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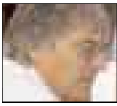

FORMULA FOR SUCCESS

Drive to float motor racing

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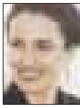

FIGHTING BACK

Europe's film-makers are taking on Hollywood giants

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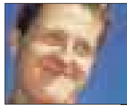


LEADING FROM THE FRONT

Schumacher's football outing

SPORT: PAGE 14

Le Pen: Don't write us off

THE Front National (FN) is derided by the French media but is the only party to have made significant gains in the polls since France's election campaign began. The FN, led by Jean-Marie Le Pen – seen here at a party rally – has capitalised on the disaffection among voters who believe that the main parties are tired and lack conviction. Le Pen, not a candidate himself, believes that the party could win 15 to 20 seats. His daughter Marie-Caroline is running for office at Yvelines, west of Paris.

Le Pen is mightier: page 4

VINCENT KESSLER / SIPA / REX

Has Germany kissed the strong euro goodbye?

Tony Paterson BERLIN
Victor Smart Political Editor

LITTLE more than 18 months before monetary union is due to come into existence, the vision of a powerful new European currency to outclass even the American dollar is rapidly fading. The ambition was awesome, but Germany, in particular, said it could be done. Nobody predicted that it would be the Germans who would do most to undermine it.

Europe seems likely to finish up with a Camembert currency that falls far short of enjoying worldwide prestige. Germany's decision to keep monetary union on track by revaluing the Bundesbank's vast gold hoard means that the dollar can breathe easy.

David Marsh of investment bank Flemings, author of *The Bundesbank: the bank that rules Europe*, says: "Helmut Kohl, the German chancellor, will meet the criteria for monetary union by fair means or foul. He will do anything short of downright illegality. Even so, the gold ploy does show a certain desperation.

"Finance Minister Theo Waigel's decision to helicopter into Frankfurt in this very public way underlined the impression that there is a hole in the German public finances. It makes it look as though the euro will be run by people who believe in easy money."

Germany's U-turn is remarkable. Kohl stated boldly six years ago: "No one is ready to give up a stable deutschmark for an unstable currency. That is absolutely self-evident."

The new euro was to have all the iron virtues of the deutschmark plus a glittering new global role. The new Frankfurt-based European Central Bank was to take as its austere role model the revered Bundesbank.

But in his rush to achieve European integration, Kohl has been forced to sacrifice Germany's reputation for sound economics. In less rigorous countries, Waigel's gold plan would not matter so much. Italy revalues its reserves every three months; other countries do it annually. But Germany was supposed to set the standard for the rest of Europe.

The Bundesbank's reputation is suffering. Bruno Bandulet of Bund Freier Bürger, one of Germany's rare breed of anti-Maastricht parties, says: "In the past, the Bundesbank has never even wanted to mention the gold reserves it was sitting on, let alone revalue them. There is a willingness now to do whatever is politically expedient. They just have to swallow this conjuring trick."

But after nearly 15 years in the chancellery, Kohl has placemen everywhere. The voice of the Bundesbank's president, Hans Tietmeyer, has been muted. No one speaks out, apart from Wilheim Nölling, former Social Democrat regional central banker in Hamburg, who already has his pension.

Germany's gold manoeuvre makes it more certain that monetary union will be achieved by the 1 January 1999 deadline. It also makes it more probable that a wider circle of countries will be allowed the privilege of entry in the first wave. That could be a high price to pay.

DEUTSCHE BANK CHIEF'S CAPITAL IDEA – PAGE 15

Kohl now has to fudge the criteria for monetary union sufficiently to ensure that a respectable core of countries will go ahead, but at the same time ensure that Italy fails to qualify. This has become the overriding conundrum for the entire process of monetary unification. German voters are prepared to take official assurances about the euro's soundness at face value so long as their credulity is not stretched to breaking point by the lira's participation. How can a stolid German burgher, already tempted to swap his life savings into Swiss francs, countenance merging the proud national currency with that of a country awash in state debt, and traditionally run by mobsters and bent politicians? The argument is part rational, part emotional. Hard economics rubs shoulders with deutschmark chauvinism.

According to Marsh, Kohl has gone some way to resolving the question by pitching an appeal to one section in Germany that is less hung up over a hard currency. "There are two constituencies – one favouring a hard deutschmark, the other not. On the left, the Socialists say they want Italy in; they also oppose a further round of domestic austerity. Kohl has neatly tailored the gold revaluation to bring them on board."

The Bonn government has maintained that revaluing the Bundesbank gold reserves would have had to happen anyway in the course of moving towards a single currency. But taken together with the plans to sell off stakes in Deutsche Telekom and Lufthansa, they amount to the kind of "accounting tricks" that Germany has been quick to criticise elsewhere.

TONY STONE

Revalued: Germany has been accused of accounting tricks

LESS than a year ago it was none other than Theo Waigel who caused widespread consternation in Rome by describing the Italian plan for a "Euro tax" to enable the country to qualify for EMU as a thinly veiled attempt to "cook the books". Germany, he said, was above such tactics.

Small surprise that in the wake of Waigel's announcement on Bundesbank gold reserves last week, the Italian Foreign Minister, Lamberto Dini, felt it appropriate to return the insult by saying that this time Germany was guilty of the crime of "accounting tricks". Despite Waigel's rebuttal that Dini's comment was an "impertinence", the Italian foreign minister's criticism has since been echoed by some of the most respected economic research institutes in Germany. "Waigel has always tried to portray himself as the high priest of [fiscal] rectitude. It's now clear that he preaches water but drinks wine," said Heiner Flassbeck, director of the Berlin-based German Economic Research Institute (DIW). Similar remarks were made by the Kiel Institute for World Economic Research. "We joked about Italy and its Euro tax. We cannot do that any more. Waigel is using accountant's tricks. More saving would have been better," said spokesman Klaus-Werner Schatz.

Germany's voters, already uneasy about losing the deutschmark, have not been reassured by the resort to revaluation of their gold.

Nor is there any immediate prospect of the situation improving: the Dm18 billion ($10.6bn) hole in the 1997 budget appeared as a result of a lengthy investigation by tax experts which predicted a Dm118bn shortfall in budgeted revenues between now and 2001. Underlying the shortfall is Germany's chronic unemployment rate which, at nearly 3.7 million, is at its highest level since the 1930s.

The drop in tax revenue prompted by the scale of unemployment has been exacerbated by the increase

Continued on page 2

Agnellis in drive for fresh deals

Ruth Sullivan
MILAN

THE Agnelli family, the formidable Italian dynasty that has long dominated the country's industrial and social circles, is tidying its corporate attic.

While Giovanni Agnelli, the family's 76-year-old patriarch, is best known for his long career at the head of car maker Fiat, his 66-year-old brother Umberto has stayed in the shadows, looking after other parts of the empire.

The family steers its widespread activities through two Turin-based quoted companies: a financial holding company, Istituto Finanziario Industriale (Ifi), which has a controlling 50.7 per cent stake in Finanziaria di Partecipazioni (Ifil), a holding group which contains part of the family's Fiat stake as well as many other non-motor assets. Ifi also holds stakes in a number of other Agnelli investments, including the football club Juventus.

Over the past ten years Umberto has been slowly transforming Ifil from acting as an Agnelli corporate garage, where companies from Fiat's empire were parked pending internal group transactions, to a successful investment group.

Progress has been slow but in the past few weeks two major deals have pushed both Umberto and Ifil into the limelight. Umberto has forged an alliance with French retail company Groupe Auchan, to whom it sold a 20 per cent stake in Italian retail chain Rinascente in a deal worth $580 million. It also sold an initial 20 per cent of its cement group Unicem to Italian cement maker Fratelli Buzzi.

The Auchan deal is a coup for Umberto, who spent many frustrated years in talks with other European retail chains as well as Auchan in search for a partner for Rinascente. He now hopes he has clinched a long-term partnership which will turn into Italy's premier retail business.

Selling off the Unicem cement interests is not only a means to raise cash; the disposal will bring in an initial L380 billion ($223m) for Ifil and a further L320bn if Fratelli Buzzi takes up an option to buy Ifil's remaining stake for L320bn by 2004. It is also an opportunity to begin investing in new directions.

One area Umberto is eyeing is telecommunications. He says Italy's soon-to-be-privatised telecoms group Stet could be of interest.

Gabriele Galateri di Genola, Ifil's managing director and Umberto's right-hand man, in a rare interview in February, said that the group's strategy now is to make its assets work.

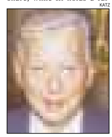
"Our goal is to develop operations that bring the best returns in order to generate financial resources for the group."

Banking is another area Umberto is developing. Last month Ifil acquired a three per cent stake in Compagnia di San Paolo, the foundation that controls Italy's biggest bank, Istituto Bancario San Paolo di Torino. Together with an existing two per cent share, already owned by Ifi, the group will become a stable shareholder in the Turin-based bank, with a total stake of five per cent.

It is also an alliance which will help give the Agnellis an option to deal with a bank other than Mediobanca, the powerful Milan investment bank which dominates Italian business and finance.

All these investments are dominated by Ifil's biggest industrial holding, Fiat, in which it has a 12.2 per cent share, while Ifi holds a fur-

KATZ



Tidying up: Umberto Agnelli

ther 17.7 per cent, bringing the total Agnelli family stake to almost 30 per cent.

As well as car manufacturing, retail and cement, Ifil also has interests in foods and tourism. It holds stakes in French industrial group St Louis, which has substantial food interests and is controlled by the Worms family, in French foods group Danone, in French hotelier Accor and Italian tour operator Alpitour.

Juventus, which celebrates its centenary this week, is 99.6 per cent owned by Ifi. It has been the focus of a stock market study by Ifi's bankers, but Umberto said this week that Juventus will not float yet because it has not reached the financial fitness enjoyed by listed British clubs.

Until then, Umberto and Giovanni will have to be content with cheering on Juventus from the touchline.

EUROPEAN PRICES

Austria	S	32	Luxembourg	Lf	60
Belgium	Bf	60	Malta	Ml	0.90
Canary Isles	Ptas	350	Netherlands	Fl	5.00
Croatia	KN	14	Norway	Kr	20.00
Cyprus	C£	1.40	Poland	Zl	7
Czech Rep	Kč	70	Portugal (Cont)	Esc	430
Denmark	Kr	17.00	Slovakia	Sk	70
Finland	Mk	15.00	Slovenia	Sit	360
France	F	17.00	Spain	Ptas	325
Germany	DM	4.50	Sweden	Kr	20.00
Gibraltar	£	1.40	Switzerland	F	4.00
Greece	Dr	500	Turkey		TL200,000
Hungary	HUF	240	Yugoslavia		YUD13.00
Iceland	Kr	195	UK	GBP	.75
Ireland (Rep)	IR£	.75	USAFE	US$	1.95
Israel	NS	10.00			
Italy	L	3,500			

USA $3.00 CANADA $3.50

OTHER WORLD PRICES: PAGE 2

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IMG octopus embraces club football

Michael Butcher

FIRST they promoted golf legend Arnold Palmer, then came the Pope. But International Management Group, Mark McCormack's American sports marketing giant, has finally moved into club football with the acquisition of Racing Club de Strasbourg of the French first division.

For IMG, known disparagingly as the octopus of the sports marketing world because it gets its tentacles into everything, and for French football, it could mean promotion into the lucrative premier league of international investment.

The club changed hands on 20 February and the president elect, IMG's Patrick Proisy, a former tennis champion, takes up the reins on 28 May.

At first sight it is hard to see why France was the chosen target. Clubs cannot be floated on the stock market as they are in Britain, for instance. But IMG got wind of the fact some time ago that a new law will soon permit clubs to do just that.

Since the early days IMG has been predominantly associated with sports individuals such as Martina Navratilova, Chris Evert, Sebastian Coe, Greg Norman and, latterly, golf's hottest property Tiger Woods.

But the company has been diversifying for years. Andrew Croker, head of the company's football operations worldwide, said: "We have been representing federations for some time, but investing in football clubs is a good asset. We think football is a logical extension of golf tournaments and tennis. IMG has the skills and we can add value to the clubs just through our management skills in investment."

It has not all been plain sailing for IMG. Strasbourg was its third choice in France. First there was an attempt on Bordeaux, but that failed when discussions turned acrimonious and malicious rumours floated by the Bordeaux press alleged that IMG laundered drugs money in the Caymans and Bahamas. Then came an attempt on Marseille. That also fell through, mainly because of the club's close links with IMG's chief competitor Adidas.

IMG took control of Strasbourg by buying the controlling 51 per cent holding in the club, formerly owned by the city municipality, for Ffr5 million ($885,000). The company will invest a further $22.75m in Strasbourg over five years. "We recognise we are going to lose money to start with," said Croker. "But we are investing in the long term and we want to run Strasbourg on a profitable basis."

The omens are good, at least initially. In Britain and Denmark, where the flotation process is well under way, the first in the field made hay. But early successes tempted less glamorous teams to follow suit, and investors are beginning to balk, with share prices recently taking a fall.

Golf's masterstroke: p13

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MILLAR Page 8 ● SPORT Pages 12-14 ● WEATHER MAP Page 14 ● BUSINESS Pages 15-28

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Italy needs German upturn for EMU entry

Julian Coman
FLORENCE

ITALIAN fingernails will be bitten to the quick by the time the decision is taken on which EU member states will be in the first wave of economic and monetary union next year. All the more so since Italy's fate is not in its own hands.

The symptoms of that anxiety were crystallised in a debate this week at the European University Institute in Florence. *Euro si/Euro no?* was the theme, but what united speakers, including former socialist prime minister Giuliano Amato, now a professor at the institute, was a growing fear that whether Italians wanted the new euro currency or not, the rest of Europe might not want them, at least not straight away.

Recent talk of "north European plots" to isolate Italy from the first wave of monetary union, not least by Italian Prime Minister Romano Prodi, has raised the anxiety level further. Neither have tickings-off from the European Commission over the absence of structural reform helped ease the atmosphere.

Enrico Letta, a senior figure in the centrist PPI (Popular Party) and convinced pro-European, hoped "Italian exclusion would not be used as a political means to win elections in Germany". His opponent, Lucio Caracciolo, was rather more trenchant.

"There has been a return to plain old national stereotyping in the race to EMU," he said. "We risk being excluded not because we have failed to cut our budget deficit to three per cent, but because we're Italian and therefore cannot be trusted in a project of this kind."

The growing suspicion is that Germany and the European Commission are setting Prodi's centre-left government up for a fall. The prime minister, having been urged to take an axe to the postwar settlement in Italy (pension reform is the issue of the moment) may re-emerge scarred and bleeding from the fray, only to discover that a 3.2 per cent budget deficit, given Italy's track record, is not quite good enough.

Amato is a past master of political intrigue. In his office before the debate, he was loathe to talk of plots but happy to talk of conflicting national interests. "It may become a useful electoral argument in Germany to use the Italians as a scapegoat," he said.

"Given the doubts of the German people about a new currency which may be weaker than the deutschmark, the idea of keeping the Italians out may help. The German cabinet's policy has expressly been to start EMU with the widest group possible, but that policy might in the end be circumscribed by electoral concerns."

It is an argument which suggests that pro-European Italians have as much of an interest in a German economic upturn as citizens of Berlin, Hamburg and Munich. "If the German economy starts to perform better, many popular doubts could start to fade away. The strength of German economic growth over the next few months is a fundamental factor in Italian first-wave entry," Amato continued.

Given that the country's monetary fate may lie outside the government's control, would Amato, like Prodi, have tied his Olive Tree coalition's political future to EMU entry on 1 January 1999, forcing an admittedly overweight economy onto an unpopular austerity diet?

"As always in politics it is a question of gambling," he said. However, Amato stresses that Prodi's is an each-way bet. "Prodi hopes that if the convergence criteria for EMU are reached, he will be in a position to rebuff any attempt to exclude Italy. At the same time, Italian governments have long used the requirements of European integration as a strategy with which to force through unpopular measures."

So even if Prodi does not get Europe, he gets welfare and economic reform? Maybe. As ever, Rifondazione Communista has something to say on the matter.

Prodi's hardline partners in the governing majority have objected to a series of announcements and warnings regarding the forthcoming autumn budget. Pensions, on which Italy spends proportionately more than any other EU country, are under particular scrutiny. A proposal mooted this week to extend a block on early retirements from Italy's school system to the whole of the public sector lit the blue touchpaper.

Rifondazione's leader Fausto Bertinotti insisted on a government denial. He got one, only for Massimo D'Alema, leader of the PDS, the largest party in the governing coalition, to announce that there would indeed be sweeping reforms of pensions in the autumn, and that the early retirement system would be affected. The gloves, it seems, are finally coming off with regard to welfare policy.

The structural weakness of an Olive Tree government dependent on Rifondazione votes in parliament has long placed a question mark against Prodi's ability to save enough money to buy a ticket into EMU's first wave. But, according to Amato, the endgame between the government and its obdurate ally may be just around the corner.

"What many outside commentators appear not to have understood is that the Rifondazione question is not simply a matter of negotiating social reform. Electoral reform is under discussion simultaneously, and the two processes are about to meet at a single crossroads."

The reason is that D'Alema, who heads the bicameral committee on electoral reform, is in favour of a second-round system of voting which would be designed to marginalise the impact of minority parties such as Bertinotti's. In the long run, Rifondazione is likely to be more concerned about a threat to its electoral future than about tactical battles over welfare.

According to Amato: "Rifondazione may decide to try to bring the government down over welfare reform in order to scupper the plans for electoral reform. Or it may extract a compromise on electoral reform and in return give ground to the government on pensions and welfare."

The first alternative would plunge Italy's EMU plans into crisis; the second could make first-wave entry a realistic possibility. But then the debate returns to the European stage, where, as Amato and his fellow debaters were only too aware, other national interests are at stake, and even Italy's best shot may not be good enough. There's a lot of worrying to go through yet.

Lloyd Webber uncorks riches

Robert Lejeune
LONDON

FINE WINE went on song for the composer Andrew Lloyd Webber in London when he sold his fabulous collection of costly bottles at a two-day sale at Sotheby's.

Many of the wines sold for double the estimated price with 1971 burgundies from the prestigious Romanée Conti estate fetching up to $2,060 a bottle. Wine dealers sell the same bottles at half that price.

Billed as the largest and most important single-owner wine collection ever to be offered at auction, the 1,416 lots included the most famous and sought-after labels and vintages imaginable. At the end of the first day 304 lots had been sold for $2,179,532.

Lloyd Webber, in a foreword to the catalogue, explained that he now realised he had been hoarding more wine than he could ever hope to drink, but added in a sickly passage: "This is all a bit of a wrench. There's nothing I like more of an evening than to trip down to the cellar. Many is the time I've shut the big double doors with a 'bye bye boys' to my tannic pets."

The sale hit a resounding number of high notes which left many observers gasping. Big hitters in the auction rooms, such as Stephen Williams of the Antique Wine Company of Great Britain, bid with a will before retiring hurt, complaining: "Prices have gone way out of line with the market."

The most unstoppable bidder in the room was Barrie Larvin, master somelier of the Rio Suite Hotel and Casino in Las Vegas, with 14 restaurants and one of the world's biggest hotels to stock. He had a hit list of wines ready printed, and was not going to be denied any of them. For the prize lots of fine red burgundies and clarets, though, there was fierce competition down the telephone lines from Japan, Taiwan and Singapore.

To ensure that no one missed the cachet the wines' former ownership might bring, Sotheby's had ensured that Lloyd Webber's personal stencil was used to mark every case and carton on offer with his initials.

Larvin bought the top priced lot, a "millennium dream cellar" of vinous remnants for $396,920, the equivalent of 36 cases. Bottles of 1947 vintage Chateaux Latour à Pomerol, Cheval Blanc and Pétrus all sold at $57,730 for 12 compared with the pre-sale estimates as low as $30,000. Cases of six magnums of Musigny 1945 white burgundy and Chateau La Mission Haut Brion 1945 fetched sums of $17,140 and $16,240 respectively.

Many lots opened above the top pre-sale estimate, and several achieved more than double Sotheby's wildest speculation.

Larvin though, hastily arranging new lines of credit to finance yet further purchases, was unabashed.

"We have a single customer who could take this whole lot off us tomorrow," he said.

"By the time we have enjoyed the worldwide publicity from our purchases, and have resold the wines at a mark-up or used them for gifts to our high rollers, there is absolutely no doubt we will be in profit on the deal. No worries."

Brawl disrupts debate on Erbakan's 'threat' to the constitution

REUTERS

Turkish Prime Minister Necmettin Erbakan (top right) watches ruling Islamist Welfare Party deputies clash with their opposition counterparts during a crucial debate over a charge criticising the government for straying from the country's 73-year-old secularist past. Parliament voted to drop the censure motion. *Seven Days: page 6*

Tide turns on polluted beaches

IF YOU want to surf the waves in safety, first surf the Internet, *writes Julie Read in Brussels*. That's the advice to holidaymakers from the European Commission. Publishing its annual report on the state of Europe's beaches and freshwater areas, the Commission made a point of its Europa site (http://www.europa.eu.int). This tells beach enthusiasts all they need to know about where to find a blue-flagged beach.

However, when it comes to inland waters, the situation is rather murkier. Beware the lakes, rivers and lidos, it says. Germany, France, Spain, Portugal and the Netherlands are targeted for failing to fully implement the 1975 bathing water directive in freshwater areas.

Member countries were given 11 years to clean up their act, but while all five have improved the quality of their coastal areas – probably because it makes economic sense to improve tourist beaches – their "freshwater" zones remain nothing of the sort.

Environment Commissioner Ritt Bjerregaard said: "I am extremely worried about the lack of seriousness with which member states handle this matter. While improvements have been made in coastal areas, much more needs to be done for inland areas. These freshwater zones are smaller, so the pollution is stronger, but the action taken so far is not good enough."

It's a constant lament, and Bjerregaard dutifully promised to keep up the pressure. But experience suggests that expensive measures to clean up lakes and streams are nobody's priority.

Greece topped the league for good sea water with 95.8 per cent of its 1,690 areas meeting stricter quality standards, while just over 15 per cent of Belgium's 39 beaches met the same criteria. Denmark, France and Sweden made the greatest headway in raising the quality of sea water.

Germany sank to bottom place with 13.5 per cent of its sea water failing to meet even minimum requirements, followed closely by Portugal, Britain, the Netherlands, Italy and France.

Several countries have already had cases brought against them in the European Court of Justice for failure to tackle water pollution.

Kissing the strong euro goodbye?

Continued from page 1

in benefits that Bonn has been obliged to pay to a growing army of jobless.

Revaluing gold reserves and selling Telekom shares are not expected to plug the gap. Over the coming days, Kohl's troubled coalition will consider other measures to keep the economy in line: a budgetary freeze, petrol tax and value-added tax increases are some of the measures under discussion.

However, even these alternatives have already run into stiff opposition from Kohl's junior coalition partners, the liberal Free Democrats (FDP). The party is seeking to raise its profile among voters as the "no tax increase" lobby and has warned that such measures endanger the future of the coalition. "Waigel should end his South American book-keeping and produce a savings budget," commented the FDP's budgetary expert Jürgen Koppelin this week.

The Kohl government is meanwhile pinning its hopes on the conclusion of a tax and pension reform package this autumn. But it cannot be sure of success. In order to initiate tax reforms, Kohl's coalition is dependent on the support of the opposition Social Democratic Party (SPD), which holds a majority in Germany's upper house.

With a general election scheduled for autumn next year, voters should still have one last chance to have their say. They could have second thoughts now that Bonn is almost certain to renege on its principal pledge: to meet Maastricht's three per cent budget deficit criteria.

Yet voters are unlikely to be offered the chance: Kohl's commitment to the single currency ideal is well documented. The past week has demonstrated that he will put up with charges of lying and hypocrisy rather than submit to honest debate on the issue.

Kohl's gold trick, however, may yet come unstuck. Waigel will have to wait a few nervous weeks to discover how much of the revaluation Eurostat will allow him to use to meet the Maastricht criteria. Whatever happens, the reputation of the euro may have been squandered in the process.

How other countries bend the rules

FRANCE	ITALY	BELGIUM	GERMANY
■ France Telecom pension fund transfer ■ Worth Ffr37.5 bn($6.5bn) ■ 1997 government deficit reduced by 0.45 per cent of GDP	■ One-off Eurotax levy on personal income ■ Worth L5,500 bn($3.3bn) ■ 1997 government deficit reduced by 0.28 per cent of GDP	■ State and social fund asset swap ■ Worth Bfr80bn($2.2bn) - Bfr150bn ■ National debt reduced by 1.04-1.08 per cent of GDP	■ Revaluation of gold deposits ■ Worth about Dm40bn($23.5bn) ■ Reduction on national debt and deficit not clear
Finance Minister Jean Arthius boasted of reducing government deficit below the crucial three per cent barrier by commandeering a pension fund of national telecoms utility prior to privatisation. Associated liabilities not acquired. Eurostat extended a rule relating to the Danish state telecoms operator and declared it a capital transfer, valid for reducing public borrowing requirements.	Government promised to return one-off tax on wages after joining the single currency in 1999. Eurostat decided levy did not count as a loan because there was no legal obligation but only a political commitment to reimbursement. It ruled the device was a true tax and should be recorded "as a receipt aimed at bringing public finances under control".	The day before assessment of the nation's balance sheet several banks deposited treasury certificates with an operational arm of the central bank, which promised to return them three days later. Belgian accounting law meant the operation did not feature on the books though it did give the appearance of reducing the country's debt. No decision yet from Eurostat.	Finance Minister Theo Waigel told central bank of plans to revalue 3,700 tonnes of gold reserves using current prices of about $350 per ounce instead of ultra-conservative estimate of $95 per ounce. Gain in Bundesbank accounts to be used to reduce debt. Domestic pressures and Eurostat ruling, expected in a few weeks, very unlikely to sanction use directly against deficit.

Words, not work, from Brussels

Victor Smart
Political Editor

THE latest stage in Europe's quest to create jobs will amount to some fine-sounding words in the new Treaty of Amsterdam. Whether it will have any effect on the area's 20 million unemployed is another matter.

When leaders of the 15 states of the European Union meet this week in the Dutch resort of Noordwijk to draft a successor treaty to Maastricht, they will take much pride in honing a new "Title on Employment".

"The objective of a high level of employment shall be taken into consideration in the formulation and implementation of Community policies," states a provisional text, somewhat grandly. Existing EU treaties already touch on employment, but never before has the subject been granted a dedicated chapter of its own.

The exact wording is still a matter for haggling at the intergovernmental conference. Worries that it may provide a basis for Brussels to demand money to throw at the problem in a fit of neo-Keynesianism are unlikely to be realised. Regard it more as a gesture to mask the fact that the EU is bereft of job-creating initiatives.

The plan originally put forward by the Swedish socialist government has already been blunted in long months of negotiations to meet German and British objections.

When the Title on Employment is finalised at Amsterdam in mid-June it will only swell the list of well-intentioned but forlorn gestures by the EU. "It's all part of the smoke and mirrors that precede the Amsterdam meeting. It won't affect things in the real world," admits one Commission official.

President Santer: still anxious for pump-priming

Europe's past job-creation fiascos have made observers wary about expecting much action. Since last June's Florence summit, Commission President Jacques Santer has battled against the EU partners' refusal to stump up billions for the Trans European Networks.

Yet, like it or not, Europe is in the firing line on jobs. Santer is still anxious for funds to pay for pump-priming because the austerity imposed by the Maastricht treaty and the industrial shake-down caused by the single market has made Brussels an even more hated target of Europe's jobless.

Members of Santer's cabinet were visibly shaken recently when their headquarters in Brussels was menaced by demonstrators sacked from Renault's Vilvoorde plant. Hendrich Vermeersh, a protesters' spokesman, claimed: "This Europe we are supposed to work for and support is only for the capitalists. They control the single market and control us."

Hanja Maij-Weggen, a Dutch Christian Democrat MEP, spokeswoman for a European Parliament committee on the employment chapter, is typical of those who still pine for a Euro-wide Brussels initiative.

"We need co-operation between the member states that are succeeding on jobs and those that are failing," she said. "The Netherlands, for instance, is very successful on this front. The UK is not too bad. Others, notably Germany and France, are in a difficult position."

But her demand for a new employment council with more or less the same powers as the influential committee on monetary union is not on the agenda of Germany or Britain.

The Noordwijk meeting will pursue a much milder draft based on a text put forward by Dublin when Ireland held the rotating EU presidency last December. This demands co-ordination (though not harmonisation) on job creation across the EU. It will also bring the issue into the ambit of Brussels. An employment committee is to be established to monitor the employment policies in each of the member states. A qualified majority vote will be sufficient to censure states which fail to toe the line, but it will not have the right to employ sanctions.

Brussels, however, would administer "incentives" to promote pilot job schemes, a move which has set alarm bells ringing in Bonn and London. Zygmunt Tyszkiewicz, secretary-general of Unice, the European employers' federation, said: "We have doubts about this. The pressure will be for bigger and bigger budgets. That could start to take us back to the old stop-go of Keynesianism. We worry that the competitiveness criteria will be diluted and that countries could be forced to relax monetary policy."

The longer-term worry is that the employment chapter could open the way for action in the European Court of Justice, where jurists might say that saving jobs should take precedence over the drive to curb state aid to industry. Such fears are probably groundless as long as Germany and Britain remain opposed. Bonn has a horror of anything cutting across the sound-money remit of the Bundesbank, and Britain's new Labour government still supports labour-market flexibility.

Additional reporting by Paola Buonadonna in Brussels

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Formula 1 flotation may spin off course

David Brierley and Robert Alexander on obstacles facing motor racing's share issue

FSP

Driving force: Formula One chief Bernie Ecclestone is adamant the flotation will proceed despite City doubts and the British government's proposed ban on tobacco advertising

BERNIE Ecclestone plans to float his Formula One motor racing company on the London stock market this summer, but City doubts over the flotation could lead to it being delayed, if not postponed.

Worries about a high flotation price of £2 billion ($3.2 billion) have been increased by the British government's intended ban on tobacco advertising and sports sponsorship. Yet Ecclestone, who controls the commercial, promotion and television rights for grand prix motor racing, is adamant that the flotation will proceed.

For Formula One motor racing as a whole, the ban looks especially severe. This year, Marlboro, Benson and Hedges, Mild Seven, West, Rothmans and Gauloises cigarettes are sponsoring teams at a cost of £125m, with further millions being spent on drivers, advertising and promotions. Marlboro is rumoured to spend a total of £50m on the sport. "It is difficult to see any other sponsors wishing to pay that premium for their involvement," one City analyst said.

Many constructors are dependent on tobacco sponsorship. Jordan receives 60 per cent of its income from a £10m deal with Benson and Hedges. One senior tobacco executive admitted: "The proposed ban certainly poses a question mark over the future of the sport."

Motor racing is a perfect marketing tool for cigarette manufacturers. It was shown last year in 200 countries and accumulated 41 billion viewers; two-thirds of all 18 to 35-year-olds watched at least two grands prix. In terms of glamour, prestige and viewing numbers, there is nothing to match it.

The closeness between the sport and the tobacco industry reaches back to the 1960s when Graham Hill drove Lotus cars in Gold Leaf livery. It is underlined by the presence of Walter Thoma of Philip Morris, which makes Marlboro cigarettes, as a non-executive director of Formula One.

Despite the threatened ban, Ecclestone and the leading teams remain confident they will still thrive.

"I cannot imagine this issue causing anyone undue concern," said John Postlethwaite of the Anglo-Italian Benetton team, which is sponsored by Japanese Tobacco's Mild Seven brand. "It is something which we have lived with for some time. Most teams have given thought to it and worked out their own means of dealing with the difficulties, but it is not a major worry."

Postlethwaite bases his confidence on the fact that the sport is a global business, marketing 17 grand prix races in four continents through nine months of the year. Others in the industry observe that the five of the seven major teams which are British-based could move overseas if British legislation proves draconian. Health Minister Frank Dobson has merely made a statement of intent. Much depends on the detail.

Formula One teams already face restrictions. They comply with a voluntary deal not to carry tobacco companies' livery on their cars in Britain. The British Grand Prix at Silverstone, and the French and German grands prix operate a ban, but there are 14 other races. And the ban is not effective. Cars carry the colours, livery and logos, but with replacement names – "Racing" replaces the word Rothmans on the rear wing of Williams Renault cars.

Max Mosley, president of the Federation International de l'Automobile (FIA), said: "We are the world governing body and this is a problem in one country only. It is therefore only a problem to us in one of 17 races."

But a European agreement on banning tobacco advertising has come nearer with the change of government in London. Further worries for City investors are caused by the nature of the Formula One company and its relationship with the FIA and the racing teams. Ecclestone saw the opportunity for top-class motor sport decades ago and nurtured the business, sustaining peace among warring parties while marketing the races around the world.

"He has singlehandedly been responsible for making Formula One successful," one team director said. Assuming the company is floated for £2bn, Ecclestone, 66, will receive up to £1bn for selling investors a 50 per cent stake, and retain 30 per cent of what remains. This will make him one of the world's richest men.

Formula One is an unusual company. It remains a series of contracts with teams, circuits, TV companies and the FIA. If these contracts start to unwind, then so does Formula One. The issue of the division of the flotation spoils has proved fraught. It could become even more so if the teams lose significant amounts of tobacco revenue. One insider at a leading team admits: "This [the division of profits] is a sensitive issue, but not one that anyone is prepared to discuss in public."

Max Mosley denied reports that the FIA had ceded a 25-year contract to Ecclestone in return for ten per cent of Formula One's equity. He said: "Correct figures will be made public in due course."

This may indicate that Formula One has a shorter deal – perhaps just 15 years. Reports of contractual disputes with the teams can only increase investors' nervousness. Formula One has to remain exclusive and the best. Were Ferrari, Benetton, Williams and McLaren to decide to go their own way, this would undermine the sport.

Formula One has chosen a flotation in London rather than New York because the US stock market, unlike its British counterpart, would demand the publication of its contracts. A mooted asking price of £2bn for Formula One looks high. Last year, it reported profits of £86m on turnover of £200m. Most profits came from sales of TV broadcasting rights.

It is Ecclestone's achievement to have foreseen that TV would transform motor sport. The question now is whether digital TV will further boost Formula One's profits. Ecclestone has invested £50m in his own digital TV broadcast service – a huge technological compound which is transported from one grand prix to the next. This will enable digital subscribers to determine their programme and switch between car, cockpit and pit during a race.

Do viewers want this? Like other recent new TV ventures, it is a gamble. In Germany, Leo Kirch's television-top digital service has been abandoned by Rupert Murdoch. But a series of pay-per-view deals signed by Ecclestone are expected to boost Formula One profits.

A further worrying sign is that the worldwide TV audience fell by 11 per cent even though the total remains enormous. The FIA says this is because more races were shown live with fewer repeats. Whatever the explanation, Ecclestone is contemplating rule changes next year to make viewing more exciting.

It has been suggested that cars should be 20 centimetres shorter, reducing the size of the aerofoils, and that the slicks should be replaced by tyres with a tread. The idea is to reduce speeds, to make overtaking easier and the spectacle more exciting. Jacques Villeneuve, the driver, said the idea was "a joke".

Formula One has not helped its cause in the City. Little information is available and F1 has shown a penchant for secrecy. A presentation to City analysts on 16 May was unimpressive and uncommunicative. "They flashed numbers on the screen and you had to scribble them down as best you could," one said.

A major coup, however, is the recruitment as non-executive chairman of Helmut Werner, former chairman of Mercedes Benz. Werner took Mercedes back into Formula One and indulged in private races with Jürgen Schrempp, Daimler Benz chairman, around the Hockenheimring.

It only goes to show that grown men behave like boys in the presence of fast cars. That may yet be enough to ensure Formula One floats successfully.

Spanish Grand Prix: p14

Cigarette firms dismiss sporting ban as a drag

But the glamour of smoking is waning, write Sam King and Roman Rollnick

Havana manner: bans do not deter actress Gina Gershon

IN THE old days Hollywood stars seemed almost to live in an elegant swirl of cigarette smoke. Whether seductively offered or passionately stubbed out, the cigarette was as vital a part of films as the dialogue.

These days that attitude has changed beyond recognition. The anti-smoking lobby directs and cigarettes are reserved for the sad and the bad on modern-day television.

The latest coup is the announcement that the British government intends to ban tobacco from one of its last bastions in the UK, sports sponsorship.

The cynical may suggest the move, greeted by many as a courageous stand for health over wealth, was actually a means of diverting attention from the simultaneous freeze of nurses' pay.

The anti-smoking lobby does not care. It believes this is one more significant step towards comprehensive European Union bans on cigarette advertising and smoking in public places.

Health Commissioner Pádraig Flynn has long signalled his desire for a tougher stance on tobacco's involvement in sport. "The existing definition of 'advertising' is too loose," he said. "It allows tobacco firms to get away with scandalous behaviour."

So far member states and neighbours have a patchwork of legislation and voluntary agreements regulating smoking practice. However, as tobacco manufacturers fall over themselves to point out, statistical evidence from various countries on the role played by restrictions on publicity and smoking is confusing.

All EU nations prohibit advertising to a degree. In Sweden, Portugal and Finland this is all-encompassing, while in Spain and the UK only television advertising is forbidden. In Italy cigarette companies are not allowed to advertise tobacco on television but they are permitted to promote other products. So when Italians see "Marlboro Man" riding across a dramatic landscape, he is not encouraging you to smoke, simply to pop into your travel agent and buy a Marlboro holiday to Marlboro Country.

Only Sweden and Finland have bans on sponsorship of sports events, but all states apart from Greece (the world leader in tobacco consumption) have restrictions of some kind.

While advertising is easy to monitor and regulate, the rules on where and when smokers can light up are more complex.

In Italy, France, Austria and Poland the legislation is detailed, lengthy, and in general ignored. Spaniards are frequently to be seen smoking in supermarkets although the law prohibits smoking where food is being prepared or handled.

France's anti-smoking lobby was seen as vaguely ridiculous when it took Lyon railway station to court in January this year for allowing a smoker to light up on the forecourt. Although the court found against the station, most French people could not see what the fuss was about.

Turkey introduced tough new laws last year but the presence of no-smoking signs in public buildings, on buses and trains, has yet to have any effect. Norway's laws are regularly flouted as well.

The Tobacco Manufacturer's Association has statistics it says show there is no correlation between legislation and consumption. It cites Norway, Iceland, Finland and Italy as examples, claiming there was no significant decline in smokers when compared with like countries where no regulations had been introduced.

However, Dr Peter Anderson, a World Health Organisation expert on smoking in Europe, is convinced the laws, however ineffective they seem, are getting the message through.

"There is no doubt from the scientific studies that the restrictions have had an impact, especially on young people," he said. In France, for example, cigarette consumption dropped by ten per cent following a 1991 law banning advertising.

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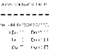

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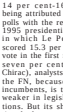
Front National doubts esprit de corps by playing on siege mentality while rivals drift listlessly into first round

Le Pen plots his revenge on lacklustre ring elite



Mainstream parties will pay a high price for ignoring the far right, argues Anne-Elisabeth Moutet in PARIS

IN BOTH the public and private traditions, embarrassing problems are swept under the carpet in France, never to be mentioned, in the hope that they will disappear. This rarely works, and in the case of the ever-rising popularity of Jean-Marie Le Pen's Front National there is no chance that it will.

But all the same the French mainstream politicians, media and intellectual elites have decided, against all evidence to the contrary, that the tired old solution will once more have to do.

The Front National is demonstrably racist and xenophobic organisation; its purported policies are often stupid or ugly; it plays on anti-democratic feelings by stoking an undiscriminating disgust of all things and personalities political. But by ignoring the many pertinent questions that it raises; and the real empathy it generates among a growing disaffected section of the population, French opinion-makers and democrats are setting themselves up for a nasty awakening.

Whether this will actually occur in the two-round parliamentary election (the first is on 25 May) is far from certain, although it is not impossible. Le Pen predicts that it will and that the FN will win between 15 and 20 seats in the 577-strong National Assembly.

The Front's worst enemy in the first-past-the-post French electoral system is not so much renewed "republican vigilance" from voters as its exact opposite: a high abstention rate. To qualify for the second round, a candidate must have polled 12.5 per cent, not of votes, but of registered voters. Thus the bigger the abstention rate, the higher proportion of the actual poll is needed to remain in the contest. Some pollsters think the abstention rate at this election, which has failed to engage a cynical electorate's interest, could be a record.

FN candidates will stay in the second round whenever they can, perhaps in as many as 200 constituencies, causing what is known here as "triangular" elections between a right-wing, a left-wing and an FN candidate. In such a case, just more than a third of the vote will be sufficient to get elected.

The Front's electoral gains are slow, but inexorable. When comparing the 14 per cent-16 per cent being attributed to it in the polls with the results of the 1995 presidential election, in which Le Pen himself scored 15.3 per cent of the vote in the first round (only seven per cent less than Chirac), analysts forget that the FN, because it has no incumbents, is traditionally weaker in legislative elections. But its showing this time looks set to be remarkably healthy.

The major left and right coalitions, meanwhile, showed at around the 40 per cent mark in the last official polls allowed, a week before the vote – which, if reflected in the voting, will give the Gaullist right a more or less comfortable majority, because of the inherent bias in the system.

President Jacques Chirac's decision to call a snap early election undeniably caught the FN wrong-footed. It is fielding 570 candidates, but many of these won't have had the time to get organised in their chosen constituencies. On the other hand, the FN is probably the only party in France apart from the communists which has consistently been working at grassroots level in many of France's poorer areas.

For several years FN militants have made a point of joining council housing boards, for instance, in order to defend tenants enraged by petty crime and vandalism. They are active in small shopkeepers' organisations and neighbourhood watches. They started police and prison warden unions, but these have been banned because, by law, unions must not be fronts for political organisations. All this work has paid off: the FN is the only party which has significantly risen in the polls in the past three weeks, from about 12 per cent to 15 per cent.

"We defend ordinary French people who feel they have been abandoned," says Bruno Mégret, the FN campaign manager who is running in Vitrolles near Marseille, where his wife Catherine won the mayoralty in his name this spring.

"I mean people who can't walk out of their homes at night, whose possessions are robbed and cars vandalised, who are underpaid and threatened by unemployment; and who see their taxes going to subsidise single-parent immigrant families. Then they turn on the TV and see corrupt politicians and Left Bank intellectuals who live in crime-free neighbourhoods."

MEGRET is a slight, soft-spoken, dark-haired, intelligent man in his late forties who studied at Ecole Polytechnique and Berkeley University in California. He used to be a member of the Rallye pour la république (RPR), Chirac's Gaullist party, but left it for the FN a little over a decade ago. He advocates protectionism and tariffs, rejecting the single currency, tightening even further the nationality code, raising the minimum wage by Ffr1,000 ($175) to Ffr7,000, a demand shared with the communists, and forcing three million migrant residents to return to their "countries of origin".

He is ultimately vying with the arch-conservative Catholic Bruno Gollnisch to succeed Le Pen, something that annoys the FN leader no end. This rivalry surfaced when Le Pen professed that he preferred the socialists to the right. He also declared that the socialists' "qualified acceptance" of the single currency was more congenial to him than the government's commitment to it.

Mégret, who believes the frontier between the traditional right and the FN is more "porous" than that with the left, was appalled. Machiavellian analysts in Paris believe that Le Pen would rather see no FN deputies elected than have to bear the victory of his would-be successor.

Le Pen's aim is to have enough weight in a quasi-hung parliament to be able to dictate elements of policy. With that aim, one of the FN's slogans is *Sortez les sortants* (Get rid of the incumbents), and there are far more right than left-wing incumbents. It is an efficient slogan in a country where a majority of the voters feel that the election will not change anything.

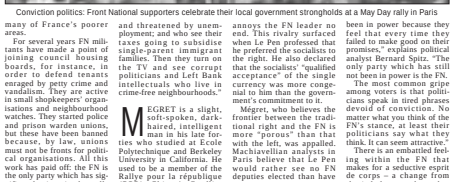
"The French mistrust every political party that has been in power because they feel that every time they failed to make good on their promises," explains political analyst Bernard Spitz. "The only party which has still not been in power is the FN.

The most common gripe among voters is that politicians speak in tired phrases devoid of conviction. No matter what you think of the FN's stance, at least their politicians say what they think. It can seem attractive."

There is an embattled feeling within the FN that makes for a seductive esprit de corps – a change from the jaded atmosphere that prevails in almost all other parties. FN voters feel strengthened by protests against them and by media insults.

Le Pen plays on this clubby feeling with frightening talent, relishing unsavoury double-entendres and loaded allusions. It becomes a kind of risqué private joke, a badge of exclusivity.

At best, the standard attitude in Paris to FN voters is condescension. They may well want to take their revenge on 25 May.



CHRISTIAN BELLARA / EDITING

Conviction politics: Front National supporters celebrate their local government strongholds at a May Day rally in Paris

Nothing to say? After resistance on the Yvelines campaign trail, Marie-Caroline has all but disappeared from public view

War cry withers in heat of battle

Sarah Turnbull on the campaign of FN leader Le Pen's daughter Marie-Caroline

IT STARTED with a battle cry and the assurance of crushing victory. But the Front National's campaign in Yvelines, a département west of Paris, is looking more like a flop. Marie-Caroline Le Pen, eldest daughter of party leader Jean-Marie, was handpicked to deliver the triumph but she has now all but disappeared from the campaign trail.

Her scheduled rallies and meetings have been scrubbed at the last minute. Public appearances are limited to lightning tours of street markets and private visits to supporters. So far the biggest event of her campaign was a secret dinner for 60 diehards, attended by Jean-Marie himself. Guarded by 150 police, the event was off limits to the media until – 30 minutes before it started – a mere two journalists and one photographer were allowed inside.

"The only thing you can say about her campaign is that it has been discreet," said Jean-Claude Pierrette, correspondent for *Le Monde*. "It's very unlike the Front National: no big rallies, no large crowds. Marie-Caroline is more reserved, much less aggressive than her father."

The surprise announcement that Marie-Caroline, 36, would run against the RPR candidate Pierre Bédier for Yvelines represented a tactical gamble by the FN. Home for the younger Le Pen is in Neuilly, a leafy bourgeois suburb on the outskirts of Paris some 60 kilometres from the high-rise flats of Yvelines' biggest town, Mantes-la-Jolie.

Almost half the city's population are immigrants, and the region is beset by social problems, racial tension and sometimes riots. But in the 1993 parliamentary elections the Front candidate in Yvelines won a whopping 40 per cent in the second round of voting. So, hoping to capitalise on a backlash against immigrants in the region, this time the Front decided to bank on a name guaranteed to generate attention.

The blonde with the winning smile has not received the welcome the party expected. "They thought she would trigger support from French people in the region who blame immigrants for rising crime and violence," said Pierrette. "That doesn't seem to have happened."

Instead, it has been a hard slog from the start. Her first visit to the Mantes street market was disrupted when the anti-Front protest group, Ras-le-Front, turned up waving placards screaming "Go back home." Since then Marie-Caroline has been tailed by a band of teenagers calling themselves "Scalp", which stands for "the totally anti-Le Pen group".

To make matters worse, Marie-Caroline has not exactly received a glowing press. Although described as "nicer" than her father, she is accused of having "nothing to say" and being his "puppet". As a result of such coverage, described by the Front as "misinterpretation of her message", she is reluctant to give interviews.

An FN victory at Mantes-la-Jolie cannot be entirely ruled out. Marie-Caroline will easily make it to the second round of voting. What happens then will depend on who remains in the race. Her father is renowned as a "master of surprise". Time is running out for his daughter to prove that she is too.

THE EUROPEAN

Not much on the menu for voters of France

THE French people face an unattractive choice as they begin the process of electing a new parliament. The main parties are unwilling or afraid to break the old collectivist mind-set. France needs a new consensus based on the economic revolution that has swept most of the world. But its political leaders have not even told the voters that the country simply must change.

As the wind of deregulation blows through the rest of Europe, France's elite has clung to an outdated strategy of protectionism, the *franc fort* and a state-driven subsidised economy. It has brought the country into recession and condemned at least 13 per cent of its workers to unemployment.

There are the first signs of readiness to challenge the status quo, but it is a decade too late. Britain found in the 1980s that powerful trade unions and vested interests cannot be swept away overnight. It takes several years for even the most resolute government to change ingrained attitudes.

No such resolution characterises Prime Minister Alain Juppé's government. It indulged farmers when they destroyed cheap fruit imported from Spain and blackmailed supermarkets ready to stock those products. Transport unions forced the government to backtrack on reforms in working practices by bringing the country to a halt.

Its record means that Juppé's centre-right (RPR-UDF) Gaullist coalition scarcely merits automatic re-election. He was handed a poisoned chalice by the president. As a candidate, Jacques Chirac promised to create jobs, but once in office he became as wedded as his predecessor to the deflationary disciplines of the *franc fort*.

Unfortunately, the socialist alternative is even less attractive. The lacklustre Lionel Jospin still advocates the tax-and-spend socialism successfully abandoned by the British Labour Party. Jospin announces plans to create 700,000 jobs and reduce the working week without cutting wages but refuses to say how it will be financed. The communists, his allies in government, want to increase wealth tax – a sure way to strangle the entrepreneurial spirit France so desperately needs.

Even the socialists' scepticism about the single currency fails to ring true. It seems inconceivable that the party of François Mitterrand, co-architect of monetary union, would abandon the project altogether.

The one distinguishing factor in an election that for the most part seems a choice between two sides of the same coin is that Juppé has at last started to speak the language of a liberal free-market economy. He is insisting, despite the unpopularity of the sentiment, that reductions in non-wage labour costs are the "spinal column" of his strategy.

On his past record, there are only modest grounds for confidence that he, or any other prime minister chosen by Chirac, would have the will to turn these words into deeds. But at least the Gaullists offer the possibility of change, while Jospin offers only an advance into the past. For this reason, the Gaullists represent the least worst option.

Young left cold by choice between lesser evils

Charles Masters in PARIS reports on the disaffected youth vote

ONE of the most striking images of Jacques Chirac's presidential victory in May 1995 was that of young Parisians celebrating the the entry of a Gaullist to the Elysée after 14 years of socialism.

They danced in the fountains of Place de la Concorde, and piled on to car bonnets to roar round the capital waving the tricolour. Among the banners being waved, one read: "*JAC – les jeunes avec Chirac*".

Those who were 18 when Chirac arrived at the Elysée had known nothing other than a socialist presidency. The ability of Chirac's campaign machine to present their champion, then 62, as the best chance of fresh hope to the young was a key element of his triumph.

Fifty-five per cent of the 20 24-year-olds voted for him in the second round, compared with 45 per cent for his rival, socialist leader Lionel Jospin. Nearly three decades after the student uprising against Charles de Gaulle, 56 per cent of students voted Gaullist.

This time, there is little sign of the youth vote rallying behind the Gaullist cause. "If the presidential race was run again, I'd vote for someone else," said Jehanne Deleydet, a 26-year-old riding instructor who voted for Chirac in 1995. "I'm not sure whom I'm going to vote for in the legislatives. It's a shame to say it, but I don't think it'll change much either way."

Photographer Thomas Cauet, 25, said he had voted for Chirac with high expectations but would not be voting Gaullist again. "It's a pretty sorry choice," he said. "Look at Prime Minister Alain Juppé's record in government. Yet the socialists don't offer a credible alternative."

The lack of enthusiasm for the choice before them is manifest among supporters of the left, as well. "Overall, what is on offer to the electorate seems like reheated sauce. I think I'll vote socialist in the absence of anything better, but I'm not enthusiastic about them. Their policies seem vague, and I am not convinced they will change anything," said Raphaelle Pache, 25, who teaches in a Parisian suburb and backed Jospin in 1995.

Chirac's presidential campaign centred on healing the *fracture sociale* by tackling unemployment and creating more opportunity, particularly for the young. But the premier Chirac appointed, Juppé, has consistently failed to deliver, and unemployment has continued to climb throughout his two years in office. Youth unemployment is running at around 25 per cent.

French youth are indifferent and disillusioned ahead of the polls. According to one by CSA, among 18 to 24-year-olds, two-thirds have little or no interest in politics. More than half of those questioned believe that politicians are incapable of finding solutions to society's problems.

Another poll undertaken for the daily newspaper *Le Monde* found that this scepticism is most marked among the 18 to 34 bracket, of whom 72 per cent said that they saw no difference between the outgoing government and the socialists when it came to fighting unemployment or cleaning up corruption.

The logical corollary of this is that many – like Sorbonne students Marian and Hélène, 19 and 20 respectively – will simply not be voting.

"I think politicians take us for idiots. They just push their own interests," said Marian. "There have been lots of demonstrations in the past two years, but Juppé lives in another world. He lets us shout in the streets for a couple of months, then just pushes ahead with his plans."

But there is one point of accord. "We're disgusted by Jean-Marie Le Pen. If I were to vote, it would be against him," declared Hélène.

FRP

Crushed hope: the contrast between 1995's election and this one is marked by indifference

Is Chirac the pawn in a Chinese gambit?

Roger Faligot and Anne-Elisabeth Moutet consider the pros and cons of French attempts to boost trade with China

IF the Chinese were looking for an advocate in Europe – and, it appears, they were – French President Jacques Chirac fitted the bill perfectly. Here was a leader anxious to build a reputation for himself and his country on the international stage. Here was a trading nation with strong links to the Far East yet with only a miserable 1.7 per cent of the potential gold mine which is the Chinese market.

It was a gift, and the men from Beijing seized it with both hands.

The coup was minutely prepared and fastidiously executed at a high level. Last month Qiao Shi, president of the People's National Assembly, number three in the Chinese government and the power behind the Chinese intelligence community, flew to Paris to lobby the French into opposing the annual European Union resolution against China at the UN Human Rights Commission. The French did just that, refusing to endorse the resolution, leaving Denmark to go it alone.

According to sources, Qiao Shi made a deal with Chirac. If the French president agreed to certain conditions, such as a moderate stand on dissidents and on the Hong Kong handover, France would not only be able to seal some lucrative contracts, but Chirac himself could effectively become China's ambassador in Europe. In return, the Chinese would move a little on the recognition of human rights and sign two UN treaties at the end of this year.

It was then decided that the president's intended stopover in Hong Kong would be scrapped, much to the dismay of local democrats and, incidentally, to the regret of Chirac himself, who had been looking forward to visiting a favourite tailor and shopping for Tang statues in the local antique shops. The excuse given was that Chirac needed to be back in France earlier because of the election.

Chirac's trip will have earned Europe at least $1.5 billion in hard cash in the shape of an order for 30 A-320 and A-321 Airbus planes (to be delivered over ten or 20 years according to clauses still to be worked out in the contract) and of five ATR-72 planes.

But in France critics are already carping that despite vigorous claims by the Elysée spin doctors, Chirac gave China crucial political support and bestowed France's moral approval on Chinese human rights policy only weeks before the Hong Kong handover.

No effort was spared to make the visit appear successful, and in business terms it certainly was. Airbus Industrie chairman Jean Pierson, who accompanied the president, gleefully announced that, "3,600 jobs would be created in France as a result, and 12,000 jobs altogether in Europe".

Chirac himself is probably the western leader who knows the most about China, having at one time studied Mandarin. He is also knowledgeable on Chinese history, art, poetry and calligraphy. He believes France ignores China at her own expense. "In 20 years' time, the main economic regions of the world will be China and the European Union," Chirac told President Jiang Zemin on the first day of his visit.

"It is difficult to know whether the Chinese used

Chirac or the other way round," a diplomatic source told *The European*. Chirac wanted to represent both France and Europe.

French businessmen welcome the end of a human rights campaign, stemming from François Mitterrand's condemnation of the 1989 Tiananmen Square massacres, that has obstructed business links. "We were politically barred from China for nine years; it has been only since 1994 that we were able to work here," said Pierson.

Negotiating with the Chinese requires immense patience: not necessarily a French characteristic. This, and anger in Beijing caused by the French determination to continue selling warships to the rival Chinese nationalist government in Taiwan, accounts for their tiny share of the huge Chinese market.

The presidential plane's passenger list, as well as including five cabinet ministers, read like a *Who's Who* of French business. It included AXA's Claude Bébéar; EDF-GDF's Edmond Alphandéry; Thomson-CSF's Marcel Roulet; Compagnie Générale des Eaux's Jean-Marie Messier; Air France's Christian Blanc; Eurocopter's Jean-François Bigay; Aérospatiale's Yves Michot and Snecma's Jean-Paul Béchat.

On the last day of his visit Chirac opened a trade fair in Shanghai at which 300 French companies had stands, the biggest France has ever mounted abroad.

Several other business and trade agreements were signed during the trip, including a commitment by building giant Lafarge Coppée to invest Ffr420 million ($71m) in its Peking cement factory; and the creation by Rhône Poulenc of a joint venture for agricultural chemicals in Hangzhou in which RP will hold a 75 per cent share, and into which it will invest Ffr500 million in the next few years.

Hervé de Charette, who is not expected to remain as foreign minister after the elections, was in charge of the delicate human rights aspect of the trip. Chirac remarked several times in private that it was essential not to make China "lose face". The foreign minister went alone to present a list with the names of 17 jailed dissidents to his Chinese counterpart. Finally, both nations signed a "joint declaration for partnership".

But there was also a deeper agenda. Another result of Chirac's visit, which he may not necessarily have intended, was to reinforce Qiao Shi's position within the leadership.

A student of ancient Chinese history when he was a young man, Chirac knows he is part of a strategic chess game as factions fight it out to succeed Deng Xiaoping.

Chirac's gift to Jiang Zemin of the late Deng's entry pass to the Renault factory in France where he worked in the 1920s might tend to underline Jiang as Deng's successor. Later Chirac dined with Prime Minister Li Peng and finally met Qiao Shi in Shanghai.

This autumn at the Communist Party congress, Qiao Shi is likely to play a key role. He belongs to the reformist faction along with the economic overlord Shu Rongji, which wants to push China along the road to acceptance by the World Trade Organisation.

Qiao Shi's strategy involves a reappraisal of the Tiananmen events which would pin the responsibility on Deng Xiaoping, squeeze out Li Peng and isolate Jiang Zemin and his Shanghai faction. In this chess game, visitors such as the French president are as easy to manipulate as pawns.

GERARD FOUET/EPA

Bearing gifts: French President Jacques Chirac receives a poem from his Chinese counterpart Jiang Zemin during a four-day trade visit to China

The president as super salesman

What was once vulgar has now become statesmanlike, writes Anne-Elisabeth Moutet in PARIS

WHEN, in 1975, at the height of the first oil crisis, Valéry Giscard d'Estaing made a trip to Saudi Arabia and the Gulf vaunting French goods, from planes to perfume, from the airport reception onwards, French public opinion was shocked. The President of the Republic was behaving like a vulgar travelling salesman, shamelessly begging from those countries that had thrown France into a recession in the first place.

Twenty-two years later Jacques Chirac's Chinese jaunt is sold to the French as an inspired piece of statesmanship. The president-as-sales-and-marketing-executive has become *de rigueur*. If you raise a doubt in Parisian official circles, you will be told that Helmut Kohl, Tony Blair and Bill Clinton all bat for their country's businesses too, and effectively. "Kohl took 200 German bosses to Washington," I was told by goggle-eyed Quai d'Orsay diplomats.

After Giscard, even Mitterrand (who had little interest in economics) made a point of taking businessmen on the presidential plane during state visits. However, he always made a point of inviting more congenial personalities as well as the big names. The actress Sophie Marceau joined a trip to Korea, and at other times he took his close friend Swedish journalist Christina Forsne and even his illegitimate daughter Mazarine and her Moroccan boyfriend.

A hands-on leader who delights in pushing the interests of his twin constituencies of Corrèze and Paris, Chirac was born for the part. On 1 February last year he wrote an article for the daily *Le Monde* in which he said: "Every trip I take abroad enables me to help and support the efforts of our business leaders to export and expand abroad."

That promise has been kept. Like all French presidents, Chirac has taken to foreign travel with a vengeance. He went to the United States last year, along with presidential guests Jean Gandois of Péchiney, Didier Pineau-Valencienne of Schneider and 30 others. The same year he went to Gaza with Jérôme Monod of Lyonnaise des Eaux, which won the contract to build the local water-purifying plant; to Budapest with Monod again, and Noël Forgeard of Matra-Défense, Martin Bouygues of Bouygues, Marie-Hélène Bérard of Credit Commercial de France; and many more. During the Hungary trip, Bouygues, who owns a controlling interest in TF1 television channel, laid the groundwork to acquire one of the two newly privatised TV channels.

Chirac is never accompanied by fewer than a dozen representatives from French companies. And it has been estimated that out of last year's large industrial contracts signed by French businesses abroad for a Fr170 billion ($29.5bn) total, Chirac's personal efforts "brought in at least ten per cent".

He has recently installed a private line linked to a fax machine in his office at the Elysée, and has given the number to a handful of friends, asking them to send him notes on anything they think he should know. Several of the country's business leaders, among whom are long-time Chirac friends such as tycoon François Pinault, were entrusted with the number, which is Paris's hottest, best-kept business secret.

Chirac also makes a point of inviting successful or creative small business chiefs on each of his trips, such as Alain Alliot of Panol air conditioners or Lucien Fayolle from Vicarb heaters.

State visits from foreign heads of state are also planned with an eye to the main chance. Dinner guests at the Elysée include business leaders. The Elysée has even been known to lend the Garde Républicaine as a guard of honour to add cachet to private dinners organised by French businesses at their headquarters. For difficult cases, dinner at Versailles can be thrown in to impress. Louis XIV wouldn't have minded a bit. After all, he started France's industrial policy by creating Saint Gobain glass and Lyon silk-making to attack monopolies held by Germany and Italy.

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Army fights enemies on both fronts

TURKEY

EARLIER this spring a leading general in the Turkish army announced that the military was fighting a war on two fronts against Islamic fundamentalism, and against the Kurdish Workers' Party (PKK). This week saw the pursuit of both campaigns.

As the snows melted in the mountains, Turkey's military launched Operation Sledgehammer, its strike against the PKK. In the largest offensive yet against the Kurds in northern Iraq, the army crossed the border on 14 May and continued the push with tens of thousands of troops, F-4 fighter-bombers and Cobra assault helicopters. The attack was launched against a background of domestic turmoil as the government prepared to face a censure vote – the 11th of its 11 months in power.

The uncompromising words of Brigadier General Kenan Deniz, head of the army's domestic security department, were being played out. In Ankara and Iraq, Turkey's fiercely secularist military was seeking to achieve its goals. For generals such as Deniz, the stakes could not be higher. He said: "Giving freedom of movement to religious extremism and the PKK in the context of democracy would be tantamount to state suicide."

It is a measure of the distrust between the military and the coalition government of the pro-Islamist Welfare Party (RP) and the conservative True Path Party (DYP) that the army failed to notify the government of Operation Sledgehammer. That proved embarrassing for Prime Minister Necmettin Erbakan, the Welfare leader, who was hosting an Iraqi foreign ministry delegation when Turkish troops crossed the border at the invitation of the Kurdish Democratic Party. A retired ambassador told a newspaper the generals refused to inform Erbakan for fear of a leak "to the other side".

The military has been working behind the scenes to bring about the collapse of the government which it believes is fuelling a rise in Islamic fundamentalism. The threatened censure motion stumbled on a procedural vote on 20 May, thanks to an ultra right-wing group.

But his situation is rocky. In recent weeks three DYP ministers have resigned, and on 19 May Mahmut Sonmez, a Welfare MP, defected to the Motherland Party, the first time a sitting deputy has resigned from the party.

The opposition has warned that it will table another censure motion if this latest fails. But the insecurity gives the generals the upper hand: the coalition partners are so busy trying to prevent defections that the machinery of government has ground to a standstill. A European diplomat said: "If it attempts to do something, the government risks defections; and while it does nothing, it risks defections."

Next spring may bring another army strike against the PKK, but in Ankara few expect Erbakan's government to survive until then.

Gareth Jenkins
ISTANBUL

Power of art: Spanish students study one of the 20th century's most important paintings that has a place in history as well as art. Basques argue it should reside with them

The war is not over for *Guernica*

SPAIN

SIXTY years after it was painted, Pablo Picasso's bleak portrayal of the destruction of Guernica still provokes feverish controversy. The huge canvas is straining relations between the Basques and Madrid authorities who refuse to let it travel to the Basque Country.

"We got the bombs, they get the art," Basque Nationalist Party leader Xavier Arzalluz groaned after the Reina Sofia Museum in Madrid refused to lend *Guernica* to Bilbao's spectacular new Guggenheim Museum.

The sensitive Basques have taken the refusal as a snub to their history and culture. The people of Guernica have this year commemorated the 60th anniversary of the day Hitler's aircraft, fighting for Franco's nationalist rebels, razed the town with incendiary bombs. They had hoped the picture – now more famous than the tragedy it inspired – would travel to nearby Bilbao to mark the anniversary.

The titanium-clad Guggenheim Museum – a gleaming structure that breathes new life into Bilbao's derelict docklands – is the flagship of Basque culture. The presence of *Guernica* was supposed to add gravitas to its opening this October.

But curators at Madrid's Reina Sofia Museum turned down the request because they claimed the canvas was too fragile to travel. They also hinted that in a region where separatist violence is common *Guernica*'s safety could not be ensured.

Picasso painted *Guernica* for the Spanish Republic's pavilion at the Paris International Exhibition of 1937. Since then it has travelled 32 times, including a return trip across the Atlantic. On most occasions the precious canvas has simply been rolled up before being moved.

But it has created controversy wherever it has gone. In 1937 Franco and Hitler denied that the event it depicted, the blanket bombing of a civilian target, had taken place. They claimed Basque soldiers had razed Guernica themselves.

The picture, nominally the property of Spain's exiled republican government, stayed in the US for its own safety during the Second World War. Picasso refused to allow it to travel to Spain until the republic had been restored. That never happened.

Instead, after Franco's death in 1975, Spain evolved into a democratic monarchy. The Spanish state, however, persuaded New York's Museum of Modern Art to return it in 1981. In one of the biggest security operations seen in Spain, the picture was installed behind a thick glass shield and opened for public viewing. Security guards watched it day and night to prevent right-wing extremists from attacking it.

It was eventually installed in the Reina Sofia and its shield was removed two years ago. But Basque leaders and some art historians question the Reina Sofia's right to decide what happens to *Guernica*. They say a final decision should lie with Culture Minister Esperanza Aguirre.

The Guggenheim has promised the picture round-the-clock care and protection. It commissioned a report by the restorer who helped oversee the painting's installation in the Reina Sofia, that confirms the canvas can travel.

Basque leaders have sworn not to give up the fight. The Basque Nationalist Party, whose parliamentary deputies provide vital support for the minority conservative government, has vowed to press the Guggenheim's case.

Giles Tremlett,
BILBAO

Protest postponed: demonstrators chant 'liars and thieves' on the streets of Bucharest. But their pledge to reappear every day collapsed within 48 hours

Protesting workers settle for peace

ROMANIA

THE COLLAPSE of street demonstration after 48 hours signals that the Romanian government has survived the first serious challenge to an economic reform programme which impressed both the International Monetary Fund and the World Bank.

More than 5,000 workers chanted "liars and thieves" as they marched through the capital Bucharest on 14 and 15 May, protesting against austerity measures introduced by the Democratic Convention, a centre-right coalition which came to power in November.

The programme is an attempt to make up for seven years of economic stagnation under the reformed socialist Social Democratic Party (PDSR). It left Romania lagging far behind many other former Soviet satellites, both economically and in the race for membership of the European Union and Nato.

The success of the austerity measures attracted international loans of $1 billion, with the promise of a further billion. But it also forced up unemployment to six per cent – a nasty shock to a nation used to full employment under communism.

In protest, the 2.5 million-member CNSLR-Frata Union threatened to take to the streets every day until the government introduced what it considered a fair welfare system.

Bullet holes from the revolution that overthrew the communist regime still scar Bucharest's streets, a reminder of the strength of the Romanians' will when set on change. No such passion was visible this time.

Instead, the collapse of the demonstrations is taken as a sign that the public is prepared to tolerate harsh times in the hope that the economy will stabilise.

"I can't say I enjoy the situation now," said Dan Mihai, a Bucharest office worker. "It is definitely tough, but at least we have hope. Under the previous government there was no chance of things ever getting better."

His friend Ion, who watched the demonstrations but did not join in, said: "They are stuck in the time when the communists gave everyone a job. Things have changed: we wasted 40 years under the communists and then seven years under the PDSR. If we are to catch up with the Czechs and Poles this could be our last chance."

Romania's potential is clear. Before the Second World War it was a wealthy, fashionable country which set the world price for bread. In Bucharest it had a capital described as the "Paris of the East", but four decades of dictatorship by the Ceausescu family left it looking like an ageing film star. There are now signs of change. Bucharest has more and better shops and restaurants; there are fewer potholes in the streets. A new determination can be seen in the eyes of its people. But if attitudes have changed, the real test is yet to come.

"I think what happened in Bulgaria and Albania shook them up here," said a senior diplomat. "They have accepted that if they don't want to end up like that they are going to have to put up with some suffering."

Even now, it may be too late. The price of food has risen 50 per cent this year. People are ready to put up with that for now, but if they see neighbours doing well on the black economy then the real protests may begin.

Dominic O'Reilly

Another budget, another crisis as farce goes on

RUSSIA

IN RUSSIA, the word "budget" seems inextricably linked with the word "farce". It works like this: first the government dreams up imaginary revenues to finance ambitious spending plans. Then the anti-government Duma, the Russian parliament's lower house, amends the draft and adds its own helping of spending plans. The budget, which all the players know to be fiction, is passed, and a few months later, lo and behold, there is a budget crisis.

This year's renewal is receiving a second performance, and the drama began when Prime Minister Viktor Chernomyrdin took a revised version of the script to the Duma.

The country's most unrealistic budget to date was passed in February. Now Russia's newly appointed young cabinet reformers are determined to push through what they call a "sequestration" to replace it. "A sequestration means telling the truth," said First Deputy Prime Minister and Finance Minister Anatoly Chubais, who blames an unrealistic budget for most of the country's woes.

According to Chubais, a budget where non-existent money is allocated leads directly to a non-payment crisis. Industries which have not received the cash allocated to them in the budget are either unable to pay tax bills or cannot fund employees' wages, leaving honest citizens wondering how and why they should pay tax out of their non-existent wage.

So far this year the government has collected little more than half its projected revenues whilst spending is running at 63 per cent. Only half its obligations will be met.

Chubais is now asking the Duma, through the more palatable Chernomyrdin, to approve spending cuts of between 30 and 5.5 per cent – some 108 trillion roubles ($18.7bn). The chance of this being accepted is slim, but his aim is to write a realistic spending plan and then adhere to it.

If the deputies fail to approve the sequestration, the government, through gritted teeth, will have no choice but to ignore parliament and go ahead and implement cuts anyway.

Tax Service Director Alexander Pochinok believes there is no legal basis for the government to implement its cuts without the Duma's approval. But everyone acknowledges that somehow the government will have to cut its spending.

The Duma, meanwhile, will attempt to force the government to concentrate harder on raising revenues which opponents claim could relieve the crisis. Chubais may be able to get some help from regional governors who hold seats in the Duma's upper chamber and whom he has been courting in the run-up to the parliamentary showdown.

Meanwhile the public has to be convinced. The prime ministers – Chubais, fellow First Deputy Prime Minister Boris Nemtsov, and old warhorse Chernomyrdin – outlined a programme which said nothing new but restated the government's determination to pay off debts to workers, redirect welfare to the needy, revive industrial production and agriculture, support regional autonomy, attack corruption and reduce government bureaucracy.

"This is a practical document which addresses every problem facing each Russian and the country as a whole," said the newly-invigorated President Boris Yeltsin enthusiastically.

Yeltsin is increasingly throwing in his lot with the young reformers – a gamble which has so far embraced this week's presidential demand that government officials declare their wealth and that of their families or face the sack.

He also signed a decree which would finally allow companies to own the land on which their enterprises are located – a hitherto essential but lacking ingredient of economic reforms.

There is, however, some potentially good news for the future. The Nemtsov-engineered signing of the delayed Caspian Pipeline Consortium deal this week offers the promise of substantial revenue when the pipeline goes into full operation, which could be as soon as 1999.

A consortium of foreign governments and international oil companies completed one of the biggest deals in Russian history when it agreed that the 1,500km pipeline from Kazakhstan's huge untapped oil reserves should run through Russian territory giving the Russians an annual income of not less than $100 million a year in transport fees, and not less than $23bn in royalties and export revenues over the next 40 years.

Production-sharing legislation opens the way for tens of billions of western investment dollars in Russia's oil industry, despite nationalist-minded Duma objections that it will allow foreigners to strip Russia of her natural resources.

Miranda Anichkina,
Moscow

Great show, pity about the riots

CYPRUS

IT WAS billed as a pop concert to promote harmony on the divided island of Cyprus, and despite the hundreds of protestors who clashed with police, a toll of 39 injured and 55 arrests, the United Nations hailed the unprecedented event as a success. Over 4,000 Greek and Turkish Cypriot teenagers ignored the violence around the concert venue to sing and dance together.

Observers of the Cyprus impasse found themselves agreeing with the UN's optimism. "I've been here long enough to grow cynical," said one. "But I must confess, I found it very moving."

The concert, held on a disused football field in the UN-controlled buffer zone that divides Nicosia, was an undeniable breakthrough. Forgetting the barriers that separate them in daily life, the crowd of Greek and Turkish Cypriots came together, joining hands, cheering the music and chanting "Give Peace a Chance".

Many fought back tears as they gave each other flowers, exchanged telephone numbers and promised to do their utmost to meet again, before disappearing home in opposite directions.

Police and peacekeepers successfully held back troublemakers keen to settle scores. Crowds who sought to push through ranks of helmeted riot police came under fire from tear gas grenades and were forced to retreat.

Unable to break up the teenagers' live music, the mob went on to smash shop windows, and light bonfires in the streets, wrecking six shops, seven police vehicles and two police motorcycles.

The 200 rioters may have grabbed the news headlines, but the concert's unifying achievement remains. Organised jointly by the United States and the UN, it was the first event to bring together young people from the north and south since the island's unofficial partition in 1974.

"It was a huge success," said Gustave Feissel, the UN's most senior official in Nicosia. "The only hope is for the two communities to come back together again." To those opposing such attempts at reconciliation, he said: "It is time to wake up. Your way is doomed to failure."

The UN promotes regular meetings between groups from both communities, but this was the most ambitious attempt to build confidence among a generation of Cypriots who have grown up speaking different languages, learning rival versions of history and knowing each other only as potential enemies. For many, the concert was proof of an aching desire for a settlement.

UN Secretary General Kofi Annan has planned the first direct talks for nearly three years between the leaders of the two communities, Greek Cypriot President Glafkos Clerides and Turkish Cypriot leader Rauf Denktash.

At the meeting next month in New York the UN will try to persuade both leaders to support further events like the concert.

"A silent majority wants to live together again," said a European envoy. "It would be a shame if a vocal minority with their messages of bigotry and hatred stifles their wishes."

Mike Theodoulou, NICOSIA

COSTAS ARGYROU

Blaze of anger: despite violent clashes some 4,000 Greek and Turkish Cypriot teenagers joined together to promote peace

The word 'crisis' is banned

CZECH REPUBLIC

VACLAV Klaus announced on television last week that he was "vetoing the word crisis" but the Czech premier's ability to keep on top of events is beginning to desert him.

His government is faced with a growing current account deficit (it ballooned from 0.1 per cent of GDP in 1994 to 8.6 per cent last year) and last month he was forced to introduce an unscheduled package of cuts in response to a budget shortfall.

Even worse, his government is looking tired and unable to grapple with the post-privatisation challenges of reform in health care, welfare, public transport and banking.

President Vaclav Havel is so concerned at what he calls the government's "week-by-week improvisations" that he summoned Klaus and the two other coalition party leaders to explain themselves on 22 May.

This week the opposition intends to table parliamentary motions calling for the removal of at least the two economics ministers. This is at a time when Klaus – who insists on being "loyal" to his colleagues – is finding it increasingly difficult to maintain unity. With 100 coalition deputies in a 200-seat parliament, his majority is volatile.

On 20 May the smallest coalition party, the Civic Democratic Alliance (ODA), called for coalition talks on "personnel changes in the cabinet". To add to the confusion, ODA's parliamentary chairman, Ivan Masek, has established a right-wing faction in protest against the election of "pragmatic" senator Michael Zantovsky as ODA leader.

Even the vulnerable minister for trade and industry Vladimir Dlouhy caused a minor political earthquake on 16 May when he called on the government to resign. The leader of the other coalition party, Josef Lux of the Christian Democrats (KDU-CSL), responded by calling for Klaus to sack Dlouhy.

If the coalition cannot defend senior ministers in a parliamentary vote, the pressure for a reshuffle will be enormous. If Klaus refuses, a vote of no confidence in the government might follow, according to the opposition Social Democrats' leader, Milos Zeman.

Klaus's Civic Democratic Party (ODS) has conceded "the need for a restructuring of the government by the end of June". But Klaus, who is standing by the finance minister, Ivan Kocarnik, has not conceded that a restructuring should include ministerial changes.

According to the latest opinion poll, confidence in the government is at an all-time low of 35 per cent.

Jeff Lovitt, PRAGUE

Can Italy's mission be salvaged?

ALBANIA

ALBANIA is facing the prospect of continuing political chaos as negotiations to reform the country's electoral system appear on the verge of collapse.

Embattled President Sali Berisha is resisting attempts by the socialist-led coalition government of Prime Minister Bashkim Fino to further amend a disputed election law despite having been presented with an ultimatum threatening a boycott by six of the main political parties unless key changes are made.

Such a move could lead to a freeze on international aid and the prospect of an upsurge in the violent anarchy which has cost more than 700 lives since February.

Meetings between the government and Berisha have so far failed to achieve a settlement of the dispute which hinges on the question of who will control the electoral commission responsible for overseeing the poll, as well as rules to determine who will be eligible to stand as a candidate.

The government is also demanding changes to the electoral system including an increase in the number of MPs elected by proportional representation, supervision of the poll by international monitors and safeguards to prevent manipulation of lists of registered voters.

"The situation is extremely grave," Socialist Party secretary-general Rexhep Mejdani told *The European*. "We are trying to achieve a compromise, but the possibility exists that there will be a boycott of the elections."

But he emphasised that Fino would remain in his post and would continue to try to resolve the conflict, which Mejdani described as "a desperate act of sabotage" by the president.

Concerned at the prospect of further strife – and a rising tide of refugees – in a conflict precipitated by the collapse of pyramid investment schemes at the start of the year, international mediators have maintained pressure on all parties to work towards a solution.

Free and fair elections are a key condition for the provision of foreign aid and a breakdown in negotiations might jeopardise the future of Operation Alba, the Italian-led multinational force of 6,000 troops which is guarding aid deliveries, ports and Tirana airport.

The June date for the poll was brokered by former Austrian chancellor Franz Vranitzky, who is negotiating between the president and the government under the auspices of the Organisation for Security and Co-operation in Europe (OSCE).

According to Albania's prime minister, it is vital to secure the co-operation of the president's Democratic Party if a solution to the election crisis is to be achieved.

"If the Democratic Party would reflect on such indispensable amendments [to the election law], a consensus may be reached, so that Albania would embark on the course of free and fair elections," Fino recently told Dutch Foreign Minister Hans van Mierlo.

The campaign of one rival for Berisha's role as head of state appears to be running out of steam.

The popularity of King Leka I, who returned to Albania in April after 58 years in exile, seems to be waning after his Legality party entered into an electoral pact with the DP-led Union for Democracy.

Alex Standish

Lisbon steps into the limelight

PORTUGAL

WHEN Portuguese Prime Minister Antonio Guterres last visited Washington, he was granted meetings with senior politicians from the president down. It was a reception that would warm the heart of any national leader and is symptomatic of widespread respect for Lisbon, not just in Washington, but also in New York at the United Nations.

Portugal has proved itself a co-operative Nato ally and has developed an outward-looking foreign policy that it has pursued without domestic political hindrance, thanks to the dominance of the Socialists in the presidency, parliament and premiership.

Portuguese diplomats and the government are making their mark in the global arena, yet Lisbon has managed to stay on good terms with most countries, except Indonesia, because of its 1974 invasion of former Portuguese colony East Timor, and Australia, which quietly backs Jakarta.

One figure responsible for this diplomacy is Lisbon's ambassador at the UN, Antonio Monteiro, a diplomat who left his job as political director at the Foreign Minister for the UN, where he was last month's president of the Security Council.

Lisbon's new progressive foreign policy began to emerge in 1990 when Portugal became involved in the peace process in Angola. Breaking with precedent, it sent peacekeepers both to Angola and then Mozambique, laying the ghosts of the colonial wars that provoked revolution and isolation, two decades ago.

After the 1995 Dayton accords it agreed to contribute 900 troops to the Nato force in Bosnia. It may yet contribute to the Italian-led force in Albania.

Under the regime of Antonio Oliveira Salazar Portugal was reluctant to serve in international organisations. "Only in the mid-1980s did we begin to realise it was important to have a voice and that we needed to have our own ideas," said Monteiro.

In his role on the Security Council Monteiro tried to maintain his country's reputation for balance, seeking "to make practical changes to its daily work in ways that will achieve the goals that we want."

Ian Williams

PRESS WATCH

EL PAÍS

THE Spanish daily urges fair elections in Albania.

ALBANIAN President Sali Berisha intends to call elections for 29 May under a law passed by his Democratic Party majority in parliament.

With this majority – a direct result of the last fraudulent elections denounced by all observers at the time – Berisha seeks to use the relative calm created by the presence of foreign troops in the country to perpetuate his political hegemony and his own mandate.

The Socialist Party has said that it will boycott the elections. And the mediation of Franz Vranitzky, special envoy of the Organisation for Security and Co-operation in Europe, does not seem to be very effective in reconciling Berisha to an electoral law that would satisfy all opposition parties.

The international community is trying to impress upon Berisha that he can no longer call the shots. Those countries which have troops in Albania must not let themselves be manipulated into the role of protectors a corrupt regime. The elections must signify the beginning of a new democratic process. The rules cannot be laid down by a parliament which has been rejected by the majority of the people.

His ability to carry on in Tirana as if nothing has happened shows that Berisha has learned little from the crisis. The international community has to make it clear that troops are in Albania to maintain stability until elections. And those elections must be free.

DIE WELT

THE budget shortfall concerns the German daily.

THE words are getting harsher. The Free Democrat Party has intensified the tone of discussion in the coalition. Leading FDP politicians refuse outright to increase taxes to plug budget holes. Trade and commerce minister Günter Rexrodt joined the FDP chorus saying: "Tax increases are out of the question." It is quite possible that the delegates to the FDP party conference in Wiesbaden this weekend will commit their leadership to this line.

In fact tax increases in the current situation would be highly questionable. They would be poison for the economy and would release the government from the obligation of having to produce a consolidated budget. The criticism of Theo Waigel – that he runs a "South American accounts department" – tends to be rather too shrill. But nonetheless Waigel more than anyone must take responsibility for the acute budgetary plight. Had he set up financial policy as a priority at the right time, there would be no need to think about tax increases again now.

LA REPUBBLICA

THE Italian daily reflects on the end of the Mobutu era.

MOBUTU was a very skilful thief. Everybody says that – now. His properties are being counted; seen as loot finally recovered. His multi-million accounts in various countries are patrimony stolen from the Zairian people. But Mobutu's villas and castles were obvious from the start. Somebody must have sold them to him.

Among his assets also appear the names of those who allowed him to do business. The CIA, responsible in the first place for his rise as a "king", used him to fund the Angolan guerrillas. What a shame that Mobutu kept the money for himself.

But it was peanuts compared to what the western diamond companies paid to exploit the mines of Katanga. That money also slid into the president's private accounts. To do business in Zaire meant to do business with Mobutu, and as soon as he had lost control of the country he was useless.

WALL ST JOURNAL

ENNUI prevails before the French elections, says the business daily.

ACCORDING to recent polls more than half the French are uninterested in this Sunday's first round of parliamentary elections. It's not that the stakes are low: France is experiencing record postwar unemployment. And it's not that the debate is dull: France is having a real, if delayed, discussion about the nature of free-market capitalism. The point is that the French simply doubt that anything will change.

After all, President Jacques Chirac has done little with his 80 per cent majority in the National Assembly.

This is a pity because as his former finance minister Alain Madelin points out, France is at a crossroads. A failure to choose free-market liberalism will mean more slow growth and continued unemployment. Mr Madelin, a possible conservative candidate for prime minister, is doing what he can to dispel the ennui. He is proposing a US style "Contract with the French", which promises to reduce the state's role in the economy.

But the question is whether anyone takes Mr Madelin seriously. The Socialists espouse policies that would make Tony Blair shudder. The right promises that it is born again, but the conversion is suspect. After all, the government has done little to act on these convictions and it was Mr Chirac who sacked Mr Madelin for daring to criticise public-sector perks. It may seem odd that a campaign needs to debate the merits of free-market liberalism. But to many in France the free-market system they associate with Anglo-Saxon culture sounds suspect.

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MILLAR'S EUROPE

Czechs lose balance as dream fades

IN THE wake of the British general election, readers may recall, I compared the arrival of Labour ministers in the halls of government in London after 18 years as evoking an anecdote told by Vaclav Klaus when the revolutions of 1989 took him from sheltered academia to high office.

The Czech prime minister, now used to being on the inside looking out, may have reason to envy the new incumbent in Downing Street. Klaus, whom the Germans dubbed the *Wunderkind* of eastern Europe, is now looking like the victim of a mugging by his own policies. In Prague, too, social democracy is waiting in the wings.

Appearances can be deceptive. Prague today, compared with the dusty, neglected museum piece it had become under the communists, looks like a boom town. The Obecni Dum, the parliament building, has just been restored to its Art Nouveau splendour.

PETER MILLAR

Nato membership, one of Klaus's campaign pledges when he was re-elected last year, is in the bag. But membership of the European Union by 2001 is a goal that appears to be rapidly receding. The miracle is over.

Czech unemployment is on the rise. While the Poles and even severed Slovakia are looking at growth rates of nearly seven per cent this year, the Czech economy has slowed down from five to just 2.5 per cent.

Klaus, such a keen fan of American economic guru Milton Friedman that he personally handed him an honorary doctorate from Prague university, still shows no signs of doubt about his "market economy without qualifying adjectives".

Klaus came to power as an outspoken devotee of former British prime minister Margaret Thatcher, dedicated to a rushed-through programme of privatisation.

Analysts say the speed which looked so praiseworthy at the time, may have been unwary haste. Too many of the new private companies were unwieldy or badly managed. Social Democrat opposition leader Milos Zeman has accused him of building "Potemkin villages". For the first time since the Velvet Revolution, it looks, according to opinion polls, as if the voters believe him.

The terror of east Europe is the Albanian syndrome: novice wannabe capitalists, which includes most of the population with any savings, are being lured into unreliable investments.

Ordinary Czechs who thought they were playing the western game by its own rules have lost large sums in pyramid schemes and shares in privatised companies which have since failed. Klaus's decision to limit individual investment in the privatisations to Ckr1,000 ($32) – born of a determination to make the Czechs a nation of shareholders – looks like having been a stroke of genius for the wrong reason: at least no one has lost their shirt in the debacle.

For a country which considers itself on the fast track towards "normalisation", it has proved a shock. Last year alone four credit institutes went under, while four others were taken over by the government, which is still the major shareholder in the four biggest banks.

The Czechs are unconvinced by their country's industrial production. One of the important freedoms won with the overthrow of the communists was the freedom to buy abroad. But the country's trade deficit is yawning ever wider.

Klaus the free-marketeer is being forced to turn to protectionism, ordering ministries and government departments to "buy domestic". The brightest spot on the horizon is the revived Skoda car plant, but its ownership by Volkswagen means much of the income stays on the other side of the frontier.

Industrial production is down, even on 1989. In the first half of this year it fell a further six per cent. The only sector booming is tourism.

Awkward questions are being asked retrospectively about some of the privatisations, particularly those in which the state company came with property possessions, assets which have since been profitably stripped.

The April budget cut government spending by five per cent. Brakes were slammed on the planned increases in wages. Strict monetarist policies are difficult in an economy striving to bring prices and salaries into line with western neighbours. Rents in Prague are still set to double by the year 2000. Wages, however, are not.

Vaclav Klaus, the man who boasted he had his feet firmly on the ground, increasingly looks like a wobbly high-wire act.

LETTERS TO THE EDITOR

Is tax too important for governments?

YOUR "Taxing talent into exile" editorial (issue 366) concludes: "The economic regeneration of Europe demands the introduction of low personal tax rates with few exemptions." This is obvious and incontrovertible. Few mainstream European politicians or economists are making the case for swingeing increases in direct taxation, either generally or for those in the high-earning bands.

Policies to increase personal taxation, other than to give a boost to healthcare and education, are generally unpopular with the electorate. It is also the case that indirect value-added tax should not be increased as the top levels of direct taxation are brought down. Giving with one hand and taking with the other does not make for sensible budgets. Replacing direct with indirect taxation is not the answer.

It is also a truism that "the simpler the tax code, the fewer the fiddles and the greater the incentive to enterprise". Given that member states of the European Union are managing the painful process of convergence to the single currency without too much difficulty, the next obvious step is for them to work towards harmonisation of tax and revenue.

Tax is too important an issue to be left to member governments.
Willem Stroobosscher
Vienna, Austria

■ I AGREE with Economics Editor Thierry Naudin (issue 366) that arguments about the single currency go to the heart of European politics. It is beginning to be realised, as last week's editorial also indicated, that fiscal competition between nation-states simply acts to conceal the market competitiveness of an area, notwithstanding its desire for education and conscience for social provision.

Unfortunately, global commerce has little respect for education, and no conscience. Should these priorities be imposed in Europe, for starters?
Ian R Jenkins
Hamilton, Scotland

Payback time for Denmark

PATRIK Lindberg ("Drawing the line on Scandinavia", Letters, issue 365) has shocked and confused our little Danish nation by claiming that Denmark is not part of Scandinavia. His claim is mind-boggling. It contradicts centuries of understanding. Even Ptolemy must have been way off base when he produced his map of Scandinavia in 150AD.

Brussels must now compensate all the people here in Denmark who have mistakenly invested in the concept that we are a part of Scandinavia. In the Copenhagen phone book alone there are 96 listings for companies with "Scandinavian" in their names.

Who will cover the costs incurred when these citizens have to change the names of their companies or if they decide to relocate across the Øresund to Malmö, over there in "Scandinavia"?

We must thank Lindberg for shedding the light of the midnight sun on the issue. Since Denmark is not Scandinavian, and we are certainly not German, what should we call ourselves?
Mikael Colville-Andersen
Copenhagen, Denmark

Voting with their shirts

SILLY me. I thought that Tony Blair became Britain's prime minister because Old Labour became New Labour and British voters wanted a change of government after 18 years of the Tories.

According to Stephanie Theobald and your French experts ("Quelle horreur! French lack style", issue 366), I have got it all wrong. Blair came to power on the strength of his "sparkling white shirt and rolled-up sleeves that wowed the British electorate".

Are we to understand that the French electorate will cast their votes on 25 May for the party whose leaders demonstrate the most switched-on fashion sense?
Janet Forster
St André-de-Roquelongue, France

Britain's role in Gibraltar

THE demonstration by more than 10,000 Gibraltarians on 13 May against the Spanish government's denial of their rights as fellow citizens of the Union was one of the most significant political events to happen this year in the Iberian Peninsula.

A petition was handed in to Governor Sir Richard Luce requesting that the new British government defend the rights and interests of Gibraltarians in the strongest possible manner and that a complaint be registered with the European Commission asking for strong and decisive action to be taken against Spain.

The governor said that the British government is committed to the Gibraltarians and to the undertakings in the 1969 constitution. This includes defending Gibraltar's position in the EU as a British territory in Europe, for whose affairs she is constitutionally responsible.

The Spanish government reacted to the protest by taking even longer to search cars at the border, with the result that long queues formed in the days after the demonstration. José Espinosa Gil, a Gibraltarian, died as a result of a heart attack while in the border queue.
Michael Brufal de Melgarejo
Fleet, England

Germany's blood line

WHEN Germany capitulated after a war of unparalleled brutality against millions of innocent people, there was hope of an end to racism and chauvinism. This makes it all the more disheartening to read about attempts by today's German government to deny citizenship rights to immigrant children born there ("Nationality plan hits trouble", issue 363). As you point out: "Germany is the only major western industrial nation to maintain the principle that nationality is essentially passed down through the blood line." This has echoes of *Blut und Boden* ("Blood and soil").

German authorities do not distinguish between the concept of citizenship as the criterion of nationality and the ethnic background of individuals. Historically, Germany absorbed a multitude of ethnically distinct groups, reflecting the country's position at the crossroads of Europe. They now form the German nation.

So-called "guest workers" and immigrants have made a substantial contribution to Germany's postwar economic miracle. Now, when technological change drastically reduces the need for human labour, these people are treated as unwanted competitors for scarce jobs, and a burden on a strained social welfare system to which they had contributed as taxpayers during years of gainful employment.
Vera Butler
Hon Secretary, Australian International Studies Association
Melbourne, VIC, Australia

Bubka's gold for Ukraine

I WAS puzzled by Michael Butcher's article on Sergei Bubka, the Ukrainian pole-vaulter ("Why Bubka thinks he's still a failure", issue 365). Butcher writes that Bubka is "an ethnic Russian without a word of Ukrainian in his vocabulary", and craves for the day when the Soviet Union is as one again.

Can this be right? When Bubka visited Australia a few years ago he spoke perfect Ukrainian with the Ukrainian community here and clearly voiced his hopes for a free and independent Ukraine. He is such an idol for young Ukrainians.

I was very much under the impression that Bubka pushes himself because he wants to win an Olympic gold for Ukraine. The medal he won in Seoul was not for his country. The sporting teams in the post-Soviet, newly independent states of eastern Europe are smaller and weaker (and perhaps somewhat disillusioned), but surely they are proud to represent their countries, and not a regime that has denied them their identities and heritage.

Bubka will only be satisfied when he wins gold for Ukraine. To that end, he should try to persuade the Ukrainian government to do more for its athletes.
Halja Bryndzia
Durack, QLD, Australia

■ HOW can the person who was granted the honour of carrying the Ukrainian flag at the first Olympic Games where Ukraine competed as an independent country possibly want the old Soviet Union to be reformed?
Petro Rewko
Manchester, England

Charity begins with a request

I AM sorry that Sir Peter Ustinov has been pestered by some of the more persistent of my professional fund-raising colleagues (issue 366). But research has shown that most people who do not donate to charity do not give because they have not been asked.

I have resisted the temptation to use the fax and Internet, finding that building relationships with people interested in my organisation's aims and asking for donations face to face are much more effective.
Stuart Wroe
TOC H Fundraiser
Skipton, England

DRAWN FROM EUROPE

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POINTS OF VIEW

Conservation THE Natura 2000 programme is causing widespread destruction of unique forested areas in Finland. Landowners, fearing that they will be forbidden to harvest trees from their land, are felling huge tracts of forest, regardless of the unique terrain formed by the receding Ice Age.

While I favour the conservation programme, there is something very wrong with the way it is being introduced. Instead of drawing people together to an awareness of their unique environment, it is forming battle lines. The Natura 2000 programme affects the whole of the European Union. As it begins to take effect, will other uniquely beautiful areas of Europe be systematically destroyed?
Richard Jenkins
Asikkala, Finland

Tectonic plates IF THE two plates of the earth's crust were indeed colliding under Iceland (*The MagAZine*, issue 366), life there would be very interesting – albeit somewhat short and frantic.

This part of the Mid Atlantic Ocean Ridge is pulling apart. Were the plates colliding, the volcanoes would be explosive, as in Java.
Pat Jenkins
Church Stretton, England

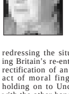
Strong-arm tactics "BRUSSELS faces the incinerator" (Letters, issue 366) and the Ardennes will have a nuclear waste dump. I must differ with Françoise Lerusse's naive qualifier that she is an ordinary citizen of Belgium. This is a defunct notion, as politicians of the three language divides – Flemish, French and German – have done their best to carve up Belgium into monolithic fiefdoms.

Francophone Brussels may have to face a Flemish incinerator. Conversely, the Ardennes (a demographically weak and economically disadvantaged region) may be forced to accept radioactive waste from recently decommissioned Nato bases. These sinister Cold War relics are conveniently located on the frontier with Luxembourg, itself already victimised by the French nuclear reactor of Cattenom on its southern border.

There is an endless list of political power abuses, blatant violations of international law and strong-arm tactics from the member states of the Union.
Christian F Verbeke
Gouvy, Belgium

From Mendelssohn to Weimar and Buchenwald

USTINOV AT LARGE



'Here in Germany there is not the faintest trace of militarism. Do I hear it asked, what about the skinheads and neo-Nazis?'

A WEEK in Germany, following in the steps of Mendelssohn, the romantic composer. This automatically means what used to be called East Germany – Leipzig, Weimar and Berlin. The evocation of that ephemeral genius, dead at 38, is for television, and it shows a Germany essentially different to that which, to this hour, seems to haunt Lady Thatcher's trenchant daydreams.

Journeys by car over local roads, to avoid the autobahn which on Whit Saturday had traffic jams as long as 50 kilometres, explain why the formation of a European union and the rapprochement with France are so essential. Practically every place name in eastern France reminds one of the nightmare battles of attrition during the Great War. Modern warfare, because of its speed and mobility, deals less with set battles.

There are still names redolent of conflict in eastern Germany, but from an earlier period. Dresden and Leipzig both evoke the twilight of Napoleon's dominance of European affairs, but it comes as a surprise, near the town of Lützen to find a huge memorial to Sweden's fallen. This was where the imperialists under Wallenstein were defeated by the Swedes under Gustavus Adolphus, who died in the battle. A garishly painted Swedish flag flies over the entrance, a reminder of a battle during the Thirty Years' War, and a symbol of all the lethal exuberance of Europe's adolescence. Seen from here, it is absolutely necessary to put an end once and for all to such high spirits, so wasteful of life, time and human endeavour.

The English viewpoint is slightly different in that Lützen and Jena are as little known as are Naseby or Culloden over here. Britain, by tradition, has a bye in every first round of a European war, and even if it entered the fray by treaty in the second round, the contest has never been resolved on its soil. Seen from the White Cliffs of Dover, the outbreak of friendship between the French and the Germans is somewhat disturbing, since the age-old concept of balance of power has to be abandoned for good.

Some cast a cautious plague on both continental houses, with an option to lift the plague should it prove to be a disadvantage. These are Eurosceptics. Others say join them both and influence them. These are the Europhiles. Who will win this internal battle is of less importance than it once was, since the Conservatives have succeeded in damping Europe's enthusiasm for Britain.

The new Labour government in Britain has started brilliantly in redressing the situation by announcing Britain's re-entry into Unesco, the rectification of an absurd and servile act of moral finger-wagging, while holding on to Uncle Sam's coat-tails with the other hand.

The downplaying of culture as a useless commodity, while vindicating greed as an essential human virtue, is symptomatic of a fundamentally tasteless epoch. Now, dare one hope, this is subject to further winds of change.

Here in Germany there is not the faintest trace of militarism. Do I hear it asked, what about the skinheads and neo-Nazis? Every football crowd the world over has elements unwilling to accept the defeat of the chosen side, as they are unwilling to admit that the umpire's whistle marks the end of the match. These retarded creatures are so loyal to their ideals that they continue the match into overtime – burning cars, manhandling other rowdies and drinking.

By the same token, there are those who refuse to believe that Hitler is merely an odious memory or that the mighty Wehrmacht could have been laid low other than by a dirty trick. There are even those who maintain that concentration camps never existed outside the fevered imagination of Zionist plotters. What to do with such perverse people, God only knows. Unfortunately, they cannot be sprayed with maturity or inoculated against ugly thoughts.

The answer is presumably inherent in all civilised societies. It is to leave them alone until they overstep the mark. Then they should be judged like all conventionally clothed suspects, with no reference to their sartorial eccentricity. I remember falling ill in Berlin a few years ago, in the very room I am occupying now. The fire brigade arrived bearing the emergency doctor. I received them on the balcony of my room during a snowstorm, in pyjamas. I was having difficulty breathing. The sight of the doctor helped cure me. She had an Iroquois haircut, a peroxide cockscomb, and was dressed from head to foot in black leather, with copious studs and chains. "Don't judge by appearances," she warned, in a thick German accent. "I am good." And she was. Very good.

MANY skinheads are to be seen, often squatting in the pedestrian zones of historic cities, soaking up the sunshine, the rings in their ears, noses, and eyebrows glinting on the background of warpaint. There is an element of obedience to the tradition of the great German romantics in all this, a reaction to the cult of success and quest for material wealth also prevalent in this land of affluence and status symbols. On the whole, they are utterly harmless, merely searching for the definition of happiness, which is, in the final analysis, what all of us do in our own ways.

Weimar, preparing to be Europe's cultural capital of 1999, is a wonderful little city, houses and palaces alike, market squares and alleyways, punctuated by enormous trees and wild flowers, evocative of old artistic disputes and present peace and quiet. The presence of Goethe, Schiller and innumerable lesser lights are felt throughout, despite, or perhaps because of, the gaping tourists taking in the almost tangible atmosphere.

The path between the tall trees leading to the palace is still there. On it, Goethe was taking a constitutional with Beethoven. Goethe suddenly indicated to his friend that protocol decreed that they stand aside, since two princelings were approaching in the other direction.

Beethoven either failed to hear, or pretended not to. He walked on, bent forward, his hands clasped behind his back. The princelings bowed to him. Beethoven ignored them. A few moments later he turned, in time to see Goethe in a ditch, bowing low. The princelings failed to see him and walked by. Afterwards, the composer said to Goethe: "Remember, there are only two of us. There are thousands of them."

The shell of Buchenwald, the notorious concentration camp, lies a few kilometres away. It lasted eight years and 56,000 died there. Weimar has lasted for centuries and 65,000 people live there.

The men who preach water and drink wine

THE EUROPEAN

IN ONE reckless act of financial manipulation, Germany's finance minister, Theo Waigel, has grievously undermined the economic high ground that his country has so carefully constructed for more than half a century.

The opportunistic revaluation of his country's gold reserves to make Germany meet the Maastricht criteria may have made it more likely that the single European currency will be established on time in 1999 (though Eurostat and Germany's constitutional court may yet get in the way if they are of a mind to be more rigorous than Mr Waigel). But it has also ensured that the euro will begin life as a currency struggling for credibility. If they can mess with the mighty Bundesbank's assets with impunity, who knows what Europe's politicians will be able to do to the European Central Bank.

Even in a country where criticism of the political establishment is too often muted, Mr Waigel's plans to revalue Germany's gold reserves provoked a storm of protest. Bankers and economists have echoed the damning criticism of Heiner Flassbeck of the Berlin Institute for Economic Research: "Waigel has made himself out to be the high priest of correctness. Now the truth is out. He is preaching water and drinking wine."

Other European states struggling to reconcile their faltering finances with the convergence criteria for economic and monetary union can now safely ignore German strictures when next cajoled by the guardians of the deutschmark for using dubious ad hoc methods. In using such blatantly cosmetic devices Helmut Kohl and his finance minister are abandoning the central principle of their single currency strategy: that there must be no fudging of the economic conditions.

Chancellor Kohl has kept rigorously to the line that any fiddling would mean undermining the euro. In 1991 he insisted that "no one is ready to give up the stable deutschmark for an unstable currency. That is absolutely self-evident". In Germany's view, a deficit limit equivalent to three per cent of gross domestic product meant precisely that, not one decimal point more.

By abandoning this disciplined approach, Germany's leaders are in danger of statistical sleight of hand. They could do profound damage to Germany and the rest of the European Union. No longer will Bonn be able to insist that Italy be excluded from joining the euro in the first wave in 1999. Mr Kohl will rightly be condemned for hypocrisy if he continues to protest at the way Rome has used every financial trick in the book to reduce its deficit, such as the loan it is exacting from the Italian people (disguised as a tax) to massage down its budget deficit. France has also resorted to financial shenanigans. By taking over the pension fund of France Telecom, the government managed at a stroke to reduce its current budget deficit while conveniently ignoring it has taken on substantial long-term fiscal obligations.

The cumulative effect of these fiddles will be to make the euro a soft Camembert currency at its launch rather than the copper-bottomed successor to the deutschmark we were promised. Europe's people will have been sold a false prospectus. The very rules that were presented as essential to the Maastricht project for monetary union to go ahead safely have been casually jettisoned because they proved inconvenient. This will undermine European Union credibility in global markets. If the single currency happens, the case for a stable euro is overwhelming – and that prospect will now be much harder to achieve with a cosmetic economic convergence.

There is also something fundamentally unfair about allowing greater licence to Germany, France and Italy when countries such as Spain have been prepared to introduce tough measures to qualify for monetary union. But, so great is the will of the political elite in Paris and Bonn, they are unlikely to be deterred by such factors. Nor is it possible to rely on the good sense of the German people who remain resolutely wedded to the mark and deeply sceptical about the euro. In the rush to monetary union, popular sentiment in Germany has counted for nothing.

The prospect of a weak euro should, in theory, deepen German popular hostility to monetary union. But the consequences of staying out of the single currency are as great as joining. A decision not to launch the euro on time would almost certainly lead to a flood of hot money into the deutschmark. The resulting revaluation of the currency would lumber German business with an even higher cost base than the one with which it is currently struggling.

Europe today needs the leadership of countries committed to the virtues of sound money and a resolute refusal to fiddle the books for political convenience. The consequences for the entire European Union would be disastrous if the one country which has earned international respect for its economic rectitude is prepared to abandon the necessary disciplines when they are most needed.

Sadly, for Germany, it now seems damned by an unstable euro if monetary union goes ahead and damned by a strong deutschmark if it doesn't. Its reputation for sound economics has become the biggest casualty on the road to implementing Maastricht.

Bruton pins hopes on Celtic tiger

LEON FARRELL / PHOTOCALL

Whistle-stop tour: Bruton with his wife Finola on board the Fine Gael campaign train to Cork. Will a feel-good factor win a new term of office for his rainbow coalition?

ASKOLD KRUSHELNYCKY

Ireland's booming economy may secure victory for the Taoiseach in next month's election. But for many the new-found wealth is an illusion

IRELAND is a country basking in the glow of prophesies that its economic boom will continue into the new century. Its politicians are fighting for the opportunity to use the new wealth to shape the country according to their particular visions.

But the electorate is struggling to detect what real choices the parties, with few policy differences between them, offer in the 6 June election. Many voters, still mired in poverty, beset by rising crime and a drugs plague, wonder when they will share in the much-vaunted affluence.

Ireland's parliament, the 166-member Dail, was dissolved on 15 May as Fine Gael Prime Minister John Bruton sought to take advantage of an economic feel-good factor to gain another term in office.

Bruton hopes that his coalition government will be the first to be returned for a successive second term in nearly 30 years. Though the polls predict a close result, Bruton's campaigning style is relaxed to the point, some might say, of complacency.

In the affluent port town of Dun Laoghaire, an outer suburb of Dublin, Bruton, guarded only by a few police officers, strolled through yet another brand new shopping centre being constructed and pumped the hands of hard-hatted workmen with what seemed genuine affability.

A large Fine Gael banner on the new stone extension to the town's handsomely spired St Michael's Church, proclaimed that the government coalition had produced "1,000 new jobs every week". When it was time for him to leave, Bruton got into the front passenger seat of his modest official black limousine which promptly got stuck in a traffic jam caused by, yes, construction work. As a uniformed garda officer rushed to frantically clear the traffic, Bruton played with the electric window running it up and down, relaxed and happy to chat with passers-by.

Through the window, he confided why he was confident of winning. "There's no need to make a change," he said. "If something is working, whether it's a domestic appliance or a business, then why change it?"

The ruling "rainbow coalition" consists of Bruton's Fine Gael party, the Labour Party led by Dick Spring and the Democratic Left led by Proinsias De Rossa. The opposition is a looser alliance of the powerful Fianna Fail party led by would-be prime minister Bertie Ahern and the small Progressive Democrats (PD) party of Mary Harney.

Although the partners in each coalition have broadly harmonised their manifestos they are also keeping the gaps between them wide enough for a switch in alliances so that a new permutation of parties could assume power after the elections. The contestants are eager to be at the helm of an economy lauded as an example to the rest of Europe and dubbed as the "Celtic tiger" or "emerald tiger" in reverential comparisons with the virile economies of Pacific rim countries.

The statistics indeed show a country that a decade ago was hovering around the poverty levels of Spain, Portugal and Greece powering ahead to outstrip the southern EU states and be poised, by many predictions, to soon overtake its much larger British neighbour.

Government borrowing, at disastrously high levels a decade ago, has fallen drastically and foreign investment, particularly American, has furnished a large number of well-paid jobs in a country with a population of only 3.6 million in high technology and financial services industries.

A country that only a short time ago was dependent on agriculture now makes around 30 per cent of the personal computers sold in Europe. High-technology jobs have been attracted to the country by an aggressive government industrial development agency which has drawn the world's largest chip-maker, Intel, and other big names in electronics and computers such as IBM, NEC, Fujitsu, Gateway, Analog Devices and Xilinx.

VISIT Dublin, as most of the estimated five million visitors each year to Ireland do, and the country's prosperity is on show in the capital. Impressive and imaginative new office buildings on land whose prices have rocketed vie for attention alongside magnificently maintained Georgian buildings such as the Custom House and Trinity College.

Smart pedestrianised areas off the main O'Connell Street and the swish area around Grafton Street are crammed with chic and expensive shops while some pubs have spent huge sums to recreate the authentic atmosphere of a simple, traditional Irish bar.

It is all rather like visiting a giant, charming Irish theme park. But a few kilometres northwest and southwest from the centre the fairy tale abruptly ends. Places such as Darndale and Gallanstown where new and old, high rise and low-rise, dilapidated and outright slum buildings tell the story of Ireland's high unemployment rate, around 11 per cent, and of the large impoverished families in cramped apartments where the country's economic miracle has not trickled down.

There is the ugly, sprawling, intimidating St Michael's estate at Inchicore where few taxi drivers will go because of the risk of being robbed in the area notorious for its crime and drug taking. Here children as young as 12 years old inject heroin.

Here the refrain is: "There may be an economic boom, but I haven't seen it. The rich get rich and the poor get poorer." One 25-year-old man who has been unemployed for most of the nine years since leaving school said: "All the parties are the same now, there's nobody to fight for people like us. The Labour Party is now a middle-class party like in England. I don't see the point in voting."

Paddy Lynch, a former chairman of the national airline Aer Lingus, says: "There is a dual economy in Ireland: there is the Ireland that is getting richer and making fantastic progress but there is also the Ireland of dreadful impoverishment in rural areas and blackspots in towns and cities."

Lynch believes that much of the credit for Ireland's economic performance must go to financial assistance from the European Union. But most of all he says that the country's education system has made its workforce attractive to lucrative high-technology industries. Irish politicians acknowledge the huge strides were made possible by massive EU subsidies. It is no surprise therefore that all the main parties in the election are ardently pro-European Union and membership of the single currency is not an issue between them.

So far, the elections have been dominated by promises of tax cuts. Fianna Fail and the PDs took an early lead in the polls with promises to cut, over a five-year period, the top rate of tax from 48 per cent to between 40 and 43 per cent and to slash the lower rate of 28 per cent to 20 per cent.

The components of the rainbow coalition have differing views on lowering taxes and have proposed increasing personal tax allowances, cutting payrelated social insurance, and broadening tax bands so that people can earn more before they pay higher rates.

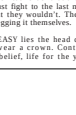
With both the main contestants close on economic policy the campaign has searched in vain for drama or scandal. Many voters will make their decision more on grounds of personality or local rather than national issues.

Even the traditional tensions between the two biggest nationalist parties seem lame. The origins of bitterness between Fine Gael and Fianna Fail, whose names in translation, "Family of the Gael" and "Soldiers of Destiny", make them sound peculiarly like Middle Eastern fanatical parties, lie in the 1920s and are lost on most of the younger of Ireland's 2.5 million voters.

Troubles in Northern Ireland fail to excite most people living in the republic and all the main parties agree the IRA must call a permanent ceasefire and pin their hopes for a lasting settlement on the stalled all-party peace talks. Campaigning has settled into a boring rush around Ireland by the party leaders trying to whip up excitement. Each says that their government will use wealth to ease unemployment and build better homes for the poor.

Bloated philosophy of Africa's fleeing tyrant

PLUS ÇA CHANGE



RONALD PAYNE

"WHO but a madman would destroy his own canoe in the middle of a river?" These words come from the mission statement of Mobutu, written when his regime was young, three decades ago. They sound in retrospect like the right opening for his political obituary.

When he wrote them it was fashionable for any up-and-coming man of power to emulate Chairman Mao by producing his *pensées* in a similar format to the little red book.

Mobutu's first name, Joseph-Desiré, still stood un-Africanised and Zaire had not been invented when he chose to make it a little green book. It is an odd work, mixing bits of homely African folk wisdom with the clichés of leftish political thought. Occasionally a nod and a wink is made towards the American capitalism that had helped to install the author.

Riffling through my battered old copy, I detected several small ironies leaking from the decaying French prose. "We shall see," he wrote, "who among us is best at profitably cultivating his own field." No prizes awarded for nominating the Great Helmsman for that award. From his field came more money routed towards the banks of Switzerland than ever got into compatriot purses – maybe £200 million ($320m) a year. Once he wrote: "The money powers should know that Mobutu is first of all a soldier who fears neither battle nor death." As it does to all tyrants, fear of battle and death did come to him, too.

Into the armour-plated limo and off into exile he fled, not even bothering to give the ritual order that the palace guard must fight to the last man. He knew that they wouldn't. They were already legging it themselves.

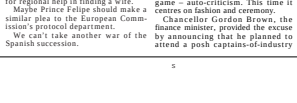
UNEASY lies the head doomed to wear a crown. Contrary to popular belief, life for the younger set in the ten remaining royal palaces of the European Union is not fairy-tale endings and salsa dancing by night. Take the case of Felipe de Bourbon, prince of Spain and next in line for king. You might think that this spirited 29-year-old, handsome, intelligent and carefully trained in requisite monarchical skills has everything going for him.

Yet a cloud no bigger than a wedding ring hangs over his head. Family pressure is on him to find a bride and he quick about it – not any old bride, but a mum-approved one.

"He must marry urgently," says José Luis de Villalonga, an aristo royal biographer. "The mission of an heir to the throne is to secure the dynasty through the direct line." It's not that the prince has anything against women. He cuts a swathe through Iberian beauties. But his taste is for good-looking, leggy, career women. There was a serious flirtation with Isobel Sartorious, a public relations executive, then came Gigi Howard, a US model.

"Not one of us," cried Mama. For Queen Sofia does not share his taste for commoners. Efforts to encourage romance with Princess Tatiana of Liechtenstein came to nothing.

Another young royal bachelor in a similar predicament let out a strange cry for help. King Letsie III of Lesotho asked delegates to a southern African community conference for regional help in finding a wife.



Not for Felipe: romance failed to blossom with Princess Tatiana of Liechtenstein

Maybe Prince Felipe should make a similar plea to the European Commission's protocol department.

We can't take another war of the Spanish succession.

AS THE effects of the election drug fade, the British citizenry, for want of anything better to do, turns to a bout of another favourite game – auto-criticism. This time it centres on fashion and ceremony.

Chancellor Gordon Brown, the finance minister, provided the excuse by announcing that he planned to attend a posh captains-of-industry dinner wearing a lounge suit. Next will come a move to stop judges and barristers wearing their traditional kit. The electorate is divided between those shouting "Bravo" and those booing the death of formality.

A similar fault line divides the chartering populace about the merits or otherwise of the ceremony for the state opening by the Queen of the new parliament. Some swear by it; others, like myself, are amused but slightly embarrassed by such carrying on.

Unity exists in the belief that the British are unique in their brilliance at ceremonial. Would have they never watched a presidential inauguration in the USA? In Paris the national assembly has a state opening every afternoon it is in session, with a platoon of the Republican Guard in full 19th-century dress, with flashing sabres, drums and trumpets to greet the newly elected president. German barristers and judges robe themselves with the best.

The moral is: you don't need to be royalist to enjoy dressing up and pantomime show-stoppers.

QUOTE: "When it comes to women in politics, France is 15th among 15 in Europe and 72nd in the world, just below Uganda." *Edith Cresson, former French premier*

Manchester United's mercurial star ends his affair with the Old Trafford faithful to pursue a life in the arts

Cantona's masterstroke lends his red period a final flourish

Julian Coman on the French footballer who became an English sporting icon

IN MARCH 1995, during the darkest period of his football career, an open letter to Eric Cantona was published in a British national newspaper.

Written by the Manchester United supporter-turned-author Richard Kurt, it was, in fact, a begging letter. Cantona was in the middle of serving an eight-month ban from English football following the infamous kung-fu attack on an abusive Crystal Palace supporter. It was rumoured that he wanted to leave Britain altogether. Kurt was pleading with him to stay.

"You need to be loved," he wrote. "Could anyone adore you like we do? You're not even on the pitch yet we sing for you like no other. We wear your name with pride wherever we go, we champion your cause at every opportunity. You have become more than a mere star or hero or leader, you have become an icon of religious scale. You once called United your perfect wife – what grounds have we given you for divorce?"

Cantona stayed that time. But the divorce papers have come through after all, and more suddenly than anyone expected. His family had no inkling. Neither did Nike, whose advertising campaigns he still spearheads, or the fans who flocked to the club's Old Trafford ground. Like a shot on the turn which surprises a defence expecting a pass, this was a decision taken on impulse.

However, if the timing was startling, the manner of his departure was not. Indeed, this was the 31-year-old Frenchman in finer form than he had been all season: provocative, individual and at least two steps ahead of the opposition. The media pack dutifully assembled at Old Trafford, but they found only Alex Ferguson, the club's manager, and Martin Edwards, the chairman. Cantona, having retired, had disappeared on holiday.

There were plenty of seagulls but not many sardines, to adapt his most famously elliptical pronouncement. The idea is that "other interests" will now be pursued. Cantona paints his life with a broad brush – that is part of his legend. Thus there was Cantona the model at the Paco Rabanne fashion show in 1993 as well as Cantona the (much-derided) amateur philosopher and Cantona the artist and poet.

It appears that the immediate future may be devoted to Cantona the actor and director. He made his first feature film appearance last year in *Le bonheur est dans le pré* and has bought a stake in a Parisian theatre company. But it is doubtful that any such artistic experiments will prove as triumphantly successful or as eye-catching as his "red period".

When Cantona joined Manchester United in late 1992, both club and player had an enormous amount to prove. United, despite huge resources, massive support and a glamorous history, had failed to win the English championship for 26 years. Insecurity born of repeated disappointment had gnawed away at the sinews of the club's self-belief.

Meanwhile Cantona, having blazed a sulphurous trail through the French game, was a footballing prophet searching for his people. France had rejected him, tired of balls thrown at referees, expletives hurled at disciplinary committees, and punches thrown at team-mates.

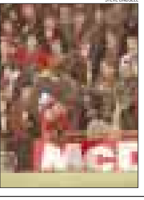
In exile, he wound up in England, at the Yorkshire club Leeds. Despite his playing a small part in the team's 1992 championship victory, Cantona's high opinion of his own abilities was not shared by manager Howard Wilkinson. He moved to Manchester.

The player was arrogant, talented and rootless; his new club had matchless potential but was unable to cope with the burden of living up to its past. They were made for each other. United provided the ambition, Cantona the belief.

Within six months of his arrival the league had been won. The following year saw the club's first-ever double of championship and FA Cup. In the French striker's five seasons at Old Trafford a total of six trophies was won.

As the dam burst, Alex Ferguson reflected: "He was born to play for United. Some players, with respected and established reputations, are cowed and broken by the size and expectations. Not Eric. He swaggered in, stuck his chest out, raised his head and surveyed everything as if to ask: 'I'm Cantona. How big are you? Are you big enough for me?'"

STEVE LINDSELL



Kicked into touch: Eric Cantona was banned from football for eight months for a kung fu-style attack on an abusive Crystal Palace fan in London in 1995. But Manchester United's management stayed loyal

But while the French tricolour flew in Manchester, much of the rest of England had found an anti-hero on a scale without sporting precedent, faced with the spectacle of a haughty Frenchman who puffed out his chest, turned up his collar and proceeded to collect all the silverware on offer. The last star who had pouted to such effect had been Mick Jagger in his Rolling Stones heyday. Soon Cantona represented an aesthetic as much as he did a football team.

Even his much-anticipated fall was followed by the most spectacular of redemptions. The season after the Crystal Palace incident, an apparently reformed Cantona captained United to their second double, scored the winning goal in the FA Cup final and was named footballer of the year. No wonder a Manchester artist recently substituted Cantona for Christ in a pastiche of Piero della Francesca's *Resurrection*. Typically, Cantona bought the picture for £75,000 ($120,000).

France has watched all this, bemused and amused. Sportswriters have attempted to fathom how a player they regard as gifted but not great has persuaded so many people of his genius. On hearing of his retirement, Gérard Houllier, the former national team coach, argued that Cantona was "a great player, but only in the context of British football".

Whatever the truth of that, Cantona has at least avoided the fate of many who were once considered great – embarrassing and humiliating decline.

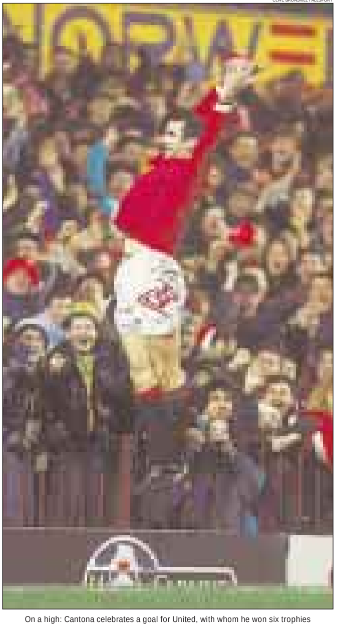
Sensing his powers were on the wane, Cantona was quick to act upon the first hints of his footballing mortality. This season he was a little heavier, a little slower of mind and body. A little was judged too much.

But whether icons can shed their status so easily remains to be seen. It will be odd to see Cantona become a private citizen again, and perhaps odder still for him. Off the pitch, he is a quiet, even shy, man. The field was the site of a weekly catharsis before an audience which was either devoted or implacably hostile. What will life be like without hundreds of thousands of lovers and enemies?

Before his retirement he described the motivation that drove him: "I want to be like a gambler in a casino who can feel that rush of adrenaline, not just when he's on a roll but all the time. He gambles because he needs that buzz, he wants to experience it every moment of his life. That's the way I want to play; that's the way I want to live my life."

For the past five years Cantona has won almost every bet he has placed. On grass, his natural element, he had come to appear invincible. Perhaps he just wanted to even up the odds, even at the cost of breaking some Mancunian hearts.

CLIVE BRUNSKILL / ALLSPORT



On a high: Cantona celebrates a goal for United, with whom he won six trophies

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Slovenia proves testing ground for larger Nato

The former Yugoslav republic is well placed to join the alliance, but it may have to wait, writes Ian Mather in LJUBLJANA

WHEN the leaders of Nato countries gather in Paris with Boris Yeltsin to sign the Nato-Russia Charter amid pomp and circumstance, one question will remain unanswered. Just how much is Nato going to expand?

The 27 May ceremony will herald a new strategic partnership between former Cold War adversaries. It is also a sweetener, seeking to help Yeltsin "sell" acceptance of Nato's enlargement plans to domestic critics.

Yet neither the Russians nor anyone else can know the future boundaries of Nato because Nato governments themselves are still at odds. A decision has yet to be taken on whether to admit just three hot favourites – the Czech Republic, Hungary and Poland – or whether to welcome others among the nine former communist countries that have their faces pressed against the windowpane.

Nowhere is the struggle between alliance maximalists and minimalists watched with greater anxiety than in Ljubljana. Slovenia is the key marginal. If Slovenia is in, the Nato radicals have won the argument. If it is out, the conservatives will have triumphed.

"We are in fourth position", said Teodor Gersak, state secretary at the defence ministry. "We are worried that the package of invitees will be less than four. Yet Slovenia not only meets all five criteria for membership, but is ahead of all other applicants."

All would-be members must have a stable market economy, a democratic system of government, a good human rights record, no disputes with neighbouring states and civilian control of its armed forces.

In the weeks before Nato's Madrid summit in early July, where the chosen will be announced, Prime Minister Janez Drnovsek has been touring European capitals. A large group from the US Congress is due in Slovenia. The climax will come when Drnovsek visits Washington at the end of the month.

Slovenia's case is strong. It escaped the former Yugoslav federation with minimum bloodshed, then began establishing itself as a liberal democracy looking towards western Europe and away from the Balkans. In a further move to bolster relations with its non-Balkan neighbours, the prime ministers of Hungary, Italy and Slovenia meeting in Budapest on 20 May agreed to further co-operation and expressed support for Slovenia's application.

Slovenia borders Hungary and Italy, and would provide the only connection between Hungary and Nato territory. Also, it was not part of the Warsaw Pact. Its military officers were never trained in Soviet military academies and have had fewer problems establishing links with Nato. Slovenia's small armed forces are already up to Nato standards in training.

The US alone has set aside $60 million to upgrade new members' military equipment and train troops for joint operations, but Slovenia guarantees that it will cover its membership costs.

There is a debit side, however. Slovenia is no longer the perfect model of an emerging liberal economy. With a population of less than two million, it is obsessed with losing control to foreigners. It has introduced capital controls and restrictions on direct investment by foreigners, angering international fund managers. The country's ambivalence towards foreign participation is highlighted by the unresolved issue of foreigners' right to buy property. Last year Lubljana agreed to change its constitution banning foreigners from buying property, because the European Union made this a condition of the association deal the two parties signed last June. But so far EU-hopeful Slovenia has not complied.

THE delay could jeopardise Slovenia's case. Brussels is unhappy with the property ban, and Slovenia will have to move quickly to remove it, or it risks not being in the first wave of EU applicants, which will be determined at the end of this year. But the harsh truth for Slovenia is that the next Nato members will not be chosen purely on their ability to meet the criteria. In the end, Nato's decision will be political.

Slovenia's case is most actively promoted by France, Italy and Turkey. But that is because they want Nato's southern flank strengthened, and more resources devoted to it. For that same reason, other Nato countries further from the Mediterranean and Adriatic are less enthusiastic, foreseeing a diversion of scarce resources towards the south.

Germany, after originally sponsoring Slovenian independence, is now sending ambiguous signals. German Defence Minister Volke Rühe, probably reflecting the views of Chancellor Kohl, wants to set strict limits on the number of countries invited to join Nato because it will already be overburdened by helping its three eastern neighbours.

But the US will probably have the final say and there is growing debate in Washington on whether the first wave of enlargement should be limited to three countries and omit other leading aspirants, Slovenia and Romania. Some US officials argue that restricting the number of states in the first wave increases prospects of quick ratification for the three favourites by Nato's 16 countries.

That is the demand of the Polish and Hungarian lobbies to whom Clinton made pledges over Nato membership in both his election campaigns. The Czechs could hardly have a better sponsor than Czech-born Secretary of State Madeleine Albright.

Even with only three candidates there will be problems over US ratification, since the Senate has signalled it will balk at the prospect of US forces becoming sucked into central and eastern Europe disputes as a result of Nato guarantees. But the key factor determining enlargement will be how Washington gauges Russia's reaction.

So far, Moscow has bowed to the inevitable. Yeltsin has calculated that he can face down his domestic critics if only three new members are announced, especially if Russia's new deal with Nato is seen to be working.

But the longer the list of new members the greater the risk that a hostile reaction in Russia could bring ultra-nationalists to power. Moscow is hypersensitive about the three Baltic states, once in the Soviet Union and still with Russian minorities.

At what point would Moscow become dangerously alienated? This is the question that underlines Nato's hesitation and explains why Slovenia and those lower down Nato's waiting list will probably have to wait longer.

'The key factor determining enlargement will be how the US gauges Russian reaction'

CYAN MAG YELO BLCK

Europe's movie empire strikes back

Producer Puttnam leads the charge

CANNES was a turning point, write David Short and Lucy Yeomans

AR RUNAWAY British film success in the United States convinces the British that their industry is set for a revival. In the US, the press, the church and respectable society in general are up in arms against the moral impact of a movie which challenges authority and the status quo.

In Australia, censorship of a violent film leads to runaway box office success. American film distributors are controversially forcing cinema owners to rent bad pictures with good ones through a system called blockbooking. A senior German film executive declared: "European producers must think of establishing a certain level of co-operation among themselves. It is necessary to create 'European films' which will no longer be French, English, Italian or German."

All these stories about the film business could have appeared this year, and indeed some have. But they first originated at the dawn of the cinema business. Related in a history of cinema by British producer David Puttnam, they prove that very little has changed in that century-old history. What has altered is the steady erosion of the European film industry from its unrivalled dominance 100 years ago.

In 1908 Frenchman Charles Pathé was selling twice as many films in the US as all the US companies put together. Since then the European industry has increasingly lost out to Hollywood, creating a multibillion dollar adverse effect on Europe's balance of payments and leaving Europe lagging in one of the world's biggest industries. For the US, it is the country's biggest export industry after aircraft. The European Film Companies Alliance has calculated that the US film industry has created more jobs in the past ten years than the motor, hotel and pharmaceutical sectors combined.

At least 80 per cent of cinema tickets bought in Europe are for Hollywood pictures, and in some countries the figure is as high as 90 per cent. As a result, Europe's trade imbalance with the US in the film business is $2.5bn a year, a figure which rises to $4bn when revenues for films on television and video are added.

The stakes are getting higher. Some US films are now making as much and sometimes more money abroad than domestically.

So far there are only a few signs of change in the European film industry. Well-known French and German directors are being persuaded to make English language films. The European Union is creating a film fund, and some British National Lottery money is to be diverted into the film industry. But probably most importantly a fully integrated film studio is being created in Europe by Polygram Filmed Entertainment (PFE).

The early hit which sparked hope for more British success in America was the 1941 war picture *In Which We Serve*, starring Noël Coward. The film which shocked the moral majority was Charlie Chaplin's *The Tramp* in 1915. An even older film, the 1906 Australian production *The Story of the Kelly Gang* cashed in when it fell foul of the censors.

At about the same time, block-

PERRY DE LA MAUVINIERE/LAP

United for now: German film director Wim Wenders (in bow tie) with Hollywood stars Andie McDowell (centre) and Gabriel Byrne in Cannes

booking was first practised by the Swedish distributor Ole Olsen. Ninety years later, allegations of blockbooking led to EU competition officials raiding the London offices of United International Pictures. It was Erich Pommer of the German film company Ufa who started the Short-form Film Europe idea in the 1920s.

Film Europe failed by the end of that decade partly because the rise of fascism in Italy and Germany made international co-operation more difficult and because the invention of talkies created language obstacles, a problem that has dogged the European film industry ever since.

Despite all the challenges to the major Hollywood studios, from being forced to divest their cinema chains, through the birth of television and the rise of independent studios and agents, the big names such as MGM, Paramount and Warner Bros have prevailed, rendering European players almost powerless on the world stage.

Now Polygram is trying to change that. Having failed to acquire MGM when it was put up for sale by the French state bank Crédit Lyonnais, it is aiming to be Europe's only fully integrated studio, capable of creating and releasing big pictures around the world, including the US.

This month it created its own distribution company. Without controlling distribution, it is difficult to make a profit even from blockbusters, since the distributor gets 20 to 30 per cent of the take. PFE's chief executive Stewart Till, said: "Now we can release big pictures with big stars ourselves in the US." In its first year it plans to distribute five pictures, including the thriller *The Game*, starring Michael Douglas and Sean Penn, and *The Gingerbread Man*, with Kenneth Branagh and Daryl Hannah.

Apart from being shut out of Hollywood, the European film industry over time was also weakened by refusing to bow to the supremacy of English. But at this month's 50th Cannes Film Festival, there were hints that European film-makers may finally be giving in. The opening film, Luc Besson's *The Fifth Element* was a case in point. A soulless sci-fi spectacle starring Bruce Willis and billed as a French production, the film owed about as much to Gallic culture as *le cheeseburger* does to *haute cuisine*.

The only things French about the film were the director and the finance. By casting Hollywood talent and filming in English, as he did in his previous film *Leon*, Besson is assured of a wider audience than for his earlier French language films like *Betty Blue*. Nor has the shift appeared to deter French audiences, *The Fifth Element* took $11 million in its opening week in France as well as shooting to the top of the US box office.

As Puttnam also points out, the European film industry has traditionally lacked the raw commercialism of Hollywood, tending to stress culture over cash. But in Cannes, the German director Wim Wenders managed to strike a precarious balance between the commercial and the critical in *The End of Violence*.

Like Besson, Wenders chose to abandon his native tongue and benefit from the box-office clout and allure of Hollywood stars by casting Andie McDowell and Gabriel Byrne. *The End of Violence* was one of a number of *faux* Hollywood European-American collaborations which the film director Gilles Jacobs spoke of with pride when announcing the competition line-up in March. Another example was Nick Cassavetes' low-budget film *She's So Lovely*, produced by Frenchman René Cleitman and starring John Travolta and Sean Penn.

But the jury's shock final choice proved that Cannes still places art before the box office. Neither of the films which shared the Palme d'Or, Cannes' prize for *The Eel* of the Iranian tale *The Taste of the Cherry*, are likely to pull audiences in Pasadena.

David Puttnam's 'The Undeclared War' is published by Harper Collins, price £18

Number's up for Italian lotto winner

Cathy Savage and Michele Puccioni find a dream of riches turns sour

GIANNI LA MALFA / GRAZIA NERI

Unfair play: Mara Venier of *Domenica In* found that winners were primed

IS THERE no area of Italian life immune from scandal? Sergio Salvi, like millions of other Italians, believed in the lottery dream – to the tune of L140 million ($82,000). Then he saw his dream become a nightmare: his winning ticket was declared invalid.

Now Sergio is threatening to shoot himself in front of the Italian parliament. For the moment he is on hunger strike. The lottery obsession has turned into a *cause célèbre*.

A willing victim of lottery fever, Salvi regularly bought scratchcards at his local newsagents in Curno, a small village near Bergamo, northern Italy. Last May he paid L50,000 for 20 tickets for the popular instant lottery, *Gratta e vinci* (scratch and win). Under the silver Salvi was amazed to find not one, but three winning cards with prizes of 100, 30 and 10 million lire respectively.

"I just could not believe how lucky I was," he said. "But I could not have been more wrong."

Eager to begin his life of luxury, Salvi borrowed some L60 million before he even attempted to cash his winnings. He replaced his second-hand Porsche Carrera with a snappy Ferrari and set about restoring his family home. The builders were halfway through their work when disaster struck.

Salvi went to claim his prizes and was met with a stark refusal. Due to a technical hiccup the computer had produced a glut of winning tickets for the Curno area and the finance ministry had immediately suspended all payouts.

At the moment the matter is with the courts and the finance ministry is turning a deaf ear, claiming the tickets were ordered to be withdrawn before they ever reached the shops.

Salvi's story is extreme, but it is far from unique in the Italian games industry. Italy boasts a bewildering array of high-prize television quizzes. But then, last spring as the presenter of the nation's favourite Sunday show, *Domenica In*, was calling people at random to pose trivial questions with a prize of up to L100 million, the illusion of fair play was shattered. The "randomly chosen" player offered the right answer to a question that had not actually been posed.

The audience was astonished by the screams of the glamorous presenter, Mara Venier: "How could you possibly know about this question? This is a scandal!"

As in all the best thrillers, the culprit was found very close to home – one Umberto Baldini, the finance ministry officer supposedly in charge of regulating quizzes. He had slipped a couple of friends into the list of telephone numbers, then primed them with the answers and a promise of 25 per cent of the winnings. Baldini confessed his part in the scam with the memorable sentiment: "Competitions always have a winner in advance."

Fiddles or not, the lottery craze rages on. The Italians may be peculiarly obsessive, but millions of people worldwide watch wide-eyed each week to see if a set of numbers will transform their lives.

The French lottery, like most of the big draws, works by selecting six numbers from one to 49. One Frenchman has written down all the possible combinations, nearly 14 million, and keeps them in five tomes which are locked in a vault. Each week he takes them out and picks his set with a pin. Although he has never won, he says he enjoys the feeling that he always has the right combination written down somewhere.

Germans went lotto mad in 1994 when a succession of rollover weeks culminated in a record jackpot of Dm42 million ($24m) and more than 30 million people took part. One of the more eccentric German players was eventually arrested after threatening tennis player Boris Becker and his manager in the misguided belief that they knew how to "work the lotto system" to pick the winners.

Britain was relatively slow off the lottery mark, only introducing the national draw in 1994. But lottery fever has grown, with millions of players hoping that the slogan "It Could Be You" will come true for them. Pubs and clubs across the country screen the national draws on Wednesdays and Saturdays on television, and venues have started offering their own sweepstake spin-offs with bets on the bonus ball.

But the fun took a turn for the ridiculous this month as rival tabloid newspapers *The Sun* and *The Mirror* faced each other in the High Court over the journalist-cum-mascot Lenny Lottery. Lenny, originally a *The Sun* reporter named Aidan McGurran, changed his name in 1995 while working for the paper. Earlier this month he defected to *The Mirror* taking the name and lucky lottery costume with him.

A second *Sun* reporter stepped in to replace him with the title Sir Lenny Lottery in an attempt to outclass the traitor, but the battle over who could wear the trademark lucky suit continued until a High Court judge ordered Lenny the first to return it to *The Sun*.

Meanwhile, lottery winners themselves make headlines everywhere. Newspapers and journalists gleefully relate the tales of embittered winners who bemoan the grim reality of a dream come true. Everyone loves a winner, but secretly hopes the newfound riches will only bring unhappiness.

Big wins produce equally big stories of families split apart by greed and jealousy, of friends taking friends to court to claim a proportion of what their nearest and dearest had promised them before fortune struck.

One way to spot the obsessives from the everyday players is the way they talk about the draw. "If I win, I want to buy a big car," is an acceptable daydream. "When I win, I am buying a Ferrari," is delusion.

It's not just Europe. America is lotto mad, too, and the proliferation of web sites devoted to lotto gambling is a disturbing testament to the international addiction.

In lotto wonderland, glamour, riches, happiness and success all seem to be there for the taking, but beware the salesmen. Only one certainty remains: the chance of winning is as minuscule as ever. As Sergio Salvi would probably agree, the road to hell is paved with winning lottery tickets.

GIUSEPPE MASTROLLI / GRAZIA NERI

Bitter: Sergio Salvi thought he had won, only to be refused a payout

Britain's prince must read the small print

ALISTAIR MCALPINE

The social chapter is Labour's litmus test. Get that wrong, and nothing else counts

MACHIAVELLI advised the conquering prince to take at once those necessary measures likely to upset his new subjects. Given time, he explained, the populace would forget these unwanted, awful actions and remember only the successful improvements that their new prince had brought to the state.

In the case of Britain's new Labour government that would be just in time for the next general election. I am sure that this style of governance existed long before Machiavelli committed the idea to paper. Despite this, New Labour clearly does not seem impressed by it.

Its leaders have taken the opposite view and carried out a series of actions that have delighted the greater part of the British population. There are proposals on the macro scale for a freedom of information act and what amounts to a bill of rights by implementing the conventions of the European Court of Human Rights.

The referendums on assemblies in Wales and Scotland also falls into the same category. With the welter of laws and instructions that come from Brussels these days, it is small wonder that parts of the UK feel distant from the centre of events and want control over their own affairs.

The liberation of the Bank of England from the control of the ruling politicians is also immensely popular. It has given the people of Britain the feeling that this new government has confidence, authority and a sense of purpose.

At the micro end of the scale, taking action on behalf of those who suffer from Gulf War syndrome must surely win applause from fair-minded

people. As for allowing a Nepalese youth, the ward of an eccentric millionaire, to stay in Britain, when the former government was set to kick him out, this decision shows a sense of humanity that the British people have not seen for the past six years.

In fact, in the past six weeks, New Labour seems to have got it all right. Perhaps it was Machiavelli who got it all wrong.

There is, however, an Achilles heel to this government. And that is the social chapter, a part of the Maastricht treaty. John Major proudly announced that Britain had secured an option on whether to join. Perhaps he believed that to be the case. But part of that chapter was implemented through the Health and Safety Act long before Labour came to power.

Major might have realised it, but the needs of high unemployment and stagnant economies in Europe were sown by Maastricht.

In Britain, those seeds have not yet germinated. They must not be allowed to sprout, let alone flower. Britain enjoys the advantage of not having the social chapter that has caused havoc on the French, German and Italian economies. A British employer has the right to dismiss an employees within two years, if the circumstances warrant. By comparison with the labour laws in many other European countries, Britain's employers have the right to dismiss employees at almost any time. This right must not be given away.

The right of US employers to adjust the size of their labour force to prevailing conditions is largely responsible for the prosperity of that country. American companies can afford to take the risk of expanding by employing more staff simply because, if expansion goes wrong, they can reduce staff numbers accordingly.

This is not the case in France, Germany or Italy. The free-market system that operates in the US is not perfect, but it has produced economic results a damn sight better than the system used in western Europe.

Few people believe that uncontrolled market forces are the solution to a nation's peace and prosperity. There must be controls on employers and employees alike. Taken clause by clause, the social chapter is not objectionable but, taken as a whole, it is poisonous for a nation's industrial health.

A minimum wage is to be applauded if it is £3.25 (ECU 20). At £4.50 it would bring disaster. Clauses that provide equal protection for part-time workers, and which give them equal status with full-time colleagues and statutory maternity leave are all very well in themselves.

When the social chapter is put before the Labour government to sign in a few weeks' time, they must choose carefully which clauses they accept and which they reject.

If they get it wrong, everything that they've got right will seem as nothing in five years' time.

'Taken as a whole, the social chapter is poisonous for a nation's industrial health'

STEVE ETHERINGTON

Uplift: Kankkunen, four-times world rally champion with Toyota (above), returns to the fray at the Argentine Rally behind the wheel of Ford's Escort World Rally Car, which he will drive for the rest of the season

Kankkunen back in the hot seat

After 18 months in the wilderness the Finnish rallying ace is so keen to compete that he'd race for free, writes Jeremy Hart

EIGHTEEN months ago Juha Kankkunen was vying for a fifth rallying world championship when scandal shunted his career off track.

Toyota, with whom he had had an unbeatable partnership, were banned after it was discovered that a cleverly disguised illegal engine part had given the Finn a considerable boost.

The skulduggery left the sport's most successful driver without a team. And apart from an occasional bout of partying, he reacted to the situation by shrinking into his shell. By the end of the year, the winner of 21 rallies was unemployed and reportedly on the verge of an alcohol-induced mental breakdown.

But this week in Córdoba, Kankkunen, 38, was attempting to reconquer rallying's highest peak at the Argentine Rally, which ends on 24 May. He had put behind him the painful, enforced sabbatical during which he has driven in just a handful of low-key events.

Toyota, whose factory team is based in Germany, will be back later this year when their ban is lifted.

However, the team feel that Kankkunen may have lost his competitive edge and are nervous of using their most decorated ace when their new Corolla World Rally Car makes its debut in Italy.

Instead, at the 11th hour, Kankkunen's career has been revived by Ford. They have singled him out to drive their Escort World Rally Car for the rest of the season at the expense of European Rally Champion Armin Schwarz, who could not agree financial terms.

"It has been a tough two years, not being able to compete and feeling as if others were taking my place," said Kankkunen.

He was so keen to get back behind the wheel of a top rally car that he has allegedly agreed to race for free for cash-strapped Ford.

As Ford attempts to win their first rally for over a year, Kankkunen's team-mate in Argentina was Spaniard Carlos Sainz, the double world champion. But Ford will need more than past reputations to escape their recent doldrums.

Kankkunen, whose previous yearly pay cheques were in excess of $2 million, said: "I am definitely not expected to bring money to the team. This is a good opportunity for me. It took me a tenth of a second to say 'yes'.

"There are not many drives available nowadays, and even though the Ford has not won for a while, they had a good showing in Corsica and will probably get even better."

Those in the know are unsure of the wisdom of Kankkunen's returning to a sport that, even in the 18 months he has been away, has become faster, more punishing and the domain of younger drivers.

"It is a bit like [Nigel] Mansell trying to make a comeback in Formula One," said one team manager.

"He might win the odd event, but having the stamina to challenge for the title again? We'll see."

During the Toyota debacle Kankkunen not only lost a possible fifth title and a regular drive, but also the mantle of Finland's top rallying hero.

That accolade was taken over by Tommi Makinen, the reigning world champion, now at the peak of his career and popularity in his Nordic homeland. "Juha was one of my heroes and beating him when we were both at the same level in similar cars would have been rewarding," said Makinen.

"I don't want to tempt fate, because everyone will then laugh if he beats me, but I hope Juha knows what he is doing."

Kankkunen's retort is that his rivals should be wary of such dismissive talk. However, history is not on his side.

Other rally drivers to have attempted a comeback include 1981 world champion Ari Vatanen, who barely survived a major accident in Argentina 12 years ago and never found the same form in his second career.

Vatanen, who has latterly found success in the less frenetic world of long-distance desert rallying, said: "It is hard once you are out of the rhythm. But if anyone is capable of succeeding, it is Juha."

Sponsors not sailors plot $300m course

How do you build an America's Cup challenge? Dominic O'Reilly finds out

The $300 million race for the America's Cup, yachting's greatest prize, is under way in the world's banks and boardrooms. The first race is not for two-and-a-half years but a record 18 syndicates, nine from Europe, are already chasing the $17m each needs to make a competitive challenge.

The entry fee of $200,000 has proved sufficient to deter numerous other would-be competitors. Those that remain must find the serious money required to claim the historic prize, currently held by the Royal New Zealand Yacht Club.

The quadrennial event is accepted as one of sport's toughest challenges, so much so that for 113 years, from 1870 to 1983, the world's greatest sailors failed to wrest it away from New York Yacht Club. The right to take on the holder is earned only after an arduous series of races to eliminate all but one of the challengers. Put simply, after two years of effort and millions of dollars, 17 of the teams will find themselves spectators when the cup itself begins on 26 February 2000.

As with motor racing, speed in the races is almost directly related to the amount of funding. For this reason, the French, Europe's most prolific challenger with three syndicates, traditionally decide on their money men before their boat designers or crew.

Bertrand Pacé, a veteran of the past three cups who tried and failed to put together a challenge this time, sees it as good sense. "You can't operate on a 'one-day-at-a-time basis'," he said. "Sailors must know they are going as competitors, not tourists. With as much talent on the financial side as in the sailing, each can get on with their job without worrying about the other."

JON NASH/PPL

The America's Cup: yachting's prize catch

Pacé is waiting to see which French syndicates shape up as the strongest before signing up, a strategy shared by his compatriot Thierry Preponnet. A suntanned, dapper figure who radiated self-belief as he relaxed after the Hoya Royal Lymington Cup, Preponnet took part in the last America's Cup campaign and believes that it will be harder for the challengers to find money this time.

"The venue is dependent on which club is holder," he said. "So a lot depends on whether the potential sponsor is interested in that market. For example, New Zealand is not as attractive as, say, the US or Asia. Also, sponsors like there to be state involvement and, this time, the French government does not want to take the initiative and is waiting to see which of the syndicates looks best. Even if they do commit, it is always an awkward situation when you have public funds in private hands."

Nonetheless, Preponnet believes sufficient money will be found to ensure the French will have at least one if not two representatives when the actual racing starts. "There will always be people in France keen to invest money," he said. "Because of the guaranteed exposure – you can name the yacht after the sponsor, something you can't do with sports like football.

"That kind of exposure at a world-famous event associated with the jet set is perfect for someone possibly trying to make themselves sound more glamorous. This is why ultimately there will always be people keen to invest."

Maybe this is true in France but not so in Russia, the latest European nation to challenge for the blue riband event of yachting. St Petersburg became the birthplace of the Russian navy in the 18th century; now it hopes to have the country's first entry in the America's Cup.

It is finding the going tough, however. A spokesman for the city's Ocean Racing Club would say only that the entry fee has been paid and the ultimate decision on whether to compete is dependent on funding.

Georgi Shoridouko, Russia's leading sailor who is the world champion and Olympic silver medallist in the Soling class, will be surprised if they make it. "In our country, you have to explain to sponsors what sailing is before you tell them about any competition," he said. "The government is only keen to give money for the Olympics. Russia has changed a lot but it still does not understand events like this."

Muster works to stop slip sliding away

The former clay-court king has lost his grip on his favourite surface. Bill Scott and Christian Hackl report

THE sight of Thomas Muster losing on clay used to be as rare seeing him win on any other surface.

The moment the stocky tennis player walked on to a clay court, you could guarantee that his opponent would be blown away by a relentless blitz of baseline passing shots.

"A year or two ago, they [his opponents] would freeze out of sheer fright," said Muster. "They wanted to win too much and made mistakes. Just my appearance was enough."

Not any more. As the Austrian broadens his horizons to prove himself on other surfaces, so his grip on clay seems to be disintegrating into a dusty haze of self-doubt. He heads into the French Open on 26 May, the pinnacle of all clay-court tournaments, saddled with a negative win-loss record on the very surface where he constructed a near-indestructible reputation.

After compiling a world-beating 111-five record on European red clay in 1995 and 1996, Muster's recent second-round defeat at the Italian Open meant that he had lost one match more than he had won – five against four – on clay this season.

The dedicated 29-year-old, whose winning streak became so predictable that press conferences tended to focus more on his love life and his passion for painting rather than his matches, is beginning to realise he has a battle on his hands. "I am happy about every victory. It gives me confidence," said Muster during his final Roland Garros warm-up tournament, a low-key event at St Pölten in his home country.

A typically predictable comment perhaps, but not without significance. In the past, Muster would have had no problem with victories – or with confidence. Winning tournaments, not individual matches, was his goal.

So what has gone wrong? Boris Becker, himself desperate to break out of a slump that has forced him to withdraw from the French Open through injury, may have the most logical explanation. "Thomas wanted to prove himself on hardcourts," said the German, who, in contrast to Muster's 40 clay-court titles, has yet to lift even one after 53 attempts.

"There is a longer season on clay and there is simply no rest. When Thomas was dominant, he didn't play well for a month before the clay season: he lost on the hardcourts and came to the clay fresh and eager. But this year he played Key Biscayne and the Australian Open, and I think he left some of his energy on court."

Muster says that even for him, the physical side of the game has become more intense. "Players are playing more," he said. "You're getting less rest and putting more stress on your body."

He also admits that the lure of hardcourts provides a fresh challenge. In six weeks after the Australian Open he won the third and fourth non-clay tournaments of his career, disproving any lingering charges that he was a one-dimensional player.

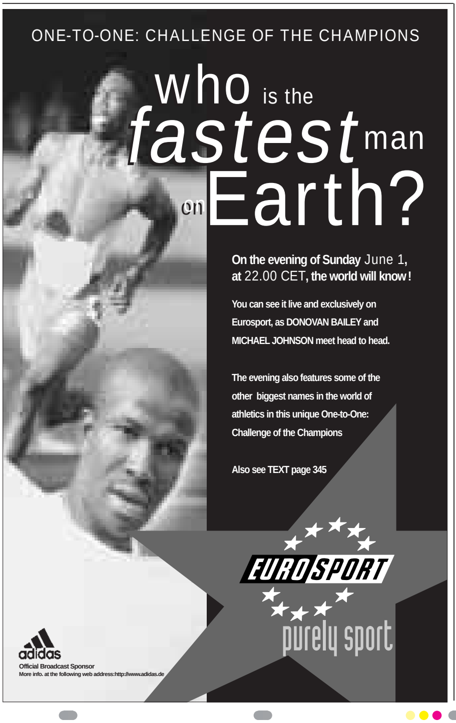
"I've never said I'm a clay-court specialist," he said. "Sometimes I feel people insist on it. Sure, my biggest success has been on clay, but it doesn't mean that I'm only able to play on that stuff. If I could play all year on hardcourt then maybe I'd be a hardcourt specialist. People would then say: 'This guy can't play on clay.' "

Not that he isn't looking forward to Roland Garros, where he won the title in 1995: "It's still a main goal, whatever happens," he said. "People logically think that I should lose less on clay. But wherever you earn your points is fine. I'm not playing badly. I'm just not taking my chances like I have done in the past."

Certainly, Muster, still the world number five and his long-time mentor and manager Ronnie Leitgeb, a former ice skater, are sure to be concentrating on refining whatever it is that is troubling the player on clay. The pair have already begun tracking opponents on a personal computer, hoping to generate a database to help plot match strategy.

Their chances of predicting a winner at Roland Garros are slim because there is no outright favourite. Alex Corretja, the Italian Open champion, is perhaps in the best form, with two titles from four events.

And Thomas Muster? "I can attack without worrying about the public's expectations," he said. "But I need match practice to recover my self-confidence." The classic catch-22 situation, of course, but his trainer sees a way out of the maze. "Patience is what counts," said Leitgeb. "Tennis is like a 1,000-piece mosaic. Eventually Thomas's head will clear."



Golf's latest master stroke

Andersen Consulting have seduced the world's best with a $3.65m pot

A NEW player has emerged in sports sponsorship with a tidal wave of dollar bills that has taken golf, even by its own affluent standards, by surprise.

Ever since the Andersen Consulting firm emerged blinking into the harsh light of another business day in Manhattan in 1989, this son of accounting giant Arthur Andersen has grown spectacularly.

But just as important to the American-based technology and business strategy company, the name of Andersen Consulting is becoming an increasingly familiar phrase on the lips of the people who matter in sport.

Revenue in the company's first year was $1.56 billion. Since then the gross has grown at an average annual rate of 25 per cent per year. The latest figures trumpet an enviable $6.6bn.

Against this, the cost of setting up the extravagant World Championship of Golf could be accounted for under the sundries section of the annual report.

Nevertheless, a prize pot worth $3.65 million, of which the eventual winner of the global knockout cup pockets $1m, is enticing enough. In a sport that is already top-heavy with every different type of competition, the tournament format is clever. What Andersen have done is to take eight of the best players from the US, European and Japanese tours, and eight more from the rest of the world.

The winners of four individual continental matchplay events will travel to Arizona for a showdown next January, the overall winner pocketing $1m, equalling the highest single payout in world golf.

No wonder then that the elite of the European game rolled out of their beds to play on 19 and 20 May. The line-up included Colin Montgomerie, José-Maria Olazábal, Bernhard Langer, Costantino Rocca and Howard Clarke.

The reason they all played, of course, was money. Even early losers collected $20,000. The reasons why Andersen paid them are just as straightforward, as James E Murphy, managing director (marketing), explained.

"Our company is relatively new so we wanted to find a way to raise our visibility around the world," he said. "To do that we needed a global event so this concept was born. Our target audience is made up of the senior executives, the decision makers, and golf's image helps us to address this section of the business community."

While guests sipped Chardonnay, they had the chance to absorb the Andersen message of "creativity, imagination and innovation" via a global television deal. "In the US we're shown on ABC and ESPN, in Britain and Europe it's Sky and NBC's European Channel, and in Asia and beyond it's ESPN International," Murphy said. "It means that we are the most televised golf event of all times."

Although Murphy preferred not to talk specifics, at least $7m and probably closer to $10m may be estimated with reasonable accuracy for such lavish television exposure. However, with a staff of 45,000 spread over 80 countries and servicing 5,000 principal clients, this sort of sponsorship is scarcely going to threaten Andersen's financial composure.

The US Tour section of the competition has already been settled with Davis Love booked for the four-man final. Japan's Hajime Meshiai will also be there and Europe's representative will be Montgomerie, who beat Italy's Costantino Rocca in the European section final.

Montgomerie's smile said it all: victory secures him another $200,000 with a further minimum $100,000 just for turning up in Arizona.

Bill Elliott

MIKE HEWITT

Money talks: Rocca (left) and Clarke were among the eight Europeans enjoying a lucrative break from the regular PGA Tour

The man who motivates the Old Lady

Marcello Lippi has broken all the rules to steer Juventus within reach of another Champions' Cup, writes Chris Endean

ITALIAN car-maker Fiat has had many problems in recent years but *la Vecchia Signora* (the Old Lady) is not one of them.

This is not a reference to some lovable grandmother among the Agnelli family who run the car giant but to their beloved football club.

Over the next few days, Juventus of Turin are expected to complete the double – the Italian league and Champions' Cup – and cement their reputation as the most admired and feared side in Europe.

How have they done it? By breaking the first rule of soccer management: never change a winning team.

In Juve's three years of success, coach Marcello Lippi has sold star players like Roberto Baggio, Gianluca Vialli and Fabrizio Ravanelli. But to the delight of the club's ten million supporters from Palermo to Bergamo, the maestro manager has seamlessly fitted new players into his side. And kept on winning.

"We have to change things all the time in our lives to move with the times. It's the same with football," said Lippi. "You have to think ahead. If you don't prepare, you won't be ready."

Despite an average playing career as a defender at Sampdoria and two sackings as a manager at Siena and Cesena, Lippi has achieved for Juventus what Helenio Herrera did for Inter in the 1960s and Arrigo Sacchi for Milan in the late 1980s: he has built a dynasty in his own image.

Herrera was a strict disciplinarian whose methods prompted one player to compare leaving Inter "to coming out of the army". Sacchi, *Il professore*, used a small blackboard and magnetic players to brainwash his players with schemes.

Lippi is different again, the arch-pragmatist, adapting teams and tactics to either the match or the moment.

In his autobiography published this week, he describes himself as a brain-trainer: not easy to get on with off-the-pitch but a master of motivation. Each season, under his guidance, ageing players consistently perform well. He has a softspot for workhorses like Didier Deschamps but has little time for prima donnas.

Indeed, as soon as he arrived in Turin, he declared his side "Baggio-indipendente", referring to Roberto Baggio, the playmaker on whom Juve's hopes had ridden – and fallen – for the first half of the 1990s.

Baggio was sold to Milan in the summer of 1995. Last year Ravanelli was sold because his coach never forgave him for the Italian equivalent of a two-finger salute.

This season, Christian Vieri was sidelined after raising his voice about too many matches on the substitute's bench. Vieri is now an Italy forward but that has not stopped rumours about his imminent departure for Atletico Madrid.

As they approach next week's Champions' Cup final against Borussia Dortmund in Munich, it is easy to forget the administrative earthquake three years ago that shook Juventus out of its soccer slumberland.

Gianni Agnelli handed the reigns to brother Umberto, chief administrator Antonio Giraudo and general manager Roberto Bettega, a former player.

"As a modern football club we have two targets," said Bettega. "One, we must not forget that we are Juventus. Two, we must not forget the balance sheet."

But there is a sinister side to the new-look Juventus. Gianpiero Boniperti, who holds the record number of appearances in a bianco-nero jersey, was recently left off the invitation list for a dinner celebrating the club's centenary. His crime: being general manager in the lean early 1990s when transfers took the club into debt.

Fans are being asked to cash in, too. The 20,000 tickets allocated to Juventus for Munich come with a proviso: anyone wanting to fly to the final must stay at least a night and pay L700,000 ($420).

None of them will mind, of course, if Lippi does it again. Yet is it such a foregone conclusion?

Although there is traditionally bad blood between Borussia Dortmund and Bayern Munich, the advantage of playing in familiar surroundings could give the Germans a slight advantage. German teams are nothing if not resilient and although Dortmund were fortunate to beat Manchester United over two legs in the semifinals, they have almost as many individual talents to turn a game as Juventus have.

"We know that they have few weaknesses and the right blend between defence and attack," said Dortmund coach Ottmar Hitzfeld. "But I don't think any team has been so well briefed for a European final as ours. Remember, we have seven men who played in Italy, five of whom were with Juventus."

Somehow, such past associations are unlikely to bring them the trophy.

Additional reporting by Clive Freeman and Arthur Rotmil

CLAUDIO VILLA/ALLSPORT

Thinking ahead: Lippi, who has no time for prima donnas, has transformed Juve

Who'se in charge at Barcelona?

The Spanish club still won't say who will have the upper hand – Robson or Van Gaal

SOME would call it arrogance, others indecision. Others still may opt for downright dishonesty.

Whatever it is, Barcelona's failure to clarify – publicly at least – the exact roles of Louis van Gaal and Bobby Robson next season is one of the most unseemly pieces of football administration in Europe this year.

It has left two of the continent's proudest and most respected coaches in a hugely embarrassing position, one seen as a sitting duck, the other a mercenary.

Only a club with ambitions as big as Barcelona would even think of signing two such top-line coaches. Only one as rich as Barcelona could afford it.

By hiring both Robson and Van Gaal for next season, Barcelona president Josep Luis Nuñez has created a potentially explosive situation. By normal standards Robson, the incumbent coach, has had a highly successful season. The Cup Winners' Cup has just been added to the trophy room and the Spanish cup should join it.

Robson's team, barring last minute disasters, will also qualify for next season's Champions League by finishing runners-up in the Spanish league. Yet he is constantly looking over his shoulder at Van Gaal. Only one person can coach the first team. So who will it be?

Nuñez says one of them will be invited to become director-general, but refuses to say which. A plush office at the Camp Nou stadium with Mirò paintings on the wall and a year spent scouting for new players would not satisfy either Robson or Van Gaal.

Both think they have been promised the top job. "This is not a Mickey Mouse cup," Robson said gruffly after the Cup Winners' Cup final. "I am not going to be second to anybody."

But no one in Barcelona believes that a coach of Van Gaal's stature should be wasting his time in an office. Robson, despite apparently turning down a recent approach from Everton, is assumed to be on his way out.

Winning the Cup Winners' Cup has allowed him to partake in the rituals that accompany every Barcelona triumph: he has kissed the statue of the Virgin Mary in the Basilica de Nuestra Señora de la Merce and has stood on the balcony of the 16th-century Generalitat Palace overlooking the cheering masses in the cobbled Plaza St Jaume. But he is starting to realise that only two things ensure lasting glory at Barcelona. One is the league title, the other is the Champions' Cup.

That is why Robson is set to lose the battle. Given the choice between a coach who has lost the annual league title campaign against hated rivals Real Madrid, and one whose hands have already caressed the Champions' Cup, even if it was with Ajax, Nuñez will almost certainly opt for Van Gaal.

Robson was always a short-term bet, someone to ease the transition between the revered but obstinate Johan Cruyff and the long-desired Van Gaal. Failure to win the league will provide the excuse. "They will want to find a dignified, elegant way for him to leave," explained one source close to the club's management. "Money will fix anything."

Van Gaal, meanwhile, is busy trying to achieve just such an exit from Ajax, having been hoisted with his own petard. For years he has campaigned against club owners who sacked coaches whenever they felt like it and, on his initiative, the Dutch Coaches Federation (CBV) was founded.

The most important rule of the organisation, to which all Dutch coaches belong, is that "no coach should accept a job offer if the club have not parted with the incumbent coach". Van Gaal previously insisted that this would only work if everyone stuck to it. Now he seems to have done exactly the opposite, accepting the Barcelona post when Robson still has a year of his contract remaining. It is significant that Van Gaal has handed over his position as CBV chairman to ex-national team boss Leo Beenhakker.

"I have officially announced that I am leaving Ajax for a big foreign club," he said. "But I cannot speak about my new contract because they still have to make arrangements with the man in charge. Every coach has his own priorities and I have mine. Sometimes you don't know until much later if things were done in the right way."

Giles Tremlett and Marcel van der Kraan

THE EUROPEAN LEAGUES

AS AT 20 MAY

BELGIUM

	P	W	D	L	F	A	Pts
Lierse	33	20	10	3	67	38	70
Club Bruges	33	21	5	7	68	34	68
Mouscron	33	17	9	7	60	38	60
Lommel	33	16	8	9	47	45	56
Anderlecht	33	15	10	8	57	36	55
Antwerp	33	16	5	12	48	43	53
Standard Liege	33	16	2	15	55	52	50
RC Genk	33	13	8	12	48	42	47
Harelbeke	33	12	10	11	48	40	46
Germinal Ekeren	33	12	7	14	50	54	43
Sint-Truiden	33	10	8	15	45	55	38
Charleroi	33	10	7	16	43	55	37
Lokeren	33	10	7	16	38	54	37
Ghent	33	10	6	17	44	57	36
Aalst	33	8	11	14	44	55	35
RWD Molenbeek	33	8	10	15	30	41	34
Mechelen	33	7	10	16	33	53	31
Cercle Bruges	33	5	9	19	33	66	24

Fixtures: 25 May (1500) Charleroi v Cercle Bruges; Club Bruges v Gnent; Aalst v Mouscron; RC Genk v Sint-Truiden; Germinal Ekeren v Antwerp; Lokeren v Lommel; Mechelen v Anderlecht; RWD Molenbeek v Harelbeke; Standard Liege v Lierse Results: Lierse 5 RC Genk 2; Harelbeke 2 Standard Liege 3; Ghent 1 RWD Molenbeek 0; Antwerp 2 Club Bruges 1; Cercle Bruges 2 Germinal Ekeren 3; Anderlecht 6 Charleroi 0; Mouscron 4 Mechelen 0; Lommel 2 Aalt 2; Sint-Truiden 0 Lokeren 1

SCOTLAND

Final table

	P	W	D	L	F	A	Pts
RANGERS	36	25	5	6	85	33	80
Celtic	36	23	6	7	78	32	75
Dundee Utd	36	17	9	10	46	33	60
Hearts	36	14	10	12	46	43	52
Dunfermline	36	12	9	15	52	65	45
Aberdeen	36	10	14	12	45	54	44
Kilmarnock	36	11	6	19	41	61	39
Motherwell	36	9	11	16	44	55	38
Hibernian	36	9	11	16	38	55	38
Raith	36	6	7	23	29	73	25

KEY: champions in capitals; solid line indicates relegation zone; dotted line indicates play-off postition; * relegated

ENGLAND

Final table

	P	W	D	L	F	A	Pts
MANCHESTER UTD	38	21	12	5	76	44	75
Newcastle	38	19	11	8	73	40	68
Arsenal	38	19	11	8	62	32	68
Liverpool	38	19	11	8	62	37	68
Aston Villa	38	17	10	11	47	34	61
Chelsea	38	16	11	11	58	55	59
Sheffield Wed	38	14	15	9	50	51	57
Wimbledon	38	15	11	12	49	46	56
Leicester	38	12	11	15	46	54	47
Tottenham	38	13	7	18	44	51	46
Leeds Utd	38	11	13	14	28	38	46
Derby	38	11	13	14	45	58	46
Blackburn	38	9	15	14	42	43	42
West Ham	38	10	12	16	39	48	42
Everton	38	10	12	16	44	57	42
Southampton	38	10	11	17	50	56	41
Coventry	38	9	14	15	38	54	41
*Sunderland	38	10	10	18	35	53	40
*Middlesbrough	38	10	12	16	51	60	39
*Nottingham Forest	38	6	16	16	31	59	34

FA Cup Final: Chelsea 2 Middlesbrough 0

GREECE

	P	W	D	L	F	A	Pts
OLYMPIAKOS PIREUS	33	25	6	2	66	14	81
AEK Athens	33	21	6	6	73	27	69
OFI Crete	33	20	6	7	50	25	66
PAOK Salonica	33	18	9	6	47	28	63
Panathinaikos	33	19	4	10	57	24	61
Kavala	33	16	7	10	42	37	55
Paniliakos	33	13	5	15	38	48	44
Ionikos	33	12	8	13	40	45	44
Apollon	33	12	6	15	38	40	42
Iraklis Salonica	33	11	6	16	41	52	39
Xanthi	33	10	9	14	52	57	39
Kalamata	33	9	11	13	32	50	38
Veria	33	10	8	15	34	33	38
Panahaiki	33	9	11	13	30	37	38
Athinaikos	33	10	7	16	36	57	37
Aris Salonica	33	8	11	14	30	47	32
Edessaikos	33	7	7	19	36	56	28
Kastoria	33	1	5	27	13	75	8

Results: Xanthi 3 Olympiakos 5; Aris Salonica 0 Kalamata 0; Ionikos 2 Iraklis Salonica 0; Panahaiki 3 Athinaikos 0; Paniliakos 0 AEK Athens 2; Kastoria 1 Veria 2; Edessaikos 0 Apollon 1; Panathinaikos 1 OFI Crete 1; Kavala 0 PAOK Salonica 3

FRANCE

	P	W	D	L	F	A	Pts
MONACO	37	22	10	5	67	29	76
Nantes	37	16	16	5	60	30	64
Paris St Germain	37	17	13	7	55	30	64
Bordeaux	37	15	15	7	57	41	60
Strasbourg	37	19	3	15	51	47	60
Metz	37	16	11	10	39	30	59
Auxerre	37	16	10	11	46	31	58
Bastia	37	16	10	11	51	46	58
Lyon	37	15	12	10	51	50	57
Marseille	37	12	13	12	43	40	49
Montpellier	37	11	15	11	39	40	48
Guingamp	37	11	13	13	32	35	46
Lens	37	12	8	17	40	52	44
Le Havre	37	10	13	14	33	41	43
Cannes	37	9	14	14	25	40	41
Rennes	37	10	10	17	39	55	40
Caen	37	7	15	15	35	46	36
Lille	37	8	11	18	32	57	35
Nancy	37	8	10	19	32	51	34
Nice	37	5	8	24	29	65	23

Fixtures: 25 May (2000) Auxerre v Nice; Cannes v Nancy; Le Havre v Bordeaux; Lens v Caen; Metz v Lille; Montpellier v Guingamp; Monaco v Nantes; Lyon v Marseille; PSG v Strasbourg; Rennes v Bastia Results: Marseille 1 PSG 0; Nantes 3 Montpellier 0; Bastia 2 Auxerre 1;Nice 3 Metz 0; Bordeaux 2 Lyon 2; Nancy 1 Monaco 3; Strasbourg 1 Lens 0; Caen 3 Cannes 0; Rennes 1 Guingamp 1; Lille 2 Le Havre 2

LEADING SCORERS

Major winter leagues only

36 – Hakan (Galatasaray); 33 – Ronaldo (Barcelona); 28 – Jardel (FC Porto); 26 – Spehar (Club Bruges); 25 – Alfonso (Real Betis Seville), Cadete (Glasgow Celtic), Moldovan (Grasshopper Zürich), Shearer (Newcastle)

GERMANY

	P	W	D	L	F	A	Pts
Bayern Munich	32	19	10	3	62	30	67
Bayer Leverkusen	32	20	6	6	67	37	66
Borussia Dortmund	32	18	6	8	60	38	60
VfB Stuttgart	32	17	7	8	72	34	58
VfL Bochum	32	13	11	8	48	49	50
1860 Munich	32	13	10	9	56	50	49
Karlsruhe	32	12	9	11	51	43	45
Borussia Mön'gladbach	32	12	6	14	42	42	42
Werder Bremen	32	12	6	14	49	52	42
Cologne	32	12	5	15	57	60	41
Arminia Bielefeld	32	11	7	14	43	47	40
Schalke	32	10	10	12	34	38	40
MSV Duisburg	32	10	9	13	38	47	39
Hansa Rostock	32	10	7	15	32	44	37
Hamburg SV	32	9	10	13	43	58	37
Fortuna Düsseldorf	32	9	5	18	25	55	32
St Pauli	32	7	6	19	32	61	27
Freiburg	32	7	4	21	40	66	25

Fixtures: 24 May (1530) Hamburg SV v Dortmund; VfL Bochum v St Pauli; MSV Duisburg v Mön'gladbach; Bayern v VfB Stuttgart; Arminia Bielefeld v Rostock; Schalke v Freiburg; Karlsruhe v 1860; Bremen v Düsseldorf; Cologne v Bayer Leverkusen Results: Freiburg 2 Arminia Bielefeld 1; Mön'gladbach 6 VfL Bochum 2; Bayer Leverkusen 3 St Pauli 0; Dortmund 2 Werder Bremen 1; 1860 2 Schalke 1; VfB Stuttgart 0 MSV Duisburg 2; Hamburg SV 0 Cologne 4; Rostock 0 Bayern 3; Düsseldorf 0 Karlsruhe 3

ITALY

	P	W	D	L	F	A	Pts
Juventus	32	17	12	3	48	21	63
Parma	32	16	9	7	38	25	57
Inter Milan	32	14	13	5	46	31	55
Lazio	32	14	9	9	48	34	51
Sampdoria	32	13	10	9	55	42	49
Bologna	32	13	9	10	48	41	48
Udinese	32	13	9	10	46	41	48
Vicenza	32	11	11	10	41	37	44
AC Milan	32	11	10	11	43	42	43
Roma	32	10	11	11	46	42	41
Fiorentina	32	9	14	9	42	40	41
Atalanta	32	10	10	12	40	45	40
Napoli	32	8	14	10	35	42	38
Cagliari	32	8	10	14	41	51	34
Piacenza	32	6	16	10	27	40	34
Perugia	32	9	7	16	45	60	34
Verona	32	6	9	17	36	58	27
Reggiana	32	2	13	17	28	62	19

Fixtures: 23 May (2030) Atalanta v Juventus 25 May (1630) Cagliari v Sampdoria; Fiorentina v Reggiana; Inter Milan v Napoli; Lazio v Verona; Parma v Bologna; Perugia v Roma; Udinese v Piacenza; Vicenza v AC Milan Results: Bologna 0 Vicenza 0; Juventus 1 Parma 1; AC Milan 2 Lazio 2; Napoli 2 Fiorentina 2; Piacenza 1 Cagliari 1; Reggiana 1 Perugia 4; Roma 1 Inter Milan 1; Sampdoria 4 Udinese 0; Verona 1 Atalanta 1

THE NETHERLANDS

	P	W	D	L	F	A	Pts
PSV Eindhoven	32	23	5	4	86	22	74
Feyenoord	32	21	7	4	62	30	70
Twente Enshcede	32	18	5	9	54	32	59
Ajax	32	16	10	6	50	29	58
Vitesse Arnhem	32	15	9	8	52	36	54
Roda JC Kerkrade	32	15	7	10	51	41	52
Heerenveen	32	13	11	8	55	40	50
De Graafschap	32	12	6	14	46	51	42
NAC Breda	32	10	9	13	40	49	39
Groningen	32	8	12	12	39	53	36
Utrecht	32	7	14	11	38	46	35
Sparta Rotterdam	32	10	5	17	37	52	35
Fortuna Sittard	32	8	11	13	33	50	35
Willem II Tilburg	32	9	7	16	33	48	34
Volendam	32	8	10	14	31	53	34
NEC Nijmegen	32	6	10	16	32	59	28
RKC Waalwijk	32	7	7	18	31	60	28
*AZ Alkmaar	32	6	7	19	26	45	25

Fixtures: 25 May (1430) Feyenoord v Heerenveen; Fortuna Sittard v Ajax; De Graafschap v Roda JC; Groningen v Sparta Rotterdam; PSV v Willem II Tilburg; RKC Waalwijk v AZ Alkmaar; Twente v NAC Breda; Vitesse Arnhem v NEC Nijmegen; Volendam v Utrecht Results: Vitesse Arnhem 2 Fortuna Sittard 1; PSV 6 Utrechr 1; Willem II Tilburg 2 De Graafschap 0; NAC Breda 0 RKC Waalwijk 2; Heerenveen 1 Volendam 2; AZ Alkmaar 1 Groningen 4; Ajax 3 Twente 2; NEC Nijmegen 2 Roda JC 1; Feyenoord 6 Sparta Rotterdam 1

EUROSTATS

■ KAISERSLAUTERN, 1991 German champions, signalled their return to the Bundesliga after just one season in the lower division. With four games to go they clinched promotion when they beat VfL Lubeck 7-0.

■ APOEL NICOSIA won the Cyprus Cup final with a dramatic 2-0 win over Omonia Nicosia – both goals came in the last two minutes of the game.

■ FELIX MAGATH, the former German international midfielder, has been sacked as Hamburg coach after the club slumped to 15th position, one above the relegation placings. Magath has been at the helm since October 1995.

■ BORDEAUX trainer Roland Courbis will be in charge of former European Cup holders Marseille next season. Courbis has taken the French club to fourth place in the league this season and to the League Cup final.

Compiled by Chris Rhys

PORTUGAL

	P	W	D	L	F	A	Pts
FC PORTO	31	25	4	2	73	21	79
Sporting Lisbon	31	21	5	5	51	16	68
Benfica	31	17	7	7	48	24	58
Sporting Braga	31	14	8	9	37	39	50
Salgueiros	31	13	9	9	43	42	48
Guimaraes	31	13	7	11	48	46	46
Estrela Amadora	31	12	10	9	36	31	46
Desportivo Chaves	31	12	7	12	37	43	43
Boavista	31	9	13	9	50	36	40
Maritimo	31	11	7	13	31	38	40
Farense	31	9	10	12	28	32	37
Belenenses	31	9	10	12	35	46	37
Setubal	31	9	9	13	36	41	36
Leca	31	9	8	14	33	39	35
Rio Ave	31	7	10	14	34	41	31
Espinho	31	8	5	18	24	49	29
Uniao Leiria	31	7	6	18	24	47	27
Gil Vicente	31	3	7	21	28	65	16

Fixtures: 24/25/26 May Guimaraes v Belenenses; FC Porto v Benfica; Leca v Sporting Braga; Maritimo v Gil Vicente; Rio Ave v Setubal; Farense v Uniao Leiria; Espinho v Desportivo Chaves; Sporting Lisbon v Estrela Amadora; Boavista v Salgueiros Results: Belenenses 0 Estrela Amadora 0; Uniao Leiria 2 Espinho 2; Setubal 0 Farense 1; Gil Vicente 2 Rio Ave 2; Sporting Braga 0 Maritimo 0; Benfica 1 Leca 0; Guimaraes 0 FC Porto 4; Desportivo Chaves 2 Boavista 1; Salgueiros 0 Sporting Lisbon 3

RUSSIA

	P	W	D	L	F	A	Pts
Dynamo Moscow	10	7	1	2	13	3	22
Rotor Volgograd	10	6	3	1	13	4	21
Spartak Moscow	10	5	4	1	16	5	19
Rostselmash Rostov	10	5	4	1	11	5	19
Torpedo Moscow	10	5	2	3	16	10	17
Chernomorets N'ssiisk	10	4	3	3	9	9	15
Lokomotiv Moscow	10	3	5	2	12	10	14
Zhemchuzhina Sochi	10	3	5	2	6	5	14
Alania Vladikavkaz	10	4	1	5	15	10	13
Krylya Sovietov Samara	10	4	1	5	6	9	13
Zenit St Petersburg	10	3	3	4	6	9	12
CSKA Moscow	10	3	2	5	7	13	11
Baltika Kaliningrad	10	2	5	3	6	7	11
Lokomotiv N. Novgorod	10	3	1	6	5	12	10
Shinnik Yaroslavl	10	2	4	4	7	14	10
Kamaz Nab. Chelny	10	3	0	7	7	11	9
Tyumen	10	2	3	5	7	11	9
Fakel Voronezh	10	2	1	7	2	10	7

SPAIN

	P	W	D	L	F	A	Pts
Real Madrid	38	25	11	2	77	30	86
Barcelona	38	25	6	7	95	46	81
Deportivo La Coruna	38	20	14	4	56	26	74
Real Betis Seville	38	20	13	5	76	39	73
Atletico Madrid	38	19	10	9	71	55	67
Real Valladolid	38	16	10	12	54	43	58
Athletic Bilbao	38	13	16	9	66	54	55
Real Sociedad	38	15	9	14	43	42	54
Valencia	38	14	10	14	57	51	52
Tenerife	38	14	9	15	60	48	51
Racing Santander	38	11	14	13	45	44	47
Real Zaragoza	38	11	13	14	49	54	46
Compostela	38	11	13	14	43	59	46
Espanyol	38	12	9	17	42	48	45
Celta Vigo	38	10	13	15	45	49	43
Real Oviedo	38	11	10	17	45	61	43
Rayo Vallecano	38	12	6	20	39	54	42
Sporting Gijon	38	10	10	18	39	63	40
Extremadura	38	10	10	18	32	57	40
Hercules	38	10	5	23	35	71	35
Seville	38	9	7	22	39	64	34
Logrones	38	9	4	25	29	76	31

Fixtures: 24 May (2030) Barcelona v Deportivo La Coruna 25 May (1700) Atletico Madrid v Extremadura; Barcelona v Deportivo La Coruna; Compostela v Espanyol; Logrones v Real Oviedo; Real Valladolid v Celta Vigo; Real Zaragoza v Real Sociedad; Seville v Rayo Vallecano; Sporting Gijon v Hercules; Tenerife v Racing Santander; Valencia v Real Betis Seville (1930) Athletic Bilbao v Real Madrid Results: Extremadura 1 Athletic Bilbao 2; Real Madrid 1 Real Valladolid 0; Deportivo La Coruna 0 Sporting Gijon 0; Hercules 0 Valencia 2; Rayo Vallecano 1 Logrones 0; Real Oviedo 2 Compostela 2; Espanyol 1 Tenerife 0; Racing Santander 1 Real Zaragoza 2; Real Sociedad 1 Atletico Madrid 1; Real Betis Seville 3 Seville 3; Celta Vigo 1 Barcelona 3

HUNGARY

LEADING POSITIONS

	P	W	D	L	F	A	Pts
MTK BUDAPEST	32	25	6	1	83	23	81
Ujpest	31	22	5	4	68	31	71
Ferencvaros	31	21	7	3	66	34	70
Vasas	32	19	6	7	49	30	63
Debrecen	32	13	9	10	49	36	48
BVSC Dreher	32	13	7	12	42	34	46
Videoton	32	10	12	10	43	38	42

THE EUROPEAN SPORT
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Rallying ace back in the hot seat

page 12

Maestro behind Juventus revival

page 13

Ferrari blow the whistle on centre-forward Schumacher's football career

YVAIN GENEVAY

Michael Schumacher's alternative career as a Swiss third division centre-forward (above right) is being kicked into touch. He switched from the race track to the football pitch when he played for Aubonne, an amateur team in the sleepy suburbs of Geneva.

He didn't score, his team lost 6-1 and now his "real" team, Ferrari, say he will have to hang up his boots. "It may be possible that he turns out once more. But I can say for sure that he will not be appearing every two weeks," said a Ferrari spokesman.

Aubonne were hoping to call on Schumacher, a football fanatic who lives above Lake Geneva, every other weekend. "His team spirit is very positive," said coach Gerard Vontobel. But now, it seems, the partnership is over, despite the publicity generated by the German's unexpected appearance in the tiny Swiss village where the crowd swelled to some 300 once word spread of the famous foreign import.

The club said Schumacher, who earns around $1.6 million per race, was not paid to appear, having agreed to help support their fund-raising campaign.

Hush – it's the gipsy Grand Prix

Robert Alexander in BARCELONA on why the showcase F1 event fails to make an impact in Spain

UP IN the hills behind the city that hosted the Olympic Games of 1992 lies one of the best kept secrets in Spanish sport – the Circuit de Catalunya.

A vast, sprawling and impressive modern facility, it is frequently used for testing by the top Formula One teams.

It also happens to be the venue for the Spanish Grand Prix on 25 May. Yet unlike its high-profile counterparts throughout the rest of Europe, it is one of the least-publicised events on the sporting calendar of a nation that regards bull fighting as dangerous and spectacular, motor cycling as exciting, football as emotional and Formula One as ... well, something rather difficult to get worked up about.

Indeed, the day before the race, when final qualifying takes place, Barcelona are at home to Deportivo La Coruña in a crucial league soccer match. More than 100,000 Catalan faithfuls will converge on the Camp Nou stadium, but only about one tenth of this number will be up in the hills on the same day to see who gets pole position.

In a city that is crazy about sport, the only way the Grand Prix is likely to make the front page of any of the three daily sports tabloids is if there is some special drama or a tragedy. Scores of column inches will be devoted to the sporting weekend, but most of them will focus on Barca's attempt to catch Real Madrid and the continuing saga of Ronaldo's immediate future, which looks more and more like a world-record $50 million transfer to Inter Milan.

Spaniards need their own heroes – but there aren't any in F1

Unlike the Italians, the French, the British or even the Germans, the Spanish have no deep passion, or tradition, when it comes to Grand Prix motor racing.

They like it, but have never been *consumed* by it. Ronaldo sneezing in Saturday's football match would be regarded as bigger news than Michael Schumacher starting on the front of the grid.

Part of the reason lies in the peripatetic nature of the event itself – it has frequently switched venue – part in the way Spain divides itself into several self-identifying regions and part in the fact that the country has never produced a car, or a driver, of any note.

Spanish rallying ace Carlos Sainz believes it is all down to heroes, or rather the lack of them. This *Madrileño* has won the world rally championship twice. Along with Severiano Ballesteros, who turned golf into a sport that Spaniards learned to love, Sainz is a sporting star in his home country.

Outside of football, there aren't many others. For Sainz, Spanish, or, more precisely, Catalan apathy towards F1 comes from having no idols. "We don't have a great F1 driver," he said. "We have had great motorcyclists which is why there are big crowds for motorbike racing. But F1 is different."

One Spanish driver who did attract a healthy following of admirers was Alfonso de Portago. An all-round sportsman, he was a Spanish nobleman with a fine reputation as a jockey, an international swimmer and one of the Spanish bobsleigh team for the 1956 Winter Olympics. De Portago took up motor racing in 1954 and rose rapidly to F1 where he entered five Grands Prix for Ferrari. He died in 1957 when his car crashed into the crowd, killing ten spectators and his co-driver Ed Nelson, during the final stages of Italy's Mille Miglia. There has been no one since to emulate him.

Of course, for Sunday's drivers and teams, the race will be no less important than any other Grand Prix. In this respect, at least, they will enjoy a modern and accessible circuit at Montmelo, creating overtaking opportunities and the kind of thrills that Nigel Mansell and Ayrton Senna demonstrated in a 1991 wheel-to-wheel battle.

Yet whatever the outcome, Montmelo is destined to remain the "gipsy" Grand Prix – until another De Portago comes along.

Evert's words of wisdom

A Hingis-Graf match would bring memories flooding back for Paris's favourite champion, says Andrea Leand

RAINCLOUDS have been sweeping across Paris in the build-up to the French Open – but they won't deter the city's favourite tennis champion from watching Europe's latest rivalry unfold.

Anyone who's anyone will spend some time at Roland Garros in the next two weeks. Some of them will be there simply to be seen, such is the reputation of this leafy suburb as a symbol of snobbery and fashion as well as a centre of tennis excellence.

Chris Evert, 42, who won the women's title a record seven times, cares only about what happens *on* court. Once again, the greatest clay-courter of all time will enjoy the comfort of an American television commentary box as she contemplates the eagerly anticipated showdown between 16-year-old Martina Hingis and Steffi Graf, from whom the young Swiss wrested the mantle of world No. 1.

Evert sees something of herself in Hingis and something of her great rival of old, Martina Navratilova, in the athletic but unpredictable Graf. Hence the special attraction.

"Hingis is just what Steffi needed," said Evert, who still holds the best clay-court record in tennis history. "Her move to No. 1 will motivate Steffi to raise her game. The last player who really challenged Steffi was Monica Seles. It's been a while since Steffi's had any real threat. I think she will be fired up."

Both players arrived in Paris recovering from knee injuries and, if the truth be told, ill-prepared to defend their top seedings. As a result, Evert can see an upset. "Everyone has been anticipating the big match between Steffi and Martina all year," she said. "People are waiting to see how they will play after taking breaks for injuries. But they may not end up against each other. There are six to eight other players waiting in the wings."

Hingis's form is suspect. She withdrew from three events this spring after falling off her horse and goes into the French Open following surgery on her knee and one meaningless exhibition match against Mary Pierce.

Evert thinks she could suffer as a result, drawing comparisons with what happened to "Little Mo," the late Maureen Connolly who won nine grand slams including the 1953 and 1954 French Open.

"Martina reminds me of Maureen in more ways than one," said Evert. "Both had the same style and personality; both are perky with a little bit of a temper; and both have great composure. But I hope history doesn't repeat itself: Maureen's riding accident ended her career. I know Martina's fearlessness has helped her with her tennis. Everyone wants her to do normal teenage things but I'm a bit sceptical about the risks she takes off court."

Muster loses his grip: p12

RAC TRAVEL NEWS

The Guide to Travelling In Europe

Public holidays: UK, 26 May. Belgium: Golden Coach Procession, "Lumecon" Battle and Medieval contest, Mons, 25 May. Germany: European Cup final, Munich, 28 May.

ROADWORKS

Austria: Al Salzburg, restrictions until 30 November.
Belgium: R31 Ostend Ring Road, restrictions until June. N34 Zeebrugge, restrictions until October.
Denmark: E20 east of Esbjerg, restrictions until 19 June; E20 Nyborg to Odense, restrictions until 27 June.
France: A8 Brignoles to Cannet-des-Maures. A26 Marcoing, near Cambria, contraflow until 10 July.
Germany: A1 Hamburg. A2 Magdeburg to Berlin orbital motorway, restrictions until December.
Italy: A1 Casalpusterlengo to Lodi, SE of Milan. A14 Bologna & Imola, restrictions.
Switzerland A13 Splügen to Medels.

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Weather Watch Until 28 May

On Friday the best conditions will be found around the Mediterranean, where it be dry and warm with temperatures reaching the high twenties. Britain will be fine and dry, although noticeably cooler than of late. Western Norway will also be fine but Scandinavia, northern Germany, Belgium, Luxembourg and the Netherlands will have showers. Low pressure will bring rain to Portugal and western France. Central and eastern Europe will have a mixture of sunshine and scattered showers.

On Saturday high pressure will remain firmly in charge over northern Europe, with fine but rather cool conditions over Britain, northern France and the Netherlands. Much of Scandinavia will also be fine and dry but there will be a scattering of showers. Eastern and parts of central Europe will continue to be wet. Frontal systems near the Iberian Peninsular will move further east resulting in showers, heavy and thundery in places, across Portugal, Spain and the Balearics. Central and eastern Mediterranean countries will be warm and dry.

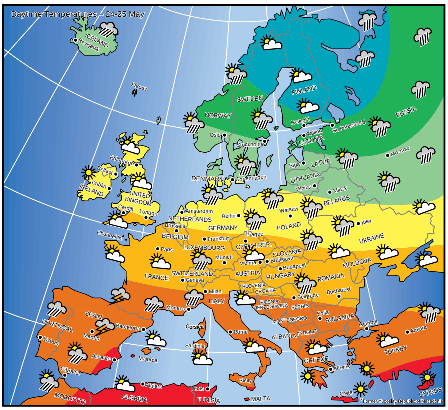
On Sunday most of northern Europe will remain dry. Scattered showers will continue to fall over Scandinavia, feeding down into northern Germany, Poland and the Baltic states. A few showers may make their way to the north of Scotland. Much of central Europe will be dry but the western Mediterranean will have thundery showers. Southern France and northern Italy will be cloudy with some rain. Southern Italy, Greece, Cyprus and much of Turkey will remain fine, dry, warm and sunny.

On Monday Britain will remain mainly dry. Much of northern and eastern Europe will have sunshine and showers. Central Europe will be dry but cloudy. Occasional rain will continue over Portugal, northern Spain, southern France and northern and central Italy. Many Mediterranean countries will remain dry and sunny.

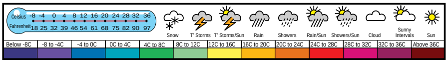
Further outlook until Wednesday: it will remain unsettled over much of Europe, with the best conditions continuing around the central and eastern Mediterranean.

23-26 May	FRIDAY			SATURDAY			SUNDAY			MONDAY		
	MIN	MAX	SKY	MIN	MAX	SKY	MIN	MAX	SKY	MIN	MAX	SKY
AMSTERDAM	7	15	PC	7	14	PC	7	14	PC	8	16	PC
ATHENS	19	27	SU	17	27	SU	17	26	PC	18	27	PC
BERLIN	8	15	PC	8	16	RS	8	17	PC	8	17	PC
BRUSSELS	8	16	PC	7	15	PC	8	15	PC	8	16	PC
COPENHAGEN	5	14	PC	6	15	PC	5	15	PC	6	15	CL
DUBLIN	6	14	PC	5	15	SU	6	16	SU	7	16	SU
GENEVA	9	20	CL	10	21	PC	10	22	PC	9	20	RA
HELSINKI	5	14	PC	5	13	PC	4	15	RS	4	15	PC
LISBON	15	25	PC	15	25	CL	16	25	RS	15	26	CL
LONDON	7	15	PC	6	16	PC	7	17	SU	8	18	PC
LUXEMBOURG	8	17	RS	6	16	PC	8	18	SU	8	18	PC
MADRID	11	28	PC	13	28	RS	13	29	RS	13	28	RS
OSLO	6	14	PC	6	17	PC	7	17	CL	7	17	PC
PARIS	9	19	RS	7	17	XX	8	19	SU	7	18	SU
ROME	11	22	SU	11	23	SU	11	23	PC	12	24	CL
STOCKHOLM	3	14	SU	4	15	PC	4	16	RS	5	16	RS
VIENNA	11	21	PC	10	21	PC	10	19	PC	11	19	CL

CL – CLOUDY; PC – PARTLY CLOUDY; SU – SUNNY; RA – RAIN; SN – SNOW; RS – RAIN SHOWERS; SS – SNOW SHOWERS; TL – THUNDERSTORMS; FG – FOG



SOURCE: MANCHESTER WEATHER CENTRE



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THE EUROPEAN BUSINESS

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WILL THE CITY'S CHEERING STOP?
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BUSINESS PROFILE – PAGE 28

Europe flies its airport revolution to the world

America, Australia and Asia are asking Europe for help in running terminal services, reports Hilary Clarke

NAJAH FEANIS

Say it with flowers: fresh blooms signal the arrival of Dutch managers at New York/JFK airport in an attempt to improve the airport's poor services

THE US may have led the deregulation of the airline industry, but in the airports sector the wind is blowing from Europe. In the words of Hans Smits, president of Amsterdam's Schiphol airport, the management of foreign airports is "turning out to be an excellent export commodity".

Passengers walking into the shabby international arrivals building at New York's John F Kennedy International Airport may have noticed that it looks a little cleaner this week, and that it has been decked with flowers. That is because the Port Authority of New York and New Jersey has turned the terminal over to the Dutch, the original owners of the city.

The consortium, in which Schiphol has a 40 per cent stake, took control of JFK's international arrivals building for 30 years on 13 May. At the same time the group, which includes US investment bank Lehman Brothers and Dutch developer LCOR JFK, signed a deal to build a $1 billion terminal.

Schiphol follows the UK airport operator BAA on to the American market. The British company has been running Pittsburgh airport's retail facilities since 1992, increasing the average spend per passenger to more than $7 from $2.40. BAA is also involved at Indianapolis airport, where it has just completed the first year of a ten-year management contract.

The European attack on foreign airfields also turned on Australia this month. Brisbane Airport Corporation Consortium, led by Schiphol and the Commonwealth Bank of Australia, clinched the contract to run Brisbane airport for 50 years, starting in July. BAA announced it was part of a group which won the long-term lease of Melbourne airport in Australia.

While BAA and Schiphol are the only two European companies to take over large-scale management of overseas airports, others are supplying retail, technical, management and consultancy services. Ireland's Aer Rianta, which runs Dublin airport, this week won the contract to manage and buy all goods for 12 duty free shops in Hong Kong's new airport, turning the Irish firm into the world's third-largest duty free operator.

Meanwhile, Frankfurt Airport, continental Europe's busiest airport, claims to supply the most sophisticated ground handling services to airport projects around the world. At the end of May, Singapore's Changi airport will become the first Asian airport to buy from Frankfurt a computerised system which prevents checked-in baggage from being loaded on to an aircraft if the passenger who checked it in fails to board. This system is already in use at several airports, including Heathrow and Gatwick in the UK.

The reason for the sudden overseas expansion of European airports is that governments now recognise that they must expand congested terminals and improve service, but national budgets cannot bear the costs. The World Bank estimates that up to $350bn will be needed over the next decade to provide for the expected doubling of air traffic. Australia passed a law last year to put its airports out to private management; so did Argentina. Russia is privatising one-third of its airports.

Closer to home, BAA awaits final government approval to buy a controlling stake in GESAC, operator of Naples Airport. Schiphol owns one per cent of Vienna. Both are seeking openings in Germany.

But the US market is the major prize. The contracts at Indianapolis and New York/JFK will be watched carefully as fears grow that they are the first stages of a creeping privatisation of airports.

There are few such worries in Britain. BAA celebrates the tenth anniversary of its privatisation next month. Financially, at least, it has been a success. BAA's pretax profits have more than tripled since it was sold, from £122m in 1987 to £418m ($680m) last year.

Amsterdam/Schiphol is also consistently profitable. The Dutch government still has a majority holding, but it plans to reduce its stake.

One of the catalysts forcing European airports to seek business abroad is the proposed abolition of duty free sales in the European Union in 1999. BAA estimates that up to half its retail sales, which accounted for 44 per cent of last year's profits, could be wiped out by the move.

THE reason Europe's airports are winning contracts is that they are among the world's best. Schiphol has led *Business Traveller* magazine's poll as best European airport since the early 1980s, followed by BAA's Heathrow and Gatwick. Only Singapore/Changi ranks better on world listings. US airports come way down the ranks.

Hans Mohrmann, president of Schiphol USA, says: "American airports are often controlled by the airlines who operate and manage the terminals. And if they have cash to spend, they would rather buy two new aircraft than invest in facilities. Airports simply aren't seen as their core business." Because US airports can use tax-free bonds (JFK will be financed this way), they are required to reinvest their returns – a strong disincentive to pursue profits.

At JFK, a good scrub and some flags and flowers are just the start. "It will be like Fifth Avenue – a shopping mall with check-in facilities and parking spots for airplanes," says Mohrmann.

The Dutch have exploited the potential of airports as shopping plazas for passengers with time and money on their hands, as Schiphol's glittering shops testify. The airport also has a casino. But the New York Port Authority was most impressed by the speed at which Amsterdam moves passengers; the airport sets maximums of 15 minutes check-in time and just six minutes for immigration.

BAA, led by John Egan, the man who turned round luxury car firm Jaguar in the 1980s, also learned the importance of speed. Business class travellers now speed through immigration and security at BAA airports. The group has developed airport shopping so strongly that it is treated by most financial analysts as a retail stock.

Bally, the premium Swiss shoe chain, sells more shoes per square metre at Heathrow than anywhere else. One-fifth of UK scent sales are at BAA's seven UK airports. BAA airports house 150 retail concerns with a total of 600 outlets, and its customer loyalty scheme is the biggest in the world.

Shopping is not the only way to spend money while waiting for a flight. Diners at Heathrow can choose from a range of restaurants, from the Indian Noon's to Harry Ramsden's fish and chips. Unlike most other world airports, BAA's food and beverage prices are on a par with the high street. There are other services, too: passengers at Gatwick can have their legs waxed at the Clarins studio.

Ironically, BAA's glittering performance has made its forays abroad more difficult. Non-airport operators, such as the Australian property company Lend Lease and the US firm Lockheed, are developing their own airport divisions to chase the business.

There is also a reluctance to hand airports over to foreign firms. European firms team up with local investors for bids.

And there may be a backlash against the consumerist drive at airports. "There is a danger the air passenger will eventually suffer. Too many caviar shops and not enough toilets for the disabled," said one frequent traveller.

Additional reporting by Jeremy Gray in Frankfurt

Dutch and British on tail of the tigers

The Netherlands and the UK are emerging as global dynamos, writes Tony Patey

TWO European countries – the Netherlands and the UK – have powered ahead in the world's business competitiveness stakes, pushing aside bigger rivals such as Germany and France.

Their strength, already underlined in one major survey, was confirmed by two other surveys this week; they have emerged as global dynamos when it comes to competing for business and attracting new companies.

Even the east Asian tigers – Hong Kong, South Korea, Singapore and Taiwan – are finding that their teeth are beginning to be blunted by the quiet but inexorable rise of these vigorous states.

The Netherlands, at one time a world maritime power with a vast commercial empire and now experiencing an economic resurgence, is forecast to topple Hong Hong as the most attractive business environment over the next five years. The London-based Economist Intelligence Unit (EIU) last week put the Netherlands at the top of its ranking of the most desirable global business environments over the next five years until 2001, ousting Hong Kong, which has been the most attractive in the period 1992-1996. After the imminent handover to China, Hong Kong is set to fall to 14th position – the sharpest drop in rank for any country between the two periods, according to EIU.

The unit's experts gloomily predict that there is a "considerable risk" that China will not fully honour its promises about Hong Kong, and they expect an increase in corruption and an erosion of the rule of law.

Meanwhile the Dutch economy, which deftly escaped the worst ravages of the recession in 1993, and emerged with stable political and macroeconomic environments, earned top marks from the EIU's wide range of 66 component indicators for the best place for businesses to be.

According to the EIU, the UK will remain the second most attractive place for businesses over the next five years, due mainly to the extent of deregulation, favourable policy on foreign investment and advanced and relatively stable financial and political environments. Canada will ease up from fifth to third place, and Singapore will remain fourth. Incidentally, named as the least attractive place to be over the next few years is Iraq, after Nigeria and Iran.

The Netherlands and the UK also showed their spurs in two other surveys which focused on competitiveness alone. Geneva-based World Economic Forum (WEF), which has included for the first time the impact of environmental policies on competitiveness, puts the UK at seventh in its 1997 competitiveness ranking, compared with 15th position last year, while the Netherlands has leap-frogged from 17th to 12th. And the International Institute for Management Development (IMD), based in Lausanne, said that the UK has soared to being the

Continued on page 16

COUNTRIES IN THE FAST LANE

Economist Intelligence Unit: Business Environment Ranking*		World Economic Forum: Global Competitiveness report 1997**		IMD: World Competitiveness Yearbook 1997**	
1	(3) Netherlands	1	(8) Singapore	1	(1) US
2	(2) UK	2	(2) Hong Kong	2	(2) Singapore
3	(5) Canada	3	(4) US	3	(3) Hong Kong
4	(4) Singapore	4	(8) Canada	4	(15) Finland
5	(6) US	5	(3) New Zealand	5	(6) Norway
6	(7) Denmark	6	(6) Switzerland	6	(7) Netherlands
7	(10) Germany	7	(15) UK	7	(9) Switzerland
8	(13) France	8	(9) Taiwan	8	(5) Denmark
9	(9) Switzerland	9	(10) Malaysia	9	(4) Japan
10	(18) Sweden	10	(7) Norway	10	(12) Canada
11	(17) Finland	11	(5) Luxembourg	11	(19) UK
12	(15) Belgium	12	(17) Netherlands	12	(8) Luxembourg
13	(8) New Zealand	13	(18) Chile	13	(11) New Zealand
14	(1) Hong Kong	14	(13) Japan	14	(10) Germany
15	(14) Austria	15	(16) Indonesia	15	(22) Ireland

*Forecast ranking for 1997-2000 (compared with 1992-1996)
**Ranking for 1997 (compared with 1996)

Source: EIU; WEF; IMD

Deutsche Bank chairman and his capital idea

Tax reforms, not new laws, could help German banks to cut industry holdings, reports Jeremy Gray in FRANKFURT

ROLF BREUER, Deutsche Bank's new chairman, wants to improve margins by selling off some of the bank's domestic shareholdings. But it hasn't hold your breath.

His middle name is Ernst – or Earnest – but this native of Bonn is unlikely to act until cuts in the prohibitive rate of capital gains tax allow him to free up billions in stock market liquidity. Unless, of course, the disposals are forced upon the 59-year-old capital markets expert by new laws.

For years, Chancellor Helmut Kohl's cabinet has been dragging its feet on drafting legislation to curb the influence of German banks over industry. The matter moved to the top of the political agenda in March, when Krupp's bank-backed takeover bid for fellow steelmaker Thyssen resulted in a public outcry as 30,000 jobs were at stake.

Once the takeover was downgraded to a partial merger, though, the proposed legislation quietly disappeared back into the drawers of the justice ministry, where it will probably remain until after the summer break.

This may not matter much, as its broad objective may be met by another law in the pipeline. Sweeping reforms of the German tax code now under way are likely to include a reduction in capital gains charges.

Breuer, who took over as chairman of Deutsche on 20 May, said in an interview published the same day that he intended to cut the bank's German shareholdings and boost investment abroad. This was no revelation; outgoing chairman Hilmar Kopper had said much the same thing.

Kopper, who presides over the supervisory board, frequently complained that Germany's steep taxes on capital gains discouraged commercial banks from paring their industrial holdings. Accounting plays a role as well; for example, the book value of Deutsche's 22.6 per cent stake in Daimler-Benz, bought in the 1920s, is a tiny fraction of the price it would fetch on the stock market.

As Bonn levies a capital gains charge of about 50 per cent, most banks are reluctant to divest shareholdings without tax relief, even though the performance of some long-standing equity stakes leaves much to be desired.

If the federal government provides an extra incentive, Germany's stock markets will benefit handsomely. Take Deutsche Bank's mammoth portfolio; at the end of last year, the market value of the stakes of five per cent or more which the bank held in 24 listed companies totalled Dm27.1 billion ($15.8bn). They include prominent members of the 30-share DAX index such as Allianz (of which Deutsche holds ten per cent), retailer Karstadt (ten per cent), tyremaker Continental (10.2 per cent) and Daimler.

The returns-conscious Breuer might be tempted to unload the Karstadt holding, which must be counted among Deutsche Bank's worst-performing investments. Analysts estimate that the retailing operation lost between Dm160 million and Dm200m last year.

These complex webs of shareholdings are a common feature of Germany's banking system. But in the United States, the Glass-Steagal law prohibits commercial banks from conducting securities business, delegating that sector to investment companies and mutual funds. On the other hand, Germany's private credit institutions provide a gamut of financial services under one roof and, naturally, trade securities on their own account.

This structure has allowed Deutsche and other German banks to exert enormous influence over companies, and not just via shareholdings. Deutsche's 12 *Vorstände*, or management board members, also sit on supervisory boards of 70 companies.

In recent years the bankers' prestige has suffered from a series of financial fiascos which raised doubts over whether they could supervise effectively in all these positions. Kopper himself was supervisory board chief of Daimler-Benz when it posted a Dm6bn loss in 1995; his colleague Ronaldo Schmitz holds the same position at metals and mining group Metallgesellschaft, which was nearly bankrupted by risky oil deals two years previously. At times, Breuer's skills as supervisor have also looked a bit overstretched. Maho, a machine-tool maker which the Deutsche Bank manager brought on to the share market in 1986, went bust in 1994 after a short-lived merger with a rival, Deckel.

So it is little wonder that the new chairman of Europe's largest bank wants his fellow board members to reduce the number of their supervisory board seats and concentrate on the business of banking. He believes that there's too much work involved in these duties when his shareholders are demanding greater results.

Curiously, despite bumper profits last year, Deutsche records the lowest return per employee of any listed German bank. No wonder, either, that Breuer is determinedly steering away from low-margin retail banking and moving into the prestige market now covered by Deutsche Morgan Grenfell, the London investment banking arm. His intention to fill Deutsche's portfolio with more international investments is a "natural consequence" of this philosophy, says a spokesman.

Breuer would have plenty of cash to invest, too, if the government would only cut the capital gains tax. Finance Minister Theo Waigel might have a

Continued on page 16

DEUTSCHE BANK'S SHAREHOLDINGS

Company	% share	Market value (Dm m)*
Daimler-Benz	22.6	12,227
Allianz	10.0	6,363
Karstadt	10.0	3,062
Linde	10.1	791
Metallgesellschaft	15.5	697
Veba	6.3	627
Heidelberger Zement	10.1	528
Karstadt	10.0	435
Continental	11.0	421
Philipp Holzmann	25.8	414

* at 31/12/96

Source: Deutsche Bank annual report

Rolf Breuer: seeks better returns for Deutsche

Dutch and UK on tail of tigers

Continued from page 15

11th most competitive nation this year, after 19th last year; the Netherlands moved up from seventh to sixth. The UK and the Netherlands now stand ahead of Germany, which has slipped from tenth to 14th in the IMD rankings and from 22nd to 25th in the WEF's table.

Professor Stéphane Garelli, IMD's director in charge of its competitiveness project, said Germany, although potentially a world leader in competitiveness, continues to "muddle through a pattern of reforms that may take more time to implement than anticipated". High business costs, rigid labour laws and the major effort needed to make eastern Germany more competitive have taken their toll on performance; however, with a population of more than 82 million, and the birth of a more entrepreneurial culture, the country has the ability to surge ahead again.

The IMD said the UK's new Labour government should help maintain its competitive position. Garelli said: "The vast Labour majority, and an apparent willingness to minimise disruptions, should provide Britain with the possibility to stabilise its pattern of competitiveness. The two threats to be monitored are the appreciation of the pound, and a danger of renewed inflation."

Garelli suggests that the Netherlands may be providing a new model of competitiveness. "Regaining competitiveness seems to be accommodated with a certain sensitivity to social consequences. The Dutch economy of globality is deregulated to compete on world markets; yet the Dutch economy of proximity investigates innovative measures to spread the consequences of unemployment on a wider spectrum of the population, through, for example, part-time work and the reduction of working hours."

Finland, meanwhile, has moved to fourth position in the IMD ranking from 15th last year, because of an exceptional surge in business confidence after its severe recession. Its rise is reflected in the EIU rankings, where it moves up from 17th to 11th, although the WEF marks the country down from 16th to number 19, citing unfriendly tax rules and poor labour relations.

Singapore retains its number one position in WEF's rankings, and the second place it also had with IMD last year. With a gross national product per capita on a par with that of Japan, Singapore is riding high; Hong Kong stays in second place in WEF's rankings, while the US continues to top IMD's table.

However, the writing may well be on the wall for the Asian tigers. The WEF said that the tigers are now nearing economic middle age. Writing in its survey's review, Professor Jeffrey D Sachs, director of US-based Harvard Institute for International Development, said: "High competitiveness does not allow countries to enjoy superfast growth rates forever. As economies – even highly competitive economies – get richer, they tend to experience a slowdown in growth.

The UK and the Netherlands, please note.

Deutsche's capital idea

Continued from page 15

35 per cent rate in mind, a rate he is proposing for retained corporate income, currently taxed at more than 50 per cent. But the reform won't come into force before 1999, suggesting that Breuer will delay reducing Deutsche's domestic equity interests.

Should he resort to selling them before then, he could be accused of dumping the family silver. Thanks to buoyant securities trading, Deutsche's pre-tax profit surged 28 per cent in the first quarter of this year.

Then again, his competitors at Commerzbank and Dresdner Bank have sold significant German equity stakes over the past two years, tax or no tax, to chase better returns elsewhere.

It will be intriguing to see just how Breuer interprets the buzzword "shareholder value" in his decisions on whether to divest stakes.

The government might eventually come up with a special deal, setting banks a limit of five to ten years to cut industrial holdings to a pre-set ceiling.

Yet, if the resistance within Kohl's Christian Democrat party is anything to go by, German banks won't face any limits on industrial shareholdings before the turn of the century, by which time Breuer will have danced his portfolio shuffle.

JIM HOLMES/PANOS

Burden lifted: unbleached cotton is prepared in Pakistan; provisional duties on imports from such developing countries will not be reimposed

France loses battle over cotton dumping

A campaign to reimpose duties on unbleached cotton imports has unravelled, writes Hilary Clarke

FRANCE has lost a battle with the rest of the European Union to reimpose punitive duties on imports of unbleached cotton from developing countries, despite threats from President Jacques Chirac. The fierce and ultimately unsuccessful French campaign leaves an embarrassed European Commission in its wake and accusations of a harassment campaign against textile importers.

Chirac had threatened to block negotiations to change the EU's constitution unless other member states approved a European Commission proposal to impose anti-dumping duties of between 15 and 20 per cent on $400 million worth of textile imports from Egypt, India, Pakistan, Turkey, China and Indonesia.

But other EU countries stopped a French attempt to hijack a meeting of EU foreign ministers in The Hague on 20 May, the date the provisional duties on the fabric expired, leaving France no choice but to concede defeat. Unbleached cotton is used to make a variety of everyday textile products from household linen to tent canvas.

The initial anti-dumping complaint was made by Eurocoton, the European cotton weavers' lobby, which claimed that the fabric was entering the EU market at a lower price than in its market of origin, justifying a claim of "dumping". After an inquiry lasting more than a year, the Commission backed Eurocoton's claim that dumping had taken place and placed provisional duties on the fabric for six months.

Henrick Abma of the Cologne-based Foreign Trade Organisation, an importers' lobby group that opposed the duties, said: "It is harassment. Even the threat of duties means importers get nervous because they don't know by how much the goods they import will go up."

The issue divided the textile industry and the Commission, with Trade Commissioner Sir Leon Brittan torn between his free-trade principles and his officials' anti-dumping findings.

Most of Europe's cotton weaving takes place in France and Italy, and the French government wanted the duties to fulfil its pre-election promise to protect French jobs.

The UK textile industry, which has little indigenous cotton weaving left but which is strong in the textile finishing sector, led the anti-duty campaign, fearing thousands of job losses. UK textile firm Coats Viyella laid off 25 workers at a factory in Cheshire as a result of the duties, and another 150 were under threat. The duties also came under fire from consumers' organisations and trade experts who said the Commission was acting against World Trade Organisation rules.

Under the Uruguay Round world trade accord, textile quotas are to be phased out. However, the fear is that sections of the European industry that want protection against foreign competition will increasingly resort to the use of anti-dumping as a means to block imports.

Already, Eurocoton is pushing the Commission to impose provisional duties on bed linen imports from India and Pakistan and there are fears France could try and re-start the procedure on unbleached cotton.

Business Week

NEW UK Chancellor Gordon Brown announced that the nation's central bank, the Bank of England, is to lose responsibility for banking supervision under a major restructuring of financial services regulation launched by the new Labour government. Banking supervision will become the responsibility of the Securities and Investments Board (SIB), which will be given greater powers to oversee banks, financial services, companies and markets. Bank of England governor Eddie George has repeatedly argued against the central bank losing its supervisory powers. The bank's deputy governor, Howard Davies, will take over as SIB chairman when Andrew Large steps down in two months' time.

Pieter Bouw, chairman of Dutch airline KLM, made a sudden announcement that he will be stepping down from 5 August after the company revealed that the first three months of this year was the second straight quarter to show a loss because of wages and fuel costs. The first-quarter loss was Nfl 98 million ($52m). KLM said it is proposing Leo van Wijk, another KLM executive, to succeed Bouw, and predicted a significant improvement in operating earnings this year.

Veba, the German utility giant, bought a 36.4 per cent stake in chemicals group Degussa for Dm2.9 billion ($1.7bn) to strengthen its chemicals business. Veba said it bought the stake by purchasing GFC Gesellschaft für Chemiewerte, a chemicals company jointly owned by Henkel, Dresdner Bank and Munich Re, that held the Degussa stake.

Some executives of offshoots of ailing French bank Crédit Lyonnais looted the bank through what is said to be organised financial fraud up to 1993, according to allegations in a confidential document published by French newspaper *La Tribune*. The report had been prepared by an entity known as the realisation consortium (CDR), created to dispose of disastrous assets acquired by the bank. A Crédit Lyonnais spokesman said it could not comment on CDR matters, and that the allegations related to people not now with the bank.

Greece has yielded to pressure from the European Commission and agreed to liberalise all telecoms services by 1 January 2001, while satellite communications and cable television will be thrown open to competition over the next year.

BAA and British Telecommunications (BT) took the lead in promising to start legal battles with the new UK Labour government if it pushes ahead with plans to raise more than £3bn ($4.8bn) from a windfall tax on what it calls excess profits of privatised utilities. Both firms said they would seek legal redress for what they claimed would be unfair treatment. However, minister without portfolio, Peter Mandelson, insisted that the government had a watertight legal right.

The Soros Fund, which claims to have spent $13m on cultural, scientific and economic programmes in the former Soviet republic of Belarus, pulled out of the country, saying the authorities there had seized $1.78m from its bank account in taxes, despite giving previous assurances that the fund would be exempt from tax.

Lonrho, the UK-based international trading empire, is in talks with South Africa's first black-controlled mining group, JCI, which could result in a link worth £2bn. The go-ahead is likely to be on condition that Anglo American, the South African mining giant which is Lonrho's biggest shareholder and currently effectively controls JCI, takes control of Lonrho's 33 per cent stake in Ghana's Ashanti Goldfields.

Yuri Luzhkov, the mayor of Moscow, strengthened his position in the unofficial race to succeed Russian president Boris Yeltsin, when he launched a city-owned nationwide television channel.

The European — A week in the life of the EU

Thursday 15 May to Wednesday 21 May

Draft agreement on part-time workers ... Cities warned against succumbing to eurosceptical prejudices ... Commission crackdown on corruption

CARTOONISTS & WRITERS SYNDICATE

TOM, TROUW, AMSTERDAM

European Commission
BRUSSELS

ON THURSDAY the European Commission cleared a joint venture between Warner Bros, Lusomondo and Sogecable. The new company, named Warner Lusomondo Cines de España, will buy, develop and lease multiplex cinemas in Spain.

On Friday Padraig Flynn, employment commissioner, welcomed a draft agreement on part-time work finalised by negotiating teams of the main trade union and employers' organisations at EU level (ETUC, CEEP and UNICE). The agreement, which still has to be ratified by the decision-making bodies in the three organisations, aims to facilitate part-time work by improving the working conditions for people engaged in it.

The Commission also adopted a policy paper on the prospects and potential obstacles of the development of capital markets targeted towards small businesses. The Commission listed a number of measures to facilitate small firms' access to capital, and called for the launch of a pan-European debate on how best to remove legislative and other obstacles. The difficulty faced by small businesses in raising finance is seen as one of the main factors hampering small business growth and job creation in Europe.

Wulf-Mathies: strong words

On the same day, the Commission and South Africa signed a framework programme for the development of their bilateral co-operation for the next three years. The Commission said the aim was to further a "more focused approach" in the relationship between the two partners.

Meanwhile, Monika Wulf-Mathies, regional affairs commissioner, used strong language to warn European cities against "succumbing to eurosceptical prejudices or make Europe the scapegoat for their own problems". Speaking in Amsterdam at a Summit of the Regions and Cities, Wulf-Mathies said the "principle of subsidiarity must not be a pretext for renationalisation or for abandoning the European integration process". However, an EU treaty protocol clarifying the principle – which is aimed at protecting member states from unnecessary transfers of power to Brussels – could help to strengthen the concept, the commissioner said.

Also, Yves-Thibault de Silguy, financial affairs commissioner, and Emma Bonino, commissioner in charge of consumer policy, stressed the importance of intensifying the debate on how to facilitate ordinary citizens' switch to the euro between 1999 and 2002. Speaking at a press conference to present a "round table" on the issue, de Silguy pleaded for a revision of the existing timetable to introduce euro banknotes and coins. Introducing coins and notes on 1 January 2002, as planned, was the worst possible date for retailers, as the switch would have to be made in the middle of the New Year sales, the commissioner stressed.

De Silguy also called for a shortening of the period during which a parallel circulation of existing national and euro means of payment would apply. A six-month delay before the removal of traditional notes and coins appeared to be far too long, said the commissioner, reiterating his call to shorten the transition period to only "a few weeks".

Furthermore, de Silguy suggested that all the practical aspects of the euro's introduction should be agreed by late April next year, so that decisions could be announced at the same time as the list of countries participating in the start of the single currency on 1 January 1999.

Reacting to reports that Luxembourg might suggest freezing European Monetary System central exchange rates in the second half of this year in a bid to avoid currency instability ahead of the euro's introduction, de Silguy said the matter was open for discussion. The commissioner acknowledged that the issue of how to avoid currency speculation in the run-up to the single currency had been raised among finance ministers, but stressed that no agreement on such a decision had been reached.

The commissioner also declined to comment on the German government's plan to use a one-off transfer from the Bundesbank to improve Germany's debt and deficit position following a re-evaluation of the central bank's gold reserves. De Silguy merely said that the Bonn plan confirmed that Germany was doing its utmost to fulfil the Maastricht treaty's convergence criteria on budget deficits for aspiring EMU members.

On Monday, all institutions remained closed for the May bank holiday.

On Tuesday, the Commission agreed on the appointment of 32 members of the European Consultative Forum on the environment and sustainable development. Thorvald Stoltenberg, former Norwegian foreign minister and former UN envoy to Bosnia, is the new body's chairman.

On the same day, Christos Papoutsis, energy commissioner, reiterated his call for the inclusion of a commitment to pursue a common energy policy in the EU treaty. Otherwise, energy policy would "fail to play its full role in our sustainable economic government", said the commissioner in a speech in Montreux, Switzerland.

Meanwhile, the Commission approved a memorandum to bring the air transport sector under the EU's normal competition rules, enshrined in the Maastricht treaty. Air traffic is monitored under provisional rules spelt out in a separate article of the treaty. A spokesman stressed that the Commission's request would not affect cases under review, such as the agreement between British Airways and American Airlines.

On Wednesday the European Commission adopted a policy paper on combating corruption. It is to launch a European level discussion on a broad range of actions such as criminalising corruption, dismantling tax deductibility for bribes, enforcing tighter rules for public procurement, making company auditing more effective, criminalising laundering of bribes and creating an anti-corruption strategy towards developing countries.

On the same day the Commission decided not to approve the bulk of the state aid proposed by the Austrian authorities in favour of Hoffmann-La Roche. It was to be used for the construction of a plant in Linz which is to produce a new anti-obesity drug. The Commission found that the aid totalling Ecu22m ($25m) does not conform to EU aid guidelines for research and development.

European Council
BRUSSELS

IGC special meeting

ON TUESDAY foreign ministers meeting in The Hague to prepare the forthcoming EU summit on Friday in Noordwijk were faced with UK calls for concessions on a planned strengthening of co-operation in internal and home affairs. Stressing that the new British government would agree to expand the EU's powers in areas such as environmental and social policy, and accept an extension of majority voting, Robin Cook, UK foreign minister, said that Britain would in return ask for a water-tight commitment that it would continue to control its borders and its national immigration policy.

The ministers left unresolved the prickly issue of rebalancing the distribution of power between small and large member states, which the latter see as a necessary prerequisite for EU enlargement. Klaus Kinkel, Germany's foreign minister, said this would be left to a "night of the long knives" during the final round of IGC negotiations at the June EU summit meeting in Amsterdam.

Farm Council

FARM ministers meeting in Brussels on Tuesday unanimously agreed new rules governing staging points for resting animals during transport. Ministers agreed that staging points must be approved by a competent authority and should be subjected to high standards of hygiene. Each consignment of animals must be checked by a veterinarian before leaving and records must be kept of each arrival and departure. These rules are only applicable on EU territory.

Spain complained about the attacks on Spanish agricultural exports to France which take place every year while the French police do little to stop them. The French minister Philippe Vasseur apologised on behalf of the French government and said that legal proceedings were being used against the people responsible.

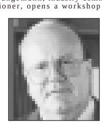
The Week Ahead

THURSDAY: Manuel Marin, external relations commissioner, visits Norway.

FRIDAY: EU heads of state and government gather for a special European summit meeting in Noordwijk to discuss the state of the intergovernmental conference on EU reform, in a bid to conclude the IGC at the Amsterdam summit meeting three weeks later. Meanwhile, Yves-Thibault de Silguy, financial affairs commissioner, visits Switzerland.

SUNDAY: EU farm ministers meet informally in Domburg.

MONDAY: Ritt Bjerregaard, environment commissioner, and Padraig Flynn, social affairs commissioner, attend a conference on "environment and employment" in Brussels. On the same day, Hans van den Broek, foreign affairs commissioner, visits Malta. Meanwhile, Martin Bangemann, industry commissioner, opens a workshop on



Bangemann: workshop

"space applications in the Euromed region" in Cairo.

TUESDAY: EU energy ministers meet in Brussels. The provisional agenda includes discussion of the liberalisation of the EU's gas market, a strategy on renewable energy and the Energy Charter Treaty. On the same day, Commissioner Marin receives Herminio Blanco Mendoza, the Mexican secretary of state for commerce and industry. Meanwhile, the Institute for International Research holds a conference on the "Euro III" in Brussels. Also, Franz Fischler, agriculture commissioner, visits Switzerland.

WEDNESDAY: the EU's Dutch presidency hosts the Union's biannual summit with US President Bill Clinton in The Hague. Meanwhile, the EU Parliament meets for a mini-plenary session in Brussels (to 29 May).

Thomas Klau

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Thomson-CSF time bomb awaits poll victors

The future of Europe's defence industry rests on the battle to gain control of the French giant, reports Charles Masters

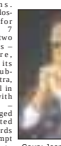
MILITARY PICTURE LIBRARY

Uncertain targets: the French face a choice over the sale of defence electronics giant Thomson – should it be a springboard for a European defence industry, or should France come first?

AS SOON as the new French government has been appointed after the 1 June elections, the two sealed bids for the takeover of Thomson-CSF will come out of the vaults in Bercy and the process of deciding who is to gain control of Europe's leading defence electronics company will begin.

Nothing less than the future architecture of the European defence industry is at stake, as Europe struggles to overcome national concerns to forge alliances with sufficient muscle to challenge the giant US corporations.

Since the closing date for bids on 7 May, the two contenders – Lagardère, through its defence subsidiary Matra, and Alcatel in alliance with Dassault – have engaged in a heated war of words in an attempt to promote their respective offers. The Alcatel-Dassault strategy is to create a giant French group with the critical mass to enter discussions on European partnerships without diluting French control. The pairing is based on the proposed merger between Dassault Aviation and Aérospatiale, once the latter has been privatised.



Coup: Jean-Luc Lagardère

France first: Serge Tchuruk

For its part, Matra plans to put Thomson at the heart of a network of European alliances and joint ventures.

Chairman Jean-Luc Lagardère pulled off a coup on the eve of the bid closure, announcing a major strategic accord with Daimler-Benz Aerospace (Dasa), the latter pledging its "total and exclusive backing" to Lagardère on Thomson.

In the space sector, Dasa and Matra Marconi Space – a subsidiary of Lagardère and GEC – are to merge their activities in a group to be named Matra Marconi Dasa Dornier. On missiles, Matra BAe Dynamics, Lagardère's joint venture with British Aerospace (BAe), will take a 30 per cent stake in Dasa's subsidiary LFR.

If Matra wins its bid for Thomson, the result would be a group with a turnover of Ffr70 billion to Ffr80bn ($12.4bn-$13.9bn) in the space and defence sectors that could challenge the Americans' Lockheed-Martin and Raytheon-Hughes.

Matra's project on the face of things complies exactly with the government's own requirement that the sale should "contribute effectively to the restructuring of the European defence industry".

But the German alliance was a major gamble, and has opened the group to accusations that it would give Dasa a major chunk of the French defence industry at a knock-down price.

"Lagardère has made too many concessions to Dasa," said a government adviser. "To get its hands on Thomson, it is ready to sell its satellites to the Germans and its missiles to the British."

Alcatel and Dassault responded to the Matra-Dasa alliance with dire warnings that if Thomson were to be awarded to the Franco-German duo, it would be broken up piecemeal and the French defence industry would be significantly weakened. "Matra adds nothing to Thomson. On the contrary, it takes parts which it will subsequently offer to its European allies," said Serge Dassault.

Serge Tchuruk, chairman of Alcatel, argued that only the creation of an all-French defence colossus could allow discussion on an equal footing with its main European competitors. He is not concerned with the reinforcement of the French industry first, as the British and the Germans were with the creation of BAe, GEC and Dasa," he said.

This view has its advocates in the government; the head of defence procurement Jean-Yves Helmer commented last month that the European restructuring "of certain sectors of our industry must go through a prior national stage".

Lagardère expressed its "dismay" at the behaviour of its rival's chairmen, and called its comments misleading. "It doesn't help to excessively flatter national pride," said Matra president Noel Forgeard, who has said that it is not essential for the head offices or controlling stakes of European defence alliances to remain in French. "It's ridiculous to say that there is a German threat to the French defence industry," he said.

'Lagardère has made too many concessions to Dasa'

Matra argues that its collaboration with GEC proves that a company can operate with shareholders from two countries without jeopardising national imperatives on security and defence.

However, the Matra-Dasa partnership also complicates the government's choice since it throws doubt on the future restructuring of the Airbus consortium, in which Dasa and France's Aérospatiale hold the major shares along with BAe and Spain's Casa.

"Forming an alliance against Aérospatiale would be seising the death warrant for Airbus," warned Yves Michot, chairman of Aérospatiale.

MANFRED Bischoff, chairman of Dasa, dismissed the idea that it was trying to isolate Aérospatiale, with whom it collaborates on Airbus, Eurocopter and Eurotunnels. "We have just reached an accord with its competitors on satellites and missiles. But the alliance with Lagardère concerns clearly defined sectors, outside the most important areas of our collaboration with Aérospatiale. That does not mean we automatically cut all our ties with Aérospatiale," he said.

Bischoff, who also held talks with Alcatel concerning Thomson, said the motivation behind the deal with Lagardère was to face up to the US giants in the defence sector. "The privatisation of Thomson-CSF and the proposals of the Lagardère group presented the best strategic conditions for European success against the American threat."

Much will depend on who is appointed premier

Forgeard added: "Daim-ler-Benz forms alliances with whom it thinks is the dominant force in a given field. For aircraft, it's Aérospatiale, for defence electronics, it happens to be us."

Essentially, the choice the French government faces is whether the privatisation of Thomson should be the springboard for an immediate restructuring of the European defence industry, or whether the national industry should first be consolidated before looking to wider partnerships.

Despite President Jacques Chirac's eagerness to see an all-French defence electronics giant, the government has taken on board the concerns of the Germans and British, and acknowledges the risk of them not waiting around for a European partnership involving the French, but instead seeking allies in the US.

The government has until 7 September to make up its mind, but has promised a decision by the end of June.

But the wild card in the Thomson pack is the choice of the French electorate in the forthcoming legislative elections.

If the Socialists pull off a surprise win, they have pledged to shelve the privatisation. In the more likely event of the outgoing majority being returned to power, much will depend on who is appointed premier. Alain Juppé, whose chances of retaining the post are fading, was known to favour the Lagardère option despite the reticence of other ministers. The preferences of an alternative prime minister could prove decisive.

Spain blows hot and cold as Gas Natural loses grip

Not everyone will profit from deregulation writes John N Parry in MADRID

LIBERALISATION of the Spanish gas sector is producing some clear winners and losers. Dismayed investors saw their Gas Natural shares lose eight per cent of their value on the Spanish stock market last week. By contrast, large Spanish manufacturers stand to benefit from the freedom to choose their gas supplier, once Industry Minister Josep Piqué's plans to liberalise the tightly regulated natural gas market are introduced.

The minister wants to break the de facto monopoly held by Europe's fourth-largest gas utility, Gas Natural, over the distribution of this fuel in Spain. His plans should be officially revealed by July.

Gas Natural, a private sector company which lists on the Madrid bourse, bought the rival former state-owned company Enagas in 1994. It controls Spain's national gas grid and also operates a gas pipe running from Algeria to southern Spain which opened in December. This pipeline is providing cheaper natural gas for Spanish electricity companies and manufacturers. Smaller, regional gas companies and some electricity utilities, including Endesa, do distribute gas, but in order to do so they must pay a toll to Gas Natural for the use of its network.

Until now, Gas Natural has exercised a stranglehold over the distribution and sale of the product. Its only rival distributors are small regional utilities, which serve just eight large industrial clients across Spain.

After the summer, that market is expected to widen to as many as 1,500 clients. The government plans to lower the minimum purchase requirement for being allowed to choose a rival distributor to Gas Natural, to 75,000 cubic metres per day, from the existing 1.2 million cubic metres. As a result, rival energy and electricity companies are preparing to compete with Gas Natural. They hope to supply gas to manufacturers 25 per cent more cheaply.

These new players' entry to the market "should have a negative effect on the company's results over the medium term", said Juan Agustin del Valle, a sector analyst at Madrid brokerage Beta Capital. "The government clearly wants to lower gas prices significantly and the uncertainty about this is what will have most impact on Gas Natural's share performance." Already, some investors have been hurt by the decline in the company's stock price and that of its 45 per cent owner, petrochemicals concern Repsol, whose shares have fallen some two per cent over the last week.

Repsol completed its privatisation in April, when the government sold its remaining ten per cent stake in the company in a public share offer last month – an issue that was heavily oversubscribed by domestic, retail investors. "The people who bought stock in that offer aren't going to be very pleased about the effect that deregulation plans for the sector are having on their investment," Del Valle said.

By contrast, rival energy and electricity companies are poised to seize new opportunities. Cepsa, a petrochemicals refiner in which Spain's largest electricity generator Endesa holds a 7.5 per cent stake, wants to compete directly with Gas Natural in distribution. Over the medium term, Endesa, Cepsa and Elf Aquitaine of France are expected to form one rival consortium, while BP Oil and Sonatrach of Algeria are seen as another rival alliance in the Spanish market.

Yet deregulation will only work if Gas Natural contents to EU rules and gives competitors access to its gas duct network, including the pipeline from Algeria, which is now Spain's main cheap gas supplier. "This is a key issue, because unless Gas Natural gives rivals access to the Maghreb pipe, the idea of free competition is meaningless," one source in the sector commented.

An industry ministry official said this week: "Spain's policy is to allow rival companies access to the gas network."

Piqué wants to force gas prices down in order to make electricity generation cheaper – a key feature of the electricity accord that he signed with electricity companies in December. The generators, benefiting from easy access to cheaper Algerian natural gas, should be able to lower their charges. According to Piqué, electricity prices will fall eight per cent on average over the next five years (before inflation is taken into account), in line with gas price cuts. The minister has also said that smaller Spanish firms can expect to see electricity bills fall by 30 per cent in real terms. But for that to happen, he will have to move fast to deregulate Gas Natural's dominance of its sector.

SBC Warburg's tentative step may lead to Wall Street shuffle

SBC Warburg's $600m acquisition of Dillon Read is a crucial first step for a move into top-flight US banking, writes Janet Lewis

FERGUS WILKIN/FT

Backing the same team: Dillon Read president Franklin Hobbs (left) and SBC Warburg chairman Hans de Gier

EUROPE's ambitious universal banks have long realised that they need to be in the world's top players in investment banking without a solid base on Wall Street. It has proved an almost impossible ambition – the elite US firms have seen off some wealthy and resolute competitors, aided by recently relaxed rules which limit the amount of securities business that can be carried out by commercial banks.

With its agreement last week to acquire Dillon Read, SBC Warburg, the investment banking arm of Swiss Bank Corps, has made what may prove to be a crucial move in the game, snatching the prize from under the nose of rival ING Barings. However, it is probably not "the big one" that many observers have been long expecting, which will trigger a cataclysm of buyouts and restructuring in the US banking system.

"It is an opportunistic move, generated by the situation with ING," says a former senior Warburg corporate financier. "It may well work, but it doesn't catapult SBC into the top tier of US investment banking – it is an intermediate step. The logical next step would be acquiring something bigger."

So far, even the richest of the European banks have not managed to swallow anything larger, partly because the business cycle on Wall Street is currently at its peak – anything bigger would be very expensive. As it was, SBC has agreed to pay $600 million in stock for Dillon Read, roughly $200m in assets and $400m in goodwill, or three times book value. Dillon's partners have clearly sold high. In return, SBC is getting an old and respected name – the firm was founded in 1832 and has an elite client list, largely in mergers and acquisitions where it ranks 16th in the US. Dillon also has a respectable business raising debt and equity capital for its clients, but it will not provide SBC Warburg with the big presence it has been seeking in that lucrative market. However, SBC officials argue that the bank has not overspent, particularly when compared with the money spent by rivals Deutsche Morgan Grenfell (DMG) and Union Bank of Switzerland to buy talent on Wall Street. They claim DMG spent $700m to build up its teams in the US.

The key to SBC's success in winning over the Dillon partnership seems to have been its willingness to offer them top positions in the bank. Dillon president Franklin Hobbs will become global head of corporate finance for SBC's new combined investment banking division, which will be known as SBC Warburg Dillon Read. Dillon's vice chairman and chief operating officer, Francois de Saint Phalle, will be deputy head of global equity capital markets and co-head of US equities.

SBC officials say it is not yet certain whether Hobbs will move to the division's London base. He will be replacing the current corporate finance chief, George Feiger, who was brought in from consulting firm McKinsey to oversee the integration between SBC and Warburg. Officials have confirmed he will be moving to Zürich to advise on corporate strategy for SBC.

SBC Warburg's negotiators, chief operating officer David Solo and chairman Hans de Gier, were able to point to the bank's track record of successfully integrating diverse cultures in previous acquisitions – Solo himself was a partner in O'Connor, the US derivatives boutique SBC bought in 1993. Some have described the buyout as a reverse takeover, since so many O'Connor partners ended up in senior roles at the bank. Warburg executives have not fared as well – many corporate financiers left after the merger – but after a short, initial bloodletting, the combined firm has settled down, racking up a successful year with some of the UK's most important merger and acquisition deals.

ING, which already owned 25 per cent of Dillon through its acquisition of Barings, was unable to persuade the partners to sell the rest, despite offering $60m more than SBC. Insiders say this was because ING was unwilling to offer firm plans for the future of top Dillon partners within the bank. Instead, it promised to "ring fence" Dillon, leaving it as an independent operation, a promise Dillon partners reportedly didn't trust it to keep in the long run.

It will gain some compensation for the $150m it will receive for its Dillon stake.

SBC may well plan to buy something bigger when the Wall Street cycle turns and prices drop a bit – which may prove more of a problem for the Dillon Read partners than the current integration will be. But for the moment, both sides are satisfied they got a good deal.

Why the euro endgame has to be played by the rules

INSIDE VIEW

The period leading up to 1 January 1999, when national currencies begin to merge with the euro, is fraught with potential difficulties, writes Economics Editor Thierry Naudin

EUROPEAN officials publicly claim that a smooth process of convergence should maintain the current degree of exchange rate stability into 1999, when national currencies begin to merge with the euro. Indeed, if investors find little cause to radically alter their holdings of European government bonds, currencies are safe where they stand. But officials are not so sure, as demonstrated by suggestions from the Luxembourg government that indicative conversion rates for currencies in the future euro area could be agreed as early as this autumn.

In Frankfurt a few weeks ago, a senior European official told me: "I am worried about what may happen to exchange rates between now and spring 1998", when the first group of countries will be formally selected for monetary union. To other experts, the eight months or so between the selection and the launch of the single currency on 1 January 1999 is enough of a headache in itself.

At the core of these worries lies more than the usual concern over currency volatility and its impact on trade, growth and employment. Or rather, the concern extends to the period starting in January 1999, when exchange rates of participating nations will convert at fixed rates between themselves and the single currency. Should any country enter monetary union with an undervalued currency, the resulting competitive advantage might prove damaging to its partners. In the meantime, currency speculation could derail the whole EMU process.

The Maastricht treaty has a few things to say about the transition from national currencies to the euro. The single currency must substitute for the ecu, Europe's basket of currencies, on 1 January 1999, at a rate of one to one. Participating currencies will convert into a fixed number of euros, but based on market rates. Finally, the external value of the euro on 1 January 1999 should be the same as that of the ecu on 31 December 1998.

As David Begg of Birkbeck College, London, and three other European academics argue in *EMU: Getting the Endgame Right*, the requirements of both the treaty and subsequent European summits are incompatible. The ecu is comprised of 11 of the EU's 14 currencies, and there is little chance for complete overlap between those and the shortlist of countries joining monetary union in 1999. Austria is perceived as a likely candidate, but the schilling is not included in the ecu. Conversely the drachma is part of the basket, but Greece has some way to go before it can join.

How to secure economically sensible conversion rates through the rather random process of the currency market is the experts' other major headache. Most agree that to pave the way for a smooth transition, the conversion rates should be announced simultaneously with the list of participating countries in April 1998. Begg and colleagues concur. To them the best solution is to "pre-announce" the conversion rates of participating currencies with each other, based on the existing central rates within the European exchange rate mechanism: "Fixing the bilateral rates provides an anchor for exchange rate expectations and eliminates dangerous instability. If the announcement is credible, no further measure is necessary to assure that the bilateral market exchange rates among the participants will converge to the pre-announced rates at the end of the interim period."

Using the current central rates for conversion sounds a good idea, since they seem to be exactly right. However, like other experts, Begg and colleagues reject the proposal made by Alexandre Lamfalussy, president of the European Monetary Institute, forerunner of the European central bank. His idea is that conversion rates should be the average market rate over, say, two years. This would force the currency markets to stabilise rates or risk losing their bets through massive central bank intervention immediately before the conversion rates are fixed.

These two different methods run against the same critique, though. Neither would prevent a country selected for EMU from engineering a devaluation ahead of the final announcement of conversion rates. But then why should a government fritter away the credentials built over years of effort, and ruin the EMU club on admission? Candidates will be vetted not just on their ability to meet the criteria for EMU in 1997, but also on the sustainable nature of this performance.

This would argue in favour of admitting only those countries whose economies are so well integrated and so competitive as to stand on their own without any need for devaluation. The markets have already determined their own shortlist for 1 January, 1999: Austria, Belgium, Finland, France, Germany, Ireland, Luxembourg and the Netherlands. Or so suggests the narrow fluctuation bands – 4.4 per cent – of their nominal trade-weighted exchanges rates over the past six years, according to Paribas Capital Markets. But in real, inflation-adjusted terms, the margin appears too wide to allay fears of fresh turbulence.

EMU: Getting the Endgame Right, by David Begg, Francesco Giavazzi, Jürgen von Hagen and Charles Wyplosz, published by the Centre for Economic Policy Research, London.

Have City bonuses had their last hurrah?

UK banking regulators are concerned that bonuses can put institutions at risk, writes Janet Lewis

RICHARD BAKER

Celebration: City traders have enjoyed big bonuses, but with moves towards tighter regulation, the good times may be coming to an end

CHANCELLOR of the Exchequer Gordon Brown's reorganisation of the Bank of England not only gave the bank the power to set interest rates, it also promised to strengthen its supervisory structure in a move that may mean a general tightening of regulatory controls on the City under the British government.

One area of recent concern for regulators has been the way pay structures at banks and securities firms can lead traders to put the institution at undue risk. The promise of a large annual bonus if a profit target is met or exceeded – balanced by the threat of swift dismissal if profit falls – has been an important factor in the recent spate of "rogue trader" incidents.

"Effective controls on risk-taking and measures to ensure the honesty of employees are essential, no matter how the bonus scheme is designed," wrote Daniel Davies of the Bank of England's financial structure division in an article published by the bank last month. "But a remuneration scheme which gives perverse rewards to risk-taking behaviour may put the control system under great stress."

And in another recent article, Securities and Futures Authority chairman Nicholas Durlacher attacked the growth of the "star system" that allows top traders, fund managers or teams to hold firms to ransom for large bonuses, making fixed costs unsustainably high. "I'm convinced that in some of these investment banks owned by deep-pocketed banks, they are paying out more than 100 per cent of profits in bonuses," says Brian Friedman, a human capital resources consultant at Arthur Andersen.

'Some banks pay more than 100 per cent of profits in bonuses'

"It's clear that this has become a serious issue in the past six months," says Peter Vipond, assistant director of the British Bankers Association. "Regulators have begun focusing on what dangers to good risk-management lie in paying this money. To what extent are firms giving traders an incentive to run up trading risks to earn a bonus?"

It is unclear how much the regulators can do directly to control the problem; officials at the Bank and the SFA say they would not want to set limits on how much a firm can pay its employees. But they can look more closely at how pay packages are put together and caution institutions that seem to be giving traders the wrong signals. Regulators are in a position to reward prudent firms and make life tough for the less prudent – with closer scrutiny, costing more in management time and effort, or with a more stringent view of capital requirements.

The trick for firms is to come up with the right mix of incentives and controls to make sure that their employees perform well but do not take silly risks. However, finding this mix is not easy. Fifteen years ago, when many of today's managers started out, banks were simpler institutions with less involvement in the financial markets and a smaller geographical reach; and securities firms were mostly partnerships in which partners were risking their own money. Today's biggest firms are global and few remain partnerships – it is much harder to maintain close control of the larger, more widely spread businesses and to make sure that employees' interests are aligned with those of the institution.

Employees are also more mobile. A dealer may put on a risky trade that appears to boost his profit record, collect his bonus, and then leave to join another firm well before the deal goes sour. This is particularly true with some of the longer-maturing derivatives instruments that are difficult to value. "Traders are not fools – they will take advantage of an accounting system that gives the incentive to walk out with a reputation for having made a lot of money," says Durlacher. "It might be three or four years before the chickens come home to roost."

Banks and securities firms typically award bonuses in one of a number of ways. Some emphasise individual performance, giving traders a percentage of their profits above a set figure, sometimes with a cap on the total payout. Others set a budget target, above which a trader earns a proportion of his base salary as a bonus. Another way is to base bonuses on the performance of the team, the department, or the entire institution.

EACH of these methods has its pitfalls. All systems based solely on individual profits mean that in some years firms will be paying huge sums to some traders even while profits for the team, the department or the bank have fallen. However, those based on group or institutional performance mean that top traders may resent having their pay dragged down by others' poor showing and are likely to change jobs if the market is not in a cyclical downturn.

A straight percentage of profits gives traders an incentive to take as much risk as they can get away with, in the hope of making more profit. One with a budget to meet is in an all-or-nothing bind, taking more risk until the target is hit and then practically ceasing trading in order to protect the already-earned bonus. And since the following year's target is usually set higher, a trader who has done well in a bumper year might have a problem if the market is less favourable the next. A trader who is making losses not only risks losing his bonus, but his job as well. In this situation, many are tempted to conceal losses for as long as possible, taking on more risk in the hope of making up the loss – known in the industry as "doubling up".

"There is no optimal remuneration structure," says a senior supervisor at the Bank of England. But some bankers and consultants are working on other ways of setting up incentives. One idea has been to adjust bonuses to the risk undertaken. Generally, the measure used is the actual or regulatory capital the bank must set aside to cover the risk. "There is a strong case for risk-adjusted bonuses, but it depends on what risk you are adjusting," says Peter Christie, a specialist at human resources consultancy Towers Perrin. He argues that an institution would have to have a clear, rigorous method of doing the calculation in order to influence traders as desired. One problem, he says, is that the method penalises those businesses, such as trading, which use capital, while favouring those, such as corporate finance, that do not. Risks in such businesses are less tangible and easy to measure.

Andersen's Friedman suggests that risk-adjusted bonuses might even lead traders to take more risk, since they would need to earn more profit to get the same level of bonus as before.

One method gaining popularity is deferring the bonus – paying out the money in twice-yearly or quarterly sums in an attempt to lock traders in. But even that method tends to be based on the profit and loss account for one year only, Friedman says. His firm has proposed setting up a long-term bonus pool with periodic additions and payouts, from which money can also be subtracted if profits suffer or a trader exhibits bad judgment. So far, says Friedman, no bank has implemented such a scheme, although some are looking at it. "It's hard to implement something like that if no one else is doing it," he says. In general traders don't like deferred bonus schemes, so they don't help in attracting good people. And they lead to another problem in the competitive marketplace for talent – the "guaranteed" bonus, offered to star traders to lure them to a rival firm. Essentially, the guarantee buys out the trader's expected deferred bonus. But it makes the problem of high fixed costs even more intractable for the firm.

'You have to pay the market rate, come what may'

"In reality, you have to pay the market rate, come what may," says Friedman. He says the secret is to pay only the market rate, even to top performers, because that's all they are likely to get elsewhere. It's almost impossible for a firm to get out of the cost spiral; when US powerhouse Salomon Brothers tried to cut bonus costs a couple of years ago, it had to back down because too many good people quit.

The regulators have no simple solution. "What we can do is seek to understand what remuneration policy a bank has in place and how clearly senior management think about their policy," says the Bank of England supervisor. The situation is much the same at the SFA, according to Durlacher. He says the trick is to have top managers who understand the products and are able to think like the traders. "Managers need to almost run war games with the system, trying to figure out how a 28-year-old hotshot could abuse or get around the scheme," says Durlacher. He argues that the role of the regulator is to ensure they do that. "Even the mere fact of thinking about it must be a help," he says.

Star campaign goes off course

IT IS UNCLEAR who is in the pilot's seat at the alliance of airlines Lufthansa, SAS, United Airlines, Air Canada and Thai International. The five-nation consortium, which agreed a strategic link-up on 14 May, is looking at ways to promote itself around the world. Young & Rubicam, the advertising agency, has come up with a multi-million dollar campaign featuring an aircraft decorated in the livery of all five airlines. In their home markets the campaigns have been tailored to give prominence to the national carrier. In German adverts, for example, Lufthansa colours decorate the front of the plane, while in Scandinavia SAS gets the up front honours. The pattern is repeated in Thailand, Canada and the US. But when it came to the UK, where the alliance hopes to counter the threat of the proposed merger between British Airways and American Airlines, the spirit of collaboration has foundered. No decision about who would occupy the front slot of the plane could be reached.

MOVING & SHAKING

JACQUES CALVET, chairman of Peugeot-Citroën, has reached his official sell-by date. Calvet, 66, who has held his post at the car manufacturer since 1982, is being forced to step down in September under the rules on the age limit for the post. His probable successor is already being groomed for the job. Jean-Martin Folz, who already sits on the board of the group's holding company PSA, has been appointed to the direction of both Peugeot and Citroën. After Calvet, Folz becomes only the second member of PSA's board with a hand on the levers of both its subsidiaries and at just 50, should be able to look forward to a long reign.

Jacques Calvet: time to go

SVEN-OLOF KULLDORF, group purchasing chief of Swedish furniture chain Ikea, has made an unexpected offer of help to the country's embattled prime minister Göran Persson. Kulldorf hasn't offered to redecorate his home but hopes to help him out by countering the problem of rising unemployment by encouraging furniture production in Sweden. The bulk of Ikea's production takes place in other countries including Canada, Hungary and Vietnam. "If the projects are economically viable, we are very interested in buying more in Sweden," he says. About 30,000 jobs could be created if the 80 per cent of Swedish sawn timber which is exported were to be worked by domestic furniture makers.

TONY MARY, the 47-year-old head of Belgacom's corporate customers' division, is leaving the Belgian telecoms company, now considering a $2 billion flotation, after just 20 months. His unit managed to add Bfr3bn ($84m) in turnover during his tenure so the company will be sorry to see him go. A former chief executive of IBM for Benelux, Mary is leaving to spend more time with Synergia, the Brussels-based venture capital company he set up with former Benelux Federal Express chief executive Ivo Radelet and consultant Paul Van der Perre. Synergia takes over companies in need of restructuring, turns them around and sells them on. The trio, having built up a turnover of Bfr1.5bn in two years, listed Synergia on the Belgian NM, the Brussels-based smaller companies market, this week.

ANTONIO ASENSIO, chairman of Spain's biggest private television channel, Antena 3, shocked the country's business community with allegations that he was threatened with jail to persuade him against going through with the country's largest television merger. Last December, Asensio and Jesus de Polanco, who heads media group Prisa, agreed to pool their live football rights which form the basis of Canal Satelite, a digital TV service launched in January. Asensio told a parliamentary commission this week that Miguel Angel Rodríguez, the government's minister in charge of communications, had warned him he could end up in jail and his companies could be expropriated if he signed the pact with de Polanco. Rodríguez denies the allegations but was known to favour the pro-government digital TV rival grouping led by phone operator Telefónica and state broadcaster RTVE. Stay tuned.

MICHAEL HIGGINS, the Irish minister of the arts, appears to be on to a nice little earner supplying members of the country's army militia force, the Forsa Cosanta Aitiuil, as film extras. Plans are at an advanced stage for as many as 1,000 FCA volunteers to serve in director Steven Spielberg's forthcoming Second World War film *Saving Private Ryan* which stars Tom Hanks. The militia will play Allied invasion forces in D-Day scenes to be shot on a beach in County Wexford in the southeast. It's the second such role for the FCA. More than a thousand of them appeared in Mel Gibson's *Braveheart*.

DEATH DUTIES forced Nicole Bru to sell Upsa, the French family pharmaceuticals company following the death of her husband and Upsa president Jean Bru in 1994. After taking over at Upsa she expanded world sales to Ffr2.2bn ($400m) and then sold the company which specialises in effervescent aspirins and anti-arthritic creams, to US drugs giant Bristol-Myers Squibb for Ffr1.7bn. But instead of devoting her life to golf and skiing, she started again with Pharmafarm, a small pharmaceuticals company. Last week, she announced that the firm had increased sales in two years from Ffr17m to Ffr120m and was aiming for Ffr300m. Bru, 58, is one of France's richest women, moving easily in high society. She has also taken up piloting a helicopter to visit her research centres, which she calls "pain centres". She says her motive is not personal enrichment, but to finance research into Aids and into cancer, the disease which killed her husband.

Nicole Bru: sales drive

HERMAN SCHOLL, head of car component and electrical goods manufacturer Robert Bosch, became the latest German industry chief to warn of his country's lack of industrial competitiveness – taking a swipe at the unions in the process. "The international markets are no longer ready to pay a premium for products made in Germany, because there are countries offering products of equal quality with much lower labour costs," he said at the presentation of the company's results last week in Stuttgart. He went on to criticise the campaign by the powerful IG Metall trade union to cut the working week to 32 hours, a measure it says will reduce unemployment. Scholl, who heads one of Germany's ten largest industrial companies, said the reduction to 35 hours in 1995 had already contributed to Germany having among the world's highest labour costs, and had exacerbated unemployment.

CROWN PRINCE Frederik of Denmark gave the brewer Carlsberg its dream celebrity endorsement this week when he inaugurated the group's new brewery outside Bangkok. The facility will be South-east Asia's biggest brewery. The 28-year-old prince, acting as titular head of a Danish trade mission to Thailand, posed happily with a glass of foaming Carlsberg beer, stopping a few times to dip the royal beak. Might Frederik, usually given the soubriquet "fun-loving" and a regular at Copenhagen's dance clubs, have found a new way to quench the princely thirst?

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'Job killer' who saved the life of a giant

Kajo Neukirchen rescued Metallgesellschaft – at the cost of thousands of jobs. Jeremy Gray reports on the man and his methods

PETER KIRCHEN

Creative destroyer: when Kajo Neukirchen arrives, job losses are sure to follow, but the Metallgesellschaft chairman claims to have secured the future for over 200,000 workers

TRADITION oozes from the ornate columns of Metallgesellschaft's headquarters in Frankfurt. Its 92-year-old stone façade rises behind the Alte Oper, the restored opera house which graces the view from the chairman's panelled chambers. Yet this monument, for all its heritage, reflects a corporate culture with which Kajo Neukirchen doesn't identify. "Without profit, tradition is absolutely useless," he sniffs.

Our meeting came in the wake of Metallgesellschaft's announcement that it was parting with an heirloom which had become a liability. One of its oldest units, its loss-making German metal and commodities trading centre, is to be dissolved and its activities split between existing units in New York and London. Pre-Neukirchen, this sort of thing would have been sacrilege.

"Tradition has two meanings," continues the lanky, tanned 54-year-old chairman, whose first name in full is Karl-Josef. "One meaning is that you cling to the old, established order. The other is that you carry past strengths into the future. And if you're talking about industrial companies, you measure that strength according to profit."

His talent for separating the two made Neukirchen popular with the banks which hired him to overhaul Metallgesellschaft three and a half years ago. The diversified metals and mining group had run up enormous losses from oil futures deals which precipitated the firing of then-chairman Heinz Schimmelbusch and five other board members in December 1993.

Bankruptcy seemed inevitable. So Deutsche Bank board member Ronaldo Schmitz, MG's supervisory board chief, rang up his friend to hear if Neukirchen could revive what looked like a terminal patient.

The vultures were already circling as Germany's premier troubleshooter received the tallest order of his career: prepare a revamp concept for MG in just two weeks which would convince Metallgesellschaft's 200 furious creditor banks that the company was worth saving. The losses were probably mounting even as Neukirchen worked on the plan: word had leaked out that its New York trading unit, MG Corp, faced a massive exposure to the long-term oil futures market, which was later capped at Dm1.6bn. Thanks to Neukirchen's plan and some arm-twisting by Deutsche and Dresdner Bank, Metallgesellschaft's main shareholders and creditors, the company narrowly averted insolvency by arranging a write-down of shareholder equity and a capital injection.

Two weeks isn't much time to gain an overview of a sprawling conglomerate with 746 units and participations, including bakeries, an airline and a hotel chain. Yet Neukirchen says his early impression of the crisis at Metallgesellschaft proved right. "It later became obvious that the assessments I made after 14 days were quite correct. Then what happened at the company confirmed that my plan was a good one," he says, punctuating his speech with a rap of the finger.

What Neukirchen did over the next 15 months was more than enough to fill his 12 to 14-hour days. (Even now, he rarely leaves the office before the evening, but somehow finds time to swim.) Metallgesellschaft's 12 divisions were reduced to four, non-core activities with Dm8bn of sales were sold off, and the "problematic" divisions such as MG Corp (which, incidentally, no longer deals in oil futures) were radically reshaped. The debt burden, a crushing Dm7.4bn at its worst, was pared back.

Sales during his first year shrank by a fifth; last year, Metallgesellschaft's turnover of Dm15.8bn was 40 per cent below its peak of 1992-93. This massive disinvestment also meant that more than 30,000 people in below-par divisions – that is, most of them – either lost their jobs or ended up with a new employer. Another 4,000 or so were made redundant. By 1996, when Metallgesellschaft was deprived of its place in the German stock index DAX, the workforce had shrunk by more than half, to about 23,000.

The German media reviled him as 'the man with the bush knife'

A bleeding heart Neukirchen certainly isn't. Anything which stands in the way of exemplary business performance should be removed, quickly. Asked what he might have done differently in the transition phase, he replies that he would have fired more upper-level managers to speed the restructuring. "In retrospect, I don't know if it would have worked. You enter a new company and don't know who has been up to what," he says.

Profits, meanwhile, have surged. A spectacular Dm2.6bn loss in 1993/94, related to the oil futures mess and an unfortunate delivery agreement with America's Castle Energy which it later terminated, was transformed into a profit of Dm118 million a year later, and Dm220m in 1995-96. More joy is in store for shareholders if the Dm50m rise in first-half pre-tax earnings to Dm106m continues over the full year.

Some people still forget that it was not Neukirchen but his predecessor Schimmelbusch who drove the company to the brink. When the job cuts hit the headlines in 1994, the German media reviled him as a "job killer", "Rambo" or even "the man with the bush knife" (according to the weekly *Der Spiegel*). "I don't think he gives a fig about the fate of the personnel," said a works council member of Deutz, the Cologne-based engineering company which Neukirchen used to manage.

Even early on, the swiftly-conceived overhaul of Metallgesellschaft bore this cost-cutting hallmark of Neukirchen's track record as a corporate troubleshooter. There's no overlooking the fact that wherever he has taken the helm, large chunks of the workforce have been dismissed, but Neukirchen would not be the only one to argue that these were bloated, inefficiently-run firms where redundancies were inevitable. Deutz, still a problem child for main shareholder Deutsche Bank, is another prime example.

DEUTZ – then called KHD – was a "restructuring of the toughest kind", Neukirchen says. Promoted to chairman in the autumn of 1987, he realised that KHD was on the edge of disaster and hammered out much of the revamp himself, he said, because there wasn't time to hire consultants. In two years, Neukirchen carried out a series of radical cost-saving measures, including a fire sale of non-core assets and poorly performing areas, and steered the firm back to profit. He also cut 6,300 jobs, or one-third of the workforce.

It is not clear how many jobs Neukirchen's restructuring schemes have cost; 50,000 to 60,000 might be a fair estimate. Yet the troubleshooter claims that his efforts have secured the future for more than 200,000 employees. "Nobody talks about how many jobs are saved in these situations, only about how many were lost," he complains, again rapping the table.

Providing a contrast, Neukirchen recalls that a restructuring which he initiated as supervisory board chief of FAG Kugelfischer, a ball-bearing maker, more than halved its workforce to 7,000. Yet the backlash wasn't nearly as great. "Somehow the message emerged that FAG is rescued. There may no longer be 15,000 jobs, but FAG still exists," says Neukirchen, puzzled by the inconsistency.

'No one talks about how many jobs are saved in these situations'

Though obviously respected in corporate as well as academic circles – Neukirchen holds management seminars at the University of Cologne – he has long struggled with an image problem. He is congenial throughout our conversation, although his long pauses before responses might be taken as a sign of irritation. Yet Neukirchen has admitted that personal communication isn't one of his strong points, and his public appearances often prove it.

Olaf Toelke, an equity analyst with Merrill Lynch, was among those dismayed by the chairman's taciturn manner at a meeting with financial analysts in March. "A few questions came up which Neukirchen didn't like, and he bec ame increasingly arrogant. It seemed like he didn't really care about the meeting," says Toelke.

It is easy to suspect that Neukirchen, having experienced a difficult period in his early career, carries a big chip on his shoulder. Born the son of a potter in Bonn during the Second World War, Neukirchen became a salesman in his late teens in an unremarkable Rhineland firm selling oil burners. Married at 20 with a young daughter, he studied on the side for his Abitur (advanced high school degree) and experienced the threefold burden of family, career and education. A Volkswagen scholarship helped support his Bonn university studies in physics and mathematics until he received his doctorate in 1973 – with a thesis, appropriate for a mover and shaker, on decision-making theory.

Asked about his source of inspiration, Neukirchen names a few famous physicists and philosophers – Heisenberger, Rothenberger, Popper – but admits that he doesn't have much time nowadays to ponder their works. Perhaps he sees himself more in the role of Joseph Schumpeter, the Austrian economist who believed in the so-called "process of industrial mutation". "If the creative destruction is impaired, a corporate crisis ensues like that which occurred at Metallgesellschaft in late 1993," says Neukirchen, taking a leaf from Schumpeter's book.

Today, Neukirchen is as impatient with lazy students as with managers whom he thinks aren't sufficiently performance-oriented. The chaotic creativity of the Schimmelbusch tradition which nearly destroyed the company has been replaced by a sober, consistent and above all functioning regime of accountability. "He's always got an open ear and will give you a fair shake," says a middle-level Metallgesellschaft executive. "But if you don't deliver what you promise, he'll come down on you hard."

Metallgesellschaft illustrious headquarters will soon have a new tenant. Neukirchen and his staff are moving 400 metres down the road to cheaper premises better suited for the firm's new operating structure. The chief executive can hardly wait. "I think that culture exists within walls," he explains. "It's definitely time to change the walls."

OFFICIAL INTEREST RATES / MONEY MARKET RATES

	Official: Rate	Official: Previous rate	Official: Date of change	Official: Name	Money market 3 months: This week	3 months: Week ago	3 months: Year ago	Benchmark bond: This week	Benchmark bond: Week ago	Benchmark bond: Year ago	Benchmark bond: Name
Austria	2.50	3.00	18.4.96	Discount	3.44	3.44	3.24	5.61	5.65	6.45	Oest Bund
Belgium	3.00	3.20	23.8.96	Central	3.19	3.25	3.25	5.81	5.87	6.67	OLO
Denmark	3.50	3.70	29.8.96	Repo	3.63	3.64	3.85	6.24	6.33	7.38	DGB
Finland	3.00	3.10	9.10.96	Tender	3.08	3.09	3.75	6.07	6.10	7.21	FGB
France	3.10	3.15	30.1.97	Intervention	3.91	3.49	3.39	5.59	5.69	6.44	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.16	3.18	3.29	5.68	5.69	6.45	Bund
Germany	3.00	3.30	22.8.96	Repo	n/a	n/a	n/a	n/a	n/a	n/a	
Germany	2.50	3.00	18.4.96	Discount	n/a	n/a	n/a	n/a	n/a	n/a	
Greece	14.50	15.50	13.5.97	Discount	n/a	n/a	n/a	n/a	n/a	n/a	Marathon
Ireland	6.75	6.25	2.5.97	Short Term	6.13	6.06	5.13	6.47	6.51	7.45	Gilt
Italy	6.75	7.50	22.1.97	Discount	6.77	6.85	8.94	7.21	7.36	9.72	BTP
Luxembourg	3.00	3.20	23.8.96	effective rate*	3.19	3.25	3.25	5.81	5.87	6.67	related to OLO
Netherlands	2.90	2.70	10.3.97	Special Adv.	3.22	3.21	2.67	5.67	5.64	6.27	DSL
Norway	5.25	6.00	10.1.97	Overnight	3.41	3.43	4.78	5.96	5.99	6.94	NGB
Portugal	5.70	5.80	9.5.97	Discount	5.60	5.70	7.25	6.38	6.53	9.03	OT
Spain	5.25	5.50	16.5.97	Repo	5.23	5.32	7.49	6.51	6.68	9.22	Bono
Sweden	4.10	4.35	17.12.96	Repo	4.28	4.31	6.32	6.94	7.03	8.38	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.72	1.69	2.13	3.53	3.52	4.32	Swap rate
UK	6.25	6.00	6.5.97	Base	6.39	6.41	6.03	7.04	7.00	7.98	Gilt
US	5.00	5.25	31.1.96	Discount	5.78	5.75	5.34	6.68	6.66	6.65	Treasury
US	5.50	5.25	25.3.97	Fed Funds	n/a	n/a	n/a	n/a	n/a	n/a	
Japan	0.50	1.00	9.7.95	Discount	0.60	0.60	0.65	2.56	2.62	3.26	JGB
Canada	3.00	3.00	6.5.97	Call Loan	3.19	3.25	4.75	6.52	6.54	7.65	CGB

* Tied to the Belgium franc

SOURCE: Standard & Poor's MMS

EAST EUROPEAN CURRENCIES

	US$	DM	UK£	Ffr	Ecu
Albania (Lek)	159.00	93.75	261.57	28.83	183.18
Belarus (Rouble)	34000.0	20046.9	55932.7	5951.2	39169.7
Bulgaria (Lev)	1605.00	946.33	2640.35	280.93	1849.04
Croatia (Kuna)	6.06	3.57	9.96	1.06	6.98
Czech Rep (Koruna)	30.54	18.01	50.25	5.35	35.19
Estonia (Kroon)	13.56	7.99	22.30	2.37	15.62
Hungary (Forint)	180.89	106.65	297.57	31.66	208.39
Latvia (Lat)	0.57	0.33	0.93	0.10	0.65
Lithuania (Litas)	4.00	2.36	6.58	0.70	4.61
Macedonia (Denar)	45.23	26.67	74.41	7.92	52.11
Moldova (Leu)	4.59	2.70	7.54	0.80	5.28
Poland (Zloty)	3.15	1.86	5.18	0.55	3.63
Russia (Rouble)	5753.0	3392.1	9464.2	1007.0	6627.7
Romania (Leu)	7075.0	4171.5	11639.0	1238.4	8150.8
Slovakia (Koruna)	33.30	19.63	54.77	5.83	38.36
Slovenia (Tolar)	153.21	90.34	252.04	26.82	176.51
Ukraine (Hryvna)	1.77	1.04	2.91	0.31	2.04
Yugoslavia (New Dinar)	4.85	2.86	7.98	0.85	5.59

SOURCE: BZW

ECONOMIC INDICATORS

Commentary by Thierry Naudin

EUROPE used 81.6 per cent of its industry capacity in April, the highest rate since early last year. This was slightly below the long-term average of 81.9 per cent, but a full point higher than the first quarter of this year.

European unemployment remained at 10.9 per cent of the potential workforce in March, or 18.3 million people, for the fourth consecutive month. Dole queues are getting longer in Sweden and Germany, but shorter in the UK and the Netherlands. Job creation picked up slightly in the French private sector in the first quarter.

In its latest review of the economy of Ireland, the Organisation for Economic Co-operation and Development (OECD) commended the country for creating more jobs since 1993 than in the previous 30 years, and for slashing public debt by 21 per cent to 73 per cent of gross domestic product (GDP).

Rises in welfare contributions and low wage increases caused German retail sales to fall three per cent in March on a year earlier. Sluggish domestic demand, combined with high taxes and high labour costs, were behind the slump in German public and private capital expenditure last year: at Dm296 billion ($174bn), down from Dm325bn in 1995, this was the lowest capital expenditure since the 1993 recession.

In France, business leaders have reduced investment plans. A survey showed that, on current plans, capital expenditure would grow by three per cent this year, compared to four per cent in the January survey. This is still better than last year's stagnation, but it may jeopardise the government's financial plans, which are based on 2.3 per cent growth this year.

Danish consumer confidence dropped more sharply than expected in May, mainly because of pessimism about the outlook for the economy, the Danish statistics bureau said. The bureau's indicator fell to 7 – its lowest level since December – from 11 in April.

Lamberto Dini, Italy's foreign affairs minister, warned Germany against using accounting tricks to manipulate its deficits, as EMU could be put at risk. Edouard Balladur, the former French prime minister, said: "I hope with all my heart that Italy, Spain and Portugal will join the single currency." In a veiled attack on Lionel Jospin, the French socialist leader, he added: "But to say that monetary union will not happen if they cannot is against the Maastricht treaty and France's interest."

On 16 May, Banco de España shaved 0.25 percentage points off its central rate, leaving it at 5.25 per cent, on the back of further moderation in the cost of living. Spanish inflation slowed from 2.2 per cent in March to 1.7 per cent in April, the lowest in 30 years.

Public introduction of euro bank notes and coins should start in the autumn of 2001, ahead of the planned 1 January 2002 start date, said Yves-Thibault de Silguy, the European monetary affairs commissioner. He agreed that it would be better to introduce notes and coins ahead of the year-end sales rush. De Silguy also proposed shortening the six-month period of dual circulation of the euro and national currencies to avoid confusion during the transition.

On 16 May the Czech National Bank raised its one-week repurchase rate by half a point to 12.9 per cent and intervened on the currency markets for the second consecutive day to support the koruna.

The International Monetary Fund (IMF) agreed to release loans worth $2.8bn to Russia as part of a commitment of over $10bn for the 1996 to 1998 period.

COUNTRY	GROWTH (gross domestic product year-on-year%): Latest quarter	Previous quarter	Year ago	INFLATION (annual %): Latest month	Month ago	Year ago	UNEMPLOYMENT (% of workforce): Latest month	Month ago	Year ago
Austria	0.3[1]	1.4	1.0	Mar 1.5	1.8	1.8	Apr 4.4	4.1	4.2
Belgium	1.7 (q4)	1.9	0.7	Apr 1.3	1.5	2.0	Apr 12.9	13.1	13.4
Denmark	3.3 (q4)	2.7	1.4	Mar 1.7	2.2	2.1	Mar 8.0	8.1	9.1
Finland	5.8 (q4)	3.8	1.4	Apr 1.0	0.6	0.7	Mar 15.9	15.8	17.1
France	2.0 (q4)	2.0	-0.4	Apr 0.9	0.6	2.3	Mar 12.8	12.7	11.9
Germany	2.2 (q4)	1.8	1.0	Apr 1.4	1.5	1.5	Apr 11.2	11.2	10.2
Greece	2.0[2]	n/a	1.5	Apr 5.9	6.0	9.2	Mar 9.2	9.2	8.5
Ireland	10.1[2]	n/a	6.0[3]	Apr 1.5	1.5	n/a	(95) 11.7	n/a	13.0[3]
Italy	0.1 (q4)	0.5	2.3	Apr 1.7	2.2	4.5	(q1)[4] 12.2	12.2[5]	12.2[6]
Luxembourg	5.5[7]	3.8[2]	12.4	Jan 1.6	1.8	1.1	Nov 3.6	3.4	2.7
Netherlands	3.00 (q4)	3.1	1.6	Apr 1.8	1.9	2.0	Mar 6.2	6.4	7.0
Norway	4.80 (q4)	5.1	3.5	Apr 2.6	3.3	1.0	Mar 3.4	3.6	4.3
Portugal	3.6 (q2)[8]	2.8	2.1	Apr 1.8	2.5	2.9	(q1)[4] 7.2	7.2[5]	7.5
Spain	2.6 (q4)	2.2	2.6	Apr 1.9	2.2	3.5	Apr 13.6	13.9	14.9
Sweden	1.8 (q4)	0.8	1.6	Apr 0.2	0.0	1.3	Apr 8.3	8.4	7.5
Switzerland	-0.6 (q4)	-0.7	-0.3	Apr 0.5	0.5	0.9	Apr 5.5	5.6	4.5
UK	3.0 (q1)	2.6	2.0	Apr 2.4	2.6	2.4	Apr 5.9	6.1	7.8
US	2.7 (q1)	3.1	1.3	Apr 0.1	0.1	0.3	Apr 4.9	5.2	5.5
Japan	3.9 (q1)	2.9	2.8	Mar 0.5	0.6	-0.1	Mar 3.2	3.3	3.3
Canada	2.9 (q4)	3.3	1.3	Apr 1.7	2.0	1.4	Apr 9.6	9.3	9.4

1 = q4 95. 2 = year 95. 3 = year 94. 4 = q1 97. 5 = q4 96. 6 = q1 96. 7 = year 96. 8 = q2 96.

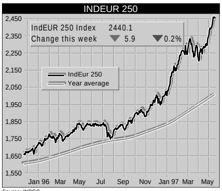
SOURCE: Standard & Poor's MMS

EAST EUROPEAN DATA

COUNTRY	INDUSTRIAL OUTPUT*: Latest month	Month ago	Year ago	INFLATION**: Latest month	Month ago	Year ago	UNEMPLOYMENT***: Latest month	Month ago	Year ago
Bulgaria	Nov -5.0	-5.0	2.8	Feb 242.7	43.8	1844.9	Jan 13.4	12.5	11.6
Croatia	Feb 2.5	0.8	2.9	Mar 0.1	0.0	4.1	Feb 22.8	22.4	20.8
Czech Republic	Feb -5.8	-3.9	13.4	Mar 0.1	0.3	6.8	Jan 4.1	4.0	3.1
Estonia	Oct 4.3	4.3	10.2	Jan 1.4	0.7	12.6	Oct 4.4	4.2	3.8
Hungary	Jan 6.4	3.3	2.5	Feb 2.2	3.7	18.8	Mar 11.0	11.1	11.6
Latvia	Jan -2.0	-5.3	0.4	Jan 1.9	0.6	11.4	Jan 7.3	7.2	6.6
Lithuania	Dec -1.7	7.5	5.8	Jan 2.8	0.9	12.8	Jan 6.3	6.2	7.9
Poland	Mar 4.8	8.7	6.9	Mar 0.8	1.1	16.6	Mar 13.0	13.4	15.4
Romania	Feb 15.2	12.3	7.0	Apr 6.9	30.7	176	Feb 7.1	6.7	9.4
Slovakia	Feb 2.2	1.0	9.6	Mar 0.4	1.1	6.3	Feb 13.7	13.6	13.7
Slovenia	Dec 8.0	3.6	-5.7	Feb 0.4	1.1	8.5	Dec 14.4	14.0	14.4
Russia	Dec -6.5	-6.1	-7.6	Feb 1.3	2.3	18.0	Dec 9.3	9.4	8.2
Ukraine	Jan 91.8	94.7	n/a	Mar 0.1	1.2	19.5	Jan 1.7	1.6	0.6

* Change over same month of previous year in per cent ** Month-to-month change in per cent *** Rate in per cent SOURCE: PlanEcon

IndEUR 500



Source: INDEC

SECTOR INDICES

Sector	Index	% change Week ago	% change Year ago	12 month High	12 month Low
Banks	2136.9	-0.7	+51.5	2159.2	1384.5
Chemicals	2403.2	-2.0	+20.8	2619.0	1902.6
Drinks & Tobacco	3224.0	-2.1	+17.1	3295.9	2560.1
Engineering	2056.1	-0.8	+29.5	2084.9	1430.5
Financial & Conglomerate	2188.4	+1.4	+24.3	2858.0	1489.1
Food	3506.8	-1.2	+33.4	3576.5	2583.5
Health & Pharmaceuticals	8068.6	+0.7	+39.4	8151.3	5321.5
Insurance	1587.9	-0.5	+32.2	1608.9	1158.7
Leisure	1888.3	-1.3	+0.3	1933.1	1580.0
Media & Information	3510.9	-1.6	+9.6	3569.4	2809.8
Metals	3225.4	+3.0	+19.1	3225.4	2421.2
Motors	1393.6	-1.7	+36.6	1422.3	924.8
Oil	3525.4	-0.4	+39.8	3569.9	2460.1
Paper & Packaging	1745.2	+1.3	+21.8	1745.2	1362.5
Property & Construction	1225.1	+0.7	+23.9	1247.0	946.8
Retail	2761.9	-0.8	+29.5	2812.3	2087.4
Transport	3100.8	+3.2	+38.7	3116.4	2097.0
Utilities & Telecoms	3081.7	-0.1	+37.0	3086.4	2079.5

Unchanged rate helps shares rise

THE decision by the Federal Open Market Committee (FOMC) not to change interest rates sent US prices rebounding from the sharply lower levels to which they had fallen earlier in the week. Federal Reserve chairman Alan Greenspan decided that the inflationary pressure in the US economy was not sufficient to require higher rates.

In the week ahead of the FOMC meeting, the Dow Jones industrial index tumbled from its all-time high of 7,333 back towards 7,100.

But it is still almost four per cent higher that in March, when the Fed last increased rates to 5.5 per cent and Greenspan talked of "irrational exuberance" in the stock market. The next interest setting meeting is in July.

Ahead of the meeting, European markets reflected the moves on Wall Street. Virtually every major European bourse fell by between a half and one per cent in the 24 hours before the Greenspan announcement. The hardest hit exchange over the week was London, where prices closed almost two per cent lower.

The stock market honeymoon enjoyed by the Labour government is coming to an end as the impact of a windfall profits tax and the probability of higher corporate taxes in the June budget begin to sink in.

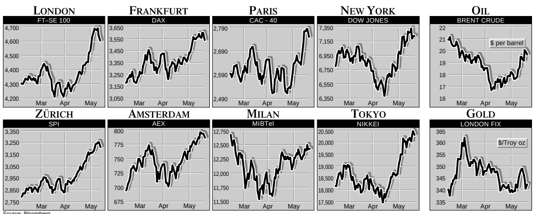
Frankfurt was also sharply lower, although in Paris shares revived slightly after the previous week's setback caused by concerns over the coming election.

Chris Butler

STOCK MARKETS

Market	Index	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	787.5	0.2	41.1	796.9	512.8
Athens	General	1622.0	1.2	75.9	1670.2	873.0
Brussels	Bel-20	2240.3	-0.1	28.7	2254.9	1652.6
Budapest	BTI	5887.8	1.0	100.3	5985.2	2865.5
Copenhagen	Stock Market	580.4	2.7	44.0	580.4	401.5
Dublin	Ireland SE	3216.4	-0.8	26.7	3251.3	2395.2
Frankfurt	Dax	3543.4	-1.4	39.0	3604.6	2447.8
Helsinki	Hex	3035.1	0.8	49.9	3064.5	1935.6
London	FT-SE 100	4607.2	-1.8	21.9	4693.9	3632.3
Madrid	Madrid SE	547.5	-0.1	50.8	548.0	347.0
Milan	Mibtel	12435.0	0.9	16.2	12799.0	9284.0
Oslo	OBX	611.7	0.1	36.8	622.4	437.4
Paris	CAC-40	2751.1	1.2	29.5	2784.3	1954.1
Prague	Stock Market	503.8	-3.2	-8.7	629.0	479.6
Stockholm	Affarsvariden	2833.6	1.0	41.3	2835.0	1845.1
Vienna	Credit Aktien	425.0	1.6	9.7	425.0	349.2
Warsaw	WIG-20	1636.4	2.5	20.3	1894.9	1235.9
Zurich	SPI	3214.3	0.0	39.0	3255.9	2240.7
New York	Dow Jones	7228.9	-0.6	25.8	7333.6	5346.6
Tokyo	Nikkei	20332.8	1.0	-7.5	22666.8	17303.7
Hong Kong	Hang Seng	14236.2	2.4	29.6	14236.2	10585.9
Pan-Europe	IndEUR Blue	2670.3	-0.5	23.1	2693.0	2152.0
Pan-Europe	IndEUR 250	2440.1	-0.2	20.8	2459.3	2004.4

SOURCE: Datastream, Bloomberg, Indec



Source: Bloomberg

MARKS & Spencer, the UK clothing and food retailing giant, has burst through the £1 billion profits barrier with an 11 per cent leap in 12-month profits figures to £1.10bn ($1.78bn) from £966 million in the previous year. Group sales were up almost eight per cent to £7.8bn. M&S is the market leader in clothing, with an estimated 15 per cent share of the £23bn market. The group, which sells under the St Michael label, has 286 stores in the UK and 365 worldwide. Overseas sales rose by 23 per cent, with the effects of the strong pound offset by forward buying on the futures market.

COMPANY RESULTS

Reported results for the seven days ending 20 May

Date	Company	Country	Sector	Period		Profits (m) current	Profits (m) previous
15 May	Aegon	Netherlands	Insurance	3 months	Nfl	403	326
15 May	BG	UK	Utilities	3 months	£	711	933
15 May	BT	UK	Telecoms	3 months	£	3.20bn	3.02bn
15 May	Hanson	UK	Conglom	6 months	£	263	766
15 May	Scottish Power	UK	Utilities	12 months	£	558	405
16 May	Kvaerner	Norway	Engineering	3 months	Nkr	224	537
20 May	Deutsche Bank	Germany	Banking	3 months	Dm	1.29bn	1.01bn
20 May	Marks & Spencer	UK	Retail	12 months	£	1.10bn	966

The IndEUR 500 is a listing of Europe's top 500 companies measured by market capitalisation. The IndEUR 250 is a pan-European benchmark index of 250 listed companies in the EU and Efta, weighted by the gross domestic product and total market capitalisation of each country. Highlighted companies comprise the IndEUR Blue index of Europe's top 75 firms, measured by market capitalisation. IndEUR is based at 1,000 points on 1 January 1987. The yield figure for individual companies represents the latest total annual dividend as a percentage of the current share price. The sector yield figure represents the average yield of companies within the sector.

BANKS

SECTOR MOVEMENT ▼ 0.7% — YIELD 2.39%

Company	Country	Price	Change	%change	Yield
Abbey National	UK	£ 9.30	-0.27	-2.8%	3.40
ABN-Amro Holdings	Netherlands	Nfl 35	+0.30	+0.9%	3.01
Allied Irish Banks	Ireland	Ir£ 4.50	-0.12	-2.6%	
Alpha Credit Bank	Greece	Dr 21100	-1050	-4.7%	3.50
Argentaria	Spain	Pts 7060	-440	-5.9%	3.93
Banca Commerciale Italiana	Italy	L 3576	-154	-4.1%	4.64
Banca di Roma	Italy	L 1249	+25	+2.0%	2.05
Bancaire (Cie)	France	Fr 749	-4	-0.5%	1.32
Banco Bilbao Vizcaya	Spain	Pts 10220	-280	-2.7%	2.24
Banco Central Hispano	Spain	Pts 4990	-100	-2.0%	2.22
Banco Com Portugues	Portugal	Esc 2875	-140	-4.6%	2.37
Banco de Santander	Spain	Pts 11890	+80	+0.7%	2.74
Banco Exterior Espana	Spain	Pts 2780	+0	+0.0%	4.14
Banco Popular Espanol	Spain	Pts 33200	-500	-1.5%	3.04
Banco Port Atlantico	Portugal	Esc 2450	-25	-1.0%	
Banesto	Spain	Pts 1675	+15	+0.9%	
Bank Austria	Austria	Sch 779	-10	-1.3%	1.28
Bankinter	Spain	Pts 23800	+420	+1.8%	2.65
Bank of Ireland	Ireland	Ir£ 6.92	-0.05	-0.7%	
Bank of Scotland	UK	£ 4.03	-0.21	-5.0%	2.48
Bankgesellschaft Berlin	Germany	Dm 39.10	+1.62	+4.3%	0.24
Barclays Bank	UK	£ 12.06	-0.41	-3.3%	3.16
Bayerische Hypobank	Germany	Dm 56.98	+0.68	+1.2%	0.25
Bayerische Veriensbank	Germany	Dm 73.40	-0.30	-0.4%	0.22
BBL	Belgium	Fr 8910	+40	+0.5%	2.13
BHF Bank	Germany	Dm 44.60	+0.48	+1.1%	0.31
BNP	France	Fr 257.60	+8.40	+3.4%	2.12
CCF	France	Fr 270	+5.60	+2.1%	2.10
Cetelem	France	Fr 650	+3	+0.5%	1.53
Christiania Bank	Norway	Kr 23.40	+0.50	+2.2%	6.77
CLF Dexia France	France	Fr 536	-12	-2.2%	2.91
Commerzbank	Germany	Dm 48.50	+0.35	+0.7%	0.27
Creditanstalt	Austria	Sch 515	+31.35	+6.5%	2.34
Credito Italiano	Italy	L 2569	+99	+4.0%	2.35
CS Holding	Switzerland	Fr 173.50	+1.50	+0.9%	2.33
Den Danske Bank	Denmark	Kr 625	+9	+1.5%	2.55
Den Norske Bank	Norway	Kr 27.60	+1	+3.8%	6.41
Deutsche Bank	Germany	Dm 97.18	-0.12	-0.1%	0.18
Deutsche Pfandbrief	Germany	Dm 98.99	+1.99	+2.1%	1.22
Dresdner Bank	Germany	Dm 60.45	+1.15	+1.9%	0.23
Generale Banque	Belgium	Fr 14050	-325	-2.3%	2.81
HSBC	UK	£ 17.92	-0.29	-1.6%	2.62
IKB Industriebank	Germany	Dm 35	+1	+2.9%	0.34
IMI	Italy	L 25200	+220	+0.9%	2.12
Kredietbank	Belgium	Fr 13550	+100	+0.7%	1.95
Lloyds Bank	UK	£ 5.97	-0.20	-3.2%	2.68
Mediobanca	Italy	L 10315	+215	+2.1%	1.97
Merck	Germany	Dm 71.20	+1.20	+1.7%	0.19
Merita	Finland	Mk 17.50	-0.10	-0.6%	1.12
National Westminster	UK	£ 7.87	-0.13	-1.6%	4.54
Paribas	France	Fr 397.20	+4.30	+1.1%	3.22
Royal Bank of Scotland	UK	£ 6.11	-0.38	-5.8%	3.71
San Paolo Torino	Italy	L 10675	-115	-1.1%	2.63
SBC	Switzerland	Fr 340.50	-4	-1.2%	3.59
Schroders	UK	£ 17.25	+0.15	+0.9%	1.41
S-E Banken	Sweden	Kr 84	+0.50	+0.6%	3.23
Societe Generale	France	Fr 668	+0	+0.0%	2.50
Sparbanken Sverige	Sweden	Kr 149	+0	+0.0%	1.15
Stadtshypotek	Sweden	Kr 190	+0	+0.0%	4.74
Standard Chartered	UK	£ 9.97	-0.15	-1.5%	1.80
Suez (Cie de)	France	Fr 308	+4.50	+1.5%	2.65
Svenska Handelsbank	Sweden	Kr 222	-1	-0.4%	2.25
UBS	Switzerland	Fr 1395	+0	+0.0%	2.31
Unidanmark	Denmark	Kr 354	+0	+0.0%	2.83
Worms & CIE	France	Fr 355.90	-8.10	-2.2%	2.61

CHEMICALS

▼ 2.0% — YIELD 2.28%

Company	Country	Price	Change	%change	Yield
AGA A	Sweden	Kr 106	+0	+0.0%	2.57
Air Liquide	France	Fr 918	+23	+2.6%	1.51
Akzo	Netherlands	Nfl 261.80	+2.90	+1.1%	2.87
BASF	Germany	Dm 63.70	-4.10	-6.0%	0.20
Bayer	Germany	Dm 64.48	-1.72	-2.6%	0.26
BOC	UK	£ 9.85	+0.02	+0.2%	3.65
Clariant	Switzerland	Fr 820	-13	-1.6%	1.20
Cookson Group	UK	£ 2.38	+0.15	+6.7%	4.54
Courtaulds	UK	£ 3.06	-0.16	-5.0%	6.28
Degussa	Germany	Dm 76	-1.50	-1.9%	0.16
DSM	Netherlands	Nfl 195	+2	+1.0%	4.61
Ems-Chemie	Switzerland	Fr 6200	+90	+1.5%	2.40
Gevaert Photo-Prod Cap	Belgium	Fr 2925	+115	+4.1%	1.86
Henkel	Germany	Dm 94.15	-1.35	-1.4%	1.20
Hoechst	Germany	Dm 65.60	-1.30	-1.9%	0.21
ICI	UK	£ 7.72	-0.15	-1.9%	5.11
Laporte	France	Fr 6.45	+0.20	+3.2%	4.69
Montedison	Italy	L 1087	+42	+4.0%	1.84
Rhone-Poulenc	France	Fr 198	+2	+1.0%	1.78
Schering	Germany	Dm 175	+3.90	+2.3%	0.11
Sidel	France	Fr 418.90	-9.10	-2.1%	1.07
SKW Trostberg	Germany	Dm 57	+1	+1.8%	1.75
Solvay	Belgium	Fr 21225	+175	+0.8%	2.61

DRINKS & TOBACCO

▼ 2.1% — YIELD 3.10%

Company	Country	Price	Change	%change	Yield
Allied Domecq	UK	£ 4.51	-0.11	-2.4%	6.64
Bass	UK	£ 8.19	+0.11	+1.4%	3.82
Carlsberg A	Denmark	Kr 391	-20	-4.9%	0.85
Grand Metropolitan	UK	£ 5.63	-0.12	-2.0%	3.55
Greenalls	UK	£ 4.84	-0.26	-5.1%	3.92
Guinness	UK	£ 5.56	+0.41	+7.9%	3.59
Heineken	Netherlands	Nfl 326.30	-14.70	-4.3%	1.06
Imperial Tobacco	UK	£ 4	-0.01	-0.1%	
LVMH Moet Hennessy	France	Fr 1447	-3	-0.2%	1.37
Pernod-Ricard	France	Fr 306.80	-5.60	-1.8%	2.71
Scottish & Newcastle	UK	£ 7.04	+0	+0.0%	3.44
Seita	France	Fr 212.80	-1.80	-0.8%	3.13
Tabacalera A	Spain	Pts 7180	-50	-0.7%	2.37
Whitbread A	UK	£ 7.86	-0.16	-2.1%	3.79

ENGINEERING

▼ 0.8% — YIELD 1.95%

Electrical & Electronic

Company	Country	Price	Change	%change	Yield
Acerinorox	Spain	Pts 24760	+160	+0.7%	1.65
ABB AB	Sweden	Kr 103.50	+1	+1.0%	1.70
ABB BBC	Switzerland	Fr 1965	+22	+1.1%	1.93
Asea Brown Boveri	Germany	Dm 640	+10	+1.6%	3.01
ASM	Netherlands	Nfl 175	+0	+0.0%	
Atlas Copco	Sweden	Kr 208	+4	+2.0%	1.80
Barco	Belgium	Fr 6270	-220	-3.4%	0.73
BICC	UK	£ 1.95	+0.02	+1.0%	8.31
Cap Gemini Sogeti	France	Fr 343	-3	-0.9%	0.57
Dassault Systemes	France	Fr 376.20	-21.80	-5.5%	0.44
Electrocomponents	UK	£ 3.97	+0	+0.0%	2.08
Electrolux	Sweden	Kr 457	-20	-4.2%	2.75
Ericsson B	Sweden	Kr 266.50	-1.50	-0.6%	0.93
GEC	UK	£ 3.55	-0.15	-4.1%	4.47
Getronics	Netherlands	Nfl 61.10	-2.30	-3.6%	0.49
Incentive	Sweden	Kr 652	+30	+4.8%	1.55
Legrand	France	Fr 968	+19	+2.0%	0.84
Nokia	Finland	Mk 335	+3	+0.9%	1.05
Oce-Van Der Grinten	Netherlands	Nfl 241.30	-1.30	-0.5%	1.23
Philips	Netherlands	Nfl 109.40	+2.90	+2.7%	1.45
Premier Farnell	UK	£ 4.88	+0.26	+5.6%	3.10
Rheinelektra	Germany	Dm 1240	+0	+0.0%	1.21
Sagem	France	Fr 3000	+45	+1.5%	0.82
Saipem	Italy	L 8728	+428	+5.2%	1.63
SAP	Germany	Dm 309.50	-16	-4.9%	0.07
Schneider	France	Fr 319.40	-12.10	-3.7%	1.56
Sema	UK	£ 12.30	-0.56	-4.4%	0.61
SGL Carbon	Germany	Dm 235	-2.70	-1.1%	0.93
Siemens	Germany	Dm 97.20	-4.30	-4.2%	0.15
Technip	France	Fr 616	-14	-2.2%	1.71
Thomson-CSF	France	Fr 193.50	+5.90	+3.1%	1.43

General

Company	Country	Price	Change	%change	Yield
Alcatel Alsthom	France	Fr 685	+17	+2.5%	1.46
British Aerospace	UK	£ 12.06	-0.67	-5.3%	1.56
BTR	UK	£ 2.16	+0.02	+1.2%	5.18
Dassault Aviation	France	Fr 1220	-50	-3.9%	0.66
FKI	UK	£ 1.75	+0.01	+0.6%	3.71
Linde	Germany	Dm 1240	-35	-2.7%	1.38
Mannesmann	Germany	Dm 701	+4.50	+0.6%	1.12
Morgan Crucible	UK	£ 4.46	+0.26	+6.1%	4.04
Orkla	Norway	Kr 593	-19	-3.1%	1.17
Rolls Royce	UK	£ 2.38	-0.06	-2.5%	2.67
Sandvik	Sweden	Kr 201	-2	-1.0%	3.19
SEB	France	Fr 993	-53	-5.1%	1.10
Siebe	UK	£ 9.45	-0.41	-4.2%	1.73
SMH	Switzerland	Fr 200	+0	+0.0%	0.82
Smiths Industries	UK	£ 7.39	-0.32	-4.2%	2.68
TI Group	UK	£ 5.19	-0.46	-8.1%	3.45
VA Technologie	Austria	Sch 2000	+0.10	+0.0%	1.51
Williams Holdings	UK	£ 3.12	-0.05	-1.6%	6

FINANCIAL & CONGLOMERATE

▲ 1.4% — YIELD 2.74%

Company	Country	Price	Change	%change	Yield
Almanij	Belgium	Fr 15100	-200	-1.3%	1.58
AXA	France	Fr 372.50	+0.70	+0.2%	2
BAT	UK	£ 5.55	+0.15	+2.8%	2.66
BIC	France	Fr 880	-9	-1.0%	1.25
Caradon	UK	£ 2.17	-0.20	-8.4%	5.46
CGIP	France	Fr 1742	-27	-1.5%	2.29
Cimpor	Portugal	Esc 3750	-44	-1.2%	3.32
Colruyt	Belgium	Fr 14125	+0	+0.0%	0.79
Eurafrance	France	Fr 2498	-5	-0.2%	2.90
Finaxa	France	Fr 323	+7	+2.2%	1.99
GBL	Belgium	Fr 5570	-190	-3.3%	2.66
Hanson	UK	£ 3.23	-0.05	-1.5%	7.87
Inchcape	UK	£ 2.85	-0.10	-3.4%	2.72
ING	Netherlands	Nfl 80.10	+1.40	+1.8%	2.51
Investor A	Sweden	Kr 379	+10.50	+2.8%	2.65
Largardere Group	France	Fr 188.40	+4.30	+2.3%	1.95
Lonrho	UK	£ 1.40	+0.02	+1.8%	2.45
Mercury Asset Management	UK	£ 13.41	-1.02	-7.1%	4.18
Navigation Mixte	France	Fr 870	+0	+0.0%	4.60
Pargesa Holding	Switzerland	Fr 1797	+12	+0.7%	3.90
Provident Financial	UK	£ 5.76	-0.56	-8.9%	3.55
Rentokil	UK	£ 2.33	-1.90	-10.2%	1.35
Richemont	Switzerland	Fr 1976	-114	-5.5%	0.38
Tomkins	UK	£ 2.77	-0	-0.1%	4.51
Veba	Germany	Dm 98.80	+1.40	+1.4%	0.17
Viag	Germany	Dm 764	-18	-2.3%	1.56

FOOD

▼ 1.2% — YIELD 3.62%

Company	Country	Price	Change	%change	Yield
Associated British Foods	UK	£ 5.53	-0.05	-0.9%	2.17
Booker	UK	£ 3.16	+0.03	+1.0%	9.58
Cadbury Schweppes	UK	£ 5.24	-0.44	-7.7%	3.99
CSM	Netherlands	Nfl 103.40	-6.70	-6.1%	1.63
Dalgety	UK	£ 2.64	+0.01	+0.4%	10.44
Danisco	Denmark	Kr 395	-1	-0.3%	1.06
Danone	France	Fr 900	+7	+0.8%	1.84
Eridania Beghin-Say	France	Fr 919	+26	+2.9%	3.56
Hillsdown Holdings	UK	£ 1.75	-0.10	-5.4%	7.06
Kerry Group	Ireland	Ir£ 6	-0.10	-1.6%	
Nestlé	Switzerland	Fr 1818	-25	-1.4%	1.43
Nestlé Deutschland	Germany	Dm 470	+2	+0.4%	2.23
Northern Foods	UK	£ 1.98	-0.07	-3.4%	5.65
Nutricia	Netherlands	Nfl 289	-4.20	-1.4%	1.08
Parmalat	Italy	L 2685	+100	+3.9%	0.56
Saint Louis	France	Fr 1402	-40	-2.8%	2.67
Sudzucker	Germany	Dm 860	+0	+0.0%	1.77
Tate & Lyle	UK	£ 4.58	+0.01	+0.3%	4.63
Unigate	UK	£ 4.82	+0.01	+0.2%	4.95
Unilever	UK	£ 16.58	-0.40	-2.4%	2.39
Unilever NV	Netherlands	Nf 377.90	-5.60	-1.5%	1.81
United Biscuits	UK	£ 2.24	+0.04	+1.8%	5.56

HEALTH & PHARMACEUTICALS

▲ 0.7% — YIELD 1.21%

Company	Country	Price	Change	%change	Yield
Altana	Germany	Dm 1415	+35	+2.5%	1.09
Ares-serono	Switzerland	Fr 1965	-84	-4.1%	0.15
Astra A	Sweden	Kr 336.50	+23.50	+7.5%	1.23
Beiersdorf	Germany	Dm 89	+3	+3.5%	0.09
British Biotech	UK	£ 2.58	+0.05	+1.9%	
Christian Dior	France	Fr 900	+5	+0.6%	1.66
Clarins	France	Fr 724	-10	-1.4%	0.99
Elf-Sanofi	France	Fr 555	-2	-0.4%	1.17
Essilor	France	Fr 1523	-27	-1.7%	0.94
Fresenius Midical Care	Germany	Dm 146.50	-4.90	-3.2%	
Gehe	Germany	Dm 117.40	-0.40	-0.3%	0.86
Glaxo Wellcome	UK	£ 12.32	-0.11	-0.9%	2.92
L'Oreal	France	Fr 2170	+32	+1.5%	0.64
Novartis	Switzerland	Fr 1973	-37	-1.8%	0.99
Novo Nordisk	Denmark	Kr 713	+29	+4.2%	0.53
Pharma Vision	Switzerland	Fr 825	+22	+2.7%	
Pharmacia	Sweden	Kr 260	+7	+2.8%	0.75
Reckitt & Colman	UK	£ 8.70	-0.18	-2.0%	2.34
Roche Holding	Switzerland	Fr 19350	+360	+1.9%	0.39
Roussel-Uclaf	France	Fr 1530	+0	+0.0%	1.01
Schwarz Pharma	Germany	Dm 120.70	+0.70	+0.6%	1.03
Smith & Nephew	UK	£ 1.67	-0.11	-5.9%	4.35
Smithkline Beecham A	UK	£ 10.38	-0.25	-2.4%	0.97
Synthelabo	France	Fr 693	-19	-2.7%	0.61
UCB Cap	Belgium	Fr 95500	-700	-0.7%	0.79
Zeneca	UK	£ 19.04	-0.68	-3.4%	2.27

INSURANCE

▼ 0.5% — YIELD 2.24%

Company	Country	Price	Change	%change	Yield
Aegon	Netherlands	Nfl 140.70	+2.10	+1.5%	1.94
AGP	France	Fr 192.10	+1.60	+0.8%	2.59
Alleanza	Italy	L 11655	-625	-5.1%	1.27
Allianz	Germany	Dm 353.50	-2	-0.6%	0.45
Allianz Leben	Germany	Dm 1340	+190	+16.5%	0.82
Aachener Munchener Bet	Germany	Dm 1547	-3	-0.2%	0.95
Anglo-Elmr. Versich	Austria	Sch 19600	+0	+0.0%	0.76
Baloise Holding	Switzerland	Fr 3200	-50	-1.5%	1.42
Britannic Assurance	UK	£ 8.66	-0.24	-2.7%	3.96
CKAG Colonia Konzern	Germany	Dm 169.50	-4.50	-2.6%	8.02
Commercial Union	UK	£ 7.21	-0.27	-3.6%	5.17
Deutsche Lloyd Versich	Germany	Dm 4100	+0	+0.0%	0.68
EA-Generali	Austria	Sch 3031	-89	-2.9%	0.56
Fortis	Belgium	Fr 6330	-50	-0.8%	1.29
Fortis Amev	Netherlands	Nfl 76.40	+1	+1.3%	2.49
General Accident	UK	£ 9.19	-0.37	-3.9%	4.54
Generali	Italy	L 30242	-408	-1.3%	1.23
Guardian Royal Exchange	UK	£ 2.95	-0.11	-3.6%	4.23
INA	Italy	L 2336	+6	+0.3%	2.80
Legal & General	UK	£ 4.36	-0.28	-6.1%	3.09
Munchener Ruckvers	Germany	Dm 4340	-70	-1.6%	0.32
Prudential	UK	£ 6.42	-0.28	-4.1%	3.27
RAS	Italy	L 13880	-40	-0.3%	2.46
Royal Sun Alliance Group	UK	£ 4.82	-0.30	-5.9%	4.85
Royale Belge	Belgium	Fr 9600	+50	+0.5%	2.78
Skandia	Denmark	Kr 206	+6	+3.0%	
Skandia Group	Sweden	Kr 244.50	+5.50	+2.3%	1.10
Sun Life and Provincial	UK	£ 3.20	-0.04	-1.2%	2.58
Swiss Re	Switzerland	Fr 1834	+41	+2.3%	1.23
UAP	France	Fr 151.80	+3.30	+2.2%	1.96
Uni Storebrand	Norway	Kr 45.70	+0.70	+1.6%	0.44
United Assurance GP	UK	£ 4.85	-0.21	-4.2%	4.47
Victoria Holdings	Germany	Dm 1600	+35	+2.2%	0.78
Winterthur	Switzerland	Fr 1106	-25	-2.2%	1.71
Wurtt AG Versich-Beteil	Germany	Dm 1220	+70	+6.1%	1.07
Zurich Insurance	Switzerland	Fr 484.50	-9	-1.8%	1.21

LEISURE

▼ 1.3% — YIELD 2.05%

Company	Country	Price	Change	%change	Yield
Accor	France	Fr 889	+6	+0.7%	2.28
Adidas	Germany	Dm 182	-0.50	-0.3%	0.14
Airtours	UK	£ 10.05	+0.59	+6.2%	2.04
Compass Group	UK	£ 6.59	-0.01	-0.2%	1.63
EMI	UK	£ 12.32	-0.58	-4.5%	3.83
Granada	UK	£ 9.15	-0.14	-1.5%	1.77
Gucci Group	Netherlands	Nfl 135.90	+2.10	+1.6%	0.38
Ladbroke	UK	£ 2.38	-0.16	-6.3%	3.17
PolyGram	Netherlands	Nfl 95.30	-1	-1.0%	0.99
The Rank Group	UK	£ 4.39	-0.11	-2.4%	4.82
Thistle Hotels	UK	£ 1.69	+0.01	+0.9%	1.48
Thorn	UK	£ 1.58	-0.04	-2.5%	

MEDIA & INFORMATION

▼ 1.6% — YIELD 2.11%

Company	Country	Price	Change	%change	Yield
Audiofina	Luxembourg	Fr 1535	+15	+1.0%	1.03
BSkyB	UK	£ 5.76	+0.03	+0.5%	1.20
Canal Plus	France	Fr 1066	+11	+1.0%	1.85
Carlton Communications	UK	£ 5.02	-0.34	-6.4%	2.73
Daily Mail	UK	£ 15.60	+0.20	+1.3%	1.55
De la Rue	UK	£ 4.96	-0.34	-6.4%	5.95
Elsevier	Netherlands	Nfl 33.20	-0.10	-0.3%	2.28
Emap	UK	£ 7.31	-0.10	-1.3%	1.95
Havas	France	Fr 433.90	-13	-2.9%	1.94
Pathe	France	Fr 1389	+30	+2.2%	0.73
Pearson	UK	£ 7.13	-0.32	-4.3%	3.18
Reed International	UK	£ 6.18	+0.01	+0.1%	2.73
Reuters	UK	£ 6.60	-0.41	-5.8%	2.21
Springer	Germany	Dm 1530	-50	-3.2%	1.08
TF-1	France	Fr 588	+0	+0.0%	2.70
United Newspapers	UK	£ 7.73	+0.01	+0.2%	3.83
VNU	Netherlands	Nfl 43.20	+2.90	+7.2%	1.30
Wolters Kluwer	Netherlands	Nfl 235.90	+5.40	+2.3%	1.03
WPP Group	UK	£ 2.44	-0.07	-2.6%	0.85

METALS

▲ 3.0% — YIELD 2.77%

Company	Country	Price	Change	%change	Yield
Alusuisse Lonza	Switzerland	Fr 1264	-31	-2.4%	1.46
Avesta Sheffield	Sweden	Kr 83.50	-0.50	-0.6%	3.64
British Steel	UK	£ 1.50	+0.03	+1.7%	8.43
Cyprus Amax Minerals	Germany	Dm 40	+0	+0.0%	
Imetal	France	Fr 806	-19	-2.3%	1.95
Johnson Matthey	UK	£ 4.87	-0.06	-1.2%	3.70
Krupp	Germany	Dm 320	-5	-1.5%	1.40
Metallgesellschaft	Germany	Dm 36.38	-0.12	-0.3%	
Outukumpu	Finland	Mk 103.60	+4.60	+4.6%	0.96
Preussag	Germany	Dm 459.25	+16.25	+3.7%	2.61
RTZ	UK	£ 10.51	+0.38	+3.8%	0.95
Union Miniere	Belgium	Fr 386.50	+12.50	+3.3%	2.08
Thyssen	Germany	Dm 2880	-40	-1.4%	
Usinor	France	Fr 92.15	+0.75	+0.8%	3.29

MOTORS

▼ 1.7% — YIELD 1.93%

Company	Country	Price	Change	%change	Yield
Autoliv	Sweden	Kr 274	+0	+0.0%	1
BBA Group	UK	£ 3.21	+0.05	+1.6%	2.73
BMW	Germany	Dm 1385	-83	-5.7%	0.92
Continental	Germany	Dm 39.20	-0.50	-1.3%	0.06
Daimler-Benz	Germany	Dm 132	-3.50	-2.6%	
Fiat	Italy	L 5555	-150	-2.6%	1.78
Ford-Werke	Germany	Dm 840	-20	-2.3%	4.47
GKN	UK	£ 9.52	-0.06	-0.6%	3.49
Lucas Varity	UK	£ 2.01	+0.04	+2.0%	1.41
MAN	Germany	Dm 509	-10.75	-2.1%	2.34
Michelin B	France	Fr 340.40	+1	+0.3%	0.94
Peugeot	France	Fr 646	+36	+5.9%	0.46
Pirelli Spa	Italy	L 3755	-110	-2.8%	2.67
Renault	France	Fr 153.90	+6.50	+4.4%	2.23
Scania	Sweden	Kr 225	+6.50	+3.0%	2.45
Valeo	France	Fr 364.50	-3.40	-0.9%	3.24
Volkswagen	Germany	Dm 1130.50	-37	-3.2%	0.52
Volvo B	Sweden	Kr 208.50	+2	+1.0%	2.05

OIL

▼ 0.4% — YIELD 2.31%

Company	Country	Price	Change	%change	Yield
British Petroleum	UK	£ 7.21	-0.21	-2.8%	3.39
Burmah Castrol	UK	£ 10.18	-0.24	-2.3%	2.72
Elf Aquitaine	France	Fr 592	+4	+0.7%	2.33
Enterprise Oil	UK	£ 6.66	+0.10	+1.5%	3.13
Lasmo	UK	£ 2.47	+0.05	+2.1%	0.49
Neste	Finland	Mk 135.90	-2.10	-1.5%	1.48
Norsk Hydro	Norway	Kr 350	+1	+0.3%	2
ÖMV	Austria	Sch 1535	+73.10	+5.0%	1.60
Petrofina	Belgium	Fr 12850	-75	-0.6%	2.32
Petroleos (Cia Esp)	Spain	Pts 5030	+60	+1.2%	2.42
Primagaz	France	Fr 547	-7	-1.3%	1.57
Repsol	Spain	Pts 6090	+50	+0.8%	2.95
Royal Dutch	Netherlands	Nfl 359.60	-5.20	-1.4%	2.92
RWE-DEA	Germany	Dm 410.05	+3.05	+0.7%	3.90
Saga Petroleum	Norway	Kr 134.50	+1	+0.7%	2.44
Shell Transp & Trading	UK	£ 11.55	-0.02	-0.2%	4.01
Total B	France	Fr 553	+34	+6.6%	1.88
Transocean Offshore	Norway	Kr 450	+0	+0.0%	0.08

PAPER & PACKAGING

▲ 1.3% — YIELD 3.90%

Company	Country	Price	Change	%change	Yield
Arjo Wiggins Appleton	UK	£ 1.66	-0.20	-10.8%	5.42
Assi Döman	Sweden	Kr 214	+3.50	+1.7%	2.49
Bunzl	UK	£ 2.04	-0.05	-2.2%	3.89
FPB Holding	Germany	Dm 323	+0.10	+0.0%	5.42
KNP BT	Netherlands	Nfl 40.60	-0.80	-1.9%	2.08
MoDo	Sweden	Kr 250	+7	+2.9%	3.61
Pechiney International	France	Fr 92.60	-3.40	-3.5%	3.13
Rexam	UK	£ 2.74	-0.11	-3.9%	6.41
SCA	Sweden	Kr 171.50	+0	+0.0%	3.11
Smith (David S)	UK	£ 2.17	-0.11	-4.8%	4.31
Smurfit (Jefferson)	Ireland	Ir£ 1.67	+0.10	+6.0%	
Stora A	Sweden	Kr 117	+3	+2.6%	3.22
UPM-Kymmene	Finland	Mk 123.50	+2	+1.6%	3.69

PROPERTY & CONSTRUCTION

▲ 0.7% — YIELD 2.95%

Company	Country	Price	Change	%change	Yield
Blue Circle	UK	£ 4.15	-0.10	-2.4%	4.05
Bouygues	France	Fr 523	-7	-1.3%	3.17
BPB	UK	£ 3.30	+0.05	+1.7%	3.67
British Land	UK	£ 5.60	-0.34	-5.8%	1.83
Cimenteries CBR	Belgium	Fr 3495	+30	+0.9%	2.07
CRH	Ireland	Ir£ 6.16	-0.19	-3.0%	
Hammerson	UK	£ 4.51	-0.02	-0.4%	3.13
Heidelberg Zement	Germany	Dm 159	+1	+0.6%	0.93
Hochtief	Germany	Dm 77.20	+6.70	+9.5%	0.18
Holderbank	Switzerland	Fr 1212	-10	-0.8%	1.39
Lafarge Coppée	France	Fr 397.20	+7.20	+1.8%	2.50
Land Securities	UK	£ 8.41	-0.34	-3.9%	3.74
MEPC	UK	£ 4.87	-0.10	-2.0%	5.03
Pilkington	UK	£ 1.15	-0.02	-1.7%	5.35
Poliet	France	Fr 501	+0	+0.0%	2
Randstad Holdings	Netherlands	Nfl 185.50	+3.90	+2.1%	1.03
Redland	UK	£ 3.20	-0.13	-3.9%	6.40
RMC Group	UK	£ 9.22	-0.15	-1.6%	3.63
Rodamco	Netherlands	Nfl 60.70	+0.10	+0.2%	4.61
Skanska	Sweden	Kr 328	-1.50	-0.5%	3.04
Slough Estates	UK	£ 3.17	+0	+0.0%	3.52
St Gobain	France	Fr 836	+6	+0.7%	2.01
Wienerberger Baustoff	Austria	Sch 2391	+76	+3.3%	1.78
Wolseley	UK	£ 4.65	-0.13	-2.6%	2.79

RETAIL

▼ 0.8% — YIELD 2.16%

Company	Country	Price	Change	%change	Yield
Ahold	Netherlands	Nfl 143.80	-1.70	-1.2%	0.65
Argos	UK	£ 6.09	-0.13	-2.0%	3.26
Asda	UK	£ 1.18	-0.02	-1.7%	2.78
Benetton	Italy	L 23500	+250	+1.1%	2.17
Bon Marché	France	Fr 1330	+38	+2.9%	1.55
Boots	UK	£ 7.01	-0.34	-4.6%	3.27
Burton Group	UK	£ 1.32	-0.23	-14.8%	2.61
Capital Shopping	UK	£ 4.03	+0.10	+2.5%	2.56
Carrefour	France	Fr 3802	+3	+0.1%	0.67
Casino	France	Fr 276	+0.60	+0.2%	1.64
Castorama Dubois	France	Fr 854	-18	-2.1%	1.29
Comptoires Modernes	France	Fr 2780	+53	+1.9%	0.87
Continente	Spain	Pts 2650	+90	+3.5%	1.44
Delhaize	Belgium	Fr 1780	-35	-1.9%	1.49
Dixons	UK	£ 4.79	-0.44	-8.4%	2.20
Great Universal Stores	UK	£ 6.51	-0.28	-4.1%	3.12
Guilbert	France	Fr 867	-15	-1.7%	1.39
Hagemeyer	Netherlands	Nfl 86.50	-2	-2.3%	2.62
Hennes & Mauritz	Sweden	Kr 258	+2	+0.8%	3.87
Hermes International	France	Fr 1560	+46	+3.0%	0.48
Jeronimo Martins	Portugal	Esc 11700	+0	+0.0%	0.67
Karstadt	Germany	Dm 575	+32.50	+6.0%	2.23
Kingfisher	UK	£ 6.96	-0.17	-2.4%	3.36
Marks & Spencer	UK	£ 4.94	-0.23	-4.4%	2.80
Metro	Germany	Dm 168	+2	+1.2%	0.49
MFI	UK	£ 1.23	-0.14	-10.2%	4.45
Montaigne	France	Fr 2535	+235	+10.2%	0.22
Morrison Supermarkets	UK	£ 1.56	-0.06	-3.7%	1.36
Next	UK	£ 7.08	+0.02	+0.3%	2.65
Pinault Printemps	France	Fr 2512	+11	+0.4%	1.29
Promodes	France	Fr 2070	+47	+2.3%	0.57
Pryca	Spain	Pts 2690	-10	-0.4%	1.70
Safeway	UK	£ 3.53	+0.23	+7.0%	4.91
Sainsbury (J)	UK	£ 3.62	-0.15	-4.0%	4.19
Sears	UK	£ 0.79	+0.03	+3.4%	6.21
Smith (WH)	UK	£ 4.51	-0.18	-3.8%	4.27
Storehouse	UK	£ 2.16	+0.11	+5.4%	4.18
Tesco	UK	£ 3.92	+0.11	+2.9%	3.30
Vendex International	Netherlands	Nfl 101	+2	+2.0%	1.96
Vendome	UK	£ 5.16	-0.02	-0.4%	2.43

SERVICES

▼ 0.1% — YIELD 1.00%

Company	Country	Price	Change	%change	Yield
Baan	Netherlands	Nfl 108.80	-8.80	-7.5%	
Berendson (Sophus)	Denmark	Kr 895	+48	+5.7%	0.62
Danka Business Systems	UK	£ 5.90	+0.28	+5.0%	0.54
Hays	UK	£ 5.64	-0.10	-1.7%	1.79
Mice Group	UK	£ 0.09	-0	-5.6%	2.21
Securicor	UK	£ 2.93	-0.02	-0.7%	0.66
Sodexho	France	Fr 2810	-8	-0.3%	0.92
Surveillance	Switzerland	Fr 3210	+10	+0.3%	1.71
Waste Management Intl	UK	£ 2.75	+0.23	+9.1%	

TRANSPORT

▲ 3.2% — YIELD 2.81%

Company	Country	Price	Change	%change	Yield
Associated British Ports	UK	£ 2.62	-0.14	-5.1%	3.66
Autopistas Cesa	Spain	Pts 1785	+45	+2.6%	4.18
BAA	UK	£ 5.35	+0.08	+1.5%	2.65
British Airways	UK	£ 7.16	+0.03	+0.4%	2.32
d/s 1912 A	Denmark	Kr 241000	+21000	+9.5%	0.31
d/s Svendborg A	Denmark	Kr 349000	+34000	+10.8%	0.33
KLM	Netherlands	Nfl 58.20	-1.30	-2.2%	3.39
Lufthansa	Germany	Dm 28.95	+0.70	+2.5%	0.59
NFC	UK	£ 1.23	-0.16	-11.5%	7.02
P & O	UK	£ 6.35	+0.14	+2.2%	5.99
Railtrack	UK	£ 4.30	-0.03	-0.7%	4.03
Stagecoach Holdings	UK	£ 6.47	+0.25	+4.0%	1.27
Swissair	Switzerland	Fr 1344	-20	-1.5%	0.73

UTILITIES & TELECOMS

▼ 0.1% — YIELD 3.37%

Company	Country	Price	Change	%change	Yield
Aare Tessin	Switzerland	Fr 850	-25	-2.9%	2.07
Aguas de Barcelona	Spain	Pts 5670	-140	-2.4%	1.50
Anglian Water	UK	£ 6.93	+0.02	+0.3%	5.42
Badenwerk	Germany	Dm 520	+5	+1.0%	1.65
Berliner Kraft & Licht	Germany	Dm 41	-3	-6.8%	0.19
British Gas	UK	£ 2.02	+0.21	+11.6%	8.13
British Energy	UK	£ 1.39	-0.03	-2.1%	
British Telecom	UK	£ 4.44	-0.07	-1.6%	5.51
Cable & Wireless	UK	£ 5.02	-0.09	-1.8%	2.77
Deutsche Telekom	Germany	Dm 39.40	-0.73	-1.8%	1.39
East Midlands Electricity	UK	£ 6.65	+0	+0.0%	5.90
Eaux (Cie Generale)	France	Fr 809	+4	+0.5%	1.47
Edison	Italy	L 8186	-64	-0.8%	2.49
Electrabel	Belgium	Fr 8230	-20	-0.2%	4.26
Electrafina	Belgium	Fr 3555	-30	-0.8%	2.94
Elektrowatt	Switzerland	Fr 533	+6	+1.1%	1.52
Endesa	Spain	Pts 11330	+220	+2.0%	2.52
EVN	Austria	Sch 1626	-6	-0.4%	1.57
Fuerzas	Spain	Pts 1215	-15	-1.2%	4.62
Gas Natural	Spain	Pts 29480	-340	-1.1%	0.82
HEW	Germany	Dm 487	-8	-1.6%	1.75
Hyder	UK	£ 8.35	-0.23	-2.7%	5.78
Iberdrola	Spain	Pts 1705	-35	-2.0%	4.17
Isar Amperwerke	Germany	Dm 549	+3	+0.5%	1.82
Italgas	Italy	L 5490	-295	-5.1%	2.31
KPN	Netherlands	Nfl 68.20	-0.80	-1.2%	4.11
London Electricity	UK	£ 7.01	+0	+0.0%	7.16
Lyonnais des Eaux	France	Fr 580	+2	+0.3%	2.06
National Grid	UK	£ 2.28	+0	+0.0%	3.42
National Power	UK	£ 5.60	+0.09	+1.7%	5.11
Nynex Communications	UK	£ 1.04	-0.02	-1.7%	
Orange	UK	£ 2.16	-0.08	-3.6%	
OTE-SA Telecom	Greece	Dr 6400	-225	-3.4%	1.99
Portugal Telecom	Portugal	Esc 6720	-70	-1.0%	
Powerfin	Belgium	Fr 5080	-10	-0.2%	2.38
Powergen	UK	£ 6.96	+0.29	+4.3%	3.77
Rexel	France	Fr 1635	+80	+5.1%	1.18
RWE	Germany	Dm 73.20	-2.30	-3.0%	0.20
Scottish Hydro	UK	£ 3.96	-0.02	-0.5%	4.97
Scottish Power	UK	£ 3.84	-0.04	-1.0%	6.02
Severn Trent	UK	£ 7.76	-0.04	-0.5%	4.57
Sevillana de Elec	Spain	Pts 1340	-30	-2.2%	3.22
Southern Electric	UK	£ 4.15	-0.19	-4.4%	11.01
Stet	Italy	L 8647	+367	+4.4%	1.53
Sydcraft	Sweden	Kr 169	+4	+2.4%	2.38
Tele Danmark	Denmark	Kr 331	+0	+0.0%	5.15
Telecom Italia	Italy	L 4692	+52	+1.1%	2.70
Telecom It Mobile	Italy	L 5202	+61	+1.2%	0.97
Telefonica de Espana	Spain	Pts 4045	-25	-0.6%	2.02
Telewest Comms	UK	£ 0.74	-0.06	-7.5%	
Thames Water	UK	£ 6.83	-0.04	-0.6%	5.26
Thuega	Germany	Dm 477	+2	+0.4%	2.31
Tractebel	Belgium	Fr 15325	-25	-0.2%	2.51
Union Elec Fenosa	Spain	Pts 1270	-10	-0.8%	4.05
United Utilities	UK	£ 6.74	-0.14	-2.0%	5.41
VEW	Germany	Dm 505	-30	-5.6%	1.76
Vodafone	UK	£ 2.69	-0.13	-4.6%	1.84
Yorkshire Electricity	UK	£ 9.25	-0.04	-0.4%	5.01
Yorkshire Water	UK	£ 3.67	-0.07	-1.9%	5.28

Changes since last week. Prices as at market close on Tuesday 20 May 1997. IndEUR 500 Index and sector movements adjusted for currency fluctuations. Compiled by IndEUR Ltd, fax: +44 (0)171-228 7170. Also available in real-time on CNN International TEXT and on Reuters financial screens. Key in pages IPCD IPCE IPCF IPCG IPCH. For individual RICs consult Reuters

Meet the moral money-makers

Melanie Bien

BRITAIN's Labour government this week signalled its intention to ban all tobacco advertising and sponsorship in the UK. The move was greeted with horror by some sports organisations that rely heavily on tobacco sponsors, but was welcomed with delight by health experts and a small band of investors. These investors are individuals who only make ethical investments.

Even though the investment strategy is based on personal beliefs, ethical investments can provide competitive returns and even have an advantage over more conventional investment approaches, according to research by the Edinburgh-based WM Company. Analysing the impact of ethical investment on returns, it discovered that competitive returns are achievable but at a cost of some extra volatility. An Ethical Charity Universe, set up for the purpose of the analysis, found that between 1992 and 1995 there was an identical UK equity return to that of unconstrained funds, 15.5 per cent per year, suggesting that the exclusion of certain stocks did not appear to have a major impact.

The Universe comprises funds which have imposed ethical constraints, avoiding companies involved in tobacco, alcohol, armaments and gambling. Alastair MacDougall, research and consulting co-ordinator at WM Company, said: "We discovered no systematic difference in returns between ethical and non-ethical portfolios. The evidence suggests that ethically constructed portfolios can provide competitive returns. And due to the inherent smaller company bias there could be a performance advantage in the longer term over portfolios using the more conventional investment approaches."

MacDougall believes that the success of ethical investments is encouraging more people to put their money into these types of funds, and "could persuade companies to become more ethical in the long-term".

On the basis of the US experience, the opportunity for expansion in this field is considerable. European investors, slow to get started, are becoming more interested, requesting information from the London-based Ethical Investment Research Services (Eiris), which tells them which companies are ethically sound.

"We started doing a European index 12 months ago," said a spokesman. "This covers 500 companies which we have studied for their ethical policies. Clients write to us, stating what their ethical demands are of a company and we do a search for these requirements from that list.

"Investors can then give these lists to their stockbrokers, with instructions to invest only in those companies which meet their ethical standards."

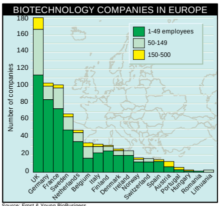
Phil White, of Friends Provident, whose Stewardship Managed Fund is the largest pool of ethically managed assets in the UK, said: "There is more interest developing in this area, particularly with the publication of performance information for the ethical sector."

EUROPE'S ETHICAL FUNDS

Fund	12 month gain (%)	36 month gain (%)	Country
NPI Global Care Income	16.2	N/A	UK
United Charities Ethical	15.1	48.5	UK
ASN Aandelenfonds	14.2	48.8	Netherlands
Scottish Equitable Ethical	12.5	44.6	UK
Friends Provident Ethical	11.6	7.7	UK
Friends Provident Stewardship	10.2	44.1	UK
Allchurches	10.2	37.1	UK
Credit Suisse Fellowship	5.8	68.1	UK
Bacob Stimulus Dynamic	-1.1	N/A	Belgium
CU Environmental	-3.4	-2.4	UK

Source: Micropal

BIOTECHNOLOGY COMPANIES IN EUROPE



Source: Ernst & Young BioBusiness

Platinum shines as gold loses its glitter

Chris Butler

GOLD has been a dull, boring and unrewarding investment over the last year – only satisfying if you happen to have been a bear.

The price of the precious metal has fallen from $390 to $340 an ounce. Few analysts expect a significant recovery in the price with the possibility of bullion sales by central banks still hanging over the market. The price of Krugerrands over the past year has fallen from a peak of $393 in May last year to its current level of $345.

By contrast the silver and platinum markets are looking much healthier. The price of platinum drifted back from over $400 an ounce a year ago to $350 in February, but it has since recovered to $395 and looks like staying near this level.

One of the main factors behind the rising platinum price has been an increase in demand for the metal for both industrial use and for the manufacture of jewellery in the US and China, according to the "Platinum 1997" report published by metals group Johnson Matthey.

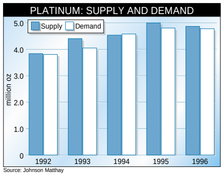
World demand for platinum rose last year by 40,000 oz to 4.88 million oz. Industrial consumption rose by 95,000 oz 1.85m oz. Sales of platinum to China rose 54 per cent to a record 200,000 oz, lifted by a surge in jewellery making.

Johnson Matthey expects further growth in demand for platinum this year from jewellers and industrial users, lower demand from the motor sector and a new investment demand from the issue of Platinum Eagle coins by the US Mint. The price of Eagles was $414 at the beginning of last year, but had slipped back to $376 in April this year before creeping back over $400 in recent days.

Demand for silver has also been fuelled by the jewellery trade, especially in India and Mexico. Higher demand meant that the world's silver stocks dropped by 172m oz last year. This year the price of silver has slipped back from $5.30 to $4.70 an ounce. But John Simko, president of The Silver Institute in London, says recent developments point to a continuing improvement in the silver market's fundamentals.

The price of one-ounce silver bars has also fallen to $4.70, but this price may also begin to rise again.

PLATINUM: SUPPLY AND DEMAND



Source: Johnson Matthay

IN BRIEF

■ SKANDIA has joined forces with leading healthcare company BUPA to launch an offshore product for the long-term care market. The Royal Skandia Account is a single premium investment bond with integral long-term care cover. The product offers access to a range of award-winning Royal Skandia offshore funds, registered in the Isle of Man.

In the event of a claim, funds equal to 105 per cent of 24 monthly payments of long term care benefits will automatically be transferred into a deposit account to pay for care costs. Any excess above this amount is transferred to an investment account. BUPA will advise claimants and their families on how best to spend the lump sum. This service also includes a 24-hour advice line giving counselling, legal and medical advice, plus a care location helpline.

Fees for funds in the investment account vary from 0.75 per cent to two per cent, depending on the fund chosen. *Contact: +44 1703 726 780.*

■ SCOTTISH Life International has launched an Isle of Man-based Secure Investment Portfolio. The company looks after the administrative paperwork for all the constituent investments of the bond. The portfolio consists of two types of investment funds. The Secure Savings account is for investors who wish to improve on the low interest currently offered by international banks. Available in sterling and US dollars, the accounts guarantee 100 per cent capital security. The underlying assets are actively managed deposits.

The Secure Investment Portfolio allows sterling and dollar investors to control their level of risk through the use of complex derivative instruments by the managers. Scottish Life claims to have eliminated many of the risks associated with direct investment in stocks and shares.

Investment expertise is provided by Scottish Life's joint venture partner, Kleinwort Benson. The minimum investment is £15,000 or $24,000. *Contact: +44 171 200 4382.*

Be brave with biotech but also beware

Chris Butler

INVESTING in biotechnology companies is a dangerous business. For example, a small UK biotech group called Shield Diagnostics is developing a test to detect early signs of people likely to be prone to heart attacks; its shares, at about 400 pence ($6.5), have ranged between 103 pence and 919 pence this year.

The volatile share price is determined by the latest rumour on whether the test that is being developed is proving successful in trials.

The lesson to be learned is that investing in individual biotech companies is extremely risky.

The European biotech industry has grown rapidly in the past 12 months spurred on, in part, by success of the sector in the US.

This week an investment trust specialising in European biotechnology stock is being launched in London. The fund, called the Reabourne Merlin Life Sciences Investment Trust, claims to be the first investment trust aimed solely at the European life sciences industry. It is looking to raise up to £50 million to invest in European firms.

The Reabourne trust is designed to give investors an exposure to a portfolio of European biotech stocks. Many of the other biotechnology funds have a hefty exposure to US stocks or include computer and software companies.

While the majority of European biotech companies are still loss making, they do offer potentially high rewards. There is no doubt that the industry is growing at a rapid pace and the potential is huge. According to international management consultants Ernst & Young, there were 716 entrepreneurial European biotechnology firms employing 27,600 at the end of last year. The number of companies was almost 25 per cent higher than 12 months previously and the number of staff employed was 60 per cent higher.

The UK has been at the forefront of European biotech company development with almost a quarter of all European biotech firms domociled there. But other countries are waking to the potential, with Germany and France boasting more than 100 companies each.

The Ernst & Young survey showed that research and development expenditure rose 20 per cent last year to $1.9 billion and revenues rose 17 per cent to $2.2bn.

Biotech companies are going to continue to grow and brave investors should be looking to invest now.

Indices to track Europe's leading 300 firms

INVESTORS will shortly have a new pan-European stock market index to reflect the share performance of Europe's largest companies.

In July the FT-SE Eurotop 300 will be introduced. It will be based on the performance of the top 300 European companies representing approximately 65 per cent of the market capitalisation of European bourses and will cover 13 different countries.

In addition there will be a narrow index, the FT-SE Eurotop 100 covering nine countries and 40 per cent of Europe's market value.

The new indices will provide additionl benchmarks for fund managers to measure their performance and the basis for European index tracking funds.

In addition, the Amsterdam Exchanges will list futures and options on the FT-SE Eurotop 100 and will trade options in the FT-SE Eurotop 300. These derivatives can be used to hedge against market risk.

The most commonly used indices to measure the performance of European markets are the FTS&P European, the MSCI Europe and the IndEur 250 published in *The European*. As well as providing an overall picture of the performance of the top 250 European companies, the IndEur gives a unique sector performance breakdown of 18 different classifications. The Eurotop 300 by contrast has just six constituent sectors.

The composition of the Eurotop 100 will be reviewed annually and the Eurotop 300 will be reviewed quarterly. Because of the size of the UK stock market, it makes up nearly 36 per cent of the Eurotop 300 index.

The indices will also be calculated excluding the UK market to give investors a better idea of the performance of the continental markets.

Brown's budget will be first test for FT-SE high

ANALYSTS of the UK stock market are split on whether shares can maintain their record pace or whether a crash is imminent.

An informal survey of London-based investment houses showed an equal split between those who expect a sustained rise in the FT-SE 100 to 5,000 or beyond and those who warn that the market has gone as far as it can this year.

The FT-SE 100 is already up by about 14 per cent this year and if it maintained that pace it would breach 5,000 by the end of next month and reach more than 6,400 by the end of the year. Both Lehman Brothers and Morgan Stanley have recently increased their year end forecasts.

Lehman increased its forecast from 4,600 to 5,000 while Morgan Stanley lifted its prediction 200 points to 4,700. Robert Fleming, in contrast, is looking for 4,200. Société Générale, which was predicting a year end level for the FT-SE 100 of 4,350 is more optimistic and looking for 4,600.

That could all change of course when the UK's new Chancellor of the Exchequer Gordon Brown, presents his first budget next month.

Bloomberg Business

FUND RANKING

THE CU Privilege-Monthly Income fund from Commercial Union Luxembourg fund managers tops our table of bond eurofunds investing in fixed interest securities this week, *writes Melanie Bien*.

The fund, which was launched in June 1990, requires a minimum investment of £10,000 ($16,300). The annual charge is 1.25 per cent and the estimated gross yield is 7.2 per cent. The size of the fund stands at £4.7 million.

The fund's principal holdings are in Abbey National (6.2 per cent), British Land (5.8 per cent), the Barbados government (5.5 per cent), Haco (5.3 per cent), Robert Fleming (5.1 per cent), Rothschild (five per cent), Housing Finance Corporation (4.9 per cent), Huder (4.7 per cent), Royal Bank of Scotland (4.6 per cent), and Woolwich building society (4.5 per cent).

Already this year there has been around £10 billion issued in shorter dated sterling debt, which should provide a boost to the fund; but demand for yield from investors and PEP funds continues to support the longer end where there is virtually no issuance at the moment. The fund is invested in longer-dated Eurosterling bonds.

The Worldfolio-Emerging Market Debt fund from American Express Bank Worldfolio management is in second place, followed by the Scudder Global Opportunities-Emerging Markets fund. This is a newer fund, launched in April 1993, and is managed by Joyce Cornell. The minimum investment is $5,000. The fund looks to achieve long-term growth of capital through investment in a diversified portfolio of emerging market companies with above average growth potential. The fund focuses on Asia, Latin America, some parts of Europe, Africa and the Middle East.

TOP 30 EQUITY EUROFUNDS

The Eurofund rankings are compiled exclusively for *The European* by Lipper Analytical Services International. The top 30 money market, bond and equity Eurofunds are selected each week from a universe of 1,200 investment funds authorised for sale in three or more European countries (excluding offshore centres). This week we rank funds investing in bond Eurofunds. Next week: short-term money market instruments. Ranked on % total return (gross dividends reinvested) in US dollars for one year ending 16 May.

Rank (US$) This week	Prev pos**	Fund Name	Management Company	Currency of Record	Investment Objective	Geographic Focus	% Return * in US$ 1 Year	2 Years	5 Years	% Return * in Dm 1 Year	2 Years	5 Years	Size US$ Millions	Launch Date	European countries in which funds are authorised for sale
1	1	CU Privilege-Monthly Income	Commercial Union Luxem SA	£	GenBd	UK	36.89	41.46	46.82	51.53	66.28	54.76	7.7	Jun 90	Au/Bel/Fr/Nor/Sp/UK
2	2	Worldfolio-Emerging Market Debt	AEB Worldfolio Management Co	$	GenBd	EmgMk	25.81	58.24	n/a	39.26	86.02	n/a	61.9	Sep 94	Fr/Ger/It/Swz/UK
3	3	Scudder Global Opps-Emer Mkts Inc A2	Scudder Stevens & Clark Inc	$	GenBd	EmgMk	24.31	60.48	n/a	37.60	88.65	n/a	15.2	Apr 93	Au/Ger/It/Neth
4	12	Threadneedle Global Assets-STG Bond	Threadneedle Intl Fund Mgmt SA	£	GenBd	UK	23.70	27.06	36.19	36.93	49.35	43.55	17.3	Mar 89	Bel/Ger/Ir/Neth/UK
5	10	CMI Global Network-UK Bond	CMI Financial Mgmt Services Ltd	£	GenBd	UK	23.25	25.76	37.47	36.42	47.83	44.91	36.4	Apr 90	Ger/Ice/Ir/UK
6	8	Fleming Flagship-STG Bond	Fleming Fund Mgmt (Lux) SA	£	GenBd	UK	23.07	23.54	40.47	36.23	45.22	48.07	29.3	Oct 73	Au/Bel/Fin/Fr/Ger/Ir/It/Neth/Sp/Swe/Swz/UK
7	5	Credis Bond-STG B	Credis/Credit Suisse	£	GenBd	UK	22.80	30.25	n/a	35.94	53.10	n/a	44.0	Nov 90	Au/Fr/Ger/It/Swz
8	16	Sogelux Bond-UK	Societe Generale	£	GenBd	UK	22.52	27.98	30.19	35.62	50.44	37.23	4.8	May 87	Bel/Fr/Gre/Sp
9	9	Henderson HF-STG Bond	Henderson Management SA	$	GenBd	UK	22.12	27.15	51.30	35.17	49.47	59.48	11.0	Jul 89	Ir/Neth/UK
10	11	Midland Intl Circuit-UK Fixed Interest	Trinkaus & Burkhardt/Midland	£	GenBd	UK	21.99	30.64	42.39	35.04	53.57	50.09	6.8	Feb 90	Fr/Sp/UK
11	7	BT Global Assets-Global High Yield Acc	BT Fund Managers (Ireland)	$	HiYld	Global	21.67	46.19	n/a	34.68	71.84	n/a	86.9	Sep 93	Fr/Ger/Sp/UK ††
12	14	Lloyds Intl Portfolio-STG Bond	Lloyds Bank PLC Luxembourg	£	GenBd	UK	21.07	27.36	36.17	34.02	49.71	43.53	37.6	Nov 90	Bel/Fr/Sp/Swz/UK
13	15	CU Privilege-STG Bond	Commercial Union Luxem SA	£	GenBd	UK	20.76	25.24	n/a	33.67	47.22	n/a	6.0	Jun 93	Au/Bel/Fr/Nor/Sp/UK
14	24	ML Global Currency Bond-STG A	Merrill Lynch Asset Mgmt Inc	£	GenBd	UK	20.41	23.11	37.31	33.29	44.71	44.74	2.8	Apr 89	Au/Ger/Neth
15	13	Fidelity Funds-Sterling Bond	Fidelity Intl Ltd	£	GenBd	UK	19.81	23.63	24.67	32.63	45.33	31.41	47.7	Aug 79	Au/Fr/Ger/Ice/Ir/Neth/Swz/UK
16	25	Aetna Intl Umbrella-STG Bond A	Aetna Intl Fund Managers Ltd	£	GenBd	UK	19.41	22.68	36.25	32.18	44.21	43.62	2.2	Apr 88	Au/Ger/Ir/Neth
17	27	ML Global Currency Bond-STG B	Merrill Lynch Asset Mgmt Inc	£	GenBd	UK	19.26	20.69	30.58	32.01	41.87	37.64	16.2	Nov 90	Au/Ger/Neth
18	4	Templ Global Strat-Emg Mkts Fxd Inc B	Templeton Global Advisors Ltd	$	GenBd	EmgMk	19.20	43.85	n/a	31.95	69.10	n/a	3.6	Jul 94	Au/Ger/Ir/It/Neth/UK
19	6	Baring Global Umbrella-High Yield Bond	Baring Intl Fund Mgrs (Ireland)	$	HiYld	Global	18.90	45.33	n/a	31.61	70.84	n/a	146.8	Jul 93	Fr/Ger/UK ††
20	17	Mercury Selected-STG Global Bond	Mercury Asset Management SA	£	GenBd	Global	18.73	22.49	n/a	31.42	43.99	n/a	12.7	Feb 93	Au/Ger/Ir/Swz/UK
21	26	Aetna Intl Umbrella-STG Bond B	Aetna Intl Fund Managers Ltd	£	GenBd	UK	18.07	20.22	n/a	30.69	41.32	n/a	1.6	Apr 93	Au/Ger/Ir/Neth
22	18	Parvest-Obli-STG B	Banque Paribas	£	GenBd	UK	16.74	23.03	30.77	29.23	44.63	37.85	13.4	Jun 90	Bel/Fr/Ger/It/Neth/Swz
23	20	ACMGI-American Income A	Alliance Capital (Lux) SA	$	GenBd	US	15.59	34.02	n/a	27.95	57.54	n/a	29.8	Jul 93	Ger/Neth/Sp
24	21	ACMGI-American Income B	Alliance Capital (Lux) SA	$	GenBd	US	14.89	32.37	n/a	27.18	55.60	n/a	99.1	Jul 93	Ger/Neth/Sp
25	22	Federated High Income Advantage	Federated Intl Management Ltd	$	HiYld	US	14.43	n/a	n/a	26.66	n/a	n/a	74.5	May 95	Bel/Fr/Ger/UK ††
26	19	Threadneedle Glob At-STG Liq Assets	Threadneedle Intl Fund Mgmt SA	£	ShtBd	UK	14.39	17.64	18.68	26.63	38.29	25.10	4.7	Mar 89	Bel/Ger/Ir/Neth/UK
27	23	Sun Life Global-Haven	Sun Life Global Management Ltd	£	ShtBd	UK	13.75	14.29	14.58	25.92	34.35	20.77	3.4	Mar 88	Au/Ger/UK
28	29	Credis Bond-CAD B	Credis/Credit Suisse	C$	GenBd	Can	13.18	24.68	n/a	25.28	46.57	n/a	43.1	Feb 92	Au/Fr/Ger/It/Swz
29	-	ML Global Curr Bond-Corp High Inc A2	Merrill Lynch Asset Mgmt Inc	$	HiYld	US	11.38	20.11	n/a	23.29	41.19	n/a	8.0	Oct 93	Au/Ger/Neth
30	-	ML Global Currency Bond-CAD A	Merrill Lynch Asset Mgmt Inc	C$	GenBd	Can	11.21	19.57	32.94	23.10	40.55	40.13	10.1	Apr 89	Au/Ger/Neth

EXPLANATORY NOTES: Currency of Record: In which the fund's units or shares denominated. Bfr - Belgian Franc; C$ -Canadian Dollar; Dm - Deutschmark; Ecu - European Currency Unit; Ffr - French Franc; Fmk - Finnish Markka; HK$ - Hong Kong Dollar; L - Italian Lira; Nfl - Netherlands Guilder; Pts - Spanish Peseta; Skr - Swedish Krona; Sfr - Swiss Franc; £ - UK Pound Sterling; $ - US Dollar; Yen- Japanese Yen. Investment Objective: CapApp - Capital Appreciation; Envir - Environmental; GenBd - General Bonds; Grow - Growth rather than income; Gr&Inc - Growth & Income; Health - Health Care; HiYld - High Yield Bonds; MonMkt – Money Market; NatRes - Natural Resources; SmallCo - Small Company Growth; Tech - Technology. % Return: Fund performance is based on net asset values/bid prices with distributions reinvested. Percentages are cumulative for periods over a year. The status of authorisation of funds for each country may change from time to time. Readers are therefore advised to check the status of a fund with the management company. Key to Countries: Au - Austria; Bel - Belgium; Eur - Europe; Fin - Finland; Fr - France; Ger - Germany; Gre - Greece; Ice - Iceland; Ir - Ireland; It - Italy; Neth - Netherlands; Sp - Spain; Swe - Sweden; Swz - Switzerland. All Eurofunds are based in Luxembourg except Switzerland (†), Dublin (††) and the Netherlands (†††). **Rank prev pos : position 3 weeks ago Source: Lipper Analytical Services International, 47 Maple St, Summit, NJ 07901, USA. Fax: +1-908-273-4905. Web site: http://www.Lipperweb.com

LEADERS AND LAGGERS: BOND EUROFUNDS INVESTING IN EUROPE

Rank (US$)	Fund Name	Management Company	Currency of Record	Investment Objective	Geographic Focus	% Return * in US$ 1 Year	2 Years	5 Years	% Return * in Dm 1 Year	2 Years	5 Years	Size US$ Millions	Launch Date	European countries in which funds are authorised for sale
LEADERS														
1	ACMGI-American Income A	Alliance Capital (Lux) SA	$	GenBd	US	15.59	34.02	n/a	27.95	57.54	n/a	29.8	Jul 93	Ger/Neth/Sp
2	ACMGI-American Income B	Alliance Capital (Lux) SA	$	GenBd	US	14.89	32.37	n/a	27.18	55.60	n/a	99.1	Jul 93	Ger/Neth/Sp
3	Federated High Income Advantage	Federated Intl Management Ltd	$	HiYld	US	14.43	n/a	n/a	26.66	n/a	n/a	74.5	May 95	Bel/Fr/Ger/UK ††
4	ML Global Currency Bond-Corp High Inc A2	Merrill Lynch Asset Mgmt Inc	$	HiYld	US	11.38	20.11	n/a	23.29	41.19	n/a	8.0	Oct 93	Au/Ger/Neth
5	ML Global Currency Bond-Corp High Inc B2	Merrill Lynch Asset Mgmt Inc	$	HiYld	US	11.03	19.37	n/a	22.91	40.32	n/a	68.7	Oct 93	Au/Ger/Neth
6	Templeton Global Strategy-FT US Govt	Templeton Global Advisors Ltd	$	GenBd	US	7.22	12.47	26.50	18.68	32.21	33.34	11.5	Feb 91	Au/Ger/Ir/It/Neth/UK
7	CMI Global Network-US Bond	CMI Financial Mgmt Services Ltd	$	GenBd	US	6.79	10.89	33.92	18.21	30.35	41.16	34.5	Apr 90	Ger/Ice/Ir/UK
8	Parvest-Obli-Dollar B	Banque Paribas	$	GenBd	US	6.50	13.67	34.97	17.88	33.62	42.27	110.8	Nov 81	Bel/Fr/Ger/It/Neth/Swz
9	CS Portfolio-Income USD B	Credis/Credit Suisse	$	GenBd	US	6.44	14.90	n/a	17.82	35.06	n/a	73.1	May 93	Au/Fr/Ger/It/Sp/Swz
10	Credis Bond-USD B	Credis/Credit Suisse	$	GenBd	US	6.24	14.36	n/a	17.60	34.43	n/a	144.0	Nov 90	Au/Fr/Ger/It/Swz
LAGGERS														
1	ML GCB-Corp InvGrd B	Merrill Lynch Asset Mgmt Inc	$	GenBd	US	3.06	6.41	23.51	14.08	25.09	30.18	17.2	Nov 90	Au/Ger/Neth
2	ML GCB-Corp Inv Grade A	Merrill Lynch Asset Mgmt Inc	$	GenBd	US	3.87	8.34	29.73	14.98	27.36	36.74	7.5	Apr 89	Au/Ger/Neth
3	BNP Inter Optimum-USD	BNP Investment Management	$	GenBd	US	4.81	9.25	29.77	16.01	28.42	36.79	40.9	Aug 89	Bel/Fr/It/Nor/Por/Sp/UK
4	Aetna Intl Umbrella-USD Bond B	Aetna Intl Fund Managers Ltd	$	GenBd	US	4.87	8.39	n/a	16.08	27.42	n/a	1.5	Apr 93	Au/Ger/Ir/Neth
5	CL Lion Interoblig-USD	Credit Lyonnais	$	GenBd	US	5.09	8.30	28.11	16.33	27.31	35.03	7.9	Oct 86	Bel/Fr/It/Por
6	Worldfolio-$ Bond Income	AEB Worldfolio Management Co	$	GenBd	US	5.27	11.30	28.45	16.52	30.83	35.39	8.1	Nov 85	Fr/Ger/Gre/It/Swz/UK
7	CU Privilege-Dollar Bond	Commercial Union Luxembourg SA	$	GenBd	US	5.30	9.75	n/a	16.56	29.02	n/a	9.0	Jun 93	Au/Bel/Fr/Gre/Nor/Sp/UK
8	Citiportfolios-North American USD Bond	Citibank Luxembourg SA	$	GenBd	US	5.41	10.36	31.22	16.68	29.73	38.32	106.4	May 88	Bel/Fr/Ger/Gre/It/Sp/Swz
9	ABN Amro Funds-US Bond	ABN Amro Luxembourg Invest Mgmt	$	GenBd	US	5.43	10.95	n/a	16.71	30.43	n/a	18.9	Nov 94	Bel/Fr/Ger/It/Neth/Sp/UK
10	Lloyds Intl Portfolio-USD Bond	Lloyds Bank PLC Luxembourg	$	GenBd	US	5.50	11.94	32.24	16.79	31.59	39.40	81.8	Nov 90	Bel/Fr/Sp/Swz/UK

Source: Lipper Analytical Services International

Insurance still lacks true single market

Melanie Bien

AN ITALIAN moving to Paris to work might find it more convenient to buy Italian life insurance rather than opting for French provision.

The single market for insurance, which has developed in Europe since the early 1970s should, in theory, enable Europeans to pick the most competitive insurance policies on offer, irrespective of country.

But it is still difficult for Europeans to purchase personal insurance provision cross-border, according to Jenny Frost, European manager of the Association of British Insurers. "Part of the problem is the different culture and contract law," she says. "At the moment, you could buy a 'foreign' policy if you wanted to, but it is not easy."

The European Commission is looking at the barriers which remain to a true single market in insurance, including language and policy divisions. The Paris-based Agence Européenne D'Information sur la Consommation (AEIC), agrees that these are the main problems. Although European insurers can offer their services throughout the EU, the fact that they are obliged to comply with the legislation and tax laws of the country of the risk constitutes an obstacle to the provision of this service.

The single market in insurance was completed in July 1994, allowing for freedom of services. But most freedom of services life contracts sold in 1995 consisted of "round-trip" business. Many of these were sold by insurance subsidiaries of Belgian banks selling to Belgian customers over bank counters. Significant amounts of round-trip business is also done by German and British insurers based in both Luxembourg and Dublin. While it is hard for the individual to purchase insurance, it is much easier to purchase commercial insurance – the type bought by businesses – because tax requirements are more straightforward.

But the advantages of a well-regulated single market can outweigh the hassles for individuals too. Frost says consumers complain about cheaper prices elsewhere – which will lead to a more competitive insurance market if cross-border sales become the norm. "If an employee moves abroad for his firm, he might want life insurance in his home country; migrant workers may wish to stay in the pension scheme they had at home."

But she advises caution. "Any individual should think very carefully and make sure they do their homework first, especially as it is sometimes difficult to get access to the right information."

CYAN MAG YELO BLCK

Betrayed generation falls from baby boom to gloom

MEDIA

They thought they had it all – free love, plenty of jobs, no worries. But it's all gone wrong for the baby boomers, writes David Short

LEONARD FREED/MAGNUM

Future shock: the carefree optimism of these youngsters in Berlin's Tiergarten in the 1960s proved misplaced in later years

PRESIDENT Clinton is one, but Teddy Kennedy isn't. The new British premier Tony Blair is, but former prime minister John Major is not. French philosopher Bernard Henri-Lévy is one, but British thinker and writer Bernard Levin is not. The German green politician and former political activist Daniel Cohn-Bendit is, but Helmut Kohl certainly isn't. Mick Jagger does not quite qualify as one, but most of his fans are. Baby boomer, that is.

Baby boomers are people born between the end of the Second World War and the start of the 1960s. Once they really believed the world was their oyster.

From the start, their sheer numbers made them special. In the US alone, the population increased by 30 per cent between 1947 and 1960. As they grew up, they began to feel special. Their numbers guaranteed that they got special attention, particularly from companies with something to sell.

But companies wanting to market to them have to be extremely careful if they want to get their message across profitably, says a new report by market analysts Research International. The boomers remain economically important; in the UK, for example, baby boomers account for just under 14 per cent of the population but control 23 per cent of household expenditure.

In some countries, the baby boomers' very early years may have been spent in postwar austerity, but for most, their teens and early adult years were carefree. They were cushioned by welfare states, they delighted in new sexual freedoms with widely available contraception and experimented with drugs such as LSD and marijuana (although President Clinton insists he did not inhale).

New generations went to university, as much to enjoy these activities as to study. They lived in full employment societies. Above all, they were optimistic about the future.

Not any more. Today, gloom rules. The boomers in their mid-forties to mid-fifties are running scared. For the first time they feel insecure about themselves and their children, and regard their old age with something like dread. In short, they feel betrayed, says the survey of baby boomers in 16 countries.

Boomers are not a truly global phenomenon. Some countries did not have a baby boom, particularly those on the losing side in the war. Births boomed in France, Italy and Greece, but Germany, Spain and Portugal were the exceptions in Europe. Australia did, but Japan suffered a collapse in the birth rate between 1946 and 1960.

Baby boomers were the first generation with an extended adolescence and the wherewithal to enjoy it. Their parents had gone to work straight after school, immediately becoming adults and gained responsibilities through early marriages.

But this freedom is backfiring on the boomers as they become responsible for their own "extended adolescents" and care for their still-living parents. At the same time, they worry about funding their pensions.

Research International's qualitative survey found that the early boomer years were marked by rebellion against the more static lives of their parents, even in more traditional societies.

Modern communications and media such as television had an effect. A southern Italian respondent said: "I remember hearing on television about what was happening in the north [of Italy]. I wanted to free myself ... I fought for the right to dress as I pleased."

A Greek participant, who had had a strict father, used a respectful, plural form to address his father until he was 22 years old. "This is just what I tried to avoid with my own son."

In some ways, boomers now feel the world is too free. The report says: "They are now confronted with a world which they feel has gone too far in terms of individualism, materialism and lack of self-control and good manners."

The boomers reminisce fondly about better economic times. A Dutch respondent commented: "Nowadays you have to fight for a job, but then the possibilities were endless."

For the first time in their lives, the boomers are running scared

Boomers are now worried about job availability or security, especially women who never had a career, or whose children are grown up and feel little hope of getting suitable work.

One respondent from Portugal summed up how boomers feel betrayed. "We have done everything. We had to fight against the prejudices of our parents. We had to fight for freedom of speech. We are the productive force within companies. And in the end, when we retire, we do not know what is going to happen to us." As a result, says the report, "financial security (or lack of it) is paramount to boomers".

The researchers found that boomers across various countries formed a cohesive group with shared concerns and attitudes. But there are some differences.

Some nations go against the stereotype. For instance, north European boomers – the Germans, Dutch and Scandinavians – are facing the future less pessimistically than their counterparts in southern Europe and the United States.

But overall they display similar tastes and attitudes, regardless of nationality. Despite being the first children of the media, and the first generation to watch TV, they feel that sometimes the media can be "pushy and intrusive", an "invasion of privacy" and "too powerful". But they remain aficionados of the print media, principally because they can be selective about what to read and what to avoid.

As for cinema, it has mostly lost its impact with this generation. The exceptions are Portuguese boomers and, for some reason, female Italian boomers.

So what is the best way to market to the fearful boomers? Direct mailshots are not recommended; both they and telephone sales are totally rejected, particularly in the US and the UK. One Italian respondent said: "They are hateful! I throw them straight in the bin. I get so angry ..." A German boomer said: "They're a nuisance. They're just annoying." By contrast, catalogues were found to work well.

On reactions to general advertising, boomers split into three distinct groups – those that are hostile, ambivalent or positive. The hostiles were chiefly the Swedes, Danes and Germans, who felt advertising was too direct and aggressive or too obtuse and hard to understand.

The boomers ambivalent about advertising include Americans, Dutch, Greek, Turkish, Italian and Spanish.

Those receptive to advertising are the British, French, Belgian and Portuguese, who "feel they know good advertising when they see it and believe they receive a lot of high quality advertising, especially on TV".

Boomers deny that they relate to brands, and say they do not buy brands for the name alone. Intrinsic worth apparently matters as much as brand. The report says a young person buys a pair of Reebok or Nike trainers on brand alone, but "when a boomer buys a pair of Reeboks or Nikes, they do so because the brand names stand for high quality".

Whether someone in their forties or fifties should be buying trainers at all is another matter. But one US boomer showed that there is optimism among all the gloom, saying: "I can be young forever, can't I?"

"Connecting with the baby boomers", Research International Observer, tel: +44 (0)171 656 5500; fax +44 (0)171 235 0202

Compuserve to 'unbundle' content

NETWORK EUROPE

The online service is refocusing itself on news and information, reports Nicholas Moss

IN A BUSINESS as dynamic and competitive as online services, the only way to stay ahead seems to be to keep moving. Compuserve's latest strategic plans show it is capable of advance, but is it going in the right direction?

The US-based company, part-listed and part-owned by accounting preparation firm H&R Block, is the biggest online service in Europe despite the rapid growth of the European operations of rivals America Online and Microsoft Network (MSN).

Now Compuserve is turning away from providing Internet access for customers of its information services division to focus on developing news and information content. The "unbundling" of content provision later this year means Compuserve will allow Internet users to subscribe to its online information for a reduced fee without insisting that they also use it to connect physically to the Internet.

This option, aimed at reducing subscription cost, is already offered by America Online in the US as well as MSN. But Compuserve still seems fixed on the idea of exclusivity and intends to offer only its content package of news and online chat rooms or forums through specific Internet access providers or telecoms firms. Members will still be able to get access through Compuserve if they wish.

Martin Turner, general manager of Compuserve in the UK, says: "The basic Internet access business will be dominated by the telecoms companies. We are going to focus on our core strengths – the aggregation and marketing of content – rather than provide infrastructure."

Jerry Roest, general manager of Compuserve in Europe, says the company is talking to a number of Internet access providers about teaming up to promote Compuserve's local content. The company already has a similar arrangement with access provider Germany.net in Germany, and believes people will pay for the "valuable" and locally-oriented content despite an abundance of free information on the wider Internet.

Compuserve has been around far longer than its competitors. In Europe its 870,000 members make it larger than AOL, the joint venture of America Online and German publishing giant Bertelsmann, which has 500,000 members. But globally Compuserve's three million subscribers are well short of America Online's eight million.

Like IBM, Compuserve has learned that being first can bring problems. The technological legacy of its head start means its users have numeric e-mail addresses; these are only now being updated to include letters or names. Roest admits the factor "has not been good".

Johnathan Bulkely, managing director of AOL UK, is dismissive of Compuserve's latest move. He says Compuserve is "struggling to think what to do in the business. Once again it's playing catch-up".

Certainly it appears to be losing out to AOL's marketing prowess. Chris Champion, interactive services analyst at Yankee Group Europe, says AOL's aggressive promotional campaign sending out free membership diskettes and its "fun, funky, hip image" quickly won subscribers. Monitoring 100,000 users at every mouse-click has helped to improve service.

Compuserve, by contrast, has been very quiet since closing its low-end consumer service WOW! after only six months last year, and has ceded territory to its rivals as it refocused on its professional and small business users, who will again be the main target of a marketing drive in the next few months.

With MSN also nipping at its heels, Compuserve needs results. Microsoft sees MSN and online services as important growth areas for investment, but doesn't expect returns for a couple of years. This should not trouble Bill Gates's company, which has the incentive and deep pockets to back it until it comes into its own as what Champion calls a "marketing and selling channel for its games software".

Compuserve parent H&R Block, on the other hand, must be wondering when it will have another chance to shed some stock. In April last year it sold a 20 per cent stake on the stock market, but since then the Compuserve share price has declined from $33 to just over $10.

Its latest strategic spin also suggests that the mooted buyout by AOL is off. But it does offer the company the chance to dissociate its network business from the problems of the online service. The Network Services division carries information for corporations on its global communications network, one of the industry's most reliable backbones.

It makes sense for Compuserve to focus on this because its strengths lie here. This is also the area where the company, once an innovator, can regain its momentum.

ON THE WEB

BY NICHOLAS MOSS

THOUGH not as fashionable since their peak in January, football stocks still command a lot of interest among the investment community in Europe. The falling share price for example of Newcastle United, which floated on the London stock exchange in February, hasn't dulled the appetite of many Italian clubs keen to float. Investors deprived of the opportunity to assess the teams now that the season is coming to an end can get a view of how the clubs might perform from their virtual stadiums. The Magpies paint the screen black and white at www.newcastle-utd.co.uk/nufc. IFI, the Agnelli family holding company which owns Juventus, Italy's most successful team, is examining an expansion of the club's activities to create a sports and entertainment company which could eventually seek a stock market listing. The "old lady of Turin" has a web site at www.juventus.it. Italian rival AC Milan appears at www.acmilan.it. Danish club Brondby, which rose about 50 per cent on the Copenhagen stock exchange during the past three months, should have its web site finished in June. You can e-mail the club on brondby@brondby.if.dk to check on its progress. The goalkeepers of Europe's economies are also active on the Internet. Germany's central bank has a well-designed site, including notes on EMU, at www.bundesbank.de The Bank of England features in a slightly overburdened environment at www.bankofengland.co.uk.

Contact Nicholas Moss at: nmoss@the-european.com if you have comments or suggestions for other business-related sites

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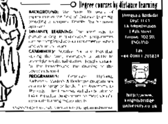

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Irish market rising despite tax increase

RESIDENTIAL

A steep rise in stamp duty on dearer homes has not deterred buyers, reports Clive Branson

THE Irish government has offered several tax breaks for sports stars, writers and artists to encourage them to buy property in the republic.

As a result, there have been high-profile immigrants such as Damon Hill, reigning Formula One world champion, and Hollywood film stars. But property in all price sectors is selling quickly. Prices in the residential market have risen by ten per cent this year.

The recent steep increase in stamp duty to nine per cent on homes costing more than Ir£180,000 ($290,000) has failed to deter buyers.

Arthur Davis of the Hamilton Osborne King agency cites pent-up demand as one of the reasons for the buoyancy. There is also a shortage of development land available in Dublin (only 25 new schemes were started in the first quarter of this year) at a time when the strength of the economy is creating many well-paid jobs; of 400 people who sold their homes in the city in the past six months, 34 per cent of them told agent Sherry FitzGerald they planned to buy more expensive property.

The strong residential market is not confined to Dublin. Foreign buyers, notably the British, Germans and Dutch, are a big influence in many areas of the country.

Large country houses are in short supply, says Michael Daniels, an agent based in Mallow, County Cork. He is marketing Gurthaloughga House, at Ballinderry, County Tipperary, with Dublin-based agent Lisney.

The property is part of the "Hidden Ireland" group of country houses which accept paying guests, among them from stars Marrin Sheen and Bill Murray.

Gurthaloughga House, situated on Lough Derg, part of the Shannon river system, has four reception rooms and 11 bedrooms. According to Daniels, the property's private harbour is the deepest on the lough. The price for the 52-hectare estate is Ir£700,000 to Ir£550,000 for the house and eight hectares.

Denis English, who specialises in restoring Irish country properties, is selling Castle Durrow in County Laois, one of a small number of pre-Palladian houses in Ireland. The original house was built between 1713 and 1732, but English has enlarged it and created 28 main bedrooms, most of which have en-suite bathrooms, and three self-contained apartments. The price is Ir£675,000 for the house and eight hectares, which include a small castle that needs restoring.

Avoca Lodge in County Wicklow, close to the village in which the British television series *Ballykissangel* is set, is being auctioned in Dublin on 5 June unless sold beforehand.

Dublin agent Ganly Walters and Britain's Strutt & Parker are marketing the lodge at Ir£325,000. It has four reception rooms and four bedrooms, and the basement is a self-contained three-bedroom apartment. There is a three-stall stable block in the 2.4 hectares of grounds. The same two agents are also marketing the 186-hectare New Forest Estate at Tyrrellspass, County Westmeath. Its late 18th-century house has four reception rooms, eight bedrooms and four bathrooms. In addition, there are a manager's house, six stables and outbuildings. The price is Ir£1.1million. Another large house which will be auctioned on 4 June is Eadestown House at Naas, County Kildare.

The property, which won a Royal Irish Architectural Institute award for its restoration, has four reception rooms, and five bedrooms and bathrooms. Hamilton Osborne King is marketing the property at Ir£650,000.

Contacts: (all tel +353): Sherry FitzGerald, 1 661 6195; Denis English, 522544; Michael Daniels, 2539145; Lisney, 1 661 5222; Ganly Walters, 1 662 3255; Hamilton Osborne King, 1 676 0251.

On the waterfront: Gurthaloughga House on Lough Derg is for sale at Ir£700,000 with 52 hectares, or Ir£550,000 with eight

BRIEFS

■ OLD Cadet House at St Martin in Jersey, which has spectacular views of the French coast and the Mont-Saint-Michel, is being sold through Knight Frank and Broadland Estates for $850,000 ($1.4 million). Once the home of a Royal Navy training school founded in the 1860s, the house has two reception rooms, a conservatory, master bedroom suite with dressing room/study, and four further bedrooms. There is a self-contained staff flat, plus the two-bedroom Old Cadet Cottage. *Contacts: Knight Frank, tel +44 (0)171 629 8171 or Broadland Estates, tel +44 (0)1534 880770.*

■ MENTMORE Towers, once the home of Baron Meyer Amschel de Rothschild, and now owned by the Maharishi Foundation, is being sold through Savills with an asking price of £10m to £15m. Designed by Sir Joseph Paxton, the Grade 1 listed building was offered to the British government by the 7th Earl of Rosebery in 1997 for £3m (including contents) in lieu of death duties. The offer was refused, and the subsequent sale of the contents raised £6 million. *Contact: Savills, tel +44 (0)171 409 8883*

■ NETHERLANDS-based Schroders International Property Fund has bought the 41,000sqm Carrugati shopping centre on the northern outskirts of Milan from Italian retail group, Gruppo GS for Nfl 150m ($78m). The main tenant, which occupies 30,000sqm, is the Euromercato supermarket.

Ireland celebrates a year to remember

COMMERCIAL

Foreign capital is flowing in to Europe's fastest growing property market

THE 48th Congress of Fiabci, the international property federation, takes place in Dublin next week, *writes Clive Branson*. Its main theme will be the growing confidence in the global property industry, and the federation could hardly have found a better place in which to discuss it.

The Irish property market has become the fastest-growing in Europe and, according to Aidan O'Hagan, managing director of the Hamilton Osborne King agency, there is no slackening in the pace of the country's property business after "an exceptional 1996, when returns on property reached 18.8 per cent".

The stimulus for the market is provided by rapid economic growth in Ireland (at seven per cent a year, it is the fastest in the EU) and the inflow of foreign capital to industry and property. In the first three months of the year, 67 per cent of the lettings in the Dublin office market were to foreign companies, says Sherry FitzGerald, a leading estate agent. Tony Grant, chairman of the UK company Olives Property, has bought one investment property in Dublin and would like more. "But the market is going too fast for me at the moment," he says.

Rents are reaching record levels and are forecast to top Ir£212 ($318) a square metre per year in 1997. Speculative development under way will provide around 90,000 square metres of offices in Dublin, where existing total office space is 1.35 million square metres. Sherry FitzGerald estimates that office demand this year will be 75,500 square metres, with a further 160,000 square metres being required from the next year to the end of 2000. Aidan O'Hagan believes that the growth of the property market will continue "for at least three years".

A further significant indicator of the health of the market is the 11 per cent increase in auctions of commercial and residential property. There were 205 in January-March and this year's total is expected to exceed 1,500. The success rate has been exceptional, with more than 85 per cent of the properties offered being sold.

Every sector of the property market is enjoying buoyant demand. "The strength of inquiries for industrial property, and the demand for land, are now at their strongest level for 20 years," says Paul McNeive, a director of Hamilton Osborne King. As with offices, speculative development in industrial property is also increasing, with more than 100,000 square metres coming on-stream in Dublin. In retail property, it is a similar story. Every shop in Green Property's 39,030-square-metre Blanchardstown centre was let before the development was opened last October, many of them to foreign retail groups.

Green Property is one of many companies that have benefited from the rapid expansion of the market. Since Stephen Vernon took over as managing director in 1993, Green's market capitalisation has risen from below Ir£10 million to a current Ir£156m; pre-tax profits increased by 34 per cent last year to Ir£8.5m.

Apart from its plans for expanding the Blanchardstown shopping centre, the company is also building an industrial park with the Dublin Corporation on a 40-hectare site to the west of the city.

MOTORING

Don't forget to ask for the fridge

HONDA's CR-V (right) arrives in Europe this week with the first imports being seen in Germany and the UK, *writes Tony Lewin*. The car shares the excellent driving qualities of its rival, the Toyota's RAV4, but is styled in a less overtly trendy way. "It is not an off-road vehicle," says Honda's UK product planning manager Stephen Hollings. "It is for grass and gravel rather than mud and snow: a car to get you to the beach."

Uncompromised by the sort of mechanical gear needed for heavy farmwork, the CR-V can be driven on the road just as easily and quickly as a family car. I even managed to stay with a "hot" hatchback on a twisty country lane. High-speed, stability and refinement are good as is the automatic four-wheel-drive transmission.

The high-up driving position gives the CR-V a touch of the people-carrier, and this is where I think its real strength lies. Though you can't move the seats around as in a Renault, the Honda is packed with clever details for an outdoor lifestyle. For example, there's a picnic table, with a hole in the centre for a parasol, that appears from the boot; a waterproof storage area for muddy boots; and even an optional shower for hosing down passengers or equipment. Further options include a fridge and a hydraulic cycle lift.

All these lifestyle accessories cost money, of course; but the basic CR-V is well priced. At £16,995 ($27,500) including automatic transmission and dual airbags, the LS version comfortably undercuts the five-door RAV4, which it betters on several counts.

The CR-V might not handle in quite such a sporty way as the RAV4, but it is more practical and convenient. Its only negative points are excess tyre noise, an awkward tailgate and a dull dashboard.

However the CR-V has been a huge success in Japan and the US – so some European markets will not receive supplies until next year. By that time, Land Rover's new Freelander will have appeared, aimed at attracting the same type of buyers away from dull, hatchback lifestyles.

PLUGS & POINTS

■ THE alarming illustration (right) shows Saab's new air-conditioned seats. The built-in ventilation has twin, three-speed fans drawing "hot and humid air" through perforations in the seat base and backrest. The air is expelled under the seat. "These seats contribute to improved safety as they help the driver remain fresh and alert," says Magnus Jonsson, head of technical development at Saab. The ventilated seats will appear as optional equipment on Saab models next year.

■ HONDA'S latest micro-car, just launched in Japan, packs an automatic gearbox, power steering and air conditioning (all standard equipment) into its little one-box shape. The new model, called Life, also offers the unusual feature of an anti-bacterial steering wheel, whose ultra-smooth coating resists the growth of bacteria. In recent months anti-bacterial pens, calculators and telephones have become popular in Japan.

■ DESPITE SEAT's reputation for loud and lurid colours – the fluorescent "frog green" of its rally cars being a prime example – its customers are fairly conservative, at least in the UK. Their most frequently chosen colour on new SEATs is red, which accounts for more than a quarter of all sales, followed by white and blue. "Our striking colours have long been admired," said SEAT's Kevin Rose. "But it is only recently that our customers are exhibiting the confidence to order more conspicuous finishes like our fluorescent green."

Two better than one

Tony Lewin has seen the future, and it has two engines. But will the extra cost of around $5,000 per car deter buyers?

ELECTRIC cars are out, hybrid engines are in. The way ahead – and the way round the ever-tightening environmental regulations – is for cars to have two motors, according to Toyota's head of research and development worldwide, Akihiro Wada. And he ought to know: his annual budget for research and development is bigger than many car companies' annual turnover.

Wada's realistic view of the potential of the electric car is balanced by his enthusiasm for the idea of mixing both battery and petrol power on the same vehicle. "We are sure the hybrid will lead car technology into the 21st century," Wada told a technical seminar in Brussels recently.

The problem with electric vehicles is their cost – twice as much as petrol-engine cars. The batteries are the biggest factor. Wada says that "unless there is a major technical breakthrough, it will be difficult for the electric car to succeed in the market: the batteries would have to come down to one-tenth of today's price".

The hybrid promises the best of both worlds, says Wada. Out-of-town it will have an unlimited range (unlike an electric car) because of its refillable fuel tank; in town it can switch automatically to battery power whenever electric operation is more efficient, or when air-quality regulations demand it. The traditional hybrid drawbacks of high cost and unfriendly driving characteristics are being overcome, according to Toyota; and to prove the point the company plans to put a hybrid model – the world's first – on sale this autumn.

"We're aiming at a price no more than 20 to 30 per cent above that of a conventional car," says Wada. "We hope customers will be able to make savings during the lifetime of the vehicle – preferably in the first two or three years – which will offset the cost of the car."

For the $5,000-odd premium the user will get a car capable of twice the efficiency of a standard model, using only 3.57 litres per 100km in the Japanese "city-mode" fuel test and emitting less than one tenth of the Japanese permitted levels of carbon monoxide, hydrocarbon and nitrogen oxide. But the adapted Corona (similar to Europe's Carina) will have better performance than a 1.5-litre Corolla automatic.

This might seem too good to be true: Toyota concedes that it will be subsidising the first production hybrids. But Wada and his team are confident that "drastic" cost reductions can be made to bring the price of hybrids to within a few percentage points of ordinary cars.

Its first hybrid has a 1.5-litre petrol engine running at relatively low revs linked to a generator, a battery and an electric motor – via an ingenious power-split device which eliminates the need for a clutch and gears. It is smooth and easy to drive, says Toyota. The hybrid will come to Europe, but only after it has proved itself sufficiently in Japan, where driving conditions are less demanding. The closest Toyota would give to a definite date for European sales was "2000 and something".

Nor has a definite date been set for European Toyotas to be fitted with the company's other big leap forward, the D-4 engine. The 'D' stands not for diesel but for "direct": this is a direct-injection petrol engine which promises to combine the power and refinement of a petrol engine with the economy of a diesel. Mitsubishi, too, has developed a direct-injection petrol engine, which it calls "GDI"; but it is committed to bringing the technology to Europe this autumn.

However, the poor quality of European petrol poses a big problem for direct-injection engines: with six times as much sulphur in our fuel as in Japan's clean blends, the special catalyst which deals with nitrogen oxides from the exhaust soon begins to foul up and lose its efficiency.

Latin America comes back into favour

Peter Matthews on lucrative projects for European firms

LATIN America has bounced back as one of the darlings of the world's financial markets and is highly attractive to European companies searching for business.

Following the near-meltdown in the region's economy a few years back, the future is looking better, with business opportunities springing from private sector expansion, privatised infrastructure and state authorities with newly borrowed cash to spend.

The point was underlined last month when 6,000 bankers went to Barcelona to hear the Inter-American Development Bank (IDB) tell them how Latin America is booming.

The IDB, which is a part of the World Bank, finances projects mainly in Latin America, and, although the way it works is somewhat difficult to understand, it is a fertile area for firms looking for project work.

Last year the bank authorised private sector support to the tune of $198 million. The American Investment Corporation, one of the IDB organisations, approved 43 projects as a part of this programme worth $76m; companies in Europe which took part in projects received almost a quarter of this sum because most of the EU's member states belong to the World Bank. Projects included water flow metering and rail tracks for Brazil, hardware and software for Venezuela and a contract for 56.3m to supply a power line in Argentina.

However, this year's support figure will not be disclosed until next year. IDB officials keep tight budget confidential. But every fortnight it does publish details of projects that are available in World Bank publications and its Web site. Usually there are about 50, and they are worth anything from $100,000 to $100m.

The IDB also invites companies which would be interested in joining projects to register their expertise with the bank; they can then be invited to tender if a suitable project is available. Also, the EC has a budget of more than ECu230m ($276m) to support the Latin American economy.

For details of the IDB telephone: +001 202 6231753 or fax +001 202 6231402. The EC contact for South America is JM Anacoreta in Brussels, telephone +322 2992331 or fax +322 2991010.

Further information can be obtained from Peter Matthews, Aslib, The Association for Information Management, Information House, 20/24 Old Street, London, EC1V 9AP, UK. Tel: +44 (0)171 253 4488. Fax: +44 (0)171 430 0514. E-mail: peter@aslib.co.uk WWW: http://www.aslib.co.uk/aslib/

Old guard is shown the door

BUSINESS TRAVEL

A new breed of concierge is ready to greet you at your chosen hotel, reports Bruce Martin

BY TRADITION, the hotel concierge is a man of a certain age stuffed with a curious mixture of dignity and street-wisdom. He has a phone tucked under his chin, another waiting on the desk, and is simultaneously sending semaphore signals to doormen, pages and bellhops. The intimidating twice-over he gives you as you walk across his lobby tells him your income and net worth, the name of your tailor and the status of the partner you are with.

Traditions change, of course; a lot of concierges today are young, female, and have a sense of humour. When I offered the traditional view of their profession to 500 members of the elite corps of concierges at the 44th International Congress of Les Clefs d'Or (they wear lapel pins of crossed golden keys) in Rome, quite a few laughed.

But the old concierges won't disappear in a hurry: longevity is part of their stock in trade. While managers come and go, they stay for ever, growing more dignified as they get older. A cartoon doing the rounds in Rome showed a hotel guest asking the general manager if he could please arrange a meeting with the concierge. And although their job is changing, according to Simon Thomas, the 26-year-old head concierge at the Royal Garden Hotel in London, it is not very different from what it was.

"It used to be a very grand job, but then concierges withdrew to focus on booking cars and trips – basically being a travel agent. Now it's going back to how it was in the grand hotels of the 1950s: the concierge is the general manager's right-hand man, greeting guests, controlling reception, looking after the front hall."

Les Clefs d'Or was founded (in Paris, of course) in 1929; it became a "European Association" in 1952, and "International" in 1970. Today it has 4,700 members in 32 countries, and strict conditions for entry: five years' service as a concierge in a good hotel and a proposer and seconder from among Clefs d'Or members. In 1984 it set up the world's first concierge school, the College Sainte Barbe on Paris's Left Bank, offering 18 students an eight-month course. Similar concierge schools, run under the auspices of Les Clefs d'Or, have since opened in Budapest, Montreal, Fort Lauderdale, Florida, and Osaka.

The new professionalism will, says Nigel Massey, a hotel consultant in London, lead to "the demise of the arrogant long-serving concierge who has lost sight of the fact that he is there to provide a service, not to patronise the guest.

"We're seeing younger concierges, especially in the designer hotels like the Metropolitan in London, the Montgomery in Brussels, and the Ambassador in Amsterdam. They're all doing away with the formality, making it more relaxed. You're always going to have your Crillons and your Bristols with your traditional concierge, and you need that function in hotels with 350 rooms. But many of the smaller luxury hotels have got rid of them."

A GOOD thing too, suggests Massey. "The guest is getting better value. The car rental firm that says to the concierge 'Use us and we'll make your life a little sweeter' may not offer the best value to the guest." Danielle van der Loos, general manager of The Lowndes in London, agrees that a concierge "is a possible source of corruption: they may favour companies that give them a bit more commission. We monitor this very carefully: companies send us their bills and commissions go to the hotel, not the concierge".

Nevertheless, she believes that clients "expect to see a traditional concierge. And he has to look like a concierge – a little bit older, a bit overweight. Patrick has been here for 22 years, and people come back for him". A concierge, she says, is "the eyes and ears of the hotel. They find out things about the guests, their likes and dislikes".

Say you want to hire a tuxedo, get tickets to a sold-out show, or rent an elephant for a photo shoot. What is the best technique to persuade a concierge to display the art of achieving the impossible? Holly Stiel, a concierge at the Grand Hyatt in San Francisco (and author of *Ultimate Service: The Complete Handbook to the World of the Concierge*), advises that guests should introduce themselves to the concierge and deal with the concierge to establish a relationship.

Stiel recommends tipping on an ad hoc basis: she suggests $5 to $15 for a hard-to-get restaurant reservation or at least $20 "for a complex project such as planning an itinerary". But it helps, she says, to tip in advance: "If I were handed a big tip along with a request for a reservation at a particular restaurant, I'd feel terrible if I couldn't get it."

Sean Thomas at London's Royal Garden disagrees. "I'd tip at the end of the day," he says. "Leave some cash if you've used the desk a few times. And the nicest compliment is a thank-you note."

Traditions can change.

Christie's cashes in on private passions

SALEROOM

Big private spending remains important, writes Laura Suffield

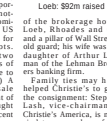
THE rich are still with us. And they are still spending their money at auction, if recent results around the world are any indication.

Christie's in New York was the first saleroom this season to reap the benefits of big private spending, at its sale of the John and Frances Loeb collection on 12 May. Expected to yield around $80 million, the final total for the 29 Impressionist and Modern pictures offered was a huge $92,794,500, with all but one lot sold.

As well as some serious prices for the top lots – $23.1m for Cézanne's *Portrait of the artist's wife in a yellow chair*, and $18.7m for a self-portrait by Manet – the notable feature was the prominence of private US buyers, who accounted for four of the top ten lots. Europeans bought two more. (The purchasers of the other big lots chose to remain anonymous.) A breakdown of the sale showed that 46 per cent of the pictures were bought by Americans, 39 per cent by Europeans and seven per cent by Asians, with the rest undeclared.

There is every reason to be looking to New York at present, both for buyers and sellers. Single-owner private collections are the most sought-after consignments for the salerooms, and this is proving to be a strong year for such sales, particularly in the US.

The Loeb sale had outstanding works of art, but it also had the social cachet of "old" American money. John Langeloth Loeb was the head of the brokerage house Loeb, Rhoades and Co, and a pillar of Wall Street's old guard; his wife was the daughter of Arthur Lehman of the Lehman Brothers banking firm.



Loeb: $92m raised

Family ties may have helped Christie's to gain the consignment: Stephen Lash, vice-chairman of Christie's America, is married to a member of the Lehman family. The proceeds of the sale are to go to a new philanthropic organisation which will support programmes in education, health, family planning and art, all of which benefited from the Loebs' generosity during their lifetimes.

Later this year, Christie's will hold an even bigger event, which could be the highest-value single-owner sale ever.

The collection of the late Sally Ganz, who was married to the Manhattan costume-jewellery mogul Victor Ganz, is to be offered in New York in November; and the proceeds are expected to reach $125m.

Details of this spectacular collection of modern and classic contemporary art have yet to be announced. But already observers are regarding the sale as a test of the recovery of the Modern picture market, which has seen no results in the past six years to compare with those made at its high point in the late 1980s and very early 1990s (including the mixed-owner sale at Sotheby's in New York in May 1990 which realised $260m).

Another part of the world has also been strong saleroom action. Sales of Chinese art at Christie's and Sotheby's in Hong Kong in late April were extremely successful, with both houses achieving the best results ever in the soon-to-be-former colony.

Sales of jades, jewellery, snuff bottles, watches, paintings and ceramics sold for HK$316m ($45m) at Christie's and HK$277m at Sotheby's.

Portrait of the artist's wife in yellow chair

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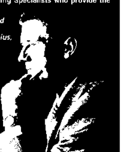

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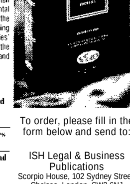

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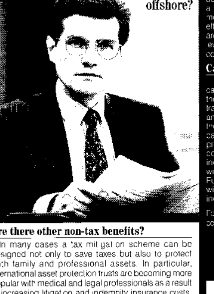

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BUSINESS PORTRAIT

LUCIANO BENETTON

AT EIGHT o'clock on a Monday morning Luciano Benetton, the undisputed king of Italian leisurewear, strides across the tarmac at Treviso airport towards a Cessna executive jet. The silver eight-seater aircraft bears the familiar green livery of his Benetton fashion chain, although the logo reads Benair, the company's executive jet subsidiary.

Benetton is starting a two-day excursion around the Balkans, taking in the Romanian capital Bucharest, where he will open a new store, before flying on to Belgrade and Sarajevo. *The European* is along for the ride.

As the aircraft climbs above the flat Veneto landscape of northeast Italy, home of the group's headquarters, Luciano Benetton explains his schedule. "If you don't see new things and get recharged with energy and ideas, there is the risk of growing stale. I couldn't live without this input," he says.

After a glance at the day's Italian newspapers, he launches into a discussion with two east European experts who brief him for the day ahead.

Unlike many Italians, Luciano Benetton is informal in manner and appearance. He looks more like a classical composer – Schubert, say, with a mass of silver curly hair and metallic framed glasses – than the 62-year-old chairman of a global business empire.

Despite the fact that he spends half his time travelling, he is still impressed enough to glance out of the window and admire the mountainous landscape below as it changes from the snow-capped Austrian Alps to Hungary's Carpathians.

For Luciano Benetton, eastern Europe is like a global thermometer that shows "where the world is going. When the Berlin Wall fell we all rubbed our hands, but it is not that simple".

Romania is the first stop on this mission, but there the economic thermometer is still struggling to stay above zero. Benetton points out that about only two per cent of Romania's 23 million inhabitants have the money to buy Benetton clothes, and that the first things people need when they are rebuilding an economy are houses and cars, not sweatshirts and pullovers.

The people need houses and cars, not pullovers

Even with another two stores in Romania on top of the new megastore Benetton is here to open, "it will be a slow start because Benetton clothes are not a mass product here yet". A low-priced wool sweater costs $35 in the new Bucharest store, the same price as in Milan despite the 15-fold disparity in average incomes. Pricing policies, although based on local currencies, are set by the store franchisers; the Benetton group acts only as advisers. High prices may cut sales, but Benetton sees himself as "giving a hand to get the economy on its feet in Romania" by opening stores there.

Landing at a small airport on the outskirts of Bucharest at 10.45am, he is greeted by the local business partners who are franchising the megastore and driven to the centre of Bucharest. The megastore is situated on Calea Victoriei on one of Bucharest's main squares, opposite the city's military club. A battery of reporters and photographers descend on the store, and the press conference starts punctually at 11.30am. Young and trendy, with short haircuts and casual clothes, the media pack looks like ready-made Benetton customers.

Flanked by a young manageress and an interpreter, Benetton tells the assembled crowd that every time he opens a store "it is like the birth of a new baby". This shop is one of 7,000 franchised Benetton stores around the world.

He talks easily and simply to the Romanian reporters, acknowledging the difficulties the country has experienced but stressing that now is a time of change. With the nation's goals of setting business on its feet and a privatisation plan in action, he predicts that "Romania is heading for success". For his part, he promises to "maintain acceptable costs across Europe".

Cutting product prices over the past four years has helped lift group profits, which reached a record L246 billion ($146 million) last year, an 11.5 per cent increase. The company is debt-free the first time in its history.

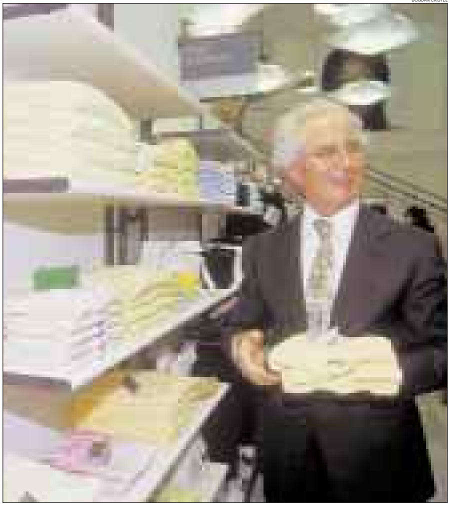
The key to part of Benetton's success lies in its strategy of producing to order for franchised shops worldwide instead of stockpiling garments. Production is quick and efficient because of high investment in two streamlined state-of-the-art factories linked to an automated warehouse near Treviso in northeast Italy.

But ultimately the group's success comes down to a marketing machine and an advertising strategy which has peppered the globe with dramatic images of suffering, war, death and childbirth. Cynics say the company is exploiting sensationalism to sell jumpers, but Benetton sees the advertising as a way to tackle social issues.

Questioned by a reporter on future Benetton advertising, Benetton explains that the group promotes itself through "mono-advertising" which is not tailored to specific countries or markets and which focuses on global issues such as war, sickness and racism. This will not change, he says.

Benetton is delighted by the store. It is light, spacious and well designed. He dashes outside to see the window displays and back in to look at the lines the franchisers have chosen from the Benetton collections.

BOGDAN CRISTEL



Shelf life: Luciano Benetton opens the new Bucharest megastore, but only two per cent of Romanians can afford his clothes

By 1pm he is sitting down to a working lunch with the local partners at a nearby restaurant, sampling piquant Romanian dishes. Fitting in an interview with a Greek journalist who has specially flown in from Athens, he is back at the store by 2.30pm to cut the ribbon. Addressing the city's mayor, the industry undersecretary and a crowd of local dignitaries, he declares the store open.

Then it's back to the airport for the next leg to the Serbian capital Belgrade. Benetton has appointments later in the afternoon to meet a businessman who wants to open seven stores in Serbia, and a government official interested in working with Benetton. A tour to view possible store locations is also lined up.

Other plans include opening sportswear stores in Serbia and Romania after the Benetton Group acquires Sports Systems, the sports equipment company, from the Benetton family holding Edizione Holding.

Airborne again, he jokes that he will have less travelling to do now that the group is switching from its small stores to fewer but bigger megastores. "Maybe I will spend about six hours in each megastore instead," he laughs.

Renewing the Benetton retail network, with megastores in London, New York, San Francisco, Moscow and Riyadh, helped boost world sales by four per cent last year to more than 80 million items. Despite its global scale the Benetton Group remains a family-run concern at the top. The empire is split into four areas with Luciano, the eldest brother, heading the group, Gilberto running the financial side, Carlo focusing on manufacturing and Giuliana heading design. A second Benetton generation has also entered, including Mauro, Luciano's 35-year-old son, who works as the group's marketing manager, and 33-year-old Alessandro who is managing director of 21 Investimenti, an investment company controlled by Edizione Holding, the family's ultimate holding company which owns 72 per cent of Benetton Group.

At 9pm Benetton sits down to dinner in a private club, hired for the occasion, in a residential area of Belgrade. He has completed his tour of store sites and met the businessman interested in franchising. But work is not over; across the table sits the suited figure of the government official who wants to talk business. Two hours later, official business concluded, Benetton returns to Belgrade's Intercontinental Hotel in the new part of the city for a relatively early night.

Next morning's 9am departure for Sarajevo is delayed by a German journalist on the trip leaving her passport at the hotel. A driver has to go back for it, and the precious air take-off slot is lost. Luciano Benetton doesn't lose his cool, despite a morning temperature at the airport fast rising towards 30C.

His smartly knotted tie has a design of sheep jumping over yellow fences. Benetton says he has to wear it as it is a present. He also jokes with the unfortunate journalist, saying: "At least you haven't lost your passport, otherwise you would end up in prison here."

Everyone clambers on board expecting to take off, but this time there is a problem at Sarajevo airport, which has no landing slots before midday. The temperature soars inside the small aircraft baking on the airstrip. Finally permission is given for take-off; the schedule is set back two hours.

At Sarajevo, photographers rush to the aircraft as it parks near some military aircraft and an Air Bosnia jet. Escorted from the airport along the wartime landmark of Sniper's Alley by a police car with sirens blaring, Benetton is clearly shocked by the sight of the bombed-out houses, shops and factories en route.

Although the Benetton store in Sarajevo was opened in 1995, even as war raged in the Balkans, this is the first time he has visited the city. "When we started up in Sarajevo we did it more for solidarity than business," he says. He explains that it was the only store in Sarajevo which had electric light – because of a private generator – and any sign of normality or hope. "At first we had sandbags against the windows to encourage people to come in."

The local franchising partner in Sarajevo is the owner of Bosnia Herzegovina's daily *Oslobodenje*, the only newspaper which was printed every day during the war. Despite the fact that its offices were destroyed and five journalists killed, it continued to publish from an underground bunker. A quick visit to the newspaper on the way back to the airport at 3pm reveals makeshift offices in the shadow of the original bombed-out office block.

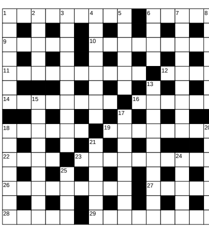
Benetton remains the only international business in the city. Little progress and investment has been made in Sarajevo since the ceasefire a year ago. Back in the air, bound for Italy, Benetton enthuses about plans to loan a Benetton Grand Prix racing car for an exhibition at the city's museum.

Does this leisurewear king ever take leisure time? "This is the way I like to spend my leisure time," he says mischievously. This day also turns out to be his birthday – testimony to his devotion to the family business.

Ruth Sullivan

END GAMES END GAMES END GAMES END GAMES END GAMES

CROSSWORD - NUMBER 367



ACROSS

1 Resist having a position to take up (9)
6 Fill in notice given to liberal (2-3)
9 Old ally made to be faithful to country (5)
10 Fleeing foe has to employ a refuge (4,5)
11 Big Greek character, in time, will take on a learner (10)
12 French duke's returned Soviet missile (4)
14 North-east writer's article depicts drug (8)
16 Conservative work for a policeman (6)
18 Doctor vies unsuccessfully for outings? (6)
19 Unusual decree in manuscript specifies high-class German car (8)
22 Nothing in an animal, it would be on it (4)
23 Am I not able to apply purchase to a type of bridge? (10)
26 Study of tides etc. could be absorbing one (9)
27 A capital smell (5)
28 Light shining on fabric (5)
29 Passes over fish which seals a bargain (9)

DOWN

1 King's legislation overturned by island's genre of entertainment? (7)
2 Attempt to get something past railway in large amount (3,2)
3 About to leave Spanish town taking the German amphibian (10)
4 Sailor's in the drink (8)
5 Nimble, retaining English article, in overthrow (6)
6 Pain specific to teachers (4)
7 Eat about one at home one's found at Cape Canaveral (6,3)
8 Producer of animals and British grass to Queen (7)
13 They determine where Rover's going? (3,7)
15 Hobby of Greek character in recent times (9)
17 Get rid of item from plane with great weight going round island (8)
18 Communist iced up in conclusive contest (7)
20 Wave expert on this part of sea? (7)
21 Prohibit his changes and drive away (6)
24 Some inviolate plant (5)
25 Average person's energy content (4)

QUICK CLUES

ACROSS
1 Remain firm in opposition (9)
6 Improvise (2-3)
9 Showing continuing allegiance (5)
10 Secure secret meeting place (4,5)
11 Relating to commemorative structure (10)
12 Move swiftly and smoothly (4)
14 Means of forgetting grief or trouble (8)
16 Element of atomic number 29 (6)
18 Forces (6)
19 Cathedral city of Uruguay (8)
22 Layer of paint (4)
23 Girder fixed at one end only (10)
26 Science of food intake and preparation (9)
27 Subtle pervasive quality (5)
28 Fibre produced from wood pulp (5)
29 Formal farewell gesture (9)

DOWN
1 Personal stereo (7)
2 See if something fits (3,2)
3 Mythical creature supposed to live in fire (10)
4 Wormwood (8)
5 Thwart or frustrate (6)
6 Dull continuous discomfort (4)
7 From which rocket takes off (6,3)
8 One who turns out pups, say (7)
13 Distinctive clerical wear (3,7)
15 Stamp collecting (9)
17 Throw overboard (8)
18 A play-off (7)
20 Flat or curved area at border (7)
21 Expel from a place (6)
24 Stringed instrument (5)
25 Signify (4)

SOLUTION Number 366

THE EUROPEAN CROSSWORD offers readers two sets of clues: cryptic clues and quick clues both leading to the same answers.
Compiled by Chris Feetenby

CHESS

DEEP Blue was the toast of the England team at the European Team championships organised by the Croatian Chess Federation in the Adriatic resort of Pula.

While the computer kept Garry Kasparov occupied, the England team defeated his team mates for the first time and took the men's gold. This was the first time in more than 20 years that Russia has failed to take gold in a team competition.

England seemed to have been blown off course by Belarus for whom Alexei Alexandrov defeated Nigel Short. This loss galvanised the team and they crushed Croatia and Spain to lead by 1.5 points with a round to go. With only four games per match, gold seemed assured. The Russians, in third place, faced Belarus and England faced Germany, who won 2.5-1.5 while Russia carved through Belarus. The final scores saw England and Russia level but England's tiebreak based on the sum of opponents scores was far superior and they took gold. Final scores: Scores in brackets are sum of opponent's (Bucholz) scores.

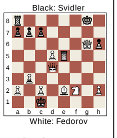
England 22.5/36 (183.5); Russia 22.5 (177); Armenia 22; Hungary, Germany 21.5; Israel 21; Croatia 20.5; Belarus 20; Bosnia, the Netherlands, Poland 19.5; Estonia, Azerbaijan, Switzerland, 19.

It was Fedorov's half point for Belarus against Russia that proved crucial.

Fedorov, A – Svidler, P
European Championship

1.e4 e5 2.f4 exf4 3.Nf3 h6 4.b3 (White aims to exploit the open diagonal with Bb2 so Black changes tack) 4..d5 5.exd5 Nf6 6.Bb2 Be7 7.Nc3 (7.c4 would not be in the spirit of the King's

Black: Svidler



White: Fedorov

Gambit but computers would play it every time) 7..0-0 8.Qe2 Nbd7 (8..Ba3! 9.Bxa3 [9.0-0-0 Bxb2+ 10.Kxb2 Nxd5 11.Nxd5 Qxd5] 9..Re8 10.Ne5 Bg4! 11.Nxg4 Rxe2+ 12.Bxe2 Nxg4 is crazy but it is probably good for Black; a couple of sample lines 13.0-0 Qh4 14.h3 Ne5 15.Rae1 f3 16.Bxf3 Nxf3+ or 13.Bxg4 Qh4+ 14.g3 fxg3 15.0-0-0 g2 16.Rhe1 Qxg4 17.Re8+ Kh7 18.Rg1 Qf4 19.Nd1 Qd4) 9.0-0-0 Re8 (9..Nb6 10.Re1 Nbxd5 11.Nxd5 Nxd5 12.c4 wins) 10.Qf2 Ng4 11.Qd4 Bf6 (The crude 11..Bc5 12.Qxf4 Nf2 seems even better) 12.Qg1 Be7 (Offering a draw with Qd4 Bf6 etc, Fedorov fights on) 13.g3!? Bc5 14.Qg2 (After 14.d4 the Bb2 is blocked and e3 beckons for a black knight; but was that not the lesser evil?) 14..Nf2 15.gxf4 Nxd1 16.Nxd1 Nf6 17.Bc4 Bf5 18.Nf2 Nh5 (18..Bxf2 19.Qxf2 Nxd5 20.Rg1 Nf6 21.Qg2 g6 22.Ne5 with a huge attack) 19.Rg1 g6 20.Ne5 Nxf4 (20..Qh4! and if 21.d6 Rxe5 22.fxe5 Qxf2) 21.Qf3! Qh4 22.d4! Bxd4 23.Bxd4 Ne2+ 24.Bxe2 Qxd4 25.Qxf5 Rxe5 26.Rxg6+ fxg6 27.Qxg6+ draw because ..Kd7 runs into Bg4+ and an attempt to run to c5 allows ..Nd3+.

Malcolm Pein

BRIDGE

BEFORE reading on, cover the East and West hands on the deal below, which occurred in the Lithuanian Premier League earlier this year.

Playing teams, East opens three diamonds. What should South say?

When defending against preempts you have to assume partner has some values, say 6/7 points. If you have a long major and feel 6/7 points will be enough to make game, then bid game. On this hand you have something to spare for a simple overcall but the suit quality is not ideal for a leap to four hearts.

At the table South bid four hearts which North raised to five and South continued to six. West leads the seven of diamonds and you capture East's queen with your king. What is your plan?

With an inescapable club loser, you must avoid a trump loser. Therefore, you must assume that East has king doubleton or king to three. Either way, as you are

North - South game; dealer East

North: ♠AQ8542 ♥Q10 ♦5 ♣Q763
West: ♠KJ963 ♥84 ♦73 ♣AJ95
East: ♠10 ♥K97 ♦Q109862 ♣1082
South: ♠7 ♥AJ6532 ♦AKJ4 ♣K4

missing the nine, you will be unable to use either of dummy's trumps to ruff.

That means you will need a successful spade finesse in order to discard your fourth diamond. Assuming the opposing cards are so distributed, are there any other problems?

Yes, your communications are not that great and you will need to time the hand carefully.

Start with the spade finesse and continue with the queen of hearts. East covers and you win with the ace. Now a heart to dummy's ten sees you back in dummy. Should you cash the ace of spades?

At the table declarer thought he had to risk it as he saw no secure entry back to dummy to cash it later. When it was ruffed his slam had to fail. However, he missed a neat solution. Do you see it?

Continue by ruffing a low spade (East discards a diamond) and then draw the last trump (West discards a spade). Now cash the remaining top diamonds to remove any West may have left and lead the king of clubs. West, who almost certainly holds the ace on this auction, has to duck to prevent the queen becoming an entry. You continue with another club and West takes his ace. Now, however, he has only black cards remaining and has to put you back on dummy.

David Parry

THE EUROPEAN CROSS RATES

20 May 1997	AUST Sch	BELG Fr	DAN Kr	GER Dm	NETH Fl	FIN Markka	FR Fr	GREC Drach	IR Punt	ITAL Lira*	NOR Kr	PORT Esc	SPAIN Pts	SWE Kr	SWI Fr	UK £	US $	JPN Yen	CAN $	EUR Ecu
AUSTRIA Schilling	-	0.341	1.848	7.037	6.260	2.336	2.089	0.044	18.28	7.157	1.697	0.070	0.084	1.572	8.461	19.63	11.94	0.105	8.698	13.75
BELGIUM Franc	2.932	-	5.418	20.63	18.36	6.849	6.126	0.130	53.59	20.99	4.976	0.205	0.245	4.609	24.81	57.57	35.00	0.308	25.50	40.32
DENMARK Krone	0.541	0.185	-	3.809	3.388	1.264	1.131	0.024	9.892	3.873	0.919	0.038	0.045	0.851	4.579	10.63	6.459	0.057	4.707	7.442
GERMANY Deutschmark	0.142	0.048	0.263	-	0.890	0.332	0.297	0.006	2.597	1.017	0.241	0.010	0.012	0.223	1.202	2.790	1.696	0.015	1.236	1.954
NETHERLANDS Guilder	0.160	0.054	0.295	1.124	-	0.373	0.334	0.007	2.920	1.143	0.271	0.011	0.013	0.251	1.352	3.136	1.906	0.017	1.389	2.196
FINLAND Markka	0.428	0.146	0.791	3.013	2.680	-	0.894	0.019	7.825	3.064	0.727	0.030	0.036	0.673	3.623	8.407	5.110	0.045	3.724	5.887
FRANCE Franc	0.479	0.163	0.884	3.369	2.997	1.118	-	0.021	8.749	3.426	0.812	0.034	0.040	0.752	4.050	9.399	5.713	0.050	4.163	6.582
GREECE Drachma	22.60	7.708	41.76	159.1	141.5	52.79	47.22	-	413.1	161.8	38.36	1.583	1.890	35.53	191.2	443.8	269.8	2.373	196.6	310.8
IRELAND Punt	0.055	0.019	0.101	0.385	0.343	0.128	0.114	0.002	-	0.392	0.093	0.004	0.005	0.086	0.463	1.074	0.653	0.006	0.476	0.752
ITALY Lira	139.7	47.65	258.2	983.3	874.8	326.4	291.9	6.182	2554	-	237.1	9.784	11.68	219.6	1182	2744	1668	14.67	1215	1921
NORWAY Krone	0.589	0.201	1.089	4.147	3.689	1.376	1.231	0.026	10.77	4.217	-	0.041	0.049	0.926	4.985	11.57	7.033	0.062	5.125	8.102
PORTUGAL Escudo	14.28	4.870	26.39	100.5	89.41	33.36	29.83	0.632	261.0	102.2	24.24	-	1.194	22.45	120.8	280.4	170.4	1.499	124.2	196.4
SPAIN Peseta	11.96	4.079	22.10	84.18	74.89	27.94	24.99	0.529	218.6	85.61	20.30	0.838	-	18.80	101.2	234.9	142.8	1.256	104.0	164.5
SWEDEN Krona	0.636	0.217	1.175	4.477	3.983	1.486	1.329	0.028	11.63	4.553	1.080	0.045	0.053	-	5.383	12.49	7.593	0.067	5.533	8.747
SWITZERLAND Franc	0.118	0.040	0.218	0.832	0.740	0.276	0.247	0.005	2.160	0.846	0.201	0.008	0.010	0.186	-	2.321	1.411	0.012	1.028	1.625
UNITED KINGDOM Pound	0.051	0.017	0.094	0.358	0.319	0.119	0.106	0.002	0.931	0.364	0.086	0.004	0.004	0.080	0.431	-	0.608	0.005	0.443	0.700
UNITED STATES Dollar	0.084	0.029	0.155	0.590	0.525	0.196	0.175	0.004	1.531	0.600	0.142	0.006	0.007	0.132	0.709	1.645	-	0.009	0.729	1.152
JAPAN Yen	9.526	3.249	17.60	67.04	59.64	22.25	19.90	0.421	174.1	68.18	16.17	0.667	0.796	14.97	80.60	187.0	113.7	-	82.86	131.0
CANADA Dollar	0.115	0.039	0.212	0.809	0.720	0.269	0.240	0.005	2.101	0.823	0.195	0.008	0.010	0.181	0.973	2.257	1.372	0.012	-	1.580
EUROPE Ecu	0.073	0.025	0.134	0.512	0.455	0.170	0.152	0.003	1.329	0.520	0.123	0.005	0.006	0.114	0.615	1.428	0.868	0.008	0.633	-

* Italian lira rates in the vertical column have been multiplied by 1,000 for clarity. Divide by 1,000 for actual figures.

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