weakness of the euro until last fall can be seen in the unexpectedly large differential between growth rates in the US and Europe. On

Deutsche Bank chief economist Norbert Walter



Indeed!”

top of that, it is claimed that market sentiment was influenced by a number of structural issues. Tax and pension reform, deregulation, and market liberalization have been criticized as moving too slowly in a number of EMU member states, inhibiting the realization of the full growth potential of their economies. But things are moving in the right direction, as the tax reforms in Germany and France show.

Various market observers have put much of the blame for the fledgling currency's weakness on the forthcoming round of EU eastward enlargement. The underlying logic of this argument is threefold. First, the procedure by which the candidate countries are to join the EU and the European Monetary Union (EMU) is frequently perceived as unclear. Second, there is concern over the stability of monetary and economic policy in an enlarged EMU. Third, there is also concern regarding the additional burden on European institutions and the structural divergence between the accession countries and EMU countries, resulting in fiscal strains for old EU countries.

On closer examination these concerns prove unfounded. There is no evidence that eastward enlargement will weaken the euro—just the opposite: The expansion of EMU may further strengthen the European currency.

The first Central and Eastern European countries are not likely to join EMU before 2008. This allows sufficient time for the necessary preparations in the EU and the applicant countries.

The convergence criteria provide clear rules for accession to EMU, regarding price and exchange rate stability, interest rates convergence, and sound public sector finances. Those criteria have proven successful in the selection of the EMU member states and must be met by the applicant countries. Quite a few of the applicant countries will probably achieve the "Maastricht criteria" at a very early stage.

Instead of worrying excessively about potential risks stemming from the entry of the applicant countries, one should consider that the cumulated GDP of the ten applicant countries is equivalent to a mere 6 percent of GDP of the present eleven EMU member states. In terms of the broad M3 money supply measure, the volume of money circulating in the applicant countries comes to only 3 percent. Thus, the impact on economic development as well as on the inflation rate and economic activity for the entire euro area will be marginal.

Despite the fact that eastward enlargement will mean greater real economic divergence within the EU and EMU, there is no reason to hesitate. Different regional growth rates can be observed in all monetary areas, including EMU in its present form, as well as within the United States, for example. The dollar serves both Nebraska and New Jersey despite the gulf between the income levels in those two states.

On top of all these reasons why EMU enlargement to the east should not be all that dangerous, let me observe that I rarely hear that foreign exchange markets discount events that are some *eight years* out.

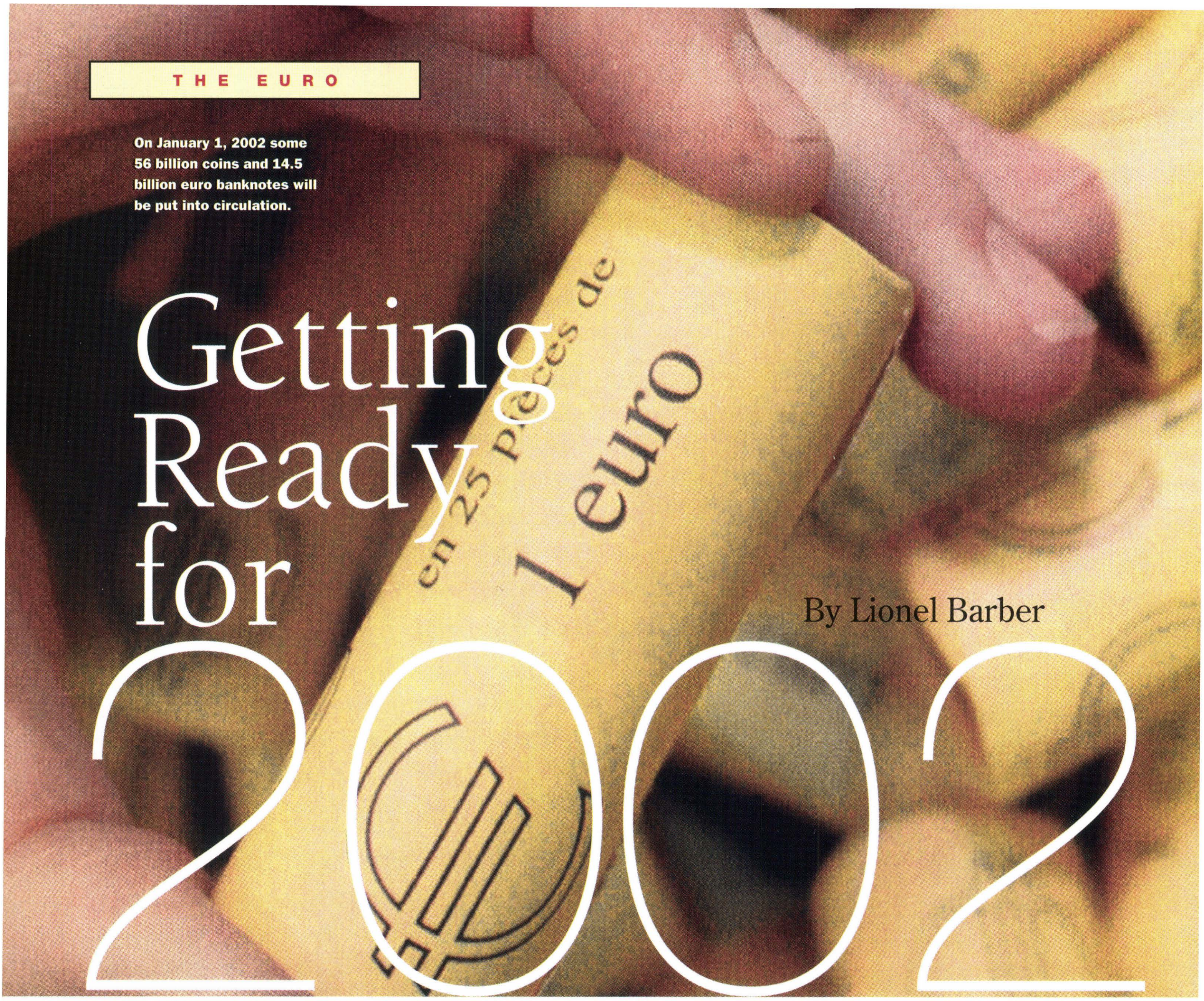
To summarize, the euro's initial decline was disappointing, but the economic fundamentals are clearly changing in favor of the EMU area, suggesting that the euro has considerable further potential for appreciation. ⓔ

Norbert Walter is chief economist at Deutsche Bank Group in Frankfurt.

On January 1, 2002 some 56 billion coins and 14.5 billion euro banknotes will be put into circulation.

Getting Ready for 2002

By Lionel Barber



On January 1, 2002, the euro will switch from a "virtual" to a real currency. This is the long-awaited day marking the introduction of euro notes and coins among the 302 million people living in the twelve-member euro zone.

By this date, more than 14.5 billion euro banknotes will have been printed and circulated to banks and retail outlets. Some 56 billion coins, weighing thousands of tons, will have been minted and shipped to users. Over the next two months, the new notes and coins will circulate among the public.

The build-up to January 1, 2002—known as €-Day—amounts to one of the biggest logistical challenges in Europe in peacetime. It will affect everyone from tourist operators to central bankers and those in Central and Eastern Europe who have been hoarding national currencies, notably deutsche marks.

Until now, the euro has hardly impinged on the collective consciousness of Europe's citizens. Whereas specialist bankers and market operators have traded in financial instruments such as euro-denominated bonds since the launch of the euro in January 1999, ordinary people have continued to use national currencies to conduct transactions.

The new euro notes do not feature familiar historical symbols or national figures such as Dante, Goethe, or Napoleon. Instead, they portray buildings and bridges, each designed to symbolize a new European political community that has overcome nationalism.

The psychological impact of the abolition of national currencies such as the deutsche mark, the French franc, and the Dutch guilder, among others, cannot be dismissed lightly. The deutsche mark has for fifty years been a symbol of stability and a source of pride for the Germans.

On the other hand, many would agree with Daniel Bouton, the head of Société Générale, the French bank, who says that if the introduction of the new euro notes and coins is handled well, it could be a defining moment in raising the public consciousness about Europe.

That is why national governments are planning a public relations blitz toward the end of the year and early next year. The Netherlands plans to double its mass media efforts in 2002. The Irish government will increase its advertising budget from $2.3 million last year to $21 million this year.

In France, public awareness is running high, thanks to earlier award-winning campaigns and numerous practical guides for specialist consumers such as hospitals and the social housing sector. To bolster these national efforts, the European Central Bank has a $73.5 million budget, which will be focused on the last four months of this year and the first weeks of 2002.

The changeover to euro notes and coins represents an important political challenge. If anything goes wrong, as some fear in the retail sector, there could be a backlash against the governments of France, Germany, Ireland, and the Netherlands, which are holding elections in 2002.

Some euro-zone countries less used to handling such massive logistical problems could find themselves exposed, just as southern European countries have struggled to deal with the mass slaughter of cattle caused by the mad cow crisis this year.

Adapting the millions of vending machines in Europe to the euro is a costly and difficult exercise. Moreover, feeding the new notes into automatic teller machines will take longer than usual because they need to be "riffed" three times to ensure a smooth delivery.

Small companies face higher costs in adapting to the euro than multinationals that have prepared for longer and have deeper pockets. Companies such as Unilever, the Anglo-Dutch consumer industries giant, have been leaders in this area.

But the biggest area of concern centers on the timetable for the changeover, which is extremely compressed and ambitious.

The ECB says that most cash transactions in euros should be operating by January 15. But national currencies will continue to circulate for the first two months of 2002, creating considerable scope for confusion even if shops produce two sets of prices. Only on March 1, 2002 will national currencies cease to be legal tender.

The ECB and Euro-group finance ministers have agreed to "frontload" or supply financial institutions in advance with notes and coins from September 1, 2001. Banks will be able to pass them on to cash transport companies and retailers before €-Day, but this will require a heavy security operation to prevent robbery and forgery.

But pan-European retail groups—such as Carrefour of France and Ikea of Sweden—have failed to convince the ECB and ministers to support a similar "frontloading" of notes and coins to the public. They fear that confusion over the changeover will hurt their sales over the crucial New Year's period.

There are lingering doubts among bankers, retailers, and specialized transport companies that ministers and central bankers have underestimated

the scope for things going wrong at the "street level."

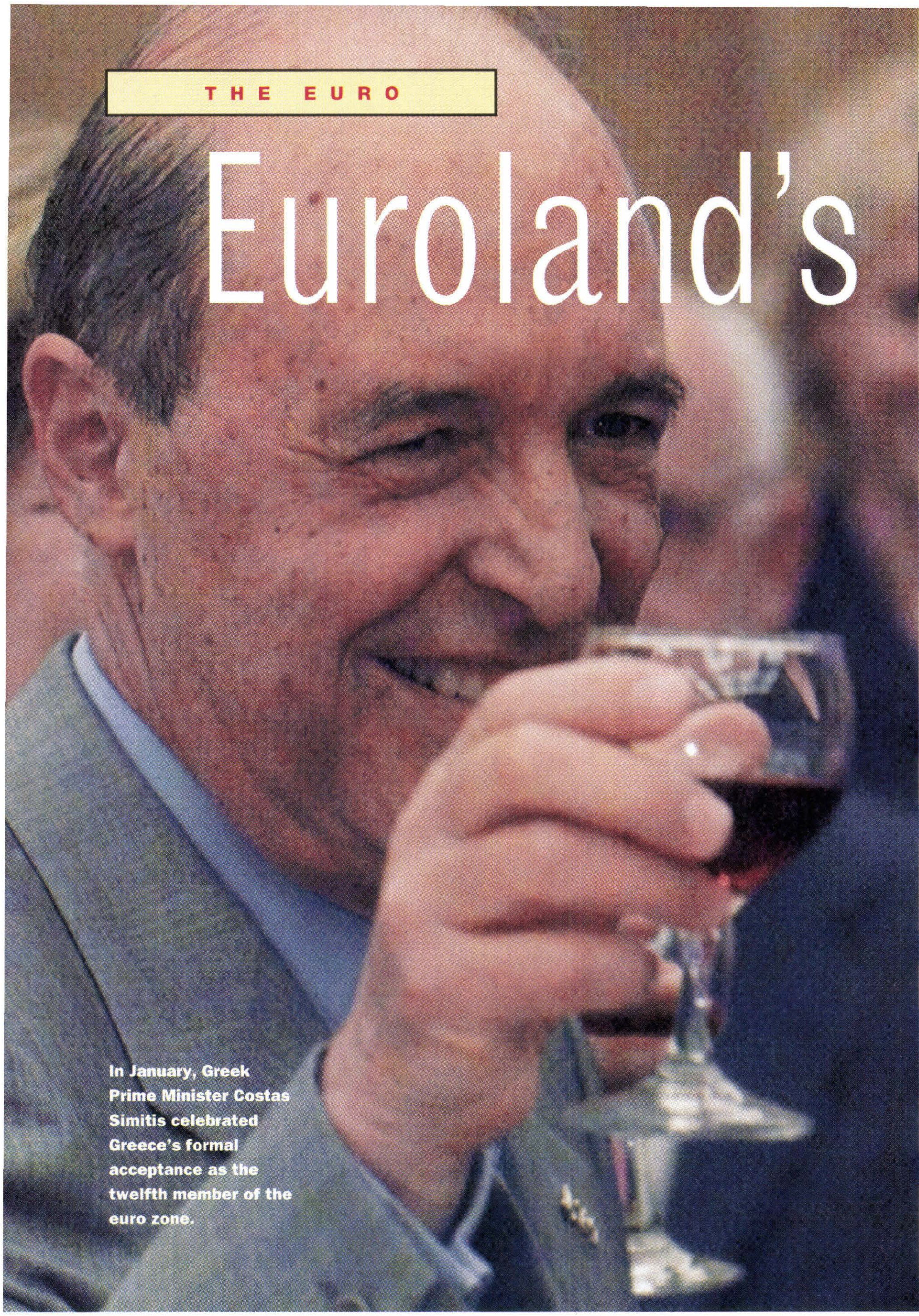
There were, of course, similar worries expressed in the run-up to the launch of the euro in January 1999, which turned out to be a technically faultless exercise. But in this round, the scope for something going wrong is unlimited.

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

Twenty-cent coins of the new currency slip through the hands of an employee at the Federal Mint in Stuttgart, Germany.

Euroland's Newest MEMBER

By Kerin Hope



In January, Greek Prime Minister Costas Simitis celebrated Greece's formal acceptance as the twelfth member of the euro zone.

In January Greece became the twelfth member of the European Monetary Union after a sustained effort to reduce inflation and the budget deficit to levels required for adopting the euro. However, the Socialist government of Prime Minister Costas Simitis cannot afford to take time off to relax. As Simitis says, "The next step is harder because we have to change our way of thinking. It needs organization, consensus, and hard work."

Simitis, who took over as premier five years ago with a mandate to take Greece into the euro zone, has set specific targets for the next three years. Real convergence with the EU's developed economies is the aim. By 2004, he says, incomes in Greece should reach 70 percent of the EU average compared with 62 percent last year.

Nominally, Greece is still the poorest member of the EU, although a large gray economy and high levels of remittances and savings held abroad, suggest that per capita income may be almost as high as Spain's. But the economy has been growing faster than the EU average for the past four years. Bolstered by transfers from Union structural funds—mainly assigned to improving transport links with European markets—and rising private investment, growth is projected at 5 percent this year.

Yannos Papantoniou, the finance minister who steered Greece into the euro zone, says, "We've laid the foundations for steady growth of around 5 percent yearly over the next four years." His optimism is largely based on the dynamic performance of Greece's private sector, driven by improved productivity at home and an ambitious expansion into the regional markets in the Balkans and east Mediterranean.

Led by OTE, the partly privatized telecommunications operator, Greek companies have invested some $3.5 billion in regional markets. Oil refining groups, cement producers, food and beverage companies, and retailers have

The Greek drachma is added to the euro currency conversion board at European Commission headquarters in Brussels.

made acquisitions or launched greenfield projects. Last year for the first time, investment by Greek companies abroad exceeded foreign investment in Greece.

This trend appears set to continue, as Greek companies take advantage of the country's arrival in the euro zone. Lefteris Antonacopoulos, president of SEB, the Greek industrialists' federation, says, "The mood is buoyant. With interest rates at euro-zone levels and foreign exchange risk eliminated, companies have an opportunity to carve out a niche in Western Europe."

But Greece still has some catching-up to do before it can claim the status of a Balkan tiger. It was allowed by Brussels to postpone until this year the opening of its telecom and energy markets to competition. In the meantime, Greece's big state monopolies still dominate both sectors. Instead of offerings of majority stakes in big state corporations, the privatization effort has consisted of floating small equity stakes in public enterprises on the Athens Stock Exchange.

The government faces criticism from would-be investors in the telecom and energy concerns who complain they still face obstacles to competing with the state-owned giants. Obtaining licenses and permits is a time-consuming process, while regulators—appointed by the government—have been cautious about asserting their independence.

The slow pace of liberalization is also blamed for the Greeks' apparent reluctance to embrace new technologies. Although more than 50 percent of Greek residents own a mobile phone—the only segment of the telecom market that was open to competition from the start—fewer than 10 percent had access to the Internet at the end of last year. Greek business, dominated by small family-owned companies, has been slow to install internal e-mail and management information systems.

Antonacopoulos responds, "We're pressing the government to go faster. Companies are frustrated with the slow pace of structural reforms. It's a big threat to Greece's competitiveness in the euro zone."

The Socialists take a step-by-step approach to reform, mainly because of opposition from the powerful public sector unions that form their political base. Most Greek state corporations are overstaffed, and full privatization would inevitably result in a radical downsizing. With the unemployment rate already at around 12 percent, the government is unwilling to face the political cost of job losses in the public sector.

Despite the weakness of the international telecom sector, Papantoniou hopes to find a strategic investor to buy a 15 percent stake in OTE, a move that would reduce the state's shareholding to 36 percent. The government is also offering a majority stake of up to 65 percent in Olympic Airways, the loss-making state carrier. It hopes to find at least two foreign banks that would consider joining the Greek market by acquiring a strategic stake in a state-controlled bank.

For Simitis, this year's priorities are to push through reforms of the outdated health and pensions system and implement new measures aimed at making the labor market more flexible. More battles with the labor unions are looming. But the premier's five-year campaign to bring Greece into EMU has proved that persistence pays off. Even his critics would concede that his avowed aim of making Greece "a normal, successful, and prosperous European country" seems within reach. ⓔ

Kerin Hope is EUROPE*'s Athens correspondent.*

By Kerin Hope

GREECE &

The rapprochement between Greece and Turkey, born from a mutual outpouring of sympathy over 1999's disastrous earthquakes on both sides of the Aegean, is marking time. Problems over Cyprus have resurfaced, though disagreement in Athens and Ankara over the Greek-Cypriots' bid for EU accession is expressed in far milder tones than in the 1990s.

By contrast, Greece's business community is increasingly bullish about cross-border trade and investment. The size of the Turkish market, with 70 million consumers—more than the entire population of the Balkans—is a big draw. Admittedly, Turkey's financial crisis last year slowed Greek banks' plans for expansion. But Greek companies are actively seeking opportunities for acquisitions and joint ventures. Leading the drive are fast-growing companies in the information technology sector.

At the political level, George Papandreou, the Greek foreign minister, who leads the drive for better relations with Turkey, is criticized for making concessions to Ankara without winning political gains for Greece. The hard-line faction in the governing Panhellenic Socialist Movement views with disapproval Papandreou's warm relationship with Ismail Cem, his Turkish opposite number.

However, Papandreou's soft approach to handling relations with Turkey is supported by Greece's EU partners. Its lifting of a longstanding veto on Turkey becoming a formal candidate for membership brought acknowledgement that the old disputes over Aegean sovereignty should be referred to international arbitration.

Most important, the EU accepted that the division of Cyprus into separate Greek and Turkish Cypriot sectors need not prevent the island's accession. Furthermore, at last December's EU summit in Nice, Papandreou helped work out the language for Turkey's new partnership agreement with the Union that would open the way for formal accession negotiations.

"It's not that rapprochement has cooled; it's that both sides are taking a timeout to digest its first stage," says Theodore Coloumbis, an Athens University specialist on Greek-Turkish affairs. "This is a long-term project for both participants."

In addition to providing a safety net for Papandreou and Cem's political high-wire act, the EU offers opportunities for long-term cooperation between Greece and Turkey. First to step up to the plate were Depa and Botas, the Greek and Turkish state gas utilities, respectively. They agreed to cooperate on a feasibility study under the EU's Inogate program for a series of pipelines to carry natural gas from Central Asia to Europe. The $10 billion project, expected to take shape over the next decade, would bring interconnections between the Greek and Turkish networks and, at a later date, the construction of new pipelines across the region.

"It's a very specific form of cooperation, with senior officials and experts joining forces," says Thomas Lamnides of Markatos Lamnides, a Greek law firm that has prepared Inogate's institutional framework for oil and gas transport from Central Asia to Europe. "This isn't a process that can be easily reversed."

With Greece's energy sector set for liberalization this year, local and international companies are evaluating projects to build new power plants in northern Greece that would supply Turkey as well as the domestic market. A new cross-border electricity transmission link is already planned.

Cross-border trade jumped last year to an estimated $1 billion from $700 million the previous year. But with Turkey

TURKEY

The Balkan powers continue their complicated dance of diplomacy

Greek Foreign Minister George Papandreou (left) is welcomed by his Turkish counterpart Ismail Cem during his visit to Ankara in January.

accounting for less than 5 percent of Greece's trade balance, huge potential for growth exists.

"Services offer the best opportunities for Greek companies," says Andreas Zervos, chief executive of Datamedia, a Greek software developer and supplier of document management systems. "Turkey's IT sector is growing fast, and Greek companies can provide know-how and support."

Datamedia has operated in Turkey for almost a decade, launching products made by FileNet, the California software maker, and developing integrated document management systems for Turkcell, the mobile phone operator, and Yapi Kredi, a leading bank. It is planning to float its Turkish subsidiaries on the Istanbul stock exchange.

Intrasoft, Greece's biggest software-manufacturer and Pouliades, a leading Greek distributor of personal computers, have recently made acquisitions in Turkey. Critical Publics, one of Greece's first dot-coms, has been working with SuperOnline, Turkey's biggest Internet service provider, on a Turkish media-streaming site that would become a platform for e-commerce.

"Investing in Turkey used to be considered risky. But Greek companies have gained international experience in a risky region through their exposure to the Balkan markets, and they feel much more confident about exploring the Turkish market," said a Greek banker.

A. Michailides, the Greek tobacco processor, was among the first Greek companies to test the Turkish market. More than a decade ago, A. Michailides set up a joint venture with a Turkish producer in the Aegean coastal city of Izmir. Since then, the company has added plants across Eastern Europe from Albania to the Czech Republic to become Europe's biggest tobacco processor. "Greek companies must grow to ensure they survive," says chief executive Alexandros Michailides. "If you're going to be a player in this region, you have to be in Turkey." Ⓔ

Greek troops jump off a Spanish amphibious ship during a NATO military training exercise in northwest Turkey.

Olympic Preparations

The clock is ticking toward Athens 2004

By Kerin Hope

Deadlines are already looming for ATHOC 2004, Greece's organizing body for the Athens Summer Olympics. As Gianna Angelopoulou-Daskalaki, ATHOC chairman, puts it, "To be ready in time for August 2004, we have to run a marathon at a sprinter's pace."

Political infighting and bureaucratic delays have slowed preparations for the 2004 games. Several senior executives have resigned from ATHOC, while politicians from the culture and sports ministries have been replaced. Evangelos Venizelos, the new culture minister who holds overall responsibility for the games, wants to build his own team of experts.

While Athens already has more than 70 percent of the sports facilities in place, construction of the remaining 30 percent is lagging behind schedule. The twenty-year-old Athens Olympic stadium, the venue for athletics events, is due for an extensive refurbishment after years of use as a soccer stadium.

However, Jacques Rogge, chairman of the International Olympic Committee's coordinating commission for the games, sounds confident that Greece can stage a successful Olympiad. He points out that three years before the Sydney Olympics preparations were still far behind schedule.

In a move to prevent more delays, the International Olympic Committee insists that all the facilities should be completed by February 2004, three months earlier than the Greek government timetable. Moreover, to help ensure the games run smoothly, there will be no new Olympic events in 2004, while the total number of athletes participating is likely to be limited to 10,000 contestants.

Worries that Athens would be unable to provide enough hotel beds for the games have disappeared with the

Gianna Angelopoulou-Daskalaki (left), head of the Athens 2004 Olympic Organizing Committee, and IOC official Jacques Rogge (right) discuss what Greece must do to be ready to host the summer games.

Athens has 70 percent of the sports facilities in place, but the city will be pressed to have the remaining 30 percent finished by the IOC's deadline of February 2004.

government's decision to lift a twenty-year ban on constructing new hotels around the capital. The state tourism organization EOT plans to issue permits for a series of luxury hotels that would add 2,000–3,000 beds to the existing total of 14,000, while Greece's cruise fleet will be anchored off Athens to provide extra accommodation.

The games are also seen as an opportunity to develop a varied package of attractions for tourists. EOT is seeking private investors to build a Greek mythology theme park and a water park and plans to upgrade several marinas around the capital in time for the games. Tassos Homenides, head of EOT's asset management company, says, "The Sydney Olympics showed how much potential the games offer for the host country's tourist industry. We have a unique chance to make Athens a city that can't be missed."

To offset concerns about security caused by the continued activity of left-wing terrorist groups in Athens, Greece is seeking international assistance to handle security for the games. The government has already set up a special police unit that will be assigned to the Olympics. A new cooperation agreement on combating terrorism is in place with the US after several years of discussion.

Greece's public order ministry plans to work closely with security services from the US, Spain, the UK, Russia, and Israel. "We're cooperating with countries that have expertise in counter-terrorism and that have recently organized an Olympiad," says Spyros Capralos, ATHOC executive director.

In the next few months, ATHOC must focus on speeding construction of the $300 million Olympic village, intended to house 17,000 athletes and their trainers on a site near Mount Parnes west of Athens. An innovative design calls for using special building materials to deflect the fierce summer heat, reducing daytime temperatures by several degrees Celsius from the average elsewhere in the city.

However, concerns about antiseismic protection—the area was near the epicenter of a serious earthquake that shook the capital in 1999—prompted a review of the building design. Furthermore, tendering procedures have been delayed by a dispute over appointing senior managers of a new state company that will handle construction of the village.

ATHOC also faces problems over the projected site for rowing and canoeing events, at Schinias northeast of the capital. An artificial lake is to be built along with facilities for 15,000 spectators. But the area is close to the ancient battleground of Marathon—which gave its name to the long-distance footrace—and a wetland used by rare birds during the migration season.

The Worldwide Fund for Nature has launched an international campaign to have the rowing venue moved to Yliki, an existing lake that would be easier to reach from Athens. "The Schinias area is part of a planned national park set up in accordance with EU environmental directives. Building a big sports facility would cause irreversible damage," says Theodota Nantsou, a WWF official in Athens. ❸

Bush THE YOUNGER

By Lionel Barber

How Europe views the new administration

Europe has responded to President Bush's new cabinet with a mixture of relief and satisfaction. The appointment of key figures from the Republican administrations of the 1970s and 1980s has offered US allies a sense of continuity. Vice President Dick Cheney, Secretary of State Colin Powell, and US Trade Representative Bob Zoellick are all familiar faces from the end of the cold war. Washington aficionados also remember that Donald Rumsfeld, back in charge of the Pentagon, and Paul O'Neill, US treasury secretary, served in senior posts in the Ford administration twenty-five years ago.

These appointments help to gloss over the inexperience of Bush himself. They lend what one British commentator describes as a prime ministerial quality to his cabinet: Bush is in charge, but he will not be afraid of delegating responsibility to powerful ministers around the table.

In the run-up to the November election, there was plenty of hand-wringing in Europe's foreign ministries about Bush's lack of foreign policy pedigree. Officials in Berlin, London, and Paris said the Texas governor lacked the finesse of his father, George Herbert Walker Bush. Their sympathies lay instinctively with Democratic candidate Al Gore.

Sentiment has shifted as Bush put his cabinet together with skill and speed. General Colin Powell has long impressed allies, particularly with his steady performance during the Gulf War. Donald Rumsfeld has many admirers in diplomatic and commercial circles, thanks to his illustrious career in business as well as public service.

There are, however, one or two doubts about Paul O'Neill, the experienced industrialist nominated as treasury secretary. Some wonder whether he has the necessary background in financial markets to come to grips with what is looking increasingly like a sharp slowdown in the US economy.

Others ask whether Bush has unconsciously downgraded the previously all-powerful Treasury role in international economic policymaking, in order to accommodate Larry Lindsay, who has installed himself at the White House as the president's chief economic adviser.

The wider question is how the appointments will gel as a team. Cheney and Rumsfeld are lifelong friends, and both know General Powell intimately. Nevertheless, it is unclear how these relationships will fare once the usual rivalries surface between the White House, Pentagon, and State Department over foreign policy priorities.

Another unknown is the precise role of Condoleezza Rice, Bush's national security adviser. Most suspect she will avoid a high public profile, preferring to follow the model of Brent Scowcroft, who served as national security adviser to presidents Ford and Bush the elder.

On European policy, there are difficult issues to be addressed, such as the new administration's commitment to a national missile defense (NMD); Europe's own commitment to developing an "autonomous" European defense arm inside the NATO Alliance; and a host of sensitive trade disputes, ranging from the still unresolved fracas over bananas to aircraft subsidies.

The appointment of Zoellick, who served for many years as counselor to

The forty-first President of the United States congratulates his son on his inauguration as the forty-third President.

James Baker, first at the Treasury and then at State Department, was received well in Europe. He played a key role during the diplomacy of German unification and has many friends in European capitals from those days.

Zoellick is also close to Pascal Lamy, EU trade commissioner—though it is probably unwise to expect too much from their friendship given the niggling nature of some of the transatlantic trade disputes.

More specifically, the European Roundtable of Industrialists has been warned that competition policy could become a tricky transatlantic issue in the coming months. During the Clinton administration, Mario Monti (and his predecessor Karel van Miert) developed an excellent working relationship with Joel Klein, the antitrust chief at the Justice Department. This allowed them to develop informal joint positions on mega-mergers, such as AOL-Time Warner and Microsoft, which avoided clashes of jurisdiction and offered businesses some predictability in the interpretation of competition policy. If, as seems likely, the Bush administration takes a more hands-off approach to antitrust, it may not chime with the more activist Monti.

To sum up, the Bush team's experience is impressive, but Europe has moved on a long way since many were previously in power. The continent is no longer divided, the European Union has taken in new members, and the euro has been launched.

As one veteran European ambassador said, "The Bush team is perfectly equipped to fight and win all the old battles of 1970s and 1980s. What we do not know is how they will perform in the post-cold war era."

London, Berlin, Paris, Wa

Looking at the

Bush's victory was front page news throughout Europe.

LONDON

President George W. Bush is not an obvious political soul mate for Tony Blair. This explains why there was an air of apprehension in London about the return of a Republican administration.

Bush does not share Bill Clinton's fuzzy attachment to a "third way" between market liberalism and social values, and he does not play the saxophone. His cabinet is replete with hardheaded Republicans who—unlike the majority of Blair's cabinet—were on the opposing side of many of the debates during the cold war.

In London, the view of Bush is that he is a savvy political operator with a heavyweight team and a view of the world that starts at the Rio Grande. There is some nervousness about his lack of Washington experience, but officials believe that the quality of his advice will largely offset this.

There is guarded optimism about the state of the "special relationship" because the British can claim with some justification that they remain America's most reliable European ally on issues ranging from trade to Iraq.

This is the message that has been drilled home since the election by Sir Christopher Meyer, the British ambassador in Washington who knows many of the "Bushies," having served in the US capital as a senior trade attaché in the late 1980s.

There are plenty of reasons to suppose that the United Kingdom will be called upon to play a bridging role in the first year of the new administration. Several difficult issues are looming which—in the words of a senior Foreign Office diplomat—will test the UK's newfound willingness to play a leading role in Europe.

The first delicate issue is the UK's commitment to the new European defense force inside the NATO alliance. The initiative—first floated in December 1997—was crucial for British efforts to come closer to France; but it now risks stoking US fears about creating a parallel political military bureaucracy that would weaken NATO and upset Turkey, a key alliance member but not an EU member.

Donald Rumsfeld, US defense secretary, expressed these reservations in the recent Wehrkunde conference in Munich, saying it could "destabilize" NATO. Other members of Congress, notably Senator John McCain, were even more forceful.

Blair can rely on some voices in the Bush cabinet who feel that Europe must take on more responsibilities for its own defense, but this assumes that the necessary safeguards are in place for NATO. As Rumsfeld said, there can be no question of building parallel decision-making in the EU and NATO, and non-EU members must be comfortable with the outcome.

A further complicating factor for the UK is the US plan to build a national missile defense. Like the French and German govern-

shington
New President

ments, Blair has considerable reservations about NMD. He is concerned that it could lead to a "decoupling" of NATO because it would offer a superior defense to the US than that offered to European allies.

A senior Foreign Office diplomat says that NMD has all the potential to cause a serious transatlantic rift. The best hope, he says, is that the whole issue can be put on ice for at least a year, offering more time to test the technology and to do a deal with Russia and China. The British are nervous that they may be pressed to upgrade the key UK radar station—at Fylingdales—before there is a unified European position on NMD.

There is also residual concern in London about the Bush administration's attitude toward the NATO-led peacekeeping mission in Bosnia and Kosovo. Election campaign remarks by Condoleezza Rice, US national security adviser, indicated that the US would consider an early withdrawal of US forces; but the British government wants a staged retreat, especially now that there is a prospect of democratic reform in Serbia following the ouster of Slobodan Milosevic.

BERLIN

From the heart of the European Union, Germany looks to the new American president with relief, bemusement, and some discreet questions.

All officials welcome George W. Bush as the son of the president who unified Germany a decade ago. The liberal weekly *Die Zeit* concludes on its front page that the US is not in crisis, despite the month-long wrangle about who actually won the election. The *Bild Zeitung* explains on page two that Bush now wants to be the conciliatory leader of all Americans (after it cheekily devotes the whole of page one to an unfortunate Michelin two-star cook in Berlin who choked to death on his own roast).

But most of all, Germans, like Americans, are simply relieved that the United States now has a president who is going forward with appointments and policy. Although they were not franchised in the US election, they know that Bush is inescapably their president too, the leader of the Euro-Atlantic community and the global economy. They are glad that the vacuum at the top is now filled and Washington is again functioning. They wish the new president well, for their own sake as well as for his.

Beyond that, Germans are still shaking their heads over the bizarre way the American system worked to confer legitimacy on the ultimate presidential victor. During the post-election US agony the political elite here did not indulge much in the you're-one-too taunting—as, it was widely noted, some of the Third World "banana republics" did in revenge for American criticism of their casual voting practices. Nor did Germans exhibit British-style cynicism and dismiss naïve American faith in "the myth of perfect democracy" during the stage when Democratic candidate Al Gore was still insisting that every vote be counted. The Germans enjoyed as much as the Americans did all the jokes about Her Majesty's revoking the independence of the colonies until they learned how to govern themselves. But they also wondered mightily just how the US was going to extricate itself from the mess in which the system of electors left them this last time around.

When the Supreme Court finally gave the victory to George Bush, then, the Germans raised the same questions that American commentators did about apparent partisanship on the bench and about the basic wisdom of seeking judicial remedies for political inadequacies. But *Die Zeit* chided *Newsweek* for having called the hullabaloo "chaos." It also predicted that instead of the bitter conflict many Americans anticipated between Republicans and Democrats, the result would be, in effect, a grand coalition of moderates. In this, the Germans lived up to their reputation as the most Americanized Europeans—and even more trusting of Americans at times than Americans are of themselves.

As Bush settles into the White House, Europeans are now turning to policy questions. And here Germans and others display some unease. For the record, they say they expect continuity from their ultimate guarantor of security. But with a Texan who has shown little interest in foreign policy—and with a strong isolationist or at least unilateralist wing in the Republican Congress—they do have some worries. They point out that domestic politicians who become president and lack experience in the wider world need time to educate themselves about the value of Washington's alliances. And they point to the example of Bill Clinton to support their thesis that in the end the US will always opt for the benefits of sharing world burdens with allies.

Yet there are potential shifts in a Bush foreign policy that trouble them. The only time Europe featured in the Republican election campaign was when Bush's security adviser, Condoleezza Rice, called for US soldiers to come home from the Balkans and for the Europeans to pull more of the weight there. The Europeans swiftly contacted her and pointed out that they already are providing 80 percent of the troops and paying for 80 percent of the international financial costs in the region, and although they accepted her assurances that Washington would not act rashly without consulting its European allies, they fear it will be hard to persuade Bush that they are not just freeloaders.

In particular, they expect many more transatlantic clashes over the European rapid reaction forces they are now forming. The Clinton administration had come around to viewing this development as potentially helpful in increasing European military capacity to maintain security in Europe—so long as it did not erode the NATO alliance. One of the most vocal Bush security spokesmen, however, Richard Perle, began challenging the legitimacy of the European efforts in the first few weeks of the Bush term. And he spoke so disparagingly about NATO itself that a BBC interviewer felt obliged to ask if he was talking about the six-decade-old alliance in the past tense. Interpolating such signals, Europeans, therefore, fear that all the old clashes over burden sharing may return with a vengeance.

Clashes over the proposed US national missile defense (NMD) are also preprogrammed between the Bush administration and Europe. The Republicans are gearing up for a much more comprehensive antimissile defense system than the Clinton administration favored. Europeans generally fear that this will scupper earlier arms-control treaties, sour relations between the West and both Russia and China, waste billions of dollars that could better be spent elsewhere, and eventually decouple American and European security. Europeans hope that the British, in the "special relationship" they still enjoy with the US, will take the lead here and be able to modify Bush's NMD program, but they are braced for confrontation.

"The one area in which Europeans believe US–EU relations might improve under Bush is in trade"

The one area in which Europeans believe US–EU relations might improve under Bush is in trade, since Bush is not as beholden to labor unions as Gore is. In Republican circles, however, free-trade instincts compete with a strong America-first policy in megabuck defense procurements. And while Clinton gradually got used to dealing with a more-or-less united EU on trade issues, Republicans greatly prefer to deal bilaterally with Europeans on a national level, in an unequal relationship in which heads of single European governments are more malleable than in any direct negotiation between the US and EU economic superpowers. In this area, despite the two continents' interdependence, quarrels are thus likely to erupt periodically over bananas, genetically modified organisms, animal feed, European farm subsidies, and a host of other export issues.

In addition, Europeans anticipate that transatlantic strains will grow with Republicans over such issues as an international war crimes court, lessening of greenhouse gas emissions, and banning landmines.

For the Germans at least, though, the expectation of rough patches in the next four years is offset by the memory of how former president George Bush promoted German unification when the French and British opposed such a shift. They know Vice President Dick Cheney, Condoleezza Rice, and dozens of other old and new players. They think they can do business with them. And they are very glad they finally have somebody in Washington to do business with.

PARIS

Only the naïve would claim that in the Clinton era all was sweetness and light between France and the United States. After all, putting aside the transatlantic spats over trade or sanctions on Iraq or Europe's abhorrence at America's practice of capital punishment, the fact is that the French see themselves not just as allies of the Americans but also as rivals. Indeed, it was France's urbane foreign minister, Hubert Védrine, who nicely termed the US a "hyperpower," and argued that it was France's—and Europe's—duty to act as a counterbalance.

However, just a week before the end of the Clinton presidency, it was the same Védrine who arranged a farewell dinner with some of his EU counterparts for the outgoing secretary of state, Madeleine Albright. The farewell was genuinely a fond one, evidence of a rapport built up over several years and several crises, and undoubtedly helped by Albright's personal warmth and her knowledge of French and by the skills of the American ambassador in Paris, Felix Rohatyn. Will the same rapport be established with the Bush administration?

The blunt answer is not immediately. One reason, apart from President Bush's supposed lack of knowledge of the world outside America, is that there are bound to be deep-rooted differences of policy. Quite possibly these will continue to include Iraq and the Middle East, but with two caveats: The French detect a softening, at least in the United Kingdom, of the hard-line American-British stance on Iraqi sanctions. [They spoke out vigorously

against the one-day US–British bombing of Iraq in February.] Secondly, they have always applauded Clinton's efforts to forge peace between Israelis and Palestinians. But certainly the differences will include the administration's enthusiasm—emphasized by the new defense secretary, Donald Rumsfeld—for a "Son of Star Wars" national missile defense, be it deployed over the US or in a theater such as Asia or Europe. Worried that these projects will jeopardize relations with Russia and China, the French are crossing their fingers that the NMD schemes will be thwarted both by technical problems and by cost.

Another worry is that George W. Bush's campaign pledge not to let America indulge in "nation-building" will translate into a disengagement—at least psychologically and financially, if not physically—from the Clinton commitment to help the EU reconstruct the Balkans. The French, of course, see the potential for American disengagement as one more reason to boost the European Security and Defense Initiative, with its plans for a 60,000-strong rapid deployment force and for better integrated defense manufacturing and procurement. However, the Bush administration, just like its predecessor, is likely to suspect a French plot to establish an autonomous EU defense structure at the expense of NATO. Whatever the truth, it will take a lot of diplomatic finessing to avoid potential transatlantic rows over Europe's future defense.

But perhaps the biggest reason for French wariness toward the new team in Washington (expressed off the record, rather than on) is the fear that the Bush administration has a learning curve to climb—but doesn't know it.

One supposed strength of the administration is the presence of people like Secretary of State Colin Powell, Vice President Dick Cheney, National Security Adviser Condoleezza Rice, and Trade Representative Robert Zoellick, all of whom served with Bush's father, and Defense Secretary Rumsfeld, who was in the Ford administration. That amounts to a lot of experience, but some French officials wonder how much of it is relevant. As one says, bemoaning what he sees as an American tendency to divide the world into sectors and assume a neatness that does not exist, "the world has changed in the last eight years."

Indeed so. It was George Herbert Walker Bush who declared that with the cold war over there was now a "new world order." The reality of the 1990s has mocked that optimism, witness, for example, the genocidal wars of Africa and the Balkans. Instead, the world has become ever more complicated, and the Bush team, argue the French, need to realize this sooner rather than later. And they probably will. After all, they are smart people, and who better to enlighten them than the smart (some would say Machiavellian) intellectuals who run France?

WASHINGTON

New US presidents usually enjoy a honeymoon. But these are not usual times in the wake of a highly disputed election in which the Democratic candidate Al Gore won the popular vote by the handsome margin of almost 600,000 votes. Moreover, the Senate is split fifty-fifty between the two parties, threatening a long and grinding battle of political attrition on every vote. In the circumstances, President Bush could be well pleased with his 57 percent approval rating in the polls after his first two weeks in office, jumping to 64 percent in the wake of the air strikes on radar stations near Baghdad.

He was helped, clearly, by the widespread public distaste for the manner of President Clinton's departure from office, with a questionable pardon for the fugitive billionaire Marc Rich, and truckloads of furniture rather cavalierly defined as 'gifts'. Still, with a mix of personal visits and a relaxed affability that has congressmen and media figures chortling over the nicknames he bestows on them, Bush's first presidential achievement has been to ensure—against the odds—that he is enjoying a honeymoon.

A month after Bush's Inauguration, the Conservative Political Action Committee gathered just outside Washington for their annual forum. Logically, they had some cause to grumble. Bush's campaign promise to increase defense spending had been shelved, and the Pentagon will have to make do with the $309 billions in the Clinton budget. But there were no complaints from the right, heartened by Bush's appointment of devout Christian conservative former Senator John Ashcroft to run the Justice Department. And although two Republican Senators have said that they cannot support Bush's promised $1.6 billion tax cut, at least three Democratic senators seem prepared to support most of it. Above all, Federal Reserve Chairman Alan Greenspan, whose talismanic reputation continues to defy the threat of recession, gave his cautious backing to the tax cut.

The sneers and doubts about the new president that are commonplace in the European press find little echo in the American media and even less in Congress. The Democrats made a point of inviting the new president to their first weekend retreat for an informal chat. Some African-American congressmen asked angry and pointed questions, to the visible embarrassment of most of their colleagues. Bush's first initiatives, from the tax cut to education reform to the new access to federal funds for churches deploying faith-based welfare programs, seem broadly popular. Even some liberals have been mollified by Bush's selection of a cabinet that contains more women and members of ethnic minorities than even Bill Clinton managed.

Unlike his predecessor, President Bush has not embarrassed the American public. His initial appearances on the international stage have been competent. His first foreign trip, across the border to Mexico on a day trip to the ranch of the new Mexican President Vicente Fox, was distinguished by Bush's fluency in Spanish and what seemed a genuine desire to build a new sense of solidarity and trade opportunity in the Western Hemisphere. The visit coincided with the air strikes on Baghdad, in what appeared to be deliberate double message that American was under a new management that was prepared to be both firm friend and fierce foe.

Bush's top appointments conveyed their own reassuring image of competence. Whatever the new president's personal inexperience in foreign affairs, few can question the credentials of former general Colin Powell as secretary of state; Defense Secretary Donald Rumsfeld returning to the Pentagon job he had first held twenty-five years ago; US Trade Representative Bob Zoellick; and National Security Adviser Condoleezza Rice—most of them veterans of the White House team of President Bush the Elder.

There may yet be a problem in the way that Bush the Younger has inherited his father's team, but not his father's world. Some European commentators wonder whether the veterans of the cold war endgame who make up the Bush team have fully realized the degree to which the world has changed. France's *Le Figaro* reported that some participants were startled at this year's Wehrkunde security conference in Munich to hear Rumsfeld talk about NATO, missile defense, and Europe's new planned Rapid Reaction Force—without ever referring to the European Union itself. Such an interpretation takes symbolism too far. Condoleezza Rice, in a conversation with this reporter on the eve of Wehrkunde, stressed that improving ties and consultation with America's allies were to be a top priority of the Bush administration. In addition, in deference to the allies, along with Rumsfeld's promise of full consultation before deploying a national missile defense system, the troubling word 'national' has now been dropped. But after campaigning on the need to build a system that can defend Americans from missiles fired by 'rogue' states, President Bush firmly believes he has a mandate to build it and counts on the European allies to hold firm against the Russian and Chinese propaganda barrages against it.

The trickier problem with the European allies is that they are also economic competitors, and with the EU's total GDP continuing to grow at an average 3 percent this year as the US economy slows, the commercial rivalry could become sharper. There has so far been no reply from the Bush administration to the proposal from the European Commission's ambassador in Washington, Günter Burghardt, that the top trade official from both the EU and US should launch intensive talks to resolve all outstanding trade disputes by June. Nevertheless, Europeans could hardly be more pleased with the appointment of Robert Zoellick as new US trade representative. The former top aide to Secretary of State James Baker in promoting German unification after the fall of the Berlin Wall, Zoellick has also served on committees run by Washington's European Institute that explored ways to achieve a full free trade regime across the Atlantic.

However, as Zoellick argued last year in an address to the Council on Foreign Relations, the Europeans should not count on US support unless they are seen to be useful and cooperative allies: "If some regions are too slow to open their markets, the United States should move on to others. America should spur a competitive dynamic for openness and transparency. Competition can work wonders: When the United States pursued NAFTA and APEC, the EU finally felt the pressure to complete the global Uruguay Round trade negotiations. If others hold back in the new WTO round, the United States should repeat this strategy of regionalism with a global goal in order to break the logjam." ⓔ

Lionel Barber reporting from London; Elizabeth Pond reporting from Berlin; John Andrews reporting from Paris; Martin Walker reporting from Washington.

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

EU BOOKSHELF

MARCH 2001

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

☐ **Report on United States Barriers to Trade and Investment 2000.** *Commission, Brussels, 2000, 68 pages.*

☐ **European Agriculture—A policy for the New Millennium.** *Commission, Brussels, 2000, 12 panel leaflet and wall map.*

☐ **The Common Agricultural Policy: 1999 Review.** *Commission, Brussels, 2000, 30 pages.*

☐ **European Employment and Social Policy: A Policy for People.** *Europe on the Move, Commission, Brussels, 2000, 31 pages.*

☐ **Tax Policy in the European Union.** *Europe on the Move, Commission, Brussels, 2000, 38 pages.*

☐ **Hello Europe: A Youth Guide to Europe and the European Union.** *2nd edition, Commission, Brussels, 2000, CD-ROM.*

☐ **A Community of Fifteen: Key Figures.** *Europe on the Move, Commission, Luxembourg, 2000, 44 pages.*

☐ **The Budget of the European Union: How Is Your Money Spent?** *Europe on the Move, Commission, Brussels, 2000, 19 pages.*

☐ **Public Opinion in the European Union.** *Eurobarometer No. 52, Commission, Brussels, 2000, 228 pages.*

☐ **The Court of First Instance of the European Communities.** *Court of Justice, Luxembourg, 1998, 6 page fold.*

☐ **The Court of Justice of the European Communities.** *Court of Justice, Luxembourg, 1998, 24 pages.*

☐ **The Council of the European Union and the Common Foreign and Security Policy.** *Council, Brussels, 1999, 27 pages.*

☐ **The European Council.** *Council, Brussels, 2000, 24 pages.*

☐ **Enlarging the European Union.** *Commission, Brussels, 1999, 12 panel fold out.* Map and brief overview of the applicant countries.

☐ **Serving the European Union: A Citizen's Guide to the Institutions of the European Union.** *Commission, Brussels, 1999, 38 pages.*

☐ **European Security and Defence in the Transatlantic Agenda.** *EU/US News No. 4, Commission, Brussels, 2000, 15 pages.*

☐ **Albania: A Future with Europe.** *Commission, Brussels, 2000, 28 pages.*

☐ **What is Phare.** *Commission, Brussels, 1999, 14 pages.*

☐ **Phare Performance Review 1998.** *Commission, Brussels, 1999, 6 pages.*

☐ **Phare: Multi-Beneficiary Programmes Highlights.** *Commission, Brussels, 1999, 81 pages.*

☐ **ECHO Annual Review 1999: Humanitarian Aid Office.** *Commission, Brussels, 2000, 34 pages.*

☐ **InfoFinance 1998: Development Aid.** *Commission, Brussels, 2000, 8 pages.*

☐ **Opening Up to Choice: Launching the Single European Gas Market.** *Commission, Brussels, 2000, 22 pages.*

☐ **Taking Stock of the Programmes: Education, Training, Youth 1995–1999.** *Commission, Brussels, 2000, 31 pages.*

☐ **Europe—An Area for Research.** *Europe on the Move, Commission, Brussels, 2000, 31 pages.*

☐ **Towards a European Research Area: Communication from the Commission.** *Commission, Brussels, 2000, 44 pages.*

☐ **Growth in Action: The Competitive and Sustainable Growth Programme Magazine.** *Issue No. 1, Commission, Brussels, 2000, 24 pages.*

☐ **Genome: Accelerating into a New Age.** *RTD Info No. 27, Commission, Brussels, September 2000, 36 pages.*

☐ **Nitrates Directive (91/676/EEC): Status and Trends of Aquatic Environment and Agricultural Practice—Development Guide for Member States' Reports.** *Commission, Brussels, 2000, 42 pages.*

☐ **Structural Funds in 1998: Tenth Annual Report.** *Commission, Brussels, 1999, 204 pages.*

☐ **European Investment Fund Annual Report 1999.** *European Investment Fund, Luxembourg, 2000, 55 pages.*

ORDER FORM—FREE PUBLICATIONS

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

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

Orders accepted for shipment to U.S. addresses only.
Please allow 3 weeks for delivery.

Name ______________________________

Organization ______________________________

Address ______________________________

City ______________________ State ____________ Zip ____________

EUROPE Update

MARCH 2001 VOLUME IX / NUMBER 3

WHAT THEY SAID

"This has the potential to do enormous damage to this country. This could stop the Celtic Tiger in its tracks. There are 47,500 people employed in this sector, and it is a £7 billion industry, half of it in exports. It would have a catastrophic effect on our economy if we were to get it."

—Mary Harney, Irish deputy prime minister, commenting on the devastating outbreak of foot and mouth disease in the UK and Northern Ireland

"A fine sunny Saturday, and we wanted to take the kids to see the deer. But no go. They closed the sanctuary because they're afraid visitors might spread the disease. And it's a good job they did, isn't it?"

—Fred Holly, of Hertfordshire, England, who wanted to visit a popular deer preserve with his family this weekend but found it was closed to the public as the Forestry Commission takes precautionary measures against the spread of foot and mouth disease

"If something of this magnitude had happened in London or New York, bankers would be jumping off of roofs or packing whatever they have and flying to Rio. But this is Turkey, and we're accustomed to it. We know that if we're unsuccessful, there will eventually be an eighteenth, nineteenth, and twentieth IMF plan."

—Nuri Colakoglu, a top official with the independent NTV television news network discussing the financial crisis in Turkey

"He assured me that NATO is going to be the primary way to keep the peace in Europe."

—President George W. Bush following his meeting with UK Prime Minister Tony Blair at Camp David last month

REPORTER'S NOTEBOOK: EUROPE'S EXASPERATION WITH AMERICA

A couple of years ago, the US ambassador to France, Felix Rohatyn, was taking part in an international radio phone-in program from his office in Paris. Suddenly, listeners on both sides of the Atlantic could hear shouting, and Rohatyn abruptly announced that he had to go and receive a deputation from a group of protesters against America's use of the death penalty. It was one of those moments when one realizes that something is changing in the world.

Exactly when the present phase of European disdain toward America began to flower is hard to say. In some form or another it has always existed, of course, and it goes without saying that it frequently can be hypocritical. But there is little doubt that the Florida election dispute late last year raised such contempt to fresh heights. Newspaper headlines are not always the most reliable guide to the mood of anyone other than newspaper headline writers, but the unanimity with which the European press mocked America during the thirty-six-day standoff was so striking that it would be perverse to ignore it.

The victor in that Florida battle has now become a lightning rod for a new type of anti-American mood in Europe. The mood predates George W. Bush's rise to power, and it will remain after he has gone. But Bush embodies so many of the component aspects of the new anti-Americanism that, as president, he now has it uniquely in his power to determine whether this mood subsides or, as seems rather more likely, increases.

During the cold war, European anti-Americanism tended always to focus on the foreign policy actions of the US—military intervention, nuclear weapons deployments, or support for pro-Western regimes around the world. With the end of the cold war, that form of anti-Americanism has withered on the vine. It still exists in diminished ways, as occasional protests against the US bombing of Serbia illustrated in 1999, and it could revive if provoked. But in essence there is as much future in that form of anti-Americanism as there is for the typewriter or the linotype machine in the production of newspapers.

The new anti-Americanism is different. It is a post-cold war phenomenon, and it has much more to do with American domestic policies and culture than with the conduct of international relations. It is focused on issues such as the American gun culture; on some aspects of the criminal justice system, notably the death penalty; on environmental issues; and on US attitudes toward international bodies, such as the UN or the proposed international criminal court.

The one substantial exception concerns the national missile defense project (NMD), which is very clearly a foreign policy issue. It is possible to see circumstances in which NMD galvanizes an anti-American mood from the Atlantic to the Urals, not least because it has the potential to become a domestic political issue in every European country, especially those with center-left governments whose supporters largely oppose such weapons.

The fact that Bush embodies many of these issues in the public mind can hardly be disputed. He is a vigorous energy unilateralist, committed to fresh exploitation of oil and natural gas, and to expanding US domestic consumption. That Bush might willingly be a party to an international agreement on environmental sustainability, such as the Kyoto treaty on climate change, is unthinkable. He is an opponent of the international criminal court. He is a defender of the gun culture. He was the governor of the leading death penalty state. He is an advocate of the most far-reaching versions of NMD. He was also, of course, the overwhelming beneficiary of the disputed election.

Without necessarily intending it, and probably without realizing it, Americans have now acquired a president who embodies many of the interests and assumptions that are helping to feed this growing alienation from American values and policy. Bush has a huge job to do if he wishes to reverse the new mood, though it is far from clear whether the new administration really cares about such consequences. Most Americans have barely considered these problems, and many will be inclined to dismiss them. That could be a costly mistake.

No one who has followed the European mood on these subjects in recent years can fail to have been struck by certain common themes when conflicts occur—an exasperation with American exceptionalism, an impatience toward American unilateralism, a certain disdain toward the cruelty of certain aspects of American society. When Americans take offense at European criticism, as many of them do, the destructive spiral starts again. One thing is certain, however. Bush's mere arrival in the White House is likely to be the best recruiting sergeant that the new anti-Americanism could have hoped for.

—Martin Kettle

EU NEWS

GERMANY FACES CONFIDENCE CRISIS

The first few weeks of the year weren't easy for Germany's government of Social Democrats and Greens. The resignation of Health Minister Andrea Fischer coupled with that of Agriculture Minister Karl-Heinz Funke owing to their bungled handling of bovine spongiform encephalopathy (BSE), or mad cow disease, propelled Chancellor Gerhard Schröder's government into its biggest crisis since March 1999 when Oskar Lafontaine resigned as finance minister and party chairman.

The double resignation, unprecedented in postwar Germany, raised questions about the chancellor's leadership. He was criticized—and not only by the opposition—for not intervening until too late and for paying only lip service to the SPD's parliamentary group and not rewarding worthy parliamentarians with appointments. The chancellor's quick and firm response to mounting public anxiety over BSE has calmed the critics somewhat. Declaring that food safety must be given the highest priority, he appointed Renate Künast, the forty-five-year-old co-chairman of the Green Party, as the country's first minister for consumer protection, food, and agriculture.

The shocked German public was pacified to hear the new minister say that from now on the consumer, not consumption, will be protected. "The BSE scandal marks the end of agricultural policy of the old style," she proclaimed and called for "quality, not quantity." She wants to shift from factory farming to less intensive methods and to increase organic food production from its present 3 percent to 20 percent within the next ten years.

The new Green minister sent into this battle has inevitably been unable to deliver much more than declaration of intent so far. But Künast has done so with her characteristic vigor and carefree air, signaling to the public that in contrast to her predecessors she will not just wait until the topic disappears from the agenda all by itself. The Greens hope that Künast could become a potential vote getter at the next national election in 2002.

All of this was, of course, overshadowed by the question whether it is a good thing or a bad thing for a minister to have fought violently against a law-based state and parliamentary democracy more than a quarter of a century ago. It has been a well-known fact that Joschka Fischer, the Green foreign minister, was in the 1970s a street fighter and a left-wing radical protester. Fischer had never made a secret of his "militant" past. But the publication of three hitherto unknown photos showing the present day diplomat wearing a motorbike helmet, taunting a policeman at a 1973 demonstration when he was twenty-five and preparing a well-aimed punch at the encircled law enforcer has shocked even his fans.

Fischer has apologized for what he can no longer deny but has shown little contrition. He distanced himself from the terrorist actions of some of his one-time comrades in leftist agitation. "Today I'm a different person from the one I was twenty-six years ago," he said. And yet still the same Fischer, who has transformed himself from a slim, leather-clad anarchist into a statesmanlike figure in a three-piece suit and tie, left no doubt that he saw his own actions as being legitimate—but he found it difficult to justify them. "I see things differently today," he emphasized. For some Germans, this partial mea culpa is not enough. Six criminal cases against Fischer have been filed with the public prosecutor in Frankfürt.

In Fischer's wake Jürgen Trittin, forty-six, the Green environment minister, was also attacked in the media for his errors in the past. He was active in a communist cadre group in Göttingen and fought against the West German "fascist" state no less vehemently than Joschka Fischer. No photos exist of him in violent confrontation with police like those Fischer now has to account for. He did not distance himself from a controversial anonymous obituary published in 1977 in a student newspaper in Göttingen on the murder of federal public prosecutor Siegfried Buback by an RAF death squad. The *Frankfürter Allgemeine* reported that in an interview in 1993 Trittin admitted a "furtive pleasure" hearing about Buback's murder. Only now under pressure he apologized to Buback's son for the pain and sorrow his family has suffered.

—Wanda Menke-Glückert

DEFENSE LEADERS MEET IN MUNICH

This year's annual Wehrkunde meeting, now formally renamed the Munich Security Conference, was expected to be the occasion for the first ominous clash between the European NATO allies and the new Bush administration's plans to proceed with their controversial plans to develop and build a national missile defense system (NMD). This did not happen. The new defense secretary, Donald Rumsfeld, was quick to drop the 'N' for national and start talking about a missile defense system that would include allies and protect American troops in bases overseas—and their hosts. Rumsfeld also promised prolonged and genuine consultation, in what sounded like a real attempt to prevent the European allies from making common cause with Russia (and China) against the anti-missile defense plans.

These concerns were eased when the Russian speaker at the conference, head of the Kremlin's Security Council Sergei Ivanov, gave a tough and uncompromising speech that accused the Bush administration of threatening "to annihilate the global security system." He startled Europeans, who have broadly been appalled by the Russian army's brutal tactics in Chechnya, by claiming that the Russian mission in Chechnya and elsewhere in Central Asia was the modern version of Russia's fourteenth-century defense of European civilization against the Mongol Horde.

But a troubling difference of perspective remains between the Bush administration and their allies in Europe, focused on Rumsfeld's remark that he was "worried" by the development of the European Union's own 60,000-strong Rapid Reaction Force. France's defense minister, Alain Richard, his German and British counterparts, Rudolf Scharping and Geoffrey Hoon, and the EU's top security official, Javier Solana, all stressed that the idea was to build a force that would work with and strengthen NATO, rather than supplant it.

"Right now we have only one security option in Europe, to use NATO or not to use it. The European force will give us another option—to be used only when NATO as a whole does not want to be involved", says NATO Secretary-General Lord Robertson. But the Europeans were also given some food for thought by Canada's defense minister, Art Eggleton, who warned that the transatlantic links may be strong but they could prove brittle. Eggleton warned that he would not easily entrust Canadian assets in NATO, such as the crew on the AWACS early-warning planes, to a EU-led and EU-run mission unless Canada was part of the planning team and NATO was firmly in the chain of command.

—Martin Walker

IN APPRECIATION: ANDREW A. MULLIGAN

The sad news of Andy Mulligan's death on February 24 came as a shock to all of us at the European Commission Delegation in Washington.

Andy will be remembered as a vanguard for press and public affairs here in our office.

In his own good-humored, dry, smiling manner, he managed to convince many a skeptical US interlocutor that Europe was getting its act together and was going to become a real powerhouse in the transatlantic relationship.

Andy's earlier career as a rugby star—he was captain of the Irish national team in the early sixties—coupled with his journalistic experience with the prestigious BBC translated into a very charismatic individual.

One of Andy's specific contributions to create a greater awareness for European Union issues was his very active role in developing further *EUROPE*, and attracting many a leading journalist from both sides of the Atlantic to write for us.

We will miss you Andy. Fare thee well, my friend.

—Willy Hélin, publisher, EUROPE

BUSINESS BRIEFS

Usinor of France, **Arbed** of Luxembourg, and **Aceralia** of Spain are merging to create the world's largest steel maker with 110,000 workers and annual revenues of nearly $30 billion.

The new Luxembourg-based company, which has yet to be named, will have a combined output of 46 million tons of steel a year, well ahead of its nearest rivals, Japan's **Nippon Steel,** which made 28.1 million tons last year, and **Posco** of South Korea, which produced 26.5 million tons in 1999.

The cross-border merger marks the high point in the career of Francis Mer, Usinor's chief executive since 1986, who guided the group through privatization in the mid-1990s followed by a deep restructuring and the $1.1 billion takeover of Belgian steel maker **Cockerill Sambre** in 1999 that made it the world's third-largest steel maker.

The latest deal involves Usinor taking over Arbed and Aceralia for $5.9 billion in stock and assumed debt. Usinor will own 56.5 percent of the new company, while Arbed, which is 30 percent owned by the Luxembourg government, will hold 23.4 percent, and Aceralia will take the rest.

The merger, which will take effect in the fall of 2001, is expected to trigger other deals in the European industry with Germany's **ThyssenKrupp** tipped to make overtures to **Corus**, the Anglo-Dutch steel firm that recently announced 6,000 layoffs in the United Kingdom to stem daily losses of $1.5 million.

The merger also will spur consolidation of the $550 billion-a-year global industry. While the new company will dominate Europe, it represents only 5 percent of last year's world steel output of 828 million tons.

• • •

Hans Rausing who six years ago made $6 billion from selling his stake in **Tetra Pak**, the world's largest food packaging company, is returning to the industry at the age of seventy-four. He is taking a majority stake in **EcoLean**, a small five-year-old Swedish firm that is developing an environmentally friendly packaging material that breaks down in sunlight.

"In the last thirty years, we have not seen a development in the food packaging industry with such potential," according to Rausing, a Swede who now lives in England and is listed as the country's wealthiest individual.

The new technology is based on carbonate materials such as chalk and marble, which are mixed with polyolefins, a plastic with low environmental impact. It can be used to store liquids in stand-up bags and as wrapping for butter or margarines or as yogurt containers. The developer, Ake Rosen, said the idea is based on the eggshell which is 95 percent calcium carbonate.

Rausing, whose Tetra Pak cardboard cartons revolutionized packaging, said he returned to the industry because of the unique nature of the EcoLean product. "This material is something quite outstanding and completely different from anything made before."

• • •

Volkswagen, Europe's biggest car manufacturer, boosted its profits by a record 37.5 percent to $3.15 billion last year thanks to a surge in sales in North America and rising European demand for its diesel cars.

The company said it will take advantage of its record performance by putting aside $665 million to cover the costs of complying with a European Union directive coming into force in 2006 that will compel carmakers to pay for recycling their vehicles.

Revenues rose last year to $80 billion from $70.3 billion in 1999 with sales of VW and **Audi** cars rising by 13 percent and 22 percent respectively in the US.

• • •

Nokia strengthened its dominant position in the global mobile phone handset industry in the final quarter of last year, boosting its market share while its four main rivals stumbled.

The Finnish firm is estimated to have sold 42 million units—10 million more than in the previous three months—increasing its market share by 2.5 percent to 33.9 percent, according to Gartner Dataquest, a technology research consultancy.

Its closest rival, **Motorola**, saw its market share slide to 12.7 percent from 14.1 percent in the third quarter and 16.9 percent a year earlier, and Sweden's **Ericsson** fell to 8.7 percent from 10.1 percent and was down from 10.5 percent a year ago. **Siemens** of Germany and Japan's **Panasonic** also slipped losing sales to smaller manufacturers such as **Alcatel** and **Samsung**.

Nokia is bracing for tougher times this year with its mobile division facing slowing handset sales and its network unit selling to telcom companies that are struggling with huge debts. But it is rapidly building up its Internet unit, which will generate revenues of around 500 million euros this year providing products that link company servers and the Internet. The division is a minnow compared with the handset unit, which posted sales of $20.5 billion in 2000 and the networks business which had revenues of $7.2 billion. But Nokia is determined to turn it into a third major revenue arm.

• • •

Europe's airlines are approaching the endgame of a decade long consolidation as the major carriers respond to the recent wave of mergers between their larger US rivals.

Almost every carrier is casting around for partners to survive the coming shakeout, which will leave three dominant European airlines—**British Airways**, **Air France**, and **Lufthansa**.

Alitalia, Italy's national airline, is trying to revive an abortive joint venture with **KLM Royal Dutch Airlines** that collapsed in acrimony last April and is also being courted by Air France. **SAirGroup**, the owner of **Swissair**, is re-thinking its strategy of buying stakes in medium-sized European carriers, including 49.5 percent of chronically unprofitable **Sabena** of Belgium, following the resignation of its chief executive Philippe Bruggisser. Meanwhile, British Airways, which walked away from a merger with KLM in September, wants to deepen its relationship with **American Airlines**.

Industry analysts say the current negotiations likely will lead to Europe's first major cross-border merger by year's end. The KLM/Alitalia joint venture, which involved revenue and profit sharing, was expected to lead to a merger within three years, the KLM/BA talks came tantalizingly close to agreement and SAirGroup is committed to boosting its stake in Sabena to 85 percent by the end of this year.

The second-tier carriers acknowledge they cannot survive on their own. KLM is profitable, but it says it can only stay independent for three years, and Air France CEO Jean-Cyril Spinetta says Swissair and Alitalia have accepted they must play secondary roles in global alliances.

The emergence of a group of elite airlines in the US and Europe will put pressure on Washington and Brussels to remove outdated regulations, especially foreign ownership limits, that prevent transatlantic mergers.

• • •

Sweden's second and third-largest banks, **Swedbank** and **SEB**, are merging in a stock swap worth about $7.4 billion to create the Nordic region's biggest financial group. The new bank, to be called **SEBSwedbank**, will have combined assets of $207 billion and 35,000 employees, giving it critical mass to expand into continental Europe. "Together we increase our competitive strength, and as borders between countries disappear, we are bracing ourselves for the future," said SEB chairman Jacob Wallenberg. While Swedbank has focused on expansion in its domestic market, SEB is the only Nordic bank that has made an acquisition in continental Europe, buying Germany's **BfG Bank** in 1999.The merger creates Europe's largest Internet bank with around 2 million on-line customers.

• • •

L'Oreal of France, the world's biggest cosmetics group, boosted net profits by 24 percent to around $930 million in 2000 helped by a strong performance in Japan, where sales surged by 46 percent.

The group has enjoyed almost uninterrupted growth in sales and profits over the past decade, and last year was the sixteenth consecutive year of double-digit earnings growth.

L'Oreal posted a particularly strong performance in emerging markets, with sales surging 70 percent in Korea, 41 percent in Poland, 47 percent in Russia, and 44 percent in Brazil. Group sales in the US topped $3 billion for the first time.

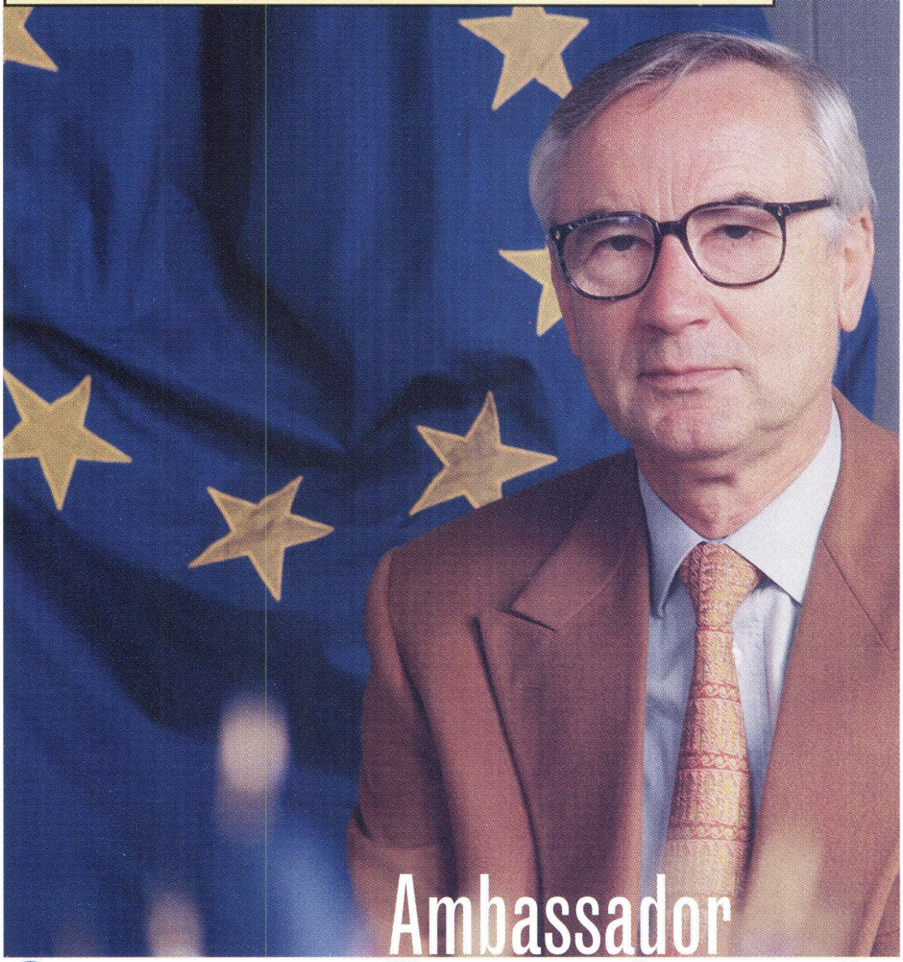
—Bruce Barnard

EUROPE Update

Correspondents

Bruce Barnard reporting from London
Martin Kettle reporting from Washington, DC
Wanda Menke-Glückert reporting from Bonn
Martin Walker reporting from Washington, DC

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



Ambassador Günter Burghardt

Head of the European Commission's Washington Delegation

EUROPE INTERVIEW

Ambassador Günter Burghardt, head of the European Commission's Washington delegation, spoke to EUROPE*'s editor-in-chief Robert J. Guttman about EU-US relations, the transatlantic trade relationship, the enlargement of the EU, and the euro.*

What are the major issues facing the European Union and the new Bush administration in the next twelve months?

It is difficult to single out any individual issue and to call it the most important or the major one. Our relationship is very broad: It has economic, political, and security dimensions. Its deep historical, cultural and societal roots make it the most important strategic relationship in the world. Instead of focusing only on the areas of dispute, which by the way are quite limited, we should focus on some broad themes like the ones President Bush mentioned in his inaugural address—continuity, commitment, and common purpose.

'Continuity' means that many have been in charge before and many will be in the future. The Transatlantic Agenda is more than fifty years old, inspired by men of vision like John F. Kennedy and Jean Monnet. It has been a driving force for peace and prosperity in the world. As we look to the future, we need to position ourselves firmly in this broad context of the continuity of our relationship.

There has to be *commitment* on both sides, taking into account the evolving nature of the European Union, and by extension, the transatlantic relationship. The European unification process has always had a transatlantic dimension. Today, that encompasses the EU-US relationship, where the European Union is the focal point on the European side, and the Atlantic alliance—NATO. These two pillars have to interact.

As for our 'common purpose', I honestly believe that we need to put the transatlantic decision making process on a more solid basis. We need to take a fresh look at the four areas where we actively cooperate in keeping with the New Transatlantic Agenda of 1995—foreign and security policy; global issues; the management of our bilateral agenda, including trade; and the people-to-people dialogue, which broadens the basis of our relationship beyond official contacts to business people, academic communities, consumers, environmentalists, labor advocates, and legislators. It is perhaps time for a strategic dialogue on the broader geopolitical and societal issues in order to create a kind of new kinship across the Atlantic between the New World and the New Europe.

Ninety-eight percent of EU-US trade relations are good, but the 1 to 2 percent of trade disputes makes headlines. Why is this?

This is why we must engage the new US administration in an early comprehensive stock-taking. We need to make sure that the individual issues, as sticky as they might be and as easily as they might distort the general climate, do not obscure the broad agenda. Sometimes, that 1 or 2 percent can pollute the rest—we should have no illusions about that. These problems are not there because some bureaucrats on both sides like their play-mobiles to keep them busy. Some are traditional trade disputes about market access. On the banana issue, it is true to say that the United States' position has been almost entirely determined by the interest of one single trading company. Other disputes reflect different perceptions in society. Take food safety or the use of hormones or genetically modified organisms in food production or the noise levels of aircraft. They are about more than just market shares. They involve both business interests and the broader responsibility of lawmakers on both sides.

You touched earlier on the Atlantic alliance. Do you think NATO will remain the key transatlantic security alliance and will the EU's Rapid Reaction Force cause any changes in NATO?

There has been a lot of discussion on this. There are usually two schools of thought in the US when it comes to assessing developments in Europe: "Is it good for us?" or "Does it pose a risk for the US"? I have heard this many times. Take, for example, "Europe 1992," the completion of the single market. When this concept was put on our political agenda in 1985, the first reaction in the US was "Is this Fortress Europe?" Or take the single currency. When the plan was born in the beginning of the nineties, the fear was expressed that this might mean, at best, a head-on attack on the role of the dollar and, at worst, havoc for the international monetary system. To a certain degree it is true even today of the EU's common security and defense policy. Of course, whenever you do something new it means that the old structures have to adapt. In concrete terms, the Rapid Reaction Force means that the European Union is about to equip itself with capabilities the European citizen rightly expects it to have. Security cannot be excluded from a fully-fledged unification process; on the contrary, it is absolutely necessary in order to underpin an effective European foreign policy. We have seen that in the Balkans where the considerable efforts deployed by the European Union over many years proved too little too late without the support of a credible military threat. I can't see the logic of the argument that additional European Union capabilities might weaken rather than strengthen the combined EU–US resources. When it comes to practical modalities, however, such as EU–NATO cooperation and consultation, it is evident that old alliance structures must accommodate a powerful new actor on the transatlantic chessboard that the European Union is expected to be. Some American policymakers and, even recently, elder statesmen such as Henry Kissinger still have problems accepting that the US cannot be at the same time an equal (instead of the dominant) partner and sit at the EU table as part of the EU's own decision-making process. Neither does the EU's common security policy amount to a 'declaration of independence' as Brent Scowcroft suggested in a recent *Der Spiegel* interview. It is part and parcel of the EU's own development.

When the European Rapid Reaction Force is fully in place in 2003, it will provide the transatlantic relationship with more than one option if the need occurs to manage a crisis. If, in the event of a crisis and in consultations among partners, NATO decides not to be engaged "as a whole," the European Union must have the option to take on the task. During my first year here in Washington, I have carefully listened to voices in the administration and in Congress, notably during the recent debate about who does what in the Balkans. I have the strong impression that the message to the Europeans is "get your act together and make sure that you can take on more of the common burden."

Does the European Union have a position on the proposed national missile defense system by the Bush administration?

There has been no discussion in the EU as such on this issue; therefore, there is no formal EU position, but there have been a number of comments on it by people who have a say in such a debate. The overriding message to the new administration is not to put the stress on the 'n' as in "national," but let's first discuss whether there is a common threat and, if so, how to deal with it together.

Bush's national security advisor talked about pulling US troops out of the Balkans, how would the EU react to a withdrawal of American forces from the Balkan peacekeeping force?

There has been already a marked evolution in what we have heard during the presidential campaign, during the transition and during the first days of the new administration. The policy of stabilizing the Balkans has been for the last decade one of the most important shared foreign policy objectives of the European Union and the United States. A lot of effort and resources have gone into that during that decade. Our US interlocutors know that the European Union is already bearing the lion's share of the burden both in terms of financial commitments and of peace-keeping troops on the ground. Some 80 percent of funds and forces in Bosnia and Kosovo are from European countries while some 15 percent come from the United States. But regardless of the figures, what is important is the United States' full commitment and involvement in this part of Europe. This is why the presence of United States troops is crucial. I, therefore, welcome President Bush's statement that any change in US policy in this respect would be the subject of consultation with the European Union partners, a position meanwhile repeated by Secretary Powell in his first meetings with the EU.

Some European leaders have made clear their opposition of the death penalty in the United States. Will the EU continue to speak out against the death penalty in the coming year?

Since the transatlantic relationship is built on common values, the death penalty is such a serious issue. One of our shared values is respect for the dignity of human life and on that we might be perceived to have different views. On the European Union side, all member states have abolished capital punishment. It has become part of the European Union identity. By the way, none of the candidate countries for EU membership except Turkey practices the death penalty. And enlargement negotiations with Turkey have not started because this issue is also part of what we call the political criteria to be met before joining the EU.

Of course, we know that we are not dealing here with a problem between the European Union and the United States as such because capital punishment in principle is a matter for the states. What we are criticizing is the way individual cases are handled, of non-respect by the United States of international obligations such as consular protection, the treatment of minors, the mentally deficient, and questions of due process. We are however encouraged by an increasing debate of these issues in a number of states, and we hope to make a constructive contribution.

The Hague environmental conference ended without an agreement on global warming. Are you hopeful there will be a new conference that will be more successful on environmental issues?

A new conference will be held this year, and this time we must succeed. The figures speak for themselves. The United States and the European Union together consume about 40 percent of the world's energy and are responsible for about 40 percent of the world's total carbon dioxide emissions. The United States alone, with some 5 percent of the world's population, is responsible for 25 percent of the consumption of energy and the production of carbon dioxide. The European Union, with its 8 percent of the world population, is responsible for 15 percent of the world energy consumption and 16 percent of carbon dioxide emissions. While the United States is clearly more exposed, we share the bulk of the burden and must find common solutions to this problem.

What differences do you see with the US on starting a new round of trade talks?

We worked with the former US administration, up to its last day in office, to spell out a possible agenda for a new round. We were able to make a lot of progress since the failure of Seattle, but we have not yet bridged all the gaps. I know that Pascal Lamy and Robert Zoellick will give priority to the preparation of a new round of global trade liberalization. The main difference has been that the United States would prefer a relatively narrow market access-oriented agenda while the European Union believes that only a broader agenda will allow to involve all WTO members, in particular the developing world, and facilitate a successful outcome including the consideration of issues such as investment, competition, environment and labor standards, and the reinforcement of the rules-based WTO system.

What do you see as the major areas of disagreement with the US on trade issues in the coming months?

We know the various "B" words: bananas, beef hormones, biotech. First of all, a very thorough and complete stock-taking must be done with the new administration. Also, we need to foster a new transatlantic trade policy culture. What about agreeing on some basic commandments: consult before you legislate; negotiate before you litigate; compensate before you retaliate; and comply at any rate? It could be called the "gateway for the management of transatlantic trade issues"?

Once the WTO has spoken, only compliance can reinforce the authority of the multilateral system. On bananas and beef hormones, compliance by the EU requires a certain amount of cooperation from the US side. Indeed, the EU's future banana import regime cannot be based on a kind of cartel to the benefit of a given trading company. In the beef hormones case, the problem is not simply market access. We have to establish a policy based on the best available scientific advice in the interest of consumers. This is why we have offered compensation that would give US farmers increased market access for hormone-free beef. Retaliation cannot be a substitute nor can "carousel," the former being clearly inadequate and the latter not covered by the rules. Compliance will also be the key to ending the EU–US dispute over export contingent corporate tax breaks, a case the US has lost in the WTO, while in the meantime we have found a procedural way to keep the issue under control.

The first two "commandments" are important to avoid new trade issues. Trade issues can occur as a result of different legislative approaches on the two sides of the Atlantic. Here legislators should talk to each other before positions are set in stone. A good example is the area of biotech. Concerning "negotiation versus litigation," Boeing-Airbus is a good example. There we have the 1992 agreement from the previous Bush administration, setting out agreed limits for the support on both sides to the makers of large civil aircraft. We should make full use of that before exposing unsolved bilateral problems before the global arbiter.

Do you think Americans and people around the world know that the euro is becoming a reality in 2002?

If they don't, they very soon will. In less than nine months, starting on January 1, 2002, in twelve member states of the European Union, national notes and coins will disappear almost overnight. It will be as much an historical experience for the European citizens as it will be for our partners. A common currency of the world's number-two economy, which Euroland is, presents a considerable benefit to the United States and the international monetary system.

> "A common currency of the world's number-two economy, which Euroland is, presents a considerable benefit to the United States and the international monetary system."

Can you briefly explain the enlargement of the EU and what is going to be happening?

Since their foundation some fifty years ago by six member states, the European Communities have gone through successive enlargements and treaty amendments to become the European Union of fifteen member states. As a result of the fall of the Berlin Wall in 1989, the end of communism, and the dissolution of the former Soviet Union in 1991, there is now a real perspective to extend the European unification process to the new democracies in Central Europe and to bring stability and prosperity to the whole of Europe. The next massive enlargement to incorporate up to twelve or thirteen new members, therefore, is a historical undertaking as much as it responds to a moral commitment made during the times of the cold war. It is a political opportunity to unify Europe as much as it opens unprecedented economic perspectives. It will go hand in hand with the strengthening of the European Union institutions and the streamlining of its decision-making process and will make the European Union an even more important and powerful partner and global player. However, such development also requires sacrifice and readiness for change. It is not without considerable cost. You may best compare the entry of some 110 million people with a GDP per capita representing only one-third of the present European Union's average to the challenge the president of Mexico has hinted at when he suggested that NAFTA might develop into a European Union type of organization. We expect the first group of new members to join the European Union by 2004 and have set aside some €75 billion ($68 billion) during the present seven-year period (2000–2006) of financial guidelines for the European Union budget to assist in preparation for and financing of enlargement. This amount alone is comparable to the effect of the Marshall Plan which was so instrumental in preparing the ground for the starting phase of European integration.

The Golden Hair of t

European cashmere holds its own in the age

Even in the age of polar fleece, the seduction of cashmere remains timeless. Adventure travelers may make their way across Mongolia clad in Goretex and Dri-Fit, but they generally return from the land of cashmere, laden with sweaters knit from the precious fiber. Why is it that in spite of cashmere's high prices and its complex production process, which begins on the Mongolian Steppe and often ends in Scottish villages and Italian mill towns, that manmade fibers just can't compete for softness, wearability, and sheer luxury?

To understand the reasoning, begin by running your hands over the sweaters. Cashmere is a world of softness on its own. So soft, that designers are using it for sweatpants, t-shirts, and socks—all meant to be worn right up against the skin.

While polar fleece and other manmade fibers rank high for warmth and comfort, they lose points when it comes to elegance. Cashmere, on the other hand, has been associated with royalty and luxury ever since the early nineteenth century, when Europeans discovered the exotic textiles woven in Kashmir, India, from whence the name comes. Production in Europe began shortly thereafter as cashmere shawls woven in England, France, and most famously, Paisley, Scotland, imitated the original Kashmir patterns.

Cashmere is made from the downy fibers on a goat's underbelly, beneath its thick, coarse protective coat.

Elegance and history aside, the question remains: Why is cashmere so expensive? Why does a lamb's wool sweater cost $50 dollars while basically the same garment in cashmere runs upwards of $200? Unsurprisingly, it is a question of supply and demand. Although almost all goat breeds—except for the Agora—can produce the down fibers used to make cashmere, the best comes from goat herds in the mountains of Mongolia, China, India, and Iran. A thick layer of long coarse hair covers the goats and protects them from the harsh winter conditions. Underneath this layer, the downy fleece on the goats' underbellies holds the precious fibers that are harvested each spring using hand combs. The longest fibers are used for knitted garments while the shorter down is used in woven fabrics. Whereas the wool from one Merino sheep can make as many as twenty-four crewnecks, a similar cashmere sweater requires the fleece of six goats; a single cashmere overcoat requires a herd of as many as forty.

As with all good things, the price of cashmere varies with the quality. The difference between the $200 dollar cashmere twin-set at J. Crew and the $2,000 dollar turtleneck from Italian couturier Malo is not only a question of design. The first choice a manufacturer faces is what quality of cashmere to buy. Many high-end producers hand select their own flocks of goats to be raised by local shepherds. But the purest cashmere consists exclusively of the finest downy fibers from the goat's underbelly. As more of the thick protective fibers are blended into the fabric, the price goes down. A shortage of high-quality goats and fewer shepherds to tend them, meant that in 1999, prices for cashmere wool reached a high of nearly $60 dollars per pound.

ne Goat
of polar fleece

By Saskia Reilly

Later, the manufacturer must decide what ply cashmere to weave and whether to produce garments by hand or by machine. Two-ply cashmere (two threads twisted together so tightly that when spun they are no thicker than one) is stronger and tends to pill (the small fuzz balls on the fabric's surface that come with wear) less than one ply. Four-ply and ten-ply cashmere are somewhat thicker. Sixteen-ply cashmere is bulky but still light and warm. As the ply increases, the price goes up. Likewise, if the sweater is handmade, it will cost more than a machine made one.

While the best cashmere goats are raised in Mongolia and China where brutal mountain winters necessitate an especially thick protective winter fleece, the best cashmere is manufactured in Europe. Although Scottish cashmere producers were at the vanguard of production for warmth, today Italian makers have capitalized on their country's position as one of the world's style capitals to dominate the high fashion cashmere world with their elegant designs. Names like Loro Piana, Manrico, Lorena Antoniazzi, Malo, and Brunello Cucinelli are scattered throughout the pages of high-end fashion magazines and up and down Madison Avenue. Nevertheless, the gloss aside, they attribute their success to unwavering focus on quality, craftsmanship, and attention to the smallest details.

Of these designers, one stands out for his commitment to the spirit of cashmere and what differentiates it from modern substitutes. Brunello Cucinelli founded his cashmere business in 1978 with a loan of 500,000 lira. He started out as a one-man operation in the small Umbrian town of Solomeo and loves to tell visitors how he began

An Oscar de la Renta model wears a black cashmere halter dress at a New York fashion show in February.

by doing everything himself, including disguising his voice to answer the phone as a non-existent secretary. Since then, his revenues have grown to more than $40 million a year. He exports more than 70 percent of his production to France, Germany, the United States, and Japan, and his sweaters now feature on the shelves at Bergdorf Goodman and other upscale department stores.

Brunello Cucinelli has stayed true to the concept of the family business in a region dotted with small family garment mills. Rather than seeking to join forces with a luxury goods conglomerate, he owns 80 percent of the company himself, while friends and managers own the rest.

However, it is Cucinelli's unique business philosophy, in addition to his international success, that differentiates him from his competitors and has made him the darling of the Italian fashion press and the subject of case studies at business schools, including the Bocconi in Milan. This philosophy, encapsulated by the motto, "We cultivate one value: the person," appears consistently in every company publication and is indicative of how the business is run.

Cucinelli believes employees who feel valued and take pride in their work are better for business. Cucinelli Cashmere employs nearly 200 workers in the Umbrian hill town of Solomeo, and all of them have a key to the plant, which is housed in a fourteenth century castle that Cucinelli together with his staff spent sixteen years and nearly $10 million restoring.

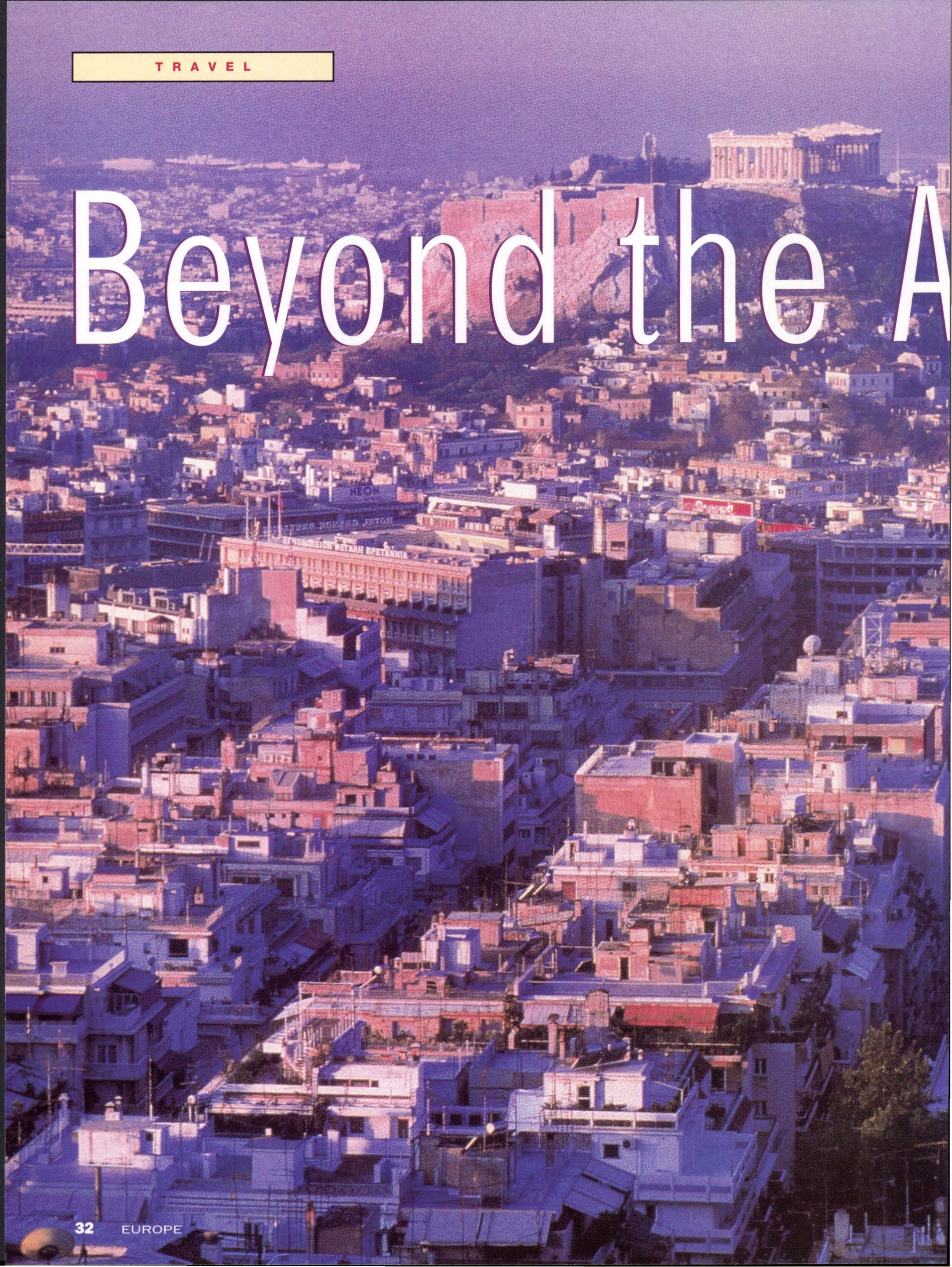
Though the company's revenue has grown consistently over the years, Cucinelli says, "Profits cannot be the principal objective of a company." He adds, "Employees are above all people, with a soul and as much dignity as managers or owners." To this end, his employees do not punch time cards, and each has the autonomy to decide his own hours according to their own needs and those of the team to which they belong. Furthermore, each employee brings home a paycheck that is at least 50 percent more than that of the industry average.

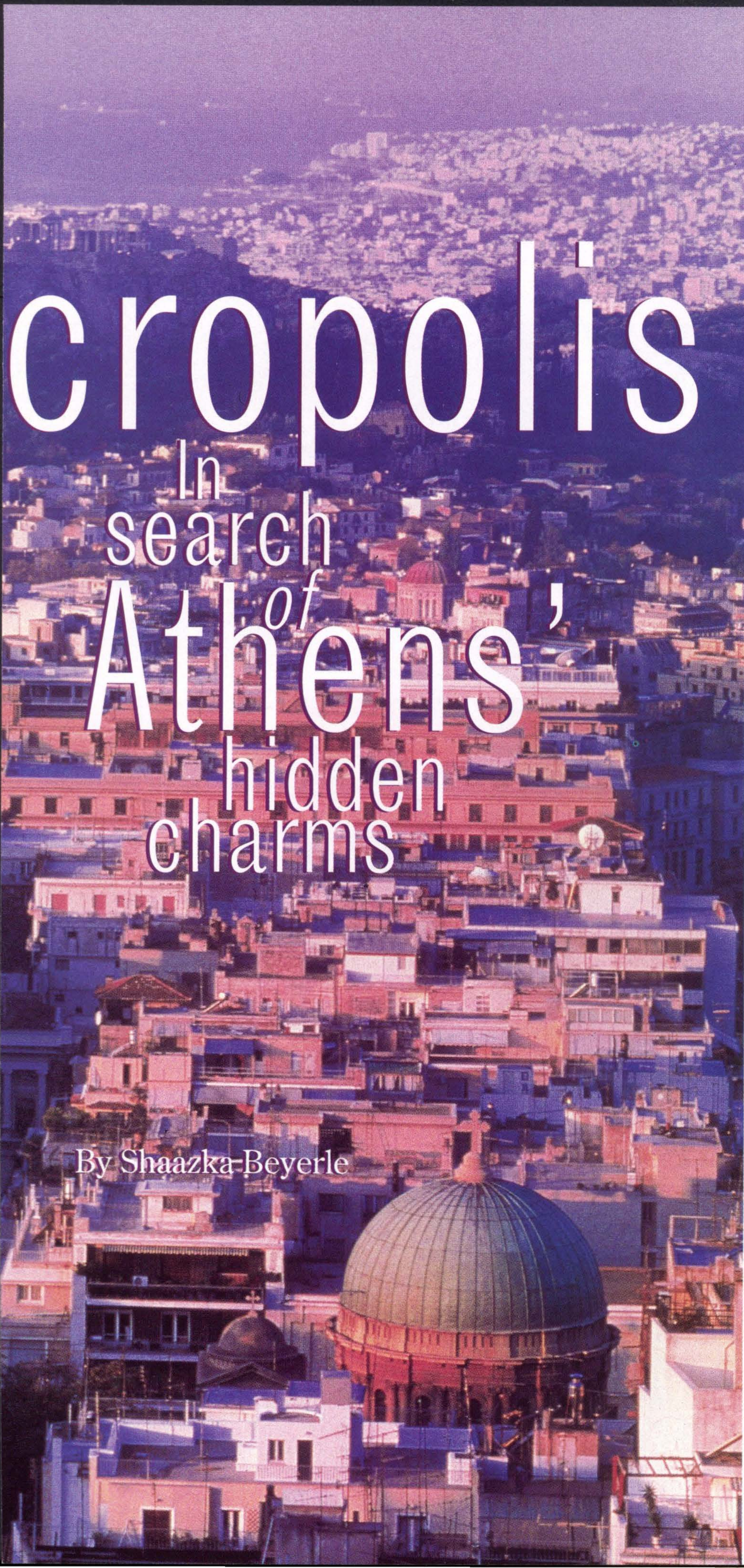
Cucinelli maintains that the soul of his product is more important than a fat bank account. "When I meet my colleagues at events, we spend more time comparing notes on a marvelous sixteen-micron wool or of the workmanship of a superfine cashmere yarn than about business," he says. Such talk may seem like marketing speak, but slipping into the feathery folds of a handmade cashmere turtleneck, it's not difficult to grasp this concept of a sweater with a soul. ⓔ

Saskia Reilly profiled Italy's music scene in the June 2000 issue.

A worker at the Clan Douglas cashmere factory in the Scottish town of Hawick checks a sweater for faults.

Beyond the A





cropolis

In search of Athens' hidden charms

By Shaazka Beyerle

You have marveled at the Acropolis, gaped at the treasures of the National Archeological Museum, and finally gotten tired of bumping into fellow tourists in the Plaka. It's now time to discover Athens beyond the Acropolis. There is so much to see and do that one could spend weeks ferreting out the city's hidden charms. But even if you only have a day or two, you can get a taste of the natives' city and discover a few of its lesser-known charms. One way is to plan an outing to one of the wonderful private museums, which are situated in neighborhoods where few tourists venture.

The Benaki Museum and the neighborhood of Kolonaki, close to Constitution Square, are the perfect starting points. The Benaki is a magnificent institution devoted to the Greek experience throughout the ages, from ancient times to independence from the Ottomans in the nineteenth century. First is the building itself, originally built in 1867 and one of the few examples of neoclassical architecture left in the city. It survives, beautifully restored and expanded. It was originally the family home of Antonis Benakis, the museum founder, who purchased it in 1910, and was a formidable collector from a young age.

The Benaki collection is divided into four parts: ancient art, Byzantine, post-Byzantine Hellenistic, and historic heirlooms. It includes a dazzling display of sculptures, ceramics, gold, silver, household and religious objects, manuscripts, and paintings. Particularly stunning is the jewelry from each era, clothing from previous centuries, and reconstructions of fully-furnished wood-paneled rooms from traditional houses of different regions. Do take an espresso or frappé (a Greek iced coffee) in the modern new café on the top floor. It has a beautiful terrace and one of the best views of Athens.

Now it's time to hit Kolonaki, the trendy, ritzy neighborhood a few blocks away where Athenians of all ages gather to see and be seen. The streets of Kolonaki radiate from the central square, which is surrounded by boutiques, cafés, and restaurants. Several of the streets off the square have been closed to form pedestrian walk-ways, and they are full of casual eateries offering respite from your morning wanderings and tasty lunch fare. Window-shopping is elevated to a high art form in Kolonaki, which is typically European in that all manner of goods can be purchased from interesting little shops. Nothing is cheap but neither are

Treasures from the Benaki: (top) An 1851 engraving entitled "View of Smyrna" by Konstantinos P. Kaldis; a twelfth century cameo of Christ Pantokrator; a neo-Hellenic painted wooden chest from the late eighteenth to early nineteenth century.

the prices outrageous—with the exception of imported designer goods. Because store hours vary, it may be best to explore Kolonaki in the morning and visit the air-conditioned Benaki after lunch during the heat of the day when many stores are closed.

If you'd rather embark on something a bit more adventurous, consider a visit to Paiania and the Vorres Museum. Paiania is a working-class town approximately twelve miles from Athens. Rather than taking a taxi, which will take you for a ride figuratively as well as literally, try the regular bus service, which, in addition to the cheap lift, offers a sociological experience most tourists miss.

From the bus terminal in Paiania, the Vorres is less than a half mile away but an uphill hike. One should budget at least an hour traveling time from Athens. Paiania is also home to a special type of Greek taverna, the *psistaria*, which specializes in grilled and spit-roasted meat and local wine (non-carnivores can always find some good vegetable dishes). Ask the museum staff or a local for a recommendation that is not too far from the bus terminal.

The Vorres is only open on Saturdays and Sundays, 10:00 am to 2:00 pm because it is also the residence of its founder, Ian Vorres. It is situated on the eastern slopes of Mount Hymettus. The area is rich with history—ancient Paiania was the birthplace of the great orator, Demosthenes.

This gem of a museum consists of two very different parts. The Pyrghi (tower), consists of traditional rural structures from the early nineteenth century, which Vorres found on the property and restored. It houses his ever growing collection of mostly antique Greek folk art and objects, which include rare pieces of furniture, handmade rugs, pottery, paintings, and everyday objects. Vorres has been on a lifelong mission to build the Greek public's awareness of its cultural heritage. He has combed the country to save old structures and objects from destruction.

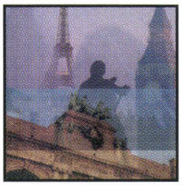
The second part is the Museum of Modern Greek Art. The minimalist airy structure and sculpture garden contains a fabulous collection of Greek art and sculpture from the past fifty years. Contemporary Greek art bears connections to international developments but is also imbued with what can be called a Greek sensibility. There is an unofficial third part to the complex, its paradisiacal gardens. Bring something to read or write, get a beverage from the little café, and revel in the quiet and peace. Perhaps you will discover how Demosthenes became inspired thousands of years ago.

For more information, consult www.culture.gr, www.benaki.gr, www.gnto.gr, and www.go greece.com.

Shaazka Beyerle is a writer based in Washington, DC.

CAPITALS

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



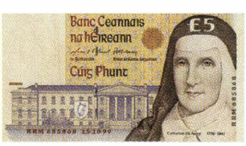
Counting Down to the Euro

Much has been written about the events and meetings taking place at the Commission in Brussels and at the European Central Bank in Frankfurt to prepare for the introduction of the euro on January 1, 2002, barely nine months from now. But what's happening in the individual countries themselves as they prepare to retire their long-held national currencies in favor of a new form of money? Beyond the obvious switch of billions of old banknotes and coins for new ones at thousands of local banks across twelve countries encompassing some 300 million people, hundreds of other contingencies in the marketplace must be identified and dealt with. For example, all vending machines and parking meters must be converted to accept the new money; cash registers must be recalibrated to count in euros; and ATMs must be reconfigured to dispense euro notes, which will be smaller than the old notes from some of the euro countries. With these and other examples in mind, we asked our Capitals correspondents to put their fingers on the pulses—or purses—of their respective countries and report on how the preparations are proceeding.

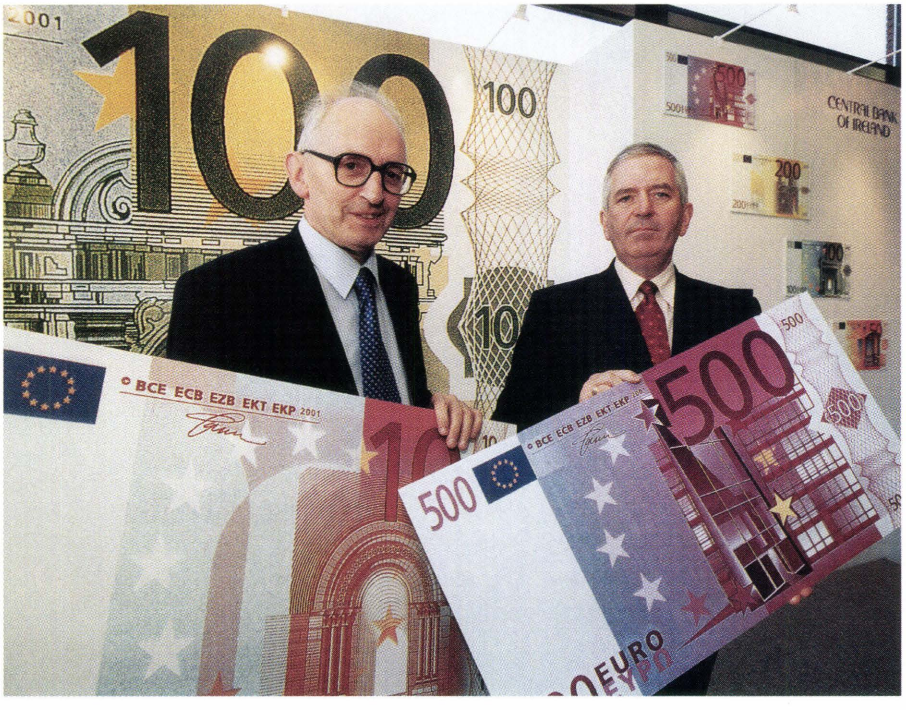
DUBLIN

WAITING FOR EURO

The final countdown is underway, and nine months from now, €-Day will be with us—a New Year's present of the greatest currency changeover in world history. From January 1, 2002, roughly 300 million European citizens in twelve EU member states will say goodbye to their national currencies and, during a brief dual circulation period, 14.5 billion rainbow-colored euro banknotes and 56 billion euro coins will swiftly replace the old national notes and coins.



The irrevocable conversion rate of the Irish punt to one euro is 0.787564—or, in perhaps somewhat



Irish Central Bank Governor Maurice O'Connell (left) and Irish Finance Minister Charlie McCreevy at the launch of euro banknote production last June.

simpler terms, a punt will get you one euro and 27 cents. Some 200 million banknotes and 950 million coins have been produced to meet the Irish Republic's requirements.

The changeover will start with accounts in financial institutions being converted to the euro on New Years' Day. From then on, all cash going out will be in euros, with incoming Irish notes and coins being retained—and not issued outward again.

So the word is get rid of those hoarded coins—now. (The Central Bank of Ireland recently published research findings that showed some 550 million coins worth about $35 million are being hoarded in Ireland, which is an average of $28 per household).

Philip Hamell, chairperson of the Euro Changeover Board of Ireland, says the changeover should be relatively painless. People should continue to carry out their normal cash transactions, using their remaining Irish notes and coins first and then acquiring euro notes and coins.

"We anticipate that the bulk of cash transactions will be made in euros by the end of two weeks from €-Day," Hamell says, although legal tender status will not be finally withdrawn from Irish notes and coins for a further five to six weeks.

"We anticipate that the bulk of cash transactions will be made in euros by the end of two weeks from €-Day."

Hamell says everyone should get familiar with the conversion rate and build up a scale of values in euros for themselves, working out how much regular purchases cost in euros and what one's take-home pay is in euros. This will allow consumers to monitor prices in euros—and ensure that they are fair.

From January 1 next year, accounts in financial institutions will be converted to euros free of charge; withdrawals will be in euros; and ATMs will begin dispensing euro notes. Wages, salaries, pensions, and social welfare payments will be in euros. Retailers will charge in euros, although they will accept Irish notes and coins but will give change in euros only. Banks and other financial institutions will exchange up to an overall total per individual of at least £500 worth of Irish notes ($583) and coins for euros, free of charge, and will continue to accept Irish notes and coins in customer lodgments until midnight on Saturday, February 9, 2002.

There will be seven euro banknotes—ranging in value from 500 euros (400 punts or $466) to 5 euros (4 punts or $4.66) and eight euro coins—ranging from two euros, (about 1.60 punts or $1.86) to 1 cent (which is four-fifths of the current Irish penny).

For the past year, a massive euro education program has been in operation. Television, radio, newspapers and magazines, roadside billboards, and millions of information leaflets have been used to inform public opinion.

Every purchase—from the smallest shopping item to banking transactions and stock exchange prices—have been quoted in both Irish punts and euros.

Not surprising then that public awareness of the euro in Ireland—at 92 percent—is one of the highest in the European Union. Six in every seven Irish adults say they have seen dual pricing—especially on supermarket receipts, bank statements, and utility bills.

Unlike other EU countries, the Irish Republic's business and manufacturing organizations doing trade across the border with Northern Ireland face particular problems. Since the United Kingdom, of which Northern Ireland remains a part, has not joined the European Monetary Union, the pound sterling continues to fluctuate against the euro.

Forfás, the Irish state agency that manages the country's EMU business awareness campaign, warns that the euro presents challenges and opportunities for businesses on both sides of the border. Properly handled, Forfás says, it has the potential to enhance cross-border trade.

However, it also emphasizes that the introduction of the euro will affect cross-border trade. It advises cross-border businesses to consider whether they need to maintain both sterling and euro bank accounts and, in addition, should explore ways to lessen any exchange rate risk in trade transactions by using hedging instruments.

So, not everything is plain sailing.

In addition, there is the hidden fear that introduction of the euro could lead to inflationary pressures. Take a sample item like a morning newspaper now priced at one punt ($1.17). That converts to 1.27 in euros. The likelihood is that this will be "rounded-up" to 1.30 euros, with similar "rounding-up" of prices—never "rounding-down"—on everything from a liter of milk to a loaf of bread.

However, the Republic's consumer affairs minister, Tom Kitt, says there will be rigorous monitoring of prices—and action will be taken to ensure there will not be profiteering.

It may not be just an Irish problem. It could be EU-wide. Therefore, the word for €-Day is simple. It is "vigilance."

—Mike Burns

PARIS

PLAYING THE EURO GAME

Question: "By which date can you no longer use the French franc?"

According to a recent telephone survey conducted by the French news weekly *L'Expansion*, only 44 percent of the people questioned knew the answer: February 18, 2002. Although the franc officially stopped 'existing' in 1999, except as a subdivision of the euro, and will be phased out totally starting next January, the French public as a whole seems serenely unaware of the imminent arrival of the new currency.

Large retailers are trying to do their part. Whenever you buy anything in a supermarket, for example, the receipt lists both the franc total and its euro equivalent, but no one pays much attention to that. Ask your average Frenchman how to convert francs to euros, and he is quite likely to give a Gallic shrug, not without reason. The official, five decimal conversion rate is 6.55957 francs to one euro, enough to discourage anyone who is not an accomplished mental mathematician. (An easier formula, accurate enough for doing the shopping, is to divide the amount in francs by ten and then add 50 percent. For example, 100 francs, divided by 10 = 10 + 5 = 15 euros).

While French consumers may get away with feeling confused and slightly panicky when the first euro coins and notes are handed to them next year, French companies cannot afford to be so unprepared. Hervé Hannoun, first deputy governor of the Bank of France, insists that the switch to the euro for inter-bank transactions "must be completed by October 2001, if we want to avoid a bottleneck at the end of the year." All banks and most sizeable corporations in France have already converted to euros, but many smaller French businesses are still at the stage of wondering how to prepare their employees for its inevitable arrival.

One option, livelier and more interactive than most in-house training seminars, is the *Euro Game*. It was created in 1998, by Formateurs Associés, a small French company based in the Paris suburb of Saint-Cloud and specializing in corporate training. A cross between *Monopoly* and *Trivial Pursuit*, it shows that just because the euro is no joke, learning about it can still be fun.

The players divide into teams representing the different member countries of the European Union and begin with a chart of their present economic situation: inflation, growth, interest rates, unemployment, public debt, etc. They move around the board, which represents the years 1998 to 2002, by rolling dice and answering question cards. They win euros for correct answers and lose them for wrong ones. Test yourself with this question: "For the retail trade, will the inauguration of the euro be mainly a fiscal and social problem or a problem of customer relations?" ("Answer: A customer relations problem. A baker, for example, will have to handle both euro notes and coins and French currency for a while, once the euro is in circulation.")

Designed to demonstrate the practical implications of Europe's new single currency, the *Euro Game* exists in several versions, depending on how much time is available for training and can be tailored to the specific needs of a particular industry sector. Its clients range from public authorities and construction companies to banks and sports retailers, from Bougyes Telecom to the Paris National Opera and the airports of Paris. The European Commission has reviewed and approved it and produced a promotional video presenting the game.

Come January 2002, the euro will not be a game for anyone anymore. Banks throughout France will start circulating the 33,500 tons of euro coins and notes currently being minted and printed. Here is another question for you: How many euro coins will be put into circulation in France in January 2002? (Answer: 7 billion) French francs will gradually be withdrawn from circulation and will stop being legal tender on February 18, 2002. The coins will be reminted, the notes will be shredded or burned—all except those that people will keep as souvenirs. "Look!" they will say to their grandchildren. "Once upon a time, France had its very own money, and so did every other country in Europe, and none of it was worth the same amount as anyone else's." And their grandchildren will probably laugh at such a silly story.

—Ester Laushway

COPENHAGEN

FEW CHANGES SINCE EURO REFERENDUM DEFEAT

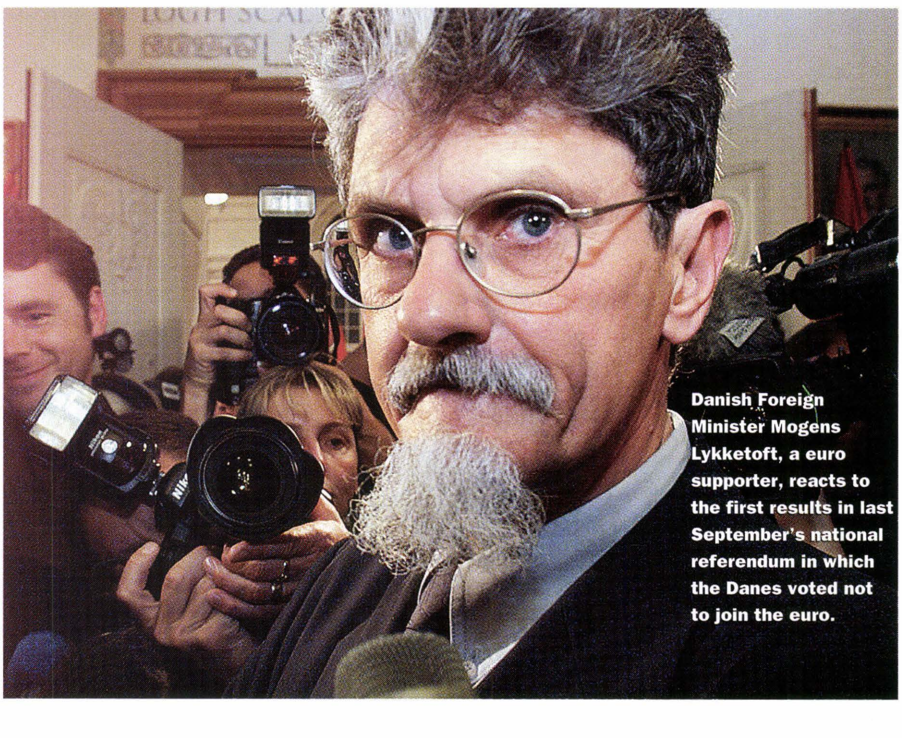
Denmark most certainly will not be joining the euro in the near future but few people here seem very alarmed at the prospect. A lot of things were said at the time of the referendum on euro membership last September, but hardly anyone predicted that a "no" vote would leave life virtually unchanged for most Danes.

Perhaps the main consequence has been an even firmer will by the government and the majority of the Folketing, the Danish parliament, to maintain a financial policy aimed at convincing others of Denmark's willingness and ability to meet the convergence program guidelines. In other words, if the people ever change their minds about euro membership, the economy will be ready for it.

As far as the public and the business communities are concerned, the threatened rise in short and long-term interest rates following the "no" vote simply hasn't happened. House rents, which some pro-euro campaigners said would soar if the vote went against joining, have barely changed.

It's true that the resignation of the foreign affairs minister, Niels Helveg Petersen, just before Christmas was officially a consequence of the vote against the euro and other Danish exemptions from EU policies. But some observers wonder if there was a hidden agenda here that had more to do with the relationship between Petersen's Social Liberal Party and its larger government partner the Social Democrats.

Certainly one can expect Petersen's successor as foreign minister, Mogens Lykketoft, to continue with a pro-EU line. Speaking as finance minister after



Danish Foreign Minister Mogens Lykketoft, a euro supporter, reacts to the first results in last September's national referendum in which the Danes voted not to join the euro.

the referendum, Lykketoft said that the rejection of euro membership "will not change the goals or strategies of Danish economic policy, only the conditions may be somewhat harder."

Lykketoft said the vote could mean slightly higher interest rates than otherwise but more important was the fact that Denmark might now have to do more to attract foreign investment. "Denmark would have gained by participating in the euro, but the government and [the Central Bank] are deeply committed to sustaining the fixed exchange rate, thereby keeping the losses as small as possible," he said.

These words will be enthusiastically supported by the economic affairs minister, Marianne Jelved. A Social Liberal, Jelved was a passionate supporter of Danish euro membership during the referendum campaign, and she took the result as a cruel personal defeat.

In practice, the government now finds it necessary that Denmark be seen as "better than the best"—in other words it must make even more effort to ensure its reputation for financial integrity than it would have had to as a euro member. This should not cause undue hardship, however, as the economic outlook is good. According to the Finance Ministry, unemployment is flattening out for the first time since 1994; inflation has fallen and is now at par with inflation in the euro-area; and wage increases are relatively moderate. The Finance Ministry calls, however, for "vigilant" policies to prevent higher prices and other factors leading to accelerating wage increases.

The krone itself has not faced any stiff challenges in the currency markets. There was some slight downward pressure just after the referendum but "discreet support" by the Central Bank has kept the speculators at bay.

For many Danes the euro is simply not a matter that touches their lives very deeply. Many would say that the most important recent event was not the referendum but the death of Ingrid, the former queen and mother of Queen Margrethe. Certainly the media seemed to think so—reports of the queen's illness, death, and funeral have far outweighed euro stories in recent months.

—Jette Hvidtfeldt

HELSINKI

AIMING FOR A SMOOTH SWITCH

The country where office workers often tiptoe away from their offices at 3:00 pm during the summer months has periodic fits of super-efficiency, a macho display of ruthless Germanic efficiency, which wrong-foots those who might think the Finns are going soft or are not up to the mark.

The last time there was a prolonged spasm of national effort was in the three years preceding the Finnish presidency of the European Union, which took place in the latter half of 1999. It is happening again now as the country tools up for the euro's introduction. Nothing, it seems, has been left to chance.

Thus, Finance Minister Sauli Niinisto's office recently released a memorandum saying, "The conversion rates have been set to an accuracy of six significant figures, and they must not be rounded or abbreviated when doing the calculations. It is not permitted to use inverse rates derived from the conversion rates because they would lead to inaccuracy. A sum in markkas is converted to euros by dividing it by the conversion rate. A sum in euros is converted by multiplying it by the conversion rate."

From his tone, it is clear he will be disappointed if not everyone has been paying attention, especially those at the back of the class, but it would appear that most Finns have. These days it's unusual if shop prices are not quoted in both currencies. The banks have already invited their customers to begin conducting their bank transactions in euros.

So far, there have been surprisingly few glitches and little confusion. True, older people are expected to make the transition with greater difficulty than others, but that likely will be so everywhere in Euroland once the introduction is fully implemented.

The biggest anticipated problem caused by the euro changeover is that it will slow sales of single journey tickets on public transport, especially in

urban buses and trams where there is no separate conductor and the driver takes the fares. The most difficult transaction will be when the passenger offers the driver part payment in euros and part in markkas. One proposed solution is that payment must be made in one monetary unit only—and with the exact sum. What is likely to happen, therefore, is that public transport will give change in markkas during the first two weeks of 2002. In weeks two and three, there will be a gradual transition to giving change in euros as drivers build up reserves of euro cash.

The government clearly expects that most businesses and organizations will switch over to the euro before the start of 2002; those who have not already done so "should commence their preparations immediately" Niinisto says—as ever the implacable guardian of the economy on which his reputation stands.

The government has promised to have an even more intensive publicity campaign later in the year, probably after the summer vacations, which start in July. However, judging by the widespread news coverage of the changeover, it seems that it is already out of the starting block. The media have drawn attention to the fact that the old markka notes have already increased their worth far above their face value due to their imminent demise.

Meanwhile, a government bill on rounding euro-denominated payments has been presented to the Eduskunta, the Finnish parliament. If it is passed, and it will be, such cash payments will be rounded to the nearest number of cents divisible by five.

The ministries also have assiduously explained that no contracts need to be changed because if they are denominated in markkas they will simply be converted at the official rates—with no necessity for altered or additional documents.

The blueprint for the euro has been produced in cooperation with some fifty-two participating organizations and is based on the plans of each one. A smooth transition, then? Yes, the Finns will bet their first euros on that.

—David Haworth

LUXEMBOURG

ACCOUNT HOLDERS WAITING FOR LAST-MINUTE EURO EXCHANGE

Nobody has more experience of handling the money of other countries than the Luxembourgers; so you'd think that the process of switching over to euro notes and coins next year would hold few terrors for the inhabitants of this tiny country. Well that's certainly true in a technical sense, but it's not the same as saying that everybody here is in love with the euro and can't wait to get their hands on it. All the recent indications are that the Luxembourgers are keeping the euro at arm's length and will only sign up in a mad last-minute rush as the deadline looms.

In its openness to foreigners—and their money—Luxembourg has no equal in Europe. About a third of the population hold foreign passports, and about half the total work force—counting the cross-border commuters from France, Germany, and Belgium—comes from other countries. The Belgian franc has a special place here—it has been legal tender for many years—but I doubt that many Luxembourg shops and businesses would turn up their noses at deutsche marks or francs either, if offered in payment. They may not like the currencies of neighboring countries, but at least they know the difference between them and toy money.

The government here has been active in both word and deed to promote the euro. This year's national budget has been presented in euros, and as from the beginning of 2001, all government accounts have been drawn up in euros. People can still invoice in Luxembourg francs and expect to be paid in them, but all internal government accounting has now been switched to the euro. At the same time, the Finance Ministry has launched information campaigns with professional associations, chambers of commerce, consumer organizations, and associations for the elderly and handicapped so that precious little has been left to chance.

There's nothing very odd or threatening about the euro to Luxembourgers then. But if there's no antipathy to the currency, nor is there apparently any great liking for it. One way of measuring the euro's popularity is by the number of people and business who open bank accounts in it. The figures do not suggest any great wave of enthusiasm.

According to the Luxembourg Bankers Association, only 8 percent of private bank accounts and 13 percent of business accounts were denominated in euros at the end of 1999. To be sure, these are relatively old figures but the LBA does not believe them to have changed very significantly throughout 2000. Figures from the Finance Ministry suggest that in the third quarter of last year 24 percent of new bank accounts opened by individuals and 26.5 percent of accounts opened by businesses were in euros, but these relate only to newly opened accounts and do not include conversions.

Lucien Thiel, director of the LBA, says there was a "psychological handicap" for the euro last year because everybody tended to talk about it in terms of its weakness in the markets. Members of the LBA tried to encourage a shift to the euro among their customers "but unfortunately we weren't that lucky," he told *EUROPE*.

Thiel now expects that the real shift in accounts will not happen much before the introduction of the new coins and notes "and this will create a serious problem for the banks at the end of this year." It will happen, of course, at the very moment that the banks are delivering new notes and coins to their customers and receiving old ones in exchange so that up to twice as much money as normal will be in physical circulation.

The security threat and the need to be on special alert over money laundering are not uniquely Luxembourg problems, of course. However, other countries have much greater resources in the form of police and security guards to deal with them. Few doubt that Luxembourg will make a smooth changeover, but it would certainly help if the euro became a tad stronger in the markets this year and thus encouraged its domestic debut.

—Alan Osborn

ROME

THREE EUROS IN THE FOUNTAIN

Italian euros come from…Korea. A company in Seoul—in collaboration with an Italian company—has won a large slice of the mega-contract for supplying thousands of tons of material to the new mints. This is big business since the Italian market will require an initial 7.2 billion coins. The major portion of the paper money will be made in Fabriano, a small town in central Italy that is famous for its paper factories. But the high-quality cotton that is a component of the paper will be American. In short, the new money will be an example of the power of globalization, even if the Italian government mint has garnered an important contract for the facilities it owns in the Val d'Aosta.

US cotton will be used in the new euro banknotes.

In June, the Bank of Italy printed its last set of national banknotes, the green 5,000 lira banknotes, which are the equivalent of about $2.37. However, now that the moment has come to retire the Italian lira after more than 100 years of more or less honorable service, the monetary authorities have decided on one last national monetary tribute. The Italian Treasury, in accordance with the Central Bank, has issued a special triennial series of coins, a reproduction in silver of the one-lira coins that were in circulation in 1901 and 1915. These are dedicated to the kings of Italy, the monarchs of the house of Savoy who lead the country in its reunification during the mid-1850s and up until the end of the Second World War.

One curious detail that will make store owners happy, however, is that Italians will have to buy new wallets because the euro banknotes are wider than the lira bills. This is sort of history's revenge: until a few decades ago, tourists in Italy despaired because of its enormous banknotes, called by no coincidence "handkerchiefs" or even "bed sheets." They had to be folded at least into fourths in order to fit into a wallet.

The cash changeover underway throughout Europe is particularly difficult in Italy because Rome, as opposed to other euro-zone governments, has decided to produce all seven denominations of the euro in response to the country's unique spending customs. Credit cards are a regular part of commercial life, but on average Italians possess the highest number of banknotes in the EU, with 53 per person, for a total of more than 3 billion. Translated into euros, this attachment to "tangible" money will oblige the Central Bank to rent 1,500 tractor-trailers in order to distribute the money to the three main warehouses for storage.

Household doubts are rife. The most common is: "How much will a cup of coffee cost at the bar now?" But perhaps the most poetic one is: "So which coin will have to be thrown into the Trevi Fountain now?" As any tourist knows if you throw in a coin from your country, destiny will bring you back to Rome. Will it be the same thing with euros?

—Niccolò d'Aquino

STOCKHOLM

NOT IN THE EURO ZONE, SWEDES PREPARE ANYWAY

Wistfully, European Commission Chairman Romano Prodi summed up his feelings about Sweden's "three-E" program (enlargement, employment, and environment) during the EU presidency it now holds: "I'm sorry there's not a fourth, euro."

Swedish officials find themselves in the curious position of steering the European Union from January through June, but of not being able to influence European monetary policy. No Swedish representative sits on the European Central Bank board. Sweden doesn't belong to the European Monetary Union and isn't likely to anytime soon.

When European finance ministers meet during the Swedish presidency, Swedish minister Bosse Ringholm will be chairing the sessions but won't be able to participate in EMU meetings. He insists that's not a problem, but it's raised a few European eyebrows.

The Swedish government has promised there will be a referendum on EMU but won't say when. The government is open, though, about the fact that it wants to wait until public opinion is more favorable. Right now, about 43 percent of Swedes are opposed to monetary union.

But ironically enough, there are pockets of support for the new currency in the northern part of the country where EU opposition has traditionally been strongest. The northerners, however, are pragmatists, and they enjoy active border trade with Finland, which does belong to the EMU.

The city of Haparanda has joined with the Finnish city of Tornio, across the border, to form Eurocity. The region has about 500,000 people in a seventy-five-mile radius, 1,800 companies, and has been pricing goods in euros since March of last year.

At the ICA Maxi supermarket in Haparanda, Finnish customers account for 30 percent of sales. Storeowner Kare Mogemark is already marking prices in euros and is getting his cash registers ready to ring up euro prices when his Finnish neighbors replace the markka in their wallets with euro.

Mogemark sees nothing strange in this, since Swedish krona and markka are already routinely accepted on both sides of the border. Similar projects are going on in the neighboring Swedish cities of Övertorneå and Pajala.

The northerners in both countries have a reputation for independence and not following the lead of either Stockholm or Helsinki. Local politicians and business leaders made a point of announcing the project in Brussels, rather than their respective capitals. And on the Swedish side, they also made it clear to the national government that they don't think much of its failure to take a firm stand on the euro and insist that Sweden join the EMU.

"I don't want (Prime Minister) Göran Persson coming here and telling me what I should do," says local Haparanda politician Bengt Westman, who is incidentally a member of Persson's Social Democratic Party. "Actually, I should be telling Göran Persson that we need this."

—Ariane Sains

BERLIN

GERMANS BID A NOSTALGIC FAREWELL TO THE D-MARK

If you have the strongest currency in Europe, why give it up? That niggling question continues to bother German consumers as they prepare to abandon their beloved deutsche mark. Opinion polls show that Germans prefer their own national currency to the euro by a margin of three to one. For them, swapping an icon of economic stability for something as speculative as the euro is intensely unappetizing. It's like giving up a diet of schnitzel and beer for tofu and carrot juice.

However, with the euro soon to be the only item on the monetary menu, these practical folk are doing all they can to make its introduction a success. Tortured debates about the new currency's merits have given way to serious brainstorming about the most efficient way of putting the new coins and bills into circulation and getting the old ones out.

In terms of pure logistics, the switchover is proving an enormous challenge for Europe's largest economy. Germany's central bank, the Bundesbank, says 48 billion coins need to be taken out of circulation and replaced with 17 billion new ones. To visualize just how large this chunk of change is, imagine all the new coins stacked one on top of the other: it would create a column 13,000 miles high. As for the 4 billion new bank notes to be distributed in Germany, placed end-to-end they would stretch around the earth fourteen times. All of this cash has to be produced, assembled, counted, stored, guarded, transported, and distributed.

Fortunately, the Bundesbank approaches the task with some experience under its belt. During the run-up to German reunification in 1990, the Bundesbank had the job of implementing the currency union between the Federal Republic of (West) Germany and the (East) German Democratic Republic. Every wobbly East mark was successfully replaced with its coveted western counterpart.

Yet the scale of that undertaking pales in comparison to the one ahead. Getting all of Germany's legal tender swapped out will place tremendous strains on retailers and branch banks. Added personnel will be needed to handle the sheer volume of currency. While German financial institutions say they won't charge their customers to exchange "normal household amounts" of cash, they have hinted they might charge to convert larger sums. This issue has been a source of considerable controversy.

Already the German public has had quite a bit of practice performing calculations in euro currency units. For well more than a year, most bank statements have been issued in both national and euro denominations. Retail prices have been posted in marks and euros. In addition, people have been buying and selling shares on Frankfurt's stock market exclusively in euros.

On a political level, Chancellor Gerhard Schröder (like his predecessor Helmut Kohl) is throwing his full weight behind the euro project as a way of strengthening Germany's ties with its European partners. The government in Berlin has launched a massive information campaign to assuage public misgivings and assure the smoothest transition possible.

When currency union was being negotiated, Germans were never asked to express their opinion on the matter in a referendum. If they had been, the euro might have died on the drawing board. Political necessity, however, demanded otherwise. Now, for better or worse, people here have recognized the euro's inevitability. And having done that, they're eagerly lining up to watch the penny drop.

—Terry Martin

BRUSSELS

BELGIAN FINANCE MINISTER TO CHAIR KEY EURO COMMITTEE

Prepare carefully, and well in advance, and consult as widely as possible. These have been the guiding rules of successive Belgian governments with regard to the euro, in particular the introduction of notes and coins beginning in January next year. Therefore, it is highly unlikely that any other member state is in a better position than Belgium to ease the introduction of the new currency.

The process began as long ago as July 1996, when the Economic Affairs Ministry set up a permanent unit, chaired by Lambert Verjus, the secretary-general of the ministry, to oversee the whole process of preparation and consultation. Under its auspices, separate working groups were established to deal with likely problems in five different areas—transparency and price control, economic statistics, accounting, business-consumer relations, and inter-business relations. General economic guidelines were established on four basic principles:

Neutrality: the changeover to the euro, as such, must not procure any advantage or engender any loss whatsoever to any individual, consumer, or business.

Transparency: all conversion operations must be immediately understandable.

Freedom of choice: during the transition period no person may be compelled to use the euro or prohibited from doing so.

Stores all over Europe have been displaying their prices in both euros and the national currencies to prepare for January 1, 2002

Protection of the weakest party: particular attention must be given to ensure the operation occurs smoothly for the weaker party in the economic relationship and even more so to the most vulnerable groups in the population.

Belgium was almost certainly the first member state to ensure that all wage slips, bank statements, and public documents as well as the great majority of bills and receipts were expressed simultaneously in both Belgian francs and euros. This policy took effect within a few weeks of the decision, taken in December 1998, setting the irrevocable exchange rates between the euro and the national currencies of the eleven participating states (twelve since Greece adopted the euro in January).

The government has also ensured that general information about the euro is disseminated as widely as possible throughout the population, through the production and distribution of simple introductory leaflets, the diffusion of television and press advertising and the regular updating of information on Internet sites. No doubt, there will still be some hiccups and unforeseen problems when next January arrives, but it is difficult to see what further steps the government and administration could have taken in advance to minimize their impact.

By coincidence, it is the Belgian finance minister, Didier Reynders, who will be mainly responsible for coordinating the efforts of all the twelve euro states during the course of 2001. He will be presiding over the key euro committee of the EU Council of Ministers throughout this period. Belgium's six-month presidency of the Council only begins in July, but the current holder of the presidency, Sweden, as a non-euro state, does not belong to this committee, and Reynders has been designated as its chairman for the first half of the year also. He should be in a good position to encourage his fellow finance ministers to follow Belgium's good example.

—Dick Leonard

THE HAGUE

SHORT TRIP TO THE EURO

The Netherlands will have the shortest period of double currencies of all European countries that switch to the euro coins and banknotes on January 1, 2002. After only four weeks, from January 28 onward, the euro will be the sole legal tender. The Dutch national currency, the guilder, one of the oldest currencies in the world with a record of stability that dates back to the thirteenth century, will pass into history.

In fact, the Netherlands will also have the shortest distribution period running up to the euro conversion. From December 17 onward, the limited distribution of coins to the public will start. As in all countries, banknotes will only become available from midnight, January 1.

Though officials regularly express their concern that preparations for the euro introduction, both at the corporate and government levels, should be accelerated, there is general confidence that the conversion will go smoothly. This confidence likely stems from the Dutch government's decision to involve a broad coalition of all sectors of the economy involved from the outset. In 1997, a national forum was established that included representatives from the Finance Ministry and the Central Bank and from private sector organizations—including retail, finance, small and medium-size businesses, and consumer groups. The forum has met on a monthly basis since its formation and together has reached consensus on all the major decisions concerning the implementation of the euro. They came up with, among other things, the length of the transition period, the publicity campaign that is now well underway, the start of double pricing (showing both euro and guilder prices) in shops, and a number of logistical questions.

Specifically for the logistics, the forum designated a working group under the guidance of the Dutch Central Bank to prepare for the distribution of the coins and banknotes and the collection of the guilders. For temporary storage of the newly minted coins, a special vault was built fifty miles outside Amsterdam, dubbed the "Dagobert Duck" vault (Dagobert is the Dutch name for Scrooge McDuck, Donald's rich uncle). Special delivery services of the (privatized) Dutch postal service will be used to help distribute the coins. Furthermore, unique among the twelve euro countries, the Netherlands government will distribute a free set of the new euro coins to every citizen age six and older. It will contain 3.88 euros ($3.56) worth of coins and is meant to help citizens become familiar with the shapes of the new money. It has also been decided that ATMs will give customers small denominations of the new banknotes, primarily five and ten-euro bills, in order to minimize problems with change at stores in the first weeks after the euro introduction.

In general, the Dutch attitude toward the euro is one of resignation. There is little public enthusiasm for the new currency, though the presence of the former Dutch central banker Wim Duisenberg at the helm of the European Central Bank is a source of national pride and confidence.

—Roel Janssen

LISBON

PORTUGUESE READY TO MAKE CHANGE

Portugal's government was one of the last in the EU to announce its plans for the euro switch. Only in November did the Council of Ministers approve the grandly named "National Orientation for the Physical Introduction of the Euro," a plan to manage what it called "the most important structural change ever effected at the community level."

In the end, the government opted, like Belgium and Luxembourg, for a relative Big Bang, with the escudo ceasing to be legal tender as early as March 1, 2002.

That is an ambitious deadline. Although many retail outlets such as supermarkets have carried prices in escudos and euros right from the start of monetary union on January 1, 2000, Portuguese companies in general are among the worst prepared in the EU for the changeover. That, at any rate, was one of the findings of a survey by Cap Gemini Ernst & Young published in November 2000. Across the EU, it found, 28 percent of all companies believe (wrongly) that the euro calendar is flexible, and 25 percent that they may keep using national currency units indefinitely after the euro comes in. Those proportions are still higher in Portugal.

The government in Lisbon is hopeful that this situation will change and is committed to changing it. One measure that should have a significant impact is the payment of state employees in euros before the end of 2001. The government has pledged to do this "as soon as possible." This year's pay round is being conducted based on euros, not escudos.

A Portuguese government poster addresses the public's fear about switching to the euro.

Meanwhile, euro cash will be made available to banks and Finance Ministry departments well before the end of 2001, with coins arriving beginning September 1 and notes arriving October 1. Retailers will be able to get euro notes and coins from their banks beginning December 1 (although they may only begin using them January 1, 2002).

As far as the public is concerned, banks will be permitted to issue coins up to the value of ten euros from December 17, in time for the Christmas gift season. As far as the distribution of cash is concerned, Portugal does have one advantage over some EU member states. Not only does it have one of the most extensive networks of automatic teller machines in the EU—6,300 for a population of fewer than 10 million—but they are all equipped to distribute four different denominations of banknotes. That means that what the government calls "a significant number" of them will be able to dispense five, ten, twenty, and fifty-euro notes from January 1, 2002, smoothing the first few days of the changeover by ensuring the public has access to all these denominations. (German ATMs can distribute four denominations, but French ones, for example, can only give two.)

On the other hand, anyone who has visited Portugal will know that there always seems to be a shortage of small change, prompting customers and retailers to hoard and plead for coins in transactions. Even Bank of Portugal officials seem at a loss to explain this phenomenon, except for noting that banks are only obliged to change notes for their own customers. If that remains the case during the euro switch—and there is no indication that it will not—that irritating shortage of small change is likely to be exacerbated in the first few weeks of 2002.

Moreover, plenty of work remains to be done at the administrative level. The Euro Commission, the government body charged with overseeing the changeover, does not yet have an estimate of how much the whole thing will cost. The group of experts assessing this is not due to finish its work until the end of this month.

—Alison Roberts

MADRID

DUAL PRICING PREPARES SPANIARDS

Walk into any bar in Spain, and the wall plaque displaying prices for the beers, wines, and other tipples on offer lists the prices in both pesetas and euros. Buy a coat, a book, or anything else in a shop, and the receipt will have the equivalent euro price next to the pesetas.

This dual pricing of just about every purchased product or service is a bid by the government and retailers to accustom Spaniards to *Día-E* or €-Day, when the euro becomes their new currency whether they like it or not.

When the euro was created, the money men at the European Central Bank deemed that it was worth slightly more than 166 pesetas, not an easy figure to calculate off the top of your head when trying to figure out "the real worth" (in pesetas, of course) of a sandwich or an automobile. But despite several years in which Spaniards had a chance to get used to the euro through the plan, no one is ruling out mass confusion on January 1, 2002 and for some time afterwards at the supermarket checkout stand, corner bar, or local dry cleaning establishment. In other words, anywhere cash transactions are made.

To make matters worse, many people point out, the switchover will take place smack dab in the middle of Spain's long Christmas season (from Christmas Eve, or *Nochebuena*, to January 6, when the Three Kings hand out gifts to children) when retail purchases and cash transactions are at their height.

As it turns out, a Spaniard, Pedro Solbes, the EU's economic and monetary affairs commissioner, is in charge of the transition and has asked banks to jump the gun a bit and change accounts to euros in the third quarter of 2001. He would also like stores and merchants to have firmly fixed their euro prices by then.

"It's going to be *loco*," predicts Eugenio Calvo, the owner of a magazine and candy shop in the northern suburbs of Madrid. "I think I'm ready for the big day, however, I know there are going to be puzzled customers trying to make sure I'm giving them the right change, and there will almost certainly be arguments."

"But," he shrugs, "we'll adjust and everything will turn out fine."

—Benjamin Jones

VIENNA

STRENGTHENING EURO MAY LIMIT COMPARISON SHOPPING PROFITS

The weak euro has meant profits in Austria from an influx of shopping-tourists looking for bargains. However, this trend may be curtailed by the strengthening trend seen in the euro in the last months.

Austria is a prime destination for comparison shoppers eager to take advantage of the weak euro. Shopping-tourism, which is tourism exclusively for shopping purposes, boomed in the year 2000. According to Thomas Bundschuh of Global Refund Austria, quoted in the Austrian newspaper *Der Standard*, Austria experienced a volume of 3.08 billion schillings [$206 million] in purchases by foreigners last year. Bundschuh stated that 2000 was an extremely positive year during which Austria attracted many non-EU tourists looking to capitalize on the weak euro. He added that EU sanctions had little effect on this trend.

Due to its prime location among many non-EU neighbors, the largest portion of profits in 2000 came from "cross-border tourists." Residents of countries neighboring Austria are close enough to take advantage of the relative strength of their own currencies. Among these cross-border tourists, Croatians are the most active shoppers, accounting for 15 percent of the total purchase volume. Slovenians follow with 12 percent of the turnover, and Slovakia holds 7 percent. Switzerland accounts for 5 percent of the purchases.

Cross-border tourists are not the only tourists to aid Austrian profits. The Ukraine and Russia also significantly contributed to the total shopping volume. Others come from much farther afield—profits from tourists from Hong Kong rose by 114.1 percent.

A significant source of euro-inspired income also came from dollar-tourists. Americans spent 66.8 percent more on Austrian products than in 1999, while Canadian purchases rose by 15.7 percent.

The Austrian economy has clearly benefited from the weak euro, playing host to a variety of shopping-tourists. Particular sectors experienced the highest growth rates. The souvenir trade saw their turnover increase by a record 75.3 percent, while jewelry and home electronics sales also did extremely well. However, these sectors could stand to lose ground this year due to the euro's recent upswing. The currency has gained ground in the last months due to an economic slowing in the United States.

During 2001, Bundschuh stated that he expected the turnover to rise slightly to 3.2 billion schillings [$214 million]. However, euro-optimists also believe that the euro will equal the dollar by mid-year, and the rise of the euro would likely change Bundschuh's projections. The future of euro-tourism may be endangered by this new shift, and its full effects remain to be seen.

—Alexandra Hergesell

ATHENS

GREEK BOOKSHOP PREPARES FOR TALE OF THE EURO

I visited Eleni and her son Stavros at *Artio*, their small family-run bookstore in Kifisia, an upscale suburb north of Athens. Artio (which in Greek means "with nothing missing") is a tiny shop selling mostly schoolbooks, including foreign language books, Greek and foreign literature (hard and soft cover), as well as stationary products.

Since Greece officially joined the euro zone in January, increasing numbers of Athens store windows have started displaying prices in euros, while receipts now include the total in both drachmas and euros.

Eleni explained that small businesses have until March to convert their cash registers to the dual currency system, but she decided to do it after the holidays. It seems now to have been a hasty decision since the cash register technicians charged some 30,000 drachmas ($80), as opposed to the 17,000 drachmas ($46) other storeowners have recently paid for the service.

Eleni and Stavros first heard about the March deadline from the press two months ago, when the euro publicity reached its peak, and from the newsletter sent by the local chamber of commerce. Since then, Eleni has followed the story in financial newspapers, while Stavros continues to surf the Internet for euro-related information. As of February 20, when we last spoke, no government or professional organization had sent to their store any type of official information or notice.

"Nobody has really thought of the future," says Eleni when I asked her how she feels about the changes that will follow next year. In 2002, all transactions will be in euros, including bookkeeping and tax returns, but "it all seems too distant." After all, as Stavros put it, they have only seen the new currency in photos.

Their understanding of the benefits and problems that the new currency will bring to their business remains fuzzy. Their profits are divided equally between book and stationary sales, and they hope that prices of foreign-language books will drop—although the popular British books won't be affected since the UK isn't part of the euro zone. They also expect no changes for their stationary products, largely imported from the US, Japan, and Taiwan, the prices of which depend of the US dollar. The rounding of decimal points (cents) upon conversion of prices from drachmas to euros constitutes another important issue. Their concern being how wholesalers may round up prices, increase product costs and, hence, retail prices.

Similarly, since they've seen their profits grow about 15 percent over the last few years, they are concerned the currency change could reverse that trend and are not very convinced about the euro's macroeconomic benefits. I pointed out, for example, how imports from non-EU countries may be positively affected, since the currency conversion will be from dollars to euros (a hard currency) and not to drachmas. I am not sure if I convinced them. Stavros pessimistically noted that in the near future he expects large businesses, importers, and the travel industry to be the only Greek sectors to profit from the euro.

Discussing their customers' ability to adjust to dealing in euros, they both seemed to agree that difficult times are ahead. Interestingly, when I asked them which age group will face the greatest difficulty, they both pointed to their own: It is difficult to teach an old dog new tricks, Eleni, who is fifty-four, remarked; young people cannot calculate, emphasized the twenty-seven-year-old Stavros.

Scary times, probably not, as Eleni put it, a few years ago, when the value added tax (VAT) was introduced, bookstore owners had to deal with four different VAT rates, depending on the product category. "We got used to it," she said. "Eventually we will also get used to the euro. It is all a matter of time."

—Angeliki Papantoniou

LONDON

WHAT EURO PREPARATIONS?

The UK will not join the euro club in the near future but as a major trading nation will happily accept the euro in payment in the same way as it currently treats a dollar, a mark, or a yen. After all, as the song says, "Money makes the world go around."

The prospects of the euro replacing sterling as the currency of the nation have faded thanks to vociferous right-wing and media opposition, plus the poor performance of the euro since its launch and that final door slammer, the Danish "no" vote.

The euro will be a subject of much heated debate during the run-up to the next general election, which is expected in May. The opposition Conservatives have hammered an anti-euro "Save the Pound" campaign for the past few years. In practical terms, they have won the battle, if not the war. Prime Minister Tony Blair has promised a referendum on joining the euro, "when the economic conditions are right," but it is not politically right at the moment and in practice Labor has shelved the idea of holding a referendum.

The introduction of the notes and coins in the member states next year will have little practical impact here. Most people will regard it as just another foreign currency. But for the tens of millions of Britons who visit mainland Europe every year, on business and on vacation, the introduction of the new notes and coins will be noticed. As the need to hold separate currencies for France, Germany, Spain, and the others disappears, those travelers will discover the convenience of having one currency that can be used all over great swathes of Europe.

One visible impact of the pending arrival of the euro has been the way many large retailers are now pricing their labels in a number of currencies. Therefore, it is possible to buy a sweater here and immediately see what it would have cost in France or Germany. Indeed, it is often a shock to see that the UK price is higher than in the other currencies. However, the majority of shops rebuff attempts to pay in the foreign currency at the price marked on the label.

There are big stores in the UK, such as the famous Harrods of Knightsbridge, where you can already make payment in foreign currency, and for them, payment in euro notes will be acceptable in the same way as dollars. Presumably, the exchange rate at the till will bear a slight premium to cover the inconvenience to the trader.

The British Retail Consortium says it is neutral on the issue and is not giving its members any advice on how to handle the new currency. Each company will have to decide for itself. Business for Sterling, an anti-euro lobby group, says that 85 percent of businesses are not making any preparations because "they don't want to be involved in a large capital outlay when they don't know when or if it will become the currency here."

Perhaps it would be best to reflect on the attitude of most retailers in England when proffered a Scottish banknote. Disbelief and suspicion are the usual reaction, although the notes are denominated in sterling and have exactly the same value as the notes issued by the Bank of England.

—David Lennon

An anti-euro campaign poster circulating in the UK.

ARTS & LEISURE

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

CONTEMPORARY GREEK WRITERS NOT SHY WITH WORDS

Greek literature is alive and well and relatively unknown in North America. With the exception of Nikos Kazantzakis of *Zorba the Greek* fame, few of the country's great modern writers come easily to the minds of US readers.

However, contemporary Greek writers are a prolific lot. The themes and plots of post-World War II Greek literature are thoroughly embedded in the tumultuous evolution of Europe, from a history of bloodshed, the march toward democracy, the opposing forces of the cold war, to the development of a comfortable consumer society locked in an economic and cultural embrace with its transatlantic partner, the United States.

That said, modern Greek novels present American readers with an alternate universe to their own experiences, be it of independence, nation-building, war, urban versus rural life, globalization, or the sexual revolution. The writing is highly original in terms of style, structure, and plot. Some names to know are Rhea Galanaki, Iakovos Kambanellis, Thanassis Valtinos, Ioanna Karystiani, Ersi Sotiropoulou, and Christos Homenidis. A growing number of novels have been translated into English and are in print.

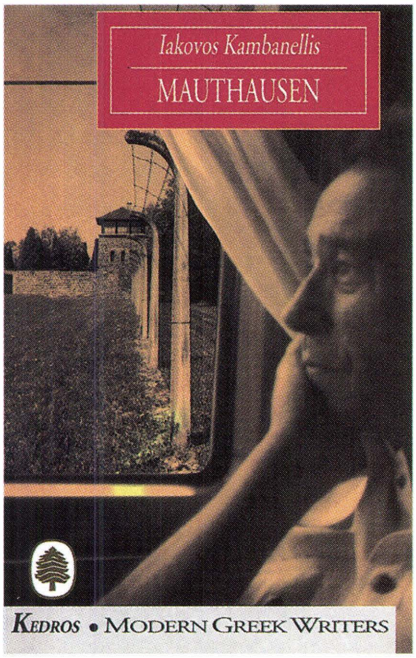
Here follow reviews of three new releases in English translations, two novels and a memoir by one of Greece's greatest living playwrights.

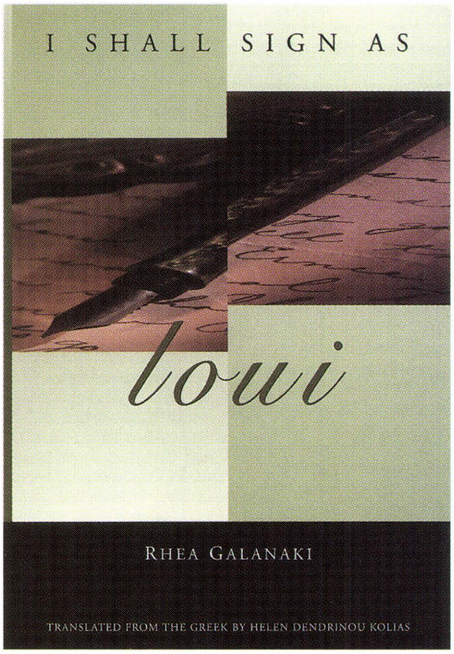
I Shall Sign as Loui

By Rhea Galanaki; Northwestern University Press; 194 pages; $27

> *The time of love is universal; but it gives way and becomes perceptible just when it discovers its own measure, which is different for each love. The density of twenty-seven lost years in one glance: henceforth, let that measure our share in the infinity of lovers.*

Rhea Galanaki is one of Greece's foremost female writers. Translated into English are *The Life of Ismail Ferik Pasha* and her latest novel, *I Shall Sign as Loui*. History buffs and romantics will be fascinated by the latter. Galanaki has breathed life into a forgotten hero of modern Greek history, Andreas Rigopoulos (1821-89). He hailed from the town of Patras, studied in Pisa, and participated in the Italian underground and student uprisings in support of Garibaldi. He traveled in the circles of Karl Marx, Victor Hugo, and Edgar Quinet. He devoted his life to Greek independence and the establishment of democracy.





In fact, Rigopoulos was an early visionary of a unified Europe. He represented Greece in the European Democratic Central Committee, which endeavored to spread the notion of a pan-European union comprised of independent, democratic national states. Galanaki tells his tale through a gripping series of fictional letters, which actually contain authentic passages of Rigopoulos's own writings. The recipient of the letters is a fictional woman nicknamed Louisa who is the long lost love of his life. The addition of a grand love, *erotas* in Greek, provides an outlet for Galanaki to explore the complex dynamics of human passion, either for another person or for a higher cause.

Mauthausen

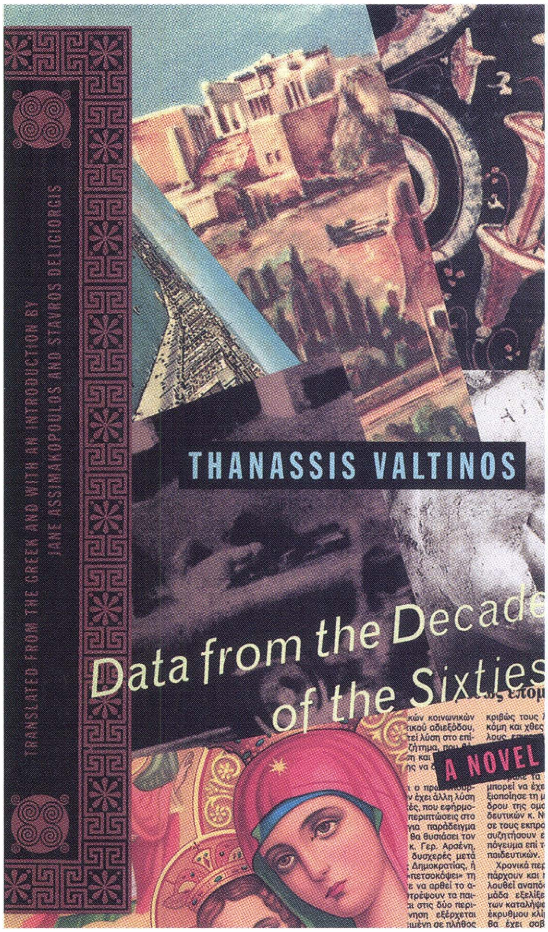
By Iakovos Kambanellis; Kedros Press; 353 pages; $16

> *On the fifth of May, a little before noon, a huge American tank, black with smoke and battle-scarred, broke down the gate of Mauthausen and entered the grounds. The soldiers looked at us confused, proud, sorrowful.*

They were wise to stay up there, on top of their tanks. They had saved themselves from so many battles. They'd never have saved themselves from our joy.

We humans should not worry too much about a terrible existence after death since we seem to be very good at creating hell on Earth. Iakovos Kambanellis takes readers on a journey to the hell he survived, the Mauthausen concentration camp. In a memoir simply titled *Mauthausen*, he recreates—with pain, resilience, and that special brand of Greek cynicism—the mad macabre world of the camp.

Perhaps as a testament to those who did not survive, Kambanellis affirms life as well as death by juxtaposing the ordeal of the camp with the aftermath of liberation from the Nazis. The first seconds, hours, days, and weeks of freedom are as heartrending as the interminable nightmare of the camp. Kambanellis finds love, and together he, his sweetheart, and the other survivors try to exorcise the demons that lurk in every spot of the camp, which has now become their way station on the journey back to life among the living.



Data from the Decade of the Sixties

By Thanassis Valtinos; Northwestern University Press; 305 pages; $20

Paris, November 13. From the Athens Press Agency. The newspaper France Soir *has published a long, three-column interview with Crown Prince Constantine entitled: 'I will marry Anna-Maria of Denmark when she becomes 18 years old.' … Our wedding will take place after the princess reaches the age of eighteen. In Denmark young women are not allowed to marry under that age. This is a state law which a princess can hardly violate.*

Thanassis Valtinos is considered one of Greece's leading "new generation" writers. He has two recent English translations, a collection of short stories called *Deep Blue Almost Black*, and the just-released novel, *Data from the Decade of the Sixties.* In the novel, he cleverly constructs a caustic exposé of Greece during that decade. Like other Western countries, Greece witnessed profound social and political turmoil, but unlike the others, this included a military coup followed by a harsh dictatorship, urbanization, and mass emigration.

There are no characters or plot in the conventional sense. The travails of the protagonist, Greece itself, is told through a collection of newspaper reports, "Dear Mrs. Mina" letters (a Greek rendition of "Dear Abby"), correspondence to the Department of Emigration by uneducated farmers, and personal letters between Greeks at home and in the diaspora. All this seemingly factual data is actually fiction.

The novel often adopts an amused tone, as Valtinos exposes Greece's warts. These include the hypocrisy of Greek society, arranged marriages, domestic abuse, and fascist undercurrents. Interestingly, the momentous political changes that wracked Greece are only alluded to in an indirect manner. It is the collective everyday experience of Greeks that forms the heart of this novel.

Almost all of these authors will be coming to the US for speaking tours this year. Galanaki will be visiting several cities in the fall. Karystiani, Sotiropoulou, and Homenidis will travel to Boston, New York, and Washington, DC in the spring. On April 1, Kambanellis will be the keynote speaker at the opening of program of poetry readings at the Holocaust Memorial Museum in Washington, DC, followed by a stop in New York. For further information about these speaking tours, contact the Embassy of Greece (www.greekembassy.org/press). For English translations of Greek literature, try Greece in Print (www.greeceinprint.com).

—Shaazka Beyerle

Photo Credits

Cover	AP/Wide World Photos
pg. 4	AP/Wide World Photos
pg. 6	Courtesy Deutsche Bank AG
pg. 8	AP/Wide World Photos
pg. 9	(top) Courtesy European Commission; (bottom) AP/Wide World Photos
pg. 10	AP/Wide World Photos
pg. 11	AP/Wide World Photos
pg. 12	AP/Wide World Photos
pg. 13	Fatih Saribas/REUTERS
pg. 14	AP/Wide World Photos
pg. 15	Courtesy Athens 2004 Organizing Committee
pg. 17	AP/Wide World Photos
pg. 18–19	AP/Wide World Photos
pg. 20	AP/Wide World Photos
pg. 25	Courtesy European Commission
pg. 28	Robyn Beck/AFP Photo
pg. 29	Doug Kanter/AFP Photo
pg. 30	Jeff J. Mitchell/REUTERS
pg. 32–33	Fergus O'Brien/FPG
pg. 34	Courtesy Benaki Museum
pg. 36	Courtesy European Commission
pg. 38	Christine Grunnet/REUTERS
pg. 40	Courtesy European Commission
pg. 41	AP/Wide World Photos
pg. 43	Courtesy European Commission
pg. 44	Luis Forra/AFP Photo/EPA/LUSA
pg. 46	EPA Photo/PA


making the sky the best place on earth
AIR FRANCE
2499_1.TIF - Imaging Preview
File View Page Zoom Help
©2000 Air France
Our Paris - Charles de Gaulle Hub. Your gateway to Europe.
Frequent flights and faster connections to more than 66 European and 40 French cities.
Call (800) 237-2747 or visit www.airfrance.com.
Member of SKYTEAM