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# EUROPE

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Romano  
Prodi

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Commission  
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# EUROPE

MAGAZINE OF THE EUROPEAN UNION



8

## EU AFFAIRS

**The Prodi Commission.** The European Parliament approved the appointment of President Romano Prodi and his nineteen-member team. *Lionel Barber* **8**

**Who's Who in the New Commission.** Profiling the sixteen new faces and four second-timers as they prepare to take office. **10**

**The New European Parliament.** This summer's elections have changed the face of Europe's largest elected body. *Alan Osborn* **16**

**Interview.** European Parliament President Nicole Fontaine discusses her new agenda. *Axel Krause* **18**

## FOREIGN AFFAIRS

**EU-Russia Relations.** The big bear's problems continue to shape relations with Europe. *Bruce Barnard* **21**

**The Baltics.** Seven years after the breakup of the Soviet Union, the Baltic countries are on the economic fast track. *Bruce Barnard* **23**

## EUROPE IN THE NEW CENTURY

**The European Commission.** A look at Europe's executive body past, present, and future. *Dick Leonard* **26**

## ITALY

**Will the Economic Miracles Continue?** Drastic measures appear to be paying off. *Niccolò d'Aquino* **29**

**The New Renaissance.** Italians are rediscovering their art heritage. *Saskia Reilly* **34**

## BUSINESS

**Telecom Takeover.** Olivetti stuns Telecom Italia with takeover bid. *Stephen Jewkes* **31**

**Seismic Shift.** Italian banks feeling the effects of globalization. *Stephen Jewkes* **32**

## TRAVEL

**Rome Readies for Jubilee.** City prepares to celebrate holy year in 2000. *Saskia Reilly* **36**

## DEPARTMENTS

**2 Letter from the Editor**

**4 Eye on the EU.** Balkan update

**5 Euro Notes.** European recovery

**6 EU On-line.** Luxury on-line; new London tech market; e-commerce grows

**38 Capitals.** Portuguese worry over East Timor; Dutch on euthanasia; Swedish teachers wanted; Viennese eclipse

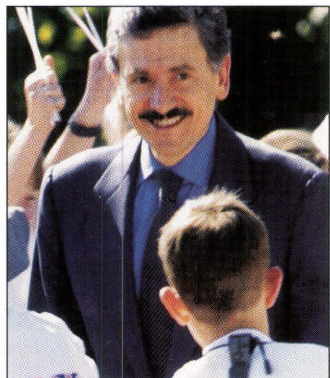
**47 Arts & Leisure.** Palazzo Doria Pamphilj

**48 Yesterday & Today.** Pisa leaning less

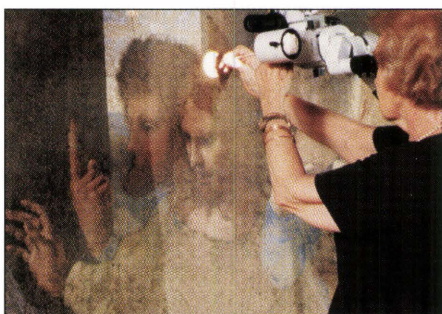
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18



29



34



# LETTER FROM THE EDITOR

A new European Commission headed by Romano Prodi, a former Italian prime minister and champion reformer, has won a mandate to take office until the year 2005. Prodi and his nineteen fellow commissioners were confirmed by the European Parliament in August at a session in Strasbourg," Lionel Barber reports in his article on the new Prodi Commission. "The Prodi Commission is expected to carve out a different path from its predecessor," writes Barber as he discusses what to expect from the new leadership in Brussels.

*EUROPE* presents a first look at all twenty of the new European commissioners. We feature capsule biographies of each member and indicate their new responsibilities. *EUROPE* will conduct interviews with the new commissioners during the coming months so they can personally outline their goals and objectives to our readers.

In addition to a new European Commission in Brussels, Europeans have also elected new members of the European Parliament in Strasbourg. *EUROPE* interviews the EP's new president, Nicole Fontaine, in her law offices in Paris. Fontaine, who has been an MEP since 1984, discusses the Parliament's growing roles in determining policy, its relations with the new Commission, EU enlargement, and other issues facing Europe in the new millennium.

*EUROPE* also profiles some of the more well-known members of the European Parliament—from a singer in Ireland to a racecar driver from Finland to a mountain climber from Italy who has scaled Mt. Everest—to show the wide diversity in this elected body that is growing in importance and respect.

In his article on EU-Russian relations today, Bruce Barnard reports, "Russia remains on the brink." Barnard looks at the many problems facing Russia today, from terrorist bombings in Moscow to money-laundering accusations, and yet another new prime minister.

Niccolò d'Aquino, *EUROPE*'s Rome correspondent, outlines the many changes going on in Italian politics and discusses how firm a grip the current government has on power. Stephen

Jewkes, writing from Milan, details Olivetti's audacious takeover of Telecom Italia and discusses the "seismic shift" in Italian banking, which is undergoing many new mergers and acquisitions.

On a lighter note, Saskia Reilly, writing from Rome, reports that Italy is experiencing a second Renaissance as the Culture Ministry has improved many of the country's museums and greater numbers of Italians are flocking to see newly restored artworks. She also profiles the Eternal City's "last minute face lift" as it prepares to welcome millions of visitors expected to come during 2000. And the mayor of Rome, Francesco Rutelli, talks about the Jubilee, the euro, and his city as a "living laboratory" in *EUROPE Update*.



European  
Commission  
President  
Romano Prodi

Robert J. Guttman

Robert J. Guttman  
Editor-in-Chief

## EUROPE

**PUBLISHER** Willy Hélin

**EDITOR-IN-CHIEF** Robert J. Guttman

**GENERAL  
MANAGER** Anne Depigny

**MANAGING  
EDITOR** Peter Gwin

**EDITORIAL  
ASSISTANT** Susan J. Burdin

### CONTRIBUTORS

**ATHENS** Kerin Hope

**BERLIN** Wanda Menke-Gluckert

**BRUSSELS** Dick Leonard

**COPENHAGEN** Leif Beck Fallesen

**DUBLIN** Mike Burns

**THE HAGUE** Roel Janssen

**HELSINKI** Thomas Romantschuk

**LISBON** Alison Roberts

**LONDON** Lionel Barber

Bruce Barnard

David Lennon

**LUXEMBOURG** Alan Osborn

**MADRID** Benjamin Jones

**PARIS** Axel Krause

Ester Laushway

**ROME** Niccolò d'Aquino

**STOCKHOLM** Ariane Sains

**VIENNA** Susan Ladika

**INTERN** Niki M. Clark

**DESIGN** The Magazine Group, Inc.

Jeffrey Kibler

**ADVERTISING** Fran Grenga

**INFORMATION** tel. (410) 897-0297

fax (410) 897-0298

*EUROPE, Magazine of the European Union* (ISSN 0191-4545), is published on the 15th of each month, except January and August, by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037. © The European Commission, 1999. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. *EUROPE*, published 10 times per year, is available by subscription for \$19.95 per year; \$34.95 for 2 years; \$46.95 for three years. Add \$10.00 to non-U.S. subscriptions for postage and handling. Student rate (with proof of enrollment): \$14.95 per year; \$25.95 for 2 years; \$35.95 for 3 years. Bulk rate also available. Editorial, permissions, advertising, and circulation offices: 2300 M Street, NW, Washington, DC 20037; Telephone (202) 862-9555. Available in microform from UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700.

**World Wide Web:** [www.eurunion.org](http://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.

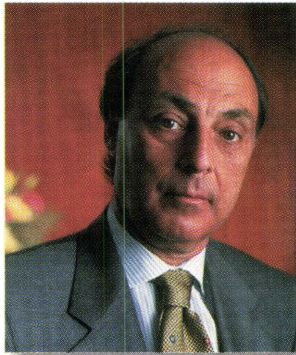
**Postmaster:** Please send change of address forms to *EUROPE*, P.O. Box 55935, Boulder, CO 80328-5935.

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.



# ITALY *Where Foreign Investments Flourish*



## Interview with Massimo Mamberti, Italian Trade Commissioner in New York

A native of Livorno in Tuscany, Dr. Mamberti holds degrees in Political Science and Foreign Trade from Rome University.

He joined the Italian Trade Commission (ICE) in 1965 and then accumulated an impressive list of foreign assignments, ranging from Africa to the former Czechoslovakia, to Mexico and Brazil. In 1991, he put his extensive knowledge of different world economies to use as ICE's Director of Promotional Activity, a post he held until he was chosen to direct the Commission's New York office in 1995.

**Q:** In 1992 Italy had to leave the Exchange Rate Mechanism; in 1999 it was in the first wave of countries to qualify for European economic and monetary union (EMU). How did it achieve such a spectacular turn-around of its economy so quickly?

**MM:** To join the EMU, the public administration knew that it had to become more efficient. Today in Italy, inflation has decreased to an all time low of 1.9%, the budget deficit has been shrunk to 2.5% and the discount rate is at its lowest levels ever at 3.5%.

Much work still remains to be done, but the achievements of this decade are a cause for confidence in the future.

**Q:** What percentage of Foreign Direct Investments (FDI's) in Italy comes from the United States?

**MM:** The USA is by far the biggest foreign investor in Italy, with 25% of all the stock of foreign capital. There are 424 American companies in Italy, employing around 153,000 people. France is the second biggest investor, with 288 companies, followed by Germany with 276.

**Q:** How big a part does the Italian Government play in encouraging FDI's?

**MM:** The Italian Government willingly takes an active part in promoting incoming investments. Recently, for example, it appointed a National Agency, Sviluppo Italia, to formulate a policy for attracting FDI's and to coordinate the various regional and local development organizations.

**Q:** What reasons can you give American companies for investing in Italy rather than elsewhere in Europe?

**MM:** Italy is the third largest consumer market in Europe and offers a high degree of economic and political stability.

Italy has a dynamic private sector, a well-developed industrial base and infrastructure, and an unparalleled strategic location within the European and Mediterranean markets. It offers very competitive incentives and the quality of its labor force is on a par with anywhere else in northern Europe. In terms of costs, U.S. Dept. of Labor figures show that Italy is now cheaper than France, Belgium, the Netherlands and Germany for manufacturing wage costs.

Investor confidence in Italy is rising, and by all accounts, will continue to do so.

According to the Business Environment Ranking Study, a

comprehensive analysis of 60 countries conducted by The Economist and Business International, Italy's expected rate of improvement for the 1999-2003 period is the highest in Western Europe, up 16% from 1994-1998.

**Q:** Which sectors offer the best prospects for investors?

**MM:** Italy offers excellent opportunities in most technology sectors. Among the fastest growing are Information Technologies, telecommunications (both equipment & services, aircraft and aircraft components, pharmaceuticals and chemicals.

Two other promising sectors are tourism and distribution. Italy is the world's second largest tourism market after the USA and still has a lot of untapped potential. Its distribution market, somewhat fragmented and in need of streamlining, is one area with a particularly high growth potential.

Traditional industries offering investment opportunities include automotive components, logistics, transportation, public utilities and infrastructure projects, and the food processing industry.

**Q:** What role does the Italian Trade Commission play in promoting FDI's?

**MM:** The Italian Trade Commission is the trade development and promotion agency of the Italian Government. It works closely with the National Agency, Sviluppo Italia, and other regional and local development agencies to attract investors and to provide assistance — free of charge — to companies interested in Italy as a potential location for their business.

**Q:** What should be the first step for American companies interested in establishing an international base in Italy?

**MM:** Contact the Italian Trade Commission:

Italian Trade Commission  
499 Park Avenue  
New York, NY 10022  
Tel. (212) 848-0331  
Fax (212) 758-1050  
Email: newyork@italtrade.com  
Attn. Sebastiano Marchese

Web Site:  
[www.investinitaly.com](http://www.investinitaly.com)

Italian Trade Commission  
1801 Avenue of the Stars  
Los Angeles, CA 90067  
Tel. (323) 879-0950  
Fax (310) 203-8335  
Email: italcomm@itc-ice-la.com  
Attn. Guido Furetta



# EYE ON THE EU

Profiling  
Personalities and  
Developments  
Within the  
European Union

## BALKAN UPDATE

**I**n a bid to encourage the development of democracy, the European Union is lifting sanctions on Kosovo and Montenegro, while leaving them in place in Serbia to maintain the pressure on Yugoslav President Slobodan Milosevic.

"We would like to keep the pressure on the Milosevic regime by maintaining sanctions for Serbia. On the other hand, we appreciate the constructive role played by Montenegro" in trying to ease the crisis in Kosovo, said European Commission spokesman Nicolaas Wegter in early September.

While average Serbs are now suffering from the devastation, easing the sanctions "might also facilitate life for Mr. Milosevic," he added, while the EU's goal is to see the departure of the president and his cronies.

Yugoslavia—comprised of Serbia and the much smaller Montenegro—came under harsh international sanctions earlier this year when the Serb government started a vicious crackdown on ethnic Albanians in its restive southern province, Kosovo.

More than 800,000 ethnic Albanians fled the province, and Serb military and paramilitary forces killed thousands more before the Yugoslav government signed a peace accord after a punishing, seventy-eight-day NATO air campaign. Many Serb industrial sites were left in ruins, and economists say the country has been set back economically by decades.

At an EU foreign ministers meeting in September in Finland to discuss the sanctions, German Foreign Minister Joschka Fischer said, "The longer he (Milosevic) is in power, the bigger the damage he will leave behind."

European officials are concerned that oil destined for Montenegro—a land well-known for its tradition of smuggling—could wind up in Serbia instead. So discus-

will be responsible for dealing with the sanctions.

Moreover, the EU hasn't completely turned its back on Serbia, setting aside \$735,000 to support the development of the independent media, which has come under intense pressure from Serbian authorities.

It also issued a critical statement after Serb officials lashed out at opposition party leaders, calling them part of a

Yugoslav Republic of Macedonia (FYROM), and Yugoslavia closer to the EU.

FYROM, which hosted more than 200,000 refugees during the war and was a stepping off point for NATO peacekeepers heading into Kosovo, is the first country in the region to enter discussions with the European Union. These talks will focus on issues such as financial aid and economic cooperation



**Although sanctions remain in place on Serbia, the EU continues to send aid to Kosovo.**

sions are being held with Montenegrin officials to ensure abuses don't occur.

The situation also is complicated in Kosovo, which remains part of Serbia, although the international community effectively controls it. While United Nations officials are administering the province, EU officials based in Pristina

terrorist organization and threatening legal action against one opposition official.

At the same time, the EU is working to strengthen its ties with the region as a whole. Both its Balkan Stability Pact and Stabilization and Association Process are designed to bring Albania, Bosnia-Herzegovina, Croatia, the Former

with the EU as well as other countries in the region. An agreement could be reached within the next year.

The people of FYROM have shown they "are able to play a good role when it comes to the Kosovo crisis, and they have to be rewarded for it," Wegter said.

—Susan Ladika



# EUR NOTES

## RECOVERY TAKING HOLD

**T**he long-awaited economic recovery in Europe is underway, at last. Low interest rates, low inflation, a weak euro, and a revival of world trade have stimulated growth among the eleven members of the euro zone. This year, gross domestic product should grow at an annual rate of around 2 percent, rising to 3 percent or more in 2000 and 2001. This may not quite compare with the stunning economic growth achieved by the US in the Roaring Nineties, but it is definitely respectable in European terms.

The stereotypical image in Europe of an overregulated, overtaxed, and underperforming economy now looks wide of the mark. Deregulation is moving ahead fast in sectors such as banking, electricity, and telecommunications. Price competition is increasing, and the reverberations are being felt throughout industry and the body politic.

In Germany, the bellwether for the European economy, Chancellor Gerhard Schröder—supported by Finance Minister Hans Eichel—has produced promises of unwavering commitment to fiscal discipline combined with a big cut in corporation tax from 40 percent to 25 percent in 2001 and a catalogue of other incentives. Rises in state pensions are to be capped in line with inflation for the next two years.

The picture in Italy is fuzzier. Traditionally powerful trade unions have forced the government to go slow on far-reaching plans for pension reform that ultimately, will prove whether Italy's leaders have genuinely succeeded in restoring the public finances. In many ways, Italy's problems lie in political instability rather than in any innate economic weakness.

Italy's difficulties are a sober reminder that nothing should be taken for granted in the EU these days. The budgetary discipline of the euro zone countries still leaves something to be desired. As the European Central Bank rarely hesitates to point out: the region's collec-

tive budget deficit fell from 2.6 percent of GDP in 1997 to 2.1 percent in 1998, and it is expected to fall to 1.9 percent in 1999 and 1.7 percent in 2000.

First, these figures fall short of the commitment to budgetary balance over the cycle implied under the German-inspired Stability and Growth Pact. More important, the decline in the budget deficit in 1998–2000 reflects lower interest rates on government debt rather than the execution of deep-rooted reforms.

To a certain extent, the recovery in Europe owes much to low interest rates ordered by the ECB late last year and this spring to tackle deflation and recession.

The big question is whether European

governments will have the stomach to tackle issues such as pension reform early in the next century, when the number of elderly and very young people will start to rise sharply in proportion to the total work force. The optimists say the competitive pressures unleashed by the euro will force governments to act; the pessimists counter that it is too much to expect the euro to bear the responsibility for painful choices that are matters for elected politicians rather than unelected central bankers.

For the meantime, however, these questions lie just over the horizon. The good news today is that after a long period of gloom, Europe is enjoying a moment in the sun.

—Lionel Barber

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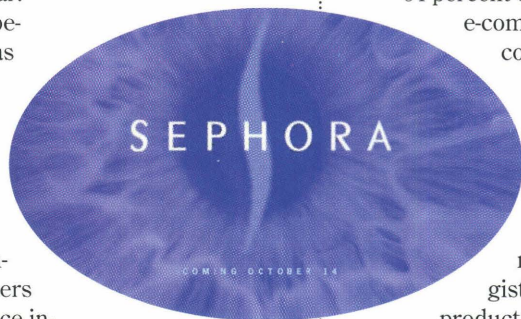


## LVMH VENTURES INTO CYBER LUXURY

**O**n October 14, French tycoon Bernard Arnault plans to launch his latest assault on his new target—the Internet. The fragrance chain Sephora, which is part of Arnault's flagship LVMH holding company, will launch a site ([www.sephora.com](http://www.sephora.com)) devoted to beauty products. In addition to offering an e-commerce outlet, the site will help build the Sephora brand, support the chain's plans to open fifty stores in Europe in the next few years, and to help establish a presence in Asia.

Arnault is certainly a man who knows the power of brands. His LVMH stable includes luxury icons Louis Vuitton, Givenchy, Christian Lacroix, Moët & Chandon, and Hennessy among others, and he is determined to apply his marketing acumen to the Internet. This summer, he announced the formation of a holding company called Europ+web. He has personally invested more than \$500 million in the new company, which already holds equity stakes in an array of rising e-companies, including eBay, e-loan, Cisco Systems, Datek Online, 1-800-Flowers, and boo.com, a site devoted to street fashion and set for launch later this year.

Arnault believes that, as other companies go on-line looking for business, these and other Internet pioneers begin will face increasing competition. Therefore, brand recognition and customer loyalty will become increasingly important. Arnault says that one of his goals is to help the US on-line firms with marketing and branding. "In the future," he told Reuters, "e-companies will have to build brands for themselves. In this area, we can help."



Arnault doesn't appear satisfied with just the e-commerce sector of the Internet. He has also joined with British retailer Kingfisher to launch Libertysurf, an Internet service provider (ISP) and portal site that is designed to be the entry point for Web surfers. The site, which sells advertising and offers users free e-mail, stock quotes, and news, is competing with Europe's leading ISPs, including France Telecom's Wanadoo, and the UK-based Dixons Group's Freeserv.

## E-COMMERCE GROWTH QUICKENS

**A**ndersen Consulting recently released a study that describes significant growth in Europe's e-commerce sector. Entitled *eEurope Takes Off*, the study, which was based on interviews with senior business executives and Anderson's work with clients, reports more European companies are using the Internet in more ways.

Last year, a similar study found that European firms reported limited use of the Internet and that when they did go on-line it was mostly related to sales and marketing. This year's study shows that

64 percent of the participants see e-commerce offering a real competitive advantage in their marketplace today (up from 51 percent last year), and more than one-third of the firms polled use the Internet for procurement, logistics, finance, and even product development.

The report notes that although the US lead in e-commerce and information technology industries, which accounted for a third of real economic growth over the last three years, is eroding. Western Europe's e-market is expected to grow to 170 million users (similar to the US projected figure), generating \$430 billion by 2003.

The study highlighted some European success stories. French oil giant

Totalfina, for example, achieved 20–30 percent cost reductions by giving its customers on-line access to its service and delivery systems. In just seven months of on-line selling, the Italian insurer Lloyd 1885 reaped 22 percent of its sales via e-commerce. Perhaps the

**In just seven months of on-line selling, the Italian insurer Lloyd 1885 reaped 22 percent of its sales via e-commerce.**

most ambitious project belongs to the UK's Cable & Wireless, which is aiming to give its customers a single connection that will provide high-speed Internet access, multichannel interactive television, and telephone service.

Individual successes aside, "European executives still have some significant preoccupations that are inhibiting them from moving quickly enough," warns Rosemary O'Mahoney, Anderson's managing partner for technology in Europe. "Fortune will favor the brave—those who act now to build their capabilities so they can succeed in the dynamic and competitive electronic economy."

## LONDON'S NEW TECH MARKET

**T**he London Stock Exchange (LSE) announced plans to launch a market focused on technology companies. Named techMARK, the new market set to open in November will bring together some 170 companies into a single market tailored to firms focused on technological innovation. LSE is calling the new creation "a market with a market—grouping together companies of varying sizes and from a wide range of industrial sectors into a market with its own identity and its own FTSE index." LSE is quick to point out, however, that companies will not lose their classifications as part of other FTSE indexes.

LSE chief executive Gavin Casey outlined several reasons for the new market. He sees techMark increasing the profile and visibility for dozens of rapidly expanding technology companies. He



also sees it offering investors a single place to identify companies that are part of the wave of technological innovation and the ability to compare the performances of technology companies against the new market as a whole.

Although the large majority of companies to be listed on techMark are described as "software and computer services" and "information technology hardware" firms, the market includes a broad spectrum of companies, from aerospace (British Aerospace) to pharmaceuticals (Glaxo Wellcome) to telecommunications (Vodafone Air-touch) to health (Enviromed).

## CLICK OF THE MONTH: EUROPE ONLINE

If you visit Europe Online ([www.europeonline.com](http://www.europeonline.com)) expecting the European version of America Online, you might be disappointed. Europe Online does not provide the tidal wave of omni-media that AOL sends bursting

through your phone line. The site appears to be more of a clearinghouse of links rather than a full-fledged portal—at least for now.

That said, EOL does offer users a well-organized, extensive collection of links to a broad variety of informative European sites in a variety of languages, including English. Its opening page features "channels" for all fifteen EU member countries plus nine other European countries and Russia. A click on one of these channels takes you to a colorful, well-designed page that looks similar to a magazine table of contents. It also displays a photo of EOL's "virtual correspondent" in that country and a link to click if you'd like to send him or her an e-mail. The rest of the page is devoted to quick facts and news and a menu of links



to sites dealing with business, sports, magazines, games, shopping, restaurants, weather, health care, maps, and people and business finders—all related to that specific country.

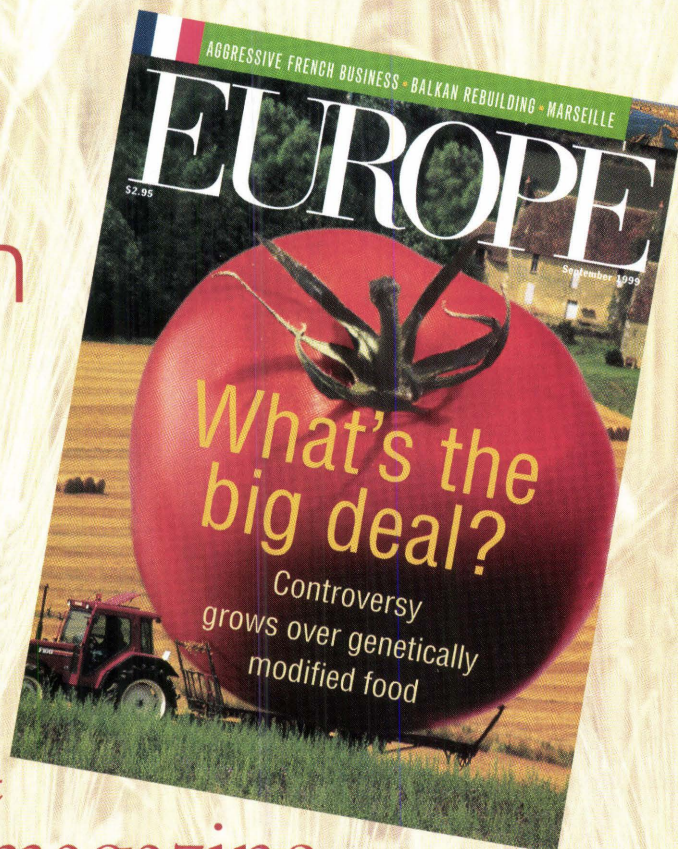
Perhaps the most interesting thing about EOL, which is based in Luxembourg, is what it plans for the future. Links on the site refer to its soon to be available satellite service. Users would be able to access EOL either through their televisions (with a satellite dish or through a local cable operator) or their PCs (with a special satellite card). EOL also plans to offer long distance telephone service through the Internet at much cheaper rates than the telecom companies charge.

—Peter Gwin

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By Lionel Barber

# The Prodi Commission

## Parliament approves the new president and his team

**A**fter a few last-minute scares, a new European Commission headed by Romano Prodi has won a mandate to take office.

Prodi, a former Italian prime minister and champion reformer, and his nineteen fellow commissioners were confirmed by the European Parliament at a session in Strasbourg. Members of the European Parliament (known as MEPs) supported by 414 votes to 142, with 35 abstentions, confirmed that the new team would serve a full term in office until 2005.

The convincing endorsement brings to an end a six-month leadership crisis in Brussels that began with the resignation en masse of the previous Commis-

sion headed by Jacques Santer, a former Luxembourg prime minister. The Santer Commission stepped down in the wake of an independent report accusing it of mismanagement.

The Prodi Commission is expected to carve out a different path from its predecessor. Santer, a self-confessed consolidator, succeeded in laying down a blueprint for the transition to monetary union as well as eastern enlargement of the European Union and a modest reform of EU decision-making. His failure lay in underestimating the public mood, particularly the need to make the Commission more accountable.

Prodi has made clear he intends to rectify these failures. He set out a five-point plan for greater accountability of the Commission during the parliamentary hearings of his team in early September. The program includes promises for commissioners to come

before MEPs when requested, to take "utmost account" of requests for new legislation, and to examine seriously parliamentary requests for commissioners to resign if they lose the confidence of the European Parliament.

Prodi views better relations with a more self-confident EP as a building block in his political vision for Europe, which, at least in rhetorical terms, is more akin to Jacques Delors', the Commission president who created Europe's single market and later launched the ultimately successful drive for economic and monetary union.

Prodi has already called for a firm timetable for the accession of the first applicant countries from Central and Eastern Europe: the Czech republic, Estonia, Hungary, Poland, and Slovenia. This list, which could conceivably be extended at an EU summit in Helsinki this December, would in-





crease the number of EU members from fifteen to twenty.

An expansion of the EU on this scale would undoubtedly require a more radical overhaul of EU institutions and decision-making, such as a streamlined Commission and a revolution in the working methods of the decision-making Council of Ministers. Prodi is relaxed about such an outcome, but he is several steps ahead of colleagues in countries such as the United Kingdom. This could spell trouble at next year's intergovernmental conference (IGC) devoted to institutional reform, especially if he continues to speak about the Commission as a "European government."

Prodi has also called for a "European roof" over the Balkans. This statement is partly a response to the Kosovo conflict, which exposed the political instability and ethnic turmoil in the region. This in-


stability in turn threatens the EU's southeastern perimeter—a point that is more easily grasped by an Italian like Prodi.

The question is what Prodi has in mind when he talks about a "European roof." Earlier Commissions have toyed with the idea of regional economic co-operation as a means of spurring democracy and prosperity in the Balkans; but centuries of mistrust have proven difficult to overcome. This time, the EU may have to consider closer political ties with countries such as Albania, Croatia, and, eventually, Serbia.

Beyond these grand visions, the Prodi Commission must tackle the routine agenda such as a new multilateral trade round and the increasingly important portfolio of justice and home affairs covering immigration, the movement of people and closer co-

operation among police forces.

His new team, which includes only four holdovers from the previous Commission, contains several talented individuals, such as Chris Patten, former governor of Hong Kong, and Pascal Lamy, former chief of staff to Jacques Delors, who will handle the crucial trade portfolio.

As a caretaker president, Prodi showed himself to be an astute tactician, outwitting the Parliament where a minority had at one time threatened to block his team's appointment. But his main challenge will come not from the Parliament but from the fifteen member state governments that appointed him. Without their support, his vision of a strong Commission leading Europe from the front could crumble. 

*Lionel Barber is the news editor of the Financial Times.*



# Who's Who in the European Commis



The European Commission has a new first family. On September 15, the European Parliament approved the new twenty-member European Commission, following the satisfactory conclusion of the individual hearings recently held with the nominees. Each EU member state nominates at least one commissioner, with the five largest member states—France, Germany, UK, Italy, and Spain—nominating two each.



# New sion



## ROMANO PRODI

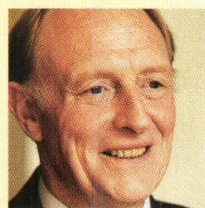
President  
Nationality: Italian  
Age: 60

### Education

Law degree, Catholic University of Milan; postgraduate studies, London School of Economics

### Background

Romano Prodi has enjoyed a wide-ranging career that has led him from academia to politics to the corporate world and back again. His first post came in academia as an assistant professor in political economics at the University of Bologna in 1963, where he is still listed as a member of the faculty. During the 1960s and early 1970s, Prodi spent time at a number of other institutions, including two stints in the US—in 1968 as a researcher at Stanford and in 1974 as a visiting professor at Harvard. Prodi first moved into politics in 1978 when he became minister for industry. He was subsequently appointed chairman of the vast state-owned Italian holding company IRI (Institute for Industrial Reconstruction), a post he held from 1982–1989 and to which he returned from 1993–1994. His political career resumed in 1995 when he started campaigning for the center-left coalition known as the *Ulivo* or Olive Tree alliance. Prodi's low-cost, low-key electoral campaign saw him travel up and down Italy on a bus on his way to victory. He served as prime minister of Italy from 1996–1998 during which time he prepared Italy to meet the economic criteria to join the euro. Prodi was married to his college sweetheart by an Italian cardinal. They have two sons. The president still has ties to the academic community (he is a board member at MIT) and has written numerous publications. He is also a keen bicyclist and has a passion for Mortadella sausage from his native Bologna.



## NEIL KINNOCK

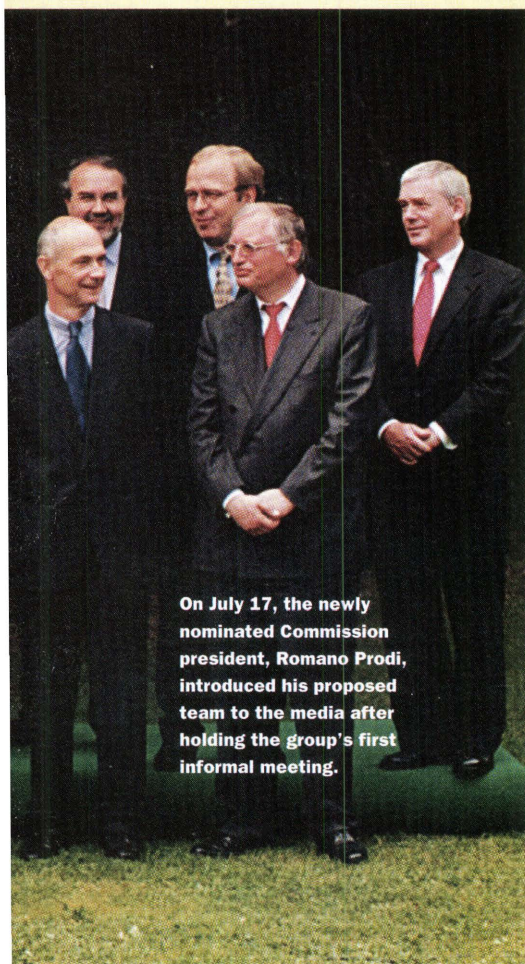
Vice-president  
Portfolio: Administrative Reform  
Nationality: British  
Age: 57

### Education

BA in industrial relations and history, University College, Cardiff; postgraduate diploma in education

### Background

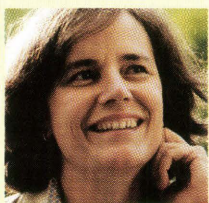
Neil Kinnock is probably best known to Americans as the man who almost became British prime minister, losing to John Major in 1992. The son of a miner, he was born in the town of Tredegar in South Wales. After earning a degree in industrial relations, he got his first job in 1966 as tutor-organizer for the Workers' Educational Association. His early political aspirations led him to be elected in 1970 as a Labor member of Parliament for Bedwellty and Islwyn in South Wales. He quickly rose in the party hierarchy and by 1979 was spokesman for education in the Labor shadow cabinet. In 1983, he became leader of the opposition, and during the following nine years, he led the Labor Party to more centrist positions. He resigned after the party's 1992 election defeat. However, in 1995 he returned to the political scene as one of the UK's European commissioners and took over the transport portfolio. He is one of the four members remaining from the previous Commission and has the perilous task of reforming and streamlining the institution under the Prodi regime. Kinnock's wife Glenys is a member of the European Parliament. They have two children.



On July 17, the newly nominated Commission president, Romano Prodi, introduced his proposed team to the media after holding the group's first informal meeting.







### LOYOLA DE PALACIO

Vice-President

Portfolio: Relations with the European Parliament, Transport and Energy

Nationality: Spanish

Age: 49

#### Education

Law degree, Universidad Complutense de Madrid

#### Background

Loyola de Palacio del Valle Lersundi was born in Madrid during the Franco regime. As a young university student, she participated in a French television discussion program entitled *Franco's Spain*. Her early interest in politics led her in 1977 to become first general president of the Partido Popular's (PP) young political group, Nuevas Generaciones. During De Palacio's career in Spanish politics, she has been a senator for Segovia, a member of the Chamber of Deputies, a member of the PP's National Executive Committee, and the vice-president of the parliamentary group of the PP. In 1996, she joined Prime Minister Jose Maria Aznar's government as minister for agriculture, fisheries, and food. De Palacio is one of five women in the new Commission.



### MARIO MONTI

Portfolio: Competition

Nationality: Italian

Age: 56

#### Education

Economics and management degree, Bocconi University, Milan; graduate studies at Yale University

#### Background

Mario Monti is another second-term Commissioner. He began his lengthy academic career in 1965 as an assistant at the prestigious Bocconi Uni-

versity in Milan, where he received his degree. He briefly served as associate professor at the University of Trento before getting a full professorship in 1970 at the University of Turin and the following year at Bocconi University. He taught at both schools for several years. At Bocconi, he lectured on monetary theory and policy as well as economics and eventually became president of the university in 1994. During those years, he also turned his attention to journalism and wrote about economics for the Italian daily *Corriere della Sera*. Monti joined the European Commission in 1995 and was put in charge of consolidating the EU's single market. Prior to that (1988–1990) he was a member of the working party preparing Italy for the single market. He was born in Varese in northern Italy and is married with two children.



### FRANZ FISCHLER

Portfolio: Agriculture and Fisheries

Nationality: Austrian

Age: 53

#### Education

Agricultural studies, University for Soil Science, Vienna; doctorate in natural sciences and ecology

#### Background

Franz Fischler was born and raised on a farm in the Tyrol in Austria. In addition to firsthand experience, he has a broad background in agricultural studies, beginning his career in 1973 as a university assistant in regional agricultural planning at the Institute for Farm Management in Vienna. He continued on the farm path in 1979 at the Tyrol Chamber of Agriculture and in 1985 when he became director of the Chamber of Agriculture. His political career got off the ground a few years later in 1989 when he became Austria's federal minister for agriculture and forestry, a position he held for five years. During this period, he was also a member of the Nationalrat (Austria's parliament). Fischler joined the Commission in 1995 as commissioner for agriculture and rural

development, and his portfolio has been extended to include fisheries for the second term. He is married with four children.



### ERKKI LIIKANEN

Portfolio: Enterprise and

Information Society

Nationality: Finnish

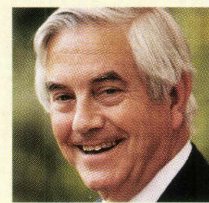
Age: 49

#### Education

Master's degree in political science, University of Helsinki

#### Background

Erkki Liikanen has held several senior parliamentary posts in Finland stretching back to 1972 when, at the age of twenty-two, he became a member of the Eduskunta (Finland's parliament). In 1987 he was appointed Finland's minister of finance and minister of the interior. Liikanen first moved to Brussels in 1990 when he headed up the Finnish mission to the European Union, prior to the country becoming a member of the EU in 1995. At that time, he joined the Commission as commissioner for budget and administration. This good-humored Finn, who has a taste for fine cigars and soccer, is married with two children.



### FRITS BOLKESTEIN

Portfolio: Internal Market

Nationality: Dutch

Age: 66

#### Education

Degree in mathematics, Oregon State College; Gemeentelijke Universiteit, Amsterdam, mathematics, physics, philosophy, and Greek; University of London, economics; University of Leiden, master's degree in law



### Background

**F**rederik (Frits) Bolkestein has a man-of-the-people image in the Netherlands. He stepped down last summer as parliamentary leader of the Dutch right-center party VVD. Bolkestein has held a number of senior government positions in Dutch politics, including foreign minister, from 1982–1986, and defense minister, from 1988–1990. In 1998, he was considered the frontrunner in the polls leading up to the Dutch national elections, but the incumbent, Prime Minister Wim Kok, again won the job of leading the country. Bolkestein, who studied mathematics at Oregon State College in the early fifties, is a former Royal Dutch Shell executive. He is also chairman of the Amsterdam Bach Soloists and a member of the Royal Institute of International Affairs in London. Bolkestein, who is married to an actress, enjoys the classics. They have three children.



### PHILIPPE BUSQUIN

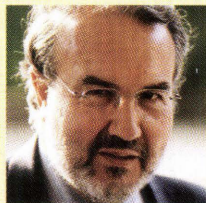
Portfolio: Research  
Nationality: Belgian  
Age: 58

### Education

Physics degree, Université Libre de Bruxelles (ULB); "Candidature" in philosophy, ULB; postgraduate studies in environment

### Background

**B**orn in Belgium's southern region Wallonia, Busquin has been president of the French-speaking Socialists in Belgium since 1992. Thirty years earlier, however, he commenced his career as an assistant lecturer in physics at the Université Libre de Bruxelles where he had earned his physics degree and completed post-graduate studies in philosophy and environment. Busquin's involvement in politics began in 1977 when he became a member for the province of Hainaut. In 1978, he entered Belgium's House of Representatives, where he was a member for seventeen years. Busquin has held several ministerial posts, including in national education, home affairs, and social affairs.



### PEDRO SOLBES MIRA

Portfolio: Economic and Monetary Affairs  
Nationality: Spanish  
Age: 57

### Education

Law degree and a doctorate in political sciences, University of Madrid; European economics diploma, Université Libre de Bruxelles (ULB)

### Background

**P**edro Solbes Mira is a multilingual politician who is no stranger to European affairs. He had a five-year stint in Brussels from 1973–1978 as commercial counselor of the Spanish mission to the then European Community. In 1982, Solbes was appointed general secretary in the ministry of economics and trade in Madrid and was one of the members of the task force preparing Spain's accession to the European Community in 1986. With his expert knowledge, he was appointed secretary of state for relations with the European Community in 1985. In the early nineties, Solbes was Spain's agriculture minister and minister for economy and finance. In 1996, he chaired the joint committee of the Spanish Parliament on the European Union. Solbes was born in Pinoso, Alicante, a region in southeast Spain famous for its beautiful coastline. He is married and has a son and two daughters.



### POUL NIELSON

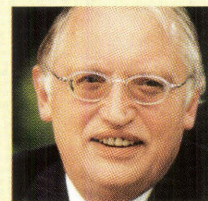
Portfolio: Development and Humanitarian Aid  
Nationality: Danish  
Age: 56

### Education

US high school diploma; master of political science, University of Aarhus; assistant professor, Danish School of Public Administration

### Background

**N**ielson, who has been involved with the Social Democratic Party since the 1960s, has built up a solid reputation of administering Denmark's development aid during the five years he has been development minister. No doubt, the experience he has gained will serve him well with the portfolio he will be in charge of at the European Commission. From 1979 to 1982, he was Denmark's energy minister and chief executive of LD-Energy from 1988–1994. Nielson is married with three children.



### GÜNTER VERHEUGEN

Portfolio: Enlargement  
Nationality: German  
Age: 55

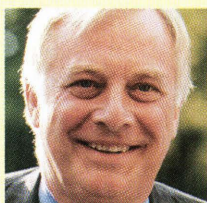
### Education

Trainee at the *Neue Rhein-Neue Ruhr-Zeitung* newspaper; studies in history, sociology, and politics in Cologne and Bonn

### Background

**V**erheugen, who has been Germany's European affairs minister in the Social Democrat government of Gerhard Schröder since 1998, has had a diverse career in politics and journalism. Once general secretary of the FDP (Liberal Democrats), he later switched parties and joined the SPD (Social Democrats). In the late eighties, he served as editor-in-chief at *Vorwärts*, the SPD newspaper, and since 1990, he has been chairman of the radio broadcasting council of Deutsche Welle. He became federal party manager for the SPD in 1993 and deputy chairman of the SPD parliamentary group for foreign, security, and development policy in 1994. He lives in Oberfranken, Germany with his wife. He has published two books of note: *The Rise and Fall of the FDP* in 1993; and *The German Interest in South Africa* in 1986.





### CHRISTOPHER PATTEN

Portfolio: External Relations

Nationality: British

Age: 55

#### Education

Balliol College, Oxford, bachelor's of arts with honors and master's with honors degrees in modern history; Coolidge Traveling Scholarship (US)

#### Background

Patten is probably best known for his role as the United Kingdom's last governor of Hong Kong, but he has had a lengthy, distinguished career in British politics. Although he studied history at Oxford, he got the bug for politics after working on an American mayoral campaign during a travel scholarship in the US. His political interests led him to a variety of cabinet and ministerial positions, and to the Home Office. In the 1970s, he worked under conservative leaders Sir Edward Heath and Lady Margaret Thatcher. For thirteen years, he was a member of Parliament for the historic town of Bath (1979–1992), and between 1983–1985 he was parliamentary undersecretary of state for Northern Ireland. Prior to leaving for Hong Kong in 1992, he was chancellor of the Duchy of Lancaster and chairman of the Conservative Party, where he was instrumental in the party's political victory in 1992. Patten recently headed the commission on policing for Northern Ireland. He is married with three children. He enjoys cricket and has recently published a book entitled *East and West: China, Power, and the Future of Asia*.



### PASCAL LAMY

Portfolio: Trade

Nationality: French

Age: 52

#### Education

Hautes Etudes Commerciales; School of

Political Sciences; Ecole Nationale d'Administration

#### Background

Lamy is no stranger to the European Commission, having spent nine years as former Commission president Jacques Delors' chief of staff from 1985 to 1994. He also served as Delors' sherpa at G7 meetings with world leaders. This Socialist Frenchman, who is fluent in English, was educated at the Ecole Nationale d'Administration, one of France's most prestigious academic institutions. In the late seventies, he worked at the Inspection Générale des Finances and also spent a couple of years at the Treasury. He first worked for Delors back in the early eighties when Delors was economics and finance minister. He also had a spell as deputy chief of staff for then Socialist Prime Minister Pierre Mauroy, before going to Brussels in 1985 to head Delors' cabinet. After the Commission, he moved back to Paris to clean up the troubled French bank, Credit Lyonnais. As the new trade commissioner, he arrives in time for the unfolding of the new Millennium Round of world trade talks that will take place this November in Seattle. Lamy, who is married with three children, is a marathon runner.



### DAVID BYRNE

Portfolio: Health and Consumer

Protection

Nationality: Irish

Age: 52

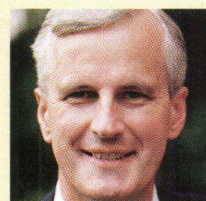
#### Education

Monasterevan CBS, County Kildare; Dominican College, Newbridge, County Kildare; University College Dublin, bachelor's degree; King's Inns Dublin, barrister-at-law, SC

#### Background

Byrne has an extensive legal background, from being called to the Irish bar in 1970 to his most recent position as Ireland's attorney general. He played an important role in mapping out the constitutional and legislative aspects of the Northern Ireland's Good Friday peace agreement signed last year. Byrne was a

member of the National Committee of the International Chamber of Commerce from 1988–1997; and a member of the ICC International Court of Arbitration in Paris from 1990–1997. He is currently a member of the cabinet subcommittees dealing with social inclusion, European affairs, and child abuse. Byrne, who is married and has a daughter and two sons, enjoys sailing and tinkering with his vintage Porsche. He is also the author of various publications on legal affairs.



### MICHEL BARNIER

Portfolio: Regional Policy

Nationality: French

Age: 48

#### Education

Diploma from the Ecole Supérieure de Commerce de Paris

#### Background

Barnier, a pro-European Gaullist, comes from the mountainous region of Savoie, where he has been involved with the region's council since the early seventies and is now senator. From 1993–1995, he was minister for the environment. In 1995, he was appointed European affairs minister in the French conservative government of Alain Juppé. Barnier, who is married with three children, is a winter sports enthusiast and his interests led him to be co-president of the Albertville-Savoie Winter Olympics held in 1992. He is also the author of several books, notably on politics and ecology.



### VIVIANE REDING

Portfolio: Education and Culture

Nationality: Luxembourgese

Age: 48

#### Education

Doctorate in human sciences, Sorbonne, Paris



### Background

**R**eding, who is a Christian Democrat, has a diverse background in politics and journalism. She was a member of the Luxembourg Parliament from 1979–1989, and for the past ten years has been a member of the European Parliament. Since the late seventies, Reding has been a featured columnist and editor for the national newspaper the *Luxemburger Wort*, and her interests in journalism led her to serve as president of Luxembourg's national union of journalists for twelve years (1986–1998). Fluent in several European languages, Reding is an advocate for student-teacher exchanges, and cultural and multilingual experiences. She was president of the cultural affairs committee in Luxembourg from 1992–1999. She was born in Esch-sur-Alzette, Luxembourg's second-largest town and the center of the country's iron and steel industry. She is married and has three children.



### MICHAELA SCHREYER

Portfolio: Budget  
Nationality: German  
Age: 48

### Education

Economics and sociology, University of Cologne; doctorate in fiscal policy

### Background

**S**chreyer, a native of Cologne, has a solid background in fiscal and budgetary matters. While studying for her doctorate, she worked as a research assistant at the institute for public finances and social policy at the Free University of Berlin. She was adviser for the Green caucus in the Bundestag (the federal parliament) from 1983–1987. Her political career took off in 1989 when she became urban development and environment senator in Berlin. Since 1991, she has been a member of the state parliament of Berlin where she has worked on several budget and public finance committees and since 1998 has been chairperson of the Greens in the Berlin parliament.



### MARGOT WALLSTRÖM

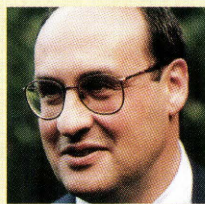
Portfolio: Environment  
Nationality: Swedish  
Age: 45

### Education

Graduated from high school

### Background

**W**allström is a former journalist, accountant, social affairs minister, and culture minister. At the age of twenty, she turned down a place at university in favor of a post with the Swedish Social Democratic Youth League, and by the age of twenty-five she was a member of the Riksdag (Sweden's parliament). In 1994, when she was appointed to the culture ministry, she refused to uproot her family and move them to Stockholm and instead set up her office in Värmland where they lived. Wallström has, at times, taken voluntary breaks from her political career; to start a family, to head a regional television network, and more recently to work on a media project in Sri Lanka. One of the five women appointed to the twenty-strong team, she is married with two children.



### ANTÓNIO VITORINO

Portfolio: Justice and Home Affairs  
Nationality: Portuguese  
Age: 42

### Education

Law degree, Lisbon Law School; master's degree in law and political science, Lisbon Law School

### Background

**V**itorino has a very diverse legal, academic, and political background. In the early eighties, he was a member of the joint European Parliament/Portuguese Parliament Committee on European Integration, prior to Portugal becoming a member of the European

Community in 1986. Both a practicing lawyer and an assistant professor at Lisbon Law School, he was appointed secretary of state for parliamentary affairs from 1984–1986. In 1989, Vitorino became a judge at the Portuguese Constitutional Court, a position he held for five years. More recently, he was deputy prime minister and minister of defense in the government of Prime Minister Antonio Guterres. Vitorino, who was born in Lisbon is married with two children.



### ANNA DIAMANTOPOULOU

Portfolio: Employment and Social Affairs  
Nationality: Greek  
Age: 40

### Education

Aristotle University of Thessaloniki, School of Civil Engineering; Panteion University of Athens, postgraduate studies in regional development

### Background

**D**iamantopoulou, Greece's popular socialist minister, is the youngest of Prodi's picks and hails from Kozani in Greece. Following her degree, she began her working life as a civil engineer in 1981 and lectured on the subject. Her political career began in 1985 when she became prefect of Kastoria, followed by positions as secretary-general for adult education and for youth. Since 1991 she has been a member of the central committee of PASOK, Greece's socialist party. Her political career continued in 1994 when she became secretary-general for industry, and this post was followed in 1996 by her appointment as deputy minister for development. Diamantopoulou was involved in the privatization of Greece's four shipyards and has a reputation for getting jobs done. Her other interests lie in women's issues and the Balkans. She is married with one child. ☺

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*Compiled by Susan J. Burdin,  
EUROPE's editorial assistant.*



# The New Europe

By Alan Osborn

After this summer's

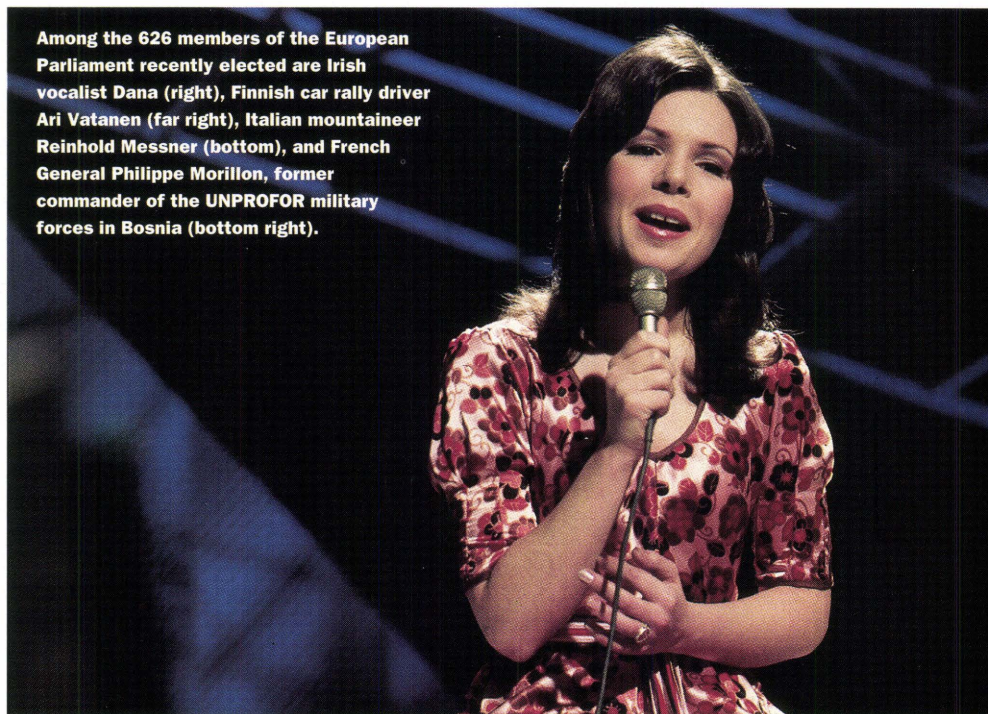
**T**he 626 members of European Parliament, known as MEPs, who took their seats in July for the start of a five-year term are a mixed bag by any definition. The new group includes communists rubbing shoulders with neo-fascists and European zealots sitting alongside hard-core Euro-skeptics, sometimes within the same party. As in earlier Parliaments, the 1999–2004 intake of MEPs includes a sprinkling of former prime ministers, senior political worthies, and successful businesspeople from the fifteen EU countries. This time, however, many more people without traditional political party affiliations have been elected.

There was a striking indication of how all these different elements might agree on something for the common good when they unanimously elected Nicole Fontaine, a fifty-seven-year-old French member of the center-right group, as their first president in July. As vice-president of the Strasbourg-based Parliament, Fontaine had won considerable respect for her impartial handling of votes and negotiating skills with the EU member governments in recent years, and this respect far outweighed any political reservations about her election.

For the first time, a former president of the European Commission has taken a place as an MEP. Jacques Santer, who resigned as head of the Commission earlier this year after charges of mismanagement by members of his team, now sits on the European People's Party (center-right) benches as one of the Luxembourg representatives.

A handful of the more colorful figures from the previous Parliament are back, including Daniel Cohn-Bendit,

Among the 626 members of the European Parliament recently elected are Irish vocalist Dana (right), Finnish car rally driver Ari Vatanen (far right), Italian mountaineer Reinhold Messner (bottom), and French General Philippe Morillon, former commander of the UNPROFOR military forces in Bosnia (bottom right).





# n Parliament

elections, the diverse new Parliament began its five-year term



calist who has lived in the US in recent years. Dana, (whose real name is Rosemary Scallon) fought and won her campaign on an anti-abortion platform and sits as an independent.

Belgian voters have elected Patsy Sörensen, well known in her country as a crusader for the rights of prostitutes and her campaign against the "white slave trade," to a seat in Strasbourg. Sorensen has received death threats from East European crime rings and attends sessions with a bodyguard. Also from Belgium is Dirk Sterckx, a television journalist widely known as a figurehead in the Flemish community. The former commander of the UNPROFOR military forces in Bosnia, Philippe Morillon, is a new member of the French section of the center-right group.

Two of the new Italian members have achieved public prominence through their activities against the Mafia in Sicily—Guiseppe di Lello Finuoli, the former mayor of Palermo who sits with the communists, and Antonio di Pietro, a Liberal who took a leading part in the "clean hands" trials in Italy.

The Liberal Party leader Pat Cox—scarcely known outside his own country of Ireland six months ago—has emerged as a possible star of the future. The forty-seven-year-old former university lecturer and television presenter, who enjoys quoting Edmund Burke, has parleyed his party's fifty seats into a deal by which he will be assured of the presidency of the Parliament in thirty months' time. "He speaks in sound bites," says a colleague about Cox—not perhaps the worst talent to have in an assembly desperately in need of good publicity. ☪

*Alan Osborn is EUROPE's Luxembourg correspondent.*



the former student revolutionary leader known as "Danny the Red," who is now a member of the French Green Party. Among the British MEPs returned in June for a new term are the two Northern Ireland adversaries—John Hume, the Nobel Peace Prize winner and a member of the socialist group, and the Reverend Ian Paisley, the leading loyalist figure.

The Parliament also includes some new famous faces. Italy's Reinhold Messner, the pioneering mountain climber, will sit with the Green group. Finland's Ari Vatanen, better known for his car racing exploits than his political maneuvers, will sit with the Christian Democratic group.

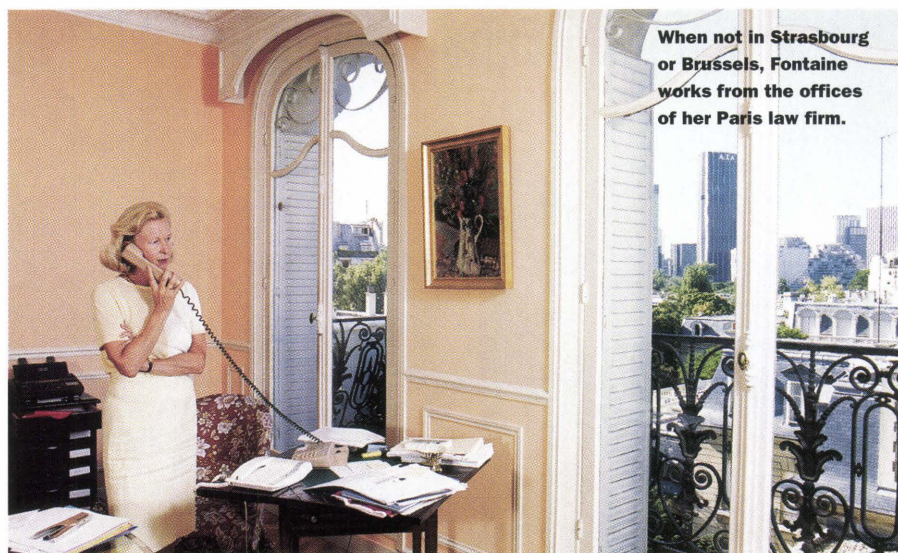
One internationally known popular singer, Nana Mouscouri of Greece, has left the Parliament, but another has arrived in the shape of Dana, the Irish vo-



By Axel Krause

# Presiding Over Parliament

Fontaine assumes the presidency of the European Parliament



**N**icole Fontaine, the chic new president of the European Parliament, has a reputation for being deeply religious, modest, a charmer with an ant-like capacity for hard work, and, above all, for being a behind-the-scenes consensus builder. The latter trait recently prompted the *Economist* magazine to dub her "a European conciliator-general." It isn't surprising that many of her fellow French citizens do not know what exactly she does.

Today, this fifty-seven-year-old, center-right lawyer who has successfully worked the corridors of the European Parliament and other EU institutions as an MEP since 1984, is not only determined to improve her image and of the EP but is displaying a surprising, combative streak. This side of her personality surfaced, virtually unnoticed by the media, during the state funeral service for King Hassan II of Morocco in early August, which attracted leaders from around the world.

Vacationing with her family in France when she heard of the monarch's death, only four days after her election as EP president on July 20,

Fontaine decided to attend the funeral. But not, as surprised Moroccan officials insisted, to sip tea with the wives of President Bill Clinton, President Jacques Chirac, and of the other attending heads of state and government. She pressed hard, insisting she was not there as a spouse but as the newly elected president of a parliament representing 400 million Europeans. With the help of a European Commission official in Rabat, palace officials finally allowed her to become the only woman in the funeral procession and then, thanks to a friendly gesture from President Jacques Chirac of France, who likes her, wound up walking alongside the French leader and President Clinton.

Fontaine, whose father was a Normandy doctor, was born in 1942 near the northern port city of Le Havre and attended private Roman Catholic primary and secondary schools there before graduating from a public high school in Le Havre. She then went on to study law in Paris and, as a lawyer, landed her first important job—deputy secretary general of the Catholic Church's national education board, the first layperson to hold the post. Nicknamed Nini, she became increasingly

involved—and visible—actively defending government funding of Catholic and other private schools, which the Socialist government in the early 1980s had decided to end. She led massive, public demonstrations against the proposed law, earning the epithet "the Jean d'Arc of Catholic education."

In 1984, the bill abandoned, her reputation established, she decided to run for the European Parliament and won. She was reelected in the 1989 and 1994 elections, always as a member of the centrist UDF Party. Elected EP vice-president several times, with experience on the EP's judiciary, culture, education, and women's rights committees, a breakthrough came five years ago when she was backed by her conservative group, the European People's Party, the EPP, to become a member of the Parliament's influential Conciliation Committee, which is responsible for resolving differences over controversial EU legislation with the Council of Ministers.

In that key job, says Pat Cox, Irish independent MEP, who will replace her as president in two and a half years, she displayed her impressive talents for negotiating compromise agreements under difficult circumstances, backed by reinforced powers provided by the Amsterdam Treaty that went into effect May 1. "She does not come across as a street fighter, eyeballing opponents," says Cox. He adds that long experience in the Parliament as an insider helped her enormously when the EPP, emerging as the Parliament's largest group in the June elections along with Cox's smaller Liberal group, threw their weight behind her for the presidency, defeating the Socialist candidate, Portugal's former president, Mario Soares.

"It was," she says, "one of the most marvelous surprises of my life." ☺

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





# Nicole Fontaine

Parliament's New President

*Nicole Fontaine, the new president of the European Parliament, spoke with EUROPE contributing editor Axel Krause September 3 in her law offices in the fashionable Paris suburb of Neuilly, which she uses when not in Brussels, Strasbourg, or traveling. She discusses her views on the recent hearings into the qualifications of the nineteen incoming European commissioners, on future relations with the Commission, the Council of Ministers, and her agenda.*



**The European Parliament's hearings to confirm or reject the Prodi Commission created a lot of media and public interest. But didn't the EP already have this power?**

No. Not the power to say yes or no. It did not exist earlier. Now we can give our binding vote of approval to the president-designate of the Commission. He then returns to the European Parliament with his team (of commissioners), but if the vote is negative, the team has to be changed. Previously, we only were able to give a non-binding opinion on the president-designate. Considering that we have always had the right of censure over the Commission as a whole, it would have been extravagant for the Commission to refuse

participating in the confirmation hearings we organized.

**But what control, what accountability exists with regard to individual commissioners?**

None, really. It is interesting that [Commission President Romano] Prodi has said that he has the resignation of all the commissioners in his pocket.

**Does he have this in writing?**

I believe he has the commitment (by the commissioners to resign if asked) and the means of obtaining what he wants. The European Parliament has indicated its satisfaction with this approach. But it is true that if this commitment is not in writing, it has no legal value. Let me emphasize that the hearings were in no way a witch hunt...the message we are conveying to Mr. Prodi is that if he understands that he must undertake very strong, constructive commitments with regard to working with the European Parliament, everything will go smoothly.

**But why not ask for individual resignations of commissioners in the event that there is another crisis, to avoid a resignation of the entire Commission as occurred last March?**

Institutionally, we cannot because the Commission must remain collegial, and we all agree on that. In another crisis, a commissioner in difficulty would understand and, if asked, presumably would turn in his resignation to Mr. Prodi. And I do not believe that my [EP] colleagues will seek a modification in this procedure. Our purpose is not to weaken the Commission. We want a strong and independent Commission and that it be transparent.

**Given the relatively low level of voter participation in the EP elections in June, what do you plan during your term that would make the European Parliament more credible, more visible and accessible to people, including increasing visits to your headquarters buildings?**

You are right about the visits. It is very important. But we have practically reached the saturation point...we are now at around 100,000 visitors per year in Strasbourg, which is a significant number. Given our schedule, I don't think we can do much more. But I will be exploring the possibilities of doing more. What concerns me, more fundamentally, is that as long as we haven't

succeeded in having people accept the European Parliament as a 'real parliament' with real powers—budgetary, legislative, and of political control—there is little we can do. You can't force people to vote. May I note that voter participation in our June elections (49.8 percent) was considerably higher than in US presidential elections.

**What about an aggressive communications program?**

We do need to look at our entire communications strategy. That is an enormous task. And it needs to be highly decentralized. Someone in the provinces today, for example, seeking documentation on a directive or an EU or parliamentary report is told on the telephone by an information office that, yes, we have the document, but you are going to have to come to pick it up. This is crazy. There is a lot of waste and duplication. And yes, there is the Internet, but not everyone is on the Internet. Average people need access.

**What, specifically, are you doing?**

I have put a small task force to work on communications. The idea being to work more efficiently, more on the ground, in touch with people. My second, related goal is to have my colleagues freer to work on the problem. The workload of the European Parliament is now such that all of [the EP members] are now in Brussels Monday through Friday. They don't have time to see the general public. I hope to change that.

**The media, for years, has more or less ignored the EP and often ridiculed its pretensions or attacked its lavish lifestyles. What is your reaction to today's media coverage?**

We were very encouraged by the wide coverage of the hearings and not only in the national media but the regional papers, for example. It was fabulous. We could not have imagined this happening three years ago. I sense all your journalist colleagues are continuing to be very motivated in a serious way by what we are doing.

**But why do so many people still not understand your powers?**

Because for a long time the European Parliament has not been present at either of the two ends of the decision-making chain—with the Commission



proposing, the Council deciding. Now the European Parliament co-decides with the Council. This is revolutionary. I have co-versed over about fifty conciliation proceedings [with the Council], and no legislative text can see the light of day without the formal approval of the European Parliament.

**But didn't the EP already have this co-decision power?**

Yes, but only with regard to the [EU] budget and several other sectors, a power that has existed only since [the Treaty of] Maastricht in 1992. The areas of co-decision were significantly expanded by the Treaty of Amsterdam, which came into effect May 1. All of this is quite recent.

**But critical areas are excluded, notably agriculture and foreign and defense policy.**

Yes, that is right. So is justice and internal justice matters, and they will remain so for at least five years. And yes, they are excluded, but we hope to make progress within the limits of the

treaties involved, for example, by providing better access to information [regarding Council decisions on foreign policy] so that the European Parliament is not totally excluded from the decision-making process.

**How do you view the establishment of a European Food and Drug Administration proposed by Mr. Prodi?**

Such an agency should not be independent of the Commission and should be given powers of direct intervention when warranted. Let me recall that the EP recently called for reinforcing the Commission's powers in food safety in order to avoid overly strong pressures from member states, which weighed heavily in EU inaction. Once established, the agency should be accountable to the EP. But first, the Council must be convinced of the need to reinforce the Commission's decision-making powers, and that won't be easy.

**French Justice Minister Elisabeth Guigou recently told us that Turkey and Russia**

**did not qualify for full-fledged membership in the EU. What is your personal reaction?**

The new European Parliament has not yet taken a position on Turkey, but speaking on a personal basis, I do not think it is as burning an issue as it has been in the past. During the past few weeks, the outlook has changed following the recent earthquakes in Greece and Turkey. The climate (for Turkey's membership) is in the process of changing, and I believe that the dialogue with the EU can now be more constructive. But to say that it (EU membership) is for tomorrow is something else again. Our relations with Turkey are very important.

**Would this approach also apply to Russia?**

Yes. The case is the same. And of course, we should help Russia...it would be irresponsible not to act otherwise.

**In France and elsewhere, suggestions have been made for establishing, in the future, an EU president, possibly for five years and accountable to the EP and the Council. What is your reaction?**

This was one of the most powerful ideas on our UDF [Union pour la Démocratie Française] platform [during the June EP election campaign] on which I ran in France. The idea we put forward was that in a first phase, the European president would be elected by national parliaments and the European Parliament. And then, later, in a second phase, elected by universal suffrage.

**Is it conceivable that the EP might someday ask for and obtain the right to censure the Council of Ministers, meaning the EU heads of state and government?**

No. This is unthinkable. We had enough difficulty in getting the Council to accept the idea of co-decision with us on EU legislation.

**What would you like to see become your lasting achievement during your term?**

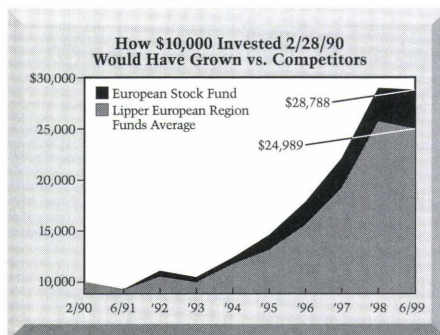
We began with the hearings, and we need to keep up the momentum. We need to develop our rapprochement with our citizens. I also would like to play a role in reinforcing relations between the EU and the Mediterranean countries. It is a good thing that we are enlarging eastwards. But our orientations need to be balanced. We also need to reinforce our ties with countries that are close. ☺

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# EU-Russia Relations

By Bruce Barnard

**The Big Bear's problems continue to shape relations with Europe**

**B**oris Yeltsin rudely interrupted the vacations of European leaders in early August with a timely reminder that the "Russian problem" would await them on their return to their respective capitals.

The Russian president's decision to appoint his fifth prime minister in seventeen months, the former KGB spy Vladimir Putin, sent shock waves around the West, raising fears of political instability in the run up to Parliamentary elections in December and the presidential poll next July.

Almost exactly a year earlier, the Kremlin dropped an even bigger bombshell, defaulting on domestic debts, announcing a ninety-day moratorium on foreign loan obligations and slashing the value of the ruble.

Russia's financial crisis was kept under control—barely—and Moscow's neighbors breathed a little easier. The European Union was too preoccupied with pressing internal business like the launch of a new currency, the euro, the setting of a six-year budget, and reform of the Common Agricultural Policy to readjust its policy toward Moscow. However, the money laundering scandal at the Bank of New York, allegations of kickbacks from a Swiss construction company to Russian officials, and the revelation that Russia's central bank lied to the International Monetary Fund about the whereabouts of \$1 billion in foreign exchange reserves in 1996 forced Brussels to look eastward again.

Moscow is still smarting over its impotence during NATO's bombing campaign in Kosovo and the subsequent rows over its peacekeeping role in the region. Yeltsin's latest government



**President Boris Yeltsin recently appointed Vladimir Putin, a former KGB official, as Russia's newest prime minister.**

reshuffle wasn't directly linked to outside events, but it served as a reminder of the ever-present potential for instability in a country that has yet to adjust to its reduced international status.

The European Union will be the main Western player during the crucial months leading up to the election of Yeltsin's successor. The US will be preoccupied by its own election campaign in early 2000 and is unlikely to launch fresh initiatives.

The EU, by contrast, is well placed to craft a new policy toward Russia. Its rotating presidency is currently held by Finland, the only EU country that shares a border with Russia, and the new European Commission led by Romano Prodi starts with a clean sheet. The commissioners who will be most closely involved with Russia, Pascal Lamy, re-

sponsible for trade, and Chris Patten, external relations, are both newcomers.

Finland spent two years developing a "northern dimension" for EU foreign policy centered on Russia as well as the Baltic countries and Norway, which it put at the top of the agenda of its presidency. The strategy—aimed at counterbalancing the EU's enlargement to Central and Eastern Europe and its "southern dimension," which involves massive aid projects for the Mediterranean and North Africa—was overshadowed by the war in Kosovo and the subsequent effort to reformulate an EU policy in the Balkans. But Finland will attempt to refocus on and flesh out the "northern dimension" at a conference of foreign ministers in November.

The EU is already the biggest customer for Russia's most valuable hard



currency exports—crude oil, petroleum products, and natural gas. It is also well positioned to help the development of its giant untapped resources. Russia produces 17 percent of the world's oil output and sits on 25 to 30 percent of its natural gas reserves. It also accounts for between 10 percent and 20 percent of the world's non-ferrous, rare, and noble metals. Cooperation with Russia, including exploiting the massive gas reserves in the barren northwest by building export pipelines, is expected to top the agenda at a meeting of EU energy ministers in Helsinki in October.

The EU can also help Russia to improve its transport infrastructure and assists its underperforming ports to recapture the 40 percent of the country's foreign trade that is handled by ports in Estonia, Latvia, and Lithuania.

Finland also wants the EU to

**Meanwhile, the EU should keep its market open for Russian imports and ignore pleas for import protection from its domestic producers in sectors such as steel and textiles where Russian firms are competitive.**

develop a coordinated environmental strategy for the region. The presence across the EU's eastern border of eight Russian and two Lithuanian nuclear power plants and 150 nuclear submarines, half of which have been decommissioned, is a constant reminder of the threat to the entire region.

While Finland is promoting a more proactive policy toward Moscow, it will end its presidency by hosting in Helsinki an EU summit that risks humiliating Russia a week before the country's elections to the Duma.

European leaders are expected to invite more countries to begin EU accession negotiations. These talks could include the former Soviet republics of Latvia and Lithuania and will put into sharper focus the yawning gap between Russia and its former satellites, which are slowly, but surely, making the transition to a market economy. The World Bank forecasts Russia's gross national product this year will be \$167 billion, only 25 percent bigger than Poland's. Poland, currently negotiating to join the EU, has boosted its economy by 17 percent since it began the transition from communism to capitalism, while Russia has lost half of its output.

Moscow's exclusion from the global trading system will come under the spotlight again in November when a ministerial meeting of the World Trade Organization (WTO) in Seattle is expected to launch a new round of global trade talks—without Russia. While China's bid for WTO membership is making progress and attracting the attention of

the US, Russia's bid is stalled and largely ignored. With the US heading for a presidential campaign, the EU will have to take the lead in the upcoming trade round, putting it in an ideal position to press Moscow to meet the criteria for WTO membership.

Meanwhile, the EU should keep its market open for Russian imports and ignore pleas for import protection from its domestic producers in sectors such as steel and textiles where Russian firms are competitive.

It can also increase or remove quotas on Russian imports. Such measures will not make a big difference, as Russia's trade profile resembles that of a developing country, with commodities accounting for the bulk of its exports. But it will help to ease tensions between Brussels and Moscow and promote the idea of free markets in Russia.

Meanwhile, signs have emerged that the Russian economy is on the mend. Fears of hyperinflation following the 1998 financial crisis haven't materialized as the authorities have pursued a tight monetary policy, resisting the temptation to print money to pay off wage arrears.

The 80 percent surge in the price of oil since last December has boosted hard currency earnings. Furthermore, the 70 percent devaluation of the ruble has made exports more competitive and cut imports, leading to a current account surplus of \$66.6 billion in the final quarter of 1998 and \$5.1 billion in the first quarter of 1999. Consequently, independent economists are forecasting growth in output this year, and foreign investors are eyeing the country more positively again.

Nevertheless, Russia remains on the brink. A report from Fitch IBCA, the international credit rating agency, warned the economy is continuing to "leak capital at an alarming rate." It estimates that Russia exported up to \$136 billion of capital between 1993 and 1998, equivalent to 50 percent of gross domestic product in 1998, outstripping the international funds flowing into the country. The cash hemorrhaging is sure to increase in the run-up to the Duma elections in December and accelerate in the final six months of the Yeltsin presidency, providing the EU with yet another reminder that it cannot afford to ignore events on its eastern flanks. ☹

**The Bank of New York building on Wall Street stands at the center of Russian money-laundering allegations.**





# The Baltics

Seven years after the breakup of the Soviet Union, the Baltic countries are on the economic fast track

By Bruce Barnard

**T**he three Baltic states got a nasty reminder of their days as isolated Soviet republics when Russia's financial crisis last fall cast a shadow over their economic prospects.

The crisis slowed growth in Lithuania and Latvia, both of which still have substantial trade and financial ties with Moscow. Estonia emerged relatively unscathed apart from a few industries that haven't cut the umbilical cord to Russia, but its economy was already slowing.

The instability of their giant neighbor will spur the Baltic nations to redouble their efforts to Westernize their trade, a process that's well underway in Estonia but faces obstacles in Latvia and Lithuania.

All three countries are integrating into the global economy with membership in the European Union as their ultimate goal. Estonia is setting the pace. This country of 1.5 million people joined the World Trade Organization (WTO) in June and is currently negotiating EU membership along with four other former communist nations—Poland, the Czech Republic, Slovenia, and Hungary (in addition to Cyprus).

Estonia has set the standard for its two neighbors, creating one of the world's most open economies that has the potential to become the Hong Kong of the Baltic. More than 65 percent of its trade is with the fifteen nations of



Latvians shop at Riga's central market. The country has transformed itself since it was excluded from the first round of EU talks in 1997.

the EU, with its Baltic cousins Sweden and Finland alone accounting for 50 percent.

Estonia embarked on a free market crusade almost from the first day of its independence from Moscow in 1991. Its liberal trade regime, balanced budget, and stable currency, the kroon, which is pegged to the German mark and has acquired almost religious status, have combined to make the country an automatic choice for fast-track EU membership and a magnet for foreign investment.

Estonia has already created a thriving high-tech, export-oriented economy, following substantial investment by foreign firms, including Nokia and Elcoteq of Finland and Tolaram of Singapore. The country also boasts two local personal computer makers, Microlink AS and Pennu Computer Technology Group, which supply four-fifths of the 45,000 PCs sold in the domestic market every year.

Estonia also has developed a sophisticated banking sector with ambitions to become a financial center for companies investing across the Baltics, including the St. Petersburg region.

It hasn't been plain sailing though, with the financial system taking a mauling after the Asian and Russian financial crises. But the authorities moved quickly to restore order, bankrupting one bank, withdrawing the license of another, and taking a controlling stake in the merger of two others. The government also took tough action to slow an economy that was dangerously overheating eleven months ago with the current account deficit scaling 12 percent of the gross domestic product, three times that of Hungary, the stock market surging 500 percent, and GDP leaping by more than 11 percent.

The crisis didn't undermine Estonia's free market fervor. Hardly an eyebrow was raised when Sweden's Swedbank took control of Hansabank, the



country's largest bank. Furthermore, it continues to attract foreign investment. Berifors, a Swedish unit of Ohio-based automotive parts manufacturer Stone-ridge, Inc., chose Estonia over the Czech Republic, Poland, and Hungary for a new factory.

Latvia and Lithuania are finally moving out of Estonia's shadow, spurred by hopes they will be in the second wave of EU accession negotiations along with Slovakia, with talks possibly starting as early as next year.

Latvia has transformed itself since 1997 when it was excluded from the first round of EU talks because of the sluggish pace of economic growth and political reform and its shabby treatment of its ethnic Russian minority. Foreign investors have given the country a wide berth since 1995, scared off by an unregulated banking sector, rampant financial speculation, money laundering, and pyramid-type scams.

The best advertisement for Latvia's transformation into a functioning market economy is the fact that it became a

member of the WTO in February, four months before highly rated Estonia. The country's privatization agency, which has sold 95 percent of all state firms, is now seeking buyers for the Latvian Shipping Company and Lat-telkom, the national telecommunications operator, and is even mulling the sale of the national railway, the airport, and the postal system. Meanwhile, monetary discipline and strict curbs on public spending have laid the basis for sustainable economic growth. However, there's still some way to go. Last year, a report by Transparency International ranked Latvia seventy-fifth out of eighty-five nations, along with Pakistan, for corruption. Russia was the only East European nation that ranked lower.

Russia's economic crisis has taken a heavy toll on Latvia's financial sector, which is facing bank closures, and on its pipelines and ports, which are a major transit route into the country. But even as it lessens its economic ties with Moscow and turns to the EU, Latvia is making sure it will remain Rus-

sia's "window" on the global trading system by providing speedy transit via the Baltic Sea. Despite its current problems, Russia remains a lucrative market. It still accounts for 20 percent of Latvia's trade and is being actively courted by neighboring Finland.

Lithuania is finally shedding its image as an economic laggard. Its economy, twice as big as Latvia's and Estonia's combined, is on the move. "By any objective measure of reform progress and business friendliness, Lithuania shines," according to *Business Central Europe*.

Lithuania's growing attraction to outside investors was highlighted by the recent decision of Danish brewer Carlsberg to take control of the country's leading brewer AB Svyturys for \$45 million to spearhead its entry into the Baltic beer market.

The Russian crisis slowed industrial output and exports and led to a sharp deterioration in the trade balance. But the government is pressing ahead with reforms and is accelerating its privatization program, which has already put more than 70 percent of GDP into private hands. Furthermore, the government plans to sell the state-controlled shipping, stevedoring, gas stations, oil refineries, and pipelines this year. Foreign investment totaled more than \$1 billion last year, dominated by the \$500 million acquisition by Swedish and Finnish firms of a strategic stake in Leituvo's Telekomas, the national telecom operator. Foreign direct investment remains vital for Lithuania's economy, accounting for 9.2 percent of its GDP in 1998.

This frantic spate of activity, however, cannot conceal Lithuania's biggest problem: its reliance on former Soviet markets. Russia accounts for 20 percent of Lithuania's trade compared with the EU's 30 percent, but Belarus and Ukraine make up a further 20 percent—potentially lethal for a country that generates 55 percent of its GDP from trade.

However, Lithuania, like Latvia and Estonia, is working hard to create a market economy facing the West that will one day earn its entry ticket into the European Union. ☐

*Bruce Barnard is a EUROPE contributing editor and a Brussels correspondent for the Journal of Commerce.*

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## WHAT THEY SAID... MAYOR OF ROME FRANCESCO RUTELLI

*Francesco Rutelli has served as mayor of Rome since 1993. The forty-five year old member of the Green Party has been at the city's helm as Rome prepares for the Jubilee, celebrating 2,000 years of Christianity, and will lead Rome into the third millennium.*

*Mayor Rutelli spoke with EUROPE contributor Saskia Reilly from his office at the Campidoglio in Rome and discusses Rome's evolving role in Europe, his vision for the Eternal City, and his own political plans.*

### Where is Rome headed as we face the year 2000?

The city of Rome is at the heart of the number 2000. The year 2000 is the anniversary of the birth of Christ. Maria and Joseph set out on their journey in response to the Roman emperor's demand for a census. It is one of the strange turns of human history that an event, which took place in Rome, is at the origin of this calendar.

Rome is about to enter the third millennium as one of the very few places in the world that is simultaneously a major metropolis, a universal religious reference point, and a city that is facing the challenge of modernizing itself without compromising its extraordinary cultural and historic patrimony.

**Could you talk a bit more about this delicate balance between modernization and the conservation of**

### history and culture?

Rome is like a laboratory that is both full of creative energy and complicated all at once. In the past weeks we have been excavating close to [162,000 square feet] in the Central Archeological Area [Roman Forum]. From these excavations we have had some incredible discoveries. Not only have we found monuments that we hoped to unearth and sculptures we never dreamed would be there but, through the excavations, we have resolved some of the mysteries surrounding the topography and the appearance of ancient Rome. These are naturally very satisfying accomplishments.

At the same time, we face some more difficult tasks. I am thinking of the projects designed to modernize and transform the city, which are at times blocked or slowed down by unexpected archeological finds. This is for the simple reason that in the Second Century BC, Rome had close to one million inhabitants. Ancient Rome was not much smaller than the city today and that means that beneath the current structures of the city lies another city of the past.

Before we can modernize, transform, and restructure the city, it is necessary to take account of the past. On the one hand, this challenge offers great riches from a cultural and historical standpoint. But at the same time it can cause the paralysis of

urban development. It is a difficult challenge.

### Do you see a way of addressing that challenge?

This is why I referred to Rome earlier as a laboratory because we must find the equilibrium between transformation and conservation. And we have been working tirelessly to find that equilibrium. I believe the word that best describes the meeting half way between radical transformation and excessive conservation is *valorizzare* [literally 'to add value to']—adding value to the past in the context of a modern city.

In Rome, we have allocated more than \$10 billion to this concept, dedicated in part to new infrastructure and in part to other projects. It is easy to find this kind of harmony between transformation and conservation when we are excavating in the middle of an archeological dig. It's beautiful and fascinating. It becomes more complicated when we come across archeological finds as we are working on building a new railway.

You add the kind of value I am talking about, when, as in the case of the plans for the Coliseum station on the new metro line [from the Vatican to the Coliseum], we were able to incorporate an underground entrance to the Roman Forum with the new station.

**Will the city be ready for visitors celebrating the Jubilee?**

Yes, Rome will be ready and it will be a positive outcome for Rome and Italy. We will have finished the works on time without wasting money or increasing costs and with significant advantages for the city, its residents, and its visitors.

### What is your vision of Rome economically, politically, and socially in 2020?

I see Rome as an international capital of modern tourism, with an extremely flexible and favorable capacity to receive visitors—international congresses, environmental and sports-related tourism in addition to cultural tourism.

I also see Rome as a center of innovative industry linked to electronics, telecommunications, and the space industry.

Rome will also be an international political center. It is already a center of religious culture and also an important center for a number of United Nations agencies linked to development, including the Food and Agricultural Organization, the International Fund for Agriculture, and the World Food Program. These will play an important role in transforming Rome into a hub of political dialog and international cooperation for development.

By the year 2020, the Mediterranean countries will have begun to control the rate of population growth, and they will have made great strides forward in terms of



## WHAT THEY SAID (CONTINUED)

economic development. Rome will be a natural reference point for commercial cooperation directed to the other Mediterranean coastlines as well as the promotion of sustainable development in Africa.

### **Do you think Rome is ready for the euro?**

The first conversation I had with Romano Prodi [since his nomination as European Commission president] was regarding the euro. I asked him why he didn't want to speed up the entry into force of the euro. In my opinion, the sooner the single currency is operational, the better. He responded by telling me that he asked the same question when he arrived in Brussels. The answer he received was that it was simply a technical problem related to the amount of time it would take to print the vast number of bills and mint enough coins to meet the needs of all the member states.

### **How will the euro change**

### **your daily life?**

The euro is already a part of our lives. The real change that the single currency will establish is that of bringing Europe into our daily lives. Europe will work better, in the eyes of Italians and all other Europeans, the more Europe is linked to the things that the average citizen sees as close to his or her life. For example, when we have a real soccer championship where the teams are not national but European in composition; or when we have unified telephone rates; or when we have an easily accessible common television system. We must multiply the number of occasions in which Europe transforms itself from the center of fiscal regulations to the reference point for our daily lives and the provider of the solutions to our problems. The euro is the key to bringing about these changes.

### **Can you describe a moment when you felt truly European?**

Ten years ago, I was a spon-

sor of a national referendum to send a mandate to the European Parliament, which was elected in 1989. The overwhelming majority of Italians voted in this election and 90 percent voted in favor of the referendum. It was an exciting moment followed by a painful disappointment because that legislature did not make progress on the European Constitution.

On another occasion, when I was in the [Italian] Parliament, I was one of the first supporters of the motion by the Italian Parliament in favor of the single currency, which was then approved. I remember this success with a lot of enthusiasm. I was a member of the opposition, but I worked together with some members of the government to show that the theme of "Europe" was a theme that had meaning for everyone.

### **What are your plans when you conclude your term as mayor?**

When I leave office, I will have to complete the second

part of my mandate as a deputy in the European Parliament, a responsibility that I take very seriously. I think that in the future of politics, the national plane will be important, but the two most important dimensions for any politician will be the local one and the supranational or European one.

Participating in local politics helps a politician gain a more concrete understanding for the citizens' problems and how to respond to their most pressing concerns. You can learn an enormous amount at the administrative level. I'm referring specifically to the administration of regions and large cities. The supranational or European dimension will become more and more important as it becomes the center of more and more decision making. When I finish my term as mayor, I will have eight years of administrative experience, and I have learned an enormous amount, but I expect to learn still more in my upcoming experience in the European Parliament.

## REPORTER'S NOTEBOOK: UPCOMING ELECTIONS

### **Portuguese Parties in Parity**

Depending on how you look at it, either Portugal stood at a crossroads this October or it was never anything other than business as usual.

On October 10, Portugal, one of the European Union's smallest member states, holds its general elections, and regardless of who wins, analysts are predicting that government policy will change hardly at all.

Certainly the campaign has been one of the most professional ever, with the main political parties for the first time using commercial advertising—a mainstay of political life in most of Western Europe—to get their messages across. But many observers felt that the whole affair lacked soul, focusing more on

who could best manage the public administration finances while keeping an eye on the bond markets rather than who had the highest-flown principles. No wonder voter turnout has slumped in recent years, they argue, noting the rock-bottom participation rates in two referendums held last year.

The truth is that there are few ideological differences these days between the minority Socialist administration that has been in power for the past four years and the Social Democratic Party that ruled during the preceding decade.

One of the Socialists' trump cards during the lackluster summer phase of the campaign was the opening of the first Citizen's Shop—a one-stop office for dealing with various kinds of bureaucracy. It is a worthy idea but

not particularly socialist. Moreover, it is a far cry from the electrifying and turbulent politics the Portuguese experienced after the left-wing military coup that ousted the dictatorship in 1974, when peasants seized land and workers demanded a say in running factories.

One neat illustration of how close the two main parties now are was the defection in July of a Social Democrat member of Parliament to the Socialists. Local newspapers hinted that he jumped ship in the expectation of another Socialist victory and cited the young man's statement a few years ago that he would like to be finance minister some day. As for the deputy himself, he said that, as a "liberal with social concerns," he expected to feel comfortable in the Socialist Party. Since the

word "liberal" in Europe implies a preference for the free market, one could almost hear party left-wingers grinding their teeth.

On the most important set of issues that Portugal has to face lately—qualifying for economic and monetary union (EMU) and maintaining its share of EU regional aid—it would be hard to squeeze a toothpick between the two main parties. Indeed, each year since the Socialists came to power in 1995, the Social Democrats have—after some usually half-hearted criticism—voted in favor of the government's budget, acknowledging the crucial role this would play in establishing Portugal as an EMU member.

Perhaps inevitably, though, the strategy has been based more on electoral calculation than on political principles.



## REPORTER'S NOTEBOOK (CONTINUED)

Such is the level of popular support in Portugal for European integration—at least so long as the country is clearly gaining from it—that any political action that seems to play fast and loose with Portugal's position in Europe could result in electoral annihilation.

### Croatia's Elections Could Chart New Course

Concerns over the lack of development of democracy, human rights, minority rights, and cooperation with the war crimes tribunal have strained Croatia's relations with the European Union and other international institutions. But upcoming elections could help chart a new course for the country.

Since declaring independence from Yugoslavia in 1991, Croatia has struggled through bloody wars and the transition from communism to democracy and a market economy. Its push for independence unleashed a rebellion by ethnic Serbs living inside Croatia and supported by Serbs outside the country. A 1995 Croatian military offensive recaptured territory held by the rebel Serbs and put an end to the violence.

But it has failed to bring true peace and prosperity to the country. More than 300,000 ethnic Serb refugees continue to live outside Croatia, while tensions persist in many parts between Croats and ethnic Serbs. At the same time, the economy has faltered, with about 20 percent of the population unemployed, many businesses struggling, and individual annual incomes at about \$4,440, only slightly higher than when Croatia split from Yugoslavia in 1991.

Blame for many of the country's woes is now being laid at the feet of President Franjo Tudjman and his ruling Croatian Democratic Union Party, which are often accused of enriching themselves at the expense of the Croatian people.

During phone-in radio and

television programs, "people are explicitly critical of Tudjman, which you wouldn't have heard one or one and a half years ago," said sociologist and opposition politician Vesna Pusic. In the past, criticism was leveled against his party members, but today, "people openly discuss him [Tudjman] as a liability."

Although Tudjman and his supporters say membership in the European Union and NATO are among their goals, they also have said Croatia is judged by different standards than other candidate countries.

In 1996, the EU decided to take a regional approach to improving relations with Croatia, Albania, Bosnia-Herzegovina, Yugoslavia, and the Former Yugoslav Republic of Macedonia (FYROM). It monitored their progress on issues such as democracy, human rights, minority rights, transition to a market economy, cooperation with the international war crimes tribunal, and compliance with the Dayton peace accord.

As progress is made, the countries have access to PHARE funds and are able to negotiate trade and cooperation agreements with the EU. But the program has "not had much of an effect in improving conditions in Croatia," said Per Vinther, the European Commission's special envoy to Croatia.

The EU and other western governments made fresh overtures to Croatia and the other countries in the region this spring through the "stabilization and association process," which is tied into the Stability Pact and designed to bring stability and prosperity to the Balkans.

Meanwhile, every six months a report on Croatia's compliance with democratization, human rights, and other agreements is passed on to the Council of Ministers, which must decide whether to resume granting PHARE funds to Croatia, which were suspended in 1995.

"I expect the next compliance report will be fairly negative," Vinther said, because

of Croatia's lack of cooperation with the international war crimes tribunal in the Hague and the country's reluctance to extradite a war crimes suspect. Tribunal President Gabrielle Kirk McDonald recently complained to the UN Security Council, which could impose sanctions against Croatia.

Vinther also cited Croatia's failure to reform its election law and its lack of progress in transforming the state-run television into a true public broadcaster, rather than operating as an instrument of Tudjman's party.

Because of this "the PHARE program has disappeared again on the horizon," Vinther said. Instead, the EU will "wait for the results of the (parliamentary) election." An election date has yet to be set, but it is expected in December or January.

For the first time, a six-member opposition coalition has been formed, which is working together to win voter support. Opinion polls already give the coalition up to 40 percent of the vote, well ahead of Tudjman's party, with an estimated 20 percent.

Pusic, a member of the centrist Croatian People's Party, said having a coalition government "would introduce this element of accountability and control that we've been lacking."

If elected, the priorities of the opposition include reviving Croatia's economy. Employment is "on the top of everybody's agenda. This has been singled out in all public opinion surveys as the top most priority by the electorate," Pusic said.

Along with employment, efforts would be made to turn around ailing companies and to review the privatization process, which is thought to have been a source of economic crime and embezzlement, she said.

Efforts also would be made to comply with international agreements and to give the country a European orientation "rather than trying to make it alone in the world,"

Pusic said.

But even if the opposition wins parliamentary elections, they could still face an uphill battle. Tudjman's presidential term does not expire until 2002. However, constitutional changes could be made by a two-thirds vote in Parliament.

But not all is bleak in Croatia. Vinther said the country has gradually begun to see the return of refugees who fled during the war. Although progress has been slow, "it's hard to fault them on this" because refugee returns don't just involve the central government, but also local authorities in communities where emotions still are running high.

The country also is working fairly well with neighboring Yugoslavia, Bosnia, and Slovenia and has cooperated with the war crimes tribunal more than other nations, Vinther said.

But much of the progress Croatia has made "only happens under very strong pressure from the international community," he said. While agreements are signed, "the implementation leaves much to be desired."

International organizations such as the Council of Europe and the Organization for Security and Cooperation in Europe, which have issued critical reports on the country's lack of reforms, also have raised similar criticisms.

Despite that, the EU has given Croatia \$315 million in humanitarian assistance since 1991, about \$53 million in reconstruction funds since the end of the war, and about \$11 million for the development of the independent media and nongovernmental organizations that work to promote democracy.

While an opposition win could speed the resumption of PHARE funds, "Twenty-five million euros (\$26.25 million) is not going to solve their financial problems. The economy is basically in ruins. The coffers are empty," Vinther said.



## BUSINESS BRIEFS

Italy's conservative business establishment was rocked by a fresh outbreak of hostile takeover activity after **Assicurazioni Generali**, the country's largest insurer, launched an unsolicited \$12.3 billion bid for **INA**, the third-largest insurer that was in the midst of friendly merger talks with the **San Paolo-IMI** banking group.

The bid, coming only two months after the audacious \$62 billion acquisition by **Olivetti** of **Telecom Italia** in Europe's biggest takeover battle, promises to reshape Italy's financial sector and weaken the hold of the industrial dynasties that have big holdings in the industry.

The combined **Generali-INA** group would create a global insurance giant with around \$42 billion in annual premiums and \$217 billion of funds under management.

...

**British Telecom** looked across the Atlantic again to boost its global presence, forging an alliance with **AT&T** and buying **Yellow Book USA**.

...

Europe is bracing for an outbreak of store wars in the wake of the \$17 billion friendly merger between the French chains **Carrefour** and **Promodes**, which together created the world's second-largest retailer after **Wal-Mart**.

The merger was partly a defensive response to **Wal-Mart's** move into Europe through the acquisition of two German retail chains followed by the \$10.7 billion purchase of **Asda**, the UK's third-largest supermarket group.

The new French group's annual \$57 billion sales are well behind **Wal-Mart's** \$137 billion, but it is a leader in several European markets that the US giant has tar-

geted for global growth. It also has a longer global reach than its US rival: **Carrefour's** first store outside France was opened in Belgium in 1969, only six years after the group was set up, and its overseas network now spans twenty countries in Europe, Latin America, and Asia. This year it is opening stores in Greece, Indonesia, and Uruguay.

Rival European groups are expected to pursue mergers and alliances to challenge **Carrefour-Promodes**. Germany's 7,700-store **Tengelmann** group moved first, opening talks with rival supermarket chain **Edeke**, which has about 9,000 outlets. Other large retailers like **Metro** of Germany and **Sainsburys**, the UK's second-largest supermarket, risk losing their independence as they struggle to protect their market share against the new global operators.

But for some European chains, the US rather than Europe, is the main target for expansion. **Ahold** of the Netherlands is increasing its exposure in the US, where it generated 58 percent of its first half sales of \$8.3 billion, with yet another acquisition, a \$1.75 billion deal for New York-based **Pathmark**. **Delhaize**, the Belgian retailer, which recently agreed a \$3.6 billion bid for **Hannaford**, is also said to be seeking fresh openings in the US.

...

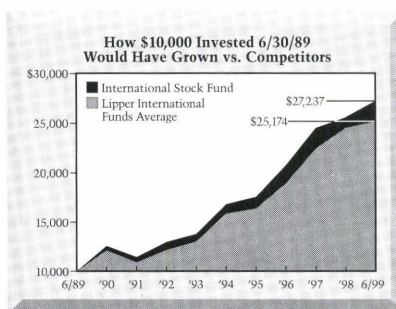
**DaimlerChrysler**, the German-US car and truck manufacturer, plans to invest more than \$48 billion in developing sixty-four new models over the next three years.

Among the sectors likely to get investment in new plants and products are **Freightliner**, the US truck maker, as well as a new version of the "Smart" two-seater car and a probably a medium-sized Chrysler for the European market.

The decision to undertake one of the largest ever research and development projects in the auto industry came after the company reported that the savings from 1998 merger of **Daimler-Benz** and **Chrysler** have exceeded the planned \$1.4 billion-a-year savings. Revenues are likely to reach \$153 billion this year against previous forecasts of \$147 billion. Mercedes-Benz sales were up 13 percent in the first eight months of the year to 645,000 vehicles.

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ISF050021



### Correspondents

Bruce Barnard in Brussels  
Susan Ladika in Vienna  
Saskia Reilly in Rome  
Alison Roberts in Lisbon

*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.



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# The European

**A look at Europe's executive body past, present, and future**



(left) French statesman Jean Monnet was the architect and first president of the "High Authority" of the European Coal and Steel Community, on which the European Commission was modeled. The European Commission's flagship Berlaymont building (below) is currently undergoing a full renovation.



**T**he European Commission is a unique body. Virtually all other international organizations (including the United Nations) employ a body of officials whose job it is to liaise with the member states and to provide a secretariat to service their representatives. Based in Brussels and supported by an administrative staff of some 17,000, the European Commission certainly fulfills these functions in relation to the European Union (and its forerunner, the European Economic Community). More importantly, however, it plays a major role in formulating the policies of the Union, in their subsequent implementation, and in ensuring that the provisions of the Treaty of Rome—and the other treaties governing the European Union—are carried

out to the letter by all the participating states.

## The Past

The Commission was modeled on the former High Authority of the European Coal and Steel Community (ECSC), created in 1951 under the Schuman Plan, proposed by French Foreign Minister Robert Schuman. The real architect was Jean Monnet, who became the first president of the High Authority, which exercised 'supranational powers' over what were then seen as the two essential industries in advanced industrial states.

When the six member states of the ECSC met at the Sicilian town of Messina in 1955 to consider plans to establish a wider economic community, they appointed a committee under Belgium's foreign minister, Paul-Henri Spaak, to draw up proposals that formed the basis of the Rome Treaty. This



# Commission

By Dick Leonard

treaty did not give the Commission as many supranational powers as the High Authority wielded, but it still emerged as an exceptionally powerful body.

Its powers have been summarized as those of initiative, implementation, and supervision. The powers of initiative refer specifically to EU legislation and to the Union's budget. All proposals for legislation must come from the Com-

mission. The final decision rests with the body representing the national interests of the member states, the Council of Ministers (in many cases these decisions are now subject to the approval of the European Parliament). It is the Commission, however, that tables the original draft and has the power to withdraw the draft if it disapproves of amendments subsequently

made by the Council. This power, which is used only sparingly, has the effect of negating the Council's decisions.

The Commission is entrusted with the implementation of decisions taken by the Council. In respect of the coal and steel industries, the Commission itself has a wide range of decision-making powers inherited from the former High Authority, which it may exercise

without reference to the Council of Ministers. It also has substantial autonomous powers relating to competition policy (which includes antitrust, mergers, and state aid control) and the running of the Common Agricultural Policy. It administers the various funds established by the Union (the Agricultural Guidance and Guarantee Fund, the Social Fund, the Regional Fund, the Cohesion Fund, and so on). It prepares the draft budget, which must be approved by the Council and the European Parliament, and negotiates international agreements on behalf of the Union, though the Council can only conclude these.

The Commission supervises the implementation of Community law by the member states. Whenever it concludes that a member state has infringed its treaty obligations, it is required to deliver an 'opinion' to this effect and may afterward bring an action before the European Court of Justice against the state concerned.

Initially, the Commission was made up of nine commissioners, two each from the three largest member





states—France, Germany, and Italy, and one each from Belgium, the Netherlands, and Luxembourg. The first president of the Commission was Walter Hallstein, a powerful personality who was a close associate of the then German chancellor, Konrad Adenauer. Under Hallstein's vigorous leadership, the EEC got off to a tremendous start, successfully completing the timetable for removing all internal tariff barriers and quota restrictions eighteen months ahead of schedule and putting into place the hugely complicated Common Agricultural Policy.

But Hallstein's undoubted success—and it must be admitted his evident self-importance—eventually aroused the ire of the French president, Charles de Gaulle, who had no desire to see the Commission president recognized as 'president of Europe'. De Gaulle, who wanted to trim back the supranational element in the EEC, provoked a crisis in 1966, when he embarked on an 'empty chair' policy, under which French ministers boycotted meetings of the Council of Ministers. This action forced Hallstein's resignation, and for several years afterward, the Commission was to play a less activist role. Subsequent Commission presidents, apart from Roy Jenkins (1977–81) and Jacques Delors (1985–95) have been much lower-profile personalities than Hallstein.

## The Present

The influence of the Commission also began to decline with the emergence of

the European Council—the summit meetings of EU heads of state and government—as a major actor within the European Union. The Council now meets at least twice each year and has largely assumed the role of a strategic directorate. After each summit meeting a document, entitled 'Presidency Conclusions' is issued, setting out overall objectives for the Union during the coming months and years. This practice has not formally affected the Commission's right of initiative, but in practice, it has meant that if the European Council has called for EU legislation in any particular field the Commission has swiftly come up with appropriate proposals.

Nevertheless, most of the more far-reaching initiatives have continued to stem from the Commission. Roy Jenkins was responsible for the European Monetary System, which has controlled exchange rates between most of the EU countries since 1979. Jacques Delors was the originator of three of the most important developments over the past dozen years—the 1992 program to complete the internal EU market; the 'Delors packages', which provided for long-term budgetary planning instead of annual bargaining; and above all, the preparation for the introduction of a single currency, the euro.

## The Future

Even before his confirmation as Commission president, Roman Prodi indicated his overriding ambition for the EU in the coming five years—the integration of southeast Europe, including Serbia if it opts for a democratic future, into the European Community of nations, with eventual full membership of the European Union.

The Commission now stands at a crucial point in its history. After the turmoil that led to the resignation of Jacques Santer's team earlier this year, its credibility is very much on the line. If the Prodi Commission fails to rise to the challenge, its authority and powers will be gradually chipped away, and a real danger exists that it will eventually be reduced to being a mere secretariat.

It is no exaggeration to say that such a diminution of its powers would be a tragedy, for an important element in the ethos of the European Union has always been based on the role of the Commission. The Council of Ministers is the voice of the national governments,

while members of the European Parliament are elected to represent local interests. However, the members of the Commission are, by contrast, expected to act on their judgement of the overall European interest. The Rome Treaty requires them to "be completely independent in the performance of their duties. And neither seek nor take instructions from any government or from any other body." Without them, the balance of the Union would be seriously undermined, and its processes would be reduced to squalid horse-trading.

The independent enquiry report, which led to the resignation of the entire Santer Commission, pointed out serious deficiencies in the administration of the Commission and inadequate controls against fraud. Many observers believe that only a radical overhaul of the administration will be sufficient to remove the taint.

A more difficult task will be to reshape the Commission itself with the prospect of an enlargement of the EU, which may take it to as many as thirty member states by the end of the next decade. Already, too few serious portfolios exist for the present twenty commissioners, and the problem can only get worse as the membership grows.

The Commission itself can do little about this. The responsibility lies with the member states, whose representatives will be meeting next spring in a so-called intergovernmental conference. Prominent on the agenda is the size of the Commission. Not only the right of the larger states to nominate two commissioners, but the provision that every member state should have at least one will have to be challenged.

This question of the Commission's size has persisted as an exceedingly difficult and sensitive problem, particularly perhaps for the smaller members. Yet, unless it is faced, the Commission is bound to become an increasingly unwieldy body that will no longer be able effectively to perform its role. The member states will have to recognize that what is required is a small executive body rather than a fully representative one. The place where member states are supposed to be represented is, after all, in the Council of Ministers. **E**

*Dick Leonard is EUROPE's Brussels correspondent, and author of the Economist Guide to the European Union.*

## Presidents of the European Commission

1958	Walter Hallstein
1967	Jean Rey
1970	Franco-Maria Malfatti
1972	Sicco Mansholt
1973	François-Xavier Ortoli
1977	Roy Jenkins
1981	Gaston Thorn
1985	Jacques Delors
1995	Jacques Santer
1999	Romano Prodi



# Will the Economic Miracles Continue?

By Niccolò d'Aquino

When, in the blazing heat of August, Silvia Baraldini disembarked from the Italian government plane that had brought her back to Rome after she had spent almost twenty years in an American prison, Italian public opinion was evenly divided. Her return to Italy marked the conclusion of a long and difficult accord between the Clinton administration and the Italian government headed by Prime Minister Massimo D'Alema. In 1983, Baraldini, an intellectual of the extreme left, was convicted in the United States of participation in a terrorist group that killed four people, including two New York policemen. Now fifty-one years-old, she will serve the remaining eight and a half years of her sentence in Italian prisons.

Her story, which received little attention in America, has been followed closely in Italy for years. As expected, its conclusion generated controversy and risked setting off a political crisis. Opponents of the government raised several questions over Baraldini's transfer, such as why a government plane was sent to pick her up instead of transporting her on a commercial flight, which would have been cheaper and is the usual procedure when prisoners are moved? Furthermore, why did Minister of Justice Oliviero Diliberto, an ex-communist, personally escort Baraldini's aged mother to the airport in Rome?



In June, children waving flags welcomed Italian Prime Minister Massimo D'Alema to the G8 summit in Cologne.

The right wing, headed by television magnate Silvio Berlusconi and by post-fascist Giancarlo Fini, thundered and protested, and the story dominated the headlines. However, once the rhetoric of the first few weeks cooled down, the D'Alema government was able to claim satisfaction. None of the previous Italian administrations to take office since Baraldini's imprisonment (including the one headed for one year by Berlusconi) had been able to reach an agreement with Washington for her transfer. Officials at Palazzo Chigi, the Roman palace that serves as Italy's version of the White House, point to this coup as a

sign of Italy's growing influence on the international scene and of a new trust in the country by the other governments.

Recently, in fact, various signals would seem to confirm Italy's improved international standing. The number of prestigious international appointments awarded to Italians offers one measure. European Union leaders chose Romano Prodi, an economist of solid reputation who is also an ex-leader of the Italian government, to head the European Commission. Another Italian, Renato Ruggiero, has successfully concluded a very difficult international mandate as head of the World Trade Organization



and has been awarded the presidency of ENI, the powerful Italian oil company. Furthermore, Italy gained recognition for its important role in the difficult Albania-Kosovo crisis. An Italian general was nominated to head NATO's operations in Kosovo, and Admiral Guido Venturoni was called to become military chairman of NATO.

The true test, however, for evaluating the growing atmosphere of trust in Rome lies in its economic achievements. Let's be honest: no one thought the Italian economy could achieve its current levels in such a relatively short span. Despite the skepticism, the 1990s is proving to be, as someone tagged them, "the second 1980s." The economy is coming back strong, perhaps not with the fabulous consumption of the Reagan decade but with the stock market showing constant growth.

Above all, what surprises most people is the balancing of the budget, the historic sore point of Italian "credibility" on an international level. When the year 2000 rolls around, the government in Rome and the industries located in the north will be able to show 2.5 percent economic growth, barring the unforeseen. Furthermore, analysts say that—if the drastic measures to shore up the public deficit continue and bring it down to the same levels as other advanced economies—the Italian economy could grow at a flattering 3 percent average during the first ten or fifteen years of the new millennium. But, before that happens—before the end of this year, to be exact—another important objective will be achieved: bringing the public deficit to within 2 percent of gross domestic product, which was a goal agreed upon as part of joining the euro. After having surprised observers when it qualified for the Maastricht parameters just before the deadline and became one of the founding members of the single European currency, Italy appears ready to perform a similar feat by reducing its public debt ratio on time.

Many factors have contributed to this miracle, but one person who has played a major role is the former economic minister, Carlo Azeglio Ciampi. The seventy-nine-year-old ex-governor of Italy's central bank has continued to introduce new cuts to the Italian *dolce vita*. Although Italians have long felt as though they were drowning in new taxes, they saw in Ciampi someone who



Silvia Baraldini, center, escorted by police, returns to Italy from New York to serve out the last eight and a half years of a prison sentence for terrorist acts in the US.

**Above all, what surprises most people is the balancing of the budget, the historic sore point of Italian "credibility" on an international level. When the year 2000 rolls around, the government in Rome and the industries located in the north will be able to show 2.5 percent economic growth, barring the unforeseen.**

appeared serious about finally trying to fix the inefficient state bureaucracy and management wastefulness. Voters showed their appreciation for Ciampi's tough no-nonsense approach by overwhelmingly nominating him president of the Republic.

Even Italy's politics seem to benefit from the strengthening economy. After decades of political parties and mini-parties all dominated by the Christian Democrats, the Italian political scene appears to be consolidating into a bicameral system. There is still a long way to go, and the polemics are legion, but two distinct political formations are emerging. The center-left is dominated by the coalition headed by the democrats of the left (the ex-communists of Massimo D'Alema). The center-right is comprised of Forza Italia, the party of Silvio Berlusconi (in part heir of the now-defunct Christian Democrats) and the post-fascists of Gianfranco Fini (who, unlike the European right extremists such as France's National

Front, have proven that they have freed themselves of their ghosts and want to respect the rules of democracy).

On the business front, a new generation of industrial leaders is slowly taking the reins from the small and powerful club of managers who until now have guided the Italian economy. These new leaders' objective is to put Italian companies in a position to be able to compete in the global market. Italian companies, according to Istat, Italy's central institute of statistics, are still suffering from a typically Italian problem: There are many companies, but their size prevents many of them from competing with corporate giants on an international level. However, Italian businesses are starting to think bigger. Roberto Colaninno, the brash forty-year-old head of Olivetti, stunned the Italian business world when his much smaller company pulled off a leveraged takeover of Telecom Italia, one of Italy's biggest companies.

Faced with these far-reaching changes, Italian companies, perennially worried about excessive interference from politicians, are applauding. Vittorio Merloni, the owner of Ariston, a leading maker of refrigerators and kitchen appliances, and former chairman of the national confederation of entrepreneurs, remains hopeful. "Maybe we really are at a turning point that will bring about the second Italian economic miracle, after the one in the 1960s." ☺

*Niccolò d'Aquino is EUROPE's Rome correspondent.*



# TELECOM

By Stephen Jewkes

# Takeover

**Olivetti** stuns Italians with Telecom takeover



Olivetti CEO Roberto Colaninno put together a daring takeover bid for Telecom Italia.

It was once the mother of all privatizations; now it's the mother of all takeovers. Telecom Italia, the world's sixth-biggest telecommunications operator and, until recently, jewel in the crown of Italian state assets, was bought this spring for a massive \$65.3 billion in an operation that sent shock waves through the global financial community.

In a dramatic finale to one of Europe's biggest and most hotly contested takeovers, Telecom Italia's key shareholders defected en masse in May to hand victory to Olivetti, a company that less than two years ago was on its last legs after years of mismanagement—

first in typewriters, then in personal computers—had lost the firm billions of dollars and three-quarters of its staff.

The takeover, engineered by Olivetti chief executive Roberto Colaninno with the support of a rich but largely unknown band of northern Italian businessmen and financial partners, was nothing short of audacious. Olivetti, a company one-seventh the size of Telecom Italia, successfully offered roughly \$12 per share in cash and paper to walk off with 51 percent of Telecom Italia, netting into the bargain Telecom's highly lucrative majority-owned mobile phone unit Telecom Italia Mobile (TIM).

The operation, written off by many

at first as phantom-finance, gave Olivetti control of a group that last year posted profits of \$2 billion on revenues of \$24.8 billion, with more than 23 million fixed-line customers and close to 16 million mobile customers. Unfortunately, it also saddled the group with more than \$14.7 billion of debt and that could spell trouble. To finance the debt Olivetti will probably have to merge Telecom with takeover vehicle Tecnost, or else shift TIM under direct Tecnost control, diluting Olivetti's controlling stake in the new group to around 25 percent and leaving it technically vulnerable to another takeover bid.

Hard to believe this is all happening



in Italy. For years the telecommunications sector was one of the country's most entrenched industrial monopolies, a safe haven from competition and a powerful fiefdom of political patronage. Then in 1997, with telecom liberalization looming on the EU horizon, Telecom Italia was privatized in what was Italy's biggest and most ambitious state sell-off.

If the plan was to create a streamlined player that could compete globally, it didn't quite work. The group remained bloated and inefficient and embarked on a controversial internationalization strategy in South America, Spain, and Austria that was often short on industrial sense. At the same time it failed to forge strategic alliances, first with AT&T and then with Cable & Wireless.

New Telecom chief Colaninno now has the daunting task of breathing new life into a giant that has defied the best efforts of a series of top executives over the last two years. Colaninno, a protégé of Olivetti's honorary chairman, Carlo De Benedetti, claimed once he would unseat the old guardians of Italian capitalism by introducing techniques such as public share offers and hostile takeovers. He will bring to the job the *savoir-faire* that successfully restructured Olivetti and helped its share price increase nearly seven-fold in the last eighteen months.

One of his first moves was to scrap the proposal to merge Telecom Italia with German giant Deutsche Telekom, focusing instead on turning around a company still steeped in monopoly culture. The Mantua-born entrepreneur will next have to head off trade union opposition to slash more than 19,000 jobs while getting a new industrial plan into place quickly enough to take on competition growing stiffer by the day.

Meanwhile, Colaninno must accomplish all this under the watchful eye of a government eager to see Telecom find its legs after years of distractions. The government, which retains a golden share in the former monopoly, did its best to keep its nose out of the domes-

tic politics of the bid but was quick to say it would not look kindly on any foreign bids should the Olivetti offer fail. The proposed merger between Telecom Italia and Deutsche Telekom, finessed partly to help fight off the Olivetti bid, was a source of embarrassment for the Italian government since Deutsche is still controlled by the German state.

Fallout from the Olivetti takeover will be global. With its plans for a merger with Telecom Italia in pieces, Deutsche Telekom has suddenly been cast as a loser. Its valued partnership with France Telecom is on the skids with the French group seeking billions of dollars in damages for broken contracts, including the three-way linkup with Italian electricity giant ENEL in Italy's fixed-line and mobile-phone group, Wind. Worse, the German-French rupture has also endangered a three-way alliance between Deutsche Telekom, France Telecom, and the US Sprint Corp that could leave Sprint free to look for fresh partners.

What seems to be Deutsche Telekom's loss could be a gain for its rival Mannesmann.

After acquiring sole control of fixed-line company Infostrada and mobile operator Omnitel, formerly jointly owned with Olivetti, Mannesmann has emerged as the second-biggest telephone carrier in Italy. So appetizing has the new group become, Vodafone of the UK is reported to be interested in absorbing it.

The Telecom takeover has been billed by some commentators as the dawn of a new era in Italian finance. The cozy *salotto buono*—the drawing room where top Italian deals have always been struck, far from the eyes and ears of shareholders—has, they say, been dealt a severe blow.

Such claims, however, may be premature. Mediobanca, Italy's old wheeling and dealing investment bank that managed Telecom Italia's privatization in 1997, switched sides in the takeover bid to join with three American banks to be Olivetti's adviser. What that means for Italy's markets remains to be seen. ☐

# Seis

Something of a seismic shift is underway in Italian banking. European monetary union, privatization, and the globalization of financial markets have triggered a scramble for consolidation that is fast changing the face of Italy's financial landscape. Remarkably, this wave of change is occurring in a sector that barely a decade ago was largely state-controlled, highly fragmented, and inefficient.

The latest blockbuster deal came at the end of June when Italy's fourth-largest bank, Banca Intesa, announced a linkup with the fifth-largest, Banca Commerciale Italiana (BCI). If approved, the merger will create Italy's largest banking group and the eleventh-largest group in the euro zone with \$296 billion in total assets.

Last March, consolidation appeared to have reached a dramatic climax when San Paolo-IMI proposed to merge with Banca di Roma to form what would have been by far the country's largest banking group. On the same day, Unicredito Italiano announced a merger bid for BCI, which itself had been in reluctant talks for more than a year with Banca di Roma. Both deals fell through.

The process of rationalizing, restructuring, and consolidating Italy's banking system got underway three years ago when Banca Ambroveneto merged with Cariplo to form Banca Intesa. Last year Credito Italiano announced the creation of Unicredito Italiano by merging with three northern savings banks and acquiring control of Bologna's Rolo bank. The merger of San Paolo di Torino and Rome's Istituto Mobiliare Italiano (IMI), completed last November, created Italy's biggest banking group, while a year before the recently privatized Banca Nazionale del Lavoro (BNL) and insurer INA joined forces to acquire control of Banco di Napoli.

A prerequisite for much of today's

He will bring to the job the *savoir-faire* that successfully restructured Olivetti.



# mic Shift

## Italian banks feel the effects of globalization

By Stephen Jewkes

merger mania has been privatization. The move from public to private sector ownership has been a feature of Italian banking during the last five years. Ten years ago branch networks were decided by the Bank of Italy, lending was tightly regulated, and two-thirds of the system was in the hands of central or local government. However, since Credito Italiano slipped from the state's clutches in December 1993, changes have come rapidly. Today about one-fifth of Italy's banks remains in public hands.

Meanwhile, Italy's banks have had to adapt to the dramatic changes provoked by the sharp fall in interest rates, which has sent many Italians out of bonds into equities. Banks used to rely on traditional lending and deposit operations but have had to reposition fast by developing new commission and fee income activities. They have also had to start paying more attention to giving shareholders value for their money.

If some see the current activity as indicative of a sea change in Italian finance, others see older, darker forces still at play. Mediobanca, the secretive and influential Milan investment bank that has pulled the strings of Italian finance for the past forty years, was pivotal in blocking the San Paolo-IMI and Unicredito bids. Itself under pressure and afraid of losing its clout and independence, Mediobanca successfully campaigned to stymie the two deals—in the case of Unicredito, finessing a new shareholders' pact at Comit to strengthen its grip, which is when Banca Intesa stepped into the breach.

Intesa's move is now expected to trigger a new round of further consolidation. Analysts say Unicredito, which recently acquired control of Poland's

Pekao bank in partnership with German insurer Allianz, could now seek a merger with either BNL or San Paolo, while Banca di Roma is reportedly drawing closer to Italy's oldest bank, Monte dei Paschi di Siena, which in June listed on the Milan bourse.

So what's the rush? Consolidation has basically three major benefits. First is cost-cutting. Italian bank payrolls have around 15 percent too many employees compared to well-run European or US banks. The Intesa-BCI merger, for example, will result in 3,200 job cuts through 2002 on top of the 3,400 al-

with Germany's Commerzbank and France's Banque Paribas. Elsewhere Spain's BSCH is a key shareholder in San Paolo while Dutch bank ABN Amro recently bought an 8.8 percent stake in Banca di Roma.

But greater clout not only means banks are harder to take over, but it also places them in a better position to venture abroad. After consolidation at home, cross-border operations, in Europe and then globally, are seen as the next challenge. San Paolo IMI's chief executive Rainer Masera recently said, "The euro zone needs euro-sized players. Italian banks do not have the critical mass to be aggressive."

Amid all the changes, where does Italy's central bank stand? The Bank of Italy has encouraged consolidation to improve the competitive edge of the system in the face of globalization but, afraid of foreign colonialization, has played a somewhat controversial role of late. Bank of Italy Governor Antonio Fazio refused to approve the offers of Unicredito and San Paolo on the grounds they were hostile. That decision drew criticism from Mario Monti,

the EU internal markets commissioner and Italy's antitrust authority, who said the market should be the final arbiter.

While Italy has recently introduced new takeover rules better suited to an open market, the central bank still has the final say in any banking acquisition and must give its assent for the sale of any stake greater than 5 percent. That assent should be forthcoming for the Intesa-BCI merger later in the year. After that, the Bank of Italy can expect other knocks on its door soon. ☐

*Stephen Jewkes is a writer based in Bologna.*



ready planned at Intesa. A second benefit is bigger revenues. More income means more cash to buy better technology and all the rest. Third, and perhaps most important, the bigger the bank, the better equipped it is to fend off unfriendly overtures.

Italy's banks risk falling prey to foreign institutions seeking to increase their presence in the country. Germany's Deutsche Bank has said it is keen to raise its stake in Unicredito to a "significant" level while the main shareholder in the BCI-Intesa venture, France's Caisse Nationale de Credit Agricole, could find itself in tandem



# The New Renaissance

By Saskia Reilly

Entrepreneur and art historian Luca Ales is convinced that Italy is in the midst of a new renaissance. In 1991, he and a handful of partners in Rome founded Arcimbuldo, an organization dedicated to heightening public awareness of Italy's artistic heritage. This summer, he spent his weekends showing Romans around the Domus Aurea, Emperor Nero's recently restored 500-room villa, which opened to the public last June.

At the heart of this rebirth is a trend of increased public appreciation for Italy's artistic and cultural patrimony. Ales's organization alone has seen membership jump from forty-five people at its inception in 1991 to more than 900 this year. In Rome as well as in Italy's other major 'art cities', from Florence and Asisi to Milan, Verona, and Naples, nearly fifty enterprising organizations like Arcimbuldo have capitalized on the trend. Says Ales, "These days, people are increasingly interested in visiting museums and historic sites, and more often than not, they are willing to spend extra money in order to have a knowledgeable guide explain what they are looking at."

Increased individual appreciation of art has evolved thanks to a sea change in the attitude toward Italy's art and culture and the public's desire to bring the country's museums and cultural infrastructure into the twenty-first century. Spurring this change in attitude was the pressure to renovate and restore many of the country's treasures in time for the Holy Jubilee, celebrating 2,000 years of Christianity and due to start in December 1999.

Italians have long been conscious that their art cities constitute some of their most valuable assets—both enhancing Italy's standing in the world and bringing in vital tourist revenue. Yet until recently, they have done little to facilitate tourist access to these treasures or to encourage Italians to discover their own artistic heritage.

Hundreds of museums and monuments were closed or remained under

indefinite restoration, and those sites that were open to the public were often controlled by powerful unions that limited opening hours and restricted access to many of the galleries. Up until 1994, the Uffizi Gallery in Florence and many other state-run museums closed for the day at 1 p.m.

This all began to change when Walter Veltroni became culture minister in 1995. Under Veltroni, museums were renovated, streamlined, injected with funds from private enterprise, and forced to extend opening hours to suit the public rather than state employees. In 1997, the minister ordered some major museums to stay open to 11:30 p.m. on summer weekends. In 1998, the number was doubled to nearly seventy. Some thirty museums (including the Uffizi) now stay open until 10 p.m. every working day from April to October.

Veltroni has accused the Italians of neglecting the treasures that were all around them and called for a new attitude toward Italy's cultural heritage. In response, Italy has been working on speeding up the renovation of its 769 state museums and monuments and has recognized the importance of contemporary forms of merchandising. Most newly opened museums, including the Uffizi, the Borghese Museum, and National Gallery of Contemporary Art, now have bookshops, coat rooms, elegant cafés, multimedia information centers, and electronic ticketing services.

Veltroni also cleared the way for the establishment of a state-run lottery to fund major works of cultural significance. The total costs of restoring the Uffizi, following the 1993 bombing, came to \$15 million. A full third of the funding came from the national lottery.

Not just the major art cities have benefited from this injection of energy and resources. In 1998, Italy unveiled plans to build a new Mario Botta-designed Museum of Contemporary and Modern Art in Trento, a city in north-eastern Italy. The \$55 million structure, set to open in 2001, will be paid for by a combination of government and private funding and will contain major works

With the help of a powerful microscope, an art restorer rediscovers Leonardo da Vinci's *The Last Supper* painted some 500 years ago.



A woman with short reddish hair, wearing a black dress and several bracelets, is using a large, white, professional-grade microscope to examine a wall. The wall is covered in a faded, earthy-toned fresco. The woman is holding a small, glowing object (possibly a candle or a light source) near the microscope's lens. The word "ssance" is written in a large, white, serif font across the top left of the image.

# ssance

by twentieth century Italian artists.

Veltroni's successor, Giovanna Melandri, has had the opportunity to preside over the Culture Ministry in the final months of preparation leading up to the millennium. A protege of Veltroni, the thirty-seven-year-old Roman has run a tight ship, overseeing the removal of the scaffolding from newly restored sites.

Art restorer Maria-Christina Ghezzi has seen firsthand how scaffolding became part of the Italian landscape. This year, she spent four months of her summer in Assisi, at the Basilica of St. Francis. After spending a month as a volunteer in 1997 following the earthquake that sent frescos by Renaissance masters Giotto and Cimabue crashing to the ground, Ghezzi was invited to participate in the restoration of the historic Basilica. Twelve companies and fifty restorers participated in the restoration of the frescos. Together with three colleagues, Ghezzi spent her days pressed up against a Giotto fresco that depicted the confirmation of St. Francis' stigmata. She says it was a labor of love.

According to Ghezzi, Italy is paying more attention to the restoration of its cultural heritage. "However," says Ghezzi, "restoration will always be a luxury of the spirit. There will always be a shortage of money. There will be moments where art is in fashion, and other times where the belt is tightened."

At the turn of the millennium, it appears that art is in fashion. In Rome and its outskirts alone, the Culture Ministry has financed more than 200 restoration projects with more than \$315 million. Last May in Milan, Melandri unveiled Leonardo da Vinci's newly restored *Last Supper*. Though its unveiling sparked controversy over whether the restoration was true to the artist's original conception or whether the artwork had been diminished in the removal of old layers of paint, the completion of the twenty-two year-long restoration was a triumph for Italians. Only one hundred visitors are now allowed to view the painting at one time. At the time of its unveiling, viewing times were booked all the way through to the fall, proving that despite criticism from abroad, Italians know they are on their way to a second Renaissance. 

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*Saskia Reilly profiled Italy's Cinque Terre in last year's June issue.*



# Ancient Rome

## City prepares to celebrate Jubilee in 2000

Rome has never been an easy city to navigate. With only two metro lines and an unreliable network of buses and trams, the Eternal City's 5 million residents are eternally snarled in traffic. But in the past three years, congestion has worsened as Rome gets in shape for the year 2000 and getting around has gotten even more complicated. It used to take Roman businessman Antonio Corsano ten minutes to drive from his home in Flaminio to his office on the outskirts of town. "Now I leave home at 7:30 a.m.," says Corsano, "and I'm never quite sure I'll make it to the office by 8:30."

Crazy traffic is not the only consequence of Rome's last-minute face lift. Tourists have been disappointed to find ugly scaffolding covering nearly every monument from the Coliseum to the Piazza del Popolo and have had to pick their way around the hundreds of fenced-off construction sites that obstruct roads and sidewalks. American newlywed Kristin Rosoff had high expectations for her honeymoon in Rome. She and her husband were shocked to find that nearly every church in the capital, right down to the smallest chapel, was covered in scaffolding. Says Rosoff, "It was such a disappointment to finally reach St. Peter's Basilica and not be able to recognize it from the outside."

Despite the disappointments and the hassles, the air in Rome is charged with expectation. Beginning in December 1999, Italy's capital will host the year-long Holy Jubilee, celebrating 2,000 years of Christianity. Like a frantic host rushing to finish party preparations before the first guest rings the bell, Rome is racing against time to complete the main projects before the first wave of pilgrims arrives. Official estimates place

the number of expected visitors at 29 million, more than twice the amount in a normal year, and the preparations have been equally far-reaching and ambitious.

However, relief is in sight. The traffic has slowly begun to flow again and the scaffolding has gradually begun to recede, revealing breathtakingly restored facades, and Romans and tourists alike are starting to savor the payoffs of all the hard work. So far more than \$4 billion has been spent on some 6,000 projects aimed at improving the city's infrastructure, appearance, and its ability to welcome visitors.

City planners placed the upgrading of Rome's transportation infrastructure at the top of their list of priorities to ensure the city's ability to handle the increased flow of people. Forecasts predicted the arrival of some 2,000 tourist buses each day (with numbers rising up to 18,000 buses around major events such as World Youth Day). Consequently, transport projects received the lion's share of funding—and created the greatest inconvenience for the average Roman. Though some more ambitious plans have been delayed, including the development of a new metro line to connect the Vatican to the Coliseum under the Imperial Forum, nearly \$750 million were allocated for a number of important projects. New lanes were added to Rome's ring road and the airport highway. A nearly quarter mile-long, two-lane tunnel designed to divert traffic around the Vatican is nearing completion, and a new 100-bus parking lot combined with a permit system is expected to eliminate the hundreds of parked tour buses currently congesting the streets around the holy city.

Additionally, Rome's refurbished public transportation network will include 100 more buses, a new tramline, and seven rejuvenated local train lines to ferry tourists from hotels and bed and

breakfasts on the outskirts of the city.

If Romans are gearing up to enjoy the improved flow of traffic, tourists and Romans alike are beginning to see the benefits of investing more than \$300 million in the city's cultural heritage. Italy's cultural ministry alone received funding for more than 170 restoration projects in the heart of Rome. In addition to renovating dozens of churches, nearly 161,000 never-before-seen square feet of the Imperial Forum will be excavated. The Appian Way has been converted into a pedestrian area, and the Palazzo Braschi Museum in Piazza Navona will be reopened to the public.

Roman property owners have been called to service as well. In April 1998, the city announced a \$90 billion incentive plan designed to encourage the owners of Roman palazzi to restore the chipped and cracking facades of their buildings. As a result, scaffolding went up on privately owned buildings and is scheduled to come down by the end of the year.

But Rome has not simply worked to restore its past. The city has also dedicated millions of dollars to new cultural projects. A new music auditorium designed by Renzo Piano, two new museums (including a space for contemporary art) and a new church designed by American architect Richard Meier will all open in 2000. Furthermore, to meet the increased cultural appetite, the city features some fifty exhibits and twenty-five concert series.

Under the tutelage of Mayor Francesco Rutelli, a member of Italy's Green Party, Rome has also dedicated \$40 million to reconstructing a number of the city's historical gardens. Chief among these is the restoration of the Secret Gardens in the Villa Borghese. Once used by the Borghese family to cultivate bulbs for trade, these four gar-





# Goes Modern

By Saskia Reilly

St. Peter's Basilica at the Vatican in Rome is enveloped in scaffolding while it undergoes a restorative facelift for the Holy Year 2000.

## A Jubilee Key

*These are dates around which the non-religious tourist may want to avoid Rome or at least make reservations far in advance.*

**APRIL 23:** Easter Sunday

**MAY 1:** Jubilee of Workers

**JUNE 18-25:** International Eucharistic Congress

**AUGUST 15-20:** Jubilee of Youth (1.5 million expected visitors)

**OCTOBER 14-15:** Jubilee of Families

*For more information on Rome and the Jubilee 2000:*

Agenzia Romana per la Preparazione del Giubileo: [www.romagiubileo.it](http://www.romagiubileo.it)

Central Committee of Jubilee 2000: [www.jubil2000.org](http://www.jubil2000.org)

City of Rome: [www.comune.roma.it](http://www.comune.roma.it)

*For tourist information and to see Roman monuments on-line:*

[www.romeguide.it](http://www.romeguide.it)

[www.virtualrome.com](http://www.virtualrome.com)

dens are currently hidden behind high wooden fences. But the Municipal Office for Environmental Policy has tantalized passersby with gigantic posters describing the delights to come and illustrated with lovely watercolor renditions of the planned gardens.

Transparency and availability of information to both tourists and Romans has been another priority for organizers. Two new full-service tourist information points are nearing completion at Rome's Fiumicino Airport and Termini train station. An additional fifteen information kiosks, designed in the shape of sails and equipped with automated

teller machines, post offices, cafes rest-rooms, and first aid centers will be installed in key locations around the city, outside basilicas, and important tourist destinations.

If all goes according to plan, Rome will be a more beautiful, modern, and welcoming city in the year 2000 and in the future. Although Mayor Rutelli warned Romans at the end of August that things could get worse before they got better, most agree that once finished, the projects will forever improve Rome. Even tourists are enthusiastic. Says Rosoff, "We can't wait to return in 2001." ☺



# CAPITALS

AN OVERVIEW OF  
CURRENT AFFAIRS  
IN EUROPE'S  
CAPITALS

## LISBON

### NATION FEARS FOR EAST TIMOR

**T**he chaotic and violent aftermath of the referendum in East Timor has seized the world's attention in recent months. But for Portugal, the former colonial power, the future of this tiny territory at the eastern end of the Indonesian archipelago has for many years been a *cause célèbre*.

Events in East Timor have dominated Portuguese front pages and news bulletins since the spring. The demonstrations in favor of East Timorese independence that took place in Lisbon and other major Portuguese towns in September were the biggest since the country's 1974 revolution. Thousands of the more committed traveled to Madrid to demonstrate outside the Indonesian embassy there—the nearest one since relations between Portugal and Indonesia were cut off after the latter's 1975 invasion of Timor.

For centuries, East Timor was what one Portuguese columnist has called a "forgotten colony": a tribal society with a colonial administration that did little more than levy taxes to fund its own activities. Then, in the mid-seventies, a left-wing revolution in Portugal and an embryonic civil war in the colony led to the swift withdrawal of Portuguese troops. Within months—with the tacit approval of the West—Indonesia steamrolled in and more than 100,000 Timorese were killed or starved to death.

Portugal, weakened by internal political and economic turmoil, was powerless to act then. However, many people were left with a lingering sense of guilt at what happened, and whenever reports came of human rights abuses in Indonesia, it caused outrage in Portugal. For decades, the country's diplomats worked tirelessly in any international forum available to ensure that the subject stayed on the agenda.



In September, thousands of people rallied near the US embassy in Lisbon in support of East Timor, a former Portuguese colony.

Earlier this year, when an embattled Indonesian government finally granted the principle of self-determination, it was with Portugal (still recognized by the United Nations as the legal administrator

of East Timor) that the accord was negotiated.

The Portuguese watched with mounting concern as preparations for the vote went ahead under woefully in-



adequate conditions and were among those lobbying most strongly for an international force to be sent. Portugal had originally committed itself to take part in the operation, anxious to show that it was willing to shoulder its responsibilities. However, it was clear to all involved that its participation would make it harder to secure Indonesia's blessing for the venture.

Now, the government in Lisbon is assembling an aid package to help its devastated former colony prepare for life as an independent nation. The private sector wants to play its part, too; a number of major companies have joined together in an initiative to help give the newly named Timor Lorosae the infrastructure it needs.

—Alison Roberts

## BERLIN

### SCHRÖDER COMES UNDER FIRE

**G**ermany's commitment to the NATO campaign in Kosovo, in spite of a strong pacifist tradition among many supporters of the present SPD-Green government, demonstrated a new maturity in the nation. Germany's commitment to the EU, on the other hand, is not quite as blind as it used to be. It is no longer prepared to finance the EU budget regardless of expense. The press and politicians are daring to use the expression "national interest" in their debates. The coalition—comprising politicians who were born at or after the end of the war—do not feel the same burden as previous governments when it came to Germany's tainted past.

On the domestic front, however, the sorry state of the present SPD-Green coalition illustrates both the rigidity and the strains in the system. In spite of having won power in September 1998 with a much larger majority than expected, it has proven indecisive and unfocused and riven by personality conflicts. Poor preparation and presentation of policies created the impression of a government comprised by enthusiastic but inexperienced idealists. Therefore, its popularity has slumped. The poor showing in five consecutive state elections (the most recent in Saxony) and June's European elections (when the SPD vote collapsed to 30.7 percent of the vote, ten points lower than in general election) revealed the voters' disappointment with the present coalition.

Much of the disappointment is with the Social Democrats (SPD) and the chancellor, Gerhard Schröder. He remains as combative and media friendly as ever, but his face often betrays the strains of office. In a lengthy interview with the weekly *Der Spiegel*, he was asked why the voters were not satisfied with his performance. "It's important for me," he replied, "that the approval of planned spending cuts is greater than of those who have to push them through. I see in it a gap between what the citizens want and the government having the courage and the political power to push through its stringent package." *Der Spiegel* pointed out that his government's support was not likely to grow if it continued to lose state elections. Furthermore, would the chancellor be able to rally his troops behind the stringent package, or would some of his supporters run for cover? "I am warning everybody, don't make for the door," Schröder declared.

The chancellor has pegged his reputation to the crucial financial consolidation proposed by Hans Eichel, the SPD finance minister, to cut next year's government spending by more than \$16 billion. The tough spending plan disconcerts Reinhard Klimmt, the premier of the Saar, and other SPD members. Critics say that the plan would hit social security and unemployment benefits hardest and that pensions may come under attack under a separate but linked proposal to shore up the creaking state pension system. Schröder's supporters accuse Klimmt of being the mouthpiece of the former finance minister, Oskar Lafontaine. The chancellor's allies fear that Lafontaine, who has written a book on his period in government, is taking the chance to settle old scores. Even Schröder's friends say that he should have done more to win Lafontaine's supporters.

The SPD left is also questioning Chancellor Schröder's enthusiasm to move the party toward the center of German politics. The trademark of this approach is called the *Neue Mitte* (the New Center) in Germany and resembles Tony Blair and the Labor Party's Third Way in the United Kingdom. In a paper on the future of European social democracy jointly authored by Blair and Schröder and published in June, the two politicians urge the development of "realistic and feasible answers to new challenges confronting our societies

and economies." They write, "This requires adherence to our values but also a willingness to change our old approaches and traditional policy instruments."

Schröder's opponents, however, dismiss such declarations and accuse him of being an opportunist devoid of strong core convictions. With the SPD facing an important party convention in Berlin in December that will define its future course, the chancellor has to work hard to win over the party's grassroots supporters. If the SPD decides to stand with him, it would be as decisive as the SPD's watershed Bad Godesberg convention of 1959, which inaugurated its shift from hard left to market-oriented policies.

—Wanda Menke-Gluckert

## DUBLIN

### HEARD IT ON THE RADIO

**I**n what the public broadcasters nostalgically refer to as the "good old radio days," the Irish Republic was effectively a one-station nation. The state-owned-and-controlled Radio Éireann featured "serious" programming reflecting "proper" cultural and national values, and restricted broadcasting hours. It was supported by commercials and a license fee paid by listeners and was, frankly, rather boring.

That national service, much-changed in operation and content, remains in existence, still doing many excellent programs, still discharging its national remit with vigor. It still carries a welter of expensive commercials but no longer has a separate license fee.

However, the Irish broadcasting landscape has changed dramatically over the last three decades, and the once highly protected state broadcaster has faced, and is facing, new and ever-increasing threats to its once cherished monopoly.

From the days when the only internal competition came from a plethora of illegal "pirate stations," the national service now competes with one commercial station at national level and more than a score of legalized independent commercial and community-based radio stations in Dublin and throughout the country.

Most of the new commercial stations stuttered onto the broadcasting stage. Rising costs and too little cash forced a number out of business. Some failed to



capitalize on audience needs, and some had to merge with neighboring services to stay in existence.

Now, Radio Éireann still wins a majority audience at the national level through its Radio 1 (mainly news and talk), 2FM (music and some talk aimed at a younger audience), and Lyric FM (classical music). Meanwhile, the local services are financially healthy and commanding sizeable local listenership.

Politicians, whose sensitive antennae can rarely be faulted, make certain they are on their local stations as frequently as opportunity allows. Moreover, the local stations have built audience loyalty and wealth by fine-tuning their output to reflect the needs and outlook of their listeners. All have learned that, while music is important, local news, sports, and current affairs are the pegs on which success can be hung.

Now the broadcasting bag is being shaken once again. Last month, the Independent Radio and Television Commission (IRTC) met to select five new entrants for the lucrative Dublin market dominated by RTE (the old Radio Éireann) and two independent stations.

Early forecasts suggested that more than one-hundred applicants would bid for the six licenses (five FM and one AM), but when the entry date arrived there were only twenty-one entrants for the FM licenses, none for the AM license. This month the successful five applicants are going through a series of public hearings, outlining their schedule proposals and attempting to convince the IRTC that they have sufficient capital support to sustain them long-term.

All the new applicants claimed in their submissions to the IRTC that market research had shown advertisers were crying out for specifically targeted radio stations—from “youth” to the “golden oldies,” to dance music for the fifteen to thirty-four-year-old category. (One applicant’s colorful submission said it planned to rescue young Dubliners—“Europe’s youngest population”—from “fuddy-duddy” and “Noah’s Ark” radio.)

One of the five new stations will be devoted to talk radio. Not surprisingly, since talk costs money, there were only two applicants.

What was surprising, in this once predominantly Roman Catholic-dominated society, only two consortia applied for a special interest license identifying themselves as “Christian” stations. That lack of interest no doubt reflects the rapidly

declining church attendance figures and the growing lack of interest in religion, particularly among the young.

—Mike Burns

## VIENNA

### ECLIPSE STOPS TRAFFIC, GENERATES PROFITS

**F**avorite Austrian summer pastimes, like hiking in the cool mountains or swimming in crystal-clear lakes, were eclipsed one sunny August afternoon by the first total solar eclipse visible in the country since 1842.

Although just outside the zone for viewing the complete eclipse, the usual hustle and bustle of downtown Vienna at lunchtime gave way to awed silence on August 11 as the moon began its journey across the sun. Even automobiles and trams seemed to come to a halt during the two minutes of near-complete darkness.

The oft-staid Viennese chatted with strangers in the city center as excitement mounted and shadows stretched over the capital. Often passing one pair of special sunglasses around among three or four viewers, pedestrians crowded the sidewalks and residents filled balconies and rooftop terraces as the sky darkened, the temperature dropped, and the wind picked up.

The impact was even more pronounced in the seventy-mile-wide zone where the eclipse reached its peak, in an area including the cities of Salzburg, Graz, and Linz and huge sections of the countryside.

Farm animals settled down like they were turning in for the night, while streets were jammed with motorists trying to reach good vantage points for viewing.

In downtown Salzburg, traffic signals switched to red between 12:38 pm and 12:43 pm, and buses remained at their stops during that time as the city tried to put a brake on accidents caused by motorists gazing at the sky, rather than the streets, for a glimpse of the eclipse.

An estimated half-million visitors, both from Austria and abroad, poured into the provinces of Salzburg, Upper Austria, Lower Austria, Styria, and Burgenland to view the event. While the majority of the visitors came just for the day, there wasn’t a free hotel room to be found in many towns and villages.

In Graz alone, the influx of guests was expected to boost tourist trade turnover



A man and child in Gmunden, Austria, wear special sunglasses to view the total solar eclipse.

by \$150,000. In the town of Gmunden, helicopters were offering special tours, including lunch and special sunglasses for \$80 per person.

Cafes offered “sun coffee,” the famous Gmundner Ceramics produced thousands of mugs marking the day; and one brewer even sold out the 300,000 bottles of “Eclipse Beer” it had produced for the big event. Camera shops also were doing a booming business, with film sales up 15 percent in Vienna alone, while sales of special glasses necessary



to view the eclipse soared.

Businesspeople needed to cash in while they could. The next total eclipse won't cross over the country until 2081.

—Susan Ladika

## STOCKHOLM

### SCHOOLS RECRUIT SCARCE TEACHERS ON-LINE

**O**lof Pattola is for sale to the highest bidder. But the twenty-nine-year-old isn't selling what you might suspect. A high-school political science teacher, Pattola is offering his competence and stating his employment demands through an employment agency in an Internet auction. With the number of students increasing and the number of teachers decreasing, he's likely to get what he wants.

Teacher shortages in Sweden, especially in the northern part of the country, aren't new. But within the last year, the problem has become more severe. In August, just weeks before the term began at most teaching colleges, 475 slots were unfilled. For those who do earn a degree, salaries are low. Teachers at all grade levels are becoming increasingly disillusioned with the work.

Minimum entry level salary is currently set by contract at the equivalent of \$1,768 a month. Teachers unions and professional organizations want to see that increased to \$2,036. They claim that among the European Union's teachers only Greeks earn less than Swedes.

At the same time that Swedes are shunning teaching, the demand from industry and service firms for highly educated workers is increasing. Corporate directors have said publicly that technical education must be better and that students need to be more fluent in languages.

Nine years of schooling is obligatory, and children normally start school when they're seven. After that, students who want further education can either take vocational courses or apply to study at gymnasiums. A gymnasium is very roughly the Swedish equivalent of US high school, but students choose a major the way they would in college, and course work is closer to college level. Entrance is competitive, generally based on grades. Municipalities normally run the gymnasiums, but the number of private schools is growing.

Teachers' groups estimate that there will be a shortage of 30,000 teachers by 2005 unless more people decide to take up the profession. The lack will be most acute at elementary schools in grades four through nine. "It's been difficult to recruit...for many, many years, and that is worrisome," says Jöran Rehn, director of the Study, Education, and Research Division at the Stockholm Teachers' College.

The problem means that schools must increasingly compete for teachers, while potential teachers such as Pattola are in a position to demand higher salaries and better perks.

Not that Pattola is asking for that much. He wants a monthly salary equivalent to \$2,134—less than the average \$2,683 earned by gymnasium teachers—and a home computer. His social benefits will either be provided through the state system, or, in the case of medical benefits, through his employer. He also notes that he's willing to move from Stockholm, making him even more marketable.

Pattola says a high salary isn't what's most important to him. "The work environment is also important, and I want to be at a school that blends theoretical study with practical application," he says.

Pattola is promoting himself with the help of Jobline, an employment agency that has 2,000 teachers listed in its database. He's the first auction candidate, but the agency plans to feature other teachers. Potential employers can get a look at Pattola on the Internet, read about his background, and then click on "make an offer." Jobline president Boris Nordenström says the only obligation after that is that a prospective employer must interview the candidate if the candidate is interested in the offer. If a bidding war breaks out, employers' can follow it on Jobline's homepage. Pattola can also comment on offers to help other potential employers shape a bid.

Nordenström claims the system will help increase teacher salaries and generally improve teachers' standing. Other employment agencies are expected to follow suit. It's also likely that teachers will begin hiring out as temporary workers.

Not everyone thinks that's a good idea. "It would be a catastrophe," says Gunilla Larsson, principal of the Eklids Elementary School, south of Stockholm. "Education has to be long-term and teaching done by full-time personnel."

But Sven Pudas, principal of the Forsmark School, a private technical high school, thinks temporary teachers can work well, especially in technical programs. His school is run by Forsmarks Kraftgrupp, which operates a nuclear power plant, and Pudas frequently employs either professional teachers or those with special technical skills for one or two terms.

"It works well because if a teacher isn't good I don't have to use him next time," Pudas says. But when it comes to getting full-time teachers, school administrators in Sweden obviously have a lot to learn.

—Ariane Sains

## THE HAGUE

### GOVERNMENT SUPPORTS EUTHANASIA LAW

**T**he Netherlands has taken another step toward legalizing euthanasia. This summer, the government published a law that would formalize the existing practice of allowing doctors to apply euthanasia under strict conditions, while maintaining 'mercy killing' legally as a crime. It is expected that Parliament will pass the law early next year, making the Netherlands the most liberal country in the world as far as euthanasia-legislation is concerned.

The most controversial element of the law is the government proposal to give terminally ill children from twelve years and older the right to decide for themselves—even against the will of their parents—to demand and receive euthanasia.

The proposed law is supported by the three-party coalition of social democrats, liberals, and liberal democrats. The Christian Democratic Party (out of government since 1994) and three smaller right-wing religious parties fiercely oppose the law, denouncing it as an unacceptable infringement on the protection of life.

The euthanasia debate in the Netherlands started in the mid-seventies. In a number of famous court cases, lawyers defending doctors, terminally ill patients, or their relatives managed to move forward step by step in broadening the possibilities for euthanasia. The Supreme Court decided to formalize the existing practice in 1993, maintaining that euthanasia (or medically assisted suicide) remained in the realm of penal law, but that under certain strict conditions, doc-



tors would not be prosecuted.

These guidelines will now become law. The guidelines stipulate that a patient makes a voluntary and informed request for euthanasia, that he or she is suffering irremediable and unbearable pain, and that all other medical options have been exhausted. A second, independent doctor must be consulted. The euthanasia must be carried out carefully and be reported to an inspection panel made up of a lawyer, a physician, and an ethics expert. In case this panel concludes that the doctor has not acted according to the guidelines, it can pass the case on to the public prosecutor, and the doctor can be brought to trial and if convicted serve a maximum of twelve years imprisonment.

According to a 1998 university study, 92 percent of the Dutch population supports euthanasia. It is thought that about 200,000 people (out of a population of 16 million) carry a piece of paper declaring their wish to be helped to die in case there are no more prospects for a normal, healthy life. There is a strong movement in favor of voluntary death in the Netherlands, far outnumbering the pro-life lobby. This trend reflects the generally liberal Dutch attitudes on ethical questions involving individual responsibility. Official statistics show that about 3 percent of all Dutch deaths are annually reported as euthanasia.

—Roel Janssen

## LONDON

### A KENNEDY EMERGES ON THE UK POLITICAL SCENE

**S**tudents of public speaking at Indiana University in 1982 might be interested to know that their teacher knew what he was talking about. He has just been elected as the leader of the third-largest political party in the United Kingdom.

Their lecturer, Charles Kennedy, won the leadership of the Liberal Democratic Party in a summer election where his smooth delivery persuaded the centrist party that he was the right person to lead them into the new millennium. "It is impossible not to like him," said a commentator in one of the weekly magazines, confirming the voters' choice.

The Liberal Democratic Party is the inheritor of the great tradition of the Liberal Party, which ruled the United



Charles Kennedy from the Scottish Highlands was elected leader of the UK's Liberal Democratic Party.

Kingdom in the latter part of the last century and until the end of World War I. Its leaders made history, William Gladstone (1809–1898), Herbert Henry Asquith (1852–1928), and David Lloyd George (1863–1945). The once great party was exhausted by the First World War and fell on hard times. All its leaders since then have tried but failed to make it a force in the land again.

Perhaps the most successful was Paddy Ashdown, who just resigned the leadership after more than ten years that saw the party reemerge as a serious player on the political scene. He left his successor a party with an enhanced profile and a major presence in local politics but a confused policy toward the two key political parties, Labor and Conservative.

The son of a crofter (small farmer) in the Scottish Highlands, Kennedy has been a political animal all his life. He was president of his university, won a national prize for his debating skills, and a Fulbright Scholarship to Indiana.

The thirty-nine-year-old Kennedy is affable and media-friendly and very politically astute. The keenness of his political antennae was demonstrated when barely aged twenty-three he quit Indiana University before completing his PhD to return to Scotland to fight an election that he won to become the youngest member of the British parliament.

The challenge now is for Kennedy to find a way to take his party from the margins to the center of the UK political scene. Despite general affection among

the public for the "LibDems," as they are popularly called, he has to find a way to make the party the pivotal force between the mammoths of the Labor and Conservative parties.

As a former spokesman for the party on Europe, Kennedy is a firm advocate of deeper UK involvement in the European Union. He was instrumental in drawing up the party policy, which states, "We need to build a European citizenship based around renewed public trust and legitimacy for Europe's institutions," adding that the LibDems want to "propose a constitution for Europe to set out and limit the powers exercised by European institutions."

Kennedy's major challenge, however, lies at home, and here he has yet to demonstrate a clear agenda and message. As a skilled politician, he knows that he must walk the tightrope between those voters who want closer ties with the Labor government and those who believe that they must maintain a distance.

As someone who is comfortable with the manner and style of Prime Minister Tony Blair, sharing the premier's image as a man of goodwill and a pragmatist rather than an idealist, Kennedy will have to develop a style that will allow his party to carve out its own distinct niche in UK politics. His party's members have given him the opportunity. It will be interesting to see what he does with it.

—David Lennon



## LUXEMBOURG

## REDING TAKES SPOT ON THE COMMISSION

**V**iviane Reding, forty-eight years old, is one of those formidably intelligent women that Luxembourg seems to produce by the truckful. She holds a doctorate in communications sciences from the Sorbonne, speaks fluent French, English, German, and Italian (and presumably some Greek since she has a Greek husband) and is widely experienced in politics from grassroots local government up to the European level. She has been a featured columnist in the national newspaper, the *Luxemburger Wort*, was president of her country's national union of journalists for thirteen years, and for the past ten years has been a member of the European Parliament (MEP). Now she has been chosen as the Luxembourg member of the new European Commission, replacing Jacques Santer who retired earlier this year.

In Brussels, Reding will take over the education, culture, audiovisual, and sport portfolio in the new Commission. Education and culture are jealously guarded national responsibilities where the European Commission has traditionally had little authority. However, Reding will be managing the EU's new Cultural 2000 program, which has a five-year budget of nearly \$170 million to promote European culture.

What Reding will bring to her job at the Commission is abundant energy, a gift for communicating, and a shrewd grasp of European politics. In her written answers to a number of questions put by MEPs this summer, she indicated that the European Union was in need of a "soul" so that its citizens could identify with it "and feel it to be their home."

"It's time for a blossoming of the European dimension in leisure, the fine arts, the acquisition of knowledge," she said. One way of achieving this, she suggested, was by creating a European "educational and cultural space." By cooperating under this heading, the member states could improve the quality of education within the Union, reinforce the European dimension, and promote the concept of life-long education for all citizens.

Specifically, Reding is expected to be a vigorous advocate of student-teacher exchange programs, multilingual pro-

jects, and cross-border cultural experiences among other things. She would like to facilitate pan-European teaching and learning by having universities and education authorities in each of the member countries recognize diplomas and other academic qualifications awarded in others. While there is no provision in the EU treaties for this, Reding is likely to press for an extension and improvement of the limited existing common recognition practices.

She argues that until now the benefits of student-teacher exchanges and cultural programs have largely been confined to those directly concerned, such as universities, schools, and professional

and young people's organizations. "It's now necessary to show the benefits



As an MEP, Reding had her own web page.

clearly to all citizens so that everybody can find out how they can benefit from life-long training and connected activities, such as learning about another culture and learning a foreign language, and perhaps by working or taking training in another member state," she says.

If President Prodi and his new Commission team are sincere in their stated wish to create a "Citizen's Europe," it may be that Reding's voice will sound more forcefully in Brussels over the next five years than many are expecting.

—Alan Osborn

## COPENHAGEN

## INDEPENDENCE BLUES

**T**he North Atlantic Faeroe Islands are now pondering independence from Denmark. A white paper commissioned by the pro-independence Faeroe government says that there are no serious political or economic obstacles to moving from the present status of autonomy to full independence, provided Denmark will agree to phasing out economic subsidies over a reasonable time period, rather than cutting them off immediately.

There will be no problem with the European Union. The Faeroe Islands, with a population of only 45,000, did not become a member when Denmark joined in 1972. The islanders—who already have their own flag, speak their own language, have their own bank notes, and sign agreements with other countries—have most of the trappings of a sovereign state. Danes are generally unpopular on the islands. However, the two main opposition parties have opposed a unilateral declaration of independence not least on economic grounds.

Many on the islands hope that oil will be found. Although geologically promising, the vast waters around the islands still have not yielded a commercially viable product. Overfishing has decimated the fishing industry; agriculture is eking out a bare existence; and the islands have neither the climate nor the infrastructure to sustain tourism on a major scale. For those who will make the financial and physical effort, the thirty-two islands present a fantastic experience of untamed forces of nature.

However, its lack of resources leaves the Faeroe Islands with a heavy reliance on a direct Danish grant of about \$200 million annually, plus an array of public services funded separately by Denmark. Until the fishery crisis of the late 1980s, it was generally accepted that the standard of living was higher on the islands than in Denmark proper. This is no longer the case, but independence would almost certainly mean a much lower standard of living.

If the Faeroe parliament, the Lagting, decides to proceed on the path toward sovereignty, the next item on the agenda will be a public debate, culminating in a referendum. It will not be the first. In fact, the Faeroe voters decided in 1946 by a very narrow vote, 48.7 percent to 47.2 percent to leave Denmark. However, the voter turnout was poor by Danish standards, slightly more than 66 percent, and the subsequently elected Lagting overturned the decision.

The islands elect two members of the Danish parliament, the Folketing, one of whom provides the current Danish government with its razor thin majority of one. The opposition parties in the Danish parliament have generally expressed their support of Faeroe independence, but the government is worried about the constitutional consequences. Faeroe Islands home rule is anchored in the Danish constitution of 1953, and it is still un-



clear whether the islands can secede without an amendment of the constitution. Such an amendment would have to be accepted by a qualified majority of the Danish voters in a referendum, and Danish governments are notoriously unhappy about referenda, whether regarding the constitution or European Union.

—*Leif Beck Fallesen*

## MADRID

### POPULAR PARTY BIDDING ITS TIME

**S**panish Prime Minister Jose Maria Aznar has announced that he will not call early general elections due before the spring to take advantage of his party's high marks in recent opinion polls. Instead, sources within the ruling center-right Popular Party (PP) expect the premier to dissolve parliament in early February 2000, giving legislators enough time before then to debate and approve the next budget.

The elections, it is believed, will be held April 2. The opposition Socialist Party, which Aznar's PP defeated in the last elections in 1996, has a tough task in winning back the hearts and minds of Spanish voters. Spain is doing very well economically. A year ago, the Basque terrorist organization ETA declared a ceasefire that is still holding, and many Spaniards continue to equate Socialist rule with a string of damaging corruption cases that helped lead to the party's defeat.

The Socialists have also failed to find a charismatic candidate on the scale of former Prime Minister Felipe Gonzalez to lead the party in the elections. In July, the Socialists named fifty-four-year-old party secretary-general Joaquin Almunia as its candidate, ending months of confusion over who would be the Socialist's choice.

Almunia replaces Josep Borrell, who press reports said was disliked by Socialist Party leaders because they felt he was not effective in communicating the party's message and was described as "wishy-washy." They also believed that as a former member of the Gonzalez cabinet, Borrell was tainted by the old corruption charges.

Indeed, Borrell resigned the candidacy in May when investigators began a probe of two of his former subordinates on possible fraud and bribery charges.

He had been designated the Socialist candidate in March 1998, in the party's first American-style primary in which he

beat out Almunia. Once Borrell dropped out of the race, party leaders squabbled publicly over how to best choose his successor, with some arguing for another primary while others said that party leaders should handpick the new candidate.

In a speech to the PP faithful in late August, Aznar gave a hint of what the PP's campaign strategy will be when he criticized the Socialist Party for being led by "the same people that brought Spain unemployment, corruption, and waste" during their fourteen years of government from 1982 to 1996.

Political analysts predict a bitter campaign with more of the same type of mudslinging and, at the end of it all, a probable victory for Aznar and the Popular Party.

—*Benjamin Jones*

## PARIS

### LOOKING TO CURE THE PRESCRIPTION PLETHORA

**O**ne occupational hazard that threatens doctors in France more than any of their colleagues in other countries is writers' cramp. At the end of each patient's visit, be it for nothing more deadly than the common cold, a French physician will likely reach for his prescription pad and start making a list. No simple "take an aspirin and drink plenty of fluids" will do. For the sniffles, a French general practitioner is likely to prescribe a decongestant, an analgesic, an expectorant, an antibiotic—just in case things take a turn for the worse—and a vitamin supplement, to make you fighting fit for the next battle with bacteria. If you have trouble sleeping because of clogged sinuses, he might throw in some sleeping pills, too.

A recent example that made French headlines was a prescription for a senior citizen that listed twenty-two different drugs, among them a cocktail of tranquilizers and antidepressants that definitely had him feeling no pain but might have had some dangerous side effects. Other examples cited include a prescription for \$2,350 worth of drugs, another one that had a patient swallowing forty pills each day, and in both cases, no account was taken of the harmful interaction of such a smorgasbord of drugs. Out of 4 million hospitalizations a year in France, 130,000 of them are due to the side effects of prescribed treatments.

Not only do French doctors dish out too many strong drugs; they also hand out many that do not have much effect. A recent government review of 1,100 commonly prescribed medicines reported that one-quarter of them have not been shown to work.

Part of the blame for such random and rampant overmedication has been pinned on the lack of recertification for French physicians.

A quick comparison of budgets speaks volumes. The Fonds d'Assurance Formation (FAF)—the national training fund to which each of France's 120,000 independent physicians contributes a yearly fee—disposes of \$4 million to \$5 million annually; the drug industry, on the other hand, sets \$2 billion to \$2.5 billion aside for promotion. Of that strapping sum, more than half is spent on the direct marketing efforts of the 16,000 medical representatives that visit doctors to present the latest products of their company. It is money well spent because the sales pitches of these predominantly female, young, attractive, often mini-skirted reps are hard to resist. Another healthy cut goes to finance medical magazines, which doctors receive free of charge, by the dozens, every month. From the several million dollars left over, pharmaceutical companies sponsor conferences, seminars, and the like to which they invite—all first-class expenses paid—guest speakers. A medical expert who has been flown to Sydney on the *Concorde* and treated to the best hotel and meals that money can buy finds it only natural to angle his speech favorably toward the products of his host company.

Elsewhere, this kind of thing goes on, too, but must at least be clearly stated. In the United States, for example, conflicts of interest have to be spelled out in writing: if the guest expert's study, on which he is basing his speech, was financed by the drug company inviting him, this cozy arrangement is made public.

The prognosis for the French medical body, prone to bad habits and riddled by unhealthy rivalries, would be fairly grim were it not for some brave individual efforts. In 1988, a group of doctors in partnership with the universities of Brest and Rennes founded the non-partisan College of Advanced Studies in General Medicine in Brittany. The college dispenses a high-quality program of studies free from the powerful pressures of the drug industry. Physicians attending at least fifty hours of courses annually for a period of three



years become “members” of the college. Its director, Fernand Herry, would like to see this title included on the medical plaque of each successful participant, but many physicians are against the idea. They consider such a distinction discriminatory and unfair.

But French patients can take heart. France’s medical system will gradually have to fall in line with the standards and practices of the rest of the European Union. Then it will no longer be able to indulge its expensive drug habit and may get back on the road to recovering its health and its reputation as one of the best medical systems in the world.

—Ester Laushway

## ATHENS

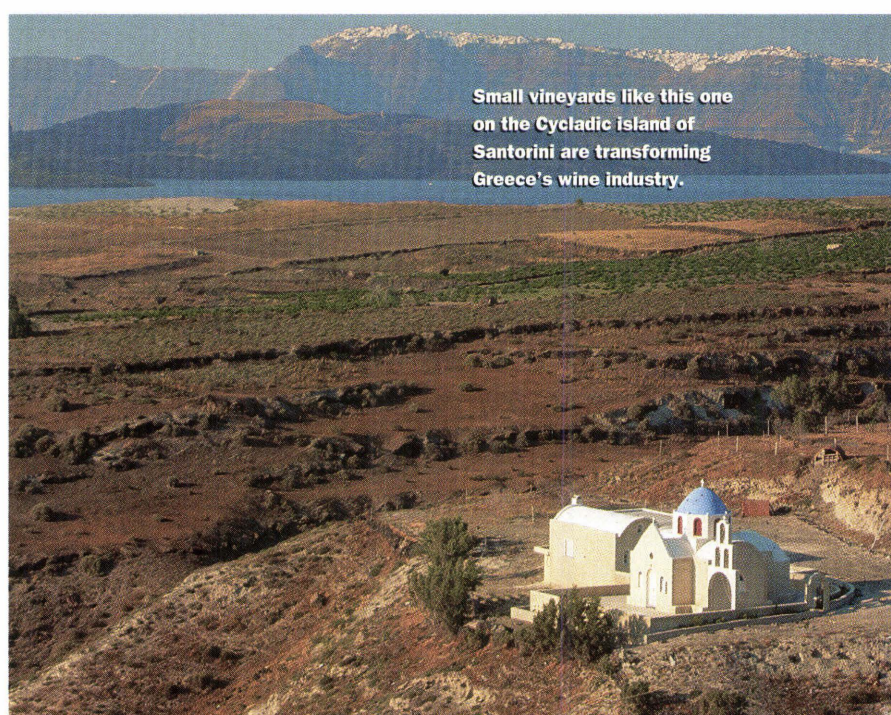
### DOMESTIC VINTNERS ENJOY GROWING MARKET

**W**ine in Greece no longer means retsina. Restaurants and tavernas have even stopped serving the resin-flavored white wine that used to be synonymous with an Aegean island vacation. Instead of a tin mug filled to the brim with a kilo of local *hima*—wine sold by bulk—restaurant patrons will be offered a choice of bottles from Greece’s new wine-growing regions.

Small vintners have led the way in transforming Greece’s wine industry. Many are based in the Peloponnese in southern Greece, in districts like the Nemea Valley and the Mantinea Hills, which were famous in classical times for their vineyards. Another group produces estate-bottled wines in the northern province of Macedonia. There are a handful of growers in the islands, although the expansion of tourism means there is little land available for planting new vineyards.

What makes new Greek wines different is that they are produced from ancient grape varieties believed to be native to Greece. The two best known are both red grapes: the *agiogeorgitiko* from Nemea and the *xynomavro* from northern Greece. But islands like Santorini, with its volcanic soil, where the *assyrtiko* white grape flourishes, and Kefalonia, home of the *robola* white grape, have also acquired a reputation for producing wines of international quality from traditional vineyards.

Greece’s new vintners, often trained in France, are adept at mixing native



Small vineyards like this one on the Cycladic island of Santorini are transforming Greece’s wine industry.

grape varieties with well-known French varieties to produce wines with a distinctive taste. Some French varieties, such as cabernet sauvignon, are well established in Greece. Growers in the Metsovo district in northwestern Greece, for example, switched to the cabernet sauvignon variety after phylloxera disease devastated their vineyards. While Greek-grown merlots and chardonnays are also becoming popular with Athenian wine-drinkers. The most sought-after wines are combinations of local and imported grape varieties that carry the stamp of an individual vintner.

The success of the small vintners has encouraged Greece’s big wine companies to improve quality and experiment with new wines. Both private companies and cooperative wineries in mainland Greece have modernized. Growers in other regions with promising native grape varieties, such as central Greece and the island of Crete are experimenting with new wines in a bid to catch up with the Peloponnese and Macedonia.

Yet the best Greek wines can be hard to track down. The quantities available are tiny compared with Spanish or Italian producers, and some leading vintners prefer to export most of their output. They claim it’s hard to increase production of top-quality wines because vineyards are small. Although traditional farmers in wine-growing regions are becoming more interested in selling grapes to the new wine companies, maintaining quality can be a difficult task.

For the moment, Greek vintners face little competition from imports. Nevertheless, supermarkets are starting to stock cheaper wines from Central Europe and South Africa.

While sales of bottled wine have overtaken those of *hima*, the Greeks drink less wine than they used to. For Greek vintners, increasing production and capturing new markets abroad will become a priority.

—Kerin Hope

## HELSINKI

### BILINGUALISM CONTINUES

**B**ecause of Finland’s geography and history, some 6 percent of Finns are part of a Swedish-speaking minority. Indeed, Finland was part of Sweden for some 700 hundred years. (Russia took over in 1809 and remained in power until Finns gained independence in 1917.) Finland has two official languages, and the Swedish-speakers, although a small minority, enjoy all the same rights as the Finnish-speaking majority—at least in theory.

Finland’s law requires that every official office or court must be able to conduct all matters in both Finnish and Swedish. Every official document or form must have Finnish and Swedish versions. Even Finland’s bank notes have Swedish text on them. Furthermore, wherever there is a Swedish speaking population of some significance all the street names are labeled in both Finnish and Swedish. In



some places the Swedish name appears first, signifying that the Swedish speaking population is a majority in that particular municipality. The literal translation of some of the street names has created some ludicrous creations, at least for the people who live there. For example, imagine translating the Native American name "Chattanooga" into its English equivalent "Rock-rising-to-a-point" (according to *Encyclopedia Britannica*).

Courses are taught in Swedish in some schools and universities, and since Finland has compulsory military service, there is even a Swedish-speaking garrison.

It can be a clear advantage to be born into a Swedish-speaking home since Finland's official status of bilingualism demands officials who are fluent in both languages. It is therefore easier to enter some of the faculties in the universities if Swedish is your native language. Consequently, there is in fact a relative overrepresentation of native Swedish-speakers within the legal profession and the foreign service.

So why this privileged status? Why has the Finnish-speaking majority remained so tolerant of the complexities created by giving equality to the minority? The reasons are many and intertwined. During Sweden's reign over Finland, Swedish was the language of the ruling class. Later, under Russian rule, Swedish en-

dured as Finland's link to Sweden and the Western Hemisphere as counterbalance against Russian and Slavic influence. Even today, Swedish has retained some of its role as a bridge builder to the West.

What about the future? The 6 percent level seems like it will remain stable. A relatively equal number of children are born into both language groups. Since marriage over the "language-border" is common one could expect the children to adapt the majority language—Finnish. However, in fact, an increasing number of children from bilingual homes are entered into Swedish schools, especially in the cities. Obviously the value of pluralism is highly appreciated by the Finns, who are prepared to pay the extra price bilingualism demands.

—Thomas Romantschuk

## BRUSSELS

### CHRISTIAN DEMOCRATS SENT TO THE SIDELINES

**T**he June election and the formation in July of a new coalition government led by Flemish Liberal Guy Verhofstadt have changed the whole face of Belgian politics. The most striking changes were:

- The heavy defeat of the previously dominant Christian Democrats, who had been in power, with varying coalition partners, for more than forty years. The Liberals, who had been in third place, behind the Christian Democrats and the Socialists, for more than eighty years, became the largest political force in the country, and the Greens, previously bit-players, became serious contenders for office.

- The fractionalization of votes meant that, for the first time, no combination of two-party groups was able to form a majority government. A tripartite coalition became inevitable.

In the event, the Christian Democrat parties were pushed into opposition, and a rainbow coalition of Liberals, Socialists, and Greens came to power. Similar coalitions took over the regional governments of Flanders, Wallonia, and Brussels.

Christian Democrat Jean-Luc Dehaene, who had been prime minister since 1992 and who narrowly missed becoming president of the European Commission in 1995, announced that he was withdrawing from active politics. He was then tipped as successor to Javier Solana as secretary-general of NATO, but the post went instead to the UK's defense

minister, George Robertson.

Dehaene's government succeeded in its major objective of getting the Belgian economy into sufficiently good shape to enter economic and monetary union (EMU) and the single currency. Yet, it was rocked by successive scandals. The final blow to its chances of reelection was dealt by the sudden eruption of a new scandal, involving the dioxin infection of Belgian chickens, eggs, and other farm produce, during the actual election campaign.

An underlying factor behind the defeat of the Christian Democrats was the rapid decline in churchgoing in Belgium. Although the party has no direct connection with the Catholic Church, its core vote has always been made up of practicing Catholics. As their numbers fall, it will be harder for the party to recover its lost ground.

An unwieldy centrist alliance of trade unionists, businesspeople, and farmers, the party now risks breaking up, as Christian trade unionists drift over to the Socialists, while the business community becomes increasingly attracted to the free-market Liberals, who form the moderate right in Belgian politics. Meanwhile, younger voters are shifting in droves to the Greens.

For the resurgent Liberals, the prospects look better than they have for many years. Verhofstadt, who as a youthful budget minister a decade ago became highly unpopular because of his irascible manner and right-wing views, seems to be a man transformed. He handled the delicate coalition negotiations with great tact and sensitivity and seems determined to rid the country of its deeply ingrained bad habits, notably the over-politicization of the public services, including the judiciary.

Political observers have noted his appointment of Marc Verwilghen as justice minister as a promising sign that he intends to deliver. This previously little known Flemish Liberal member of Parliament was the chairman of the parliamentary enquiry into the Dutroux affair. He impressed the whole country by the firmness and impartiality of the televised hearings that he conducted and came up with radical proposals for a complete overhaul of the Belgian justice system. The fact that he will now be responsible for carrying out his own recommendations may be the best guarantee that they will in fact be implemented.

—Dick Leonard

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# ARTS & LEISURE

## MUSEUMS

### PALAZZO DORIA PAMPHILJ: A LOOK BACK IN TIME

**O**ccasionally, tourists have the opportunity to enter the home of a world-famous private art collector. In Boston, they can visit the Isabella Stuart Gardner Museum, the former home of a well-traveled, nineteenth-century socialite. In Paris, they can view Impressionist masterpieces at the Musée Marmottan, the private residence of a nineteenth-century industrialist. In Venice, there is the Peggy Guggenheim Collection, in the collector's former home on the Grand Canal.

In Rome, however, tourists can step back in time and get a glimpse into the lives of sixteenth-century Roman nobility. The Palazzo Doria Pamphilj, which dates back to the late 1500s, is still the primary residence of the Princess Orietta Pamphilj and her two children. Though the Palazzo's contains great works by Bernini, Bruegel, Raffaello, Titian, and Velazquez, it is not on the traditional itinerary through this city of ancient ruins. Most tour busses just pass by this Renaissance masterpiece on their way down the Via del Corso. If only their passengers knew what they were missing.

The story of the Palazzo Doria Pamphilj began in 1644 when Giovanni Battista Pamphilj was crowned Pope Innocent X. In line with tradition, he named his nephew,

Camillo, Cardinal-Nipote (literally translated "Cardinal Nephew"), a position akin to secretary of state. After a few years, however, Camillo decided to give up his prestigious post to marry. Needless to say the pope was furious and initially banished the young couple from Rome. Eventually they were allowed to return to the Eternal City and establish residence in a palazzo in Piazza del Collegio Romano, just off the Corso. This building, which dates from the sixteenth century, was built for the cardinals of the diocese of Santa Maria and inhabited by the Della Rovere, the Aldobrandini and the Pamphilj families before becoming the property of the Doria family.

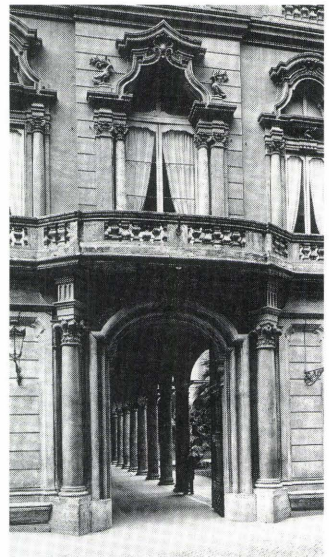
It took an outsider, however, to understand the value the building could have for twentieth-century visitors. During the Second World War, while Princess Orietta was working as a Catholic volunteer in Ancona, she met her future husband, Frank Pogson, a twenty-two-year-old minesweeper working in the Royal British Navy. The two began a fourteen-year correspondence that resulted in marriage in 1958. While the treasures in the gallery of the palazzo had been on display since the eighteenth century, Pogson took the family one step further. Following the example of British owners of historic houses, in 1960, he opened the family's private apartments to visitors as well. It was an unprecedented move in Italy, where the nation's aristocratic families keep rather low profiles. It

was, however, a move that would reap rewards thirty years later when the Italian Ministry for Culture awarded the family a rare grant toward restoration of the privately owned palazzo. The family reopened the gallery and the apartments in 1997 after several years of restoration.

Visitors enter the palazzo through an enormous street-level courtyard and must climb a majestic staircase before entering the family's apartments on the first floor. In this first breathtaking room, visitors purchase tickets and receive a recorded guide to the museum, available in Italian, English, French, Spanish, and German. The audio tour, recorded by Jonathan Doria Pamphilj, the son of Princess Orietta, gives essential historical perspective about the house and collection and is filled with colorful anecdotes about his ancestors and their home. In the grand first room, which served as a sort of entry hall, visitors learn that Camillo built this room intending to impress visitors. Paintings cover nearly every inch of the wall space.

In the beautifully designed private chapel, visitors learn that Princess Orietta's ancestors were devout Catholics and wielded much influence in the Church. It is a mark of the Pamphilj's power that when the ancient Roman cemeteries were being sacked, they were able to obtain the bodies of two saints. In a glass case, they have displayed the body of Saint Theodora. Saint Justin's body lies under the altar.

In some rooms, visitors find fresh flower arrangements, and in others classical music fills the air. On his first visit to Rome in 1706, Georg Friedrich Handel stayed with



Palazzo Doria Pamphilj

the family in the palazzo and composed his first oratorio—short selections of which are included on the audio tour.

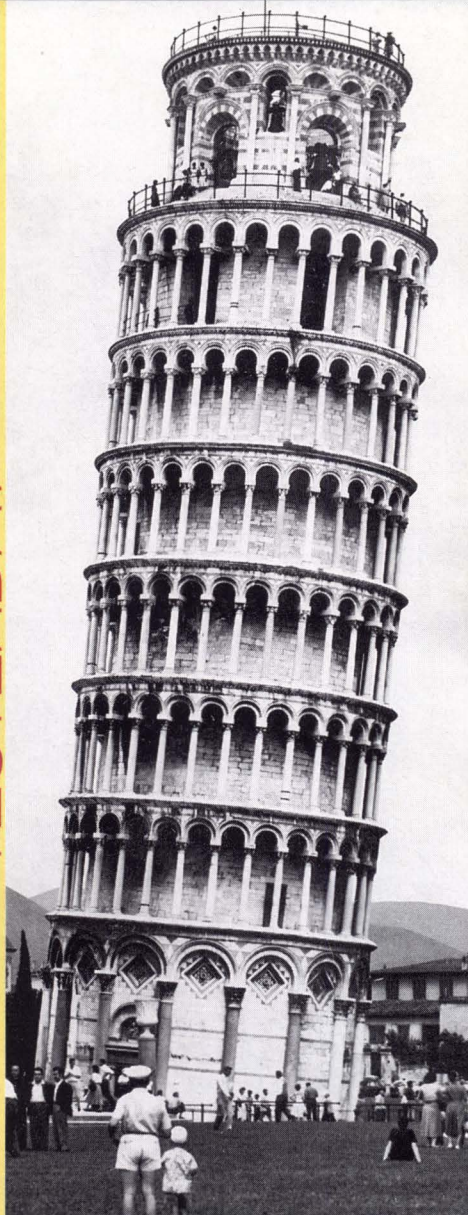
At the end of the private apartments, visitors come to the gallery. More than 600 paintings are displayed in four naturally lit chambers surrounding a beautiful courtyard. The prize exhibit of the collection is a Velazquez portrait of Pope Innocent X (a.k.a. Giovanni Battista Pamphilj), who was said to have complained that the austere masterpiece was too authentic.

The Palazzo Doria Pamphilj gives visitors a rare glimpse of what life must have been like for an aristocratic Italian family. The museum is open from 10 a.m. to 5 p.m. and closed on Thursdays.

—Saskia Reilly



YESTERDAY



(Top) The famous Leaning Tower of Pisa circa 1958. (Bottom) In January 1999, workers prepared to remove soil from under the tower.

## PISA: LEANING LESS

The Leaning Tower of Pisa was built as a bell tower in three stages over a period of 200 years commencing 1173. Since its completion, the tower has continued to lean to the south, due to the soft soil underneath. The tower was closed in January 1990 for safety reasons, and in 1993 an attempt to shore up the monument was made by placing lead blocks, weighing ten tons each, around the base.

In March 1997, the Italian government asked a committee of experts to present a plan to save the tower. In the plan's first phase, the tower was anchored with steel cables to giant winches some 100 yards away. Once the tower was stabilized, the operation of extracting small quantities of earth from the foundations on the north side began. The excavation work will continue slowly until the end of next year, and will allow the tower to settle in a more upright position.

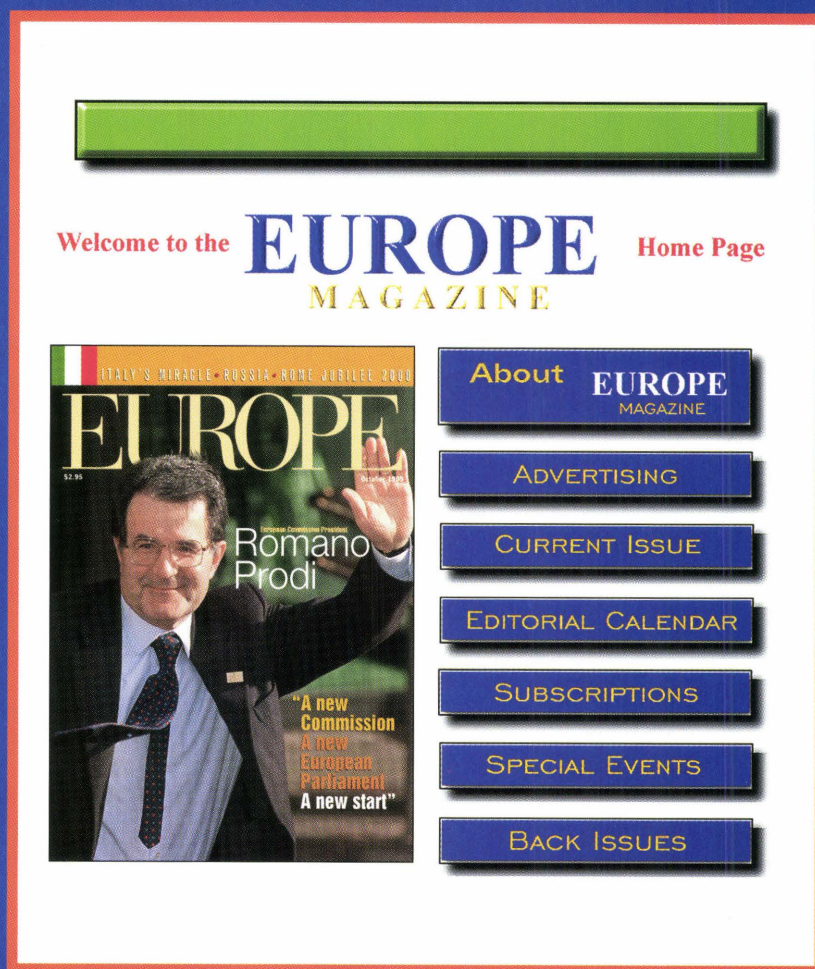
The plan's final phase is to remove the eighty-five lead ingots from around the base. The first three were removed successfully in September and the tower increased its lean slightly, but this was expected. The removal of all the blocks will take about eighteen months. In the meantime, the stabilizing cables remain in place. However, the question remains: Will a Leaning-less Tower of Pisa still generate the same interest among tourists?

TODAY





# Visit



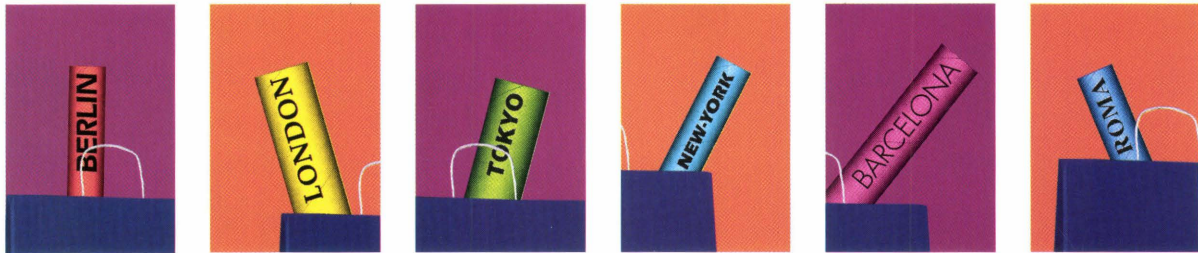
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