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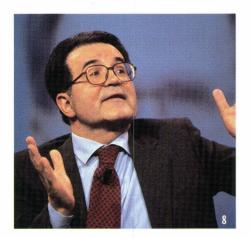
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MAGAZINE OF THE EUROPEAN UNION



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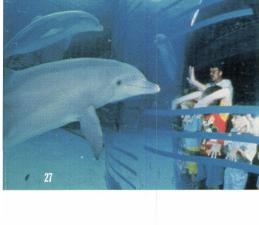
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Letter from the Editor

he EU's position is one of high-level support for Hong Kong," says Etienne Reuter, the head of the European Commission Delegation in Hong Kong. In our *EUROPE* interview, Reuter mentions the many ties Europe has with Hong Kong. "The European Union is the third-largest investor in manufacturing in Hong Kong. There are nearly 100 EU-owned industrial establishments in Hong Kong. Hong Kong is the tenth-largest trading partner of the EU, but I would stress that the most important role

Hong Kong plays for the EU is as a go-between for the EU and China. Half of our trade with China goes through Hong Kong," states Reuter.

Ronnie Chan, a prominent businessman in Hong Kong and chairman of the Hong Kong-US Economic Cooperation Committee, speaks out on the future of his native city. Chan says "on balance, we are comfortable with the changeover."

Wine is not only tasty but profitable. As David Lennon, writing from London, points out, "The European Union produces 60 percent of the world's wine and dominates the market both in quality and variety. The US is an export market of growing importance, taking 20 percent of total EU wine exports."

Robert Parker, the well-known wine critic, spoke with Ester Laushway, our Paris correspondent, about the different varieties of European wines. From the Piedmont region of Italy to Bordeaux in France, Parker picks his favorite wines.

Completing our section on the food and wine of Europe, our Capitals correspondents write about special dishes or beverages in their countries.

The words "Italy" and "stable" do not usually appear together. Yet, the Prodi government seems to be making progress, not only on economic issues, but also in providing Italy with much needed political stability.

In addition to our EU country profile of Italy, *EUROPE* profiles "super-minister" Carlo Ciampi and the leader of the Democratic Party of the Left, Massimo D'Alema.

We also look at how Italy is working hard to meet the requirements to join European Monetary Union by getting their economic house in order. Stephen Jewkes, writing from Bologna, discusses the fast-growing and prosperous Veneto region in northeastern Italy and explains why US merchant banks are doing well in Rome and Milan.

Mike Burns, writing from Dublin, reports on the new government in Ireland, and Axel Krause, writing from Paris, discusses the new French government of Lionel Jospin.

Niccolò d'Aquino has just visited Genoa and writes that this well-known port city can rival Rome, Florence, or Venice as a city of art. Genoa also boasts Europe's largest aquarium.



Hong Kong's Future: What will happen?

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Design

The Magazine Group, Inc./Glenn Pierce

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EUROPE, Magazine of the European Union (ISSN 0191-4545), is published by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037. © The European Commission, 1997. 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

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

Subscriber services: 1-800-627-7961.

(In Canada call 303-678-0439.)

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.

Reuters has contributed to news reports in this issue of EUROPE.

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Profiling Personalities and Developments Within the European Union

hat happens to a country whose government wants it to join the European Union, but whose citizens say no? This was the dilemma for both the Swiss and Norwegian governments, after facing referendum defeats in 1992 and 1994 respectively.

The Swiss government had not even gotten around to negotiating EU membership. The narrow referendum vote was actually on whether Switzerland should be included in the European Economic Area (EEA), which involved substantially fewer

obligations. The government concluded, however, that if it could not persuade its citizens to commit themselves even to this extent, there was no point in pursuing its membership application any further.

The Norwegians came a lot closer to joining the European Union. They adhered to the EEA without undue difficulty in 1992, and the government went on to negotiate similar terms for membership to those obtained by Austria, Finland, and Sweden in 1994. Yet at the last hurdle the terms were rejected by Norwegian voters in November 1994, by a margin of 52.5 percent to 47.5 percent. This was

an almost exact rerun of an earlier referendum, in September 1972, at the time of British, Danish, and Irish entry, when 53.6 percent of Norwegians had voted no.

The blow to the Swiss, and especially to the strongly pro-EU business community, was particularly severe. Switzerland, entirely surrounded by EU territory, has manifold links and interactions with its neighbors and is highly dependent on trade with the Union, which is currently running at \$103 billion. Switzerland is the Union's second most important trading partner in absolute figures, generating a trade sur-

plus of around \$10 billion.

The Swiss government concluded that it had too much to lose if the country were to drift into isolation and decided that its only alternative was to seek a bilateral treaty with the EU that would maximize the economic benefits, while leaving Switzerland outside the institutional decision-making framework. In 1993 it approached the Commission, submitting 15 dossiers on subjects it would like to negotiate. The Commission selected the five most important of these—research, technical obstacles to trade. two transport dossiers, and public procurement. It added



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two others-access to agricultural products and free movement of people-and negotiations started in February 1994.

After some pretty tough bargaining, agreement was decade or so. Second best to EU membership, the Swiss government believes, but greatly preferable to going it alone.

For Norway the threat of

Switzerland, entirely surrounded by EU territory, has manifold links and interactions with its neighbors and is highly dependent on trade with the Union.

reached on four of the seven dossiers last fall. Talks have continued on the two transport dossiers and the free movement of people, and it is hoped they will be concluded during the summer, leading to the signing of a treaty before the end of the year. If this survives the always very real hurdle in Switzerland of a referendum challenge, the basis will be set for a close cooperative relationship over the next

isolation is far less. It is fully integrated within the EEA, is a member of NATO and the Nordic Council, and is able to benefit from the EU's single market. Moreover, the country's great oil wealth insulates it to a large extent from the ups and downs of the wider European economy.

Nevertheless, there is a cost from being excluded. Although Norway joins in the general benefits of closer European integration, it has no

seat in the EU's Council of Ministers and therefore no forum in which to argue its particular interests. Last August it suffered a nasty shock when the EU Commission launched anti-dumping and anti-subsidy investigations into Norwegian salmon farmers.

The Norwegians argue that they were pioneers in fish-farming, creating a new industry that was later taken up by rival producers within the EU, notably in Ireland and Scotland. If Norwegian salmon prices are lower, they assert, it is because their producers are more efficient and are benefiting from the substantial investments made in the early days. There is no dumping and no payment of illegal subsidies, they maintain. Nevertheless, the Commission has decided to apply anti-dumping duties, and Norway undoubtedly feels it has had less chance of presenting its case than it would have as an EU member.

Yet there is no question of going back on the referendum result. The government believes it must accept the democratic decision of its voters and that it would be premature to reopen the guestion. Perhaps when the forthcoming negotiations with the candidate countries of Eastern and Central Europe have been completed, when the EU may have up to a dozen new members, the time may come for second, or rather, third thoughts.

By then there would no longer be any question of the EU being a tightly knit "rich man's club," as it was portrayed by angry young radicals during the referendum campaign. Perhaps by 2005, or thereabouts, Norway may at last adhere to the Union. In the meantime, it has to make the best of life outside.

-Dick Leonard



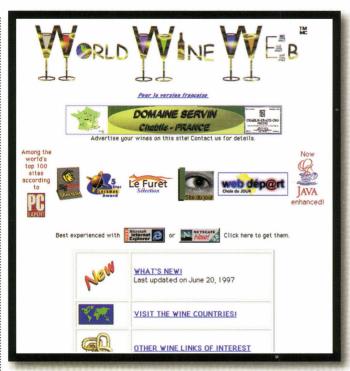
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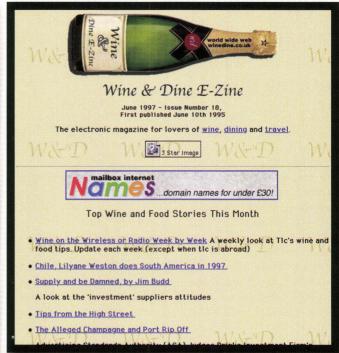
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Wine on the Web: Wine producing regions, vintners, distributors, and enthusiasts have populated the Web with a plethora of pages devoted to wine.

Wine Sites Ripe for the Clicking

Bacchus may be ancient history, but modern wine-lovers seem no less avid in their veneration of the grape. Wine producers and connoisseurs have taken to the Web as a means of showcasing, educating and selling the fruit of the vine.

Wine & Dine E-Zine (www.winedine.co.uk) is an amusing assortment of reviews and thoughts on wine tasting and buying. The UK-based monthly Web magazine offers articles on wine bargains, books, value, and a few historical tidbits. While the retail establishments mentioned are mostly British, most of the articles are informative.

World Wine Web (www. winevin.com) isn't for the

lightweight wine enthusiast. This full-bodied Web site. published out of Canada in English and French, has extensive listings of American and European appellations and producers broken down by region and then ranked by type of grape, price range, body, and sweetness. Links to producers with Web sites are provided, but basic addresses and telephone numbers are not. In regions such as Bordeaux, for example, none of the producers has a site listed. This makes for a difficult time in visiting the wineries but might suffice if looking to sample one of the wines at home.

Oenophiles with regional preferences can sample from the Spanish Wine Page (206.86.225.15/vino/index. html), Vinternet French Wines (www.vinternet.fr/

index.en.html), and the Italian Internet Winery (www. ulysses.it). These pages perhaps are a bit biased in the reviews but offer much more local color on those countries' winegrowing regions than any of the general-interest sites.

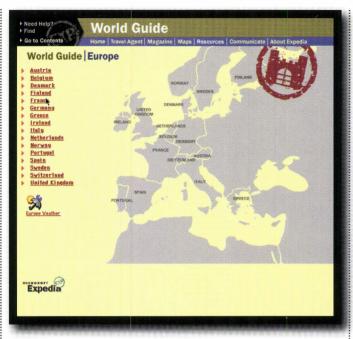
If the above sites don't quench your thirst, try Dean Tudor's impressive list of wine resources available through the Internet. Wines, Beers and Spirits on the Net (www.acs. ryerson.ca/~journal/wine. html) includes bulletin boards to submit questions as well as links to sites about every nuance of wine-both the hobby and the business. The length of the list is a bit overwhelming, but exploring a few at a time is unlikely to produce any unpleasant virtual side effects.

Mapping out Travel Plans

Booking hotels in unfamiliar cities overseas involves a certain amount of risk and research. A hotel that touts its proximity to tourist stops and great restaurants may end up being a costly taxi ride away. Guide books are expensive and often obsolete from one year to the next. But Web sites, with their increasingly interactive capabilities, are a logical choice for fine-tuning travel plans.

Mapquest (www. mapquest.com) includes street maps of many medium-sized to large European cities in addition to a popular service of point-to-point directions from any two US locations.

Its Interactive Atlas will allow users to select from



Microsoft Network's World Guide offers maps of large European cities, although it is not yet as developed as Mapquest's site.

more than a dozen points of interest, such as hotels, restaurants, shopping, and transportation. Once selected, symbols for the closest points of interest will pop up on the map. Choosing too many options can easily overload the maps with tiny symbols, so it's advisable to choose one or two of the most important and later revise the search. The site will also list the five closest POIs to a particular landmark or portion of the city. And for London one can only search street addresses. Political junkies interested in staying near 10 Downing St., for example, can find the Tube stop Tony Blair would use if he ever traveled by subway.

The site does have some significant drawbacks. The ability to track down a landmark is often hampered if a user doesn't know how native-speakers refer to it. To find Paris' Rodin museum, one could not use the word "museum," but rather "musee." A search for "opera house" in Vienna comes up with no hits, but "oper" finds four. Mapquest's creators admit

to all these shortcomings in their help section but don't make any promises of revisions in the near future.

For other map sites on the Web, try City.Net (city.net), which on a recent visit included maps of eight European cities. Microsoft's Expe-

dia site (expedia.msn. com/wg/) also offers a World Guide section that includes maps of large European cities. Street names and a few landmarks are marked, but no hotels or restaurants. Although for the moment Mapquest appears to have no real competition as far as mapping out the world, Expedia and City.Net are likely heading down the same road.

Monaco's Staying Power

onaco has a reputation as a playground for the rich—casinos, designer boutiques, and few taxes. But the tiny principality is steeped in history as well as in wealth. This year the Grimaldis, Monaco's ruling family, celebrate 700 years on the throne, by far the longest reign in Europe. And the festivities befit a prince.

Monaco Online (www. monaco.mc) is the place to go

for a preview of special events and a brief history lesson on the principality. Several groups of invaders had controlled the area when François Grimaldi, dressed as a monk, secured the fortress that was the seat of Monaco in 1297 AD. The family asked for protection from France and Spain in the years that followed and always managed to maintain power. In the early 19th century Prince Charles III attracted the European aristocracy to a new city called Monte Carlo with luxury hotels and casinos that are still bustling today.

The current Grimaldi in power, Prince Rainier III, is most widely known for his storybook marriage to the late actress Grace Kelly. None of the paparazzi fodder on his daughters' failed marriages or his son's perennial bachelorhood appears on the site. The only bios—those of Prince Rainier and his son, Prince Albert—are laundry lists of awards collected and charitable patronages.

But anyone in the area until the end of the year can take in light shows, musical performances, and historical reenactments all feting the family's reign. July features the world premiere of La Vie en Blue, a musical by Robert Hossein based on the life of Picasso. The International Fireworks festival, which runs in July and August, promises to be more spectacular than in past years. And Monaco Cathedral hosts a sound and light show marking the anniversary throughout the summer. There's no mention of cost for any of these events, but perhaps it's simply too gauche to mention.

-Christina Barron

Monaco Online offers an electronic profile of the playground of the rich and famous.



Prodi Makes Olive Tree Coalition

Italians won't soon forget the events of the past few years. First, the old party system was brought down by corruption scandals and arrests in the wake of the so-called "Clean Hands" investigation. Then, an economic recession and soaring unemployment brought further worry to the nation. Now Italians are facing another round of changes as the government looks for ways to streamline its bureaucracy and a special parliamentary commission prepares to rewrite Italy's constitution.

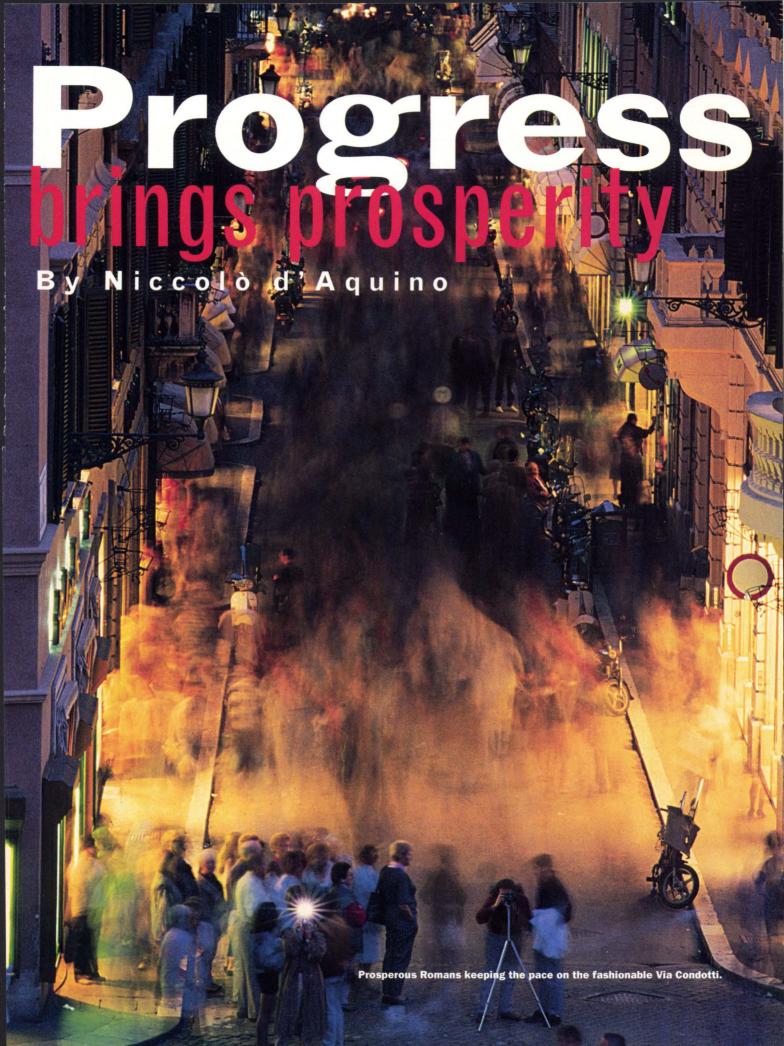


Prime Minister Romano Prodi's center-left Olive Tree coalition emerged in the 1995 elections and has followed a course of economic reform that has positioned Italy within reach of qualifying for European Monetary Union.

Certainly one of the most sensitive issues being considered is the future of Italy's pension system. With one of the world's lowest birth rates, near absolute zero, Italy's population is aging rapidly, and its generous pensions, which will be supported by fewer workers for a larger number of retirees, threatens to bankrupt the economy. In an ironic twist, the current centerleft government, which is composed of groups that have fought for the past 50 years for strong welfare subsidies and the right to a pension, is leading the discussions for changing the system.

But pensions are only one of the areas targeted for reform. Politicians are also scrutinizing the public service work force, which has long enjoyed guaranteed, life-long jobs. Some officials are proposing that salaries be based on merit in government ministries and other public offices, like they are in the private sector. It remains to be seen whether or not the government will manage to outmaneuver the powerful public servants' unions. But what is important in the meantime is that the government has announced its desire to put an end to a concept of work that is incompatible with the new rules governing market globalization.

One of the most astonishing changes is happening in Italy's postal system. Long one of the most glaring examples of bureaucratic inefficiency, the postal system is going private. Its new director, Enzo Cardi, has cut thousands of jobs in the face of opposition from both the unions and the majority parties that form the government. Nevertheless, with a work force that is almost



ITALY

half of its previous size, Cardi is getting results: A letter that once could have taken weeks to travel between Rome and Milan now may arrive in only two or three days.

Another sector that once seemed untouchable and is now facing changes is Italy's banking industry. New technologies are making human employees too expensive. Although a bitter war with the unions is foreseeable, many jobs inevitably will be eliminated as the Italian banking system is brought up to speed with those of other advanced economies.

The ongoing battle that is causing the biggest stir, however, is the race to join the European Monetary Union. The race to beat the end of the year deadline and comply with the Maastricht Treaty's strict parameters for qualifying for EMU has been translated into heavy taxes. Middle-class Italians are feeling the strain of the austere financial maneuvers overseen by the economic "super minister," Carlo Azeglio Ciampi, and adopted by the government, which is headed by another economist, Romano Prodi. His government, known as the Olive Tree Coalition, is supported in major part by the Demo-

Despite weak economic growth, Italy has reduced its large public spending deficit. Prices have dropped, and inflation has fallen to its lowest level in the past 29 years, roughly 1.5 percent.

cratic Party of the Left (PDS), which is the descendent of the Communist Party and is headed by Massimo D'Alema.

Prodi's Olive Tree coalition is focused on the economy. Italy's gross domestic product has only grown by a modest 0.7 percent this year, a true slowing down compared to past years. But the statistic that Italians find most disconcerting is that family savings are decreasing for the first time in 16 years. Family savings traditionally have been strong, and given the economy's reliance on the vast number of small and medium-sized businesses (a large number of them family-owned), many believe that the savings represent the true economic strength of the country.

Such worries aside, however, "the Ciampi cure," although bitter, appears to be working. Despite weak economic growth, Italy has reduced its large public spending deficit. Prices have dropped, and inflation has fallen to its lowest level in the past 29 years, roughly 1.5 percent.

Low inflation is not all Italian economists have to celebrate. Italy's net borrowing with regard to the GDP has also fallen dramatically. Few would have bet that, after years of paying scant attention to the warnings from Brussels and the International Monetary Fund, Italy would have been able to bring its GDP-public debt ratio to 3.9 percent in just a few months, within striking distance of the net 3 percent that Maastricht requires.

European Commissioner Mario Monti, a former professor at the prestigious Bocconi University of Economics in Milan, is sure Italy will qualify for EMU. "Italy will make it in time. We will join right away," he says in response to skeptics, including those at the German Bundesbank, who don't believe that Italy will manage to lower its ratio to the required 3 percent. Privately, Monti says that if Italy doesn't qualify, it will be because Germany and France ended up not making it either.

On the political front, Massimo D'Alema has taken it upon himself to bring about the most visible changes. The leader of the Democratic Party of the Left was the real winner of last year's political elections, defeating the right-wing coalition headed by Silvio Berlusconi. Rather than joining the government, Mr. D'Alema, himself a former communist, settled for heading a 70-member parliamentary commission known as the *Bicamerale*, formed by members of both the majority and the opposition to look at ways to reform Italy's system of government.

Reform can't come too quickly as anti-government political movements gather strength. Most notable among these is the Northern League, which is headed by Senator Umberto Bossi, who favors independence from Rome for the country's prosperous northern regions. However, Bossi has recently lost credibility, and the Northern League suffered a major setback losing the recent mayoral race in Milan, which had been an important stronghold since 1992.

Nevertheless, the seeds of protest have taken root in the

North. In May eight protesters in a makeshift armored vehicle and armed with a submachine gun stormed the Piazza San Marco in Venice. Calling for independence for the Venetian Republic, a reference to the once powerful state that was defeated and dissolved by Napoleon two centuries ago, the protesters briefly occupied the piazza's famous bell tower before peacefully

surrendering to authorities. It appears clear from talk on Venice streets and in newspapers that, even though the locals condemn the action, many agree with the underlying reasons for the protest.

The frustration with Italy's legal system is shared by both the majority and the opposition. Italians are suffocated by a massive and muddled collection of laws, more than 100,000, compared to some 10,000 in France and 8,000 in the United Kingdom.

"A myriad of laws is like not having any because any initiative requires too many inquiries, and it is always possible to find a ruling or a clause of one law that says the opposite of another," explains professor Paolo Savona, a respected economic consultant and former minister who now heads Fondo Interbancario di Tutela dei Depositi, the fund that protects Italian bank deposits.

Perhaps, the biggest political battle looming within the Bicamerale is how to change the electoral system and the mechanism for governing. Although many issues still divide the commission, all sides agree on the basic necessity for a change in the way Italy's leader is elected, with both US and French presidential models being considered.

The discussions and the brawls are unleashed when they try to decide how strong Italian-style "presidentialism" should be. Mr. D'Alema, unlike many members of his own party, believes in a "strong premiership" in which voters would choose both the head of the government and the majority party.

Foreign observers and investors alike seem convinced that the changes made so far and those to come are for the good. Business Monitor, an organization that analyzes countries' risks from an investor's perspective, has given a positive verdict. Certainly one area of

progress can be found in the country's fight against the Mafia. In the past five years, more than 4.000 members of Mafia organizations have been arrested, and last month authorities arrested Pietro Aglieri, reputed to be the Mafia's number-two leader. Delinquency and street criminality are basically under control with minor theft on par with other industrialized countries. "In short," concludes the Business Monitor report, "the country remains generally stable and the overall environment for foreign business is favorable."

Niccolò d'Aquino is EUROPE's Rome correspondent.

Massimo D'Alema Leader of the Party of the Democratic Left

In just about any other democratic country Massimo D'Alema, a 49 year old native Roman, would be prime minister. The rules of the democratic system vary from one nation to another, but usually the head of the party that wins an election gets

to run the government.

Moreover, D'Alema won twice at the last elections. The first time because his Democratic Party of the Left (PDS), which is the heir of the old Communist Party, received the most votes, 21.1 percent. The second win came because the right-wing Northern League was defeated by the Olive Tree, a coalition of parties and movements that was organized in just a few months. And yet the conservative opposition could count on two heavyweights like Silvio Berlusconi and Gianfranco Fini, the leader of the ex-fascist party, which nowadays is more discreetly known as the National Alliance and which enjoys robust support.

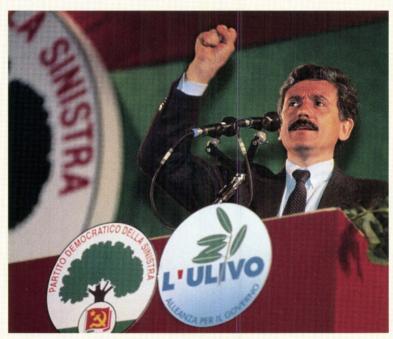
But in Italy, a solid democracy with rather peculiar rules of political balance, having an ex-Communist as Italy's new leader could have created problems in many circles, both at home and abroad. Moreover, it would probably cause perplexity Oltre Tevere, ("on the other side of the Tiber") an insiders' term for the Vatican,

which is situated on the other bank of the river.

So, Mr. D'Alema immediately made it clear that if his side won, Romano Prodi would lead the executive branch. This cordial, former economics professor is famous for having run IRI, the parent corporation of most of Italy's government-owned companies, during the years when the Christian Democrats ruled the country with the support of the Socialists.

It was clear to all that Mr. D'Alema was the real winner. So, at the last convention of the PDS, the delegates enthusiastically reconfirmed him as party secretary. But it was also clear to all that D'Alema was aiming at something more important.

He has become president of the Bicamerale, the commission that will rewrite Italy's constitution—a task that could make or break his political career. The Bicamerale



D'Alema heads the Bicamerale, the commission charged with reinventing Italy's system of government.

is a lower-profiled assembly than the one that drew the blueprint of the Italian Republic right after the end of World War II, although the main difficulty facing Mr. D'Alema remains much the same. He has to reinvent the country's system of government by using all the peaceful democratic instruments at hand and by making the leftwing majority and the right-wing opposition agree.

Mr. D'Alema has the political experience to succeed, but he will also have to show that he has diplomatic talent. Something some members of the press doubt. Espresso, a left-leaning weekly magazine, has described him as "diligent" and "new" but also as "ambitious, interfering, and a bit presumptuous." For his part, D'Alema has accused journalists of not interpreting his thoughts well. 3

-Niccolò d'Aquino

Carlo Azeglio Ciampi Italy's Economic Super-Minister

When he was nominated prime minister in 1993, one newspaper jokingly ran the following headline: "Help, an Englishman is leading the government."

In fact, Carlo Azeglio Ciampi, who was 72 years old at the time, was a true novelty. "I hold myself to be a retired person who is temporarily called back into service," he said. A former governor of the Banca d'Italia, an esteemed economist and highly respected in international circles, discreet and hesitant to give interviews, Ciampi appears to be lightyears away from career Italian politicians. He is polite yet solitary, steely as far as work is concerned, and his dark blue suits cut an elegant figure in a gentlemanly, if oldfashioned, way.

In recent years Italians have become used to seeing new faces behind the power desks, the faces of technicians and experts who aren't tied down to political parties and who, in any case, are not parliamentarians. People like Lamberto Dini, another former Banca d'Italia manager, or Antonio Di Pietro, the judge who began the Clean Hands operation. But four years ago, the nomination of Ciampi was something new.

In fact, it was the uproar caused by then judge Di Pietro's probe that called Mr. Ciampi back into service. Someone above all suspicion was needed to give the ordinary citizen, who was scandalized by the episodes of corruption and kickbacks that the investigators were uncovering everyday, faith in the institutions again. Nobody could object to Ciampi's nomination.

So it was up to him, the gentleman banker, as he is known, to be the first to look into the government accounts. Brussels hadn't yet sent out the drastic warnings that have been arriving recently, but already back then it was clear that Italy couldn't continue to ignore its enormous budget deficit forever. The first cuts, heavy and certainly not painless, bear his signature.

But since governments don't last a long time in Italy, even Ciampi eventually had to pass the baton. The elections were unexpectedly won by Silvio Berlusconi, and the television magnate wanted to take full control. Ciampi retired quietly, as is his custom, and little was heard of him as he refused interview requests. The occasional nosy photographer took his picture now and then as he quietly enjoyed his seaside home not far from Rome.

Then the Berlusconi government fell. Last year the Olive Tree coalition won the elections and amid widespread skepticism announced that it really did intend to govern for the entire five-year legislature—an event that is virtually without precedence in Italy.

To show the seriousness of their challenge, the Olive Tree leaders needed some names with clout. Ciampi, now 75, was asked once again to take a break from his retirement. Not as the head of the government this time, but with a more weighty nomination-secretary of the treasury. Time was running short to enter the European Monetary Union, and the Maastricht parameters weren't a theoretical exercise any longer but a commitment that couldn't be put off. It would be up to him to guide the final phase of the most drastic makeover the Italian economy had ever endured. The official statistics bear witness to his

Since then, he has accomplished something that was unthinkable just a short while ago. In Italy, the economic activity of the government



Ciampi left retirement to return to public service as Italy's economic minister.

has always been divided between the treasury, finance, and budget ministries. In order to avoid giving too much power to just one person, there has never been one single ministry of the Economy. Over the years, protests against the duplication of work and especially the waste of time and personnel caused by the division of the economic bureaucracy into three blocks had fallen on deaf ears. Any political party would have had a hard time abolishing a ministry that creates jobs for many public servants. But Ciampi was nominated the head of treasury and the budget. The press immediately got the message: For the first time, Italy had a full-fledged minister of the economy. Or rather, as he is now called, a super-minister. 9

-Niccolò d'Aquino

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ITALY PREPA

Will Italy manage to enter the European Monetary Union right from the beginning? This question, repeated everyday in the newspapers, has become such a torment that it has become the butt of jokes and television sketches.

Prime Minister Romano Prodi's government and the centrist and post-communist left-wing coalition that supports him are betting all their international—and a great deal of their national—credibility on whether or not they can do it. Mr. Prodi insists that he has no doubts whatsoever. And to back up his faith, he shows numbers and objectives that have already been realized.

Prodi points out that on paper the four fundamental parameters set down by the Maastricht Treaty have either been realized or are about to be.

The inflation rate in May was 1.5 percent, the lowest in 29 years, a real record for Italy. The discount rate, the cost of money applied to commercial banks by the Central Bank of Italy, has been lowered. And the commercial banks themselves have further lowered

their interest rates to less than 10 percent. It is true that the lira's stability, another of the four parameters, still needs to be confirmed.

But what counts most is the first and most important parameter: the percentage of the public deficit with regard to the gross national product. In order to get to the proscribed threshold of 3 percent, Italy, which is chronically afflicted by a gigantic public deficit, has em-

barked on the weightiest—and most unpopular—financial maneuver in its history. A few months after the announcement of an agreed-upon corrective move, the government is once again reunited and has doubled the amount they intend to save. From an initial \$23.3 billion, the number has now grown to almost \$41 billion.

But even so, the numbers don't add up to the 3 percent ratio between GNP and public deficit. For the moment, the ratio is steady at 3.9 percent, even if not everyone agrees on the numbers and the mechanisms for calculating them. "In any case," Mr. Prodi insists, "there are still several months until the 1998 deadline. By then we will be at 3 percent."

Mr. Prodi's optimism is echoed by authoritative managers like the minister of the economy, Carlo Azeglio Ciampi, who more than anyone else has crunched numbers down to the last cent. There is a lot riding on these numbers. As the president of the Association of Italian Banks (ABI), Tancredi Bianchi, says, "It would be a serious problem if Italy, one of the founding countries of the European Community, doesn't enter the EMU immediately. This would mean that one-fifth of the Union population would be excluded."

Although Italians regard such sentiments as only slightly more positive than earlier remarks made by German officials, it is a declaration that is hard to deny. Besides the other EU countries, the international markets have expressed faith in an Italy that is politically stable rather than the "usual Italy," which changes governments every few months or at least every year. It is no coincidence that the Prodi government announced when it took office that it intended to remain for the entire five-year legislature. No other Italian government has ever managed to do even that much. Public opinion initially showed its confidence in the Prodi government. Recently, doubts have begun to surface about the difficulties caused by the economic situation, to which the new interventions to catch the EMU train have been added.

What is certain is that Italians have taken this challenge seriously. This is the only way to explain the exceptional visit and working lunch that Prodi had with the governor of Banca d'Italia, Antonio Fazio. Never before has the head of the government been received at the Central Institute, which has always been very jealous of its independence from political power. No official reason

Aquino

was given for the meeting. But it is obvious that an issue as delicate as the euro was needed to break an old tradition of great symbolic importance.

And, in the end, the euro-skeptics who consider EMU an expedient to put internal accounts in order might even be right. "In the Maastricht Treaty," says Antonio Calafati, a researcher at the department of economics at the University of Ancona, "monetary unification is used as an excuse to justify the tough politics of rebalancing our finances." If that's the case, many Italians believe it is still a worthwhile endeavor.



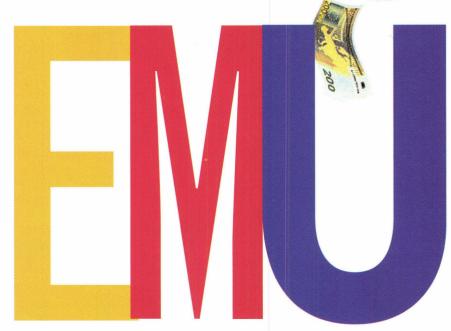


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These optimistic declarations, together with a massive political and diplomatic lobbying in Brussels and at the main European chancelleries, have helped to improve slightly the negative predictions concerning Italy's chances for entering EMU along with Germany and France.

The Germans, however, have been, and remain, the most skeptical. Klaus-Dieter Kuehbacher, president of the regional office of the Bundesbank in Berlin and a member of the board of directors of the Central Bank, is the most optimistic of the German economic managers. "Italy's chances of joining the European Monetary Union right from the outset depend on whether Mr. Prodi and his government can stick around," he has said.



POLITICS

Tense and still smarting from a devastating defeat in France's parliamentary elections, French President Jacques Chirac, presided over his first cabinet meeting at the Elysée Palace June 5. Facing him around the table were Socialist Prime Minister Lionel Jospin, and his freshly picked ministers, thus opening a new, uneasy, and third chapter of "cohabitation."

By Axel Krause

Jospin's Socialist Team

Lean, Feminine, and Pro-Europe

That term describes France's constitutional power-sharing arrangement, which worked twice before under former Socialist president François Mitterrand (1986–88 and 1993–95). Once again, it will determine how France is governed for at least a year and possibly five years, the term of the incoming, leftist-dominated National Assembly.

This time, however, a weakened Gaullist, conservative Chirac is being forced to deal with a strong, determined Jospin and his team, who are taking full charge of the nation's domestic policy; the weekly news magazine *L'Express* described Jospin as the nation's second president. By contrast, Mitterrand, facing conservative prime ministers Chirac and Edouard Balladur, kept a dominant, virtually unchallenged hand in foreign affairs.

After welcoming ministers with individual handshakes at their first meeting, Chirac said he hoped the arrangement will proceed "in dignity, mutual respect, and constant concern for French interests." Will it?

Two days after being named prime minister, 59 year old Jospin, an austere, square-jawed, former diplomat, economics professor, and minister of education, picked his cabinet: 26 leftists in all, dominated by 18 Socialists and three Communists. Average age: 52. Main characteristics: tightly organized, diversified backgrounds, and feminine.

Unlike previous governments, the team is also marked by a strong, unequivocal commitment to European integration, including monetary union, but on the condition that it includes strong, equally unequivocal support for Keynesian-inspired growth and job creation. Two other, related conditions: including Italy and Spain in the emerging monetary system, while establishing an "economic government" to

maintain strong governmental control over the European Central Bank.

WHO ARE THE MAIN PLAYERS?

Martine Aubry. Few observers believed the 46 year old would emerge as the number-two power in the Jospin government. But tenacity, ambition, hard, grass-roots work as deputy mayor in the northern city of Lille, plus encouragement from Jospin, paid off. He picked her to be the minister of Employment and Solidarity, ranked first among 14

ministers, two junior ministers, and 10 state secretaries, and embodying his top priority: cutting the country's chronic 13 percent unemployment rate.

FI: 1 11 0 :

Elisabeth Guigou. Chic, dynamic, and widely called "Madame Europe," reflecting a dozen years serving as one of Mitterrand's closest advisors on European Union issues, and later as a Socialist deputy in the European Parliament, she was, surprisingly, named Justice minister. Guigou, who has virtually no previous experience with the judicial system, thus emerged as third-ranking member of Jospin's government and one



As France's new prime minister, Socialist Lionel Jospin will share power with Gaullist President Jacques Chirac.

of eight women occupying vital, sensitive cabinet posts.

Born in Morocco, a graduate of ENA, she began working for Delors in 1982 when he was finance minister, prior to joining Mitterrand at the Elysée Palace. Later (1990–93), she served as his junior minister for European Affairs.

Dominique Strauss-Kahn. Formerly a Keynesian economist and professor, lawyer, and chairman of the finance committee in the National Assembly (1988–91), "DSK" got what he wanted: an enlarged, some say "gigantic," Ministry of Economy, Finance, and Industry. It has been referred to as "France's MITI," a reference to Japan's influential Ministry of Trade and Industry. As the main architect of Jospin's economic policy, the gregarious minister is expected to push for a tough, pro-European stance on trade negotiations, particularly with Washington and Tokyo.

Four state secretaries will report to him, dealing with small and medium-sized companies; industry, trade, and the national budget, a key, sensitive post. It will be headed by another, seasoned former Mitterrand aide: Christian Sautter, also a trained economist and an expert on Japan, but who, compared to the minister and others in the cabinet, is far more conservative in his views on the economy.

Hubert Vedrine. At 49, France's foreign minister represents, above all, what the daily newspaper *Le Monde* described as "experience and continuity." Formerly Mitterrand's secretary general at the Elysée Palace, a veteran of the two, previous "cohabitations," and a widely admired expert on French foreign policy, notably security issues, Vedrine helped negotiate the Maastricht Treaty, which he enthusiastically supports. **⊜**

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

POLITICS

It took four days of counting votes—including a number of constituency recounts to finally decide the outcome of the June 6 general election in the Irish Republic. When the dust eventually settled, Bertie Ahern ended up heading a minority two-party government that will have to rely on the support of independent deputies to stay in power.

has had minority governments in the past that have worked extremely well.

Ahern is personable and well-liked, his popularity rating well ahead of his Fianna Fail party's standing and other Irish party leaders. He is a Dubliner, a keen sports fan, and a noted conciliator, liking to hear all shades of opinion before taking decisions. Those who have dealt with him say he can show a steely resolve when decision time arrives.

He is also the first Irish prime minister to be separated from his wife and living with another partner—a testimony to the massive shift in opinion in this overwhelmingly Roman Catholic country about marriage and relationships.

Ahern inherits a buoyant economy, the envy of other Eu-



Bertie Ahern (right), leader of Fianna Fail, returned the party to power by forming a government after Ireland's June elections.

It was the result almost all the political parties had dreaded—none of the larger combinations attracting a strong enough working majority and the future government depending instead on the support of a raggle-taggle of independent deputies.

But that was the fizzy cocktail voters in the Irish Republic served up in the June 6 general election, which saw the demise of John Bruton's center-left rainbow coalition and its replacement by Bertie Ahern's center-right government.

Bruton and his rainbow partners—Labor and the Democratic Left—lost out, despite running a booming economy dubbed the "Celtic Tiger"—and proving yet again that there are no certainties in Irish politics.

For Ahern, 45, it was the big job at last after serving his time in local politics and national government in a number of senior ministries.

In November 1994, when Albert Reynolds' Fianna Fail-Labor government collapsed in mid-term, Ahern seemed set to become prime minister. But Bruton managed to put together a three-party rainbow coalition and win the day.

Now Ahern is finally at the helm, the captain of a ship that will have to rely on the votes of at least two independent deputies in crucial votes in the Irish Parliament. On the surface, it looks like an unstable recipe. But the Irish Republic

Fianna Fail Returns to the Fore

By Mike Burns

ropean administrations. As a former finance minister he will be expected to pursue many of the Bruton government's fiscal policies, but with a heavier emphasis on matters such as tax reform and the level of public spending.

However, it is on Northern Ireland and the ongoing search for a permanent peace settle-

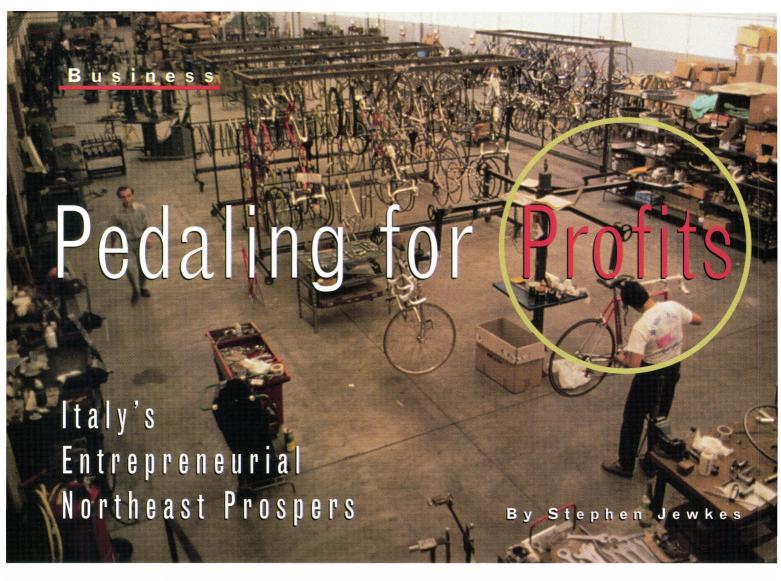
ment that his first real test could come. With a new prime minister in the United Kingdom, Ahern will be intent on seeking a firmer commitment to the peace process from Tony Blair than some of the later politics pursued by his predecessor, John Major.

Ahern's Fianna Fail party was born out of the Irish Civil War of 1922–23, but in spite of those roots, Ahern has shown himself strongly opposed to IRA violence and firmly on the side of seeking a peaceful solution to the Northern Ireland problem. However, a number of new independent deputies on whom he may have to rely are strongly nationalist—including Caoimhghin O'Caolain of Sinn Fein, the IRA's political wing.

This situation and this inconclusive nature of the June election fills Loyalist politicians in Northern Ireland with dismay. But Ahern, despite what on paper is a precarious parliamentary position, is unlikely to be swayed by threats from those with strong IRA sympathies.

He says—and no one disbelieves him—that Sinn Fein will *not* be admitted to the current peace talks chaired by former senator George Mitchell unless and until the IRA abandons its armed struggle. \bigcirc

Mike Burns is EUROPE's Dublin correspondent.



Rossano Veneto has cornered the world bicycle-seat market. This small town near Vicenza, population 3,200, churns out more than 30 million "saddles" a year, generating revenue of more than \$11.7 million. At least 60 percent of production is earmarked for export, but that figure reaches 90 percent in some firms.

Hundreds of small workshops scattered around the town help churn out the 150,000 saddles a day that make the four groups in the area (Italia, Royal, San Marco, and Isca) world leaders. That's a position Rossano's main competitor, Taiwan, would dearly like to hold. But while its products are slightly cheaper, it has lost out to Rossano for quality, reliability, and design.



Instead of the label "made in Italy," the bike seats might just as well read "made near Vicenza." About 95 percent of components come from the area. Everything from the plastics and chromes of the frames to the skins and hides of the saddles are made within a few-miles radius. Even the special rubber device on Sella Italia's "bio-line" saddle for people with prostate trouble is made locally.

With its one firm employing every 2 inhabitants, Rossano Veneto is a microcosm of Italy's entrepreneurial Northeast. Centered round Veneto, this macro region, one of Europe's richest, is awash with small and medium enterprises (SMEs). At the end of last year 509,047 companies were registered in Triveneto (Veneto, Friuli, and Trentino), making one in every 10 of its inhabitants an entrepreneur. In 1995, Italy's statistics bureau ISTAT reported that 65 of the country's 199 industrial districts were located in the Northeast.

Traditionally, Italy has had a much greater concentration of SMEs than anywhere else in Europe. Some say that has to do with geographical fragmentation, and others attribute it to close-knit families. When the country's heavy industry went into decline in the late 1970s. SMEs in the northern and central regions fueled the recovery. The Northeast, with its industrial microdistricts and enterprise clusters, played a vital part in that process—no surprise, perhaps, given

Venice's reputation as the cradle of capitalism.

Flexible, innovative, and technologically advanced, small businesses have not only generated wealth, they have created jobs. At a time when the Northwest's big guns, Fiat and Olivetti, have been steadily shedding labor the Northeast has been hiring and retraining to fill orders. SMEs last year employed more than 60 percent of the region's work force, a share that looks likely to grow. Veneto, Italy's fastest growing region, grew by a healthy 4.5 percent in 1995.

With internal consumption languishing, production of food, clothes, furniture, and machinery is more than ever export-oriented. Italian business exports more per capita than Japan. At the top of the list is Vicenza. Recent figures show that Veneto's most prosperous city exports almost \$10,000 per capita. While the lion's share still goes to Germany, Asian markets are increasingly coming to the fore, especially China and Korea.

A lot of the Northeast's middle-sized companies have been adept at making their businesses more international. Some, like fashion house Benetton and eyeglass-designer Luxottica, have even gone global. Last year, Luxottica beefed up its US presence by paying \$840 million for LensCrafters and then shelling out a further \$1.42 billion for UsShoe. Like its Treviso cousin Benetton, the Bellunobased company is listed on the New York Stock Ex-

change—a common enough occurrence across the Atlantic but alien to Italian shores.

The almost total dependence of Italy's smaller companies on short-term bank loans is widely seen as one of the major restraints on SME development. Family-run companies have found it hard to sell equity and virtually impossible to raise capital through bonds. A report by the OECD recently recognized the magnitude of the problem, urging better access to long-term venture capital to fund research and development and overseas expansion.

Help, it seems, might at last be on its way. Italy's banking sector is fast restructuring in the face of global competition. In the North, German-style *hausbanks* are springing up to offer investment bank facilities for smaller businesses. The recently announced alliance between northeast bank Cariverona and Turin's Banca CRT, which will create Italy's eighth-largest banking group, is expected to provide

many of the financial services Veneto's industrialists have been crying out for.

Not that finance is the only problem. With the lira strengthening, export orders are down from their record highs in 1995. Industry Minister Pierluigi Bersani recently sounded the alarm. What is needed, he says, is a cultural leap. "In a globalizing economy, companies should not just be exporters but global players. That means finding joint ventures to take them abroad."

Sound advice, you might say. Unfortunately, not everyone in the Northeast is listening. Dissatisfaction with the central government is on the rise. Veneto's disgruntled businessmen, many of them former Christian Democrats, complain of mismanagement, neglect, indifference. A major grouse in the region is the road system—one of the worst in the country and a mill-

stone around business's neck.

Ivano Beggio, owner of motorbike manufacturer Aprilia and head of a group of Venezia's Industrialists, reckons underdeveloped roads have cost the region a full \$2.1 billion. And that's not all. "If you want any kind of authorization round here," Beggio goes on, "you have to visit about 23 different rooms. I've been waiting five years for a permit to build a car park in front of the company. It's pathetic. I mean, why are we paying all these taxes!"

Why indeed. Taxation is a sensitive issue in this part of the world. A recent report by the Canadian Fraser Institute placed most of the blame for Italy's lowly fifty-fifth place in world competitiveness ratings on its punitive tax system the most expensive in the world. In the Northeast, companies have already started to relocate to Austria and Slovenia where taxes, and wage costs, are considerably lower.

The government has promised action, but Mr. Beggio remains skeptical, "They've been promising change for years, but nothing's really happened. Now we're fed up of waiting."

Italian business exports more per capita than Japan.
At the top of the list is Vicenza.
Recent figures show that Veneto's most prosperous city exports almost \$10,000 per capita.

Italy's Shant By Stephen Jewkes



Italy is alone among the leading industrialized countries in not having a global player in international investment banking. In 1994–95 not a single Italian banking house appeared in the top 20 for share placements, bond issues, or mergers and acquisitions. Causing more concern, as European integration gathers pace, foreign investment houses are making major inroads into what once was domestic business.

Last year international competition bagged 75 percent of merger and acquisition deals, 60 percent of international underwriting, and 35 percent of leveraged and management buyouts. Italian government bond trading is now dominated by American merchant banks, notably JP Morgan, Morgan Stanley, and Salomon Brothers. In the first half of last year, JP Morgan led more eurolira issues than Credito Italiano, the leading Italian house. In no other European currency do foreign houses enjoy such dominance as lead managers.

As competition heats up, Italy's top merchant bank Mediobanca is starting to feel the pinch. The secretive Milanbased house that has dominated Italian capitalism since the war has seen its profits fall from \$133 million in 1994 to \$74 million last year. Commission fees in the same period have slumped from \$47.4 million to just \$21.3 million.

Privatization mandates, which the treasury regularly divided up between Mediobanca and its main domestic rival Istituto Mobiliare Italiano (IMI), have eroded as aggressive foreign banks muscle in. SBC Warburg advised at last year's IMI disposal; Rothschilds has been advising at state energy group ENI; and for this year's privatization of San Paolo di Torino, Italy's biggest bank in terms of assets, Schroders and Morgan Stanley have been called in.

Development of a dynamic investment banking sector has been hindered by a chronic mix of factors—a small private capital market, an overly important commercial banking culture, a tax system favoring debt over equity, and the lack of any corporate governance tradition. Today, the number of home-grown houses capable of satisfying the increasing demand for cross-border operations are few. Lack of international expertise, also, means Italian merchant banks are less well-placed than their foreign competitors to benefit from structural changes to Italy's financial services industry.

And yet an efficient merchant banking sector is crucial if help is to be given the real strength of the Italian economy—its entrepreneurial family-owned businesses. Increasingly these businesses, many of them export-oriented, are looking to the stock market as a more competitive source of funds. The growing demand from mid-cap enterprises for venture capital, to match their overseas competitors, has exposed a weakness. The bigger houses like Mediobanca, focused on Italy's capitalist elite, have little time for middle-size operations.

But now, with new rules, many small retail banks are looking to start up merchant banking facilities in niche markets. Their model is the German *Hausbank*. The northern-based Banco Ambroveneto has opened 32 enterprise centers to offer corporate finance services to small and medium-sized enter-

prises, mainly in the rich industrial districts of the Northeast. Most commercial banks see merchant banking as a way of improving dismal profit margins given that in Italy investment banking can yield up to 3 times more than commercial banking.

Presently, more than half the investment banks in Italy belong to foreign groups. Somewhat belatedly, domestic players are waking up to the threat this poses. A process of concentration is underway that could create two major "poles"—one around Mediobanca, the other around IMI-San Paolo. The trouble is time is running out. The Italian banks have already lost the global race. They must now fight the battle for home turf. Θ

Stephen Jewkes is a journalist based in Bologna.

Italy's Booming Funds

Last year was a boom year for Italian mutual funds. Total managed assets grew a whopping 67.8 percent, making Italy Europe's top performer behind Finland. With almost \$120 billion under management, Italy's share of total EU funds (estimated at around \$1.6 trillion) rose from 5.2 percent in 1995 to 7.3 percent. In the first quarter of this year the country's 566 funds raked in a further \$24 billion, taking Italy into fifth spot for total assets, behind France, Luxembourg, the United Kingdom, and Spain. Istituto Bancario San Paolo di Torino, Italy's top fund manager, more than quadrupled its retail fund assets last year bagging more than \$30 billion.

Though figures for April showed a slowdown, analysts remain upbeat. Economic research institute Prometeia forecasts a 56 percent growth for this year, easing off to 29 percent in 1998 and 13 percent in 2002. If that's true, managed funds, which accounted for just 6.5 percent of total family savings in 1996, will reach the 19.4 percent mark by 2002. Not of course that everyone is optimistic. Some analysts point out how investment in mutual funds is cyclical and linked to trends on the financial markets.

The boom in mutual funds has been fueled by the steady erosion of Italy's interest rates. Government

bonds, which only 5 years ago were yielding 14 percent, are now down to around 7 percent. The flight out of bonds last year was 18.7 percent and is expected to continue at an average yearly rate of 12—13 percent.

The development of mutual, as well as pension, funds is also expected to fuel demands for shareholder value. This is already putting pressure on market regulators to break down the old defenses of Italian family capitalism and accelerate the modernization of financial markets.

-Stephen Jewkes





Etienne Reuter, head of the European Commission Delegation office in Hong Kong, was interviewed by *EUROPE* Editor-in-Chief, Robert J. Guttman. Reuter discusses Hong Kong after the changeover and EU-Hong Kong relations.

What is the EU's official position on the changeover from British to Chinese control?

The EU's position is one of high-level support for Hong Kong. The European

Council reiterated at its Dublin meeting in December 1996 the Union's strong interest in the future peace and prosperity of the Hong Kong Special Administrative Region (SAR) of the People's Republic of China. The Council stated the Union's desire to contribute to a smooth transition and its commitment to strong continuing relations with the SAR in the World Trade Organization and in all other matters where the SAR will enjoy autonomy. We also expressed full support for the specific status of the SAR and its citizens in all respects, including their right to representative democratic institutions.

The European Commission has now proposed to the Council a comprehensive approach for developing and consolidating relations with Hong Kong beyond July 1, 1997. The Council of Ministers considered this paper on June 2. Essential ideas are to put EU-Hong Kong trade and investment links on a firmer footing, to work together on customs matters, and other trade facilitation, and to make exchanges and travel between Hong Kong and the

Etienne Reuter

HEAD OF THE EUROPEAN COMMISSION DELEGATION TO HONG KONG

Union as easy as possible. The Commission is also proposing to monitor developments in Hong Kong and drawing up yearly reports.

Will there be any changes in the EU office in Hong Kong?

The Commission will maintain its office in Hong Kong after July 1, 1997. This is a most concrete expression of our support for the "one country, two systems" concept. The office will continue to report directly to headquarters. The office was set up in 1993 and has understandably always worked closely with our delegation in Beijing and will continue to do so.

Are you concerned that civil rights will be curtailed in Hong Kong under the Chinese?

Under the Sino-British Joint Declaration and the Basic Law, the SAR government is established as the government of Hong Kong by Hong Kong people. Indeed practically all senior officials of the present administration will remain in office under the new administration, headed by Chief Executive C.H. Tung. Mr. Tung has given firm assurances that Hong Kong's open society and international role will be preserved. Indeed these are essential factors for the foreign business community's continued confidence and presence here in Hong Kong. A number of things will change, but as such I cannot see any reason why the freedoms and rights enjoyed by the people of Hong Kong should be reduced. Indeed, freedom is a whole concept, and I don't believe that freedom of enterprise can be separated from freedom of thought and expression.

Is there a sense of fear or anxiety among the population of Hong Kong on the changeover?

There are no obvious signs of fear or anxiety among the people of Hong Kong concerning the changeover. There is some emotional affection for China and sometimes a little trepidation about communism, as many people here are refugees or children of refugees who left China during the upheavals that marked its history this century.

Do you think the Chinese will attempt to change Hong Kong's unique economic position in the world? Will they try to change the laissez faire economy of Hong Kong?

Hong Kong plays a crucial role in the processes for transformation and modernization of China's economy. It contributes expertise, talent, and capital, as well as stimulus. China would be the first to suffer from any damage to Hong Kong's economy and position. Similarly, Hong Kong's prosperity is most dependent on continuing economic growth and progress in China.

Will the "one country, two systems" idea really work?

"One country, two systems" has never been tried before. There are bound to be some uncertainties and potential hiccups. It will be crucial for Hong Kong's people to stand up for Hong Kong. I believe that at this stage both China and Hong Kong are determined to make the system work. A relevant factor is also the prospect that its success in Hong Kong could be a reference for a solution of the relations between China and Taiwan.

What is the main legacy Britain leaves in Hong Kong?

I think it is fair to pay tribute to the system of administration that Britain has produced here. The Hong Kong system is characterized by the rule of law, a clean and competent government, and a most efficient infrastructure. Hong Kong is an open society and an international business center. Its role as an ideal crossroads between East and West in Asia should become even more relevant in the future.

What is the extent of EU investment in Hong Kong? Is Hong Kong a key trading partner of the EU?

It is always difficult to make such assessments. The European Union is the third-largest investor in manufacturing in Hong Kong, with the United

Kingdom, the Netherlands, and Germany being the main investors. There are nearly 100 EU-owned industrial establishments in Hong Kong, and of course there are many joint ventures. EU financial services institutions. banks, and insurance companies have a major stake in Hong Kong. As such, Hong Kong is the tenth-largest trading partner of the EU, but I would stress that the most important role Hong Kong plays for the EU is as a go-between for the EU and China. Half of our trade with China goes through Hong Kong. Many joint ventures and partnerships that EU companies have established in China have been set up with Hong Kong intermediaries and partners and are frequently managed out of Hong Kong. Hong Kong is key for our access to the Chinese market.

Will the EU speak out if they notice human rights violations in Hong Kong?

At this stage this is a most hypothetical question, but as you know the European Union does not hesitate to speak out against human rights violations wherever they occur in the world. Indeed, our politicians and our parliamentarians are on record as strong and committed advocates of human dignity and the freedom of men and women.

Can a communist government in China coexist for long with a fast-growing capitalist economy in China and Hong Kong? Do you fear a Tiananmen Square type flare-up in the near future?

I think that we must have confidence in the "one country, two systems" concept, and indeed, if possible, contribute to its success. Many things have changed in China since Tiananmen, and many things continue to change in China. As you know, it is the EU's political objective to get China to join the World Trade Organization and become part of the society of nations that trade within the same legal framework and work together in dealing with the problems and challenges that face mankind and our planet in the 21st century.

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JULY-AUGUST 1997

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Inside EUROPE

July-August 1997

VOLUME V/NUMBER 7

EU News

EU's Amsterdam Summit

The European Union's Amsterdam summit got a lousy press because it failed to deliver a big breakthrough.

True, the Treaty of Amsterdam, approved by the EU's 15 leaders in the early hours of June 18, fell far short of the goal of forging a deeper political union to accompany monetary union. But by putting their signatures to the treaty, the EU's leaders set in motion a momentous event: enlargement to the former communist nations of Central and Eastern Europe. This would have been unthinkable 10 years ago when these nations were trapped in a ruinous, one-sided economic relationship with their political master, the Soviet Union.

The summit also succeeded in patching up a Franco-German row over the rules for monetary union, putting the single currency, the euro, on target for launch in January 1999.

The process of Eastern enlargement likely will be slow, but it is unstoppable. The EU pledged to start accession negotiations with the most promising of the 10 candidates six months after they signed a new treaty.

The European Commission will kick off the process on July 16 when it publishes its opinion on which of the 10 Central and East European countries are fit to join Cyprus in starting accession negotiations next January. EU leaders will then choose the "lucky" candidates at their winter summit in Luxembourg in December.

This key outcome from the Amsterdam summit was overshadowed by the EU's failure to update its 40 year old rule book to ensure it won't face policy gridlock when its membership swells to 25 or more members by 2010–15.

This failure is manageable because it is widely accepted that the first enlargement will probably involve only three countries, the Czech Republic, Hungary, and Poland. These front-runners also were expected to be offered membership in NATO at the military alliance's summit in Madrid in early July. Slo-

vakia, excluded from the first round of NATO expansion because of Western concern over the autocratic reign of Prime Minister Vladimir Meciar, has an outside chance of being in the first round of EU membership as does Slovenia.

While EU leaders couldn't hide their disappointment over the meager results from the Amsterdam summit, their Central European counterparts were decidedly more bullish. "The most important thing is that the shortcomings of the summit will not slow the start of enlargement," said Laszlo Kovacs, Hungary's foreign minister. The summit was "a good prognosis for enlargement," according to Polish President Aleksander Kwasniewski.

Neither the East Europeans nor the EU have sought to minimize the difficulties they face in the accession negotiations. The leading East European countries, like Poland and the Czech Republic, transact most of their trade with the EU, have privatized and deregulated the bulk of their economies, and have rapidly aligned their business regulations with EU standards. But their incomes are still only a third of the EU average, and their economies will be jolted when they are subjected to the rigors of the EU's single market.

By contrast, the last enlargement involved countries that were richer than the EU average, Austria, Finland, and Sweden.

But the leading East European candidates aren't asking the EU for an easy ride. Quite the contrary: "We want accession talks to begin with those most qualified. We don't want the convoy effect where the speed of entry is determined by the pace of the slowest," declared Mr. Kovacs, the Hungarian foreign minister.

The EU's embrace of enlargement should ease the tensions between the two sides stoked by East European anger that their exports to the EU face unfair obstacles. In a public outburst as EU leaders were meeting in Amsterdam, Czech Prime Minister Vaclav Klaus claimed the EU current restrictive trade deals with East Europeans are partly responsible for rising current account deficits throughout the region.

EU News (CONTINUED)

The task facing the accession negotiators will be underlined in mid-July when the Commission publishes proposals for reforming the EU's farm subsidy system, the Common Agricultural Policy (CAP), and regional aid regime to minimize the impact of the entry of the poorer, more agriculture-dependent countries of Eastern Europe.

The Amsterdam summit's other key achievement was to heal a Franco-German rift over how to police Europe's single currency, the euro, after its planned launch in January 1999. The summit deftly met France's demand for greater emphasis on jobs and economic growth while keeping intact the stability pact, a German-inspired device to fine countries whose budget deficits exceed 3 percent of their gross domestic product after they have joined the euro zone.

EU leaders conceded they had little to show for the tortuous negotiations in an intergovernmental conference they launched with great fanfare at a former Fiat auto plant in Turin, northern Italy, 15 months earlier.

The biggest letdown was the failure to agree on a new balance of power between the small and large member states in the decision-making Council of Ministers and a streamlining of the Commission, the EU's 20-member executive wing. Facing deadlock, the EU leaders decided to postpone the thorny issue until nearer the arrival of the first East Europeans into the EU.

The summit essentially marked a "timeout" for EU leaders exhausted by almost non stop efforts to forge political union against a backdrop of widespread public skepticism.

Significantly, German Chancellor Helmut Kohl, the most enthusiastic supporter of European political integration, took a step back in Amsterdam. He fought against the EU encroaching on the right of member states and their regions. He even vetoed the extension of majority voting in areas such as industrial and social policy.

The summiteers did agree on a few mildly integrationist steps. A high representative will be appointed to represent the EU on foreign and security policy issues; a zone of free movement will be established across the EU except in the United Kingdom and Ireland, which can retain border controls; immigration, asylum, and visa poli-

cies will become common EU policies but will require unanimous approval.

It may be a meager list but it marks another small step toward the original goal of the EU's founding fathers of "an ever closer union." But for now all energies will be shared between two goals: getting the euro launched in 1999 and welcoming the first wave of East Europeans at the beginning of the 21st century.

—Bruce Barnard

DENVER SUMMIT OF THE EIGHT

Call it the "Summit of the Bus." German Chancellor Helmut Kohl stole the show with his decidedly pedestrian form of transportation, a Neoplan luxury touring coach. His coach, and discussions about how to integrate Russia into the global economic system, seemed to sum up the Summit of the Eight held in the Mile High City from June 20 to 22.

The dominant theme: How to build competitive, market-based economies that treat people humanely.

Six of the 10 participants in the talks held around a bleached-wooden table at the Denver Public Library were Europeans. They included Tony Blair of the United Kingdom, Jacques Chirac of France, Kohl, Romano Prodi of Italy, Jacques Santer of the European Union, and Wim Kok of the Netherlands, which held the rotating presidency of the EU for the first half of 1997, plus, of course, President Clinton, Jean Chretien of Canada, Ryutaro Hashimoto of Japan, and Russian Federation President Boris Yeltsin.

Kohl's mode of transportation, a vehicle built in Lamar, Colorado, under license granted by Neoplan Germany of Stuttgart, drew a rave review from host Bill Clinton. "How do you like it?" the president asked with a chuckle before answering his own question, "I do."

Despite a heavy schedule, summiteers got an ample taste of the West. They dined at The Fort, a re-creation of an Old West territorial outpost and several heads of government donned cowboy boots for an evening of fun in a Denver events center normally reserved for equestrian

WHAT THEY SAID

"We look forward to democratic elections in Hong Kong for a new legislature as soon as possible."

—Denver Summit of the Eight final communiqué

"We had a long discussion about boots, and Kohl said he'd never wear them, absolutely never."

—Romano Prodi, Italian prime minister, referring to the German chancellor's refusal to wear cowboy boots at the Denver Summit

"A massive red tape-cutting deal"

—Sir Leon Brittan, European commissioner, on the EU-US deal on mutual recognition agreements

"We do not share the concern that...a new European currency would be a major threat to the dollar's role in the international system and in some way would do damage to America's interests."

—Lawrence Summers, deputy secretary of the Treasury

"We will all be closely watching events in Hong Kong."

—Jacques Santer, president of the European Commission

"I want issues that deal with people to dominate our summit in Birmingham next year."

—Tony Blair, British prime minister, referring to the 1998 economic summit to be held next May in Birmingham, England

EU News (CONTINUED)

shows. Kohl declined the cowboy boots, but he didn't exactly need to show off. His Neoplan touring coach had become his signature.

In pushing its humane agenda, Europe did well. The final communiqué stresses the need for linking prosperity and the creation of jobs. It also discusses environmental issues, including problems of climate change, protecting children, and advances the partnership with Africa. Europeanled proposals on counter-terrorism, verification of weapons of mass destruction, and security of airports and other transportation installations also were part of the final accord.

Denver's Summit of the Eight started off with a bang as Sir Leon Brittan of the EU and US Trade Representative Charlene Barshevsky cut a swath of red tape by signing a Mutual Recognition Agreement (MRA) on eliminating barriers to importation of portable phones, pharmaceuticals, recreational water craft, and medical imaging equipment. The MRA with the US covers well over \$40 billion worth of transatlantic trade a year. Sir Leon Brittan, VP of the European Commission, says, "The MRA has been one of the crowning achievements of the new Transatlantic relationship so far."

There were a few delicate moments. US officials stepped gingerly around the question of a single European currency. Meanwhile, environmental issues raised by Europeans at times drew tepid responses from US counterparts. And Europeans were openly skeptical of drawing too many quick conclusions from the surprising strength of the US economy. "The American model has been very good for Americans," Santer told reporters. "But we have to define our own model, and we have to perform it." In particular, an EU spokesman stressed that there is more emphasis on "social inclusion" in Europe.

On Africa, European Commission President Jacques Santer stated in an interview in Denver, "Africa is very important for us. The EU is the biggest donor to Africa with \$7 billion in development aid."

Although President Clinton adopted strict environmental standards for US industry in post-summit discussions, it's not certain whether the US will sign on to the European-led goal of a 15 percent cut in greenhouse gases by 2010. Still, Vice President Al Gore, the front-runner to succeed Clinton, is a strong environmental advocate.

Santer stressed that "Europe is committed to the environment, and we have to focus on environmental issues, especially on protecting the world's forests."

The creation of an economic environment where small to medium-sized businesses can flourish is one aspect of the talks that all agreed is important to the future of free market economies. During a luncheon break, Italy's Prodi led an informal discussion of this important topic, drawing lessons from the stunning success of small, predominantly family-owned manufacturing concerns in northern Italy.

—Henry Dubroff and Robert J. Guttman

ROBINSON CHOSEN FOR UN POST

United Nations Secretary General Kofi Annan named Irish President Mary Robinson the UN's new high commissioner for human rights. Both the United States and the European Union had supported Robinson's nomination to head up the UN office charged with promoting civil liberties worldwide. Annan said he expected Robinson to bring "dynamism, credibility, and leadership to the human rights center (based in Geneva)." She replaces the UN's first human rights high commissioner, Jose Ayala-Lasso, who had held the post since it was created in 1993.

Robinson, 53, a former barrister and an expert on European human rights law, was the first woman elected president of Ireland. Throughout her term, she expanded the role of the Irish presidency, taking on missions to countries suffering the ravages of both manmade and natural disasters, including Bosnia, Rwanda, and Somalia.

Annan indicated that, although he understood Robinson's presidential term did not end until December, he hoped she could take office before the UN General Assembly convenes in September. "I believe Mrs. Robinson understands the urgency and the need to start as soon as she can," he said.

UK VOTES TO BAN HANDGUNS

The UK House of Commons has passed one of the world's strictest gun control laws, banning the possession of handguns. The measure, which was approved by a vote of 384 to 181, has yet to complete the full legislative process, but the House vote was its biggest challenge.

Owners of Britain's approximately 200,000 licensed handguns will have until September to turn in the weapons for which they will be paid market value. The buy-back is expected to cost the government approximately \$280 million.

The UK's recent elections opened the way for proponents of the ban, who gained support from Number 10 Downing Street when Prime Minister Tony Blair took over in May. A previous law, enacted last February, had disallowed the possession of weapons larger than .22 caliber, but the new measure bans all handguns. The licensed ownership of shotguns and rifles will still be allowed—excluding automatic or semiautomatic weapons.

LUXEMBOURG ASSUMES PRESIDENCY

On July 1, Luxembourg assumed the EU's rotating presidency, taking over from the Netherlands, which had held it since January. The Grand Duchy's agenda for its sixmonth term will be focused primarily on preparations for monetary union and enlargement.

INSIDE EUROPE

Correspondents

Bruce Barnard, Henry Dubroff

Reuters contributed to news reports in this issue of *Inside Europe*.

Inside Europe 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.

BUSINESS BRIEFS

European and US companies forged joint ventures in telecommunications and defense, continuing the trend toward transatlantic alliances as firms struggle to manage hugely expensive projects and compete more effectively in global markets.

Philips Electronics of the Netherlands and **Lucent Technologies** of the US plan to merge their telephone manufacturing operations in a 60–40 joint venture with a 12,000 strong payroll and annual sales of more than \$2.5 billion.

The deal will give Philips its first break into the US consumer electronics market and presents a new threat to the leading mobile phone manufacturers—**Nokia** of Finland, **Ericsson** of Sweden, and **Motorola** of the US.

In the second mega-merger, **British Aerospace** joined forces with **Lockheed Martin**, the defense group, in a \$100 billion project to develop the next generation of jet fighter for the 21st century.

The agreement refueled industry speculation that British Aerospace will use the link as a lever to promote a single European aerospace and defense grouping, while Lockheed will return to civil aircraft manufacturing via an alliance with the four-nation European **Airbus** consortium.

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In a more modest, but more eye catching transatlantic tie up, **Porsche**, the German luxury car manufacturer, formed a joint venture with Wisconsin-based **Harley-Davidson Motor**, to assemble components for motor-bike engines.

The two companies will invest \$10 million each in a new factory to be built in 1999, probably in Kansas City, for new models Harley-Davidson plans to build in a few years. The US company has been using Porsche technology for its legendary bikes since the 1970s.

•••

Thyssen, the German steel and engineering group, is paying \$675 million for **Giddings & Lewis Inc.**, the largest maker of assembly line equipment in North America, to boost its presence in the US market.

Thyssen outbid a rival \$610 million offer by US-based **Harnischfeger In**-

dustries. for Wisconsin-based Giddings & Lewis, which generates yearly sales of \$700 million from automated machinery, mainly for car companies like **General Motors** and **Chrysler**.

Another US company to fall into European hands was **Raymond**, a forklift manufacturer, which was acquired by **BT Industries** of Sweden for \$373 million.

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KPN, the privatized Dutch telecommunications and postal group, plans to split into separate operations next year, prompted by the acquisition of **TNT**, a leading world express concern, and its involvement in **Unisource**, a telecoms alliance with medium-sized European companies and **AT&T**.

KPN said the two units had developed into profitable businesses in the past nine years, operating independently of each other, so the move was a natural progression.

KPN's postal business has attracted less investor attention than its more glamorous telecoms arm but has been more successful in spreading into new markets abroad. Its \$1.2 billion acquisition of Australia-based TNT has given it a chance to take on the market leaders **DHL**, **Federal Express**, and **United Parcel Service**. The telecoms division, by contrast, faces tough competition next year when the European market is completely liberalized.

Microsoft, the US computer software giant, has chosen the English university town of Cambridge for its first research center outside the United States.

Microsoft will invest close to \$100 million, a tenth of its research budget, in a new computer science laboratory.

Daimler-Benz, the German luxury car manufacturer, is mulling plans to build more cars in the United States and Asia as part of a program to boost yearly output from 600,000 to more than one million units.

Daimler-Benz recently opened a \$300 million plant in Alabama, its first full assembly plant outside Germany, which will make around 70,000 cars in its first year.

Jürgen Schrempp, Daimler-Benz's chairman, said US sales will be "well above" 100,000 this year compared with 86,000 in 1996. Rising sales have fueled speculation the company will soon decide to build a second plant to meet demand.

•••

US utilities tightened their grip on Britain's electricity industry after Oregon-based **Pacific Corp.** paid \$5.9 billion for **Eastern Group**.

Eastern Group becomes the eighth British electricity distributor to come under American control leaving only four remaining in local ownership.

Eastern Group, which supplies electricity in the east of England, is also the biggest coal operator in the United States.

• • •

Foreign investment in Scotland broke all records in the year to end-March with 86 projects worth more than \$5 billion with US, Japanese, and South Korean firms accounting for the bulk of the spending.

The top investment was a \$3.85 billion investment in two South Korean wafer fabrication plants, creating 2,000 jobs.

Underscoring the shakeout in European industry as it confronts globalization, two top firms announced sweeping restructuring programs with

massive job losses.

ABB, the Swiss-Swedish engineering group, plans to shed up to 30,000 jobs over the next five years in a renewed push to boost efficiency, slash costs, and spread manufacturing around the globe. Most of the job losses will be in Western Europe as the company switches its focus to emerging markets in Eastern Europe, India, and China.

Meanwhile, **Electrolux** of Sweden, the world's largest manufacturer of household appliances, will shed 12,000 jobs, or 11 percent of its work force, as part of new chief executive Michael Treschow's plan to boost operating margins.

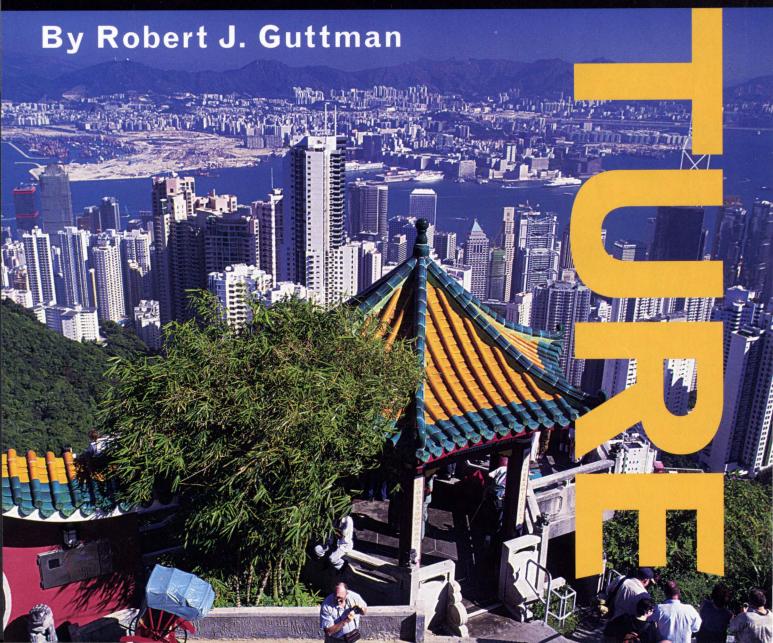
The Federal Trade Commission approved the Boeing-McDonnell Douglas deal. This would be the 10th largest merger in US history.

—Bruce Barnard

HONG KONG's

"If you were to take the top 25 groups in Hong Kong, basically every last one of us has come to the conclusion that not only will Hong Kong do okay after the changeover, Hong Kong will probably continue to thrive, if anything maybe even more so than before," says Ronnie Chan, a well-known Hong Kong businessman and chairman of the Hong Kong-US Economic Cooperation Committee.





Business

Chan's predecessor as head of the Hong Kong-US Economic Cooperation Committee is the new chief executive of the Hong Kong Special Administrative Region, C.H. Tung, a wealthy businessman who has lived in Hong Kong for 34 years. He is representative of the fact that Hong Kong will be run by Hong Kong's people.

Mr. Chan points out that Hong Kong "will keep its own currency, our own laws, our own law courts, and judiciary system. We will keep everything except defense and foreign affairs, and we will issue our own passports."

Chan, a council member of the World Economic Forum held annually in Dayos, Switzerland, and on the board of directors of Standard Chartered PLC, says openly, "Communism can't last. It is against human nature." He goes on to state that "China is now more capitalistic than America. In China today, it's raw capitalism. You go to China today, and you breathe money. China is more market-oriented than Western Europe, that's for sure. It may come as a shock to a Westerner. but that's the truth. I can assure you China is much more capitalistic than the Europe that I know, and I go to Europe 12-15 times a year."

The outspoken businessman believes that the US is "okay to advocate human rights, but to link it with trade is so foolish. Europe doesn't try to do that."

Chan has high praise for German Chancellor Helmut Kohl and thinks he is doing "a good job" in promoting German business in China. "French and Swedish companies are also doing fine."

Now that the changeover has been completed, the world waits to see what will happen in this thriving area that has become synonymous with capitalism and wealth. The US and EU have both pledged to watch the situation very closely in Hong Kong.

With more than 100 European commercial and financial organizations and more than 250 European companies based in this former British colony, as well as the fact that the EU is Hong Kong's tenth-largest trading partner, the Europeans have a large stake in the "new economy" and future civil liberties and human rights of this unique outpost of capitalism. Θ

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



With more than 100 European commercial and financial organizations and more than 250 European companies based in this former British colony... the Europeans have a large stake in the "new economy"

"After a thorough consideration of what is going to happen in Hong Kong economically, politically, and socially all of us, independently, have come to the conclusion that it's really okay. On balance we are comfortable with the changeover. Are these people worried? Yes, there is worry, but overall we judge that it's going to be okay," says

With the city's trademark capitalist zeal, many Hong Kong entrepreneurs see the changeover as an opportunity to make money.

Mr. Chan, who is chairman of three publicly traded firms (Hang Lung Development Company, Amoy Properties Limited, and Grand Hotel Holdings Limited) which have a total market capitalization of nearly \$7.5 billion.

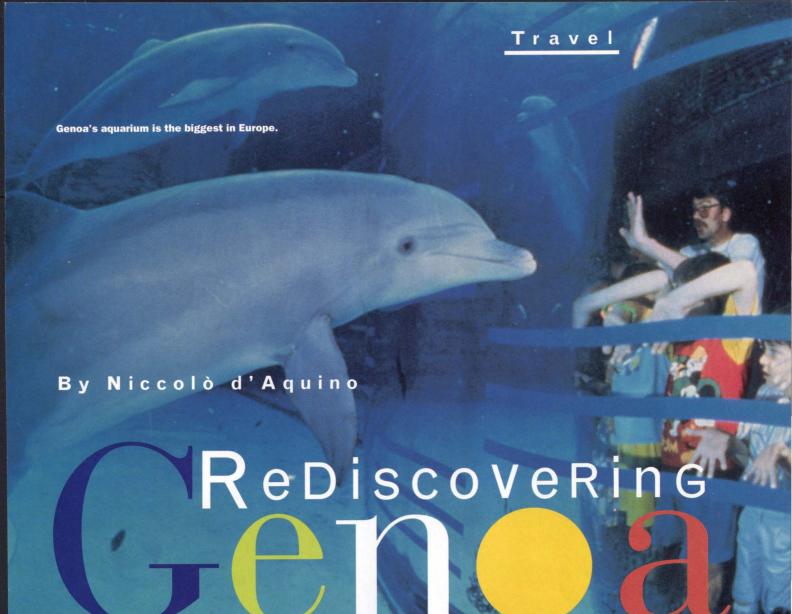
Although Mr. Chan appears at ease with the changeover, the media around the world and many other respected analysts are expressing concern about human rights and civil liberties being curtailed in Hong Kong now that the British have given up control of their colony, the world's eighth-largest trading entity.

The 1989 Tiananmen Square massacre in Beijing still weighs heavily on people's minds across the world, and there is concern that dissent will not be tolerated under the new government. Is the Chinese leadership benign or still strictly orthodox communists who don't tolerate dissent in any form?

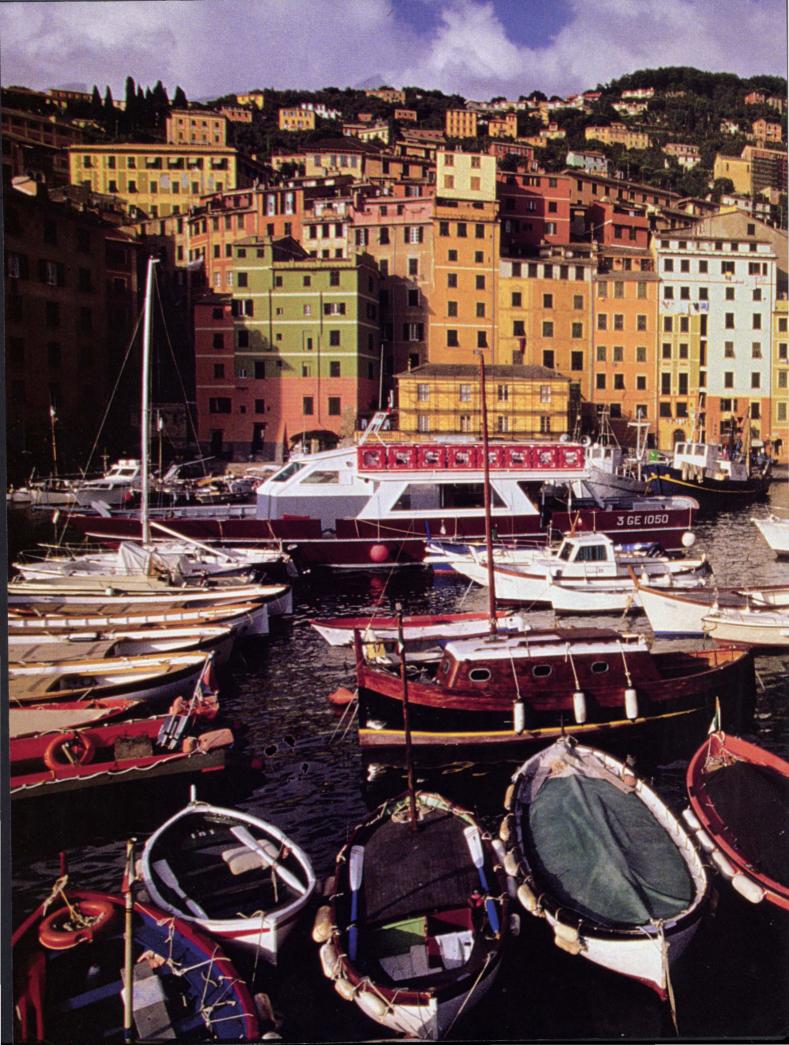
Mr. Chan, a very active civic leader in Hong Kong, who serves as a director on several US corporate boards and has business operations in Europe, says Chinese leaders are benign "as long as you stay away from two things—territorial integrity concerning Taiwan and Tibet and the rule of the party. If you touch these issues you will probably have trouble. As long as you don't touch these two things, the Chinese government is pretty benign."

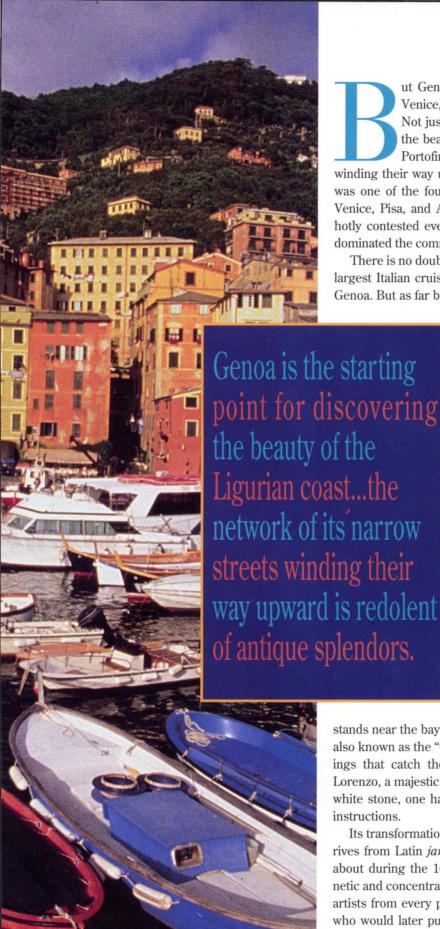
What makes Hong Kong such a unique and dynamic place? Mr. Chan believes "the British did a few things that were very good: creating a civil service, a legal system, a physical infrastructure, plus benign neglect. Britain was basically leaving Hong Kong alone for the last umpteen decades. Hong Kong has a higher per capita income than Britain today. What they didn't do was the best and that was benign neglect. That's a first."

Chan, a trustee of the University of Southern California and a member of the board of directors of Texas-based Enron Corporation, also thinks there is another key reason for Hong Kong being so unique. "The people in Hong Kong are just the most dynamic people I know of anywhere in the world. Hong Kong is people trying to improve themselves. People are incredibly hardworking and efficient."



It is fitting that the riches of the sea have again brought prominence to Genoa. Although the city's days of dominance as a European power have long since passed, Genoa is again attracting visitors who flock to see Europe's biggest aquarium. Built a few years ago near the port, it is even bigger than Monte Carlo's historic and beautiful aquarium. The Genoa aquarium immediately became one of the main Italian cultural destinations, following the Vatican museum and the archeological excavations at Pompeii. It attracted more than 1.5 million visitors in 1996. A visit, if possible on one of those rare days when it isn't invaded by school field trips, is an unforgettable experience.





ut Genoa, a city of art that could rival Rome, Florence, or Venice, deserved a visit even before the aquarium was built. Not just because Genoa is the starting point for discovering the beauty of the Ligurian coast, including nearby exclusive Portofino, but because the network of its narrow streets winding their way upward is redolent of antique splendors when Genoa was one of the four maritime republics of the peninsula that included Venice, Pisa, and Amalfi. Even nowadays, a regatta of rowing ships is hotly contested every year between the four historic powers that once dominated the commercial traffic in the Mediterranean Sea.

There is no doubt that Genoa owes its glory and riches to the sea. The largest Italian cruise ship company, Costa, still has its headquarters in Genoa. But as far back as 1100 AD the city could count on a flotilla of 70

ships, an enormous number for the time, all built in its shipyards, which were to become famous over the centuries. Sailing ships and oardriven galleys brought riches to the Genoans dedicated to maritime traffic.

Not all famous Genoans, however, managed to become rich. Certainly, not Genoa's most celebrated citizen, Christopher Columbus, who had to go to Spain's King Ferdinand in order to put together a fleet of three caravels with which he managed to discover the New World. Nevertheless, he died poor. The earthly life of another famous Genoan went a little better—Andrea Doria, *condottiere* and legislator, who in 1533 received the Emperor Charles V to Genoa with pomp that was unheard of at the time and festivities that lasted 122 days.

As opposed to other famous cities of the past, Genoa has always been loath to show itself off. In this its citizens—who are famous in Italy for being very careful not to waste money and therefore the butt of good-natured jokes—have given a precise imprint to the city. The Lanterna, the tall and severe lighthouse which

stands near the bay and once guided the ships into the harbor (Genoa is also known as the "City of the Lantern"), is perhaps one of the few buildings that catch the eye. In order to discover the Cathedral of San Lorenzo, a majestic and very impressive Gothic construction in gray and white stone, one has to enter the labyrinth of alleys and follow careful instructions.

Its transformation from a busy commercial port—the name Genoa derives from Latin *janua*, meaning "gate"—into a center of fine art came about during the 16th and 17th centuries. Artistic activity became frenetic and concentrated on the construction of luxurious palaces. Famous artists from every part of Europe, especially Flanders, arrived. Rubens, who would later publish a book on the palaces of Genoa, came, as did Van Dyck, both attracted by the possibility of painting the portraits of members of the resplendent Genoan nobility, who were willing to guardedly loosen the strings of their well-filled purses for a portrait. Θ



HOPETS

THE EUROPEAN UNION PRODUCES 60 PERCENT OF THE WORLD'S WINE AND DOMINATES THE MARKET BOTH IN QUALITY AND VARIETY. OF THE THREE GREAT WINE-PRODUCING COUNTRIES, FRANCE IS THE LEADER IN QUALITY, ITALY IN VOLUME, AND SPAIN IN THE AMOUNT OF LAND GIVEN OVER TO VINE GROWING.

European vineyards have vastly improved their standard table wines in quality and in price competi-



At many of Europe's small vineyards, the grape harvest is a family affair.

tiveness over the past 10–15 years, thanks to the challenge from the New World wines of Australia, the US, and South Africa.

The European response to this challenge plus the EU program to reduce acreage and increase quality has had a profound impact on producing highly marketable wines, which are increasingly popular in the US.

The US is an export market of growing importance, taking 20 percent of total EU wine exports. American imports from France last year were \$650 million, from Italy \$400 million, Spain \$84 million, Portugal \$64 million, and Germany \$39 million. All this out of a total market of less than \$1.5 billion **BY DAYID LENNON**





France is the producer of infinitely more fine

wines and more varied great wines than any other country. It is rivalled only by Italy as the world's principal wine exporter. But for quality and variety, it stands alone on the peak.

The wines of Bordeaux and Burgundy, and of course Champagne spring to mind the moment French wine is mentioned.

One of the keys to French excellence is the fact that the French wine industry is methodical in defining, classifying and controlling its vineyards and its production. The designation Appellations Controlees (AC) guarantees not only the origin of the wine but also that it is of a certain standard. Wine in France is predominantly red. So, it is good news for the French that red wine drinking is on the increase in the US. In 1991 red wine only accounted for 39 percent of imports, but by 1995 this figure had grown to 54 percent.

A recent poll of leading American restaurants showed that while California dominated, 15 percent of all wines mentioned on respondents' top-selling lists were French wines. Burgundy re-

| Top EU Wine Producers | |
|-----------------------|------------|
| (hectoliters/year) | |
| Italy | 56,294,000 |
| France | 55,610,000 |
| Spain | 21,140,000 |
| Germany | 8,361,000 |
| Portugal | 7,255,000 |
| Greece | 3,875,000 |
| Austria | 2,229,000 |
| Luxembourg | 150,000 |
| United Kingdom | 13,000 |
| Belgium | 2,000 |
| Source: Eurostat 1997 | |

| Annual EU Wine Consumption | |
|----------------------------|-------|
| (liters/capita) | |
| Italy | 61.9 |
| France | 60.7 |
| Portugal | 57.4 |
| Luxembourg | 53.7 |
| Spain | 37.4 |
| Austria | 31.1* |
| Greece | 29.1 |
| Denmark | 23.8 |
| Germany | 23.1 |
| Belgium | 20.5 |
| Netherlands | 13.0* |
| Sweden | 12.2 |
| United Kingdom | 12.1 |
| Ireland | 5.3* |
| Finland | 5.1 |
| *1995 figures | |

mains the most popular region.

The greatest single French wine brand in the US market is Champagne. Americans spent almost \$250 million on Champagne imports last year.

The US is the largest export market for French wines in terms of value. Though in volume, France trails Italy's 40 percent. The higher prices its fine wines command mean that by value French imports represent 42 percent of imports compared to Italy's 31 percent.

Italy is the world's biggest wine producer. Production underwent a revolution in the 1970s and 1980s with the end of the practice of fermenting white wines on their skins. Lighter and fresher whites have resulted. The dominant types of Italian wines sold in US restaurants are the world famous Chianti Classico, and the ever popular white Pinot Grigio. Top Chianti brands include Antinori and Ruffino, while Santa Margherita was the most asked for Pinot Grigio in the poll of restaurants.

Spain has more land under

grapevines that any other country, including Italy, but wine production is only one-third that of Italy. The export of branded names is still relatively underdeveloped as the bulk of Spanish wines are either drunk on the spot or exported for blending.

One huge Spanish success story is Cava, the sparkling wine that is Catalonia's answer to Champagne. The two leading brands are Freixenet and Cordoniu. These two houses are great rivals, with the former dominating the export market thanks to aggressive advertising featuring film stars such as Liza Minnelli, Sharon Stone, and Richard Gere.

Selling for as little as one-third the price of an average Champagne, Cava is making huge inroads into Champagne's market dominance worldwide. In 1989 Champagne exports stood at 94 million bottles compared to 48 million of Cava. By 1995 the gap had narrowed with Champagne sales slipping back to 86 million bottles while Cava continued to grow reaching 60 million bottles. Spanish fizz now accounts for more than 10 percent of US imports of sparkling wine in dollar terms.

The US is a vitally important market for German wines, taking 25 percent of overall exports. German wine production is only one-seventh that of France, and more than 85 percent is white. The most popular German wine imported to the US is Riesling, the great grape from which the best wines are made.

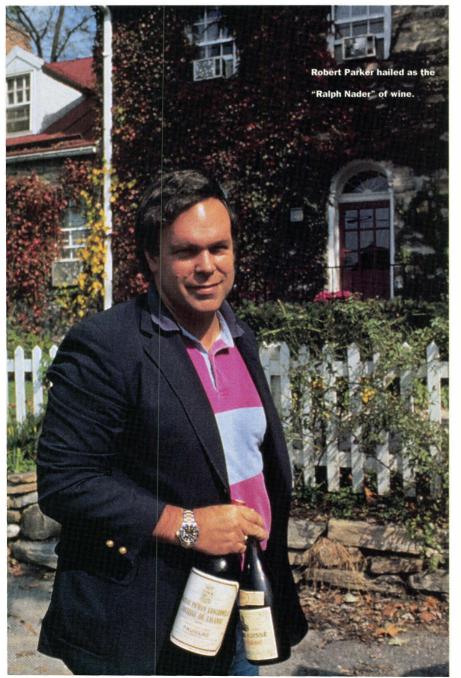
One other European producer that cannot be ignored, certainly not in the context of the US market, is Portugal. A poll among restaurants showed that more than 20 percent of diners in America asking for an after dinner drink took Port. Imports last year topped \$30 million.

Port merchant Alaistair Roberts of Taylors explained, "We are looking at an American who wants his fine Port to accompany his equally fine cigars, and a person who knows exactly what he wants."

On the basis of the phenomenal growth of the US market for European wines in recent years, it is clear that the Americans know they want more European wines. Θ

David Lennon is EUROPE's London correspondent.

WINE GURU ROBERT PARKER SPEAKS OUT ON EUROPEAN VINTAGES. By Ester Laushway



A LAWYER BY PROFESSION, a wine writer by passion, Robert M. Parker, Jr. has managed to combine elements from both careers to become the best-known advocate of wine in the United States. In the 18 years he has been writing about wine, his word has become law. The bimonthly consumer's guide he publishes, appropriately named *The Wine Advocate*, for which he personally does all the tasting and writing, started out with fewer than 600 subscribers. Today it has more than 30,000 loyal readers, not just in every American state, but also in more than 37 foreign countries.

In addition to his journal, Parker has published nine hefty and authoritative books on wine, which have been so successful that they have shaped wine-buying habits and even determined wine-making trends from California to France to Italy to Spain. His first book in 1985 dealt with Bordeaux. From there he moved on to cover the wines of the Rhône Valley, Provence, and Burgundy. He has brought out four editions of a complete wine buyer's guide to the major wine regions of the world. His 100-point rating system has consumers hunting down wines to which he has awarded 90 points or more—the ultimate seal of excellence—and vintners vying with each other to produce wines that achieve those top marks.

He has been called the "guru" of wine, a term he dislikes, or the "Ralph Nader" of wine criticism, which he much prefers. Parker has

Food & Wine

 66 I believe 1997 is going to be a great year because I was born

IN 1947, IT WAS A HOT, PRECOCIOUS

MOST OF EUROPE. ??

VINTAGE, AND THIS YEAR IS SHAPING

UP TO BE THAT KIND OF VINTAGE FOR

certainly been the man who revealed French wines to the American public. His influence is so powerful that

vineyards have been known to try and "parkerize" their wines just to suit his taste. The style he tends to prefer are oak-aged, beefy reds with lots of tannin and extract, but his genuine love of the grape extends to all well-made wines with an authentic character of their own. Widely acknowledged to be an incorruptible judge of the wine industry, even his fiercest critics will admit that his tasting notes are scrupulously honest and independent.

He believes that the booming sales of European wines in the US in recent years are due in great part to the medical

profession's discovery that drinking wine in moderation is actually good for your health. He also thinks that Americans are becoming more and more interested in the finer things of life and are realizing that a good meal accompanied by a good bottle of wine rank high up among earthly pleasures. "One of the things that ap-

pealed to me about wine when I discovered it in France in 1967," he says, "is that unlike liquor, which tends to numb you, or beer, which tends to bloat you up, wine has this very mild and subtle effect and yet seems to complement food." European wines, he believes, generally work better with food than their American counterparts. "American wines tend to be more exuberant, more overtly fruity, and sometimes a bit heavier. European wines tend to be slightly lighter and tend to complement cuisine a little bit more."

Another important point in favor of European wines, compared to those produced in the US, is that there are still many real bargains to be found. The regions of southern France, for example, which Parker warmly recommends, have some great surprises in store for the wine lover willing to look beyond the most widely known names. "American wines tend to be expensive, and it seems like the best wineries are aiming at the very top of the wine pyramid. We do have inexpensive wines from California and Oregon, but they generally are rather mediocre, mass-produced, without much individuality or character, whereas for under \$10, from Languedoc/Roussillon, the southern Rhône Valley and Provence you can buy wines that are really quite, quite good."

With an appalling jump in prices in the big name *chateaux* of Bordeaux, some of which have doubled in the past year, Parker advises shopping around outside the really famous appellations like Pauillac and St. Julien and Margaux, and trying wines "like Côtes de Blaye and Côtes de Bourg and then Bergerac, which is a little further east, and into the south, to Madiran. The smart consumers are looking in these directions now and are finding that it's amazing what you can buy in the \$8 to \$12 range."

France is not the only treasure trove of reasonably priced wines in Europe. In Spain, where the best-known name for most Americans is probably Rioja, Parker suggests "areas like Navarra, which is making a lot of very fine wine at very good prices. Another area is Toro in the north, which is producing a lot of very good, fleshy red wines for well under \$10 a bottle."

In Italy, where the wines from the Piedmont region have become somewhat like Burgundy, made in limited quantities and sold at nearly unlimited prices, the most exciting areas, in his opinion, are "Umbria and further south, Campania and Abruzzi. There are a lot of rustic but flavorful country red wines available at a very good price."

When asked about personal favorites, Parker freely admits to a strong liking for French wines, on which he trained his taste buds. Asked to choose the wines he would drink with his very last meal—which would be a long one—he unashamedly picks all of them from France: "I think I'd have to start with a great bottle of Champagne, whether it be a great vintage of Dom Pérignon, or Louis Roederer Cristal, or

Krug. Then I would probably move on to a sumptuous white Burgundy and then have a combination of Rhône wines and top Bordeaux from Pomerol and Médoc, and then finish with a sweet wine from the Loire Valley, like a great Vouvray."

Since the golden decade of the 1980s, when perfect weather at harvest time pro-

duced a string of very good to great vintages, wine makers all over Europe have had to deal with several years of erratic weather, including spring frosts and autumn rainstorms. The 1996 vintage was no exception and ranges from mediocre to good to exceptional, depending on the region that is being described. In any case, says Parker, vintages are never all bad nor all good. "I think the most important advice for anyone is that if you like wine from a particular area, then follow the best producers in that region, and even in so-called mediocre years the good people will make very fine wine."

In his mind the top success of 1996 is the Loire Valley in France. The northern Rhône Valley and Burgundy are also going to be successful, and in Bordeaux, Parker particularly recommends "the Médoc area, which produced a lot of very concentrated, powerful wines that aren't going to be that flattering to drink young but are going to be keepers and be stunning wines in 10 to 15 years."

Elsewhere, the Piedmont region of Italy had an exceptionally good 1996 vintage, while Umbria and southern Italy produced wines that are perfectly good but not up to the great standard of 1995. In Spain, the wines of last year are a mixed lot because it rained for much of September, whereas Germany had a very good year as a whole even though it also had to deal with a somewhat inconsistent wine harvest.

Parker is an optimist and is convinced that after a cycle of unpredictable vintages we are now due for a memorable one, particularly since this is a special anniversary year for him. "I believe 1997 is going to be a great year because I was born in 1947. It was a hot, precocious vintage, and this year is shaping up to be that kind of vintage for most of Europe."

If anyone can predict the future of wine, it is Robert Parker. At a modest estimate, he tastes more than 10,000 wines a year—and in spite of indulging an avowed love of rich cooking, he has absolutely no cholesterol problem. So follow his example and drink up. To your health!

Ester Laushway is EUROPE's Paris correspondent.

AN OVERVIEW OF CURRENT AFFAIRS IN EUROPE'S CAPITALS

This month we asked our Capitals correspondents to write about their favorite local cuisine and in the process discovered that the old saying is true: The way to a journalist's heart is definitely through his or her stomach.

PARIS

PRIME VIRGINS

A sking me to write about my favorite food or beverage is like asking a kleptomaniac to go into Bloomingdales and come back out with just one item. I am sorry, but it is impossible.

Not only do I rank eating and drinking high up on my list of favorite preoccupations, but I also live in France, paradise on earth for anyone with an oral fixation.

This is the land that produces close to 400 cheeses, including creamy, pinescented Vacherin that you can eat with a spoon, and ripe Brie that smells of mushrooms and cognac. This is the country where a continuous parade of fruits and vegetables succeed each other through the seasons, from purple-tipped white asparagus, to golden melons that intoxicate you with their honey perfume, to pungent mushrooms in autumn colors. This is where wine flows at every meal, in colors ranging from the palest lemon yellow to the deepest garnet and tasting of everything from green apples to blackberry jam to truffles.

So I am going to duck out of an impossible choice by singing the praises of an ingredient that is an integral part of French cooking, particularly in the south of France where I live. This miracle elixir is olive oil. It runs in a green-gold stream through the heartland of French culinary

FOOD
WINE

traditions and enhances the flavor of everything from salads to sauces to grilled dishes and stews.

Not only is it delicious, but it is also good for you. It has been shown to prevent heart disease, keep cholesterol levels down, help your digestion, and is one of the few foods that you can apply as well as ingest. Used in soaps and cremes and lotions, olive oil does wonders for your skin. Here in Provence, you do not find olive oil; you find olive oils—a whole range of them, all virgin, i.e. obtained at a single pressing, each with its own typi-

cal aroma and taste. In the village of Gémenos, on a lushly forested plateau southeast of Aix-en-Provence, there is a restaurant called Le Baron Brisse, which presents a list of olive oils the way other restaurants offer you the wine list. Its chef and owner, Robert le Bozec, has spent 10 years putting together a selection of seven different prime oils that show what an astonishing range of tastes different varieties of olives can produce. depending on when and how they are picked and pressed. Oil from the Aglandau olive, for example, is strong and peppery and marries well with lamb; Cayanne oil has a cooked quince flavor and is a good match for seafood and blanched vegetables; while Grossane oil. depending on where it is produced, tastes either of strawberries or citrus fruit and is ideally suited for sweet pastries.

The restaurant features some of these prime virgins in every course of a special olive oil tasting menu that changes monthly. In May, when I visited, the starter was an aspic of asparagus and beans with a dressing of Bouteillan oil, which has a savor of lemons, nuts, and pears. This was followed by potato-andspinach cakes, accompanied by prawns sautéed with aniseed and Cavanne oil. The main dish was spring rabbit with chick peas and a goat cheese sauce flavored with Aglandau oil. The meal ended with lightly stewed strawberries and fresh mint on a sweet pastry shell prepared with Grossane oil.

During the replete phase that followed, when I was reluctant to move, Monsieur le Bozec sat down and told me about a group of olive specialists he works with, who spend their time visiting the olive orchards of Provence, looking for new, unknown varieties. "A few years ago they tracked down a type of olive that does not yield any oil at all, which for an olive is quite a paradox," he explained. "And last year, in an orchard planted with Aglandau olives, they discovered three olive trees planted to-

gether that were completely unknown and that produce an oil that has a very strong jasmine taste. In general, olives yield oils tasting of fruits or vegetables, but this is the first time there has been one with flower flavors."

Monsieur le Bozec has already reserved the next harvest from this unique trio of trees. He plans to create a new recipe with it, and I plan to taste it.

Le Baron Brisse is located near the town of Aubagne—an hour's drive southeast of Aix-en-Provence. Tel: 011 33 42 32 00 60.

-Ester Laushway

BRUSSELS

MORE THAN MUSSELS, WAFFLES, AND CHOCOLATE

Belgium may not excel in many fields of activity, but gastronomically it is undoubtedly in the top league. The city of Brussels alone boasts no fewer than 25 restaurants awarded stars by the prestigious Michelin guides—more than any other city in the world apart from Paris, which is 10 times its size. Other Belgian cities, such as Antwerp, Bruges, and Ghent, also have no shortage of starred establishments, and indeed every town, quartier, and large village boasts one or more eating places of high quality, as well as an amazing variety of pubs, cafés, and bistros.

Virtually every national cuisine is on offer in Brussels—from French, Italian, Spanish, and Chinese to African, Arab, Indonesian, Korean, Mongolian, Thai, Tibetan, and even North American food. Yet the visitor is best advised to sample the rich diversity of Belgian national dishes.

These may be eaten anywhere in the country, but perhaps most distinctively in the run-down, but picturesque, area of central Brussels, known as the Marolles, the site of the city's daily flea market. Here in inexpensive establishments, such as Au P'tit Chien (a pun on the optician's shop it used to be), Le Breughel (named after the painter who lived nearby), and Au Stekerlapatte, the very best of Belgian dishes are served, invariably in generous helpings.

The dishes are based on locally produced products—oysters, mussels, eels, and sole from the North Sea; trout from the Belgian rivers; paté, smoked ham, and game from the Ardennes; and vegetables such as celery, chicory (or *witloof*), Brus-



Belgian waffles dusted in powdered sugar make a great beach treat.

sels sprouts, and tomatoes; as well as hothouse grapes, grown extensively in Flanders and on the Brussels periphery. Many Belgian dishes are cooked in beer, which is also a prized national product, with nearly 100 breweries producing an enormous quantity and variety of specialized beers.

Among popular dishes are waterzooi (fish and chicken cooked in soup), anguilles au vert (eels in herb sauce), lapin au chou (rabbit cooked with new cabbages), and oie à l'instar de Visé (goose first boiled, then fried in a garlic-flavored sauce). The most popular Belgian dish of all is mussels with chipped potatoes. This can be prepared in dozens of different ways-the favorites being moules au vin blanc (similar to the French moules marinières, but with the addition of celery), moules à la bière (cooked in beer), and moules au navigateur—an Antwerp specialty in which curry powder is included among the ingredients.

The meals are usually concluded with a sample of the rich Belgian chocolates known as *pralines*. These may also be bought in boxes and are a very acceptable present to bring back to one's family or friends or to present to the hosts at a dinner party. The three main brands are Godiva, Neuhaus, and Leonidas. The latter are the best buy, just as tasty as the rival brands but much cheaper. Finally Belgium is renowned for its *gauffres*—or waffles—which are on sale at street stalls in every town and serve as a handy midday snack.

—Dick Leonard

BERLIN

GERMANS SAVOR SAUERKRAUT

From time to time—during war especially—scorn and abuse are poured on people's eating habits. So Italians are caricatured as macaroni and garlic eaters; the French are ridiculed as frog eaters. In the case of the Germans the derogatory term "krauts" (which refers to the national taste for sauerkraut) is applied as if there were no other aspect of the German character worthy of consideration.

One thing, however, is certain: sauerkraut does not deserve to be used as a term of abuse for the "ugly German." Sauerkraut became part of the staple diet during medieval times. It was healthy, tasty and cheap, and it was easily preserved for a long time without refrigeration. Barrels of sauerkraut could be found in cellars in the countryside and in the towns. People let the cabbage ferment in a brine of its own juice with salt, the same way that wine or sourdough ferments. This process, in the case of white cabbage, produces lactic acid, which is good for the stomach and digestion.

Available at all times, sauerkraut thus became an integral part of many typical old German dishes, such as *Berliner Eisbein to Schweinehaxe* (knuckle of pork) Berlin or Bavarian style, *Nürnberger Bratwürste* (fried sausages), *Schlachtplatte* (consisting of

cooked ham and sausages), *Krautspätzle* (Swabian cabbage noodles). All of these dishes are served with sauerkraut and mashed potatoes and sometimes mashed peas. The sauerkraut is neither too salty, too bitter, nor overly seasoned. It is also served with hearty portions of sauerbraten and potato dumplings. Another well-known variant is the *chucroute* of Alsace.

Germany is also a land of sausages (wurst) with hundreds of regional varieties. Try the thin, long bockwurst accompanied by one of those incomparable German potato salads, ever so sweet, ever so sour.

From April until June, asparagus is the sought-after delicacy on vegetable stands throughout Germany. Restaurants offer as many as 60 different asparagus dishes. Germans shower the asparagus with special admiration. Books have been published on its virtues and festivals given in its honor. A few years ago in the small town of Schrobenhausen, the asparagus mecca of Bavaria, Germany's one and only asparagus museum was opened. It has a collection of some 200 items including ancient books, royal asparagus cutlery, paintings, and china.

Also, Germans have long been serious bread bakers. Goethe and Brecht praised the virtues of bread in their poetry, and modern Germans still consider it the most important foodstuff. More than 200 different kinds of bread are available here, not including 1,200 sorts of rolls and pastries.

German bakers are especially known for their use of rve grain. Three-fourths of the breads and rolls sold here contain rve, although bread types do follow a regional pattern. Southern Germans prefer a lighter bread, while northern Germans tend to buy a darker loaf. Other regional specialties include Westphalia's sweetsour pumpernickel, the Rhineland's black-bread, and Berlin's tasty rolls. Of course, there remains the German baker's trademark—the salt pretzel, which is a favorite especially in southern Germany. They taste wonderful served warm with a little butter and washed down with a good light beer. Of course, Germany is also a beer drinker's paradise, but that is another story.

-Wanda Menke-Glückert

LUXEMBOURG

PEASANT VERSUS GOURMET

uxembourg restaurants sometimes translate *judd mat gaardebou'nen* as "pork and beans" for their English-speaking customers, but be warned: This is a most serious dish, and you will not need to eat again for quite a long time after it.

Judd mat gaardebou'nen—more fully rendered as smoked collar of pork with broad beans—is widely accepted as the Luxembourg national dish. It originated in the village of Gostingen, where the best broad beans in the country are said to grow and where the locals are disrespectfully called "bean people."

There are two main strands to Luxembourg cuisine—we might simply refer to them as the peasant and the gourmet. *Judd mat gaardebou'nen* is a classic example of the former. The meat is served in huge portions in a kind of bean stew enriched by cream, herbs, and other vegetables.

Under the same heading comes *treipen*, or Luxembourg black pudding—a mixture of ground pigs' offal, blood,

and vegetables served in the form of sausage rings. Peasant fare—and the term is not in the least derogatory in Luxembourg—will also include beef stewed in beer and haam am heé.

For the latter you need a large metal container like a bathtub, which is lined with hay, half-filled with water, and placed on a fire. A shoulder of ham is laid on the hay and cooked by steam.

Not surprisingly perhaps, few tourists are tempted by these dishes and even long-term expatriate residents can find the preparation of them daunting. A retired English teacher once tackled *kachkeis*—a hot cheese dish. This is bought initially in six-inch slabs, mixed with vinegar, mustard, and other flavorings, boiled and served as a dip or spread. But something must have been lost in the cooking. "It was like wallpaper paste," she said.

The other kind of eating out in Luxembourg is more refined. Dishes like the prize-winning rack of lamb in potato crust, as perfected by the master chef Lea Linster, are very *haute cuisine* indeed. Luxembourg abounds in gourmet restaurants—boasting more Michelin stars per capita than any other country in the world.

Many visitors nevertheless find their happiest eating experiences somewhere between these two extremes. *Jambon d'Ardennes*, the distinctly flavored smoked ham from the Ardennes, and *fritures de la Moselle*, which are tiny river fish fried in deep fat, are particular favorites.

Both these dishes owe part of their charm to the accompanying Riesling wine, which is virtually obligatory. The Luxembourg Moselle wines—less sweet than the German Moselles in spite of the closeness of the vines to each other—are

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hugely popular in the Grand Duchy itself and in neighboring Belgium. It's justifiably said that if they could be produced in sufficient volume for export they would rate comparison with the best of the French and German vintages.

Luxembourg's wines might well be the country's greatest contributions to the fine life, but its excellent clear liqueurs such as Quetsch, Poire Williams, Mirabelle, Kirsch, and Prunelle are also much admired. Few items bought in Luxembourg will give more delight than a bottle of one or other of these fiery fruit distillations.

-Alan Osborn

LISBON

PORT APPEAL

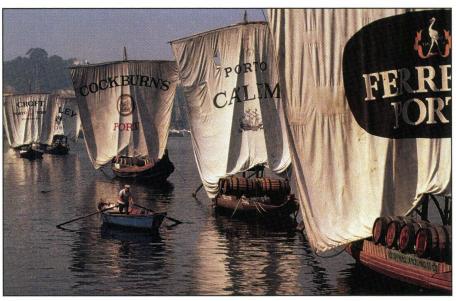
enowned as the English gentleman's after-dinner tipple, Port wine had an image problem. For younger British drinkers, not inclined to indulge in Stilton cheese and cigars, Portugal's famous fortified beverage was just too heavy, and they were passing the Port—without even sampling it.

But the enterprising Portuguese have managed to hold onto their European market share by turning their attention across the English Channel. In France, Port is drunk as an aperitif and doesn't carry overtones of the gentleman's club. Although the Brits still wax lyrical about the drink's luscious body and rich bouquet, the French are now the biggest Port drinkers in Europe. Shippers note with satisfaction that Americans, too, have acquired a Port habit in recent years. Transatlantic orders are mainly for the top of the range vintage product.

To help widen the Port appeal, growers in the Douro Valley Port region of northern Portugal recently set up the Port Wine Route. This tour offers visitors an á la carte choice of stops among 54 sites at estates, bottlers, and wine bars. For real aficionados, there is also a chance to get your feet sticky while participating in the ancient art of grape treading.

The tours run from the city of Oporto, home to the great Port wine lodges, along the narrow Douro Valley with its steep hills and terraced vineyards. The countryside is magnificent in spring and fall.

Back in Oporto, a stroll along the riverside Port lodges quickly reveals the longestablished connection between British families and the Port business. Syming-



Port wine was said to have been invented when merchants added brandy to young Douro wine to stabilize it during the voyage to England. Today Port lovers can take tours of the Port Wine Route.

ton, Taylor, Cockburn, and Graham, are household names in Portugal. The association goes back to 1703 when a treaty gave Portugal priority in buying English wool, while England bought Portugal's best wine. According to legend, two Liverpool wine shippers added brandy to the young Douro wines in an attempt to stabilize them for transport to England—and so unwittingly invented Port.

The drink has become a little more refined since the 18th century, but the basic recipe hasn't changed. It starts life as a fairly raw red wine made from a cocktail of different grape varieties. The grape brandy is added halfway through the normal fermentation process to kill off the yeasts and leave some of the unfermented sugar so that the wine is naturally sweet.

The basic types include ruby, tawny, vintage character, and late-bottled vintage Port, but none of these are true vintage Ports, which account for just 2 to 3 percent of total production.

The vintage Ports are the crown jewels of the Portuguese wine industry, produced from a single harvest's grapes in an official vintage, when the quality is deemed extraordinary. Three vintage years have already been declared this decade: 1991, 1992, and 1994.

Vintage Ports are intended for maturing in the bottle and should be kept for 15 to 20 years after bottling. For the less patient, a 10 year old tawny can provide more immediate pleasures while you wait.

-Samantha McArthur

HELSINKI

FOOD FOR A COLD CLIMATE

n her book about Finnish cooking, the curator of the Helsinki School of Hotels and Restaurants, Ms. Hilkka Uusivirta claims that Finnish cuisine is rich and balanced. Undoubtedly one can argue that is a matter of opinion. The Finnish location on the map (one-sixth of the country is north of the Arctic Circle) indicates that the domestic supply of vegetables and fruits is rather limited. Also linked to the northern location is the fact that Finnish food traditionally contains a fairly high proportion of animal fat. In times before centrally heated buildings, the ancient Finn had to be able to stand the cold during the long winter and needed a protective layer of fat under the skin. This fact has left its mark to this day as Finns consume more milk and butter than any other people in the world, and cardiovascular diseases occur at a fairly high rate in the country.

Funnily enough, the Finns are the heaviest coffee drinkers in the world too, and the Finnish coffee is both good and relatively cheap. Overall the Finns eat like people in a country where you can get anything money can buy. There is not much difference between a grocery store in Helsinki, London, or Chicago. Pizzas and hamburgers are as common in Finland as in Rome or New York.

There are, however, some specialties that you can pinpoint as genuinely

Finnish. For example the *kalakukko*, a mixture of pork meat (as greasy as possible) and a small freshwater fish called *muikku* cooked inside a dough of rye. It tastes better than it sounds. There is another version with rutabaga instead of the fish.

Being a descendant of hunters from the deep Finnish forests, the urban Finn still enjoys eating game. The Finns love both moose and reindeer. It is almost impossible for a foreigner to avoid a meal of reindeer no matter how much one disapproves of having a cousin of Rudolf on the table.

Although the rest of the world long ago realized that wine can only be made from grapes, the Finns obstinately continue to produce wine made from berries-black or white currant, raspberry, and even rowanberry. In some cases these drinks make an interesting acquaintance, but to call them wines? Some more experienced connoisseurs do not regard the local imitation of Champagne made from white currant as a drink, but rather a punishment. Stronger stuff is a different matter. Arctic bramble and cloudberry are the base for some outstanding liqueurs one definitely should try when visiting Finland. Of course, there is the Finnish vodka, which is superb.

—Thomas Romantschuk

STOCKHOLM

CELEBRATING THE HERRING AND CRAYFISH

The moment the can was opened, the smell of fermented herring quickly found its way around every corner of the house. Amazingly, the people sitting around the nicely set table on the verandah didn't show any surprise or wrinkled noses. They just smiled and made yet another schnapps toast as they waited for the hostess to bring out the main dish—the *surströmming*.

Surströmming (fermented herring) is not the most common Swedish food, though perhaps the most bizarre. It is actually an old method of preservation used in the north of Sweden. Salt was expensive, and instead of preserving by heavy salting, fishermen mixed just enough salt with the fish to prevent them from rotting and instead start fermenting. The fish are put in spherical tins, where they ferment for about a year.

From being a poor man's food, fermented herring has risen to become a delicacy, at least in the north of Sweden. Traditional surströmming parties are held in August. The fish are served with a special dish of "almond potatoes" and an unleavened thin bread that is a northern Swedish specialty.

Another traditional and more common August party celebrates the cray-fish. Official crayfish season starts in the middle of August. Crayfish were once very common in Swedish waters, and on the first day of the crayfishing season, people went out at night to put little crayfish traps in the nearest stream or forest. They came back the next morning hoping for lots of black shiny crayfish crawling around in the traps.

THE HAGUE

HOLLANDSE NIEUWE

It's a raw, slightly salted fish, and the Dutch love it. Ask for a *Hollandse nieuwe*, and everybody in the Netherlands knows what you are talking about. Hollandse nieuwe is the fresh catch of herring, brought ashore from late May onward and prepared in a specific way that was developed in the early 14th century.

Every year the Dutch eagerly look forward to the first herring of the season caught in the North Sea. And it's always excellent. The meat is tender, slightly salty, and fatty. It is even promoted as



Each year the Dutch look forward to the year's first herring catch and buy them fresh from street stands.

The party tradition is kept alive even though native Swedish crayfish are in desperately short supply. Nowadays crayfish have become rare in most Swedish waters due to over-fishing and an increase in the wildlife that also enjoy crayfish feasts. Now they can instead be found frozen, mostly imported, in big quantities at the nearest supermarket.

The crayfish are served with toasted bread, cheese, beer or wine, and schnapps. Eating on plates decorated with crayfish, wiping the sauce off cheeks with crayfish napkins, and drinking out of glasses bearing crayfish designs, the guests also put little paper hats on their heads and sing crayfish songs.

—Frida Kasteng

good for your health (and an excellent cure against hangovers). The price in the shop or at a herring cart is about two guilders fifty (\$1.25) a piece.

Like in a Japanese sushi bar, the final preparation of the herring only takes place when it is sold to the consumer. Then, the head is cut off, the intestines taken out, the bones removed and the skin peeled off. What remains is a tender piece of meat, with the tail.

Herring is one of the rare fresh food products sold on the streets in the Netherlands, from wooden herring carts. There is even a special way of eating herring bought from a street-cart: keep the tail between two fingers, hold the herring above your head and, slightly bending backwards, let it gently slide into

your mouth. Let it melt on your tongue and enjoy the salty taste of the fish.

Of course, herring are also served in restaurants, at parties, or with drinks, particularly in combination with beer or Genever (a Dutch kind of gin made of barley and juniper berries). For Dutchmen abroad, herring is a delicacy with a nostalgic taste of home. Dutch ambassadors, with the help of KLM, always make sure that herring is available at the annual parties celebrating Queen's Day (April 30).

Traditionally, there used to be a race among the fishermen to see who would be the first to bring his barrels of herring ashore. It was the beginning of the new fishing season, celebrated with the entire fishing fleet decorated with bright flags before sailing toward the North Sea. There used to be a lot of rivalry between the fishing villages along the Dutch coast as to who would be the winner. That has changed now, with the large trawlers leaving for longer fishing trips. But the first barrel is still auctioned at a high price, and the yield of the sale is nowadays usually donated to a charity.

The importance of the herring is the subject of a story learned in history

lessons in primary school. Jan Willem Beukelszoon, a fisherman from the village of Biervliet, who lived in the beginning of the 14th century, discovered a new way of conserving herring. The technique is performed right after catching the fish and consists of cutting away the gill, heart, and part of the intestines, but leaving the pancreas. Then, the herrings are stacked in a wooden barrel with salt added. The discovery of this technique is credited with helping the Dutch fishing industry successfully compete with the English.

The amount of herring and the quality of the fish depend on the conditions of the weather, the water temperature, and the availability of plankton, the main food for herring. The tastiest herrings, called *maties*, are those caught when they are three years old, reaching fertility and at their fattest.

There is a catch to the hollandse

nieuwe, though. Due to overfishing of the North Sea, the stock of herring has decreased alarmingly over the last few decades. Therefore, the European Union allots an annual quota for the maximum amount of herring (and other types of fish) allowed to be brought ashore. These limits are the subject of fierce negotiations between the main fishing countries of the EU: the Netherlands, Denmark, the UK, and Spain. It would be political suicide for a Dutch fishery minister to agree on too large a cut in the



Tea at the Ritz in London is more than just a cup of tea.

quota of herring. After all, Hollandse nieuwe is part of the national heritage.

—Roel Janssen

LONDON

THE AFTERNOON TEA RITUAL

Scar Wilde's hilarious comedy of manners, *The Importance of Being Earnest*, opens with Lane, the manservant, busy arranging afternoon tea. The first scene features a series of distractions around the question of the cucumber sandwiches, which Algernon had ordered for his rather terrifying aunt, Lady Bracknell, who was coming for afternoon tea.

Nowadays there would not be such a fuss, as cucumber sandwiches no longer play such a central role in the ritual of the afternoon tea. But, scones, now that's another matter.

Afternoon tea is a uniquely English ritual, which is also enormously pleasurable. Naturally it is taken in the afternoon, and of course, it involves tea. But neither the timing nor the actual content are rigidly defined.

Ideally it should take place sometime between 4 pm and 6 pm, except that this has now been blurred by earlier availability in tourist centers. The content is also a matter of regional preference.

If you go to the magnificent Ritz Hotel in London, or the delightful Compleat

Angler in Marlow on the river Thames west of London, you will find variations on the theme. London's Warldorf has music and dancing, but then that's a "tea dance," rather than afternoon tea. Oh dear, it does get complicated.

And speaking of complicated, there is the subject of the tea itself. Not the event, the actual beverage.

Most of the vast quantities of tea drunk in the UK is made using blends of Indian and Ceylon (Sri Lanka) leaves and is sold by the manufacturers brand rather than the type of leaf used.

That's all right for a quick cuppa, but afternoon tea is a far more delicate occasion. You should always be offered a choice of

a variety of "pure," unblended teas. The leaf of your choice could be Indian, such as a delicate Darjeeling, described by some as "the Champagne of teas," or Assam or Ceylon. In the UK this is usually taken with a small amount of cold milk. Whether the milk is poured into the cup before the tea or added afterwards is a source of great debate and no little snobbery.

Increasingly popular for its distinctive flavor now is a Chinese tea called Lapsang Soochong, served with slices of lemon rather than milk.

And just how do you make tea. Well, the rules are simple. Warm the pot, put in one level teaspoon per person, and possibly an extra one for the pot, pour on boiling water and leave to infuse before pouring out. The time required depends on the type of tea used: Indian teas usually require 4–5 minutes, but Chinese teas infuse more quickly and may be

poured out 2–3 minutes after being made.

And that is just the tea. Accompanying it will almost certainly be the scones, referred to above. These are a freshly baked type of cookie, which is soft and floury. It should be cut across the center, and on it you will be expected to spread very, very generous portions of jam and thick, clotted cream. The best variety of this is to be found in Devon.

In the better emporiums, you will also be offered a variety of sandwiches, such as smoked salmon and sliced ham and may possibly also include Oscar Wilde's famous cucumber sandwiches. These must be made with thinly sliced bread cut into genteel wedge shapes.

Afternoon tea is not just something to fortify you between lunch and dinner, it is an art in itself.

—David Lennon

VIENNA

AUSTRIA'S WINE CULTURE

verybody knows that wine is part of the French and Italian cultures. But how about the Austrians? Ask anybody in this country and he will tell you that, of course, local white wine is the nation's number-one drink. It has been for a long time. The Celts, who settled here about 700 BC seemed to have been aware that grapes were not just for eating, and under the Romans, viticulture prospered. But until recently, the Austrians had a peculiar attitude toward wine that certainly differed from that of the French or the Italians: Wine was drunk not by the glass, but by two-liter jugs, and the cheaper the better. It goes without saying that quality was rather poor.

But recently things have changed dramatically. Today, Austrian wine producers pop up in top ranks of international competitions, like Manfred Tement from southern Styria, whose complex and elegant dry Sauvignon Blanc stunned experts when it was rated number one in a global blind tasting, beating the creme of the Loire Valley and the rest of the world. Or take Alois Kracher from the Austrian state of Burgenland, producer of dessert wines both in the Sauternes and the German style, who was elected Winemaker of the Year by *Wine Spectator* magazine.

Modern Austrian white wines excel in fruity brilliance, fresh and pronounced aroma, and often a complex structure.

The quality level has risen tremendously in the past 10 years. While the reds—only about 10 percent of the harvest—fail to do likewise, Austria's premium whites—above all its Rieslings, Chardonnays, and Sauvignons—can easily measure up to the best of France, Germany, or California.

This is clearly attributable to a new generation of winegrowers who have attended the best schools and universities, have traveled the world, and have now taken over estates from their parents in the recent past. Almost all of them are fanatics about quality, extremely ambitious, and ready to take on the global challenge.

At the same time, domestic demand has also shifted in a dramatic way, thanks to the big wine scandal that blew into the face of the industry in 1985. When television and print media ran blacklists of producers that had manufactured fake sweet dessert "wines" for German supermarkets using Glycole, Austria's consumers sobered up. Shocked consumers overnight turned to expensive bottles, enabling producers to incur the extra cost necessary to make better wines. When consumers, especially younger, better educated, and more affluent ones, took new interest in wine tasting and started to learn about wine. the demand increased.

Although Chardonnay vines were introduced on a large scale and producers started to experiment with *barriques*, small French-type casks made of oak, some traditions survived. Old grape varieties like Riesling, White Burgundy, and Grüner Veltliner (an indigenous species) were harvested to make fine wines of international repute.

The Wachau Valley with its steep terraces lining the Danube River, remains Austria's top growth area. Wine growers like Emmerich Knoll, Franz Hirtzberger, Toni Bodenstein, and the Freie Weingärtner Cooperative are generally quoted as the best. But the charming Wachau—an obligatory side trip from Vienna—has gained strong contenders, above all southern Styria (Manfred Tement or the Polz brothers), Langenlois (Willi Bründlmayer), and the hot plains around Lake Neusiedl in the Burgenland. Another area, the Thermen region, still lags behind, but the Biegler family estate in Gumpoldskirchen (30 minutes from Vienna) is certainly worth a visit.

—Reginald Benisch

MADRID

ANDALUSIAN FISH FRY

With its Atlantic and Mediterranean coasts, Spain is rich in fine seafood, and many gourmets claim the Basque fish dishes and those of Catalonia can easily hold their own against any served up in France, Japan, New Orleans, New England, or anywhere else.

But when this writer is looking for some tasty tapa snacks or a full-blown feast, I head for a restaurant or bar boasting *pescaito frito* or fried fish Andalusian style.

Traditionally, Andalusia has always been one of the poorer parts of Spain, unlike the wealthy Basque country or Catalonia whose monied classes could afford, and support, fancy cuisine and pricey eateries. People in Andalusia, however, had to make due with more limited resources and their fried fish dishes reflect that.

Calamares (squid rings), chanquetes (tiny white bait), chopitos (baby squid), and boquerones (fresh anchovies)—all coated in a simple batter and then deep fried in the freshest, highest quality olive oil were all standard fare for the poor fisherman of the region and are now the signature dishes at any self-respecting freiduria Andaluza.

One might also order *adobo*, white fish marinated in a slightly spicy sauce then breaded and deep-fried to a golden tan, or *gambas a la plancha*, plump shrimp coated in salt and then fried on a grill. All these dishes are first dribbled with juice from a fresh-cut lemon and that's all the garnishment they need, although the tonier joints may offer a dab of garlic mayonnaise for dipping.

A house salad of lettuce, tomatoes, onions, and maybe chunks of tuna is also delightful with fried fish as is a salad of roasted red peppers seasoned with tiny slivers of garlic and basted with olive oil.

And what to wash it all down with? Well, beer on a warm evening or, if your tolerance for alcohol is high, a dry sherry from Andalusia, of course. Two types, the Fino from Jerez and the Manzanilla from Sanlucar de Barremeda, go especially well with fried fish.

I prefer a properly chilled bottle of the crisp white wine Antonio Barbadillo, which also comes from Sanlucar.

Several decades ago, poor Andalusians migrated throughout Spain searching for work, and many set up fish restaurants. Today the big cities boast a number of such establishments. In Madrid, the up-market Giralda has several branches around the city, and there are some good places around the tapa bar district of plaza Santa Ana.

But the best places to sample pescaito frito are in the simple cafes called *chiringuitos*, which can be found along any Andalusian beach from Almeria to Algeciras on the Mediterranean and on up to Huelva on the region's Atlantic coast.

—Benjamin Jones

DUBLIN

SAY CHEESE

n the Ireland of my postwar childhood, the word "gourmet" existed only in the minds of those who could afford rare holidays in Continental Europe (very few) and those whose lofty knowledge of cookery extended little beyond the world of Mrs. Beeton (even fewer).

Not that Ireland didn't have its share of specialty dishes, but we didn't know or recognize them. After all, what could compare with a hearty Irish stew and its stable companion, bacon and cabbage, both eased down with samples of dark stout. Or regional variations using splendid free-range chickens and Irish beef.

There was also wild salmon, oysters, mussels, and other shellfish, although these were generally reserved for discriminating visitors.

Thankfully, times have changed and Ireland now boasts some of the finest restaurants and chefs in Europe, all sharing Michelin and Egon Ronay awards and citations, and gratefully boasting a range of small and unique cheeses, which surprise and delight the jaded palate.

For decades, a few unprepossessing processed cheeses dominated the Irish food world. Restaurant cheese boards looked like unappetizing offerings any self-respecting mouse would reject.

However, within the last 15 or so years, there has been a dramatic growth in both the quality and availability of excellent cheeses.

Apart from a huge improvement in the mass market varieties supplied by the larger dairy cooperatives, there are now some 150 handmade farmhouse cheeses which happily compete and bear easy comparison with their French and other European counterparts.

NEWSMAKERS

The Future of French Cuisine

rench cuisine has been the touchstone of gastronomic excellence for so long that it is hard to imagine any other nation ever challenging its supremacy in the kitchen. Yet lately there has been a worrying trend among the French themselves, who have always defended and consumed their own cuisine with religious fervor, to turn heretic and sample foreign flavors.

Italian cooking, which uses cheaper ingredients and is quicker to prepare, is becoming a real rival, and there is also a pronounced taste for the Orient, with its exotic spices and light, easy-to-digest dishes. Fast-food chains are making real inroads on the restaurant scene in France. While it would be alarmist to talk of a full-blown crisis, the growing foreign competition has made French chefs aware that there is no room for complacency in the kitchen and that modern appetites are more discerning and demanding than in the past.

Should they fight off outside influences or embrace them as part of the creativity necessary for all great cooking? Is French cuisine in the process of being gobbled up by the competition? These burning questions and others were debated this spring in Paris at the first national forum of French cooking. For more than four hours, without so much as a coffee break, France's top chefs, food critics, and other professionals of the palate analyzed the present and ruminated over the future of French cooking. It emerged that the French, thank goodness, still love to eat, but they are spending less time at the table and want simpler, healthier dishes. Three-hour lunches with deathly amounts of butter and cream, washed down by lethal amounts of wine, are becoming more the exception than the rule. When the French go out to eat, they want simple but authentic cooking that is also good value for money. Less drama and pretension, more honesty and quality is what they seek.

They are no longer impressed by restaurants done up like overdecorated palaces, with a lot of napkin flourishing and snobbery. What they would like, even from three-star Michelin establishments, is that they dust off and modernize the decor and be less intimidating and more welcoming to their clientele. Many master chefs have already realized that the recipe for continued success means catering to changing tastes and lifestyles. I spoke to five of France's greatest chefs—a constellation of gastronomic greats, who boast 16 Michelin stars among them: Pierre Troisgros, Alain Ducasse, Georges Blanc, Paul Bocuse, and Pierre Gagnaire.

Pierre Troisgros, who together with his brother Jean trained many of today's great chefs, is still providing superlative food and service at the three-starred family restaurant Les Frères Troisgros, in Roanne, near Lyon. He is not worried by the changing eating habits of the French. He believes that French cooking has always absorbed many different influences: "Two thousand years ago the Gauls used to eat wild boar and chestnuts. And after that, throughout the history of France, whether it was the period of the bourgeoisie, the nobility, or the common people, they all contributed something, and together it created a national cuisine, like the Chinese had done before us."

Alain Ducasse, the most star-studded chef of them all, was crowned with three Michelin stars this year for the restaurant in Paris that bears his name and holds another two stars at the Louis XV in Monaco. His specialties include scallops garnished with crushed truffles and chicken braised in its own bladder.

He is quite conscious of being the flavor of the year in French gastronomic circles and has no qualms about defining French cooking as, quite simply, the best. "For me, French cooking is technique, is savoir-faire, based on the richness of the products from our regions. But I think it is, above all, a savoir-faire. Of course, foreign influences are important and can be enriching, as long as they help French cuisine evolve and don't give it a strong Asiatic flavor. French cuisine must keep its own identity, through its quality and its savoir-faire."

Georges Blanc presides over the French union of master chefs and over one of the most beautiful restaurants in the country, the three-starred Georges Blanc in Vonnas, north of Lyon. His trademarks are exquisitely light and subtle dishes and a warm, welcoming manner.

"Nowadays we are returning to a style of cooking," he says, "which draws its inspiration from the home cooking of each region, and from certain classic dishes brought up-to-date. I don't

Anyone heard of Milleens? Or Cashel Blue? Or Ardrahan, Carraig Goat's Cheese, Carraigbyrne's St. Brendan and St. Killian, Coolea, Cooleeney, Cratloe, Croghan, Dunbarra, Durrus, Gubbeen, Lavistown, Ring, Lough Caum, St. Tola or the West Cork natural cheeses, Desmond and Gabriel? The list goes on and on.

Not that all Irish cheese making is new—just that it seems to have lapsed for several centuries.

Darina Allen, who runs the internationally renowned Ballymaloe Cookery School in County Cork, says there was a thriving cheese making tradition in Ireland in medieval times.

Veronica Steele, now a resident of the Beara Peninsula in southwest Cork and the leading light of present-day Irish cheese makers, believes it was Irish monks who taught the French how to make cheese when they set up monasteries on the Continent.

Irish monks set up a monastery at St. Gallen in Switzerland in 620 AD and introduced cheese-making techniques to local farmers.

Keith Floyd, the eminent and eccentric British television chef, says Veronica Steele's Milleens cheese is similar to the Münster cheese of Alsace. Not surprising, says Floyd, since Irish monks took the original recipe there in the 7th century. (Floyd says Milleens cheese is his particular favorite.)

Veronica Steel believes the dissolution of the Irish monasteries in the 12th century was a major factor in the gradual demise of cheese-making traditions in Ireland. And Darina Allen says that, although dairy produce remained a firm staple of the Irish diet, indigenous cheese making was to lose its momentum over the following centuries.

My own special weakness is goat's cheese. Here's a salad (starter or light lunch). It's a simple recipe for four—even I can impress with it—and the results are delightful.

Ingredients: one soft goat's cheese (we use Croghan, St. Tola, or Lough Caum); 12 slices of toasted baguette; selection of salad leaves; fresh walnut halves; four tablespoons of walnut oil; two tablespoons of sunflower oil; two tablespoons of white wine vinegar; half-teaspoon of Dijon mustard.

Method: Wash and dry salad leaves and tear into bite-size pieces; whisk



French chef Alain Ducasse, owner of three Michelin stars in Paris, is also the owner of the two-star Louis XV in Monte-Carlo.

see any great changes coming in the next century. People will always want to get together around the table, for all kinds of reasons—to celebrate, to talk business. The thirst for company, the need to enjoy spending time together over a meal, I think it will continue, and we will always have excellent products, too, and all that guarantees our future."

Pierre Gagnaire made headlines a year ago when he became the first great French chef forced to file for bankruptcy. He had to close his restaurant in Saint-Etienne, in the industrial hinterlands south of Lyon, and move up to Paris, where he opened last November in a prime location just off the Champs Elysées. The new Pierre Gagnaire has already been awarded two Michelin stars and is drawing a steady stream of gourmets eager to sample the culinary creations of one of France's most gifted and dedicated culinary artists.

For him, hard work is one of the prime characteristics of any good cook: "You have to work, work hard, in the kitchen. You have to put a lot of yourself into your work—it's very important. Then you have to create an environment that's elegant but simple and relaxed, without any unnecessary complications, and you have to give people what they want, not try to dazzle them with phony effects which will just irritate them. And within that framework, French cuisine will take its place quite naturally, because we have the technique, the history, and we have the products. We could be the best in the world, but we're just a little bit too pretentious." Paul Bocuse, the ultimate culinary authority in France, has for decades been attracting crowds of genuflecting food worshippers to his threestarred temple of gastronomy in Collonges-au-Mont-d'Or on the northern outskirts of Lyon. As talented in business as he is in the kitchen, Bocuse is

the first chef to have brought out a CD-ROM, which lets you visually savor some of his most succulent dishes.

He thinks that the French should get back to cooking that is simple but has character. "Good cooking is easy," he says. "A good product cooked the right way and that's cuisine."

"You know, the United States are 20 years in advance of us. Today in the US there's lots of fast food, true, and lots of foreign restaurants, but there are also top class restaurants, and those will always exist but in relatively small numbers. They will stay the reference by which others measure themselves. Most restaurants nowadays need to have a concept and a set menu at an affordable price. That's what is happening in the US and that's where the future of French cuisine lies: tasty, convivial cooking based on a good concept and maybe also served with a smile."

-Ester Laushway

dressing ingredients; place slice of goat's cheese on pieces of toasted baguette. Just before serving, place slices of bread and cheese under a pre-heated grill, toast for 5-6 minutes until cheese is soft and golden. Meanwhile, toss salad leaves in a small amount of dressing. Divide salad between four plates and place two or three grilled goat's cheese croutons on to each salad. Scatter walnut halves over the rest—and serve immediately. Enjoy, sit back, and gracefully accept the compliments!

—Mike Burns

COPENHAGEN

HARD TO FIND FJORD SHRIMPS

onnoisseurs of Pacific and Asian prawns will frown when confronted with the Danish fjord shrimps. Unpeeled they have a grayish hue, and peeled their size is what many Americans would frankly call minuscule. But the taste belies these outward attributes, and demand from Danes alone far outstrips supply, which is severely limited and very seasonal.

Most Danes eat Greenland shrimps, which are larger and sold frozen at low

prices, often as special offers in supermarkets. They are caught in deep water and processed industrially. The fjord shrimps are a completely different story. They are caught in shallow water Danish fjords, inland bays in Denmark proper, by a rapidly declining number of professional fishermen and an increasing number of part-time workers. Usually at night or in the early hours of the morning. The season is short, only a few months starting in April, and the catch starts to decline sharply from the end of June.

It is imperative that they are marketed live and peeled just hours before being served. The largest single market is Tivoli in Copenhagen, where a *smoerrebroed* (an open-faced sandwich) with fjord shrimps is a classic that will easily set you back \$25 at a top restaurant. Mayonnaise and lemon are served separately, but many Danes savor the undiluted taste. At better restaurants in Copenhagen and elsewhere, the price will be somewhat lower but still affordable for most people just as an appetizer.

One Copenhagen restaurant that spe-

cializes in fjord shrimps when in season is l'Alsace, a French restaurant, but with an Austrian owner, Frans Stockmayer, who has always appreciated Danish seafood, Located in Pistolstraede, a thoroughly renovated 18th century narrow passageway minutes from the main pedestrian street Stroeget, it has a dedicated business clientele but also welcomes families. The owner peels most of the shrimps himself, a practice that requires not only skill, but also patience that is easier to find in the self-employed. But all good hotels and restaurants in Denmark will have fjord shrimps on offer, at least in the early season.

When served with fresh Danish asparagus and a creamy sauce, the shrimps leave the smorgasbord and become part of a unique Danish first course and a flagship at official and royal dinners. Needless to say, prices—\$35 and upward—are not competitive with the international fast-food outlets that have not yet gained a foothold in Tivoli

itself but have positioned themselves close to the park's main entrance. Fresh Danish fjord shrimp travel badly, and for that reason, and partly because local demand is so strong, they are not available outside

Denmark.

—Leif Beck Fallesen

ATHENS

MUDIA SAGANAKI

resh seafood prepared in simple ways is the choice of most Greeks for a restaurant meal. Greece

boasts some of the cleanest waters in the Mediter-ranean—

largely because the country has lit-

tle heavy industry and comparatively few rivers to pour pollutants into the Aegean Sea—but the wild fish and shellfish catch is declining after years of over-fishing. Aquaculture is a booming business around the Greek coastline.

While northern Greek waters are too cold to provide optimum conditions for fattening fish, marine farmers are successfully breeding mussels along the coasts of Macedonia and Thrace. Be-

cause the Greek varieties are smaller than northern European or Asian mussels—*mudia* (pronounced "meethia") in Greek—are as tasty as any you could find in northern Europe.

Mudia saganaki is a classic dish in the waterfront tavernas of Thessaloniki and other Macedonian towns. It has become increasingly popular in southern Greece as the market for cultivated mussels has grown. It is named after the pan in which it is cooked, a shallow doublehanded skillet used for preparing a number of seafood and cheese dishes.

Mudia are generally eaten as a *meze* or starter, which is shared by everyone around the table. But you can also ask for a portion as main course. In Thessaloniki in winter, when the icy Vardar wind from northern Macedonia sweeps through the city, a bowl of mudia saganaki at lunchtime is a good way of keeping out the cold.

The recipe varies from place to place, with northerners enjoying a hotter, more peppery version that reflects preferences further north in the Balkans. And taverna chefs in Thessaloniki, now Greece's culinary capital, vie with each other to produce a truly distinctive mudai saganaki.

Three pounds of mussels makes a generous "meze" for four. Cut away the "beard" and scrub the shells, then steam for three to four minutes in a big pot with about an inch of water—by then they should all have opened. Strain, cool, and shell the mussels.

Heat two to three tablespoons of olive oil in a large skillet and sauté two green or red Italian peppers, de-seeded and cut into strips or circles for three minutes.

Add two cloves of peeled and chopped garlic,

one or more
finely
chopped chili
peppers, according to
taste, and a dozen

peeled and roughly

chopped tomatoes and leave to cook for another five to seven minutes. Season the mussels with ground pepper, salt, and a teaspoonful of dried oregano and—according to some aficionados—two or three tablespoons of Ouzo, the aniseed-flavored Greek aperitif (some Balkan cooks prefer to use Raki, an even stronger homemade firewater). Cook for another five minutes before adding about six ounces of white feta cheese,

cut into cubes. Leave to simmer gently (with a lid) for at least 20 minutes—or transfer to the oven and bake at 350 degrees Farenheit for 30 minutes. Whatever the season, serve steaming hot.

-Kerin Hope

ROME

THE COFFEE QUESTION

A coffee, please." Any waiter who receives a similar request in an Italian bar or restaurant will immediately label the client as a foreigner. Italian cuisine is very rich and varied. Every one of the country's 21 regions is proud of its local recipes, but every meal will invariably end with the ritual of the *tazzina*, the little cup of espresso coffee, a ritual that is full of surprises.

As opposed to the cup of American coffee, an Italian espresso contains only a few drips of coffee. In theory it should be the only unchangeable part of the abundant lunches and dinners Italians indulge in every day. Nothing could be farther from the truth. Each and every one of those 57 million Italians, children excepted, wants coffee *his*

If anyone wanted to make an exhaustive list of the ways of ordering espresso Italian-style, he would need much more space than what is granted here, but there are some major differences.

way (or her way as the case may be).

The first big difference regards the machine used for making coffee. Bars and restaurants use steam machines. At home, many of the more refined aficionados of the precious brown liquid have their own small steam coffee maker, but most people use one of two coffee brewers. The purist say real coffee can only be made with the *napoletana*, an oldstyle, aluminum cylinder which must be carefully turned over once the water boils so that the liquid can filter down through the coffee grinds. But nowadays the simple and rapid *moka* is the most widely used.

Italians have always heatedly discussed just how much coffee should go in each of the three different machines. Some swear that it takes a lot so that the coffee is rich and strong. Others, on the other hand, assure that only a little is re-

quired, allowing the water to filter through easily and wring out every bit of aroma in the grinds. They also fight over whether or not the coffee grounds, once it has been measured out, should be pressed down with a spoon or, instead, be allowed to "breathe." Some opt for a compromise, pressing down the dose but making two cross-shaped cuts in it afterward—not for religious motives (although that can't be excluded)—but to let the water pass through better.

So far,

all ians

is fairly simple. Now things become complicated. Should the amount of coffee poured in the cup be *lungo* (long) or *corto* (short)? A few eccentrics even want it *normale*, that is regular, neither long nor short; but they make a point of ordering it that way to underline the fact that they, too, have precise preferences. Coffee that is *ristretto* (condensed) also known as corto, can often be ordered without saying a word—after all we are talking about Italy where people talk with their hands. All it takes is a gesture, holding the thumb and forefinger slightly apart.

Then there is the long list of *macchiati*—coffee with a dash of milk. The milk used to dilute the coffee may be cold or lukewarm, but here the purist raises an eyebrow. The amount of milk can be determined by saying *molto* (a lot) or *appena un goccio* (just a touch).

Coffee which has been *macchiato* must not be confused with coffee which has been *corretto* (corrected). The correction, which is most prevalent in northern Italy, is usually high-proof. Grappa,

an Italian brandy, is the most popular, but some prefer Fernet, which is a very strong and bitter digestive. And there are those, mainly old farmers out in the countryside, who add a bit of wine. In Rome, instead, corrections are usually made with Sambuca, a sweet liquor made from anise. The excuse is that the correction helps one's digestion. However, in case of stomach problems, the only correction that works—according to some doctors—is the addition of a lemon peel. But at this point the majority of Italians shudder in horror.

But that's not all. A special chapter must be dedicated to the cup itself. Some want it cold and some want it heated up so that the coffee doesn't cool down when it is poured into the cup, which can be ceramic or porcelain (another lengthy argument we aren't going to touch). Italians who prefer the heated cup seem to have fingers made of steel because they manage to hold the sides of that small vessel which seems to reach temperatures similar to those of a blast furnace. Then there are those, mainly in the central and southern Italy, who want their

espresso *al vetro*, that is in a small glass.

If the variations of espresso are infinite, one can only imagine the cappus

If the variations of espresso are infinite, one can only imagine the cappuccino debate.

—Niccolò d'Aquino

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ARTSELISURE

BOOKS

Publishers Bet on Hong Kong

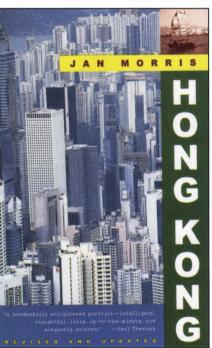
As a British colony, Hong Kong inspired a literary genre best typified in the mega-novels of James Clavell. Such works as *Taipan* and *Nobel House* portrayed the rise of British business clans, their vast shipping and trading enterprises and their complex interactions with China and the Chinese.

Now that Hong Kong is reverting to Chinese control after more than a century of British colonial rule (brutally interrupted by four years of Japanese occupation in World War II), one wonders if the bustling city will continue to hold the same spell for Anglo-American novelists.

Journalists will continue covering the Hong Kong-China story, at least for a while. How the Chinese manage the hand over has become a litmus test for many American politicians of Beijing's ability to keep its promises and to evolve into a more open society. And Americans and Europeans alike have immense financial stakes in Hong Kong's special place as an Asian financial center with direct access to China.

As the transition gets underway, Hong Kong has produced a spate of books, fiction and non-fiction, mainly from British authors and London publishing houses. Most but not all of the authors are pessimistic that the Leninist-but-no-longer-Marxist government on the mainland really understands that free flowing information and the rule of law (if not fully functioning democracy) are the essential ingredients that have made Hong Kong such a vibrant entrepot.

-Michael D. Mosettig



Hong Kong

By Jan Morris, Vintage Books; 320 pages; \$15

ong Kong is an "abnormal city. It is has been predominantly a city of refugees with the single-minded obsession with the making of money, amounting almost to a neurosis. It has always been the brazen embodiment of free enterprise," writes the well-known writer Jan Morris.

Morris, who resides in Wales, has written frequently on Hong Kong and in this newly released update of her original book, simply titled *Hong Kong*, looks at the colony's history and what might happen now that the changeover to China has taken place. Morris, who admits to a fondness for the old colonial ways, is apprehen-

sive about Hong Kong's future. As she writes, "On the whole, with many lapses and exceptions, British Government in Hong Kong has been good government."

Morris thinks her apprehension is shared by the people of Hong Kong. "It was Tiananmen that changed everything." She goes on to relate how the killings in Tiananmen Square in 1989 in Beijing "threw Hong Kong into an unprecedented turmoil of emotion."

Morris, widely considered one of the world's best travel writers, certainly lives up to her reputation with this book, which is an excel-

lent travel guide to Hong Kong but contains much more than an ordinary travel book. *Hong Kong* is probably the best book to read to get an historical overview of this extraordinary city, which will now be identified as Xianggang.

From her detailed discussions of the early opium trade to vivid tales of piracy to close up looks at Hong Kong's most colorful personalities to life in the colony in the heady

days of Britain's colonial power to her views on the city's unique architecture, Morris has written a definitive book on this "archipelago of some 235 rocks and islands attendant upon a squat mountainous peninsula."

-Robert J. Guttman

China, Hong Kong, Taiwan, Inc.

By Willem van Kemenade; Knopf; 444 pages; \$30

utch journalist Willem van Kemenade looks at Hong Kong as an important part of a bigger China, an economic giant that also includes Taiwan. Sixty percent of China's exports go through Hong Kong. By 1993, the volume of the combined trade of all three—which he calls the **Greater Chinese Trading** Bloc—has surpassed Japan's. Despite the mainland's still pervasive poverty, the Chinese see themselves as the only nation capable of matching or surpassing the US as a global power at some distant point.

Between then and now are many questions and possibilities, says van Kemenade, who has been covering the region for 20 years and who is now based in Beijing. This book for an American audience has been translated and expanded from an earlier Dutch-language version. It has the potential to be a major text on China even with its plodding style and cautiously approached conclusions. The reporting is meticulous and well-informed, and for any reader other than an academic expert on China, this work is full of valuable background.

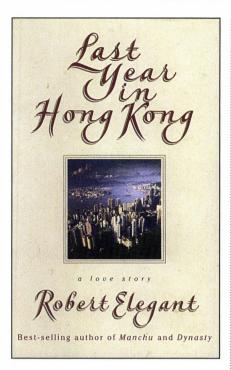
Van Kemenade concludes it will be some time before either the optimistic economic scenarios for Hong Kong envisioned by the local tycoon class or the more pessimistic political ones of outsiders can be proven or disproven. Hong Kong has had 12 vears, since the Chinese and the British signed the hand over treaty, to prepare for its fate. and therefore no crisis is attached to

the transfer. But the author cautions that many political negatives, and a highly ambiguous treaty text, do not justify current propaganda that the future is bright.

Van Kemenade's historical take on Hong Kong is that its current dynamic prosperity is largely the result of benign colonial rule coupled with the historical accidents of the Chinese communist revolution, which drove millions there from the mainland, and the Korean War, which led the United States to protect Taiwan and Hong Kong with a naval and air blockade. He says the British reached a modus vivendi with the Chinese in the 1950s not to join the American containment of China nor to allow Hong Kong to become a US military base and finally not allow any democratic or independent impulses to grow among the Hong Kong people. In return, China agreed to leave Hong Kong alone to prosper until the expiration of the original colonial treaties.

The result, states the author, was quite incredible.

"Never, not even in Venice in the late Middle Ages or in Amsterdam in the 17th cen-



tury, has such immense wealth been accumulated in such a short time."

But van Kemenade does not fault the British for not introducing democratic measures in Hong Kong until the mid-1980s and more so in the administration of Governor Chris Patten. He rejects British arguments that doing so would have created a polarization. The polarization has come since 1984, he argues, because of the absence of democracy.

The author's tentative conclusions about the future of Hong Kong flow from his cautious prognosis on China. He foresees political transparency, elections, or succession processes. The author is not sure even if China has determined it will be a cooperative part of the world economic system or a disruptive mercantilist giant. And the absorption of Hong Kong is but a prelude to a far more difficult and dangerous process of bringing Taiwan back into the fold.

In other words, the handover of Hong Kong is but an early chapter of what is becoming the world's big story, and one that must engage the attention not only of Chinese and other Asians but of people and governments on continents far distant.

-Michael D. Mosettig

Last Year in Hong Kong

By Robert Elegant; William Morrow & Company; 225 pages; \$23

Kowloon Tong

By Paul Theroux; Houghton Mifflin; 243 pages; \$23

So far, fictional Hong Kong in transition has not produced the big reads of a Clavell but rather two

smaller novels from two worldly-wise American authors of different talents. Common between the two books is the pervasive sense that the Chinese will make a hash of Hong Kong.

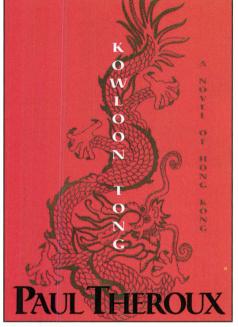
Robert Elegant, a veteran journalistturned-novelist, spins a tale of a somewhat unlikely romance between a divorced Ameri-

can expatriate business wife and an Anglo-Tibetan considerably her junior in *Last Year in Hong Kong*. Through their encounters, the reader meets the variously unpleasant expatriate and Chinese business types who dominate Hong Kong commerce and society.

Early on, Elegant raises an issue critical to the future of Hong Kong: that in Beijing itself there are divided interests and factions between those who will profit from keeping Hong Kong vital and those who really want Shanghai to replace it as the Chinese financial capital. Later, through the eyes

of an elderly refugee, he dismisses all of China's promises to maintain Hong Kong's distinctive character or any of its fragile democratic institutions.

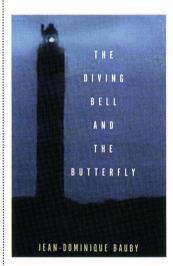
Paul Theroux, the multidimensional travel writer and novelist, certainly weaves a more deft and amusing tale in his novel, *Kowloon Tong*, about a British businessman who runs smack into a mainland Chinese army-businessman's determination to take over his stitching factory (a metaphor for China grabbing Hong Kong's wealth).



There's no romance here. just exploitative sex with Asian bar girls or factory workers for the principal British character. It's about the poor man's only escape from a chauvinistic, overbearing mother with whom he shares a small house on the Peak. Theroux is a writer of proven talent, but one wonders here if the ability to create plausible characters, either British or Chinese, has escaped him. In this novel. they border on the absurd.

Both novels end before the takeover, leaving the future to the imagination of the reader. How will the next batch of writers take up the tale? Or will they, like the thousands of journalists who descended on Hong Kong for the final changeover ceremonies, ever return in sufficient numbers or with sufficient freedom of action, to probe beneath the surface of Chinese-ruled Hong Kong? The message from these novels: don't bank on it.

-Michael D. Mosettig



The Diving Bell and the Butterfly

By Jean-Dominique Bauby; Alfred A. Knopf; 132 pages; \$20

Until December 8, 1995, Jean-Dominique Bauby was an insatiable consumer of life's pleasures. As the 43 vear old editor-in-chief of the French fashion magazine Elle, he moved in a highgloss world where he was known for his ironic wit, his sure turn of phrase, and his gourmet appetites. He loved good food and wine, fast cars, and pretty women. His stylish silhouette, with a slight paunch from too much good living, was a regular fixture at fashion shows, high society parties, and Formula One races. He had recently left his wife, his two children, and their house in the Paris suburbs and was living with his new girlfriend.

In the gray twilight of that December evening, after a day of high-powered meetings and an executive lunch, he was taking the latest model BMW on a test drive to pick up his nine year old son Théophile. They were going to see a play, then have dinner and a man-to-man talk. That was the plan. But a massive stroke canceled that evening, and when Bauby emerged from his coma three weeks later, he had ioined the ranks of the living dead. The connection between his brain and his body was severed. His mind, untouched, was trapped in a totally paralyzed shell. The medical world has labeled this private, permanent hell as "locked-in syndrome."

Unable to move, speak, eat, or even swallow, all that was left under Bauby's control was his left eye. He could blink and, by blinking, communicate with the outer world, let people know that he was still there, still thinking, still feeling inside his corporal prison.

The speech therapist at the hospital in northern France where Bauby was cared for became his "guardian angel." She devised a special alphabet with which he could dictate what he wanted to "say." Instead of ABC..., the letters were arranged in order of their frequency in the French language. ESARINT...became Bauby's personal Morse code. It was recited like a mantra at his bedside, and when the right letter was reached, he would blink. Out of the letters grew words, out of the words sentences, and out of the sentences a book.

It is a slim little volume, 28 short chapters, dictated laboriously, letter by letter, by the sheer force of one man's unconquerable spirit—and it is miraculous. Instead of giving way to despair, "Jean-Do" transcends the horror of his hopeless state and describes his new existence as a "mutant" with the same wit and elegance that were his trademarks in his previous life. There is no trace of self-pity or maudlin sentiment in the crisply crafted lines. While his body lies inert and heavy on the bed, his mind flits freely, like a butterfly, between past and present, fantasy and reality.

At dawn, when he wakes, he sets off on his mental voyages. "There is so much to do," he writes. "You can visit the woman you love, slide down beside her and stroke her still-sleeping face. You can build castles in Spain, steal the Golden Fleece, discover Atlantis, realize your childhood dreams and adult ambitions."

Reality arrives with Brigitte, the physiotherapist. While she manipulates his stricken limbs he marvels that he has lost 66 pounds in just 20 weeks. "When I began a diet a week before my stroke I never dreamed of such a dramatic result." His life may have exploded around him, but his sense of humor and human dignity have survived intact. Refusing to wear the "hideous jogging suit provided by the hospital," he is dressed evervday in old, comfortable clothes of his own. He sees them as "a symbol of continuing life. And proof that I still want to be myself. If I must drool, I may as well drool in cashmere."

Through his one good eye, Bauby observes Brigitte and all the other members of the hospital team who look after him. Most are dedicated and kind, a few are indifferent and careless, and none escape his attentive regard.

He turns his gaze with tenderness on the friends who come to visit, more devastated by his condition than he is, on his 8 year old daughter Céleste who hugs his head, covers his forehead with noisy kisses, "and says over and over again, 'You're my dad, you're my dad,' as if in an incantation." Only rarely is he the one to break down. On Father's Day. when he is taken in his wheelchair to the patch of sand dune he calls the Beach Club and his son is sitting close beside him, he is engulfed by a wave of terrible grief because he cannot reach out and touch him. "Suddenly I can take no more. Tears well and my throat emits a hoarse rattle that startles Théophile. Don't be scared, little man. I love you."

But such moments of destitution are few. Bauby still believed in life and was full of plans for the future. He created an association for victims of locked-in syndrome and their families, intended to write a newsletter and another book. But in March, less than three days after *The Diving Bell and the Butterfly* was published in France, Bauby died of heart failure.

What he has left behind is a celebration of life, a reminder to us all not to let the time we have been given pass by without living every minute to the full.

More than 10 years ago, Bauby once went to the racetrack to place a bet for everyone at the office on a 20-to-1 long shot. He lingered over his lunch so long that he never made it to the cashier's window on time. The horse came in first.

That horse, he writes, "is the women we have not loved like we should, the chances we have not wanted to take, the moments of happiness we have let slip away." He sees life as an accumulation of such omissions: "A race of which you know the outcome but cannot touch the winnings." With this book, Bauby ended the race a winner.

—Ester Laushway



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