THE EUROPEAN

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Cold war ghosts are finally laid to rest

Ian Mather
Diplomatic Editor

IN THE magnificent setting of the Salle des Fêtes in the Elysée Palace in Paris, Nato and Russia finally pledged to bury the Cold War ghosts and build a new security system for Europe.

The signing ceremony of the "Founding Act on Mutual Relations, Co-operation and Security between Nato and the Russian Federation" is the highwater mark of the spirit of reconciliation that has transformed the international climate since the collapse of communism.

That overworked term "new" was the key word of the day. "We look forward to a new century with a new Russia and a new Nato, working together in a new Europe of unlimited possibilities. This new Nato will work with Russia, not against it," said President Bill Clinton.

In a surprise gesture Yeltsin agreed not to target countries attending the ceremony with Russia's nuclear weapons. The new Nato will embrace former Warsaw Pact enemies, and from now on Nato hopes that it can proceed smoothly with its plans to expand eastwards while avoiding confrontation with Russia.

But Russia's reluctant acquiescence was won only after months of difficult negotiations. In the end, Russia gave way to a greater degree than Nato.

President Boris Yeltsin hinted at this when, with the sense of theatre that one expects from him, he paused for several seconds with his pen tantalisingly held above the document, as though he recognised that Russia was about to sign away much of its past status. The relief when he signed produced spontaneous applause from the world leaders, led by host President Jacques Chirac.

"It looked to me as if Russia was saying farewell to an entire era, to the illusions that she could halt the advance of the military alliance to her borders," said a journalist from the daily *Izvestia*. "The picture-taking on the lawn afterwards had the warm atmosphere of a family photo session. But when President Chirac walked Yeltsin down to his limousine after the ceremony, Yeltsin looked troubled as if, perhaps, he realised that Russia had lost something. Chirac leant into the car and embraced him again, as if trying to comfort him."

The way should now be clear for Nato to issue invitations at its summit in Madrid in July to the Czech Republic, Hungary and Poland. Later, other countries will be eligible for membership.

The question is whether Yeltsin can sell this deal back home. Nato expansion remains unpopular throughout Russian society, and the signing was greeted with a storm of criticism in Moscow as a defeat for Kremlin diplomacy.

But Russia can look forward to the benefits of joining international trade and financial institutions, which will enable funds to flow to Moscow and Russian companies to expand abroad.

HAS AMERICA WON SUCH A GOOD DEAL? – PAGE 2

Bank fraud may top $1.8 billion

Charles Masters
PARIS

THE cost of the "financial apocalypse" at Crédit Lyonnais, in which senior management in the bank's subsidiaries engaged in massive fraud, could reach Ffr10 billion ($1.7bbn) – nearly double original estimates, according to sources close to the investigation.

Yet even this huge figure is dwarfed by the Ffr100bn cost to the state of bailing out the disaster-prone bank, whose *folies de grandeurs* during the late 1980s and early 1990s brought it to the brink of collapse. This represents Ffr2,000 for every taxpayer in France.

A recent article in the internal bulletin of the Consortium de Réalisation (CDR), the state structure set up in 1995 to dispose of Ffr135bn of state-owned Crédit Lyonnais' rotten assets, has accused the former management of the bank's subsidiaries of organised fraud on a level not previously acknowledged.

"Fraud was massive. The more the CDR's teams advance with their audits and the handling of dossiers on the banks they are liquidating, the more one thing becomes clear: an organised financial fraud had developed up to 1993," said the article, signed by the CDR board. "The true cost is higher than the figures – already enormous – which have been recently mentioned."

A former investigating magistrate, Thierry Jean-Pierre, now a right-wing MEP, has called for a parliamentary commission of inquiry into the Crédit Lyonnais debacle. "It is essential to bring to light the financial scandal of the century," he said. In March, the CDR chairman, Michel Rouger, was reported by deputies to have told a parliamentary commission that Ffr5bn had been defrauded by the bank's management and businessmen with whom they had dealings.

But a source close to those who produced the dossier told *The European* that the real cost of the fraud would be closer to double this figure – in other words, around Ffr10bn.

"There has never before been such fraud at such a high level in France," the article said. "Everyone has been caught short, above all the CDR, which cannot do the job of the justice system and the police to counter an organised delinquency which got more arrogant by the day."

The target of this fraud was not Crédit Lyonnais itself, but seven subsidiaries: International Banque SA (IBSA), Altus Finance, Crédit Lyonnais Bank Netherland (CLBN), Société De Banque Occidentale (SDBO), Colbert, Saga and SBT-Batif, which were "the unbridled horsemen of this financial apocalypse".

"Profiting from the compliance of the former managers of these banks, those behind the fraud organised outright pillaging, which was often concealed behind falsification of balance sheets," the document said.

The man who steered Crédit Lyonnais into disaster was Jean-Yves Haberer, who was appointed chairman of

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EMU crisis deepens for Chirac and Kohl

Anne-Elisabeth Moutet PARIS
Tony Paterson BERLIN

CAN economic and monetary union (EMU) still be started on time, or indeed at all? That is the question now facing the architects of a single currency with increasing urgency as both France and Germany plunged further into crisis this week.

In France, after the drubbing suffered by the centre-right in the first round of parliamentary elections last Sunday, there is the prospect of a Socialist government coming to power (in alliance with the Communists) which pledges to follow an archaic tax-and-spend programme and that puts the supposed creation of 700,000 jobs above meeting the monetary union deadline.

Even if the Gaullist-led coalition scrapes back into power in the second round of voting on 1 June, President Jacques Chirac's gamble to secure a mandate for a fresh round of painful austerity measures has failed.

In Germany, Bonn's grip on events is weakening as its own obstacles to meeting the Maastricht criteria become ever tougher. Ministers from the ruling coalition have begun to bicker publicly over who is responsible for the hole in public finances.

The hasty and controversial plan by Finance Minister Theo Waigel to revalue the Bundesbank's gold assets has caused consternation. Waigel himself has admitted that the German people may be for Europe but are against abandoning the deutschmark.

Until now Europe's political elites have assume that the EMU juggernaut could not be halted. Whatever the flaws in the blueprint and however high unemployment soared, national currencies would be locked "irrevocably" on January 1999. It was thought that the political capital invested in the project was such that the momentum was unstoppable. Indeed, the sheer inevitability of monetary union had become one of the principal justifications for ensuring it happened to plan.

Those cosy assumptions have been dealt two massive, possibly mortal, blows in the past seven days. "EMU is in the greatest danger it has been in since its conception," says Alain Minc, one of Paris's most respected political commentators.

"This will probably be worsened by a monetary crisis if the left wins in France; the financial markets have been spoiling for a run on the franc for some time and this would be their last chance to alter the parities before 1998."

Chirac's authority has already been dealt a massive blow by his party's abysmal showing in first-round voting. Jean-Jacques Davan, a Paris banker, comments: "The idea was that by calling a snap election he could prevent the single currency getting caught up in domestic politics next year. But he's been punished for his opportunism. People wanted a long debate and feel they have been cheated."

The sacrifice of French Prime Minister Alain Juppé is an ominous portent for the political classes in both France and Germany. Juppé, an impeccable but remote technocrat, was a scapegoat not simply for the evident shortcomings of Chirac, but for the failings of an entire ruling class. He had come to epitomise what is most hated about the out-of-touch Paris elite whose cornerstone belief is a European strategy shared with its Bonn counterparts.

Chirac's lacklustre television address to the nation on 27 May did little to retrieve the situation. He has shown himself incapable of whipping up the new *élan* that he says he seeks for the nation. The first-round vote, marked by hefty support for the Front National and a high level of abstentions, revealed a national mood of sullen protest. The message was that the people will not tolerate further sacrifices being foisted on them in the name of EMU.

Chirac has refused to hint who he would send to the Matignon to replace Juppé if the centre-right coalition wins the second round. Neither of the leading contenders, Philippe Séguin, National Assembly speaker, or former prime minister Edouard Balladur augur favourably for EMU. Séguin led the effective anti-Maastricht campaign in 1992 before returning to the RPR's pro-EMU party line as the job in the Matignon beckoned. Balladur is far more solidly committed to the EMU project. But his record in office showed him

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Under siege: Kohl may see his euro dream shattered

REAVATZ

Under siege: President Jacques Chirac's election strategy seems to have backfired

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Telecoms giants struggle in a world of rivalry

Old guard is under pressure to compete with new arrivals, reports Tony Snape

WITH telephone bills set to halve over the next three years, Europe's telecoms monopolies are in a quandary: how can they compete successfully against the bold new wave of private operators which are not burdened by public service obligations?

Europe's old national telephone companies, which still have full control over access to national networks even though many are now privatised, have been slow to adapt to European Commission plans to complete deregulation of the telecoms market by 1 January. Instead, say analysts, they are resorting to stalling tactics until they can bring down charges to enable them to compete with cheaper new entrants.

"It is becoming quite a battlefield," said telecoms analyst Roger Tuckett, a consultant with Bates Wacker & Partners. "The new companies are a lot leaner and meaner, but it is still a very difficult business to get into because it is so capital-intensive. The most difficult question for any new entrant is whether to provide services over someone else's network or to build a network for themselves."

A report by the Commission, published on 29 May, criticised eight member states – Austria, Ireland, Luxembourg, Italy, Belgium, Greece, Portugal and Spain – for lagging behind in implementing new EU legislation to liberalise the telecoms market. The Commission said it would step up pressure on the governments to open up their markets in areas ranging from satellites to mobile communications.

Meanwhile, the main players are building new alliances and strengthening old ones to position themselves to compete in the new era of offering wider services. American giants AT&T and SBC are the latest to consider merging in a deal that would be worth $80 billion.

The telecoms sector in Europe, which employs more than 1.25 million staff, is bloated, say analysts. Some governments are shaping up to protect their national operators against redundancies which could provoke social unrest. Only this week, France Telecom workers stormed the Paris Bourse, demanding that the government halt its privatisation. They may get their way if the Socialists succeed in the French election on 1 June, as they have promised to keep France Telecom a state-owned company.

In Belgium, the government, shaken by protests over closures of the Renault car assembly plant and Clabecq foundry, is refusing to sell off its controlling stake in Belgacom, despite a plea by senior

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WHAT THE PRESIDENTS GAINED FROM THE HISTORIC PACT

Has America won such a good deal?

LUKE FRAZZA/EPA

In touch: Clinton and Yeltsin sign the Nato-Russia accord as Chirac looks on. But is the deal out of step with the times?

CLINTON IN PARIS

IT looked so grand: President Clinton with other Nato leaders in Paris signing an accord with Russia which advisers compared in significance to President Nixon's historic visit to China in 1972. This was, they said, the symbolic end of the Cold War, the final curtain on a divided Europe, *writes Louise Branson in Washington*.

Even the timing was symbolic: the eve of 50th anniversary celebrations commemorating the Marshall Plan, under which the US gave $13 billion to help Europe rebuild itself after the Second World War. America, Clinton was clearly signalling, is still committed to Europe.

But back home in Washington the story was rather different. *New York Times* columnist Thomas Friedman even suggested that the pact may turn into Clinton's Natowater: a bad land deal which, like Whitewater, threatens his undoing.

For weeks those for and against Nato expansion have been jousting. Proponents, such as Strobe Talbot, number two at the State Department and a Clinton friend, say that expanding Nato encourages democratic behaviour and stability among would-be members and prepares for the inevitable time when Russia gains renewed expansionist ideas.

The opposing view, put vociferously by east-west expert Michael Mandelbaum of the Council on Foreign Relations, holds that expanding Nato strengthens Moscow's nationalists, who can claim that Nato is out to get them.

These arguments are about to turn into a bruising fight that may turn ugly and could scupper the Nato deal. The debate sums up the malaise in America's post-Cold War view of itself, Europe and the world – a view starkly at odds with President Clinton's apparent message in Paris.

Congress is the crucible for Nato's future. The Senate is required to ratify Nato expansion. Now lawmakers are beginning to focus on money. The Pentagon estimates expansion will cost at least $35bn over ten years, with Washington's share around $200 million a year, which is not a lot. The Congressional Budget Office predicts more, $125bn.

Three other major questions are arising. Would Americans really want to defend Budapest in the same way as London? Is the consultation agreement with Russia not appeasement? And will Nato expansion cause a threatened Russia to cling to its nuclear weapons? (Russia's parliament has yet to ratify the Start II treaty limiting long-range nuclear weapons.)

Clinton, a Democrat, must deal with an overwhelmingly Republican Congress. It supports him on popular moves but Nato expansion may not fit this category, although Clinton is making an all-out effort to sell it.

Underlying the debate is a broader problem. In the absence of a serious outside threat America is reverting to self-centred instincts. The spirit of the Marshall Plan is dead. In 1992, only eight per cent of Americans saw foreign policy as a factor in the election. By 1996, it was just four per cent – a contrast to Cold War days when most Americans saw themselves leading the fight against communism.

EVEN so, Clinton is turning to foreign affairs for relief from domestic woes. The Nato expansion agreements provide a break from questions about Whitewater, Democratic fundraising and the sexual harassment charges the Supreme Court has ruled he cannot postpone until he leaves the White House.

Clinton is also pondering his place in history. He now faces a hostile Congress for a second term and without a domestic agenda. An imaginative historic agreement could secure him greatness. But even in that regard Nato expansion may be out of step with 1990s reality.

America, the single superpower, is only reluctantly coming to terms with the idea that it should be what Secretary of State Madeleine Albright terms "the indispensable power".

Robert Lieber of Georgetown university argues that the Cold War divide made the US president a de facto imperial president at the head of a forged alliance. "Americans are now more inclined to act unilaterally," Lieber said. "And there are a host of out-of-area issues that could ruffle American-European relations: the Middle East, the question of rogue states, China, for instance."

Commentators suggest a new special relationship may blossom between Clinton and Britain's Tony Blair, but even there, Clinton may be most interested in helping to broker a Northern Ireland deal for the foreign policy boost. Even if Clinton's grand strategy and commitment to Europe looks good, the question is: can it grow roots?

The cold reality behind Boris's warm rhetoric

TO hear Moscow talking up the "historic" signing of The Founding Act On Mutual Relations, Co-operation and Security, one could be forgiven for thinking that Russia is now virtually running Nato rather than ignominiously bowing to the inevitable, *writes Miranda Anichkina in Moscow*.

Perhaps something was lost in translation, because the former Cold War superpowers are certainly poles apart in their interpretation of the agreement. While US President Bill Clinton insists that Russia has a voice – but not a veto – in future deliberations, Russian President Boris Yeltsin's looser interpretation still claims a Russian veto: "Decisions in Nato can only be taken by consensus. If Russia is against some decision, it means this decision will not go through," he said.

Indeed, so convincingly has Yeltsin hailed his own success that it has been welcomed not only by liberals, but even by the Communist speaker of the Russian parliament, the Duma, who praised the Founding Act for accommodating Russia. Vladimir Lukin, a former ambassador to the US and now chairman of the Duma's foreign affairs committee, has said that the accord amounts to an outright ban on stationing nuclear weapons on new members' territory, despite Nato's insistence that there will be no second-class members.

Perhaps President Clinton is right to dismiss the Russian rhetoric as purely for domestic consumption; nevertheless, many of his own analysts will be warning him against over-confidence. Even as Yeltsin boarded the plane for Paris, he was still talking tough and warning that should any former Soviet states be invited into Nato – most notably the Baltic states and Ukraine – Moscow will consider this week's accord null and void.

This may be more than loud-mouthing: the word Nato still strikes fear into the hearts of many Russians, and politically Yeltsin could not survive any further encroachment towards Russia's borders.

In the meantime, Russia has secured a buffer with this week's signing of a military accord with neighbouring Belarus. Also this week, Russian Foreign Minister Yevgeny Primakov became the highest-ranking Russian

YELTSIN IN PARIS

official to state publicly that Russia, despite protestations to the contrary in Soviet days, views first strike use of nuclear weapons as a legitimate military option.

Perhaps Yeltsin's claim to have secured Russia a leading role in Nato will sooner or later be revealed as a case of the emperor wearing no clothes. The signing of this week's accord is no mean triumph for the wily old politician, whose obituary has been written and rewritten in recent months.

Not only has Russia won an unprecedented consultative role in Nato affairs, but in merely agreeing to allow Nato to exercise its right to expand, and sovereign states' right to apply for membership, Yeltsin has

> ### WHAT THE ACT SAYS
>
> "Russia and Nato do not consider themselves as adversaries. They share the goal of overcoming the vestiges of earlier confrontation and competition and of strengthening mutual trust and co-operation. The present Act re-affirms the determination of Russia and Nato to give concrete substance to their shared commitment to build a stable, peaceful and undivided Europe, whole and free, to the benefit of all its peoples. Making this commitment at the highest level marks the beginning of a fundamentally new relationship between Russia and Nato."

come away with a handful of goodies. These include membership of the Paris Club of creditor nations – to which Russia itself owes tens of billions of dollars – more IMF money, and an increased G7, possibly G8, role, even though this is technically ludicrous for a country with a collapsed and corrupt economy.

Yeltsin's western-friendly new reformers are whooping with joy. For them, the real triumph is the fact that Russia's acquiescence has bought valuable memberships of elite western financial institutions and paved the way for further Eurobond issues. As one official of Gazprom, Russia's gas monopoly, put it: "The enlargement of Nato to the east will be more than compensated by the enlargement of Gazprom to the west."

But it would be wrong to conclude that the 21st century will see Russia as an integrated European nation. Although Russia shares borders with countries which may become members of the European Union, Russia itself will never be uniquely European. The Asia-Europe debate has waged for centuries in Russia, and there is little chance of it waning now. Putting aside insurmountable EU entry requirements for common security and economic systems, Russia also has borders with Georgia, Azerbaijan, Kazakhstan, China and Mongolia. This week's Taliban successes in Afghanistan have reawakened Russian fears of an eruption of Islam along its southern borders, most noticeably in Tadjikistan, where Russia maintains 20,000 troops.

IN THE light of Nato expansion to its west, Moscow has recently made a point of rekindling relations with its eastern neighbours. The Chinese and Indian leaders have been pointedly feted in the Kremlin since Nato expansion was accepted as a fait accompli.

China, India and Russia together encompass almost 25 per cent of the world's surface area and account for 40 per cent of its population. On these grounds, they should be able to dominate east and south Asia for at least the next century.

Richard Dion, director for economic research at the Centre for American-Eurasian Studies and Relations in Washington, put it like this in the prestigious *Moscow Times*: "Russia should ignore the European Union and concentrate on the potential that lies in China and India. These three countries can control all of Asia. A Russian foreign policy guided properly could be the engine of that dominance."

Had Nato not insisted on its own potentially ruinous expansion, Russia might not have looked eastward. As it is, the country has come to understand that the seeds of its renaissance may lie elsewhere than in Europe.

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Fraud may top $1.8bn

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the bank in 1988 before being replaced by Jean Peyrelevade in 1993 once the catastrophic consequences of Haberer's reign had become clear.

Haberer's ambition to lead the bank back to number one in the world resulted in the apparent total abdication of financial control.

The bank embarked on a series of high-risk operations, including backing the Italian financier, Giancarlo Parretti, through CLBN in his $2bn takeover of Hollywood film studio MGM in 1990. Parretti defaulted on his loans, leaving the bank to take control in 1992 before selling MGM last year to a US billionaire, Kirk Kerkorian. Rouger said in March that the MGM adventure had cost the bank a net loss of more than Ffr10bn.

The flamboyant French entrepreneur Bernard Tapie, who is standing trial on charges that he embezzled Ffr100m when chairman of Olympique Marseille football club, also enjoyed extensive backing via SDBO. On top of such reckless operations, Crédit Lyonnais racked up property investment losses estimated at Ffr32bn.

Despite the disastrous state of its accounts in the early 1990s, it was decided by the French government that Crédit Lyonnais, which employs 35,000 staff, could not be allowed to go bankrupt. Since the end of 1993 the state has pumped in tens of billions of francs to prop it up.

The finance minister, Jean Arthuis, announced in August that he intended "to seek out who was responsible and see that they are brought to account". However, no cases have come to court despite dozens of legal investigations being opened in France and abroad.

The CDR document put forward its own explanation for the slow progress of inquiries into the alleged fraud: "This comes from a legal choice. The special law allowing the rescue of Crédit Lyonnais and its employees has created an exception to the usual laws concerning companies in difficulty, to avoid a major financial earthquake. Through this, the CDR has lost the classic legal means to impose swift and firm penalties on such financial disasters."

But CDR's Jean-Michel Raingeard insisted that legal action would follow.

The latest to come under scrutiny is Jean-Maxime Leveque, founder and former chairman of IBSA's holding company, who was detained for questioning on 27 May by investigating magistrate Eva Joly.

Joly is investigating the payment of irregular commissions in connection with property deals. Three other former IBSA executives have already been charged.

Crédit Lyonnais is due to a bring a case against Parretti in a Los Angeles court this summer. It has been alleged that Parretti, who was found guilty of perjury and falsifying documents by a court in Delaware last October, acted with the complicity of former Crédit Lyonnais executives, who granted him loans despite his dubious record.

Two of the bank's former executives have denied the suggestion that there was massive fraud. Jean-François Henin, who ran Altus, has blamed the banking commission for not spotting the impending disaster. François Gille, a former Crédit Lyonnais director, accused the CDR of "outrageous calumny", and denied the allegations of organised financial irregularities.

The bank made a Ffr202m profit in 1996, after losses of almost Ffr21bn between 1992 and 1994. The restructuring plan is not expected to include any fresh capitalisation by the state.

Old guard struggles

Continued from page 1

managers at the firm that it cannot remain competitive against predators in its national market without a windfall from a flotation.

Change in the European market has been driven by users fed up with paying out fortunes for a basic service, most of them multinationals who have lobbied the Commission to free up the market. George McKendrick, executive director of the International Telecommunications Users' Group, said: "There is still an enormous amount of fat in there. Prices could halve without any pain for the suppliers."

Changing telephone numbers to limit the amount of potential competition and charging large interconnect fees to competitors seeking access to the networks have developed into serious trade barriers, Tuckett said.

The telecoms firms need grand alliances if they are to be able to afford the investment needed to provide the truly global "reach" and the information society revolution their customers demand.

As well as British Telecom's merger with MCI to form Concert, the former Dutch, Swedish and Swiss public telecoms operators have linked up through Unisource. Spain's Telefónica switched camps in March, leaving Unisource to join Concert because it had more money. Competition Commissioner Karel Van Miert is scrutinising every deal to ensure that none of the European operators are priced out of the market.

Mike Corkerry, head of BT's EU office, said: "The issue is how the member states implement the directive to open up the market. There was a directive in 1990 and we found that an awful lot of states didn't implement it, or if they did it was incorrectly. With that kind of record one wonders how well they're going to do with the 1998 package."

In Italy, state operator Stet is due for flotation in the autumn after one of the major obstacles to the privatisation – the setting up of a regulatory authority for the market – was removed by the Italian senate last week. But Paolo Perella, a telecoms analyst at Milan-based securities house Cimo Sim, says: "It cannot compete alone on the international scene when most big groups are getting into partnerships." Stet is talking to AT&T with a view to taking on Concert-Telefonica in Latin America.

US network builder MFS is an example of the vibrant new blood entering the telecoms sector. The company only set up in 1987 and moved into Europe in 1993. It already has metropolitan networks surrounding Frankfurt, Paris, London and Amsterdam and is set to build another in Brussels. MFS is merging with WorldCom, the fourth-largest carrier in the US, which is building a long-distance network in Europe expected to be up and running by the end of the year.

"The objective of WorldCom is to own its infrastructure end to end," said MFS business development manager Thierry Bosser. "That is of course a very ambitious and long-term strategy, but I don't think there is any company better positioned to do it."

Bosser believes the former state monopolies will be hard pressed to compete. "We are going to target the residential market as well as the business community," he said. "Prices are going to fall a lot. The whole market is going to go down very quickly. We can do miracles."

Additional reporting by John N Parry in Madrid and Ruth Sullivan in Milan

THE EUROPEAN WORLD PRICES

Australia ....$A 3.95	Dubai Dh16	Jordan ....JD 2.75	Malaysia....S$ 7.00	Saudi Arabia....Rials 16.00	Tunisia ....Td 3.75
Abu Dhabi....Dh 16	Egypt ....EP 15	Kenya....Ksh 200	Morocco ....Dirh 35	Singapore ....S$ 7.00	UAE ....Dirh 16.00
Bahrain ....Din 1.650	Hong Kong....HK $25	Kuwait....Kd 1.25	Oman ....Rials 1.700	South Africa ....Rand 9.95	USA $3.00
Canada....$ 3.50	Japan ....Y 700	Lebanon....LL 6,000	Qatar ....Rials 16.00	Thailand....Baht 75	Canada....$3.50

Who will be king at the Matignon? President Jacques Chirac may choose from leading contenders (left to right) Alain Juppé, Philippe Séguin or former premier Edouard Balladur. Will the French voters agree to sign a blank cheque?

Le Pen looks left and right

FRENCH ELECTIONS

As the third force in the campaign, the far-right firebrand is in a pivotal position, write Claude Angeli and Stéphanie Mesnier

EVERYONE is talking about one key question in advance of the second round of the French elections on Sunday 1 June. What is preoccupying the political establishment, polling organisations and the media is how Front National voters will behave.

The crisis caused by the right-wing majority's crushing first-round defeat and the "abdication" of Prime Minister Alain Juppé shows up starkly the importance of the 15 per cent of the vote obtained by Jean-Marie Le Pen's party.

On Sunday the victors, whoever they may be, will in effect owe their success to the level of support of extreme-right voters. Effectively excluded from parliament by the two-round system, the FN's power to make a nuisance of itself is remarkable.

Polling organisations disagree about how FN supporters will vote in the second round. In 1993, 65 per cent of the FN votes went to the Gaullist right in the second round; now perhaps only 50 or even 40 per cent are likely to vote for the right, while 20 to 25 per cent are likely to vote for the left, with 30 to 35 per cent abstaining. Le Pen, of course, does not control the votes his candidates obtained in the first round.

But in the past two years the FN leader, who gave no advice to his voters in the second round of the presidential election in 1995, has been working to convince his supporters to adopt a new attitude, to "break with neutrality", as he puts it.

The mainstream right refuses to make any pact or electoral compromise with the FN, and Le Pen would love to take revenge on them. In all recent by-elections, his orders were to oppose the majority candidates. He is certainly not proposing to reconcile the extreme right and the left, even if during the election campaign he insisted that he preferred "a left-wing assembly to a right-wing assembly", and the Socialist Lionel Jospin to Gaullist President Jacques Chirac.

He has a plan in mind. His aim, as he tells his closest collaborators, can be summed up thus: a defeat for the majority parties would allow the FN to present itself as the only valid opposition to the Socialists.

At the same time he can accuse the right of having by its own incompetence allowed the left to return to power. The hoped-for result would be that the FN, even if at the moment scarcely represented in the assembly, could develop its influence, rally a number of rightist deputies, and appear as the last resort in the case of a major crisis between the president and the government, which might be followed by new elections.

In spite of efforts within the FN leadership over his stance, in recent days every television appearance by Le Pen has featured swingeing attacks on Chirac and calls for his resignation. Le Pen recalls that General de Gaulle resigned in 1969 after a referendum which he lost. This polemic is based on a consistent policy of demanding that majority candidates back some of his core ideas in order to merit FN support. Among these are "national preference", rejection of economic and monetary union and the Maastricht treaty.

BACK to the beginning, then. Le Pen is not changing his strategy even if he is now choosing his words more carefully. On 29 May at an important meeting in Paris, during which he was to deliver a new message to voters, he had every intention of making his policy clear.

Fielding his candidates in 88 seats to fight the right and left will help that. Le Pen can thus launch a solemn appeal to vote FN. But the essential point is that the presence of the FN in these triangular contests will above all benefit the left, as the leader of the extreme right wishes.

The patent anxiety of the Elysée and of the government is not limited to those potentially losing seats. For the other constituencies, Chirac and Juppé are receiving daily opinion polls. At the beginning of the week, the atmosphere in government circles was deeply depressed because the results did not always project a surge for the coalition majority parties.

It remains to be seen if, on the ground, certain rightist candidates will make concessions, borrowing arguments from the Front to attract the support of voters.

On 28 April Interior Minister Jean-Louis Debré showed the way to some degree. At a meeting in the Touraine in the central west he used *lepeniste* language, saying: "Do you accept that foreigners come into your home, open your fridge, and help themselves? No, of course not."

Will that win him the approval of the extreme right? Not necessarily, because as Le Pen loves to say: "The French always prefer the original to the copy."

Claude Angeli, editor-in-chief, and Stéphanie Mesnier are journalists on the weekly magazine 'Le Canard Enchaîné'

Coalition pays for delays to reform

THE GERMAN VIEWPOINT

Thomas Kielinger on the economic damage sustained by chasing Maastricht criteria

LOOKING at France between two fateful rounds of parliamentary elections is like looking at Germany through a glass darkly.

On the Rhine the mood is one of helplessness bred from paralysis. The question uppermost in the minds of those clinging to power is: who's next, after the blows dealt to the Tories in Britain and the Gaullist-liberal axis in Paris?

Well may they ask. Four-teen years in office have all but sucked the lifeblood out of a Bonn coalition too weak even to limp towards progress at solving Germany's structural problems. What progress there is tends towards further decomposition of the fabric of efficient government.

While the country's financial crisis deepens, the coalition bickers and prevaricates. And whereas global economic competitors are stealing a march over a once vibrant Germany, Chancellor Kohl is marching resolutely from one impasse to another.

'Kohl is marching resolutely from one impasse to another'

The irony of it is that, as in France, the shortcomings of the political process have been exposed by the very phenomenon paraded as the panacea for all ills: European Monetary Union (EMU).

Take taxes. Not a day passes without another fanfare to herald tax reform – in other words tax relief on a grand scale. Pressure to act in this field is mounting: tax burdens are causing not only German but foreign capital to flee with a vengeance. Latest figures show an all-time low of Dm1.1 billion ($649m) internal investment for last year. But German investment abroad stands at Dm38.8bn for the same period. Any hope of relief is immediately scotched by the simultaneous announcement that, of course, one must expect to have to pay for tax gifts with, you guessed it, further tax increases. The Maastricht criterion of a maximum three per cent deficit leaves no room for slackening in budget austerity. It is a vicious circle.

To make matters worse, estimates of expected tax income have been way off the mark. Thus Theo Waigel, the hapless finance minister, has recently had to resort to that ultimate device of "creative accounting", the revaluation of gold reserves.

It has cost the coalition more in terms of credibility than it will ever gain in financial breathing-space. Not only has Kohl's leadership been savaged by the media for this fall from grace, but tensions within the coalition have heightened, too. Gunter Rexrodt, the minister for trade and industry from the junior coalition partner, the Liberals (FDP), has been trading barbs with Waigel over who is to blame for the inaccuracy of tax forecasts that led to the hasty fudge over gold reserves.

Worse still, the Bundesbank's reputation for independent decision-making has been further eroded by this rash political interference, casting another ominous shadow over the presumed hardness of the euro.

Anxiety is, unsurprisingly, mounting as too much of what was once predictable and accountable within the German democratic system is being sacrificed on the Maastricht altar.

The situation is a mirror image of the French predicament. Here are two governments who have left it too late to reform the systemic deficiencies of their respective political cultures.

The dirigiste, cosy, corporatist system of wall-to-wall insurance against the harsh winds of global competition is falling to pieces. Things are coming to a head at once, and reforms long overdue have to happen overnight.

The result is a panic-stricken political class, both insecure and arrogant, which gambles with snap elections and rash accounting in the headlong dash to EMU.

The political disaffection this has caused and is likely to continue to cause cannot be overstated. What little readiness there is among voters to accept the need for change is being squandered for the sake of a vision artificially pushed through irrespective of the cost.

Thus the electorate are beginning to flirt with political constellations – the Socialists in France, a green-red coalition in Germany – that may, ironically, hamper the modernisation the two societies need if they want to prosper under the auspices of the global market place.

But don't blame voters for cutting off their noses to spite their faces. The blame lies with the ruling classes and their determination to go on the EMU helter-skelter and lose the people into the bargain. Instead of garnering necessary support for urgent reforms, they are blending what is a huge challenge in its own right with a huge gamble called EMU. In the end, they risk losing everything.

Crisis grows for Chirac and Kohl

Continued from page 1

to be unwilling to take on key groups of public sector workers.

Victory for the Socialist Party, led by Lionel Jospin, would bring even bigger problems. Though the Socialists are traditionally the party of Europe, their middle Eurosceptic tone in the campaign seems to have gone down well with the electorate. Their Communist partners, whose support they would need to govern, oppose the euro outright.

These political problems compound the fact that France's budget deficit this year will come in below the ceiling of three per cent of GDP stipulated in the Maastricht convergence criteria. If the Socialists' tax- and spend rhetoric, which voters have endorsed in the first round, were translated into reality this would blow a hole in the public finances. Their commitment to halt the programme of privatisations would make the three per cent target impossible to attain by denying state coffers vital cash receipts.

As a left victory became more and more plausible, Jospin's statements became increasingly "realistic". He stopped ruling out the privatisation of France Telecom, for instance. Even so, it would take time for the Socialists to swing back behind the euro. Minc believes the Socialists need "at least a year to make their inevitable *aggiornamento* towards EMU. The snag is that they don't have enough time left to change tack".

The forces for monetary union remain undaunted by the problems in France and Germany and the foreign exchanges, at least so far, still adhere to the inevitability of the process. Nor will the ingrained support for monetary union in the French and German political classes easily vanish, whatever the difficulties.

"Any French leader becomes converted to pro-European policies the instant he accedes to power," says the conservative commentator Michel Gurfinkiel. "Europe, and more specifically EMU, is a political bid for co-rule of the continent by the *Nobleses d'Etat*, the ruling elites, of France and Germany. The prospect is simply too alluring to resist."

Yet if the French take the argument to the streets, the message will find strong resonances across the Rhine. In Bonn reality is beginning to intrude on the belief that monetary union can be achieved through an act of sheer political will. Chancellor Helmut Kohl looks increasingly tired and the march to monetary union by 1 January 1999 is even less rooted in public support in Germany, which must sacrifice its beloved deutschmark, than in France.

BETTINA RABANUS / SIPAPA

Before the fall: Jacques Chirac (right) after his election to the Elysée, with Alain Juppé

The extent of Kohl's troubles can be seen now that Germany, the one EU member state committed wholeheartedly to fiscal rectitude in its approach to EMU, is charged with "creative accounting" through its plan to revalue Bundesbank gold.

Michael Lewis, an independent euro analyst at Deutsche Morgan Grenfell, interpreted the German move thus: "Panic seems to have gripped Bonn. Kohl and Waigel have made it clear that they will do anything within their power to ensure that Germany hits the three per cent Maastricht target."

Evidence that the panic has begun to reach a new dimension surfaced this week in an unedifying spat between Waigel and Germany's Free Democrat (FDP) Economics Minister Günter Rexrodt, whom Waigel blamed for producing the "wrong estimates" which led the government to badly miscalculate its own budget predictions.

Rexrodt defended himself robustly and Kohl was forced to intervene to remind the FDP that there could be "no chanting of formulas" and that tax increases cannot be ruled out.

Susanne Schimdt of Daiwa, the leading Japanese investment bank, commented: "The French and German malaises are much the same. Bloated state budgets coupled with high unemployment." But there are differences, she continued. "In France people take to the street. Governments that try to take on key groups of workers find themselves paralysing public opinion. In Germany there is a more ready acceptance that something must be done. People see that pensions, the labyrinthine tax system and so on need an overhaul. It's just that so far they can't be persuaded it should be done if it hits them."

Kohl is hardly likely to abandon his grand project; somehow both will comply with the Maastricht criteria. But if France fails to meet the convergence criteria and is still allowed to join (without France there can be no monetary union) then the Franco-German elite will have opted for a "soft" euro. That will strengthen the hands of the opponents of a single currency in Germany.

"Kohl will be left with a difficult choice: either he will have to postpone the project, which is unlikely; or he will have to join France in a soft currency," said Joachim Schild of the German-French Institute in Ludwigsburg.

Kohl and Chirac stage their next routine meeting in Poitiers on 13 June to prepare for the Amsterdam summit and vying with the president for a place in the sun.

A Paris-based economist with a US bank declares: "Kohl must be horrified at the prospect of Jospin. The French left's plans, such as reduction of the working week, are exactly what he's resisting from the socialists at home.

"This will put a severe strain on relations between Bonn and Paris on the economic front during this crucial period."

The next 18 months will reveal whether, in the attempt to complete monetary union, the Franco-German technocracy has finally overreached itself.

Paris and Bonn face rising debt

ROAD TO EMU

SLOW growth and high unemployment have left France and Germany with substantial work to do if European and Monetary Union (EMU) convergence criteria are to be met, *writes Economics Editor Thierry Naudin.*

Both countries need mid-course fiscal correction in order to bring their 1997 deficits in line for monetary union, but a socialist victory in the general election run-off on 1 June may delay further tightening in France.

Poor economic performance has placed pressure on tax revenues, leaving both countries with prospective public deficits of about 3.5 per cent of gross domestic product (GDP) this year, or 0.5 per cent above the maximum required to join EMU in January 1999.

In Bonn the government's ability to qualify is being challenged on both the debt and the deficit criteria, irrespective of the much-debated re-valuation of the country's gold reserves.

German government debt is expected to rise from 60.7 per cent of GDP last year to 61.6 per cent this year, compared with the 60 per cent ratio required under the Maastricht treaty.

Germany must also address a gaping hole of Dm18 billion ($10.6bn) in this year's budget. The government is sticking to its 2.9 per cent target for this year, based on growth estimates of 2.5 per cent which look too optimistic to most experts. Among private economists the consensus forecast is 2.3 per cent, causing the deficit to slip to 3.4 per cent of GDP.

Germany will simply have to raise taxes to plug its budget gap.

In France, were the socialist coalition to win the run-off, and perhaps improbably, stick to its programme, the prospect of fulfilling the Maastricht criteria would have to be abandoned.

Promised demand stimulation through increased public expenditure, including the creation of 700,000 jobs for the young, would cost the equivalent of about 1.5 per cent of French GDP, pushing the French deficit ratio towards 4.7 per cent this year and nearly five per cent next year.

A halt to privatisations would also cause a deterioration in France's debt ratio, currently 58 per cent of GDP.

If the centre-right coalition wins the election, further fiscal tightening is in the pipeline. An extension of the freeze on public expenditure is likely, which would reverse earlier plans to allow a 0.75 per cent rise next year.

Seven Days

Islamists stagger on as secularists put boot in

TURKEY

TURKEY'S pro-Islamic coalition government hobbles on like a dejected football team, trying, despite injuries and yellow cards, to stay in the game. The past week has seen three parliamentary deputies resign. The referee stands ready to blow the whistle, and even the government's most ardent supporters admit that it is playing in extra time.

But the secularists, who seek to beat the pro-Islamic government of Prime Minister Necmettin Erbakan, do not have a viable alternative administration, much less one strong enough to push through the reforms necessary to achieve a winning result.

Erbakan's Welfare Party (RP) has 159 seats, giving the governing coalition 275 seats in the 550-seat parliament. But the government could be further weakened by resignations, particularly if opposition parties table a threatened censure motion in June.

Welfare is also under threat from a court challenge. In late May Vural Savas, public prosecutor of the Turkish Supreme Court of Appeals, applied to the constitutional court for Welfare to be banned. The case against Welfare is that it is endangering the secular nature of the Turkish state. Legal authorities say that the arguments against the government are watertight.

Industrial and business leaders are also voicing opposition. In an unprecedented display of unity, leaders of Turkey's trade unions, business and employers' organisations recently released a joint statement condemning RP and vowing to protect secularism.

Facing attacks from so many quarters, the two parties in the Ankara government are devoting all their energies to staying in power. The practical business of government has virtually ground to a halt.

The Turkish military, which has led the assault against Erbakan, stresses that the constitutional challenge only concerns RP and is not an attempt to ban all religious parties. "If you are going to have a soccer match, you have to see the other team on the field or how can you compete with them?" asked General Dogan Bayazit. "If they go underground, they will go away and train and train and then suddenly pop up and be much harder to defeat."

But it is the Turkish secularists' refusal to play as a team that has enabled the Islamists to come to power. The mainstream parties admit that the failure to implement structural reform has fuelled support for the Islamists. In the last four years Turkey has had six governments, all of them coalitions. Each has been crippled by petty squabbling and manoeuvring for short-term political advantage.

"The problem with the party leaders is that they think first of themselves, second of their family, third of the party, fourth of people from their home town and last of the country. These priorities must be reversed," said a high-ranking military source.

Each government that has taken power has promised to trim the country's bloated civil service, accelerate privatisation and balance the budget. But none has been prepared to stop giving party supporters civil service jobs, face the political backlash of reducing government farm subsidies or risk the unpopularity of large-scale lay-offs in privatised industries.

Inflation has remained at over 60 per cent for more than a decade. Almost half of all economic activity slips through the tax net. In 1996 the budget deficit equalled eight per cent of gross national product. Debt servicing was the largest item in the budget (roughly equalling a third of total expenditure). "We know what Turkey's problems are and we know the solutions," said a leading treasury official. "The problem is finding someone prepared to implement them."

The prospects are not encouraging. Turkish political parties tend to form around individuals rather than ideas, and be held together by personal loyalty and patronage rather than ideological conviction. RP won the 1995 elections with only 21 per cent of the vote because 40 per cent of the electorate was divided between centre-right parties with virtually identical manifestos.

There are a myriad problems, but the army believes one way forward is electoral reform and the introduction of two rounds of voting. Another high-ranking military source said: "This could ensure that a single-party government comes to power which is strong enough to push through the reforms and take away the factors that are helping Welfare."

Gareth Jenkins

Russians in a fix over home repairs

RUSSIA

ATTACKING government fat cats and ordering them to drive cheaper cars and declare their incomes was a popular measure. Forcing the natural gas monopoly Gazprom to stump up millions of dollars worth of unpaid taxes drew applause from citizens.

Even if they don't understand that they may be the ultimate beneficiaries, ordinary Russians nevertheless have no objection to the reorganisation of their country's inefficient monopolies.

The insistence of Boris Nemtsov, the reforming politician that Gazprom chairman Rem Vyakhirev should be accountable to a ten-person board headed by the first deputy prime minister himself, and linking his salary to the company's dividend payments, are seen as important steps in the right direction. Even foreign investors in Gazprom were impressed by Nemtsov's promise that their interests would be protected.

Indeed, in the two short months since his surprise appointment to the Kremlin team, the energetic Nemtsov has edged former general Alexander Lebed off his pedestal as Russia's most popular politician.

The question is: can he stay there when he reveals the next item on his list of reforms – making Russians pay the full cost of their housing maintenance and utilities? When Russians rushed to privatise their flats – for free – after the fall of communism, they took on no responsibilities for maintenance, which remains the domain of sluggish underfunded state monopolies, and eats up to 40 per cent of local authority budgets.

Likewise gas, electricity, heating and water continue to be pumped to state tenants and home-owners alike at Soviet-era subsidised prices, leaving the providers to recoup their losses by overcharging the already floundering industrial users.

Since, in the absence of meters, costs are calculated according to the size of an apartment, those in the biggest flats, usually the better off, benefit most.

As a result Russians spend a mere two to three per cent of their incomes on housing maintenance and utility costs compared with around 30 per cent in the West. This may explain how Russians survive on comparatively paltry salaries.

Nemtsov says that getting Russians to pay 100 per cent of their maintenance and utility costs, compared to the 27 per cent they currently pay, would be enough on its own to pull the national budget back on track. He aims to have real prices, after gradual rises, in place by 2003, with subsidies going to those who would have to spend more than 20 per cent of their income on real costs.

He envisages a nation of condominiums through which people would take direct responsibility for the upkeep of their buildings and grounds, offering contracts to competitive bidders. While the plan clearly makes economic sense, and while Nemtsov argues that benefits to the consumer will accrue in the shape of better and cheaper maintenance work, it will clearly be no vote-winner.

When St Petersburg tried to raise maintenance and utility charges earlier this year, there were near riots. Local governments, while they might welcome the relief on their budgets, will be generally reluctant to introduce such politically suicidal reforms.

Even in practical terms the obstacles are awesome: an entire country of 150 million people will need to be metered before real energy costs can be charged, a court system of fines for non-payers introduced, as well as a reasonable punishment for non-payers. The traditional western option of disconnection would be tantamount to murder in a country where in many areas winter temperatures drop to -40C and lower.

JAMES HILL

Muscovites must pay up

Before any of this happens, an efficient and uncorrupt bureaucracy to mediate applicants for subsidies also needs to be in place. And a government which has persistently failed to pay wages and pensions on time will have to demonstrate that subsidies to the needy will actually materialise.

There is just a chink of light to help guide Nemtsov through this kamikaze mission. The Northern Medvedkovo Moscow district is typical of the Soviet-era: smelly, crumbling entrance hallways surround the usual rusted children's swings, broken park benches and barren flowerbeds. The neighbouring Vykhino district stands in stark contrast: here communal gardens are spruce and painted, and streets and entrance halls virtually rubbish free.

Although most Vykhino residents don't know that their local authority is one of the few pioneers to have contracted out its maintenance work to a private company, they have noticed the improvement. And according to the local council it now spends less than half in maintenance than does Northern Medvedkovo.

Nemtsov's only hope is that Russians, if they can recover from the shock of paying real housing costs, will likewise notice an improvement before President Boris Yeltsin has to pay attention to what will inevitably be a thunderous clamour for Nemtsov's head.

Miranda Anichkina

MATIAS NIETO/CONTI

Someone's lying: Premier Aznar (right) has seen his free-market credentials dashed as government spokesman Rodriguez (left) has been accused of intimidation by Antena 3 television

Furore over 'threats to TV'

SPAIN

ANTONIO Asensio, the self-made Spanish media millionaire, does not scare easily. But the man who built the Grupo Zeta publishing empire and Antena 3 television into two of the country's most successful companies claims Spanish business leaders are gripped by fear.

Prime Minister José María Aznar's supposedly liberal, free-market government is a wolf in sheep's clothing, he says. When a business, such as Asensio's own Antena 3, does not toe the government's line, officialdom simply threatens the company's president with prison.

That is what Miguel Angel Rodríguez, the government's official spokesman and one of Aznar's closest advisors, did when Antena 3 and the private Canal Plus channel decided to exploit jointly Spain's lucrative soccer league, Asensio told parliament last week.

José Oneto, Antena 3's head of news, says he will never forget the furious telephone call he received from Rodríguez shortly after Asensio had struck his deal with Canal Plus. "Tell your boss that he will end up in prison. We are going after him," Rodríguez allegedly bellowed at him.

"I was astonished," Oneto said. "In 30 years of journalism I have never heard anything like it. Our relationship up to then had been normal. He would try to sell us the government's line. Sometimes we bought it, other times we did not."

Threats made by Rodríguez would have sounded empty were he just Aznar's spokesman. But he is not. As the government's secretary of state for communications he has real power over the media. He helps set and runs the government's policy towards the booming media sector.

Asensio has produced written statements from three company officials who say they received or overheard similar threats from Rodríguez over a three-day period. The threats and tantrums allegedly included warnings that the government would find a reason to intervene in Antena 3 and take the company over.

In reply, Rodríguez at first complained that Asensio had leaked "private conversations". Later in parliament he denied the accusations and claimed Asensio had made the whole thing up. Aznar has backed him, refusing calls for Rodríguez to be dismissed. Somebody, either Rodríguez or Asensio, has lied to parliament.

The centre-right Popular Party government is treating the Rodríguez scandal as part of the ordinary rough and tumble of politics. Rodríguez is simply the victim of a Socialist plot, it claims.

But Asensio is a businessman, not a politician. Antena 3 has shareholders. What should they, and other potential investors in Spanish media businesses, think? Asensio's message to them is clear. "There is now real fear in Spain," he says.

Rodríguez obviously does not have the power to put a businessman behind bars. But who lodged an anonymous complaint against Asensio at the National Court after his deal with Canal Plus? And which secretary of state commissioned the report that is the basis of a private prosecution against Asensio's new business ally, Canal Plus? Aznar's impeccable non-interventionist credentials have been seriously damaged.

"The allegations greatly concern us," said an executive at French pay-TV channel Canal Plus, which has a major stake in its Spanish namesake. "We are committed to investing large sums."

Even before the row broke, however, the government's business policy towards the media was looking highly interventionist. The government's stated aim is to prevent Canal Plus, which is controlled by the socialist-leaning media magnate Jesus de Polanco, from exercising a monopoly in digital television.

As a result, Spain is to have two digital television providers. One, Canal Satélite, is a consortium led by Polanco. The other, Via Digital, is sponsored by the government. It is led by the Telefónica telephony monopoly with state broadcaster RTVE and Mexico's Televisa as the other major shareholders. Between them the two competitors plan to spend more than $1 billion over the next three years. RTVE, whose total debt soared by 52 per cent to $1.9bn last year, is betting huge amounts of taxpayers' money on the digital future.

Aznar's government wanted Antena 3 to take a major share in Via Digital. In November last year the government announced that it finally had Asensio – and his ill-important share of league soccer rights – on board.

But then Asensio accepted a better deal from Polanco. It was a bitter blow to Rodríguez. The government provider had been left with no league rights. A vital element had been lost.

Oneto says that the fallout from that decision has wrought changes in politics and journalism. "The government's attitude is that you are either with them or against them," he said.

Giles Tremlett and John N Parry

Press Watch

International Herald Tribune

Alain Juppé's resignation is a double-edged sword for the president, believes the French daily.

SO Alain Juppé has given way to temptation. The premier, Jacques Chirac's scapegoat, has sacrificed himself in the panicky aftermath of the electoral debacle. It was a personal, respectable, elegant decision, pronounced with detachment.

But it was also a political execution. If Chirac kicked Juppé out of his job, it was to save his own. The voters will not fail to appreciate that reality which was barely concealed. In one blow, the sword revealed itself to be double-sided. In getting rid of Juppé, Chirac was admitting his own failure. Chirac left himself with 24 hours to invent a new policy. Mission impossible. The social fracture strategem can work only once. The magician has no more rabbits in his hat.

Die Welt

The German daily finds Helmut Kohl's coalition is under strain.

THE government coalition, embroiled in a quarrel over tax rises and over the continuation of the Solidarity Tax, is at a critical point. After the Free Democrat Party (FDP) congress Chancellor Kohl abandoned his position as referee in the argument to deliver a clear and unmistakable warning over coalition discipline.

The pressure on the CDU is mounting. There is deep unrest in the ranks. Some do not want the FDP taking decisions for them. Others want to impose an outright employment policy on the government. The chancellor can no longer stand above government housekeeping questions.

El Mundo

Lionel Jospin has the wind in his sails, writes the Spanish daily.

WILL the French left be able to repeat its triumph in the second round of the elections on Sunday? It depends on the followers of the ultra-right leader Jean-Marie Le Pen, who won 15 per cent of the vote. The Front National, with 3.7 million votes in the first round, will contest 133 of the 577 constituencies. But in the other 444 the FN voters will probably vote largely for the centre-right.

Nonetheless, the Socialist leader Lionel Jospin, who based his campaign on the necessity for change not economic policy and moral regeneration, has the wind in his sails. The electoral system makes forecasts very dangerous when the differences are so slight.

La Repubblica

Urgent reform of the bloated pension system is a must, believes the Italian daily.

IF anybody in Italy still believes that cuts in the pension system are sacrifices imposed by Maastricht in the name of the euro, or a tool to pay to enter Europe, please read the Welfare State report by the Organisation for Security and Cooperation in Europe.

The study by the authoritative international body leaves no doubt: the Italian pension system, unless it is reformed, is destined to collapse. The OSCE sets the date of the crash precisely in 2035. It could seem a long way away, but it is not – today's 25-year-olds face a mathematical near-certainty that there will be no pensions for them. But real problems will occur far sooner, and even today's 40-year-olds are in great danger.

As the OSCE study demonstrates, the potential collapse is not something related to single currency criteria. Instead, it is a drama born of demographic evolution, as a consequence of which the Italian welfare state will cost 119 per cent of GDP within four decades. There is no need to be an economic expert to understand that a country cannot assign to social expenditure more than all the wealth it produces.

Frankfurter Allgemeine

German central bankers face a dilemma over gold, writes the German daily.

THIS week the German Bundesbank must consider the planned revaluation of German gold reserves. Finance Minister Theo Waigel has already been maliciously applauded for a masterpiece of "creative accounting" for the announcement, with which he managed to undermine German credibility over monetary union. If it is now to be implemented, the Bundesbank would suffer a serious loss of standing.

The law change is a matter for the government and parliament.

Church attacks ‘ungodly’ victory

POLAND

IT WAS billed as a milestone in Polish history. The democratically-elected government of reformed communist President Alexander Kwasniewski was seeking a resounding mandate for a new constitution that would enshrine the values of free-market democracy and demonstrate Poland’s preparedness for entry into the western clubs of Nato and the European Union.

The outcome of the 25 May referendum did not quite work out as planned. Opinion polls had shown a majority of Poles backing the charter with a substantial number undecided and a vocal minority opposed.

But the new charter received a hollow endorsement. Less than half of the country’s 28 million eligible voters bothered to turn up at the polls, a derrisory 42 per cent cast votes. Of these 53 per cent backed the new constitution, 46 per cent voted against, while one per cent of the ballot papers were invalid.

Thus the official results showed a narrow vote of approval for a constitution over which successive post-communist parliaments and the Church have bickered for eight years. While seen as a crucial indicator of political sentiment prior to September’s legislative elections, the low turn-out throws the forthcoming poll wide open.

In the referendum campaign, Catholic conservatives and political right-wing parties argued against the charter for its failure to ban abortion and to give Church law dominance. They wanted a document that would state unequivocally that God-given law or a universal set of values is superior to man-made law. They saw the final draft document simply as “ungodly”.

The charter commits Warsaw to a market economy and private ownership. It guarantees the personal freedoms and human rights required for EU membership and ensures the civilian control of the military stipulated for Nato membership. It also guarantees free publicly funded basic health care, free basic education, a minimum wage, and sets a cap on public debt at 60 per cent of gross domestic product.

Several Polish bishops and the arch-conservative Primate Cardinal Jozef Glemp campaigned against the charter. In a gesture to the Church the document rules same-sex marriages illegal, and God is mentioned in the preamble, but nothing more.

Now the politicians have started their post-mortem. “I see this vote as a spectacular blow to the bishops,” said Adam Michnik, a former political detainee and 1980s Solidarity activist, who like many other liberal dissidents today dissociate themselves from former President and Solidarity hero Lech Walesa and the right-wing rump Solidarity party that he still backs.

Michnik, now editor of leading newspaper *Gazeta Wyborcza*, said: “At least we have a constitution. The state of uncertainty over it all at least is now ended. But that more than half the electorate did not vote is worrying.”

Barely had the results been announced, than the Solidarity Election Alliance of more than 30 rightist parties said the low turnout showed that voters felt “betrayed”.

Spokesman Tomasz Tywonek said the turnout was a mandate to seek changes which would include a ban on abortion and an explicit condemnation of the communists for human rights abuses during their rule: “It is a yellow card shown to the government.”

Kwasniewski’s Democratic Left Alliance (SLD) was also disappointed: “I am unpleasantly surprised,” Kwasniewski said. “It will be easier to attack this constitution now. I do not think we can say at this point who will win in September.”

It is a frustrating outcome for a country which has prided itself on being the first nation in Europe with a written constitution since antiquity.

That original 1791 constitution so enshrined Polish independence that Catherine the Great of Russia considered it a threat, ordering her troops to invade Poland the following year.

Roman Rollnick

Poll boycott threatens peace force

ALBANIA

BALKAN intrigue continues to hinder negotiations aimed at settling Albania’s four-month political crisis despite optimism that an election deal had been brokered by Franz Vranitzky, the envoy of the Organisation for Security and Co-operation in Europe (OSCE).

Vranitzky, the former Austrian chancellor, had issued a statement on 22 May which indicated that multi-party agreement had been reached on changes to the electoral law. This had been demanded by the parties backing the socialist-led government of Prime Minister Bashkim Fino.

However, within hours of Vranitzky’s announcement it appeared that consensus was as far away as ever – with some coalition leaders even accusing the Italian ambassador Paolo Foresti of bad faith over his relations with President Berisha’s Democratic Party (DP).

At a meeting of eight of the parties, including the socialists, it was decided unanimously that a threat to boycott the general elections on 29 June would be maintained unless the three-month-old state of emergency were lifted – something President Sali Berisha maintains he cannot do without recalling parliament. Should the election boycott proceed, the fate of months of diplomatic initiatives and the future of Operation Alba, the 6,000-strong multinational military force, which began in April, both look bleak.

Worse still, Italy’s role as both principal mediator in the crisis and as leader of the military mission has also been called into question by the publication in the Albanian press of transcripts of mobile-telephone conversations allegedly held between the Italian ambassador Foresti and Dr Tritan Shehu, the DP chairman.

As published, these transcripts purport to show a close relationship between the ambassador and the DP leadership. Most damaging of all are comments Foresti is alleged to have made concerning leading political opponents of Berisha, as well as the overall implication that Italy remains firmly behind the DP, rather than an impartial mediator. Certainly what has so far been published in the local press might, if it is accurate, seriously compromise Italy’s role as a key mediator.

While not denying that telephone conversations between the two men did take place and may have been both intercepted and recorded, a spokesman for Foresti has told *The European* that the texts printed in Tirana newspapers are not accurate.

“There were thousands of telephone calls ... it was a summing up of different sentences taken in different contexts and put together,” he said. He added that the matter was now in the hands of the Tirana prosecutor.

According to Democratic Alliance (DA) president Neritan Ceka – himself mentioned in a derogatory manner in the transcripts – the affair suggests there is a wide discrepancy between the official Italian position and that of the ambassador in Tirana.

“It appears that Foresti is collaborating closely with Berisha. If this is so, then the ambassador is not working in the interests of Italy,” Ceka told *The European*. The DA leader also blames the Italian diplomat for the confusion surrounding Vranitzky’s apparently premature statement that all the parties in the coalition had agreed to take part in the election.

Ceka also warned that attempts by any party to manipulate the election result could plunge Albania into further conflict. “A violation of this election might mean war, particularly if Berisha attempts to keep power by force,” he said.

He urged European nations to commit resources to ensure that when a poll eventually took place it was vigorously monitored. “Is it better to send in 1,000 monitors – or thousands of troops afterwards in the event of an Albanian civil war?” he asked.

Assuming that the election law can be amended in line with government demands and the elections are held according to Vranitzky’s proposals at the end of June, there are considerable logistical problems to overcome. The south of the country remains largely out of the control of either the president or the government, and the mandate of the UN-approved military mission does not permit the disarming of what must be one of the most heavily armed populations on earth.

Vranitzky’s statement made after a meeting in Rome on 26 May between Fino and several foreign ambassadors (Foresti was a notable absentee), indicates that the OSCE is prepared to offer intensive monitoring of the election, as well as the provision of ballot boxes and voting slips. He reiterated his call for all Albanian parties to take part. There is little chance of a conventional election campaign in a country where to express public support for the president or his party, at least in the south, would be to risk bloody retribution. Other political parties may also find it difficult to run in areas such as Vlora, where the uprising against the previous government began in February and where there is little organised authority other than the unelected “citizens’ committees” which are facing running battles with criminal gangs out to settle old scores or carve out lucrative territories.

“The best Europe can hope for is that Albania won’t turn into another Bosnia, with violence spreading to neighbouring regions such as Kosovo and Macedonia,” observed one EU diplomat based in Tirana. “It’s a nightmare scenario and this election is only the first, tentative step on a long road towards stability.”

Alex Standish

ARBEN CELI/REUTERS

Voice of the people: thousands of Socialist Party supporters chant ‘Down with dictatorship’ in a Tirana soccer stadium on 27 May in a rally against President Berisha

Teachers can’t retire early

ITALY

ANYONE wishing to gauge the prospects of the Prodi government’s reforms of Italy’s welfare economy should take a look at the state of the country’s schools. On 4 June thousands of teachers from across the country will assemble in front of the education ministry in Rome to protest over the government’s decision to “freeze” early retirement for 32,500 of their colleagues.

The freeze was part of a general drive to welfare reform which is encountering determined opposition from the government’s hard-left ally, Refondazione Communista.

This week Prodi failed to reach an initial agreement on pensions and welfare reform with Fausto Bertinotti, Refondazione’s leader. The disputed welfare package forms a vital part of a three-year macro-economic programme intended to convince the European Commission that Italy’s hopes of meeting the convergence criteria for monetary union are realistic.

Teachers now find themselves in the front line of the welfare battle. Education minister Luigi Berlinguer’s decision to squeeze the number of teachers eligible for retirement this year sent shock waves through a system which, comprising 1.1 million workers and spending 30 per cent of the state budget, is Italy’s largest “public company”.

Rumours of changes to legislation which allows public servants to end their careers prematurely encouraged 65,000 teachers to apply for retirement at the end of the present school year. The government was thus left with a double dilemma: how to replace those retiring, and, most importantly, how to deal with the L4,000 billion ($2.3bn) of extra public funds that the rush of early pensions would require.

Berlinguer solved this problem by finding a formula to halve the number of those eligible to retire. At first he suggested the freeze should last up to four years, but that figure has now also been halved, and the unions partially pacified. However, the log jam of teachers falling over each other to hand in retirement applications as reforms bite can only get worse.

Meanwhile the government is attempting to introduce market-style principles into Italy’s school system. Berlinguer’s ministry has decided that schools should compete as businesses and earn funds according to their success. Schools will receive public money according to how many students they have. Those with few “clients” will see their classes cut down and may eventually be closed. Soon each school should be free to raise money privately. The first effects of the new model can already be seen. Posters have appeared advertising the options offered by institutions such as fitness gyms or special music classes.

Michele Puccioni

Ballot farce ends in tears

SLOVAKIA

WHEN in March a US government report on Nato expansion cited Slovakia (along with Albania) as a country dragging its feet on democratic principles, Slovak premier Vladimir Meciar insisted that this view of his country was based on a “misunderstanding”.

However, if Albanian elections are held next month, it is unlikely that they could be as confusing as last weekend’s farcical Slovak referendum on entry into Nato. The chaos has already prompted the foreign minister, Pavol Hamzik, to resign.

“The internal political situation and the circumstances which accompanied the referendum have made it impossible to pursue the goal of Slovak entry into Nato,” he said. Meanwhile President Michal Kovac has called upon Meciar to resign. But Meciar, undeterred by Hamzik’s resignation on 26 May, opened his cabinet session the following day by cajoling his ministers into singing a Slovak folk song and calling for Kovac to step down.

The referendum, on 23 and 24 May, should have comprised four questions – three on Slovak entry into Nato and one on the introduction of direct presidential elections. But an eleventh-hour constitutional court ruled that the latter question would have only advisory status. Interior minister Gustav Krajci then defied the all-party Referendum Commission by distributing ballot papers excluding the question with what the commission said was a “forgery” of its stamp.

Many mayors refused to accept the ballot papers, the opposition called for a boycott and Kovac called the spoiling of the referendum “the most serious breach of the rule of law since the birth of independent Slovakia”.

Fewer than 10 per cent of registered voters cast their votes. Although 130,052 supported entry into Nato and 154,090 voted against, with substantially larger margins voting against the placing of nuclear weapons and foreign military bases on Slovak soil, the turnout of less than 50 per cent rendered the vote invalid.

Meciar’s initial response to the referendum was that “we all lost”. Kovac draws a further lesson from the fiasco. He fears that “parliamentary elections could also be manipulated”. European Commissioner Hans van den Broek will inform authorities on 29 May of the EU’s conditions for its membership. But, according to Kovac, “Slovakia will never enter Western structures with Meciar”.

Jeff Lovitt

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Millar's Europe

Shabby Berlin bursts into designer city

EVERY silver lining has a dark cloud gathering around it. When the Berlin Wall fell on 9 November, 1989, the place to be was on the Kurfürstendamm. On the Ku'damm Eck, to be precise: the Times Square of West Berlin, a crossroads symbol of capitalist consumerism in New York's image.

That was the scene of the best party in the world; we watched in wonder, easterners and westerners together for the first time in 28 years, as the video display screen fed us bulletins of new holes in the concrete curtain. East Berlin had moved west en masse; the Ku'damm symbolised the brave new world that had such people in it.

Not now. Bitter irony. With only two years to go before Berlin's manifest destiny gets another go at fulfilment, the focus has shifted. Wandering around the Kurfürstendamm now is like being in the company of an elderly dowager, once the flower of society, no longer looking after herself properly. The Ku'damm Eck itself is partly boarded up, the news-screen turned off.

Peter Millar

Leinemann's bustling clothes shop has become Beate Uhse's Erotic Museum. The Ku'damm always had a louche aspect – it was part of its risqué charm – but to claim such a sizeable chunk of property for the sex industry suggests a district reverting to the hinterland of a railway station.

Bahnhof Zoo was always a dodgy locale, with drug dealers in its underground passageways and derelicts in doorways. But at least it had glamour. Trains ran a gauntlet to get here through enemy territory. For easterners it symbolised freedom, the place their trains never got to. In 1989 the train finally came in. Now it has gone out again, and this is just a dropping-off place.

In stark contrast, Friedrichstrasse, old Berlin's commercial heart, but in the Cold War a drab street famous only for ending in Checkpoint Charlie, is reviving. Its own station, once a sad, poignant place of cross-border meetings and departures, is covered with scaffolding, like a chrysalis waiting to emerge.

The House of the Soviet Book is now Mercedes-Benz's central Berlin showroom – car marques have replaced Karl Marx; across the road stands the symbol of the new Paris-Berlin axis: Galeries Lafayette, the French capital's most famous department store recreated in *fin-de-siècle* Berlin, complete with a modern version of the Art Nouveau domed interior of the original.

On Friedrichstrasse, the Grand Hotel, the dying communist regime's extravagant gesture towards capitalist standards, must now compete with the Maritim, the Hilton around the corner on Gendarmenmarkt, and, most spectacularly of all, the Adlon, old Berlin's traditional top address, ready for reopening on its old site next to the Brandenburg Gate, in old stone and with shining chandeliers, as if it had never been reduced to rubble. Five years ago it was hard to imagine it had ever been there; now it is hard to imagine a time when it was not.

The foundations have been dug for Sony's palace on Potsdamer Platz, the de facto embassy of Japanese commerce in the new Europe. Berlin is a building site with a vengeance.

In Bonn the bureaucrats are split into two camps: those who look forward to metropolitan bustle, and those examining options for early retirement to dream of the days when Adenauer's Rhineland republic was the limit of the Fatherland's aspirations. The doom-mongers prophesy that Berlin is an evil omen, that the city has no deeper place in German history than the Reichs of the Kaiser and Adolf Hitler. The Berliners, famed for their cheek, gripe that they face an invasion of busybodies who think they run the country.

But Helmut Kohl has set the momentum and, as with European currency union, it seems that anything that man sets his formidable weight behind soon becomes an unstoppable force.

The new Berlin is set to outstrip Mitterrand's Paris as the designer-built city for the 21st century. On the 50th anniversary of the Marshall Plan that launched West Germany's economic miracle, it is worth remembering that starting again from scratch is not always a bad thing.

By the close of the worst century in Berlin's history it will have been reborn again: *Auferstanden aus Ruinen* – resurrected from the ruins – would be a fine civic slogan. Unfortunately, it was also the first line of communist East Germany's national anthem.

Letters to the Editor

Dutch in Brussels

IT IS simply untrue that "Brussels is French speaking" (Letters, issue 366). All historical records show that Brussels has always been Dutch speaking – Dutch being the language spoken in Flanders and the Netherlands. Until the French occupation of 1794 it was the only official language.

The French forbade its use, as did the French-leaning Belgian government that came into power after the 1830 revolt. So a Frenchifying process set in. Yet at the beginning of this century an official census showed that a majority of the citizens still spoke Dutch or the Brussels (Dutch) dialect.

The arrival of the European institutions intensified the use of French. Nevertheless, Dutch is still widely spoken by many Brusselers and, with French, it is once again an official language.

André Monteyne
Municipal councillor and former member of the Belgian parliament
Brussels, Belgium

Tony Blair was awful

I WAS pleased that Stephanie Theobald's "Quelle Horreur! French lack style" (issue 366) pointed to one of the masterstrokes of the recent British election campaign – Tony Blair on the football pitch.

It was not just the show of informality that was important, but what the nature of the performance showed about the man. Blair was sensationally, devastatingly awful. He pulled on his tracksuit, tied up his boots and, with Labour co-ordinator Peter Mandelson firmly left on the bench, went out and played perfectly useless football.

Instead of well-rehearsed Labour free kicks, we saw promising build-ups blown and unmissable opportunities fluffed. Blair would get the ball and promptly lose it. He would start running for a through ball and then fall over. He would attempt to tackle a ten-year-old child and nearly maim him for life. Blair's was the kind of performance that would have had coaches howling with frustration and referees running out of cards.

Yet this was exactly why he was so brilliant. In ten endearingly incompetent minutes, his fallibility proved his genuineness and his humanity. Discarding the unsatisfying, inflexibly spin-doctored soundbites, Blair showed authentic Everyman quality. Like his wife Cherie pictured in her nightie receiving flowers on the doorstep, Tony in his tracksuit could not be beaten.

Tim Gaunt
Birstwith, England

Will the Danube set a precedent?

MARTIN Bak of Slovakia ("Ripples in the Danube", Letters, issue 366) is taking advantage of Murphy's Fifth Law. This states: "Everybody is lying, but this is OK because nobody is listening."

Bak is doing what Slovakia has tried to do in its long-running dispute with Hungary at the International Court of Justice in The Hague. The Slovaks say that the destruction of the Szigetkoz wetlands as a result of the controversial Gabcikovo-Nagymiros dam is acceptable because it has created new swamps elsewhere.

There is a big difference between the only inland sea delta of Europe – the Szigetkoz ecosystem, which has survived since the last Ice Age – and some new polluted swamp on the outskirts of Bratislava. Bak does his best to confuse the issue by equating the two.

Fortunately, members of the court have visited the site. They have seen for themselves that the islands of the Szigetkoz have been turned into a thousand sandhills and that 400 species of wildlife have perished. They now know that children who play in the dammed-up trickle of wastewater – all that is left of the Danube's natural riverbed – end up in the hospital. The court has seen the lorries bringing drinking water in plastic bags to the villages.

As you have stated in recent issues, the key question is whether the international community will back the court's decision by supporting it with sanctions.

There needs to be a precedent for the 21st century, one which would warn governments that the world's oceans, rainforests and wetlands are there for all mankind.

Csaba Gaal
E-mail: csabagal@idirect.com
Etobicoke, Ontario, Canada

The clue to healing ME

UP TO 70 different symptoms can occur with Myalgic encephalomyelitis (Chronic fatigue syndrome) and it is difficult to diagnose (issue 365). Bacteria and viruses have been held responsible, but their elimination does not help the patients.

I first came across ME as a therapist in New Zealand in 1985 when a number of ME patients were referred to me by a psychotherapist. She said that there was psychologically nothing wrong with these people, but doctors could not explain their symptoms.

As a specialist in EAV (Electro-Acupuncture According to Voll), I could not find anything wrong with these people. This was a surprise, so I worked hard in the library until I found something that "fitted".

It has long been known in EAV that people who take morphine have good "electro" readings, as the drug suppresses everything. The pituitary gland in the body is in control of the body's natural morphine production. Each and every nerve can produce beta-endorphin and encephalin.

Production of endorphins is characteristic of auto-immune disease. These substances are also the cause of the so-called "jogger's high" and are produced in reaction to excessive stress.

With ME, the body does not react to any impulses. It is numb – drugged by the body itself. That is why it is so difficult to treat.

The clue to healing people with ME is to remove the disturbances that stress the pituitary gland. These disturbances vary slightly from patient to patient. Removing the casual factors and symptoms – not by EAV – is the difficult part because this has to happen in the correct sequence otherwise the body will block treatment.

Johan C Boswinkel
Health Angel Foundation
Büsingen, Germany

Opportunities for insurers

I AM writing regarding your article "Insurance still lacks true single market" (issue 367). Europe's insurers need to develop adequate strategies for both European and global markets. Opportunities will open up to them as convergence of information processing and communication technology makes the world of electronic commerce a reality.

A recent IBM global insurance study suggests that many insurers acknowledge this fact and will provide better services to their customers. For example, many said that they would improve their distribution channels by providing secure, easy-to-use electronic communication.

Today, less than three per cent of insurers surveyed use the Internet or commercial on-line services to allow policy-holders to view, query and update policy information. However, in five years' time, it is estimated that this figure will rise dramatically to nearly 49 per cent. It will be those insurers who can provide "anytime, anywhere" access to their products and services, and who also have sound marketing, administration and claims processes, who will take full advantage of the new markets.

Rocco Segreti
General manager
IBM Insurance EMEA
Feltham, England

Compensation for a better life

BEFORE it surrenders its sovereignty to the European Union, will Britain receive and process claims from members of a "stolen generation" of children shipped off to the colonies?

The human rights commissioner in Australia has identified the UN's peculiar definition of genocide as including those who are removed from their cultural backgrounds.

A report on the treatment of the indigenous children is said to recommend compensation, and it is reasonable to expect this concept to extend to those from other areas.

Young people down at the local road gate used to shout out to the bus driver: "Any pommy kids for Wollongbar?" This farm, a few kilometres east of Lismore, was a repository for a number of mostly English children who had been told, rightly or wrongly, that they were orphans. They had been sent out to a "better life".

Jon M Axtens
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North Lismore, NSW, Australia

Learning at a distance

MICHEL Syrett and Jean Lammiman (issue 366) write: "Since Britain's Open University pioneered open learning in the early 1970s the concept has taken hold not only in Britain but also in mainland Europe ... Distance learning is almost exclusively an Anglo-Saxon invention, with Britain having led the way ever since this type of teaching became popular in the 1970s."

Unisa, the non-residential University of South Africa, has been awarding universally recognised distance learning degrees since 1951. More than 129,000 students from 28 countries are now enrolled. Sixty-five per cent of today's student body is African, and 55 per cent of these are women.

All those Anglo-Saxons who "invented" distance learning in the 1970s first made a pilgrimage to Unisa to see how it was done.

Prof Raymond J Smyke
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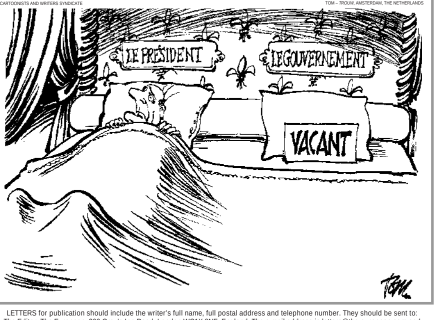
Morges, Switzerland

Drawn from Europe

CARTOONISTS AND WRITERS SYNDICATE — TOM – *TROUW*, AMSTERDAM, THE NETHERLANDS



LETTERS for publication should include the writer's full name, full postal address and telephone number. They should be sent to: The Editor, The European, 200 Gray's Inn Road, London WC1X 8NE, England. The e-mail address is letters@the-european.com and the fax number +(44) (0)171 713 1840. Shorter letters are more likely to appear. The Editor reserves the right to cut and edit letters.

Points of View

German gold YOUR lead story "Has Germany kissed the strong euro goodbye? (issue 367) was very disappointing. All the Germans have done is to value their gold at present prices. To me, this appears a sensible move.
Dr J J Bullen
E-mail: 106634.3012
@compuserve.com
Soulan de la Rochette, France

Airline security WHEN I checked in on a recent Delta Airlines flight from Atlanta to Paris via New York, my luggage was tagged all the way to Paris CDG. Although my luggage was dispatched on the first New York flight, and I had a confirmed ticket, the plane was overbooked and I was offloaded.

I am astonished that Delta allows luggage to fly without its owners, and that this is apparently common practice in the US.

How can this be tolerated? After all, it is Americans who are insisting that other states tighten their airline security.
Alexander Charalambous
Fleury en Bière, France

Quebec separatism HAD the referendum of two years ago gone his way, former Quebec premier Jacques Parizeau would have immediately and unilaterally declared independence, and then relied on swift recognition from France. This revelation has stunned Canada.

Only months before the referendum, Parizeau had agreed in the event of a Yes vote to a year of negotiations with the rest of Canada for an amicable divorce. For Quebec and France read Croatia and Germany.
Yugo Kovach
Twickenham, England

Placing a cross I AM utterly horrified by Chris Duggan's "Footprints on the Sands of Time" cartoon used to illustrate Ustinov at Large (issue 364). How can you possibly justify placing a Christian cross alongside such political symbols of oppression as the swastika, a hammer and sickle, and a handgun? Would you depict the symbol of any other religion in such a fashion? We need to deconstruct stereotypes and rise above them. Instead, mired in ignorance, you all choose to perpetuate hate and stupidity.
Maria Jerinic
Yonkers, New York, USA

The B-52 pilot brought down by hypocrisy

THE Victorians would not have been shocked by half the things that shock us today, simply because they would not have known about them. There were always two worlds then – above and below stairs in a household, high society and the urban working classes, toffs and the hoi polloi.

Under such circumstances there were things which could be said and things that could not be said; things which would be done and those which could not be done. There were prescribed ways for doing what was not allowed, provided you came from a privileged background which merited special consideration.

Apart from its evident virtues of enterprise, courage and self-discipline, the age furnished the ideal climate for the practice of hypocrisy, multiple standards and cruelty towards the defenceless. It is to the credit of the media that they destroyed the artificial barriers which divided people into pens, as in a gigantic cattle market. If there had been the technical means to bring to the attention of a Victorian gathering the extent of the horror in central Africa or in Afghanistan, the master of the house would sternly have admonished the technicians that such evidence was not for the drawing room and should be left to the Bengal Lancers or whatever punitive gunboats were available in the vicinity.

Today, every western parlour has a television set, with the horrors ready to parade before all eyes at the push of a button. Everyone knows everything, and there is no escape. All in all, it was high time, and yet there are moments even today when the heavy hand of Victorian morality is raised to rekindle the embers of the hypocrisy which optimists thought had burnt out forever.

Take the surprising case of First Lieutenant Kelly Flinn, the young woman who became the first female bomber pilot of the US air force – the pride of the nation, a new high in the long struggle for equality with men. Flinn is an attractive girl who used to wear her hair short, giving rise to fears that she might have lesbian tendencies. This fear was widely aired, but it created no particular concern among her colleagues, since it was deemed by largely masculine observers that any member of the fair sex harbouring ambitions to be a B-52 bomber pilot must be a little unusual, to say the least.

Ustinov at Large

'The US defence secretary's explanation highlighted the difference in standards applied to the sexes in the military'

Ironically, these rumours were not taken seriously as they would have been in the case of a male homosexual, eager to obey a call beyond the line of duty. All went well until Flinn decided to make herself even more attractive by altering her hairstyle. Her achievement in mastering the intricacies of a modern bomber became even more remarkable when it was seen that she was a normal, healthy individual with a surprising ambition. This transformation led her into the grateful arms of a married man awaiting a divorce. This is a phenomenon which is repeated a thousand times a day all over the globe, leaving scars and unhappiness perhaps, but without raising much of any eyebrow.

But not so fast. Not all adulterous women are bomber pilots. In fact, there is only one example to date. This seems to have given infidelity a new colour, as though dishonour to the flag was implied, and a role model had been miscast.

WILLIAM Cohen, the American defence secretary and former senator, a man with an enviable reputation among politicians, appears on television to try to explain why this young person does not deserve an honourable discharge from the air force. The Stars and Stripes is furled in the background to emphasise that Cohen is speaking with the full weight of the government behind him.

Several reactions spring immediately to mind. First, the suspicion that she might be lesbian caused no concern comparable to the sense of betrayal felt when she revealed herself to be a warm and fallible woman. Second, the difference in standards applied to the sexes in the military.

Scattered over the Far East and in many places in Europe, in the vicinity of military establishments either active or abandoned, you will find children at play who were born about the time that their fathers left for home to be demobilised.

There were GI wives, and in many cases, there still are, but there are also the offspring of fathers who never married the children's mothers. In some instances, these children can be identified by the luxurious American toys in their possession, usually sent just before Christmas.

As far as I know, none of these fathers was subject to punishments as draconian as dishonourable discharge. Is the only reason that the majority were not bomber pilots, or merely because they were men, inured to the boastful machismo and monotonous flow of four-letter words, beyond the need for role models? Such punishment may be in order for rape, but for a transitory love affair? Come on, Secretary Cohen.

In joyous contrast to this, the first American ambassador to Hanoi for many years stands a role model where one is really needed. Douglas "Pete" Peterson was a combat pilot, shot down over Vietnam and a prisoner of the Viet Cong. Peterson suffered in captivity, but he also had the character to learn about love and understanding. For Clinton to choose such a man at this time shows imagination, all that is lacking in the gratuitous cruelty extended to Flinn.

Peterson hugged elderly Vietnamese he had known in more troubled times, and exuded a festive sense of reconciliation, not only between governments, but between people. This is a far cry from the *mea culpa* of the poor Flinn, admitting her minor sin as though it were part of an indictment in some totalitarian courtroom.

Stand in the corner for the term of your natural life, girl. Go, join Dreyfus. Grotesque.

CYAN MAG YELO BLCK

France and Germany are Europe's sick men

THE ruling elites of France and Germany still insist that their countries will be linked by a single currency on schedule in 1999. But what their governments have in common in 1997 is failure: failure to meet the standards to qualify for the euro, failure to provide employment for their people, failure to get their countries into shape for the rigorous demands of global competition. Both governments also suffer from a congenital failure to tell their people some harsh realities.

President Chirac, who made absurd promises to cut dole queues, reduce taxes and increase public spending in his 1995 election campaign, has now paid the inevitable price for failing to deliver on any of them. His centre-right coalition suffered a humiliating rebuff in the first round of the French parliamentary elections, his prime minister has had to be sacrificed and he faces the daunting prospect of having to cohabit with a Socialist replacement for the rest of his presidency. Even if his coalition clings to power on Sunday, he will be a weakened, devalued president.

Chancellor Kohl prefers fiddling the figures of his country's precious gold reserves to an honest dialogue with his electorate about the costs of monetary union. If he succeeds in being re-elected next year that will say more about the ineptness of his Social Democrat opposition than any popular confidence in his ability to deliver sound economic management or enthusiasm for his grand euro-project. The current political travails of western Europe's two most powerful leaders, however, are insignificant compared with the economic damage they have done to their countries. As they slip down the international competitiveness league and are shunned by foreign investors, France and Germany are becoming the new sick men of Europe. Unless they modernise, they face the dismal prospect, which Britain only recently knew so well, of long-term economic decline.

The political elites in Paris and Bonn have yet to come to terms with this. The centre-right of both countries make only hesitant nods in the direction of radical market reforms and engage in a snail's progress towards them. The centre-left is still stuck in a collectivist time-warp, especially in France, where the Socialist party is spouting the same sort of drivel that got Chirac elected two years ago. If French voters fall for it again they will be disappointed again. A dangerous disillusion will set in, which extremists will seek to exploit. Last Sunday's first round of voting showed that the people of France have no stomach for the strong medicine needed to pep up their economy. By voting as they do, they are condemning themselves to decline. But the mainstream politicians, especially on the right, must share the blame: they have done precious little to prepare public opinion for the necessary reforms. Instead of laying the essential groundwork for more market-led economies the leaders of France and Germany have been stuck in the tunnel vision of qualifying for the single currency. They may even fail with that obsession.

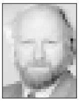
Without tax increases or further public spending cuts, France's deficit is likely to be 3.5 per cent of GDP this year, half a per cent above the Maastricht criteria. In Germany the Christian Democrat and Free Democrat coalition partners are squabbling over the need to increase taxes yet again to reduce their country's deficit by the Dm20 billion ($11.8bn) needed if it is to meet these conditions. As *The European* pointed out last week in a comment echoed throughout the continent, the chances of creating the strong euro that was promised at Maastricht are virtually non-existent.

Meanwhile rigor mortis is setting in to both economies. While Britain and the Netherlands climb up the World Economic Forum's league of international competitiveness, France slips back to 23rd position and investment stagnates; and Germany is relegated to a miserable 25th in the pecking order as the confidence of foreign and domestic investors collapses. Last year foreign investment in Germany plunged to a meagre Dm1.1 billion while German firms flooded overseas to invest a massive Dm38.8 billion. According to a National Chamber of Commerce and Industry survey, 28 per cent of 7,200 companies questioned planned to move their production base out of the country in the next three years.

If they stick to their present strategy, France and Germany are heading for the ultimate policy catastrophe – a euro without strength and economic austerity without structural reform. This prospect gives the rest of Europe little to be smug about. These states are major importers and the chill wind of their recession will be felt in factories across the Community. The French election results may yet shock President Chirac and Chancellor Kohl out of their current inertia, though on past experience nobody should count on it. If they do not, the consequences for Europe will be grave.

Even the *Financial Times* of London, an erstwhile enthusiast of monetary union, now fears that EMU on Bonn's terms will result in French politicians blaming the single currency and Germany for many of their country's woes: "European leaders, and Chancellor Kohl in particular," it commented in an editorial this week, "should ask themselves whether the risk of such divisiveness could outweigh the benefits of securing monetary union on schedule." We couldn't put it better ourselves.

Nato gambles on new world order



IAN MATHER

Can the alliance strengthen Europe's security framework, or will its high-risk strategy of eastwards expansion prompt a fresh bout of Russian paranoia?

CHRIS DUGGAN

THERE's a touch of schizophrenia about the West's policy for a new security system for Europe in the next century. In Paris on 27 May there were smiles and handshakes, and even kissing, as Nato leaders met President Boris Yeltsin to sign the Nato-Russia Founding Act, which establishes a new partnership between the former Cold War adversaries.

Two days later, foreign ministers from Nato countries were heading for Lisbon to further their plans to expand Nato up to Russia's borders. The policy of expansion was being pursued in spite of Russia's repeated vocal opposition. Russia was not invited to Portugal.

Nato's twin-track approach involves enlarging the alliance eastwards by taking in new members, while making gestures to Russia in the hope of preventing Moscow from plunging back into anti-western paranoia.

It is a gamble and the stakes are high. Decisions now being taken will determine whether the new world order, once announced prematurely by former US President George Bush in the euphoria surrounding the end of the Cold War, will arrive at last, or whether the old world disorder will reappear in a new but equally virulent form. Will it work? One thing is clear. The management of the transformation of the European security landscape will be a supreme test of the skills of western governments.

At the Nato summit in Madrid on 8-9 July Nato leaders will announce the names of those chosen to apply for membership. Yet the complications will begin almost immediately. Those certain to receive invitations are the Czech Republic, Hungary and Poland. But what about the rest? Slovenia and Romania are in fourth and fifth places and may be offered a lengthier timetable. Seven other former communist countries that have also applied may end up with nothing but words of encouragement.

It is no coincidence that the hot favourites for Nato membership are the same as the most likely candidates for the European Union, which is embarking on its own round of enlargement. Both organisations have established similar criteria for prospective members: a democratic, pluralist society, a market economy, respect for human rights, and the settlement of border disputes with neighbours. If the expansion of Nato and the enlargement of the European Union converge, the new fault line across Europe between those who are in and those who are out will widen into a chasm.

Such an outcome would produce dangerous resentment and instability as those excluded from both organisations respond by plunging into regressive politics. Yet that may not happen. A patchwork Europe, Europe à la carte, with different countries belonging to different European organisations, is the more likely outcome.

The Baltic states provide a classic example of what might happen. It is hard to see how the new positive relationship between Nato and Russia could survive if they joined Nato. Yet they stand a chance of getting into the EU, membership of which is less of a red rag to Moscow.

Other former communist states may eventually join the EU but not Nato. Bulgaria, a Nato aspirant, is a possible long-term EU member, having recently undergone a political upheaval. Ukraine is unlikely to join either western European organisation but is set to get its own charter with Nato. Other parts of the patchwork may not so readily fit into place. Albania is a mess. Slovakia has fallen by the wayside. Macedonia (FYR) faces opposition from Greece.

Can the West put its own house in order to match the new international security environment? Two developments are taking place. Nato is in the throes of internal reform, while the EU is struggling over whether to take on a defence capability. It is hoped to announce the "new Nato" in Madrid. But the need to cut the number of Nato commands involves national pride and sensitivities.

THE most acrimonious dispute concerns France, which argues that as proof of Nato's willingness to "Europeanise" its structure the Americans should make way for a European as head of the Naples-based Southern Command. The Americans, who have always held the post, have refused point blank on the grounds that the admiral in charge also commands the US Sixth Fleet.

France, which under President Chirac has been moving closer to Nato than at any time since De Gaulle took Paris out of the alliance's military structure in 1966, may delay its reintegration into the alliance, a vital element in Nato's reforms, until 1999 unless the dispute is solved. A fundamental question remains as to whether Europe really can provide for its own defence in the coming decades.

Its new flexible forces established for "Europe only", known as Combined Joint Task Forces (CJTFs), will not be able to travel except in heavy-airlift aircraft, which only the US possesses. They will also have to rely on the US for satellite intelligence. European governments are not prepared to fund either. Since the Americans will provide the means, they intend to maintain the right to approve any such missions, giving the US a de facto veto over any European military initiatives.

Europe's failure to develop CJTFs independent of the US provides ammunition for the sceptics who oppose current moves to give the EU a defence capability. France and Germany, supported by Italy, Belgium and Spain, have launched a bid to give the EU a genuine defence wing. This would be done through the EU taking over the Western Europe Union (WEU), a body whose members provide each other with security guarantees. They argue that a European defence capability is needed because Europe cannot assume that the US will remain committed to Europe. But the UK, and the neutrals in the EU, Austria, Finland, Ireland and Sweden are against the idea.

The Atlanticists in the alliance, the UK, the Netherlands and Denmark, fear that if Europe were to develop its own defence system it would encourage isolationist tendencies in the US. The new UK Labour government argues that no future European structure will carry the clout of Nato, led by the US with its nuclear umbrella and committed to the defence of Europe. The objection of EU neutrals, who are not members of the WEU, is that they would find themselves inside a military alliance by default.

But France will continue to seek to reduce the US influence, and Germany will continue to pursue the goal of a stronger European defence, so that it can play a larger regional role strictly through multilateral channels without being accused of reverting to its old aggressiveness. Finally, while Nato has made it clear that it will not be deterred from enlarging itself, the question of Russian reaction is of supreme importance.

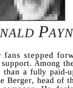
Yeltsin can point to Moscow's entry into the Group of Seven industrialised nations (G-7), which is about to become the G8 in Denver Colorado in June, and to promises of early membership of the World Trade Organisation. The Nato-Russia Founding Act is a landmark document. Yet it has none of the security guarantees demanded by Yeltsin, and is not legally binding. It is already being attacked in Russia.

If relations with Russia turn sour, Russia could withdraw from the multinational force in Bosnia (S-FOR) and from Nato's Partnership for Peace programme. It could refuse to ratify the Strategic Arms Reduction Talks (START II), which envisages even bolder cuts in Russian and US nuclear arsenals. It could reduce its commitment to the Organisation for Security and Co-operation in Europe (OSCE) and force it to withdraw from Chechnya and the Caucasus. It could seek to beef up the defence provisions of the Commonwealth of Independent States (CIS), put pressure on Ukraine, and even use force to try to repossess its "near abroad", former Soviet states that are now independent republics.

Or it could do none of these. Things depend on whether the Russian leadership can be persuaded that the benefits of the deal with the West are to be preferred to the costs of confrontation. The West has work to do.

Socialists under the skin cling to old certainties

PLUS ÇA CHANGE



RONALD PAYNE

SCRATCH just about anybody in France and you will find a socialist beneath the skin. At heart, men, women and children, tycoons and workers, all tend to believe in deluxe social security and in the state as the great employment agency.

Although they differ over details, they share a general fear of Anglo-Saxon brutalist economics. When in doubt, they take to the streets. That is why President Chirac and the electors are in such a pickle.

They are unable to think in terms of the painful changes that are needed. To see why, glance at the order of battle of the political parties. Admire the centre, with its bold array of Gaullists – small-s socialist democrats – for that was the position of the founder Charles de Gaulle. On the left are deployed battalions of the big-S Socialists brigaded with the rump of what was once the shock army of Marxist-Leninist Communists. That unit was shattered by the retreat of Moscow.

Though still important in the red belt of Paris, they cannot even find enough readers to keep afloat the party's daily newspaper, *l'Humanité*. In a truly desperate bid to save that grand old organ from extinction they are actually thinking about privatisation. When that was mooted a number of unlikely fans stepped forward to voice their support. Among them was none other than a fully paid-up capitalist, Pierre Berger, head of the Yves St Laurent company. He declared: "I still have my membership as *un ami de l'Humanité*." Great title, but see what I mean about the scratch test?

Even on the right of the line, where the ragged formations of their class enemy, the elite regiment of intellectuals skirmish with Front National squads – those who vote for Le Pen are national socialists at heart.

For the moment these nat-soc voters support him for his nasty attacks on immigrants, but they might just as happily wheel leftwards. Two hundred years of revolutions and an alien occupation or two have stamped a kind of perpetual gauchism upon France under the logos of liberty, freedom and equality.

A STRANGE new international alliance will come about, I predict, as a result of the proposal by the Blair government to ban fox hunting in Britain. The European Union in its Irish dimension could redress the balance of hunting intolerance in Britain.

The shortly to be oppressed minority of riders to hounds plan to take themselves – and possibly their foxes too – over to the Emerald Isle. Hunting is popular in Ireland and a so-far un-banned sport. No doubt the gentry from across the sea would be made welcome there. Not sure about their doggies though for there are plenty of rules and regulations about that sort of thing.

It would be a fine paradox if the Irish were to accept as their first refugees for years opulent men and women dressed in white breeches and red jackets. There is a precedent. Keen huntsmen from America, many of Irish ancestry, crossed the Atlantic to enjoy the jumps and gallops available in Ireland. One notable Virginian gentleman who took a shine to hunting in Ireland discovered that his heavy kit cost an awful lot in excess baggage charges made by the airlines. His simple solution was to fly over wearing the full outfit, boots, spurs and all to the amazement of fellow travellers. If the trans-border away-day fox hunting programme catches on, entire hunts, horses, packs of hounds and all will be off by train through the Channel Tunnel. To the stupefaction of business people and tourists, they will gallop off to escape persecution at home in the countryside of France, and Germany. "Tally ho for France," as the Duke of Wellington cried when he took his hounds to the Pyrenees after driving the French from Spain in the Peninsular War.

JOAN RUSSELL / GUZELIAN

End of the road: Britain proposes to ban hunting. Will Ireland offer a haven?

HOW not to do it. When the sad Alain Juppé was asked to produce his ID card before voting in Bordeaux, of which he is the mayor, he replied: "It is usually enough to be well known." It may be a good epitaph, but shows he is a suitable candidate for treatment by a spin doctor.

BARELY were the words off my computer screen about the imminence of demands that British barristers be derobed of their gowns and wigs, before a government minister proposed that very action.

It goes to show how dangerous it is to predict any kind of folly. For that reason I make a careful approach to another dangerous subject, namely sex.

The other day one of those reports endorsed by doctors and scientists caused angst among the male roving classes. It proved that too much love-making shortened men's life expectancy.

Similar reports that smoking shortened the life span of men and women were taken seriously and millions of people stopped smoking.

The question on my mind is: Will men desist and is this the first move to stamp out sex as we know it?

Serbian spring turns cold as protest dies

Julius Strauss in BELGRADE surveys the pro-democracy movement's failure to build on the winter's popular discontent

THE three coldest months of the year saw tens of thousands of pro-democracy demonstrators clog Belgrade city centre. They spoke about the Prague Spring, the fall of the Berlin Wall and their hopes that a free and liberal Serbia would emerge from the ashes of the bankrupt regime of Slobodan Milosevic.

At their head was Zajedno, an unlikely coalition of former nationalists and pacifists. Their leaders stood united in their aim to end an era that has seen Serbia become an international pariah and its citizens' living standards plummet.

Four months later, balmy weather has come to Belgrade but the political spring never arrived. The demonstrators have gone home and Milosevic is sitting pretty. His political grouping, the remnants of the Communist Party that has ruled Serbia since the Second World War, has a better than even chance of winning state elections later this year. Meanwhile, Zajedno (which means "Together" in Serbian) is on the brink of disintegration.

Opinion polls say Milosevic is the most popular Serbian politician. This is despite divisions in his Socialist Party, failure to offer citizens a vision for the future and his unrealised promises of economic post-sanction recovery. Even in the regions where Zajedno technically controls the local media, the equipment necessary to work it has been looted by departing Socialist flunkies. The fact that he still has a political future is largely thanks to the ineptitude of Zajedno's leaders, Vuk Draskovic and Zoran Djindjic, now mayor of Belgrade. The momentum they gained on the streets has been squandered by their public bickering.

> 'The support they gained has been squandered by public bickering'

"I am now the main enemy of Mr Djindjic, not Mr Milosevic," complained Draskovic speaking at the headquarters of his party, the Serbian Renewal Movement (SPO). "The moment the SPO nominated me for the post of president of Serbia, Djindjic started campaigning against me."

Draskovic, a political firebrand and the only force in Zajedno with a base of voters outside the Serbian capital, has reason to whinge. According to a deal struck in November, Djindjic agreed to support Draskovic's candidacy in elections due by the end of the year.

During the last days of the January demonstrations, Djindjic secretly met with Milosevic. He did not tell Draskovic until two months later. Draskovic understands that Milosevic told him: "I'm closer to you than Draskovic, we have a lot of common interests. Let's make a strategy against him. If the wins, we will have Nato forces in Serbia and he will restore the monarchy." Draskovic commented: "It's very strange that Djindjic did all these things behind my back."

So what does Djindjic have to say about the meeting? "Milosevic didn't say anything of consequence. We talked for about half an hour about nothing at all really. I didn't tell Draskovic because I didn't want it printed in the papers."

For Draskovic, such contact with the enemy is anathema. His flowing mane of hair and fiery rhetoric are reminiscent of an old-world poet-warrior. His style of doing business is to invite an ally to his office and over a bottle of whisky discuss grand ideas. As one commentator put it: "He's a dreamer."

Djindjic, by contrast, is a man with few principles other than reaching power. If he thinks Draskovic can win the presidential race for Zajedno he will back him. But if he judges that Draskovic will lose, then he will withdraw support.

He admits there was a deal: "It's true we did make an agreement that the SPO can choose a candidate for the presidency, but based on a common campaign strategy. If I think that Draskovic can win the elections, I will support him. But I don't see any reason why we have to have good personal relations. Last year we had good relations and got 950,000 votes. The Socialist Party [SPS] and the United Yugoslav Left [JUL] had terrible relations but got 1,800,000. If we can't raise Serbia behind us, we can love each other as much as we like but we won't win."

The two are also divided by serious policy arguments. Draskovic is virulently anti-communist and an outspoken supporter of the return of the monarchy. He wants to tear Serbian structures apart and replace them with new ones drawing inspiration from pre-communist days. "I don't want to repair Milosevic's house. I want to build a new one," he said. "I will do all I can to save the Zajedno coalition but I will not co-operate with Milosevic."

Djindjic favours steady reforms and dialogue with all. "Milosevic is not the only one I met. During the demonstrations I met the chief of police, chief of the special units, I even met Arkan," he says, referring to Serbia's notorious guerrilla chief indicted for war crimes.

These different approaches have already led to clashes in the workings of the shared Belgrade city assembly. Draskovic has asked that Revolution Boulevard be renamed King Alexander Street. Djindjic refused. He asked that 7 June Street (marking a communist holiday) be renamed King Peter Street. Again Djindjic refused. "These symbolic things show who is who in the coalition," said Draskovic testily.

The acrimony runs deeper. Draskovic supported Djindjic in his successful campaign for mayor of Belgrade and promised to back him as candidate for prime minister of Serbia. But when Draskovic pushed ahead with announcing his presidential candidacy a month back, Djindjic balked. He was quoted by the local media as saying: "It's no good running a frog in a horserace."

Djindjic commented: "All I meant was that it was too early to speculate on candidates. If our electoral strategy demands that we compete in a horse race and we have previously nominated a frog, it will never win."

SUCH comments infuriate Draskovic, but what angers him more is Djindjic's friendship with members of the ruling Socialist Party and JUL, the party of Milosevic's wife, Mira Markovic. A Belgrade newspaper satirised these links with a photo showing Djindjic partying with members of the SPS and JUL. The picture caption, pointing up the irony, read: "Zajedno".

Draskovic's suspicions of Djindjic are understandable. The son of a communist-era Yugoslav army officer, Djindjic was until 1995 an avid supporter of the Serbian cause in Bosnia and a friend of Bosnian Serb leader Radovan Karadzic. Now he has dumped Karadzic, preferring to court the West.

Draskovic by contrast, although a Serbian nationalist in the early 1990s, led anti-war demonstrations in 1993 for which, along with his wife, he was imprisoned by Milosevic and tortured. "Djindjic was working together with Milosevic when I was arrested. After Bosnia's Dayton peace agreement he changed and it was with my help that we created Zajedno. Now it seems that old friends are restoring old relationships," he said.

So, given the divisions, what are Zajedno's chances? Ironically, they hang on Milosevic. Recently, Milosevic aides have hinted that he may stand for a third term as Serbian president – a move that would be flagrantly anti-constitutional. So far he has reneged on promises made to western leaders to free the state-run media and respect the rule of law. Common opposition to these abuses helps to prevent Zajedno from splitting and both Djindjic and Draskovic agree they will return to the streets if Milosevic fails to deliver.

Djindjic said: "It was my opinion that we shouldn't have stopped demonstrating last time. We should have continued until we had greater guarantees of media freedom and the promise of investigations into police brutality." Draskovic agrees: "If Milosevic does not change, fighting on the streets for our rights will be the only option."

The presence of riot police and the prospect of finishing unfinished business would concentrate the minds of Zajedno's collective leadership wonderfully: It could even restore unity and bring them back together.

Together then: Zajedno leaders Vuk Draskovic (left) and Djindjic last December

Supping with the enemy? Zoran Djindjic (left), mayor of Belgrade and Zajedno leader, with Slobodan Vucelic of Milosevic's Socialist Party

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Linguists lost for words as machines take over

Powerful computers may spell the end for EU translators, writes Paola Buonadonna

WHEN chess grandmaster Garry Kasparov lost to the IBM computer Deep Blue, he simply claimed that the computer had cheated.

The corps of European Union translators in Brussels are not going to have that excuse. They could, it seems, be the next victims of the struggle between man and machine.

After its uncertain beginnings and years in the experimental wilderness, electronic translation is becoming an increasingly viable tool for multilingual bureaucracies.

The European Union, which has 11 official languages (compared with the six used by the United Nations) spends on average two per cent or about Ecu16 million ($18m) of its yearly budget on translation and interpretation.

Twenty years ago the European Commission bought the rights to the Systran computer program from its idealistic creator, Hungarian Peter Toma. With the advent of electronic mail, every Commission official became able to access the program, and the number of pages translated through Systran has shot up from 4,000 in 1988 to 140,000 in 1994. The projection for this year is 300,000 pages.

But there is still some comfort for the translators, or perhaps it is a case of clutching at straws. Scottish linguist Dorothy Senez, a translator in the Commission for many years, is one of the system's advocates, but even she does not see it taking over entirely.

"The machine does not interpret the language or the meaning of words," said Senez, now one of a handful of internal staff dealing with the program full time. "Spelling mistakes are not recognised. Poetic metaphors fall completely flat."

However, the system is extremely useful for producing fast, rough translations of repetitive or technical documents. Translators use it mostly to produce a rough first draft. Other officials use it as a scanning tool for lengthy documents that they would not otherwise understand, or to draft notes and memos for a superior who speaks another language.

"The system works on the principle of pairing two languages, English-French being the original pair.

"With Systran we may have to review the job of the translator," said Christian Heynold, a senior official in the Commission's translation service, with more than 1,200 staff. "But you would not trust the machine to go it alone. A tiny mistake in a document for the Court of Justice could cost millions."

Systran has so far cost taxpayers Ecu40m. The annual costs go down as the basic language pairs are fully developed, but more money is being poured into research for new ones, at a cost this year of Ecu1.8m.

Long term, with enlargement to ten or more states looming, the EU commitment to multilingualism – described by former Commission president Jacques Delors as "the price we have to pay for peace", may wane.

Luxemburger Colette Flesch knows a thing or two about the challenges of enlargement. Her brief as the new head of the Commission's translation service is to pave the way for the entry of new countries while keeping a watchful eye on costs.

"Every legislative text will, of course, have to be available in all the official languages of the Union," she said. "It would widen the gulf between citizens and the institutions to do otherwise. But we will have to reduce the number of documents, notes, drafts and the like which really need full translation."

The translators accept that Systran will never replace qualified professionals. At least, that is, until the next technological leap forward. After all, Kasparov did win his *first* battle with Deep Blue.

The would-be chancellor dismisses claims of fascist sympathies. But they won't go away

The Right man for Austria?

Portrait
Jörg Haider

THE three flags behind Jörg Haider's desk, ranged presidential-style, represent the American inspiration for his political strategy. To the left is the Stars and Stripes, in the centre the Austrian imperial eagle and to the right the Californian flag, borrowed because of its symbol of a bear, signifying Haider's native Bärenthal, the Carinthian valley he inherited from an uncle who bought the land from fleeing Jews before the Second World War.

Sitting in his headquarters overlooking Vienna's parliament buildings, the tanned 46-year-old has the looks and easy manner of a Tyrolean skiing instructor. He presents a picture of moderation that makes it difficult to see him as the most feared politician in Austria and leader of the most powerful far-right party in Europe.

In just ten years, Haider has sent shock waves through Austria's political establishment with his brand of opportunistic populism. Under his leadership the nationalist Freedom Party's support has rocketed from just five per cent of the popular vote in 1986 to almost 23 per cent in 1994, providing the only effective opposition to the Social Democrat-Conservative red-black coalition.

Last October Haider surprised even himself and caused concern throughout Europe by winning nearly 28 per cent of the vote in the European Parliament elections.

The man who said last year that Hitler's employment policy was "correct" and who has been seen in company with former Waffen SS officers even accuses French Front National leader Jean-Marie Le Pen of right-wing extremism. "It is not useful to make a comparison between me and Le Pen either on a personal or political level," he said to the suggestion that the two have much in common. "Le Pen is a racist, really. And if you read our statements you will not find any racism. That is not our philosophy, because we only want to have a peaceful social and economic development for Austria.

"That means we can accept only the people for whom we have working places and for whom we have housing. We are a small country in the middle of Europe, and if our neighbouring countries close their borders because they want to prevent immigration, we cannot keep our borders open."

Haider denies that he has taken the Freedom Party to the far right. "This is one of the stories spread by our political opponents," he said. "We are about of the others because we are reformers. If you look at the past ten years, all our proposals, such as reducing the privileges of political parties, such as reforming the social security system and the banking system – which our opponents used to criticise as unrealistic – are now becoming accepted."

Haider likes to portray himself as an outsider, a position from which he can attack with impunity the fossilised major parties who have held power for 27 years. His rhetoric against immigration has won him many admirers at a time when Austria's unemployment rate – though low by European standards – has hit 300,000, its highest level since the Second World War.

But critics point to numerous inconsistencies in his pronouncements. Before Austria joined the European Union in 1994, for example, he was one of Europe's stoutest advocates. But before the referendum he performed a *volte face* and has been railing against Maastricht ever since. "He will tell you exactly what you want to hear," said one of Haider's opponents.

From the moment he entered parliament in 1979 Haider's charisma set him apart from the grey men of Austrian politics. Zipping around the country by helicopter or in his black Porsche convertible, he behaves like a pop star, and shares President Bill Clinton's ability to work a room with consummate ease, slapping his arm around shoulders, using the familiar *du* form of address. On the hustings he has perfected a folksy and inflammatory style, while in parliament he is a frequent and eloquent speaker.

He has learned much from US politics. He spent last summer at Harvard improving his English and networking. He presents visitors with a glossy autographed album packed with photographs of "Jörgl", always smiling broadly, in a variety of poses: campaigner, family man, statesman, barechested action man. He admits cheerfully that there is nothing he would not do for a photo opportunity.

Does Haider feel he has been misunderstood or misrepresented by the media? "Not really," he smiles. "No one abroad knows anything about the Social Democrats or the People's Party but many have some knowledge of Jörg Haider – sometimes the wrong knowledge, but it gives me a splendid opportunity to explain what our real political aims are. Our opponents are afraid of losing their power, so they use their influence to discredit the Freedom Party abroad."

> 'I care only about basic values such as faith, honour and family'

THERE is no doubt that Haider comes from a background steeped in Nazi ideology – his mother was a member of the *Bund Deutscher Mädchen*, part of the Hitler Youth movement; his father in the Nazi SA (the brownshirt militia) – but he has avoided making anti-Semitic remarks, preferring to tap his countrymen's racism more obliquely with scaremongering about floods of Turkish and eastern European immigrants. Any suggestion that he has fascist tendencies is, he claims, the result of his words being taken out of context.

"Often it's a result of bad translation," he said. "When I say I want to have a Europe of the Fatherlands, this is the idea of Adenauer and De Gaulle. And when I was attacked about my statement concerning the employment policy of the Third Reich, people were only informed about the one sentence, not about the whole debate."

However, he cannot deny that he was filmed addressing a secret meeting of SS veterans as "decent, open-minded people" two years ago. "I was there because it's a traditional meeting where you find Austrian ministers, regional governors, the Bishop of Carinthia. It's not a bad thing. It's a meeting of veterans of the two sides of the World War: the Americans come, the Italians come, and they stay there together with former Austrian and German soldiers."

Haider is a new phenomenon, a post-fascist who eschews ideology. "I have never cared about ideology," he said, "only about basic values such as faith, honour and family. We don't need ideologies, we need solutions for new social problems. And I think the party that is willing to come up with solutions will win the next election in Austria."

His opponents in government, locked in an uneasy coalition, know this to be true. Vice-chancellor Wolfgang Schüssel acknowledges that Haider is seen as the agenda setter, not merely carping from the sidelines. "I see the danger of Dr Haider, and the only answer is to deliver government, not reaction – *Regierung* not *Reagierung*," he said.

Chancellor Viktor Klima makes a similar point. "I think the best strategy against Dr Haider is to demonstrate that this government is able to solve Austria's problems efficiently and with social feeling."

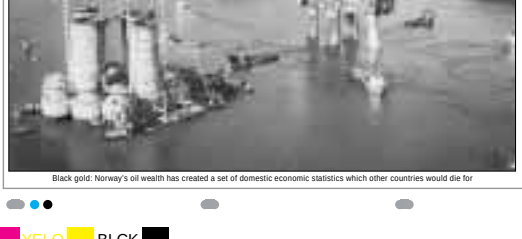
The danger Haider's opponents see in him is that his perceived extreme views could polarise the nation and isolate Austria in the world just as Kurt Waldheim's presidency did.

"I want to be Chancellor in 1999," Haider said. "And I think I stand a good chance. For a long time the Socialist Party said that I was a danger, that the way I handled politics and my style was very bad. Now Chancellor Klima tries to copy my style. I say the original is always better than the imitation."

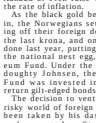
Saskia Sissons

View from the top: 'If you read our statements you will not find any racism,' says Freedom Party leader Jörg Haider

Norway lubricates oil wealth with a flutter overseas



Black gold: Norway's oil wealth has created a set of domestic economic statistics which other countries would die for



The Scandinavian country has always been cautious in how it invests its North Sea riches. But now it is venturing into the risky world of foreign equities, writes Birna Helgadottir

IT was a 19th century Norwegian economist, Thorstein Veblen, who coined the phrase "conspicuous consumption". His countrymen have been trying to live it down ever since.

While the nations of the Gulf have become a byword for ostentatious enjoyment of oil riches, the austere Norwegians take a very different approach. They are almost embarrassed by the rude health of their petroleum-fired economy, and quite horrified by the febrile effect that a $9 billion budget surplus could have on it.

Earlier this month, in a desperate attempt to be relieved of this embarrassment of riches, they announced they would be divesting a large proportion of it on the international stockmarket.

As the former minister of finance Sigbjorn Johnsen used to say in his broad dialect, "It is very good to have money in the bank-book." This was as much a moral statement as a policy announcement, and it met with widespread public approval.

When the North Sea oil and gas boom took off, there was no push to transform Oslo into a modern Xanadu or even raise wages above the rate of inflation.

As the black gold began to pour in, the Norwegians set about paying off their foreign debt down to the last krona, and once this was done last year, putting money into the national nest egg, the Petroleum Fund. Under the aegis of the doughty Johnsen, the Petroleum Fund was invested in safe, low-return gilt-edged bonds.

The decision to venture into the risky world of foreign equities has been taken by his dashing young replacement, Jens Stoltenberg. In the new revised budget, only a quarter of this year's North Sea profits will be used for public spending. Of the Nkr60 billion budget surplus, up to 50 per cent will be invested in the international market. The portfolio will be operated by Norges Bank, but some parts may be placed with external fund managers.

The budget has been well received on the whole. There have been some voices of concern about gambling public money abroad, but most people realise that it is quite unnecessary, even unwise, to invest too much in the domestic market.

"The economy is already quite warm enough," said commentator Andreas Hompland. "Any more money would overheat it. The problem with Norwegian businesses is not lack of capital but lack of ideas." According to Hompland, the only real criticisms have been moral ones. Some people feel that Norway, peace-broker and ecoguardian of the world, should maintain a "green portfolio" and eschew companies which deal in arms or tobacco or which plunder the environment. Stoltenberg, however, has no such qualms and defends his position by pointing out that even a 0.1 per cent interest difference will mean millions of extra kroner for the pensioners of the future.

Already, the 4.3 million population, their children and their children's children are looking forward to the rosiest retirement in Europe. While the rest of the continent grapples with a desperate pensions crisis, the Norwegians have worked out that there should be no need to revise their extremely generous pension system for the next 100 years.

Alongside the official state pension fund, the Petroleum Fund will provide. According to forecasts, by the year 2001 it will have accumulated capital of $60 billion; almost certainly the biggest investment fund in Europe. Come the millennium, Norway could buy up any company in the world if it chooses.

But, according to Hompland: "Shell and General Motors can rest easy. Norway has no world capitalist ambitions." Indeed, Stoltenberg has made it very clear that there will be no attempts to buy controlling interests in any company: the Norwegians have presumably learnt from the Kuwaitis and the furore surrounding their attempts to buy into British Petroleum.

The Petroleum Fund is also intended to help restructure Norwegian industry once the oil boom is over.

Norway is currently the joint sixth largest oil producer in the world, and production is rising. It is still sitting on Nkr1,100 billion worth of petroleum, which is estimated to last until at least 2015, and that estimate is based merely on discovered reserves.

Every year, improving technology opens up previously inaccessible fields, such as those around the Barents Sea. Gas, which was burnt off in the past, is now being exported via state-of-the-art pipelines. The Norwegians have been busy signing international deals related to export and storage of hydrocarbon products – one involves storage of Norwegian gas in reservoirs off the British coast.

All this means economic statistics to die for: 2.5 per cent inflation, 3.9 per cent economic growth, 3.5 per cent unemployment. But even these may not save Stoltenberg and his fellow Social Democrats who are in serious trouble in the run-up to the autumn election.

They have slipped below the vital 30 per cent barrier in the opinion polls. And to make matters worse, the opposition has at last come up with a credible prime ministerial candidate to oppose Thorbjorn Jagland: Kjell Magne Bondevik, a former finance minister from the Christian People's Party.

But while politicians come and go, the Petroleum Fund will stand rock firm. If the centrist opposition gains power, there will be a little more welfare spending, but nothing profligate.

"Whoever is in charge may tinker a little with investment policy. But on the whole it has very broad-based support," said Hompland. "Norwegians love the idea of being a nation concerned about the future."

Tycoon's American daughter upsets his heirs by claiming a share of her late father's fortune

Niarchos billions and the poor little rich girl

The shipping magnate's complicated married life has ended in acrimony. Paul Anastasi reports

THIRTY-ONE years ago a daughter was born to two of the richest people in the world. The Manhattan New York Hospital issued a birth certificate to the couple who then turned their backs on each other and proceeded independently with their high-powered lives.

By the time of the birth on 26 May 1966, a rift was already dividing Greek shipping tycoon Stavros Niarchos, then 56, and New Yorker Charlotte McDonald Ford, 31 years his junior and a member of the Detroit Ford motor car family.

Six months before the birth the couple had held a hasty wedding in Mexico, but the marriage was dissolved before the child was a year old. Financial provision was made for the young American and her baby, and there was little further contact.

Then last year, Niarchos died in Switzerland at the age of 86. His child, Helen Anna Ford-Niarchos, is staking her claim to her father's fortune.

Helen Ford, as she identifies herself, has resorted to both Swiss and Greek courts to demand ten per cent, or an estimated $1 billion, of the dead tycoon's inheritance.

Her actions are being contested by shipowner Constantine Drakopoulos, nephew of the shipping magnate. Drakopoulos was Niarchos's close business associate and is one of the heirs to an estimated $10bn fortune.

The Drakopoulos case rests on a legal victory by Eugenia Niarchos, the long-standing wife of the tycoon, who bore him four children but died in 1970 from an overdose of barbiturates.

Ford opened her battle for the billion in Switzerland and has already achieved one success. The Swiss courts have temporarily frozen all actions linked to the execution of Niarchos's will until the conflicting claims are settled.

On 1 May Ford's lawyers argued before the Greek courts that only Swiss courts had the jurisdiction to decide on her claim because Niarchos was a permanent resident of Switzerland.

DRAKOPOULOS counter-attacked in the Greek courts on 12 May, seeking a ruling that Ford had no inheritance rights and that sole jurisdiction for the execution of Niarchos's will should lie with Greek law – as specified in the will of the billionaire himself.

The next key hearing will be before the Greek courts on 20 October.

Ford is protesting that she was not included in the will, even though she is Niarchos's legitimately recognised daughter.

But, according to Drakopoulos's written court statement, Ford has no right to claim a share of the inheritance because her parents' marriage was declared null and void by Greek courts and by Niarchos himself.

The roots of the contesting claims date back to the 1960s when Niarchos hurriedly married a pregnant Charlotte Ford in a civil wedding in Mexico on 16 December 1965. His Greek wife Eugenia, the mother of his four children who are the principal heirs, granted her husband a divorce so that he could marry, but the civil ceremony was never consecrated in a church.

Immediately after the 1965 ceremony Niarchos, his two "wives" and his children shared a *ménage à huit* at the tycoon's Swiss chalet.

In October 1966, five months after Helen's birth, Eugenia went to the Greek courts and won a decision that the Mexico marriage was null and void because it was never validated by a religious wedding, as Greek law then required. The decision also reinstated her as the single, uninterrupted wife of Niarchos: even though she had agreed to give him a divorce, in Greek law she remained his sole legal wife.

Niarchos recognised Helen as his daughter in the official documents signed in New York in May 1966, and, according to Athens legal sources, gave "a valuable piece of New York property" to Charlotte and "several million dollars" to the baby girl to be handed over in cash when she reached the age of 21. Both sides soon broke off contact, to the point that Niarchos did not even attend Ford's wedding.

The legal action by Eugenia, stating her claim to be the sole, uninterrupted legal wife, forms the basis of the case that Niarchos's heirs are relying upon today. They express confidence that they will win the case and that Ford will be excluded.

Other more cynical legal experts in Athens predict a generous out-of-court settlement for Ford, recalling how heirs of Aristotle Onassis bought out his former wife Jackie Kennedy when faced with similar inheritance claims.

Drakopoulos's associates say there are nine main heirs to the Niarchos fortune. The large majority of the wealth, they maintain, goes to his children, Philip, Spyros, Kostas and Maria. The first two brothers have both married daughters of the Irish Guinness brewery family

Twenty per cent of the wealth, about $2bn, goes to the Liechtenstein-based Stavros S Niarchos Foundation for the purpose of financing welfare, educational and cultural projects in Greece. Its headquarters are in Athens, with Constantine Drakopoulos as its head.

Ironically, by the time of his death, only 15 per cent of Niarchos's wealth came from shipping. He and his sons had trimmed the fleet down to one-third of the 80 ships and 3.7 million tonnes that it had reached in the mid-1970s. The rest of the wealth derives from property, gold, stocks and shares, one of the world's largest collections of art works, racehorses and two per cent of Citibank.

DETROIT NEWS/SRP

In search of a legacy: Helen Ford with her husband last June

PIERRE BOULAT/SIPA/REX

Blade runner: Niarchos in the Athens dockyard that made his fortune. At his death he was worth $10bn

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Pfizer forum EUROPE

Time To Take Our Medicines Seriously

BY JOHN URQUHART M.D.

According to an expert on pharmacoepidemiology, failure by patients to take medicines as prescribed can lead to serious health problems and higher medical costs.

Prescription drugs are now a main interventional arm in medicine, but this is mostly a post-war development. When I studied medicine during the 1950's, most of my professors had learned medicine before the momentous transformation brought by antibiotics, which gave us the upper hand with most bacterial infections, supplanting age-old defencelessness. Other advances followed, changing the pharmaceutical marketplace from few to many products of proven therapeutic efficacy, for a widening array of ills.

Historically, medicines were held in low repute. In about 1860, Oliver Wendell Holmes remarked that dumping the entire pharmacopoeia into the sea would harm only the fishes. Osler's 1892 Textbook of Medicine hardly mentions treatment, but in the 1890's, the chemical industry began to seek medicinal properties in chemicals. A few important medicines resulted before 1940, but then progress accelerated – the wartime development of penicillin, the first drugs for tuberculosis (TB), steroids, broad-spectrum antibiotics, oral contraceptives. Sustained public investment in biomedical research has been invaluable, providing both new knowledge and scientific education for those needed to work in academia, industry, and regulatory agencies.

Today's newest medicines are based on very recent scientific advances in genetics, immunology, and cell physiology. Yet the Director General of the World Health Organisation recently stated that the most important medical advance of the last decade was not a new drug, but a method of drug treatment, called Directly Observed Therapy (DOT), for assuring correct taking of anti-TB medicines. DOT requires patients to come to the TB clinic four times a week to be observed taking their medicines.

There are several reasons for DOT's importance. First, medicines work poorly or not at all unless dosed consistently. Dosing lapses allow drug-resistant bacilli to develop. TB remains highly contagious, but treatment options are few when resistance develops to first-line drugs. Proliferation of TB bacilli resistant to all available drugs would turn the medical clock back a century, when TB was the No.1 killer. The use of DOT which ensures patients take their medicines consistently gives superior results: highest cure rates, lowest rates of relapse and drug-resistance.

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DOT underscores a basic truth about medicines: effectiveness depends upon correct use. Correct use is the goal of the partnership between patient, physician, and pharmacist: correct diagnosis and rational prescribing from the physician, accurate dispensing from the pharmacist: accurate dosing instructions from both. Inconsistent dosing by the patient nullifies drug action, adds risk, and increases care costs.

The specifics vary widely, by drug, disease, and the patient's overall condition. Cholesterol-lowering drugs, for example, are about four times more effective in those who dose correctly than in the 25% of patients who comply least well. About 2/3rds of hospitalizations for complications of heart failure arise from poor compliance with drug regimens. Poor compliance with immune-suppressants is a leading cause of organ transplant rejection.

We've recently learned much about compliance from studies with drug packages that electronically record times when dosing occurs. One patient in about 6 skips doses for several days or more ('drug holidays') at least monthly; another 1 in about 6 has drug holidays 3-4 times per year, missing many single doses in between. Surprisingly, people in all social strata, and with a wide array of diseases, make these errors - even health professionals. The electronic records of dosing pinpoint when drug holidays occur, which helps clarify their role in failed or problem-ridden drug treatment. Recent work indicates that holidays with the newest class of anti-HIV drugs give rise to drug-resistant HIV; holidays with some cardiovascular drugs increase the risk of heart attacks.

One way to prevent lapses in dosing is to inventory the patient's daily routines and to link dosing firmly to one of the more robust routines. Many patients take this common-sense approach without help, but not all think to do it. Naturally, it presumes that the patient has routines and accepts the principle of treatment; either may be missing, so there is no panacea.

With infectious diseases, like TB and HIV, good compliance not only serves the patient's interest, but is an ethical obligation, to prevent spread of drug-resistant micro-organisms. With all diseases, the costs of treatment are shared through systems of governmental or private insurance. These may make health care seem 'free', but of course it is not: free compliance with rationally prescribed drug regimens complicates care, adds risk, and increases the costs we all have to pay. Thus, we all have an obligation, if we accept the principle of treatment, to take our medicines, seriously.

John Urquhart is Professor of Pharmaco-Epidemiology at Maastricht University, The Netherlands.

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A snapshot of the artist as a reluctant celebrity

Henri Cartier-Bresson doesn't give interviews. So Ian Phillips went to meet him in PARIS

FERDINANDO SCIANNA/MAGNUM

In focus: 'I had said everything I had to say' with the camera

HENRI Cartier-Bresson, 88, doesn't like giving interviews. In fact the legendary photographer doesn't give them as such. If he does agree to meet, it is on the condition that you don't tape the conversation, that you don't take notes and that you don't even fire questions at him. "I prefer to have discussions," he says. "Doing an interview is like being in front of a magistrate."

He also doesn't like being photographed. Throughout his career he has closely guarded his anonymity and portraits of him are few and far between. A few years ago he agreed to participate in a television documentary only on the condition that his face was not shown.

"The only people we film from behind are prostitutes and gangsters," said the astounded director. "Well, photographers and prostitutes do both earn their living on the streets," replied Cartier-Bresson.

Furthermore, he doesn't want to talk about photography despite the fact that a major retrospective entitled Des Européennes at Paris's Maison Européenne de la Photo is reviving interest in his work. Cartier-Bresson has always insisted that "for me, painting has always been most important. Photography is simply a sideline".

He gave up photo-journalism at the beginning of the 1970s ("because I had said everything I had to say"), and has since mostly devoted himself to drawing. "It is contemplation and meditation. It gives me an inner space and it's not important whether people like it or not," he says.

He does still take out his Leica from time to time to take the odd portrait or to snap a landscape. So we meet on the condition that we steer clear of the subject of photography. Instead, he agrees to talk about his life, the Europe of his youth and things in general.

His own life has been the story of great professional success. He was born into a bourgeois family near Paris in 1908 and originally studied painting. By his early twenties he was hanging out with the Surrealists, being invited to Marie-Louise Bousquet's famous Parisian salon and befriending the likes of Max Jacob and Marcel Duchamp. He was also taken to Gertrude Stein's house, but she dismissed his paintings with one disparaging look.

So he became a photographer in the 1930s after seeing a picture by Martin Munkaszi of three Africans running into the sea. "I was startled. I said to myself, 'My God, you can do that with a camera'." After the war, he co-founded the Magnum photo agency and was the first western photographer to be admitted into the Soviet Union after Stalin's death. He was also present at Gandhi's funeral, witnessed the first civil rights sit-in at Alabama and later spent two weeks following Bobby Kennedy during his time as American justice minister.

The current show, running until 22 June, is a selection of shots from over 40 years of travels around Europe, which demonstrates the genius that lead many to describe Cartier-Bresson as the greatest photojournalist.

His sense of geometry is brought to the fore in photos of lines of benches and trees. He depicts his human subjects with compassion and truth. Most of them are working class. There is a family on a houseboat on the Seine and a group of women cutting hair in a Spanish street. He also manages to capture amusing visual coincidences on film. As you look at the photo of two ducks swimming past a couple floating on their backs in a lake, it is impossible not to break into a smile.

We meet in one of the exhibition rooms during a private showing for a few friends. Cartier-Bresson is dressed in a pale green V-neck woollen sweater and wears a bright red cravat. He now walks with the aid of a stick, but while his body is frail, he remains remarkably vibrant. His face is kindly, but rather non-descript apart from a pair of piercing pale blue eyes. The crown of his head is now completely bald, the hair that he still has is white and he wears a hearing aid in both ears.

Our "discussion" gets off to a tricky start. I compliment him on the exhibition – the finest the Maison Européenne de la Photo has held since its inauguration in 1995 – he scowls and raises both his hands up in front of his face. "It's nothing. It's nothing," he insists, waving dismissively at the photos on the wall. Yet, while not wanting to talk about photography, he provides glimpses into his views on the medium. He mentions that he has never cropped his images, that photography is simply a means of "instantaneous drawing" and that its main importance is that it allows for the expression of the subconscious.

He is more willing to talk about his views on modern society, saying: "We were much better off in the fifth century BC." He is currently rereading Proust "for the last time ... perhaps".

Indeed, when you get him out of the defensive mood which the subject of photography seems to provoke, Cartier-Bresson is extremely likeable and down-to-earth. One of the reasons he put down his camera in the 1970s was to shun the power which fame might have given him. He seems decidedly sceptical about the importance of success.

"As Cocteau once said, there is nothing which goes out of fashion as quickly as fashion," he declares. Nevertheless, it may be some while yet before his own images slip out of style.

Diva dives into heavy metal

Motorhead beware. Montserrat Caballé, grand Spanish soprano, has moved into rock music, writes Giles Tremlett in MADRID

Mixing it: Caballé on stage with the late Freddie Mercury of Queen, with whom she recorded her first popular hit. 'I opened a path of comprehension and tolerance between opera, pop and rock'

JUST how much fame and money does the Spanish diva Montserrat Caballé need? After 30 years and more than 90 roles, her company of the world's opera houses is complete.

Now, in a move that has startled her genteel admirers, Caballé has launched an unprecedented attempt to conquer the hearts of Europe's army of leather-clad heavy metal fans.

"This is pure fire," the imposing Spanish soprano enthused at the presentation of her new record, Friends for Life, which includes a duet with Bruce Dickinson, the former lead singer of one of Britain's best-known heavy metal bands, Iron Maiden.

The album also features a series of "duets" with Swiss heavy metal group Gotthard and a selection of European rock stars, including France's Johnny Hallyday and Ireland's multiple winner of the Eurovision Song Contest, Johnny Logan.

Caballé, 64, has left other opera singers behind in her headlong rush into the world of popular music. The three tenors, Luciano Pavarotti, Placido Domingo and José Carreras, have drawn the line at jaunty, toe-tapping renditions of popular songs such as Singing in the Rain. But Caballé, who was first introduced to the pop world by the late Freddie Mercury, inspirational leader of Queen, has gone directly to the hard core of rock.

Her venture has left opera buffs reeling. Barcelona's *La Vanguardia* newspaper felt forced to ponder what had driven one of the city's most revered cultural icons into the tattooed embrace of heavy metal.

"Why would one of the most celebrated opera singers in history decide at the age of 64 to enter an unknown musical world?" it fretted. "Will this really add to her fame or her prestige?"

But Caballé brushed aside the purists' complaints. She explained that her previous encounter with the rock world, the international hit called Barcelona, with Mercury, had left her wanting more.

"It is very important that we opera people mix with artists from these genres and that young people do not see us as elitist and inaccessible," Caballé said. "These young artists work extremely hard. They are totally devoted to their music and are prepared to spend hours in the recording studio."

Caballé saw her collaboration with Mercury, with whom she also starred in a typically over-the-top camp video, as a pioneering partnership. "My meeting with him expanded my horizons. Many people congratulated me for what I did with him because I opened a path towards mutual comprehension and tolerance between opera, pop and rock," she said.

The diva said she had selected her duet partners with care. "I trusted other people in the selection of the songs, but I have had a lot to say about the selection of the artists."

However, Bruce Dickinson's London management company, The Sanctuary Group, revealed that the former Iron Maiden singer had never actually met Caballé. "He went into a recording studio to do his half of the duet on his own," admitted a spokeswoman. "We didn't even know the record had been released. Who else is on it?"

Caballé's selection of recording partners looks more like a careful marketing operation than a selection of Europe's greatest voices. She has 12 pop and rock artists from 12 different European countries. They include Germany's Die Prinzen rock group, Greece's Vangelis and Italy's Marco Masini.

Spanish music critics complained they had never heard of most of her co-stars, even though the record's promotional material assured them that Belgium's Helmut Lotti, for example, was a "superstar" in his home country.

Caballé has acknowledged that she enjoyed the additional fame that singing with Mercury brought her, with ordinary people recognising her on the streets of London. Her choice of partners seems to be an attempt to spread that fame across Europe. The soprano, who lives as a tax exile in Andorra, does not need the money.

Dickinson's spokeswoman said they had tried to contact Caballé to ask her to perform with the singer at a charity concert in London's Hyde Park organised by Prince Charles' Prince's Trust, but the diva's agents had not replied.

She agreed, however, that heavy metal fans, who generally prefer ear-splitting guitar solos to operatic arias, might find Caballé a difficult act to swallow. "Yes, she's loud," she said. "But she's not heavy metal." Not yet. Motorhead may be standing by for the call.

One day my princess will come: Prince Felipe of Spain is under orders to marry

Matches made in heaven elude the bachelor princes

It is a truth universally acknowledged that royal heirs must be in need of eminently suitable wives, writes Saskia Sissons

IT'S a hard life being one of Europe's bachelor princes. The media attack your lifestyle whatever you do. Then, as many of them are discovering, there is the small matter of providing continuity in the royal line, preferably by marriage with another royal.

For following the collapse of three Windsor marriages in Britain – two to commoners – it has become all too clear how much damage unsuitable marriages can do, and Europe's blue-bloods are reconsidering the old principle that royalty should always marry royalty.

Of Europe's ten royal houses, nine still have unmarried princes, and few of them show much interest in the available princesses. Not that the royal sirens are overly impressed with them either.

A recent exchange between Crown Prince Felipe of Spain and his sister Princess Elena caught up their mutual disregard. "I certainly do not feel obliged to search among European nobility for a wife. The princess market is very limited," said the 29-year-old Prince of the Asturias, to which the Infanta replied: "I find princes boring. They are stupid and big-headed."

Tall, dark and hailed by the Spanish press as "one of the sexiest men in the world", Prince Felipe is said to be under maternal orders to find a bride "urgently". And not just any well-bred *Madrileños*, such as the "love of his life", beautiful blonde commoner Isabel Sartorius. His mother Queen Sophia wants her son to marry a European princess.

"It's clear the King and Queen of Spain have manoeuvred their son into situations where former girlfriends were jettisoned," notes Harold Brooks-Baker of *Burke's Peerage*. "It has always been my opinion that it is very important to marry according to the rules.

"The real reason for royals marrying royals is they know the drill. Being a royal consort is not an easy job; it is repetitive and taxing, and once the glamour wears off, which it does in about ten minutes, extremely tedious."

Crown Prince Willem-Alexander of the Netherlands is facing similar pressures from his mother Queen Beatrix. Once the darling of the Dutch tabloids because of his love of fast cars and good-looking women, the portly Heineken-quaffing prince now spends more time touring factories than publicly living it up. In the run-up to his 30th birthday last month, he is clearly being groomed for his role as king.

Although, in the past, media commentary has been scathing about him (*Elsevier* magazine said he possessed the "profundity of a surfboard and the intellectual aura of a tossed salad") his action-man tastes, skiing, riding, sailing and flying have endeared him to the Dutch, and he has his own fan club which is running a competition to find him a bride. They needn't bother, for Willem-Alexander's name is now being linked to Princess Victoria of Sweden, 20-year-old heir to the Swedish throne.

At 38, Prince Albert of Monaco is probably Europe's liveliest royal bachelor. But duty comes first. He told *The European* in a recent interview that although he still takes part in bobsled races, he performs 300 official engagements in Monaco every year. Compared with the Windsors and the Grimaldis, the royal princes of northern Europe seem a pretty dull lot.

The shy and sensitive Crown Prince Frederik of Denmark, although tantalisingly single at 29, said recently that he was not mature enough to marry, but when he did, it would be "for love". In his early twenties, Frederik's love of life in the fast lane has earned him the nickname Turbo Freddie. He has managed to write off several very expensive models (of both kinds).

But recently, destiny has been weighing heavily. He told the Copenhagen daily *Berlingske Tidende* that the prospect of becoming king was "grand and terrifying, something sombre and tragic which I tried not to think about". Like Shakespeare's tortured Hamlet, the Prince of Denmark is given to bouts of introspection, especially when his girlfriend, Katja Storkholm, appears, modelling in her underwear.

Crown Prince Haakon of Norway, 24, is also available, much to the delight of Oslo's teenage girls.

Apart from some high-spirited teenage shenanigans involving marmalade at summer camp, Prince Carl Philip of Sweden, 17, younger brother of Crown Princess Victoria, has so far escaped media attention and appears to lead a blameless existence.

Given the shortage of princesses, Brooks-Baker advises the princes to trawl among the progeny of Europe's royal pretenders. "There are a lot of princesses whose parents are no longer on the throne who would be suitable. The German and French royal families, for instance, have held together well."

The only princely dynasty to meet with the purist's approval is that of Luxembourg. Grand Duke Jean married the sister of King Baudouin of Belgium, and two of their five children married princes.

Cannonball's big-name birthday bash for Moscow

The city's flamboyant mayor Yuri Luzhkov is celebrating 850 years in style, writes Miranda Anichkina

HE has banned Latin script from the city's shopfronts and advertising hoardings, and banned the use of foreign words when a Russian one will suffice. He dreamed up the Russian fast-food chain Ruskoye Bistro in an attempt to compete with American hamburger giant McDonald's.

When the Kremlin's latest rising star, deputy prime minister Boris Nemtsov, ordered top-ranking officials out of their Volvos and BMWs and back into Volgas and Ladas, Moscow's dynamic mayor Yuri ("Cannonball") Luzhkov pointed out smugly that he had always driven a Russian-made Volga.

But when it comes to making money Luzhkov, well known for arm-twisting funds from big business, is as much a realist as a nationalist. When it comes to financing Moscow's 850th birthday celebrations between 5 and 7 September, foreign investors are more than welcome to contribute.

Thus the official drink is likely to be Coca-Cola rather than kvass, the official car a Volvo rather than a product of the ailing Moskvich car plant which city authorities recently took under control to stave off bankruptcy.

Luzhkov, 60, a one-time manager in the Soviet chemical industry, is a true capitalist entrepreneur among Russian leaders, even if, until now, much of it has been in state-sponsored enterprises. Now he is branching out.

A $1.5 million deal to make Coca-Cola the official birthday drink is nearing completion, and Moscow is also negotiating with Volvo to make the 850 model the birthday car. Now Moscow is looking for more sponsors, including a bank which will donate a further $1.5m in return for being the celebration's registered banker, an official communications sponsor (price $750,000), an official air carrier (also $750,000), an official insurer ($520,000), an official computer ($1m), and an official timepiece ($526,000) to swell the $35m the city has already set aside for the party.

Under what a Moscow city spokesman describes as a "voluntary-compulsory" agreement, Moscow-based advertising agencies have devoted 15 per cent of their publicity space in the city to the sponsors' advertising.

Celebrations for the 850th anniversary are already under way in schools, museums and exhibition centres across the capital. Promised attractions include concerts by Mick Jagger and Luciano Pavarotti, a Jean-Michel Jarre laser extravaganza at Moscow University, an opera in Red Square, parades, cultural events and a secret closing ceremony in the massive Luzhniki sports stadium.

Like the rest of Moscow, the arena is being spruced up for what cynics see as the biggest photo-opportunity for Luzhkov who, despite his protestations to the contrary, is expected to enter the presidential race when the term of the present incumbent Boris Yeltsin's expires.

Sponsorship ranging from $50,000 for individual events up to $5 million for "general sponsor" status are on offer to all. Although estimated costs are around $12 billion, "there is no limit to how much money we need", said deputy mayor Valery Shantsev. "We will find things to spend it on," he promised. Given the current running order, no one doubts him.

Yeltsin personally gave Luzhkov control over Moscow's vast inventory of state properties in 1994 and ever since the city has been making the most of it – to the tune of $1bn in privatisation revenues last year alone.

The city remains in thrall to its populist mayor. Moscow theatre companies, which traditionally take August off, have been ordered to keep performing to cater to what the city hopes will be a huge influx of tourists. But perhaps the biggest shock for car-driving Muscovites is the council's promise that all potholes will be filled in before the festivities.

CYAN MAG YELO BLCK

Young Italians back on the F1 grid

Lack of cash – from sponsors and the sport itself – nearly robbed Italy of a generation of drivers. But now the good old days are just around the corner, says Robert Alexander

BACK in the good old days, when Italian racing drivers were "two-for-a-lira", they called the women who travelled with them the knitting club. Golden-tanned, shimmering with jewellery, dressed in the latest fashions, they would sit out in the sunshine at the European Grands Prix and chat the afternoons away.

These were the wives and girlfriends of such famed Italian heroes as Riccardo Patrese, Alessandro Nannini, Michele Alboreto, Pierluigi Martini, Stefano Modena, Ivan Capelli, Andrea de Cesaris, Alex Caffi, Emanuele Pirro and Gabriele Tarquini.

In 1989, they all raced and they all scored points. All ten of them. They were the nucleus of the grid.

Last season this one-time stalwart group had dwindled away and in its place, representing Italian skill behind the wheel, there was just one man: Giovanni Lavaggi.

The 38-year-old, widely regarded as little more than a playboy, had bought his way into the glamour game to help the impoverished Minardi team survive. He failed to qualify at the German, Belgian and Japanese Grands Prix.

For close observers of Formula One, in general, and for Italy, in particular, it was a sad sight. The country was as good as unable to bring through its own generation of bright and promising drivers of the future.

A lack of sponsorship was to blame and that, in itself, was caused by the state of the Italian economy and a widespread reluctance to spend money in this way.

"It was tough for everyone. We could not find a way of funding anything and no one wanted to pay for us. It was very difficult," said Gianni Morbidelli, one of the victims of the age.

The 29-year-old returned to F1 action last weekend – the first time since 1995 – when he made his debut for Sauber in the Spanish Grand Prix.

"In Italy motor racing is very popular, very big and one of the top sports," he said. "But it is expensive and it costs so much money for a young driver to be supported all the way through to the top.

"For a long time there was not enough money around among the sponsors to raise the budgets needed for F1. Now there is and the situation has changed. Also, there is more money again in F1 so not so many of the teams are looking for 'pay drivers'. I am very happy."

This season has seen the arrival and return to F1 of not only Morbidelli, who showed his potential by finishing third in the 1995 Australian Grand Prix with Arrows, but also two other newcomers, Giancarlo Fisichella and Jarno Trulli. Fisichella, 24, a slight Roman with huge talent and a great heart, gained a little experience with Minardi early last year, but lost his place in the team due to lack of money.

Minardi needed some, he could not raise it and that was when Lavaggi stepped in. Now, Fisichella is back, this time with Jordan Peugeot, a well-funded team backed by Benson & Hedges, Peugeot, and Total fuel.

"For me, it is a fantastic situation," he said. "I cannot say how happy I feel to be with Jordan and to be in F1. "For an Italian driver, it is a wonderful sensation and I just hope it lasts for ever."

Fisichella has proved his potential with two points-scoring finishes this year at Imola and Monaco. Seasoned observers have predicted that he has the ability to challenge for a championship.

So, too, according to the same judges has Trulli. The 22-year-old from Pescara is an equally dedicated single-minded racer who has broken in with Minardi.

The team has been restructured financially this season with a new consortium headed by Nannini and Benetton managing director Flavio Briatore taking overall control. Team direction has been left to to Giancarlo Minardi. Now Trulli, like Fisichella, is free to do his job without chasing around for backing.

"I am glad I don't have to do that and I am glad to be part of the Italian return to the sport, as drivers," he said. "Of course, everyone in Italy always talks first of Ferrari and *then* the drivers, but that is never going to change. At least, now, we have a generation of drivers that is able to race again."

The chief reason for this, according to Morbidelli, is not only because it is easier to find funds for sponsorship, but also because with the onset of the sport's latest Concorde Agreement, introduced earlier this year, the teams each receive a healthy share of the revenue generated by the latest digital and other television deals.

"The new deal is very important for a team like ours," said Minardi. "The money represents between 45 and 50 per cent of our budget and, as long as we are careful, it means that we can survive and grow.

"For Trulli, it is good and he is improving all the time, with every lap. He certainly has the right mentality and the ability behind the wheel to be one of the great drivers of the future."

That said, he knew that he had signalled the most significant change in Italian drivers' fortunes in five years by signing Trulli direct from Formula Three instead of waiting and taking the cash from an ageing pay-driver instead.

Finally, with the new boys in town, Italy – and not just Ferrari – is back on the F1 map and the knitting needles can be dusted down again for future action.

But there is just one problem – all three of the newcomers are dedicated racers and bachelors.

Welcome return: Fisichella, who lost his place early last season because his team were strapped for cash, has now been taken on board by Jordan Peugeot

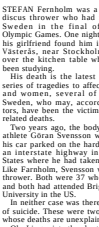
THREE WHO AIM TO CHANGE THE FORMULA

Giancarlo Fisichella

Date of birth: 14.1.1973
Team: Jordan Peugeot
Number of races: 14
Best finish: fourth in 1997 San Marino Grand Prix

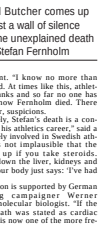
Jarno Trulli

Date of birth: 13.7.1974
Team: Minardi
Number of races: six
Best finish: ninth in 1997 Australian Grand Prix; ninth in 1997 Argentine Grand Prix



Gianni Morbidelli

Date of birth: 13.1.1968
Team: Sauber Petronas
Number of races: 61
Best finish: third in 1995 Australian Grand Prix



Did drugs kill another Swedish athlete?

Michael Butcher comes up against a wall of silence around the unexplained death of Stefan Fernholm

STEFAN Fernholm was a 37-year-old discus thrower who had represented Sweden in the final of the 1984 Olympic Games. One night this March, his girlfriend found him in his flat in Västerås, near Stockholm, slumped over the kitchen table where he had been studying.

His death is the latest in a bizarre series of tragedies to affect sportsmen and women, several of them from Sweden, who may, according to doctors, have been the victims of steroid-related deaths.

Two years ago, the body of Swedish athlete Göran Svensson was found in his car parked on the hard shoulder of an interstate highway in the United States where he had taken citizenship. Like Farnholm, Svensson was a discus thrower. Both were 37 when they died and both had attended Brigham Young University in the US.

In neither case was there a suspicion of suicide. These were two young men whose deaths are unexplained.

Ole Lingquist, the doctor who carried out the post-mortem examination on Fernholm, refuses to comment on the cause of death and refers all callers to the police station in Västerås where there is a file marked "confidential".

Superintendent Krister Frenneby said the details were being kept from the public to protect the family of the deceased.

"The local court here in Västerå has upheld that decision," he said. "All I can tell you is that a crime was not committed."

The Swedish head of the International Amateur Athletic Federation's medical committee, Professor Arne Ljungquist, who is also a doctor, could not comment. "I know no more than you," he said. At times like this, athletics closes ranks and so far no one has discovered how Fernholm died. There are, however, suspicions.

"Most likely, Stefan's death is a consequence of his athletics career," said a source closely involved in Swedish athletics. "It is not implausible that the body gives up if you take steroids. They wear down the liver, kidneys and heart and your body just says: 'I've had it'."

This opinion is supported by German anti-doping campaigner Werner Franke, a molecular biologist. "If the cause of death was stated as cardiac failure, that is now one of the more frequent results of steroid abuse," he said.

He was not the only to suggest this.

"Over the years there was a lot of suspicion about Fernholm taking steroids," said a journalist, who refused to be named.

"He was always good early in the season in tiny meetings in the US. But when he came to Sweden in the summer he always struggled."

It is a matter of record that Fernholm never tested positive during his athletic career, but several athletes attending Brigham Young University did – including Svensson, banned in the late 1980s for high levels of testosterone.

"A nest of drug takers," was how one American doctor described the university during the 1980s. "I have never seen any test results from Brigham Young," said Stefan Falschirm of the Swedish anti-doping unit.

Falschirm visited the university in an official capacity in the mid-1980s. "They said they had a very comprehensive drug-testing programme but no results were released to me," he said. "They refused."

The university authorities claim, however, that they have tightened up their procedures since then.

Fernholm's is the latest in many deaths that have been blamed, rightly or wrongly, on steroid abuse.

Swedish orienteering suffered 15 unexplained fatalities from 1979 to the early 1990s while in Dutch and Belgian cycling there were 18 mysterious deaths between 1987 and 1990. Numerous others occurred worldwide in power events such as rowing, throwing and weightlifting.

The most documented was in 1987 when German heptathlete Birgit Dressel's body gave up after six years of steroid abuse. She died while still taking drugs, but even though an athlete may have stopped taking steroids years earlier, the effects remain.

"The symptoms go away but the damage is irreversible," says Franke.

In Dressel's case there was a 120-page report following an inquiry that sought out those responsible for her death. Something similar is being called for in Fernholm's case.

"What do those who were close to Fernholm know about his alleged use of drugs?

"We need to investigate the causes of this man's death," said Falschirm.

Black cat fells the unlucky Pantani

Jeremy Whittle

IT WAS bad enough when a black cat brought down Italy's leading cycling hope as he made his long-awaited comeback from injury.

But then Marco Pantani's rivals added insult to injury. They ignored the sport's etiquette by racing off into the distance as the former Tour de France stage winner lay suffering on the ground.

The crash on 24 May was the latest episode in the tale of misfortune that has marred Pantani's career.

An Italian hero for his courageous and macho style of racing, the shaven-headed cyclist has paid a grievous price in injuries.

As an amateur he fractured his ribs, shoulder blade and big toe in a series of separate incidents.

Since turning professional, he has damaged discs in his back, suffered concussion, broken collarbones and most famously, narrowly avoided death after a head-on collision with a jeep during the Milan-Turin race in 1995. That crash left Pantani with a double fracture of his left leg which took 18 months to heal.

He made his return last month in the Giro d'Italia, the country's biggest race, but after only eight days the 27-year-old suffered the freak accident as the event headed south from Naples.

Pantani was one of a group of five cyclists felled by the black cat crossing their path during a rapid mountain descent, 30 kilometres from the stage finish.

Pantani, who was forced to abandon the race because of a deep cut to his right thigh, was in tears following the accident.

With the Tour de France starting on 5 July, his participation now looks to be in serious doubt.

"I don't want to think about that right now," he said.

"The important thing is to go home, recover and get over this disappointment.

"I just ask myself 'why does this always happen to me?' "

One player only found success through exile as Belgian football searches for a return to its golden age

Bad boy who finally made good

Marcel van der Kraan on how Anderlecht outcast Gilles de Bilde has become a hero at PSV

HATED by the media, kicked out by his club, humiliated by the fans. For former Anderlecht forward Gilles de Bilde, life had little to offer in Belgium after an on-the-pitch incident which left an opponent with a smashed face and his own reputation in tatters.

Luckily for De Bilde, not everyone was against him. Just over the border, in the Dutch city Eindhoven, he was told there was a place in the PSV team if he wanted it. De Bilde did not hesitate and, on 24 May, won his first league title with his seven goals in seven matches hailed as the deciding factor.

De Bilde cried with happiness but there was even better news to come. The day after PSV's triumph, the Belgian Football Federation asked him to play for the country again.

Once again De Bilde, the street kid who became the country's footballer of the year in 1995, is the player everybody wants to watch.

It is a world away from last December when, caught by Krist Porte's elbow in a match between Anderlecht and Aalst, De Bilde lashed out. Porte was left in a puddle of blood and television coverage left no room for excuses.

The football federation suspended De Bilde for 15 matches and the media started a hate campaign against the man they had once eulogised.

"My life became hell," said De Bilde.

"I know I did wrong but I never intended to hurt him like this. I only retaliated and it was unfortunate that he got injured so badly."

It was no isolated incident, though, but the latest in a string of occurrences which have seen him in and out of the courts.

In October he will be face trail for allegedly assaulting two nurses who prevented him from visiting his father, who had suffered a heart attack.

After the Porte incident, Anderlecht manager Michel Verschueren said there was no future for the player and advised him to leave Belgium.

De Bilde chose to join his compatriots Luc Nilis and Mark Degrijse at PSV but even this move caused a row.

Feyenoord Rotterdam, then league leaders, were the first to approach De Bilde but the Dutch Football Federation said he would never get clearance to move from them or Fifa, football's world governing body, while suspended.

Realising they would not be allowed to play him until next season, Feyenoord pulled out of the deal. They were then furious when De Bilde received a clearance to play from 1 April after signing for PSV.

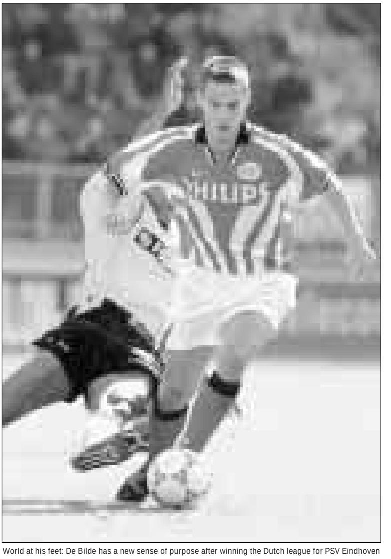
It allowed the player to appear in the final seven league matches and his seven goals sealed the league title while Feyenoord's strikers failed.

"If we had had De Bilde we would have won the championship," said Feyenoord captain Ronald Koeman. "It is appalling that the Dutch FA told us not to buy him and then gave the green light to PSV."

Thankfully for De Bilde, the Dutch public are ignoring the row, preferring to show sympathy for his sad story.

With his father partially paralysed and his mother confined to a psychiatric hospital for years, De Bilde had an chequered childhood, raised by his grandparents and later by fosterparents.

WFA



World at his feet: De Bilde has a new sense of purpose after winning the Dutch league for PSV Eindhoven

Belgium's football fans showed no pity, calling him a "bastard" and singing songs abusing his mother to provoke his temper.

De Bilde is now able to shrug it all off.

"I am glad it is all in the past, all I am bothered about is a brilliant career in football," he said. "I know everyone goes through highs and lows, but what has happened to me was extreme. The best sign that people in Belgium have also put things behind them, is my call-up for the national team."

He believes the Belgians can still qualify for the World Cup finals, if they can overcome the group leaders – the Netherlands. De Bilde acknowledges the irony.

"That is the only sad thing," he said.

"I have to score goals against the country which helped me out when my own did not want me anymore."

Confusion is the ultimate victor

Patrick Cusse and Karen van der Loo

WHEN Lierse ended their fans' 37-year-wait for a fourth Belgian title they found the rest of the country politely embarrassed. The team had one hell of a year and everyone wishes them well but their success sums up yet another season of confusion and disappointment for Belgian football.

Indeed, almost everyone outside their home town of Lier, a few kilometres southeast of Antwerp, agrees that the club would have been third if Anderlecht and Brugge had just churned out their normal performances.

At one stage it even looked as if the championship would go to Mouscron, who were leading halfway through their first season in the top division. The club flew high until the national federation grabbed their coach Georges Leekens to salvage Belgium's chances of making next year's World Cup, and Mouscron faded to finish third. It was Leekens' fighting spirit that attracted the federation and Lierse benefited from a similar character in Eric Gerets. "He is why we are champions. He was a battler as a player and got us to do the same," says Lierse defender Eric van Meir.

But even towards the end of the season few wanted to bet on Lierse for the title. Brugge had the experience and apparently better players but never looked the side that won the title last year. Leading scorer Mario Stanic left for Italy and wasn't replaced, and friction among team members climaxed in a fistfight between two players during halftime when they were losing in Antwerp.

Things were no better at Anderlecht – even before star striker Gilles de Bilde left for PSV Eindhoven (*see story left*) they were nowhere near challenging for the title. While Anderlecht and Brugge struggled and Mouscron collapsed, Lierse just kept on going.

A perfect illustration of an unsettled season is borne out by a merry-go-round of coaches. Lierse who beat Standard Liège in their final match will be coached next season by Standard's Jos Dacrden. He replaces Gerets, bound for Club Brugge, whose coach Hugo Broos is going to Mouscron. Not to be left out Anderlecht will have a new coach as well – Rene Vandereycken, who was nearly relegated with Molenbeek.

Meanwhile, five of Lierse's players have already arranged transfers. Three more are likely to follow so no one is expecting them to have a long European campaign.

Off the pitch, events were equally gloomy. Anderlecht were allegedly blackmailed by two men who claimed to have bribed a referee for them 12 years ago. And Georges Heylens, coach of relegated Mechelen, implied that bribery was rife when he declared that it is the richer clubs who stay in the first division. Even the national federation were humiliated when a deal over sponsorship ended up costing them more money than they made.

It appears that Belgium's ten glorious years between 1980 and 1990 have given way to a mood of complacency. Grit and spirit were as important as skill in creating the most successful period in the country's footballing history. It is hard now to believe that Belgium during that time twice qualified for the European Championships, finishing runners-up in 1980, and made it to the World Cup finals three times. At club level there were three European trophies.

Since then the national team has qualified for just one major tournament, the last World Cup, and Antwerp's defeat in the Cup Winners' Cup four years ago was the only time a club reached a European final.

The need to recapture the determination of the paste is why the likes of Gerets and Leekens, heroes of a golden age, are in such demand. They had better work fast.

Winning is not enough for French fans

Victory without panache will be the undoing of the World Cup hosts. Dominique Baldy finds tensions running high in France

FRENCH supporters are facing a nightmare scenario: their team winning next year's World Cup in Paris with football that is simply not chic. The footballers are discovering what the rugby players already know – the country's sports fans will not tolerate victory without flair.

On paper, this should not be a problem. When France meet world champions Brazil on 3 June in Lyon to kick off the Tournoi de France, a four-nation tournament also involving England and Italy, it should be a collision of coruscating talents.

After all, such is the ability at the disposal of French coach Aimé Jacquet that he could meet Eric Cantona's retirement with little more than a Gallic shrug. Cantona's throne at international level was usurped long ago by Zinedine Zidane and Youri Djorkaeff, now among a French Foreign Legion prospering in Italy's Serie A.

Zidane and French skipper Didier Deschamps are at the heart of the all-conquering Juventus side; Parma's Lilian Thuram is the most respected defender in Italy, while Marcel Desailly and Youri Djorkaeff have won supporters' hearts at the two Milan clubs.

The seeds that led to this crop were sown back in the 1970s, when the country's much-envied system for the development of young players was established.

What once was an ambitious experiment has now become the norm, with the French Football Federation requiring every professional club to have in place its *centre de formation* to bring the most promising young players through. It is a system that has rapidly borne fruit, with no fewer than 15 of the 22 players Jacquet named for the Tournoi de France now playing their football in the more prestigious leagues of Spain, Italy and England.

The French fans should be delighted at this rare chance to see their idols in the flesh, particularly as the national side's results have been so impressive.

Since a 30-match run without defeat in open play was ended by Denmark last November, they have recorded comfortable victories over Portugal, the Netherlands and Sweden.

Yet in spite of this seemingly rosy picture, all is not well. The national team's victories came largely through a disciplined approach more traditionally associated with Italy and Germany than with their own predecessors in the blue of France.

Murmurs about the style adopted by the national side have been growing louder. Disquiet at the way Cantona was discarded from the national set-up has solidified into wider dissatisfaction at Jacquet's safety first strategy.

A nation raised on the panache of Platini, Giresse and Tigana in the 1980s, is finding it hard to get excited by the workmanlike approach of their predecessors. There is fear that the ultra-cautious approach at Euro 96, when France were eliminated by the Czech Republic in the semifinals having failed to score in their final two outings, may be a harbinger for France 98.

The team's workmanlike virtues are best exemplified by Deschamps, famously caricatured by Cantona as a "water carrier", and while this was a typically trenchant assessment, many of his compatriots believe that the national side needs to rediscover its creative edge in time for the finals.

In the longer term, there is also growing concern at the dislocation between the country's top international stars and the grass roots of the French game. There has been a dramatic haemorrhage away from France over the past couple of years, as a result of the heavier tax burden imposed by the government on top sportsmen, and the higher national insurance payments levied from the clubs than is the case for their main European counterparts.

While Jacquet has no problem with a situation which enables his top players to compete at the highest level on a regular basis, there is concern that the French league is rapidly becoming a second-class citizen in the European game.

"The fiscal regime is an important consideration, and certainly played a part in my decision to leave Strasbourg to join Chelsea," says international defender Franck Leboeuf.

Measures, such as lower rate taxation for soccer stars, have been taken to stem the flow. But who knows what will happen with a new political administration in charge?

In a country where the average attendance for a first division match hovers at around 14,000, it is tough to create the degree of interest in the game that would enable the clubs to raise the revenue to allow them to keep the star names, as well as provide the big-match environment they crave.

Robert Budzynski, former French international and director of football at Nantes, is more aware than most of the problem.

His club have produced five of the current national squad, but all now ply their trade elsewhere.

"The success of our youth centre has been our strength allowing us to compete at the highest level in France," he said. "But we are in real danger of falling, because at the moment we are light years behind the other major countries when it comes to marketing ourselves.

Next summer's finals represent a golden opportunity to catch up. The irony is that the commercial appeal of Deschamps and his fellow expatriates parading the World Cup down the Champs Elysées may be wasted if it came with a display of football that produced only ennui.

THE EUROPEAN LEAGUES

AS AT 28 MAY

GERMANY

	P	W	D	L	F	A	Pts
BAYERN MUNICH	33	20	10	3	66	32	70
Bayer Leverkusen	33	20	6	7	67	41	66
Borussia Dortmund	33	18	6	9	61	40	60
VfB Stuttgart	33	17	7	9	74	38	58
VfL Bochum	33	14	11	8	54	49	53
1860 Munich	33	13	10	10	56	53	49
Karlsruhe	33	13	9	11	54	43	48
Werder Bremen	33	13	6	14	50	52	45
Cologne	33	13	5	15	61	60	44
Borussia Mön'gladbach	33	12	6	15	44	46	42
MSV Duisburg	33	11	9	13	42	49	42
Arminia Bielefeld	33	11	7	15	44	50	40
Schalke	33	10	10	13	34	40	40
Hansa Rostock	33	11	7	15	35	45	40
Hamburg SV	33	10	10	13	45	59	40
Fortuna Düsseldorf	33	9	5	19	25	56	32
Freiburg	33	8	4	21	42	66	28
St Pauli	33	7	6	20	32	67	27

Fixtures: 31 May (1530) Bayer Leverkusen v VfL Bochum; Fortuna Düsseldorf v Hamburg SV; 1860 Munich v Werder Bremen; Freiburg v Karlsruhe; Hansa Rostock v Schalke; VfB Stuttgart v Arminia Bielefeld; Borussia Mönchengladbach v Bayern Munich; St Pauli v MSV Duisburg; Borussia Dortmund v Cologne Results: Hamburg SV 2 Borussia Dortmund 1; VfL Bochum 6 St Pauli 0; MSV Duisburg 4 Borussia Mönchengladbach 2; Bayern Munich 4 VfB Stuttgart 2; Arminia Bielefeld 1 Hansa Rostock 3; Schalke 0 Freiburg 2; Karlsruhe 3 1860 Munich 0; Werder Bremen 1 Fortuna Düsseldorf 0; Cologne 4 Bayer Leverkusen 0

LUXEMBOURG

Final table

	P	W	D	L	F	A	Pts
JEUNESSE ESCH	22	17	5	0	56	11	56
CS Grevenmacher	22	15	5	2	56	20	50
Union Luxembourg	22	10	8	4	44	23	38
Avenir Beggen	22	11	5	6	45	27	38
FC Wiltz	22	11	3	8	32	40	36
Sporting Mertzig	22	8	8	6	45	39	32
CS Hobscheid	22	7	5	10	23	42	26
Spora Luxembourg	22	6	5	11	33	40	23
F91 Dudelange	22	6	4	12	27	43	22
US Rumelange	22	5	3	14	33	59	18
FC Rodange	22	4	4	14	25	42	16
Aris Bonnevoie	22	2	5	15	22	55	11

FRANCE

Final table

	P	W	D	L	F	A	Pts
MONACO	38	23	10	5	69	30	79
Paris St Germain	38	18	13	7	57	31	67
Nantes	38	16	16	6	61	32	64
Bordeaux	38	16	15	7	59	42	63
Metz	38	17	11	10	40	30	62
Auxerre	38	17	10	11	49	32	61
Bastia	38	17	10	11	54	47	61
Lyon	38	16	12	10	59	50	60
Strasbourg	38	19	3	16	52	49	60
Montpellier	38	12	15	11	40	40	51
Marseille	38	12	13	13	43	48	49
Guingamp	38	11	13	14	32	36	46
Lens	38	12	9	17	40	52	45
Le Havre	38	10	13	15	34	43	43
Cannes	38	9	14	15	25	41	41
Rennes	38	10	10	18	40	58	40
Caen	38	7	16	15	35	46	37
Nancy	38	9	10	19	33	51	37
Lille	38	8	11	19	32	58	35
Nice	38	5	8	25	30	68	23

Results: Monaco 2 Nantes 1; Paris St Germain 2 Strasbourg 1; Auxerre 3 Nice 1; Rennes 1 Bastia 3; Le Havre 1 Bordeaux 2; Lens 0 Caen 0; Cannes 0 Nancy 1; Montpellier 1 Guingamp 0; Metz 1 Lille 0; Lyon 8 Marseille 0

CROATIA

	P	W	D	L	F	A	Pts
CROATIA ZAGREB	29	25	3	1	87	21	78
Hajduk Split	29	18	6	5	51	19	60
Hr. Dragovoljac	29	12	10	7	46	36	46
Zagreb	29	13	6	10	43	36	45
Rijeka	29	12	7	10	41	31	43
Osijek	29	12	5	12	39	36	41
Segesta	29	9	12	8	34	29	39
Varteks	29	11	6	12	32	34	39
Sibenik	29	10	8	11	33	29	38
Marsonia	29	11	5	13	36	48	38
Mladost 127	29	9	10	10	34	34	37
Zadarkomerc	29	10	7	12	37	44	37
Cibalia	29	11	0	18	34	54	33
Orijent	29	5	11	13	26	50	26
Istra	29	5	7	17	22	52	22
Inker	29	6	3	20	20	62	21

KEY: teams in capitals indicate champions; solid line relegation zone; * play-off position

BELGIUM

Final table

	P	W	D	L	F	A	Pts
LIERSE	34	21	10	3	70	38	73
Club Bruges	34	22	5	7	69	34	71
Mouscron	34	17	10	7	60	38	61
Anderlecht	34	16	10	8	59	36	58
Lommel	34	16	9	9	50	48	57
Antwerp	34	16	5	13	51	49	53
Standard Liege	34	16	2	16	55	55	50
RC Genk	34	13	9	12	49	43	48
Harelbeke	34	12	11	11	50	44	47
Germinal Ekeren	34	13	7	14	56	57	46
Sint-Truiden	34	10	9	15	46	56	39
Lokeren	34	10	8	16	41	57	38
Charleroi	34	10	7	17	44	58	37
Ghent	34	10	6	18	44	58	36
Aalst	34	8	12	14	44	55	36
RWD Molenbeek	34	8	11	15	32	43	35
Mechelen	34	7	10	17	33	55	31
Cercle Bruges	34	6	9	19	36	67	27

Results: Lokeren 3 Lommel 3; Aalst 0 Mouscron 0; Mechelen 0 Anderlecht 2; Charleroi 1 Cercle Bruges 3; Germinal Ekeren 6 Antwerp 3; Club Bruges 1 Ghent 0; RWD Molenbeek 2 Harelbeke 2; Standard Liege 0 Lierse 3; RC Genk 1 Sint-Truiden 1

LEADING SCORERS

Major winter leagues only

38 – Hakan (Galatasaray); 34 – Ronaldo (Barcelona); 30 – Jardel (FC Porto); 26 – Spehar (Club Bruges); Moldovan (Grasshopper Zurich); 25 – Alfonso (Real Betis Seville), Shearer (Newcastle), Cadete (Glasgow Celtic), S Ilie (Steaua Bucharest), Bolic (Fenerbahce)

ITALY

	P	W	D	L	F	A	Pts
JUVENTUS	33	17	13	3	49	22	64
Parma	33	17	9	7	39	25	60
Inter Milan	33	15	13	5	49	33	58
Lazio	33	15	9	9	52	35	54
Sampdoria	33	14	10	9	59	45	52
Udinese	33	14	9	10	50	41	51
Bologna	33	13	9	11	48	42	48
Vicenza	33	12	11	10	43	37	47
Fiorentina	33	10	14	9	45	40	44
AC Milan	33	11	10	12	43	44	43
Roma	33	10	11	12	46	44	41
Atalanta	33	10	11	12	41	46	41
Napoli	33	8	14	11	37	45	38
Perugia	33	10	7	16	47	60	37
Cagliari	33	8	10	15	44	55	34
Piacenza	33	6	16	11	27	44	34
Verona	33	6	9	18	37	62	27
Reggiana	33	2	13	18	28	64	19

Fixtures: 1 June (1630) Bologna v Inter Milan; Juventus v Lazio; AC Milan v Cagliari; Napoli v Vicenza; Piacenza v Perugia; Reggiana v Atalanta; Roma v Udinese; Sampdoria v Fiorentina; Verona v Parma Results: Cagliari 3 Sampdoria 4; Fiorentina 3 Reggiana 0; Inter Milan 3 Napoli 2; Lazio 4 Verona 1; Parma 1 Bologna 0; Perugia 2 Roma 0; Udinese 4 Piacenza 0; Vicenza 2 AC Milan 0; Atalanta 1 Juventus 1

EUROSTATS

■ After a run of 30 unbeaten games Nantes were pipped for the second Champions League by PSG after losing the last match of the season to new French champions Monaco.

CUP FINALS

■ A first half goal by Serhiy Atelkin let Shakhtar Donetsk win the Ukrainian Cup. They beat Dnipro 1-0 ... The Belarus tournament was won by Belshyna Bobriusk, who beat Dinamo 93 Minsk 2-0 with two goals in the last eight minutes ... Hapoel Beersheba were victors in the Israeli Cup final when they beat Maccabi Tel Aviv 1-0. Croatian midfielder Giovanni Rosso scored winning goal ... Dynamo Tiblisi made it six Georgian league and Cup doubles out of six with a 1-0 win against Dynamo Batumi. Top scorer Georgy Demetradze scored the goal that clinched the match after 30 minutes ... And in Scotland Kilmarnock beat Falkirk 1-0.

Compiled by Chris Rhys

THE NETHERLANDS

	P	W	D	L	F	A	Pts
PSV EINDHOVEN	33	24	5	4	89	23	77
Feyenoord	33	22	7	4	66	32	73
Twente Enshcede	33	19	5	9	58	32	62
Ajax	33	16	10	7	51	31	58
Vitesse Arnhem	33	15	10	8	53	37	55
Roda JC Kerkrade	33	15	7	10	51	41	52
Heerenveen	33	13	11	9	57	44	50
De Graafschap	33	13	6	14	51	53	45
NAC Breda	33	10	9	14	40	53	39
Sparta Rotterdam	33	11	5	17	39	53	38
Fortuna Sittard	33	9	11	13	35	51	38
Volendam	33	9	10	14	36	55	37
Groningen	33	8	12	13	40	55	36
Utrecht	33	7	14	12	40	51	35
Willem II Tilburg	33	9	7	17	34	51	34
*RKC Waalwijk	33	8	7	18	36	60	31
*NEC Nijmegen	33	6	11	16	33	60	29
AZ Alkmaar	33	6	7	20	26	50	25

Fixtures: 1 June (1430) Ajax v Vitesse Arnhem; AZ Alkmaar v Twente ; Heerenveen v Groningen; NAC Breda v Fortuna Sittard; NEC Nijmegen v De Graafschap; Roda JC v PSV; Sparta Rotterdam v RKC Waalwijk; Utrecht v Feyenoord; Willem II Tilburg v Volendam Results: Fortuna Sittard 2 Ajax 1; Twente 4 NAC Breda 0; De Graafschap 5 Roda JC 2; Vitesse Arnhem 1 NEC Nijmegen 1; RKC Waalwijk 5 AZ Alkmaar 0; Groningen 1 Sparta Rotterdam 2; Volendam 5 Utrecht 2; Feyenoord 4 Heerenveen 2; PSV 3 Willem II Tilburg 1

PORTUGAL

	P	W	D	L	F	A	Pts
FC PORTO	32	26	4	2	76	22	82
Sporting Lisbon	31	21	5	5	51	16	68
Benfica	32	17	7	8	49	27	58
Sporting Braga	32	14	9	9	37	39	51
Guimaraes	32	14	7	11	49	46	49
Salgueiros	32	13	9	10	43	47	48
Estrela Amadora	31	12	10	9	36	31	46
Desportivo Chaves	32	12	7	13	38	44	44
Boavista	32	10	13	9	55	36	43
Maritimo	32	12	7	13	37	38	43
Farense	32	10	10	12	32	32	40
Belenenses	32	9	10	13	35	47	37
Setubal	32	9	9	14	36	42	36
Rio Ave	32	8	10	14	35	41	34
Espinho	32	8	6	18	25	50	30
Uniao Leiria	32	7	6	19	24	51	27
Gil Vicente	32	3	7	22	28	71	16

Fixtures: 31 May/1/2 June Benfica v Guimaraes; Sporting Braga v FC Porto; Gil Vicente v Leca; Setubal v Maritimo; Uniao Leiria v Rio Ave; Desportivo Chaves v Farense; Salgueiros v Espinho; Estrela Amadora v Boavista; Sporting Lisbon v Belenenses Results: Boavista 5 Salgueiros 0; Espinho 1 Desportivo Chaves 1; Farense 4 Uniao Leiria 0; Rio Ave 1 Setubal 0; Maritimo 6 Gil Vicente 0; Leca 0 Sporting Braga 0; Guimaraes 1 Belenenses 0; FC Porto 3 Benfica 1

SPAIN

	P	W	D	L	F	A	Pts
Real Madrid	39	25	11	3	77	31	86
Barcelona	39	26	6	7	96	45	84
Real Betis Seville	39	20	14	5	77	40	74
Deportivo La Coruna	39	20	14	5	56	27	74
Atletico Madrid	39	19	11	9	72	56	68
Athletic Bilbao	39	14	16	9	67	54	58
Real Valladolid	39	16	10	13	54	44	58
Real Sociedad	39	15	9	15	43	45	54
Valencia	39	14	11	14	58	52	53
Tenerife	39	14	10	15	63	51	52
Real Zaragoza	39	12	13	14	52	57	49
Compostela	39	12	13	14	46	60	49
Racing Santander	39	11	15	13	48	47	48
Celta Vigo	39	11	13	15	47	50	46
Espanyol	39	12	9	18	42	51	45
Real Oviedo	39	11	11	17	47	63	44
Sporting Gijon	39	11	10	18	41	63	43
*Rayo Vallecano	39	12	6	21	39	56	42
Extremadura	39	10	11	18	33	58	41
Seville	39	10	7	22	43	66	37
Hercules	39	10	5	24	35	73	35
Logrones	39	9	5	25	30	77	32

Fixtures: 31 May (2030) Rayo Vallecano v Valencia (2230) Real Betis Seville v Sporting Gijon 1 June (1700) Celta Vigo v Athletic Bilbao; Deportivo La Coruna v Real Valladolid; Espanyol v Logrones; Racing Santander v Compostela; Real Oviedo v Seville; Real Sociedad v Tenerife; Real Zaragoza v Atletico Madrid (1930) Real Madrid v Extremadura 2 June (2130) Hercules v Barcelona Results: Atletico Madrid 1 Extremadura 1; Athletic Bilbao 1 Real Madrid 0; Real Valladolid 0 Celta Vigo 1; Barcelona 1 Deportivo La Coruna 0; Sporting Gijon 2 Hercules 0; Seville 2 Rayo Vallecano 0; Logrones 1 Real Oviedo 1; Compostela 3 Espanyol 1; Tenerife 2 Racing Santander 2; Real Zaragoza 3 Real Sociedad 0

YUGOSLAVIA

	P	W	D	L	F	A	Pts
PARTIZAN BELGRADE	31	26	5	0	87	15	83
Red Star Belgrade	31	24	3	4	77	26	75
Vojvodina	31	15	8	8	47	31	53
Hajduk	31	11	8	12	30	34	41
Mladost	31	12	5	14	45	57	41
Zemun	31	9	11	11	36	34	38
Cukaricki	31	10	7	14	30	44	37
Proleter	31	10	6	15	46	48	36
Becej	31	10	5	16	31	45	35
Rad	31	8	10	13	30	37	34
Baducnost	31	9	6	16	23	43	33
Borac	31	4	2	25	21	88	14

GREECE

Final table

	P	W	D	L	F	A	Pts
OLYMPIAKOS PIREUS	34	26	6	2	72	14	84
AEK Athens	34	22	6	6	75	28	72
OFI Crete	34	20	6	8	51	28	66
PAOK Salonica	34	19	9	6	53	28	66
Panathinaikos	34	20	4	10	60	25	64
Kavala	34	16	7	11	42	43	55
Paniliakos	34	13	6	15	39	49	45
Ionikos	34	12	8	14	40	47	44
Apollon	34	12	6	16	39	42	42
Veria	34	11	8	15	33	33	41
Kalamata	34	10	11	13	34	50	41
Athinaikos	34	11	7	16	41	59	40
Iraklis Salonica	34	11	6	17	41	54	39
Xanthi	34	10	9	15	53	59	39
Panahaiki	34	9	12	13	31	38	39
Aris Salonica	34	9	11	14	32	48	35
Edessaikos	34	7	7	20	38	61	28
Kastoria	34	1	5	28	13	81	8

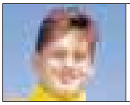
Results: Olympakios Pireus 6 Kavala 0; AEK Athens 2 Xanthi 1; Iraklis Salonica 0 Panathinaikos 2; PAOK Salonica 6 Kastoria 0; Kalamata 2 Ionikos 0; Veria 2 OFI Crete 0; Apollon 1 Aris Salonica 2; Athinaikos 5 Edessaikos 2; Panahaiki 1 Paniliakos 1

TURKEY

Final table

	P	W	D	L	F	A	Pts
GALATASARAY	34	25	7	2	90	30	82
Besiktas	34	22	8	4	88	26	74
Fenerbahce	34	22	7	5	79	25	73
Trabzonspor	34	22	6	6	73	33	72
Bursaspor	34	17	8	9	55	37	59
Istanbulspor	34	16	7	11	56	44	55
Kocaelispor	34	12	12	10	37	35	48
Gaziantepspor	34	13	8	13	38	50	47
Samsunspor	34	12	9	13	49	52	45
Antalyaspor	34	13	6	15	38	49	45
Genclerbirligi	34	11	6	17	37	49	39
Ankaragucu	34	10	8	16	39	52	38
Vanspor	34	10	7	17	31	50	37
Altay Izmir	34	9	10	15	30	60	37
Dardanelspor	34	10	6	18	35	65	36
Sariyer	34	9	7	18	41	54	34
Denizlispor	34	5	5	24	36	81	20
Zeytinburnuspor	34	2	5	27	26	86	11

Results: Istanbulspor 4 Dardanelspor 2; Trabzonspor 5 Gaziantepspor 0; Sariyer 2 Genclerbirligi 1; Ankaragucu 0 Besiktas 2; Bursaspor 2 Galatasaray 3; Vanspor 3 Altay Izmir 0; Kocaelispor 2 Samsunspor 5; Fenerbahce 7 Denizlispor 0; Antalyaspor 1 Zeytinburnuspor 0



Italians back on track in Formula 1

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Bad boy De Bilde makes good

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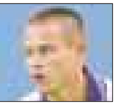

Football aims to unite divided Cyprus

After so many disappointments Charlie Charalambous finds expectations are high that two friendlies will live up to their name

FOOTBALL looks like succeeding where music, religion and politics have failed. If only for two afternoons the game will bring together divided Cyprus.

As with Bosnia-Herzegovina, each ethnic group in this partitioned state has a separate football league with no contact between the two. With virtually no one crossing the island, the idea of a "friendly" match has long been out of the question.

The desire has always been there, however. Although Turkish Cypriots left the island's football association in 1955, their membership was never annulled and they have frequently been invited back.

A combination of this goodwill and a succession of secret meetings on both sides of the cease-fire line have finally thrashed out an agreement. Two matches involving youth sides from each half of the island have been arranged in what will be the first sporting contact between the two sides.

The agreement to play these matches comes at a time when United Nations-led initiatives to bring both sides closer together have ended in acrimony.

Riots marred a controversial bi-communal peace concert organised this month by the UN when Greek Cypriot youths ran amok in Nicosia after a rival concert by pro-nationalist groups.

With tensions on the island running high since the killing of two Greek Cypriots during last summer's anti-occupation protests, and Turkey's war threat over the Cypriot government's purchasing of S-300 Russian missiles, there seemed little chance that the Fifa-led initiative would ever get off the ground.

But football is something close to the heart of Cypriots. It is far and away the biggest sport on the island and the two associations are banking on their compatriots' love for it overcoming their hatred of each other.

Unusually for Cyprus both Greek and Turkish Cypriots have been eager and willing to ensure sporting contact with takes place without prodding and prompting from the UN.

> *'We hope it will encourage peace on the island and allow us to play other nations'*

"This is an important development for us," said Omer Adal, president of the Turkish Cypriot Football Association which is only recognised by Turkey. "We hope it will encourage peace in Cyprus and allow us to play other nations."

The two friendlies will be played on the 12 and 19 of June in Nicosia and will involve under-18 teams from AEL Limassol and a Turkish Cypriot club, probably Cetincaya. Some 300 spectators from each side are expected to be allowed to attend each game. "I think people want the matches to succeed and right now they are feeling positive about them," said one Greek Cypriot fan. "But these things have a habit of looking fine and then going wrong on the day."

People on both sides of the divide have expressed fears that violence could erupt if nationalists are allowed to hijack the friendlies and turn the event into a political issue, despite the declarations of support by Turkish Cypriot leader Rauf Denktash.

The only real stumbling block looks likely to be the Ledra Palace checkpoint – the sole legal access between north and south Cyprus – when Greek Cypriots attempt to cross into the Turkish-controlled areas.

"There are no serious problems but we don't want to sign any documents at the checkpoint which would be tantamount to recognising the breakaway state," said Cypriot FA general manager Andreas Stylianeu.

Barcelona crowns a new king

He's modest. He's only 20. But to buy Ronaldo will cost $80m, writes Robert Alexander

ALBERT OLIVE

Head above the rest: of all the great players who have graced Barcelona none have made the immediate impact of Ronaldo

BOBBY Robson's face told its own story. Eyes blazing, lined features moving rapidly and a jaw that erupted with each passionate utterance. The Barcelona coach had just seen his team beat Deportivo La Coruña, thanks to yet another last-minute winning goal from Brazilian striker Ronaldo.

It had secured a place in next season's lucrative European Champions League, and provoked a cacophony of red and blue celebrations which echoed throughout the Catalan city.

As Robson talked in a room below the tall concrete tiers of the magnificent Nou Camp stadium, he should have been happy.

This season, he has already guided his side to the Spanish Supercup and European Cup Winners' Cup and taken them to the final of the Spanish King's Cup. Now Ronaldo's goal had brought Barcelona back in the title race, just two points behind Real Madrid with three games remaining. Club president Josep Lluís Nuñez, a carping critic of Robson only a month earlier, was revelling in his achievements.

But the Englishman was furious. Furious at the prospect, suggested all weekend, that it was to have been Ronaldo's farewell Nou Camp appearance before a $50 million transfer to Italy. "Where could he go?" asked Robson. "Where do you go after this? There is nothing to compare. Nothing anywhere."

Like the Nou Camp crowd, Robson is a devoted fan of Ronaldo who, at just 20, has inspired an unprecedented level of frenzied fan worship after just one season with the club. Johan Cruyff, Diego Maradona, Romario ... none has had the immediate impact of the boy from Brazil who moved from PSV Eindhoven last summer.

Blessed with the acceleration to escape his markers, the strength to absorb the heaviest challenges and the courage and skill to run where it hurts, Ronaldo is being talked of as the greatest player on earth. He is already the highest paid.

His goal was his 34th of the season. Each one has been worth a million dollars.

Rumours of his imminent departure were proven to be just that. His new ten-year contract which doubles his wages to $3.4m a year, has been all but agreed by the club and his agents. Once completed, should anyone wish to lure him away the price is a cool $80m.

Robson believes that the new deal was not Ronaldo's initiative. "He's got too many of these agents," he said. "Why does he need to pay ten per cent to three of them, instead of one? It's them who are greedy. He is not like that at all. He is so respectful to all the other senior players."

Though Ronaldo may be personally modest, it seems the rest of the world is convinced of his superstar status.

The visit by the King of Spain to the first qualifying sessions of the Spanish Grand Prix produced only a small flutter of interest.

But when on race day Ronaldo, head freshly shaved and earrings in place, followed in his footsteps at the Circuit de Catalunya photographers charged in his wake. They trampled into the Ferrari garage, saw him meet Michael Schumacher and his greet countryman Rubens Barrichello. It is the sort of attention only the biggest stars attract.

"He is the best player I've seen," said Robson. "And he can only get better. He is just a natural kid who is going to stay at Barcelona." But for all Robson's confidence, fans see little chance of Ronaldo lasting the full decade of his contract.

"He cannot stay here, no one does," said a taxi driver, as virtually the entire city celebrated Ronaldo's new contract. "The club is too big. It sucks away what it wants and then the players are finished and gone. It will be the same for Ronaldo. He is just another Brazilian boy who will lose everything in the end if he is not careful."

Hingis's French test

Andrea Leand, a former French Open quarterfinalist, assesses the world No 1's comeback in Paris after injury

AT 16 Martina Hingis is more than just a tennis player. The world number one is also a $10 million investment.

And that is why it was not only the tennis world which held its breath when she strolled on to court at the French Open.

She showed not the slightest hint of self-doubt. In her first match after a fall from a horse resulted in knee surgery, the Swiss teenager stroked the ball with characteristic accuracy but moved stiffly, if at all, to shots only an arm's length away.

Her six-week convalescence had clearly left her physically fit but struggling to regain the momentum she had built on tour. In the first four months of the year 31 successive wins took her to number one in the world.

After the routine operation to repair her left knee, Hingis endured three to four hours of physiotherapy therapy to strengthen her limb. She only ventured on to court occasionally for an hour to preserve what she could of her timing and stroke technique.

The French Open, which ends on 8 June, is the first chance the tennis world has had to judge whether its new darling has made a full recovery. The knee is slightly discoloured and there is no swelling or atrophy of the muscles.

In fact, Hingis' weight-lifting regimen during her recovery has transformed her teenage body into a more mature, muscular build.

But in her first match, she showed the typical reactions of most top-class athletes who are recovering from injury. She sprinted to every drop shot and wide-angled groundstroke but had difficulty changing directions.

She is still tentative about putting her full weight on the injured limb and cautiously stepped on it after points to assure that it was holding up under the strain of high-level competition.

She should overcome lower-ranked opponents by superior shot-execution and instincts, but will need to improve her movement if she is to justify her top seeding in this tournament.

The likes of Steffi Graf, who can make her twist and turn, may prove too much and so Hingis looks unlikely to claim a second grand slam title this time round. Ultimately, full recovery appears certain but the injury was a huge scare for her sponsors Sergio Tacchini, who signed that multi-million dollar deal with Hingis last year, and the women's tour which needs such charismatic champions.

Thankfully Hingis has retained the breezy confidence which saw her voted the friendliest player on the tour. "This injury will not stop me from riding or doing other things that are part of my life," she said.

RAC TRAVEL NEWS

The Guide to Travelling In Europe

Belgium: The Brussels Jazz Marathon, 30 May to 1 June. Provincial House Jewellery Exhibition, Antwerp, June.
France: E40 (A16/A18) linking Bray-Dunes, France and Veurne in Belgium opens in June.
Germany: Wurzwindor Weindor Wine Festival, 30 May to 8 June.
Switzerland: Spring Fair, Couvet NE, 30 May. Wine Market, Chardonne VD, 31 May.

ROADWORKS

Austria: A1 Amstetten. Al Enns to Asten.
Belgium: R31 Ostend Ring Road; N34 Zeebrugge.
Denmark: E20 East of Esbjerg. E20 Nyborg to Odense.
France: A1 Lesquin nr Lille; A6 Ris-Orangis, south Paris.
Germany: A4/E411 Beez, south of Namur; A9 linking Berlin Orbital with Munchen.
Italy: A1 Casalpusterlengo to Lodi, SE of Milan. A14 Bologna & Imola.
Spain: A9 Abegondo.

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Weather Watch Until 4 June

On **Friday** high pressure will dominate over western Europe bringing fine, sunny and very warm spells. Spain and Portugal, which will be very hot with temperatures over 30C, will have thunderstorms. Most other parts of the Mediterranean will be dry and sunny. Showers will affect much of eastern Europe, with thunderstorms developing over Poland and the Balkans. Further north, Sweden will be fine with some sunshine, but cloud and rain will spread eastwards across Norway.

On **Saturday** rain will spread to much of Sweden, Finland and the Baltic states. Scattered showers and thunderstorms will develop over Romania and the Balkans, but Germany, France and the Netherlands will have another sunny and very warm day. Italy and the central Mediterranean will have blues skies and unbroken sunshine. Showers and thunderstorms over much of Spain and Portugal may reach the Costa coastline and the Balearics by early evening.

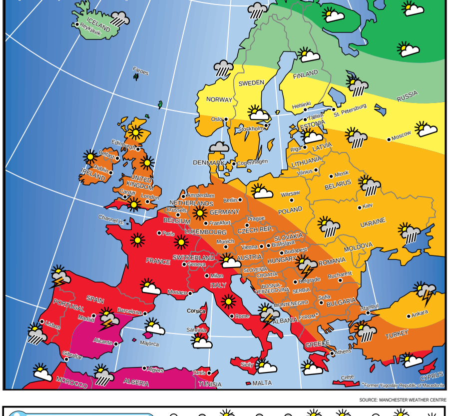
On **Sunday** thundery showers are again expected over central Spain and Portugal, but coastal resorts will be dry with some sunshine. Most other parts of the Mediterranean will be dry and sunny with just one or two showers over northern Greece and Turkey. Showers will also affect Scandinavia and eastern Europe with a risk of thunderstorms over Poland and Ukraine. France, Belgium, Luxembourg, the Netherlands and Britain will be warm, dry and sunny.

Monday will bring improving conditions to Spain and Portugal as showers die away. The rest of the Mediterranean will be sunny and very warm with afternoon temperatures rising to 28C and above across Italy and Sardinia. Western Russia and Poland will be cloudy and windy with showers. Most of Scandinavia will be dry, but showers and strong winds will affect the Baltic states. Britain and France will be dry and quite sunny.

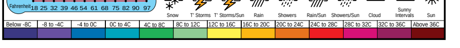
Further outlook until Wednesday: the Mediterranean and most of western Europe will remain dry, sunny and very warm. Eastern Europe will be cloudy and windy with further spells of rain across much of Poland, Romania and the Baltic states.

30 May to 2 June	FRIDAY			SATURDAY			SUNDAY			MONDAY		
	MIN	MAX	SKY	MIN	MAX	SKY	MIN	MAX	SKY	MIN	MAX	SKY
AMSTERDAM	8	19	SU	10	20	SU	9	16	SU	9	18	SU
ATHENS	16	23	SU	15	22	PC	15	23	RS	16	25	SU
BERLIN	9	19	PC	12	20	CL	10	19	PC	9	17	RS
BRUSSELS	9	21	SU	11	22	PC	10	18	SU	10	18	SU
COPENHAGEN	7	16	SU	8	16	PC	7	16	PC	7	16	PC
DUBLIN	6	19	SU	9	19	SU	10	18	SU	9	18	SU
GENEVA	10	23	SU	10	26	PC	12	24	PC	10	22	PC
HELSINKI	3	15	PC	4	14	CL	5	15	RS	7	17	PC
LISBON	18	27	RS	17	26	RS	16	25	PC	16	27	PC
LONDON	11	23	PC	12	23	SU	12	23	SU	10	20	PC
LUXEMBOURG	11	22	SU	11	22	PC	11	20	SU	10	20	SU
MADRID	15	28	CL	13	26	RS	13	27	RS	11	29	RS
OSLO	9	21	PC	8	19	PC	8	19	SU	8	20	SU
PARIS	11	23	SU	12	24	SU	12	23	SU	10	20	SU
ROME	10	24	SU	10	24	SU	10	24	SU	11	23	PC
STOCKHOLM	3	17	PC	7	17	PC	5	16	PC	6	16	SU
VIENNA	10	19	RS	11	21	CL	11	20	PC	10	19	RS

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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DONOVAN RIEES

Building for the future: EU trade commissioner Sir Leon Brittan believes a new round of talks would help establish rules to protect the rights of international property investors

Brittan beats the drum for new round of trade talks

John Parry GENEVA

SIR LEON Brittan, the EU trade commissioner, stepped up the pressure this week on the world's leading trading nations for a new round of global trade talks which would carry on from where the Uruguay Round left off. But Sir Leon, a leading proponent of the idea, faces an uphill struggle before the proposed "Millennium Round" can get under way.

For one thing the United States is flatly opposed to the idea in the foreseeable future, and told Brittan so at last week's meeting in Paris of the Organisation for Economic Co-operation and Development (OECD). European business, fearful of unleashing a host of issues that could unravel the substantial gains made during the seven-year Uruguay Round, will also need some convincing if it is to back the project.

"If Brittan can demonstrate that this is the best way forward, then the business community would support that. But they don't want a risk strategy," said Keith Richardson, secretary-general of the European Round Table of 44 chief executives of the EU's biggest companies. The Uruguay Round, completed in December 1993, was nearly swamped by squabbles between the EU and the US over movie imports and farm subsidies, two issues that counted for only a fraction of the total trading interest at stake.

Brittan wants the new round to cover further liberalisation in farming, services and industrial goods. The commissioner has also been pushing for global rules governing competition – highlighted by the transatlantic controversy over who has power to vet the Boeing-McDonnell Douglas merger – to be included in the new round, along with rules on foreign investment.

A report published in May by the UK's Royal Institute of Chartered Surveyors made an urgent appeal for the World Trade Organisation (WTO) to ensure legal protection for international property investors including compensation for confiscations.

Brittan argues that the advantage of negotiating these items in a package rather than piecemeal would be that countries could horse-trade so that everyone, including developing countries, could benefit.

Britain received awarded support in Paris last week from Renato Ruggiero, director-general of the WTO, who said he detected "growing support" for the idea after New Zealand and Australia, keen to see further reductions in industrial tariffs, signalled that they also wanted a new round.

But Sir Leon's idea is a non-starter across the Atlantic and in the wider WTO constituency. The Clinton administration is still trying to get the US Congress to renew its "fast track approach" on trade and will do nothing to rock the boat until that is achieved, say US diplomats. "Fast track" means the President and his team can negotiate trade agreements without having to get Congressional approval.

The developing world, led by India, is wary that protectionist forces in Europe and the US will force environmental and labour standards on to the international agenda, effectively eroding their competitive edge. Developing countries, whose limited manpower prevents them from playing their full role in international trade, also argue that there is so much unfinished business from the Uruguay Round that it is neither necessary nor desirable to start new projects.

THEY have a point, concedes Ruggiero. The Uruguay Round agreement provides for a review mechanism for subjects on which accord has been reached, kicking off still trying to get the US Congress to renew its "fast track approach" on trade and will do nothing to rock the boat until that is achieved, say US diplomats. "Fast track" means the President and his team can negotiate trade agreements without having to get Congressional approval.

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THEY have a point, concedes Ruggiero. The Uruguay Round agreement provides for a review mechanism for subjects on which accord has been reached, kicking off next year. Subjects to be covered include agriculture, financial services, subsidies and trade-related intellectual property rights in the fields of copyrights and patents.

The Singapore WTO summit last December decided to start this review process ahead of time by setting up three committees to study progress in the fields of investment, competition and transparency in government procurement. They are to meet later this year.

All this activity in what the WTO calls its "built-in agenda" could technically be called a new round in itself, suggests Ruggiero, even if it is not what Sir Leon is proposing. This would have to be concluded before there could be movement on a "Millennium Round."

Meanwhile the WTO is still plodding on with unfinished business left over from the Uruguay Round. Talks on a financial services agreement, scuppered by the Americans in 1995 because they said other countries were not being forthcoming enough, have resumed this year with considerable hopes of success.

Ruggiero is aiming for conclusion in December of a global pact liberalising financial services similar to that on global telecommunications signed in February.

But there has been no progress on another piece of unfinished business left over from 1993. The powerful American maritime unions are blocking even the start of talks on a worldwide plan on maritime transport, claiming it would give foreign shipping companies a far too lucrative slice of their trade.

Sweeping up all these loose ends, Ruggiero admits, gives the WTO more than enough to do for the foreseeable future.

The next formal chance for Sir Leon to push for the talks may not come until next year, although WTO officials expect him to keep up the pressure. "We're quite optimistic that in the course of next year we will build a consensus for the round, agree an agenda in 1999 and get started," said Robert Madelin, a senior aid to Brittan.

In 1998 the WTO will hold its next ministerial meeting, a follow-up to Singapore. Timed to coincide with the 50th anniversary of the general agreement on tariffs in trade (Gatt), the WTO's predecessor, it is intended as a stocktaking of where the Uruguay Round follow-up stands at the time.

Sir Leon's determination to push the Millennium Round will presumably see the issue prominently on the agenda. Also prominent will be India's opposition, but WTO officials point out that if the Clinton administration gets its "fast track" authorisation this autumn, Sir Leon will have six months to convince Washington that a new round is a good idea.

Spanish reputation falls in hole

Madrid's financial credentials have taken a pre-EMU knock, reports John N Parry

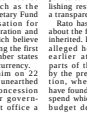
SPAIN's reputation as a trailblazer when it comes to meeting the Maastricht criteria on monetary union has been knocked by the discovery of a $1.4 billion hole in government books.

Finance Minister Rodrigo Rato says the shortfall has been caused by a corporate tax amnesty given to "all the main Spanish companies" by the previous socialist government.

Although the missing money seems to threaten Spain's ability to meet the Maastricht criteria, investors remain bullish about Spain and the markets show no signs of jitters. However, some analysts worry that Rato's discovery could alarm foreign investors.

Spain's inflation and interest rates are at record lows, and it plans to cut its budget deficit to three per cent of gross domestic product this year from 4.4 per cent last year. The country has gained votes of confidence from groups such as the International Monetary Fund and the Organisation for Economic Co-operation and Development, which believe Spain will be among the first group of EU member states to join the single currency.

But Rato's claim on 22 May that he had unearthed the Pts200bn concession from the former government, which left office a year ago, has led to speculation as to whether Spain's headline figures are as good as they seem.



Rato: $1.4bn hole

Arturo Rojas, an analyst at Analistas Financieros Internacionales in Madrid, says: "The minister's declarations could confuse and even alarm investors if their impact on the budget deficit is not better explained." Economists agree the hole will affect the budget deficit, but it is not clear whether its effect will be felt on this year's budget, or whether it will be applied to last year's.

Cesar Molinas, chief economist at Merrill Lynch in Madrid, says: "The tax amnesty shows very bad management by the Spanish tax office." Tax concessions for companies are not unusual, Molinas says: "The laws about fiscal fraud are deficient. They don't give the tax office the proper instruments to fight it."

So far the markets have given the national accounts the benefit of any doubt, although Rato's disclosure may lead to more scrutiny. Market support has more to do with traditionally opaque accounting practices rather than genuine confidence, says one Madrid economist. "Spain's public accounts reflect the same weaknesses as corporate ones: you are not supposed to understand them.

"Take the budget deficit. I am convinced the government has shown great skill in reducing it on paper, but that's been done virtually without a structural adjustment. There are too many grey areas without any explanation," he said.

Although the dictator, General Franco, died 22 years ago, the habit of concealing information dies hard. Even some listed companies still try to avoid publishing results on time or in a transparent manner.

Rato has protested before about the financial legacy he inherited. Last September he alleged he had identified earlier attempts to hide parts of the budget deficit by the previous administration, when he claimed to have found a Pts547bn overspend which swelled 1995's budget deficit to 6.6 per cent of GDP instead of the declared 5.8 per cent.

Since then the system for calculating budget deficits has changed. "There is a tremendous adjustment of accounts for 1996 and 1997, and it is very difficult to get to the bottom of them or make comparisons with previous years," says Henrik Lumholdt, chief economist at Bank of America in Madrid.

In the privatisation of petrochemical company Repsol last year, a significant amount of the income the government raised from selling part of its stake went to reduce the budget deficit, even though this is against the rules of Eurostat, the Commission's statistics arm.

Regional governments' deficits, which form part of Spain's overall deficit, may also come under scrutiny. Independent economists placed the regional and municipal deficit at 0.7 per cent of GDP last year. The government now claims it is 0.3 per cent – a sufficiently rapid turnaround to merit closer inquiry.

Money and jobs flowing out of Germany

Foreign investment has sunk to a new low, while German firms are moving out, writes Chris Butler

GERMANY, crippled by record unemployment and saddled with rising wage demands, is now being deserted by foreign investors.

Foreign investment has sunk to a record low, collapsing from Dm18.23 billion ($10.6bn) in 1995 to just Dm1.14bn last year. In real terms, pay rises in 1995 reached ten per cent in some sectors, which led financial experts to advise against investing in Germany.

And as international investors pull out, German companies such as Siemens have reacted to the high cost of doing business at home by moving operations abroad. Siemens, Germany's second-largest employer, will soon have more of its staff working abroad than at home.

International businesses are disenchanted with the German centralised wage bargaining system where the unions still hold the upper hand and are blamed for forcing wages higher. In a country where unemployment is at a record level, there is an argument for holding wages down and getting more people back to work. That, however does not seem to be happening, and corporate costs continue to spiral.

The tax burden on companies has also increased as the government has raised taxes to take account of the cost of integrating former East Germany.

Faced with growing international difficulties, the government is trying to introduce tax reforms to restore confidence in Germany as a country which to do business.

Economics Minister Günter Rexrodt said this week that the appallingly low level of inward investment in Germany needs to be addressed, and asked for support for his proposed tax changes.

Those reforms, which have already been diluted in the face of parliamentary opposition, include a drop in corporation tax from 45 per cent to 35 per cent on retained earnings and a drop in tax on distributed earnings from 30 per cent to 25 per cent.

The government also wants to reduce personal income tax rates and has suggested that the top rate should be reduced from 53 per cent to 39 per cent and the lower rate from 25.9 per cent to below 20 per cent.

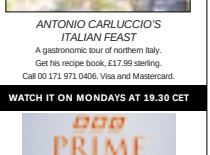
But the reforms may not be enough to lure business back to Germany. According to Joerg Krämer, an economist in the Frankfurt offices of investment house Merrill Lynch, the proposed tax changes will not be sufficient to revitalise the flow of funds into Germany. "Besides the proposals to reduce some taxes, there are also proposals to reduce the depreciation allowances to foreign companies investing in Germany. This could offset the benefits of corporate tax reductions."

The main investor in Germany last year was its close European partner France, which invested Dm1.1bn. France was followed by Switzerland with Dm768m and Austria with Dm480m.

Germany's problems are illustrated by the imbalance between funds flowing between itself and the US. Last year the US invested just Dm355m in Germany, while Germany invested Dm8.8bn on the other side of the Atlantic, indicating exactly where German investors and companies prefer to put their money. Other countries making investments in Germany were the Netherlands (Dm264m), Luxembourg (Dm260m), British Virgin Islands and Monserrat (Dm232m), South Korea (Dm106m), Israel (Dm84m) and Bermuda (Dm80m).

Counteracting the direct investment was a significant level of divestment by companies who repaid loans to overseas parent companies rather than keeping the funds in Germany. America repatriated Dm546m, while Asia, mainly Japan, sent back Dm536m of capital, leaving the net inward direct investment at just Dm1.1bn.

Even German companies realise that they cannot be globally competitive given the high labour costs and the level of taxes in the country, and are reassessing their investment strategy. They are concluding that there are better places to invest than at home.



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Takeover is a shot in the arm for Roche

A merger has created the world's number one in diagnostics, writes John Parry in GENEVA

ROCHE's surprise takeover of Boehringer Mannheim has done more than lay to rest a year's rumours concerning the future direction of Switzerland's second-largest pharmaceuticals company. It shows that Roche is not interested in a head-to-head battle in pharmaceuticals with Novartis, its cross-town rival in Basel. It has also launched the cash-rich company into a field in which, until now, its interests have been minimal but where, as analysts point out, growth potential is enormous.

Since Ciba-Geigy and Sandoz merged a year ago to form Novartis, rumours of a comparable move by Roche have swept the pharmaceuticals industry. Among the names mentioned as possible acquisitions have been Sweden's Astra and Britain's SmithKline Beecham and Zeneca. But Boehringer Mannheim never surfaced in the speculation, and as Daniel Vassella, chief executive of Novartis, says, it operates in a field in which Novartis will not be a major competitor.

The Boehringer deal was done essentially man-to-man between Fritz Gerber, Roche's 67-year-old president, and Kurt Engelhorn, patriarch of the family which has owned Boehringer for 100 years. For the past decade Engelhorn, 71, has run his company from a suite in the Hotel National in Lucerne, while seeking an heir from within the family ranks. Industry sources say that with none apparently forthcoming, and with Boehringer faced with a 1995 warning from a group of private banks that it would have to invest $3 billion between now and 2004 to remain competitive, Engelhorn was ripe for an approach from Gerber. The deal was apparently done without the aid of banks.

Roche, like Boehringer, is essentially a family-owned company with majority ownership in the hands of three families: the Sachers, Hoffmanns and Oeris, representatives of the founding fathers. Gerber, their top operative, has been under pressure from inside and outside the family to make an acquisition since the foundation of Novartis, particularly since Roche is sitting on a mountain of cash and has been known for years as a cautious investor.

The $11bn Boehringer Mannheim acquisition will have gone a long way towards dispelling that impression. Roche shares initially faltered on the Swiss exchange when the news broke, with some brokers saying Roche had paid too much for a company which needs an injection of cash. They recovered later, presumably on the basis of a series of upbeat comments by Gerber, who said of the deal: "I think this is a major boost for us."

Analysts appeared to agree. But they tempered their approval with the warning that some harsh rationalisation is going to have to be done to bring two widely differing philosophies together. Roche, under Gerber, is known as a tight ship; Boehringer Mannheim, on the other hand, does not enjoy such a reputation. The new company, Roche Boehringer Mannheim Diagnostics, will have a total workforce of 13,500 and a global turnover approaching $2bn.

"There are going to have to be some important economies in the synergy field," says Jerome Schupp, pharmaceuticals analyst at Geneva private bank Darier Hentsch. Those synergies – the word can be translated less elegantly as "job cuts" – are worrying unions. Gerber himself insists that there is also an upside. "Sure there are going to be job losses, that's inevitable," he says. "But there is also going to be the creation of new jobs."

This does not convince Mathias Bonert, general secretary of the Swiss industry union, who points out that when Roche took over the Californian firm Syntex in 1994, 5,000 jobs were lost worldwide. "In an economic climate like today's this is no time to be cutting jobs," says Bonert, although he admits he is not sure what he can do about it.

If the picture appears gloomy from labour's point of view, things look more upbeat elsewhere, where the sudden emergence of the new company as the world's number one in diagnostics will have some spin-offs. Boehringer Mannheim already has a relatively small but thriving pharmaceuticals business, notably in the field of diabetes research in collaboration with Lilly of the United States. Several analysts say they would not be surprised to see co-operative ventures of this kind, with different companies, carried further under the Roche banner.

Spain, France and the United Kingdom are the three countries where the merger will have the greatest marketing impact. Boehringer Mannheim's marketing capacity is expected to be particularly useful when Roche brings five new pharmaceuticals products already in the pipeline on to the market in 1998.

AP

Junk bond king: the involvement of blue-chip banks has helped get rid of the aftertaste of the unscrupulous era of Michael Milken (above)

Investors work up an appetite for junk bonds

Poor yields from state bonds have given firms with lower credit ratings a higher profile, writes Nicholas Moss

EUROPEAN investors are acquiring more of a taste for danger. Frustration with miserly yields in the core market of government bonds is creating an appetite for high-yield debt securities from companies whose balance sheets look less than healthy.

Last week Impress Metal Packaging, the can production venture of France's Pechiney and Germany's Schmalbach-Lubeca, completed a Dm200 million ($118m) issue. Its 9.875 per cent yield compares with slightly less than six per cent on a ten-year German government bund, the benchmark bond for Europe. The premium is paid by the company to compensate for its less satisfactory B credit rating.

In April, two junk bond offerings from Swiss sanitary company Geberit and the European division of US battery manufacturer Exide, worth a combined Dm335m, set the tone for investors with annual yields of more than nine per cent.

The response from institutional investors to Europe's first offerings from companies with credit ratings below rating agencies' "investment grade" threshold – hence the slightly derisive term "junk" bond – has been enthusiastic. Bankers say as many as 15 companies will issue a total of about $1.5 billion of the high-yield securities this year.

Michael Ridley, a director at Salomon Brothers European fixed income syndicate, the lead manager on the Impress bond, said it received more than double the number of orders it was expecting for the paper. And he said the volume of transactions will grow "as the appetite for credit as a medium for improving returns on a portfolio" increases.

The hunger is being fed by a number of factors. One of the main reasons has been Europe's quest for monetary union, which has resulted in less diversity and volatility among European currencies, thereby reducing opportunities for speculation, and lower yields on government bonds. "Some of the old high-yield games are not as much fun anymore," said Ridley.

Ravin Onakan, government bond strategist at Lehman Brothers in London, said the yields from government bonds in the peripheral markets of Spain, Italy and Sweden, for example, are close to their lows and converging to the German level.

The gap between German and Italian bond yields is around 150 basis points, down from around 475 basis points at the start of last year. Onakan said: "The gap will continue to narrow."

Even so, investment in the European currency-denominated junk bonds is still a trickle compared with the billions of dollars which flowed into the US junk bond market at its height in the late 1980s. But Mark Fox, chief European fixed income strategist at Lehman Brothers, said the market for higher-yield bonds in Europe "could easily be worth $100bn within five years".

The figure is based on a comparison with the US junk bond market, which has experienced a resurgence since the days of unscrupulous selling, company defaults and the conviction of Michael Milken, the "junk bond king", for securities fraud. Lehman Brothers estimate that $217bn is committed to junk bonds from an overall market of $4,700bn in fixed income investments, while Europe's bond market is worth about $4,100bn.

The involvement of many blue-chip investment banks, including Deutsche Morgan Grenfell, Credit Suisse First Boston and Merrill Lynch, has also helped to get rid of the aftertaste of the US debacle and Europe's only previous experience of junk bonds in Switzerland where an active market collapsed in the early 1990s.

Another driver has come as workers in continental Europe have followed the model in Britain of saving for their own retirement. Private investors, pension funds, banks and insurance companies which have been boosting investment flows in a climate of fewer income opportunities are more willing to take a risk with high-yield bonds from companies which receive a classification below BBB- from rating agency Standard & Poor's.

Fox said: "Traditionally people knew AAA was the only thing you bought and that bonds were safe. If you wanted to gamble you bought shares. But there has been very much a shift in attitude among Europe's traditionally wary and conservative investment community."

A more sophisticated understanding of balance sheets, liquidity ratios, and a growing pool of Europeans who understand credit opportunities, has made it easier to choose from the investment menu. "Better analysis has made it easier to spot the ones likely to go bust," said Fox.

BUSINESS WEEK

DAIMLER-BENZ's $1 billion vehicle manufacturing joint venture in China was put in doubt by bickering among its two Chinese partners. There was also concern about cost over-runs caused by the removal last year of duty waivers on imports of capital equipment. Two years ago the German company beat US rivals Ford and Chrysler to lead the project in one of the world's last big untapped markets.

Almost one quarter of Halifax members eligible for share handouts when the UK building society converts to a bank with a stock market listing next week have decided to sell their stakes immediately, netting windfalls expected to exceed £2,300 ($3,700) each. This will ease the fears of institutional investors concerned that they will not pick up enough of the stock.

OECD member countries agreed to outlaw bribery of public officials, which is a tax-deductible expense in some countries, as a means of winning commercial contracts. The terms of the proposed accord are expected to be finalised within a year.

Boris Nemtsov, Russia's first deputy prime minister, said the interests of foreign investors in Gazprom would be protected in any move to simplify the dual shareholding structure in the giant gas monopoly. However, President Boris Yeltsin is expected to sign a decree limiting foreign investment in Russia's largest company. Foreign investors would only be allowed to buy Gazprom's American depository receipts, which trade at about three times the price of its local shares.

Poland was hoping to raise more than $1bn when it started the process of selling 88 per cent of Bank Handlowy in central Europe's biggest-ever financial privatisation. An international investment group, led by JP Morgan, is expected to buy up to 30 per cent of stock in the bank, which has 17.1bn zloty ($5.3bn) in capital.

Keiper Car Seating, Germany's last independent car seat manufacturer, which supplies Daimler-Benz, Volkswagen and Porsche, is being sold by the Putsch family amid consolidation in the global vehicle components industry. US firm Lear's Dm400 million ($235m) bid beat France's Bertrand Fauré and Magna International of Canada.

Rolls-Royce, the British aero-engine manufacturer, said it expects to solve a problem with some of its engines within three weeks. Flights on Cathay Pacific and Dragonair were grounded because of safety concerns with the engines.

Deutsche Post chairman Klaus Zimwinkel said the planned privatisation of the postal group, expected in 1999 or 2000, would not be possible unless the government retreated over proposals to restrict its monopoly.

Radical plans by Lloyd's of London insurance market to increase the minimum capital requirements for Names – the private investors who traditionally back the market – may be revised after angry protests at the speed of reforms.

Airbus, the European civil aircraft consortium, may miss its 1999 target to transform itself into a fully commercial company, according to Jürgen Schrempp, chairman of Daimler-Benz. He blamed resistance by French partner Aérospatiale to the change. The other partners are British Aerospace and Casa of Spain.

P&O, the UK shipping and property group, said it was confident that Margaret Beckett, the UK trade and industry minister, would give the go-ahead next month to the merger of its Channel ferry operations with Stena Line. The deal awaits Commission clearance.

Beogradska Banka, the Serbian state-owned bank, said it will form a group of at least 20 banks in a bid to restructure the country's ailing banking system.

German engineering R&D company Ficht won a design award for its electronic high-pressure injection system for combustion engines.

THE EUROPEAN
A WEEK IN THE LIFE OF THE EU

THURSDAY 22 MAY TO WEDNESDAY 28 MAY

Safety net for endangered wildlife ... commissioner says social model is not functioning in interests of state or individuals ... Swiss transport talks cancelled

EUROPEAN COMMISSION
BRUSSELS

ON THURSDAY Ritt Bjerregaard, environment commissioner, called for increased awareness of the problems caused by the illegal trade in wildlife. Announcing the launch of an EU-wide information campaign to be undertaken jointly with the Worldwide Fund for Nature, the commissioner pointed to the new EU law coming into force on 1 June, which imposes stricter controls on the importation and sale of endangered species.

Speaking at a conference in Brussels later that day, Bjerregaard called for a comprehensive EU strategy on the sustainable management of forests. "My message to you today is that we need a global, holistic approach to forest issues," she said. This would have to take into account ecological, economic, social and cultural aspects.

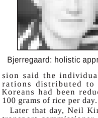
On the same day, the Commission released a report showing that the dairy product market in the EU would remain under price-level pressure, with problems affecting producers likely to increase as dairy holdings increase in size.

Meanwhile, Padraig Flynn, employment commissioner, said the European social model was "plainly not functioning in the interests of either state or individuals". He said: "What we offer now – too often in Europe – is a one-way ticket out of employment." Speaking at a joint US/EU workshop in Washington, the commissioner called for the debate to "move beyond the old sterile debate of regulation versus deregulation". He added: "We must reconcile the flexibility which firms need with the security which workers require."

Furthermore, the Commission announced that the EU had taken action at the World Trade Organisation (WTO) over Indonesia's policy of raising competition barriers to help foster a national car industry and other measures concerning trade in cars and car parts. The request for the establishment of a WTO disputes panel followed a further request for formal consultations with Brazil over its government incentives to invest in the car sector. The Commission said both regimes were "prime examples of government-mandated trade distortions".

On the same day, Yves-Thibault de Silguy, financial affairs commissioner, suggested that Switzerland might want to link the Swiss franc to the euro after the single currency's introduction in 1999. A formal link might reduce Switzerland's room for manoeuvre but would help the growth of bilateral trade, de Silguy said in a speech to the Swiss bankers' association.

On Friday the Commission launched a food aid package worth Ecu46.3 million ($53m) in support of the victims of famine in North Korea. The Commission said the individual food rations distributed to North Koreans had been reduced to 100 grams of rice per day.



Bjerregaard: holistic approach

Later that day, Neil Kinnock, transport commissioner, asked the Dutch presidency to cancel a special meeting of transport ministers scheduled for 29 May, which was to conclude the transport negotiations with Switzerland. Kinnock, who had earlier lobbied the presidency to call the meeting, had to declare that "last minute changes introduced in the Swiss proposals made a Council meeting unjustified".

With both sides engaging in angry public recriminations, the cancellation might mean the collapse of all the negotiations on a bilateral accord between the EU and Switzerland, as the EU has always insisted that a deal with Berne could be concluded only if agreement could be reached across the whole range of issues. The transport negotiations foundered on persistent disagreements over the toll that lorries pay when crossing the Alps.

On Monday Commissioner Flynn warned against leaving environment and employment policies to market forces alone, saying these would have to be "consciously managed by explicit decisions of government and other agencies". Economic, employment and environmental concerns should be "taken out of their separate boxes", the commissioner said at a conference in Brussels. A similar message was spelt out at the conference by Commissioner Bjerregaard.

On Tuesday Jacques Santer, commission president, welcomed the "European day for employment" on 28 May, on which several thousands of marchers would form a "human chain" around EU buildings in Brussels. The French car makers' decision to close the Renault plant at Vilvorde earlier this year was an example of people's confidence in Europe being undermined, Santer said.

On Wednesday the Commission announced that more than 630,000 people had already contacted its single market information service launched under the "citizens first" initiative; 230,000 by telephone and 400,000 via the Internet. Mario Monti, single market commissioner, hailed the initiative as a success, saying it increased citizens' awareness of their rights and provided the Commission with "channels for feedbacks on practical problems encountered".

The problems most often raised so far concern social security and welfare benefits, discrimination on grounds of nationality, right of residence, taxation, free movement of services and recognition of qualifications.

EUROPEAN COUNCIL
BRUSSELS

EU special summit

ON FRIDAY European Union leaders at a special meeting in Noordwijk in the Netherlands engaged in the final round of negotiations to agree on a revision of the Maastricht treaty to take place at the EU summit on 16-17 June in Amsterdam.

With four weeks to go before the conclusion of the agreement on EU reform, governments were moving towards a compromise which would see little or no extension in the Commission's powers under the treaty. However, Jacques Santer, Commission president, lobbied other leaders for more action to be taken to protect workers' rights.

The summit was the first attended by Tony Blair, the new UK prime minister, who spoke out forcefully about the need to complete single market legislation, extending it to cover energy, financial services and aviation, and including the removal of barriers to flexible labour markets.

Meanwhile, Jacques Chirac, the French president, noted that Blair was the only leader to reject the notion of a "European social model". Chirac also announced that the EU would renew an inquiry into whether to impose tariffs on unbleached cotton exported by a number of Asian nations.

Energy council

ON TUESDAY energy ministers meeting in Brussels failed to agree on a broad framework for gas liberalisation, leaving open the option of holding a special meeting in June to settle the long-delayed issue.

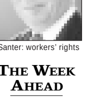
The Netherlands said it would decide during the next two weeks whether a new energy council should be convened for 24 June. EU states have to agree on how to open the gas market for competition, with advocates of full liberalisation, such as the UK, opposing partisans of more competition, such as France.

Farm Council

ON Monday and Tuesday farm ministers meeting informally in Domburg in the Netherlands held a debate about an in-depth reform of the EU's dairy policy. With Franz Fischler, farm commissioner, warning that the continuation of existing policies might generate a production surplus of two million tonnes a year after the inclusion of the EU's central and eastern European membership candidates, ministers stressed their reluctance to engage in a radical overhaul of existing mechanisms.

Defending massive help for dairy farmers, a number of ministers highlighted the importance of small-scale dairy farming for the preservation of jobs in disadvantaged rural areas. Fischler announced that the Commission would put forward new reform proposals in July.

He also warned that the EU had already exploited most of its export opportunities for skimmed milk powder this year and that an increase of export refunds which some ministers demanded would destabilise the world markets and depress price levels. The Commission would push for a step-by-step reform of existing mechanisms, he said.



Santer: workers' rights

THE WEEK AHEAD

THURSDAY: the EU's advisory group on the ethics of biotechnology announce recommendations on the ethical implications of cloning.

On the same day, the European Parliament wraps up its two-day mini-plenary session in Brussels.

MONDAY: EU foreign affairs ministers meet in Luxembourg. The agenda includes preparations for the Amsterdam EU summit, and agreements with Egypt, Lebanon and Jordan.

TUESDAY: Jacques Santer receives Ivan Kostov, the Bulgarian prime minister. Meanwhile, Martin Bangemann, industry commissioner, visits China.

Mario Monti, internal market commissioner, Emma Bonino, consumer commissioner, and Karel Van Miert, competition commissioner, speak at a conference on emerging technologies in Brussels.

Thomas Klau

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Piëch and his dream for Volkswagen

The German motor giant is Europe's largest carmaker. Can its chairman also make it the best? David Brierley reports

Ferdinand Piëch: 'Either we pull the company round, or it is finished,' he said in 1993; today Volkswagen is Europe's leading carmaker, and its share price has doubled in a few months

A SPOTLIGHT trailed the Volkswagen insignia up and down the brightly lit pleasure boat moored in Geneva bay. Europe's largest carmaker was partying in style.

Just before midnight Ferdinand Piëch, Volkswagen chairman and chief architect of Volkswagen's revival, arrived on board. The billionaire scion of the Porsche dynasty greeted Marilyn Monroe and Humphrey Bogart look-alikes, trailed through the ship's themed bars and chatted to journalists attending the city's motor show before heading for the cabaret.

Volkswagen and Piëch had every reason to celebrate after a torrid year of dreadful headlines. They had been hit by stories of industrial espionage and corruption and by revelations about the company's Nazi past. But now the worst was over. The row with Opel over hiring José Ignacio López de Arriortúa had been settled out of court. The claims about corrupt senior managers remain unsubstantiated. And Piëch has accepted the company's moral responsibility for its dark past.

Now Volkswagen is powering ahead. It is indubitably Europe's leading car manufacturer, its market share is rising, and its share price has doubled in a few months.

This is Piëch's achievement: In 1993, when he joined Volkswagen from its Audi subsidiary, the company was fighting for survival. Sales were plummeting, its domestic cost base was too high, and its Spanish and Czech subsidiaries, SEAT and Skoda, looked like basket cases. It produced three million cars with a workforce of 270,000 and reported a loss of Dm1.6 billion ($940 million). "Either we pull the company round or it is finished," Piëch said at the time.

Finished it isn't. Last year, Volkswagen's 240,000 employees made four million cars and profits are beginning to take off – it reported first-quarter profits of Dm178m and Salomon Brothers, the investment bank, predicts profits of Dm600m this year and Dm2bn next year.

For Piëch, this is not enough. "By the turn of the century, we want to see operating margins of 6.5 per cent." With sales heading for Dm100bn this year, it is small wonder that the share price has doubled within six months. The stock market believes that Piëch can deliver and there is evidence to support him.

VW has been transformed. This has not happened through slash-and-burn management or savage cost-cutting, but mainly through product innovation. Piëch, the grandson of Ferdinand Porsche, the inventor of the Beetle, is an avid engineer who is involved in every aspect of car design and manufacture. He is a product man who has responded to problems with, as he says, "a firework display of new products".

Volkswagen has replaced and revamped the whole range of cars offered by its four brands – Volkswagen, Audi, SEAT and Skoda. Now it has the widest and youngest range of models of any major European manufacturer. When the new Golf is launched at the Frankfurt Motor Show in September, VW's range will be on average three years old, one whole year younger than the competition.

Above all, Volkswagen has introduced a string of star cars. Solid, undistinguished models such as the Passat and Polo have been replaced by winners, Audi has been moved upmarket to compete with BMW, Skoda has been transformed from a joke into a highly competitive producer, while SEAT has vastly improved its quality. Skoda and SEAT are close to breaking even, after years of heavy losses. SEAT is still searching for a clear brand identity, but Piëch has given it an important new car, the Arosa minicar unveiled in Geneva.

Demand is strong. There is even a three-month waiting list for the "old" Golf, while a Passat ordered now will only be delivered next year. Almost all Volkswagen plants are operating at full capacity. This means that costs per vehicle are significantly lower than before and that Volkswagen can compete on price as well as on quality. Buyers no longer pay a premium to own a Volkswagen, as a recent advertising campaign in Britain has emphasised.

Volkswagen cars at keen prices are taking Europe by storm. Analysts foresee Volkswagen breaking away from the ruck of leading European manufacturers – General Motors, Renault, Ford, Fiat and Peugeot. It has 18 per cent of the market and is heading towards 20 per cent. This will only increase the pressure to consolidate as one or other of the majors discovers that it does not have the demand to sustain a competitive model range. The effects of this have already been seen at Renault in Belgium.

The secret behind the product "fireworks" was Piëch's early decision to base the Volkswagen range on three basic "platforms", with cars sharing many basic components. Much of the Passat, described by Piëch as "the most perfect Volkswagen ever", is an Audi by another name – and in another shape. An Audi five-cylinder engine can be found in a Skoda Octavia, which led one scurrilous Austrian car magazine to compare the Skoda favourably with a C-Class Mercedes. The Octavia, the Audi A3 and the new Golf share the same platform, and by the end of this year 11 Volkswagen models, representing 80 per cent of production, will be based on the three main platforms.

This cuts manufacturing time and enables Volkswagen to build the Arosa in seven hours and the new Golf in 17 hours. The aim is to halve this figure in the coming years. In an unguarded moment, Piëch admitted: "We're increasing productivity faster than we can cut jobs."

"Platform" production cuts costs by the equivalent of two per cent of sales. With sales of Dm100bn, this represents a massive gain. No wonder European manufacturers are all following Volkswagen's lead.

Piëch has redirected the Dm7bn which Volkswagen invests annually, cutting investment at Skoda and SEAT, and leading a campaign on costs. New models and production methods have enabled Volkswagen to "engineer out" costs, but much has also been achieved by squeezing suppliers.

This success is widely attributed to López, whom Piëch personally and controversially hired from Opel. The appointment of López sparked a bitter dispute over industrial espionage that led to his departure last year.

In January, Volkswagen paid Opel $100m out of court to settle the dispute.

It looks as if Piëch is building a German industrial model for our times

This disaster did nothing to diminish Piëch's personal standing within Volkswagen, and in March his contract was extended to 2002.

Piëch has stated that his "life's ambition" is to turn Volkswagen into the best car manufacturer in the world. This perhaps explains why he submits to the intense pressure of a top management job despite immense personal wealth. The magazine *Forbes* estimates this 60-year-old Austrian to be worth Dm5bn; he and his family own 70 per cent of Porsche and the immensely valuable Austrian distribution rights for Volkswagen.

At the moment, Piëch is some way off his goal, as he himself emphasised: "We have made some progress. A great deal of restructuring remains to be done."

The biggest problem remains reducing costs at the Wolfsburg plant, Europe's largest car factory. Improved buying, engineering and increased throughput are not enough to sustain a competitive lead. Wolfsburg inevitably betrays its age; it is vast and overmanned compared with modern greenfield factories such as the Opel plant in Eisenach, eastern Germany.

Eisenach, the most efficient plant in Europe, produced three times as many cars per employee as Wolfsburg, according to the Economist Intelligence Unit. While Wolfsburg has doubtless markedly improved its performance recently, the basic problem remains.

Piëch has already achieved much. Political interference has been reduced by a law cutting the voting rights of the 20 per cent stake owned by the state of Lower Saxony. But the cat-and-mouse struggle with the all-powerful but not unco-operative IG Metall union continues.

A major breakthrough came with the agreements secured in 1993, which created what Piëch calls "a breathing factory". The minimum working week was cut to 29 hours in exchange for a similar cut in wages. This ensures that the company does not automatically lose money when demand slackens; it also enabled the effective headcount to be reduced without redundancy payments. Staff numbers at Volkswagen's six German plants have fallen continuously since 1993 from 128,000 to 95,000 and further cuts to 80,000 are planned this year and next.

Complicated, plant-by-plant agreements have led to greater flexibility. Workers swap between Volkswagen's north German plants in response to demand peaks. Lifetime contracts are proposed which would see younger workers working longer. In exchange, they would receive Volkswagen shares or shorter working hours later in life. This has a greater chance of becoming reality than the suggested creation of a VW service company, paying non-tariff rates to fully flexible workers, an idea that was rapidly stamped on by IG Metall.

While Piëch has done his best to hide the financial strength of the company by rapid depreciation and high provisions, the unions are tiring of the hair shirt. Klaus Volkert, union representative on the Volkswagen supervisory board, said: "Because everything is going well with Volkswagen, people want their share." While Piëch continues to press on costs on all fronts, Volkert is looking for an above-average wage settlement.

But while this struggle is set to continue, Volkswagen's advance will not be stalled.

It looks as if Piëch is building a German industrial model for our times.

German backtrack takes fiscal harmony one step forward

Inside View

Germany's Christian Democrat leader now backs the French proposal of a European economic government, as long as it is not a counterweight to the ECB, writes Economics Editor Thierry Naudin

WHEN Karl Lammers endorses the notion of a European economic government, people listen. The chief of the Christian Democrat majority in the German Bundestag is a close aide to Chancellor Helmut Kohl, and his sudden acquiescence seems to reverse 12 months of strenuous German opposition to a French proposal.

The proposal is expected to stand whoever wins the French election on 1 June. Lammers's endorsement in an interview with a French news magazine last week came on the back of an article in favour of a single European economic policy written by a group of anonymous French senior civil servants and economists collectively known as L'Atelier 99 (Workshop 99). Their well-argued plea was published in *Commentaire*, an authoritative political quarterly based in Paris.

L'Atelier 99 is committed to sort out various important issues related to monetary union, and fiscal co-ordination must be the main one. Being eager to foster better Franco-German co-operation on EU affairs, the group could have done worse than to clarify France's views on a topic that has caused more aggravation than goodwill between Paris and Bonn.

In his interview Lammers says that Germany's endorsement hinges on a point of semantics. He approves the idea of a stability council only if it is to act as a "counterpart" to the independent European central bank (ECB). In his view the "counterweight" role called for by the French implies unacceptable interference with the European central bank.

The length of time it took to clarify the wording suggests that the quality of Franco-German dialogue is inversely proportional to its high profile in official circles. The phrases "European economic government" or "stability council" refer to the need for closer co-ordination of policies between member states. A single interest rate will be set for the whole area by a single central bank, and the ECB will pursue a clear-cut objective – no inflation – through powerful operational tools. It will enjoy high degrees of independence and continuity, immune from the vagaries of politics.

The concern is that this concentration of technocratic power may not find its democratic match in the council of finance ministers. The Ecofin, as this group is also known, so far looks like an unwieldy coalition hobbled by a rotating presidency in Brussels and periodic elections at home. But if the single European interest rate is to be pitched exactly at the point where it will encourage growth without inflation, taxation and government expenditure in the participating countries must first be co-ordinated. As Jean Pisani-Ferry, head of CEPII, a Paris-based international think-tank, argues, the ECB should be put in the same clear-cut situation as prevailed in France on 26 October 1995: once president Chirac decided that curbing the public deficit was his top priority, the Banque de France felt free to follow a looser credit policy.

The EU's problem is the lack of a single budget. Transferring more fiscal control to the EU is out of the question: the treaties do not call for it and public opinion would reject it. For the time being it is wiser to recognise that alternatives to budget co-ordination do not exist. Good co-ordination will enable the ECB to deliver low interest rates, which are one of the main benefits of monetary union.

If faced with inconsistent fiscal policies, the ECB will opt for caution, and a conservative stance may cause unemployment in some areas. Inefficiency will similarly occur if people expect too much from the ECB, or if it is turned into a scapegoat for economic mismanagement.

Finding the right policy mix between governments and the central bank matters all the more as the European economy becomes much more cyclical. Large public sectors and highly regulated labour markets are no longer there to keep capital expenditure and consumption going through bad times. This means that if fiscal and monetary authorities fail to adjust together at any point in the cycle, the risk of policy mistakes is greater. And as Pisani-Ferry notes, when it comes to managing an economic cycle, European central bankers have no experience to speak of.

He stresses that so far European co-ordination has been only of an institutional and legal nature. Co-ordinating discretionary powers is a new challenge for fiscal authorities. This is why L'Atelier 99 advocates a degree of centralised budget monitoring. It also suggests that selected items of national expenditure might be activated only after prior consultation with other governments. And with a view to stimulating democratic debate, they call for an independent committee of "wise men" to provide in-depth analysis and informed policy recommendations.

L'Atelier 99 also propose a euro tax to be levied by the European Parliament, but have little to say about how the democratic legitimacy of the stability council might be enhanced. Still, we can be grateful to them, and to Lammers, for looking beyond today's obsessive concerns with fiscal and monetary stabilisation and for focusing on joint economic policy-making – the next challenge for European democracy.

Pensions are back on EU agenda

France, Italy and Spain are expected to oppose Brussels' plans for a more open pension market, reports Melanie Bien

THE problem of funding retirement is back on the agenda next month when the European Commission introduces radical demands for member states to open up their pension markets and lift investment restrictions.

Opposition to the proposals is expected to come from the French, Spanish and Italians, who have spent years trying to prevent similar moves towards a single market in pensions.

Reform to the $2,700 billion industry has been so long in coming because of the emotive nature of pension provision. It is not unknown for riots to erupt when governments try to introduce reforms, as they did in Rome in November 1994 when the Berlusconi government tried to reduce the cost of state pensions in Italy.

The main problems facing governments are the question of portability of pensions – for workers moving from country to country – and the investment of pension funds in assets outside the home country's currency.

Mario Monti, single market commissioner, has warned that some states may be breaking EU law on capital movement by insisting that 80 per cent of pension assets must be in the currency of the country where they are paid. "We need to ensure the free movement of capital," he said. "In the UK, the Netherlands and Ireland, this is not a problem, but elsewhere in Europe there are restrictions in assets and currencies."

Geoffrey Furlonger, head of EU practice at the Brussels office of financial consultant William Mercer, said the proposals could prove hard for the French to accept. "The French would rather any funds are channelled into government bonds to pay debts rather than into equities in the stock markets of Europe. They would also prefer to have French money managed in France than by someone in London, which would be totally abhorrent to them."

Strong opposition has tended to surround attempts to introduce a common EU pension policy allowing easy transferability of pension scheme membership between firms in different states. In 1991, the EC was forced to withdraw a directive created by Leon Brittan, then the competition commissioner, which stalled after all EU members except the UK, the Netherlands and Ireland insisted on the freedom to impose investment restrictions on pension funds. A second attempt using the weaker legislative tool of a communication to EU countries in December 1994 was challenged by France, which claimed that the Commission was acting beyond its powers by imposing demands without the appropriate legislation.

The latest proposals are in the form of a green paper, and the Commission hopes this will promote debate and at long last create agreement between member states.

Bean–counters' finest hour

The number crunchers of Eurostat take centre stage as EMU looms

Making it count: Eurostat's unrivalled expertise is ready for the 21st century, says its director-general Yves Franchet

MOVING from the sidelines to the headlines overnight was a defining moment for Eurostat. Of the European Commission's 25 directorates general, this was the last in the international limelight, busy as it was keeping tabs on anything from road casualties and language skills to fish catches. But the statistical arm of the European executive has learned that raw numbers can touch raw political nerves.

The awakening came in November when Eurostat endorsed a controversial plan by the French government to use the pension fund of France Telecom to reduce its deficit to the level required to join European monetary union.

In Europe's bureaucratic numerology Eurostat, based in Luxembourg, is an anomaly. It is officially known as DG 34, although the division immediately preceding it is DG 24 (corporate affairs, commerce, tourism). Yet this is one of the original pillars of EU administration, starting in 1952 with the European Coal and Steel Community, the forerunner to the Common Market.

Then six people kept count of the tonnes of coal and scrap iron moving between the six founding states. Today the office employs 700 staff, including up to 300 statisticians, either permanent or seconded from state agencies.

The expansion reflects the behind-the-scenes role Eurostat plays as the EU keeps expanding. "Not a single EU policy will go ahead without our prior statistical investigations," stresses Yves Franchet, the Frenchman who has been director-general of Eurostat for the past ten years, after a career with multilateral organisations.

To Eurostat, the Single European Act of 1986 and the Maastricht treaty in 1992 were major landmarks. "These set off a number of policies with medium-term horizons and pre-determined deadlines in a variety of new areas." says Franchet. "A sound statistical base was required before the Commission knew where the EU stood and where it might go. What became clear in the process were the differences between national statistical practices, and the need to reconcile them."

The Maastricht criteria for public deficits and debt ahead of EMU put state accounts under unprecedented scrutiny. Accounting standards of a purely technical nature had a direct bearing on governments' tax and spending powers. They could generate considerable political heat, as Eurostat found with France Telecom.

The French government had decided to take over the pension system of the national telecoms utility, worth a sizeable Ffr37.5 billion ($6.6bn), before it was privatised. The idea was to reassure staff that pension rights remained safe while making the utility more attractive to investors.

French budget rules prevented the fund's cash flow from being used to reduce the deficit. But the Anglo-American notion of "public borrowing requirement" imposed by Eurostat in judging Maastricht convergence allowed the government to do just that. As the French Treasury found when drafting this year's budget in the autumn of 1996, the fund reduced the deficit by an amount equal to 0.45 per cent of gross domestic product (GDP). Finance minister Jean Arthuis imprudently boasted that by reducing the deficit to the required three per cent of GDP, the transaction enabled France to qualify for monetary union in 1999.

Eurostat learned that raw numbers can touch raw political nerves

On 31 October Eurostat extended to France a rule that originated in a similar case involving Denmark Telekom two years earlier. The takeover of the fund reduces public borrowing as it is defined as a capital transfer with no liabilities, not a financial transaction which would have liabilities. But what had gone unnoticed earlier became hot stuff in the run-up to EMU.

The technical endorsement by Eurostat of what looked like an undignified trick added to the political outcry. The decision was taken by majority vote, but Eurostat was suspected of caving in to French pressure. Franchet says: "We were not prepared for this spiral of suspicion from the English-speaking media and German public opinion."

Franchet defends Eurostat's neutral technical approach. "We do not decide on individual cases, but on the principles of accounting treatment of specific budgetary transactions. Every decision applies automatically to similar cases in all the member states."

France's point was that the Telecom fund was the pay-as-you-go type, where pensions are paid out of current contributions instead of investment earnings as in Anglo-American funded pension systems. But independent French experts agreed with the minority view among Eurostat advisers that whatever the format, a pension fund is not all assets, and the liability to pay benefits to future pensioners cannot be ignored.

The affair gave Eurostat a chance to clarify its procedures publicly. Franchet says: "Our role is to categorise budget items. But it is up to the Commission, not us, to determine the sustainable nature of their impact." This means that Eurostat's technical decision regarding France Telecom in no way pre-empts the economic judgment the Commission must pass in April next year as it shortlists EMU candidates. The same applies to any other one-off measures or creative accounting that governments may resort to.

As states adjust budgets to Maastricht, Eurostat has made another 22 decisions in the past six months, ranging from gold sales to leasing and swaps. Each had a direct bearing on the ability of various countries to join EMU from the start.

A convergence databank is being maintained jointly with the European Monetary Institute, the Frankfurt-based forerunner to the European central bank. "Next spring, when we must determine which countries are ready for monetary union, we and the EMI may take different views but they will be based on a single set of numbers," says Franchet.

Alberto de Michelis, head of Eurostat's convergence programme, says: "We act as a catalyst for member countries. We determine best practice, then member states adopt it." Politically sensitive statistics, such as consumer prices and national budgets, may continue to be compiled along national rules.

But under EMU, budget discipline will be assessed against Eurostat standards, making data more comparable and more transparent. Some countries want to adopt Eurostat's harmonised consumer price index, and the European central bank will monitor it for inflation.

Contacts with experts in North America and Japan help EU statisticians stay ahead of the game. Franchet boasts: "Our expertise is unrivalled. We are already into the 21st century."

This is a comforting thought given Eurostat's sensitive role in EU affairs. A case in point is a new way of compiling GDP figures, to be introduced in 1999. Contributions to the EU budget and various entitlements are determined partly on national wealth as measured by GDP.

So if tax-payers' money must change hands, these figures must be uniformly calculated and easily verifiable. Eurostat may look to you like a bunch of bean-counters, but remember: these are *your* beans.

Thierry Naudin

Why is France out of pocket?

☐ EMMANUEL CONSTANS, the director of the Monnaies et Médailles, the Paris mint, is perplexed by the disappearance from circulation of France's low-denomination coins. Demand for small change normally tracks growth in the economy, but during the past two years demand for five, ten and 20 centime coins has rocketed. Alas, though, it doesn't seem to be a sign of an early recovery. Instead the booming tourist industry has been suggested as a possible culprit, as most of France's 60 million visitors a year carry off pocketfuls of loose change. Other explanations include the trend for young North Africans to wear the coins as pendants, and collectors stockpiling them before they are replaced by the euro in 2002.

Moving & Shaking

☐ RICHARD LUGNER has found a novel way of promoting his Vienna shopping centre. The Austrian business tycoon has invited the Black Widow, a suspected serial murderer, to sign copies of her new autobiography at Lugner City. Elfriede Blauensteiner, 66, received a life sentence for murder in February after poisoning her first husband, though police say the blue-rinse pensioner has killed up to a dozen people. Lugner has put in a request to the authorities for her temporary release from jail. He says shoppers are dying to see her in person.

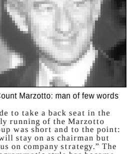
Lugner: hoping to make a killing

☐ JUST AS Europe celebrates the 50th anniversary of the Marshall Aid plan, another symbol of US postwar generosity is fighting for its survival. Two of Germany's six remaining "America Houses" – the library-based centres set up as emissaries of US culture and democratic tradition – face closure due to budget cuts at the US Information Agency. The Amerika Hauser in Munich and Hamburg will be relocated this year to cheaper consulate premises and are paring their calendar of cultural events, including literature readings and jazz concerts. Ramona Harper denies that the Frankfurt branch she directs is also threatened but, she admits, more private sponsorship is desperately needed. Commerzbank and Delta Airlines are among the private donors who've taken up where Washington has left off. It's enough to make General George C Marshall turn in his grave.

☐ WITH change coming after 18 years of Conservative rule in Britain, there's reason for not being able to tell one new Labour minister from another. At least that's Andrew Hastings's excuse. The senior business development manager for Europe at US oil company Conoco was among a group of company executives on a working tour of the European Parliament in Brussels when they came across Jack Cunningham, minister for Agriculture, Fisheries and Food. "There's that John Prescott," said Hastings, promoting him to deputy prime minister. John Farrell, national marketing manager at document company Rank Xerox, got closer with "John Cunningham". But it all went wrong when John Humphreys, one of the European managers at the Welsh Development Agency, corrected him. "No, it's Jack," he began promisingly: "The minister for domestic affairs." No, that's Jack Straw, actually.

☐ ELISABETH BLEYLEBEN-KOREN, a member of one of Austria's most respected banking dynasties, has broken into all-male territory with her appointment to the board of Die Erste, the country's second largest bank. But the 48-year-old daughter of a former finance minister and president of the national bank, sister of a top aide to the economics minister and wife of a senior bank director, isn't making it easier for other women to follow. Koren, whose salary of Sch3.6 million ($300,000) will make her Austria's highest-paid woman, refused to sign this month's nationwide petition on equal rights. She says women already have equal opportunities.

☐ COUNT PIETRO MARZOTTO, chairman of the Marzotto textile group, is known in Italy as a man of few words. His annual general meetings are often over in 45 minutes, compared with the usual verbose affairs lasting at least a day. True to form, his surprise announcement at last week's AGM that he would step aside to take a back seat in the daily running of the Marzotto group was short and to the point: "I will stay on as chairman but focus on company strategy." The telegrammatic style has become almost as distinctive a brand as Hugo Boss, the German clothing manufacturer he bought in 1991. Unfortunately, it's not quite as fashionable.



Count Marzotto: man of few words

☐ IN HIS last days as chief executive of Danish brewer Carlsberg, Poul Svanholm laboured over two big deals. Both of them came off, but his more leisurely pursuits are being disturbed by the threat of his *magnus opus* unravelling. Five months into retirement, Svanholm is still having to deal with the scrutiny of UK monopoly investigators into the deal between Carlsberg's UK operations and those of British brewer Bass. Now the second deal, Svanholm's "conquering of the Nordic Coca-Cola lake" is going to be investigated by the European Commission. Last week competition commissioner Karel Van Miert said he was concerned about the threat to competition from the Carlsberg/Coca-Cola joint venture.

☐ THERE are signs of anxiety among senior signals maintenance engineers at the Portuguese operations of Siemens, the German engineering giant. It seems heads will roll after the locations of police radar traps on the Lisbon-Oporto motorway leaked from the company. Engineers apparently faxed details to friends, and word soon spread in a country with some of the world's worst road safety statistics, and where the 300km road has long been considered an ideal racetrack. When the final leg was opened three years ago a local motoring magazine challenged its readers to set the record for the fastest time between the two cities. The leak pinpointed the exact spots at seven places along the motorway where radar was installed. The government has ordered the traps to be dug up and relocated. The bill will no doubt speed its way to Siemens.

As a Dutch electronics giant continues to cut costs and shed businesses, a troubled Italian firm looks for a partner

Boonstra takes his time as he puts house of Philips in order

The chairman is evasive about what the future holds for his company, writes Barbara Smit

PETER HILZ/HOLLANDSE HOOGTE

Good housekeeping: the new chairman of Philips believes 'you must repair the leaks in the roof before you start fitting your new kitchen'

A PHILIPS shareholder had harsh words to say to chairman Cor Boonstra at the last shareholders' meeting of the Dutch electronic group. "Preposterous," he stormed, waving the company's annual report in the air.

The outburst was provoked by Boonstra's opening statement in the report, which announced: "Profitability *is* our strategy." The man who took over the reins in October last year has been warmly applauded by shareholders in the past few months. His emphasis on cost-reduction inspired investors and has already yielded results in the first quarter of this year. But the shareholder's tirade reflected a growing impatience to hear more about the company's future moves as the digital revolution unfolds. "Making profits is an obvious objective, not a corporate strategy," as the shareholder pointed out.

Over the past months, Boonstra has been remarkably evasive about the role which Philips, Europe's largest electronics group and originator of such innovative products as the compact disc, should fulfil in the next century. The chairman has stressed that he needs time to get the Philips house in order, under the motto that "you have to repair the leaks in the roof before you start fitting in your new kitchen". But he has also implied that he would not know what the kitchen would look like before the end of the year.

Analysts agree that mapping out a fresh strategy for Philips is an arduous task. "The problem is that the high-volume electronics market is extremely difficult at the moment, but Philips can't pull out of it because it still forms the core of the company," explains Steven Vrolijk, Philips analyst at ING Barings.

So far Boonstra has only clarified which activities he did *not* want to take part in: the loss-making and unpromising ones. In a matter of months, he has shed several slow-moving units, abandoned the ailing Grundig to its own fate, and has divested large parts of the media businesses set up by his predecessor Jan Timmer.

This upset many Philips veterans, caused friction within the executive board, and probably led to Timmer's resignation as a chairman of the Philips supervisory board. A series of departures prompted the remark that "Timmer's dolphin has suddenly turned into a shark". Nevertheless, analysts argue that the painful divestments were as justified as Boonstra's cost-cutting drive. "Two years ago it seemed a safe strategy to get involved in the business of cable television networks," says Vrolijk. "But as things turned out, none of them are really making money, and Philips was too small and scattered in this business anyway. Now the real question for Boonstra is how Philips will make the final transition from the analogue to the digital era."

Enter the Genie, Philips' new mobile phone, which the company claims is not only the world's lightest and smallest GSM unit, but also delivers the longest standby time – more than three weeks. This should appeal to Europeans, who have been shown to prefer long battery life to lengthy conversations. "Philips seems to be betting on the digital mobile phones. It will be the most serious test for them in the next five years," says Arjen Dibbets, an analyst with MeesPierson.

Many Philips-watchers are convinced that the Dutch group has the right technological instruments to take a leading part in the market for digital consumer products, as well as a worldwide distribution network to sell them. Philips has already launched digital novelties such as WebTV (giving access to the Internet through a television set) in the United States and it is bracing itself for the introduction of the Digital Video Disc (DVD) this summer.

Even more importantly, analysts believe that the company's marketing techniques are improving fast. Philips has suffered embarrassing and costly flops as it failed to successfully market advanced products such as the Digital Compact Cassette and Compact Disc Interactive, often because the Philips standard lacked support from other manufacturers and software makers.

> *'Philips is betting on digital phones: it will be a serious test for them'*

"There are signs that the company has learned its lesson at last. With the agreement on the worldwide, single DVD standard, for example, they have won an important battle," says Henk Slotboom, Philips analyst at Amstgeld. "In the past, Philips tried to be a technological inventor, coming up with products that did not necessarily sell in high volume," says Nimrod Schwarzmann, electronics analyst at James Capel in London. "Boonstra is showing more marketing acumen, he seems to be more concerned about the marketing issue than the product issue."

This is illustrated by the company's fast moves into digital mobile phones. Philips recently invested "hundreds of millions of guilders" setting up Philips Consumer Communications to make the phones. Headquartered in Le Mans, France, the group is headed up by Mike McTighe and other former managers from rival companies such as Nokia and Motorola. Philips admits its market share is tiny and PCC will be loss-making until next year, but it intends to rank among the top-three players before the end of the decade.

Philips introduced its first digital cellular phone, Fizz, in March last year, and this was swiftly upgraded in the shape of the more sophisticated Spark (with voice-dial) in September, and now the Genie.

"They have introduced these products at a much faster rate than ever before in a comparable electronics market," says Schwarzmann. However there is concern that Philips may hit a stumbling block in other areas. It may well have to compete head-on with powerful computer companies because of the continuing convergence between the personal computer and the television set.

"Many of the new electronics products will become a lot more like PCs," explains Joost van Beek, analyst at Kempen & Co in Amsterdam. "Philips should definitely not get into the PC business, but they must make sure they have access to PC functionalities, perhaps through partnerships with large computer firms."

To concentrate on the unfolding digital battle, Boonstra is expected to sell off yet more Philips businesses, and may even divest entire units such as lighting and medical systems. In the meantime, analysts continue to reward Boonstra for his cost-cutting efforts, and they admit that it may be unfair to expect Boonstra to clearly formulate a strategy at this stage.

"Boonstra has already set some punchy targets and I'm happy that he addressed urgent issues like Grundig," says Schwarzmann. "I would have been a lot more concerned if, after only three months at the helm, he had come forward with a precise plan."

Olivetti's dowry looks threadbare

Who will make an offer for the fallen giant's hand? Ruth Sullivan reports from MILAN

TROUBLED information technology and telecoms company Olivetti is looking for partners to help its recovery. But is the Italian company ready for marriage?

New chief executive Roberto Colaninno says it is, although he admits that there is nothing concrete yet in his plan "to find a group of hard core shareholders to finance and share Olivetti's long-term strategy".

Olivetti has been trying to improve its unattractive dowry following a corporate crisis that plunged the group's shares to an all-time low on the Milan stock exchange last autumn.

Colaninno, 64, given the job in September after angry investors forced out former chief and chairman Carlo De Benedetti following six years of losses, maintains that Olivetti's crisis is over and recovery is on track. "We are bringing the group back to normality through focusing on clients, products and profits," he said.

Despite this, Olivetti still looks like a group fighting for survival. Analysts say Olivetti's financial forecasts for this year are far from reassuring, marking another year of losses. Although first-half losses (excluding those in mobile phone operator Omnitel Pronto) are expected to narrow to L264.2 billion ($160 million) from L350.2bn, analysts had hoped for better.

Neither is Olivetti's debt position encouraging. The group's total financial requirement, at present L2,600bn, is expected to drop to about L2,000bn at year end – the same level as a year earlier.

"I am not convinced the crisis is over," said Paola Toschi, an analyst at Milan securities house Milia & Co. "Steps have been taken, but expected losses for the first half are still heavy with the mid-term outlook remaining risky."

It is clear the group is still haunted by its old problem of high costs, despite the progress of recent restructuring which included a spate of asset disposals that have raised more than L800bn since September.

Olivetti blamed its recently sold personal computer unit for all the red ink, but the problem is more widespread. Analysts say more job cuts are needed, particularly at managerial level.

Alberto Fiorentini, analyst at securities house Centro Sim in Milan, said: "The problem of high maintenance costs running throughout the group still needs to be tackled."

Colaninno's answer is to boost sales and markets rather than cut jobs. "We must make our sales higher than our costs, a simple theory but one that is difficult to achieve." All the core businesses – information technology arm Olsy, telecoms company Omnitel Pronto and office equipment unit Lexicon – are cash hungry. Olsy and Omnitel Pronto need continued investment, while Lexicon expects L8.4bn first-half losses and must be restructured before it can be sold.

Omnitel – the sole reason many investors stayed with the group – is hampered; the new mobile phone operator will not break even until next year. Olivetti is pinning its short-term hopes on Olsy, the new information and technology division that maintains computer and software systems, launched at Lyon last week.

An independent subsidiary, Olsy accounts for 60 per cent of overall sales. It expects a first half pre-tax loss of about L28bn, but said it should post a small profit for the year.

Nimrod Schwarzmann, an analyst with HSBC James Capel in London, says Olsy will be critical to Olivetti's search for partners. "Finding new shareholders will be more achievable if Olsy can turn the corner."

It is still too early to see if this will happen. Olsy gained L500bn in new orders in the first four months, but its competitors range from system vendors such as IBM and Bull to services companies such as French group Sema.

All this means Olivetti will not find it easy to attract new partners, who will be aware that shareholders have injected more than L3,000bn into the group in two capital increases in four years. "Investors have been throwing money into a black hole for too long, it's time for results now," said Fiorentini.

In the mid-1980s Olivetti hitched up with US telecoms giant AT&T, followed in the early 1990s by US information technology company Digital Equipment Corp. The AT&T alliance ended in divorce, while Digital Equipment dumped its Olivetti stock on the open market at a loss after two years.

Colaninno won't say when the group might break even, although he rules out a capital increase this year. After a string of broken profit promises by De Benedetti he is taking no risks. "If I were to give a breakeven date you wouldn't believe me," he said.

In the meantime the name of the game is courtship. Olivetti needs fresh investment and can't raise money itself. New partners must be found, ready to sign on the dotted line.

OFFICIAL INTEREST RATES / MONEY MARKET RATES

	OFFICIAL INTEREST RATES				MONEY MARKET RATES: 3 MONTHS			BENCHMARK BOND			
	Rate	Previous rate	Date of change	Name	This week	Week ago	Year ago	This week	Week ago	Year ago	Name
Austria	2.50	3.00	18.4.96	Discount	3.42	3.44	3.23	5.83	5.61	6.46	Oest Bund
Belgium	3.00	3.20	23.8.96	Central	3.31	3.19	3.25	5.97	5.81	6.68	OLO
Denmark	3.50	3.70	29.8.96	Repo	3.63	3.63	3.90	6.43	6.24	7.38	DGB
Finland	3.00	3.10	9.10.96	Tender	3.07	3.08	3.77	6.17	6.07	7.26	FGB
France	3.10	3.15	30.1.97	Intervention	3.44	3.91	3.92	5.74	5.59	6.40	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.17	3.16	3.30	5.90	5.68	6.44	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	6.19	6.13	5.06	6.55	6.47	7.44	Gilt
Italy	6.75	7.50	22.1.97	Discount	6.74	6.77	9.00	7.30	7.21	9.62	BTP
Luxembourg	3.00	3.20	23.8.96	effective rate*	3.31	3.19	3.25	5.97	5.81	6.68	related to OLO
Netherlands	2.90	2.70	10.3.97	Special Adv.	3.22	3.22	2.67	5.78	5.67	6.31	DSL
Norway	5.25	6.00	10.1.97	Overnight	3.48	3.41	4.78	6.08	5.96	6.95	NGB
Portugal	5.70	5.80	9.5.97	Discount	5.58	5.60	7.16	6.39	6.38	8.91	OT
Spain	5.25	5.50	16.5.97	Repo	5.18	5.23	7.45	6.59	6.51	9.14	Bono
Sweden	4.10	4.35	17.12.96	Repo	4.29	4.28	6.30	7.03	6.94	8.44	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.53	1.72	2.25	3.50	3.53	4.45	Swap rate
UK	6.25	6.00	6.5.97	Base	6.50	6.39	6.30	7.20	7.04	8.05	Gilt
US	5.00	5.25	31.1.96	Discount	5.70	5.78	5.47	6.72	6.68	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	0.61	0.60	0.59	2.61	2.56	3.20	JGB
Canada	3.00	3.00	6.5.97	Call Loan	3.27	3.19	4.63	6.52	6.52	7.45	CGB

* Tied to the Belgium franc

SOURCE: Standard & Poor's MMS

EAST EUROPEAN CURRENCIES

	US$	DM	UK£	Ffr	Ecu
Albania (Lek)	173.88	102.34	283.88	30.32	199.43
Belarus (Rouble)	33000.0	19423.4	53878.1	5754.2	37849.4
Bulgaria (Lev)	1570.0	924.1	2563.3	273.8	1800.7
Croatia (Kuna)	6.06	3.57	9.90	1.06	6.95
Czech Rep (Koruna)	33.24	19.57	54.27	5.80	38.13
Estonia (Kroon)	13.59	8.00	22.19	2.37	15.59
Hungary (Forint)	181.89	107.06	296.96	31.72	208.61
Latvia (Lat)	0.57	0.34	0.93	0.10	0.65
Lithuania (Litas)	4.00	2.36	6.53	0.70	4.59
Macedonia (Denar)	45.20	26.60	73.80	7.88	51.84
Moldova (Leu)	4.61	2.71	7.53	0.80	5.29
Poland (Zloty)	3.24	1.91	5.28	0.56	3.71
Russia (Rouble)	5758.0	3389.1	9400.9	1004.0	6604.1
Romania (Leu)	7065.0	4158.4	11534.8	1231.9	8103.2
Slovakia (Koruna)	34.35	20.22	56.08	5.99	39.40
Slovenia (Tolar)	152.91	90.00	249.64	26.66	175.37
Ukraine (Hryvna)	1.77	1.04	2.88	0.31	2.03
Yugoslavia (New Dinar)	4.85	2.86	7.92	0.85	5.56

SOURCE: BZW

ECONOMIC INDICATORS

Commentary by Thierry Naudin

THE FRENCH Left would make the single European currency its top priority if it came to power, said Jacques Delors, the former French Socialist finance minister and ex-president of the European Commission. "Historians will see as paltry the financial solutions that will be found to meet the 1999 deadline, given the importance of what is at stake," he said.

Klaus Kinkel, the German foreign minister, said the state might soon sell its 74 per cent stake in Deutsche Telekom to enable Germany to join EMU in 1999.

Yves-Thibault de Silguy, EU monetary affairs commissioner, said that no-one was considering renegotiating the stability and growth pact agreed in Dublin in December last year. The pact was designed to rein in budget deficits after EMU. There have been suggestions that if French Socialists win the election, they might question the terms of the Dublin pact.

Hans Meyer, president of the Swiss National Bank, said he would continue to boost money supply in order to keep interest rates low and bring about an economic recovery. He added that he was "not entirely happy" about the strength of the Swiss franc, which over the past three months rose by 4.6 per cent against the deutschmark and 4.7 per cent against the US dollar.

Oskar Lafontaine, leader of Germany's Social Democrat opposition, warned: "If a harmonisation of tax systems does not take place, then EMU will be based on weak foundations." It was unacceptable for EU countries to compete for jobs and investment by cutting taxes and social contributions for employers, leaving workers to pick up the tab, he added.

Alexandre Lamfalussy, president of the European Monetary Institute, said that when EMU is launched, "there will be demand for substantial co-ordination of fiscal policies, but that does not mean in any way identical fiscal policies". Taxation systems did not need to be co-ordinated between EMU members, added Lamfalussy.

Belgium's finance minister, Philippe Maystadt, said he agreed with Lamfalussy that the conversion method for currencies joining EMU in 1999 should be announced next spring when the first participating countries are selected. Regarding Luxembourg's recent suggestion that conversion rates might be announced as early as September this year, Maystadt added: "There is a risk this could prejudice the judgment of EMU members."

In a bid to quell speculation that the strong Irish punt will have to weaken ahead of EMU, Ruairi Quinn, the Irish finance minister, said: "We won't necessarily join at the central rate (Dm2.41 to the punt) which is already there. There are lots of positions between the central and the market rate, and we will be looking at those intermediate positions to see what is in the best interest of the Irish economy."

EU industrial output rose by 0.5 per cent in the first quarter compared with the previous three months. This compares with growth of 1.2 per cent in the US and 1.9 per cent in Japan. West German consumer confidence increased in April, with the Icon index rising three points to 92, compared with 89 in March and 87 a year earlier. Readings below 100 indicate that pessimists outnumber optimists.

Faced with mounting speculation against the koruna, the Czech National Bank abolished the fluctuation band for the currency on 27 May. It also raised the discount rate from 10.5 per cent to 13 per cent. Governor Josef Tosovsky said the value of the koruna would now be determined by its exchange rate against the deutschmark.

COUNTRY	GROWTH (gross domestic product year-on-year%)			INFLATION (annual %)			UNEMPLOYMENT (% of workforce)		
	Latest quarter	Previous quarter	Year ago	Latest month	Month ago	Year ago	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	Apr 1.7	1.7	2.0	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[2]	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	3.0 (q4)	3.1	1.6	Apr 1.8	1.9	2.0	Mar 6.2	6.4	7.0
Norway	4.8 (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*			INFLATION**			UNEMPLOYMENT***		
	Latest month	Month ago	Year ago	Latest month	Month ago	Year ago	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

BANKS

SECTOR MOVEMENT ▲ 2.2%

YIELD 2.38%

Company	Country		Price	Change	%change	Yield
Abbey National	UK	£	9.46	+0.16	+1.7%	3.50
ABN-Amro Holdings	Netherlands	Nfl	36.40	+1.40	+4.0%	2.85
Allied Irish Banks	Ireland	Ir£	4.71	+0.21	+4.7%	
Alpha Credit Bank	Greece	Dr	22050	+950	+4.5%	3.33
Argentaria	Spain	Pts	7590	+530	+7.5%	3.67
Banca Commerciale Italiana	Italy	L	3459	-117	-3.3%	4.92
Banca di Roma	Italy	L	1247	-2	-0.2%	1.98
Bancaire (Cie)	France	Fr	698	-51	-6.8%	1.46
Banco Bilbao Vizcaya	Spain	Pts	10450	+230	+2.3%	2.23
Banco Central Hispano	Spain	Pts	5030	+40	+0.8%	2.21
Banco Com Portugues	Portugal	Esc	2995	+120	+4.2%	2.37
Banco de Santander	Spain	Pts	12750	+860	+7.2%	2.55
Banco Exterior Espana	Spain	Pts	2780	+0	+0.0%	4.14
Banco Popular Espanol	Spain	Pts	33430	+230	+0.7%	3.05
Banco Port Atlantico	Portugal	Esc	2461	+11	+0.4%	
Banesto	Spain	Pts	1630	-45	-2.7%	
Bank Austria	Austria	Sch	779	+0	+0.0%	1.28
Bankinter	Spain	Pts	25920	+2120	+8.9%	2.35
Bank of Ireland	Ireland	Ir£	6.82	-0.10	-1.4%	
Bank of Scotland	UK	£	4.09	+0.07	+1.6%	2.56
Bankgesellschaft Berlin	Germany	Dm	39.45	+0.35	+0.9%	0.24
Barclays Bank	UK	£	12.69	+0.63	+5.2%	3.18
Bayerische Hypobank	Germany	Dm	58.55	+1.57	+2.8%	0.25
Bayerische Veriensbank	Germany	Dm	73.20	-0.20	-0.3%	0.22
BBL	Belgium	Fr	9340	+430	+4.8%	2.04
BHF Bank	Germany	Dm	47.90	+3.30	+7.4%	0.30
BNP	France	Fr	250.90	-6.70	-2.6%	2.19
CCF	France	Fr	253.80	-16.20	-6.0%	2.30
Cetelem	France	Fr	630	-20	-3.1%	1.61
Christiania Bank	Norway	Kr	24.70	+1.30	+5.6%	6.22
CLF Dexia France	France	Fr	538	+2	+0.4%	2.95
Commerzbank	Germany	Dm	51.40	+2.90	+6.0%	0.26
Creditanstalt	Austria	Sch	505	-10	-1.9%	2.37
Credito Italiano	Italy	L	2558	-11	-0.4%	2.40
CS Holding	Switzerland	Fr	185	+11.50	+6.6%	2.14
Den Danske Bank	Denmark	Kr	615	-10	-1.6%	2.56
Den Norske Bank	Norway	Kr	27.90	+0.30	+1.1%	6.18
Deutsche Bank	Germany	Dm	99.78	+2.60	+2.7%	0.18
Deutsche Pfandbrief	Germany	Dm	105	+6.01	+6.1%	1.16
Dresdner Bank	Germany	Dm	62.20	+1.75	+2.9%	0.23
Generale Banque	Belgium	Fr	14150	+100	+0.7%	2.78
HSBC	UK	£	18.81	+0.89	+4.9%	2.55
IKB Industriebank	Germany	Dm	35.50	+0.50	+1.4%	0.34
IMI	Italy	L	25400	+200	+0.8%	2.08
Kredietbank	Belgium	Fr	14500	+950	+7.0%	1.84
Lloyds Bank	UK	£	6.36	+0.39	+6.5%	2.67
Mediobanca	Italy	L	10024	-291	-2.8%	2.02
Merck	Germany	Dm	71.75	+0.55	+0.8%	0.19
Merita	Finland	Mk	17.70	+0.20	+1.1%	1.12
National Westminster	UK	£	7.84	-0.03	-0.3%	4.58
Paribas	France	Fr	388.50	-8.70	-2.2%	3.34
Royal Bank of Scotland	UK	£	6.24	+0.13	+2.1%	3.80
San Paolo Torino	Italy	L	10671	-4	-0.0%	2.59
SBC	Switzerland	Fr	347	+6.50	+1.9%	3.59
Schroders	UK	£	17.45	+0.20	+1.2%	1.45
S-E Banken	Sweden	Kr	82	-2	-2.4%	3.35
Societe Generale	France	Fr	654	-14	-2.1%	2.68
Sparbanken Sverige	Sweden	Kr	148	-1	-0.7%	1.20
Stadtshypotek	Sweden	Kr	190	+0	+0.0%	4.74
Standard Chartered	UK	£	10.12	+0.15	+1.5%	1.80
Suez (Cie de)	France	Fr	301.80	-6.20	-2.0%	2.73
Svenska Handelsbank	Sweden	Kr	210	-12	-5.4%	2.35
UBS	Switzerland	Fr	1395	+0	+0.0%	2.31
Unidanmark	Denmark	Kr	343	-11	-3.1%	2.82
Worms & CIE	France	Fr	341.50	-14.40	-4.0%	2.80

CHEMICALS

▲ 3.3%

YIELD 2.71%

Company	Country		Price	Change	%change	Yield
AGA A	Sweden	Kr	107	+1	+0.9%	2.49
Air Liquide	France	Fr	910	-8	-0.9%	1.59
Akzo	Netherlands	Nfl	265.20	+3.40	+1.3%	2.82
BASF	Germany	Dm	65.45	+1.75	+2.7%	0.20
Bayer	Germany	Dm	68.35	+3.87	+6.0%	0.25
BOC	UK	£	9.97	+0.12	+1.2%	3.66
Clariant	Switzerland	Fr	904	+84	+10.2%	1.12
Cookson Group	UK	£	2.40	+0.02	+0.9%	4.50
Courtaulds	UK	£	3.35	+0.29	+9.5%	6.02
Degussa	Germany	Dm	84.15	+8.15	+10.7%	0.15
DSM	Netherlands	Nfl	196	+1	+0.5%	4.55
Ems-Chemie	Switzerland	Fr	6470	+270	+4.4%	2.31
Gevaert Photo-Prod Cap	Belgium	Fr	3220	+295	+10.1%	1.65
Henkel	Germany	Dm	100	+5.85	+6.2%	11.68
Hoechst	Germany	Dm	69.78	+4.18	+6.4%	0.20
ICI	UK	£	7.96	+0.24	+3.1%	5.04
Laporte	France	Fr	6.53	+0.08	+1.2%	4.71
Montedison	Italy	L	1053	-34	-3.1%	1.90
Rhone-Poulenc	France	Fr	190.10	-7.90	-4.0%	1.83
Schering	Germany	Dm	174.60	-0.40	-0.2%	0.12
Sidel	France	Fr	397	-21.90	-5.2%	1.17
SKW Trostberg	Germany	Dm	57.80	+0.80	+1.4%	1.73
Solvay	Belgium	Fr	21675	+450	+2.1%	2.54

DRINKS & TOBACCO

▲ 1.4%

YIELD 3.07%

Company	Country		Price	Change	%change	Yield
Allied Domecq	UK	£	4.44	-0.07	-1.4%	6.53
Bass	UK	£	8.07	-0.12	-1.5%	3.88
Carlsberg A	Denmark	Kr	390	-1	-0.3%	0.86
Grand Metropolitan	UK	£	5.94	+0.31	+5.5%	3.35
Greenalls	UK	£	4.84	+0	+0.0%	4
Guinness	UK	£	5.95	+0.39	+7.0%	3.39
Heineken	Netherlands	Nfl	328	+1.70	+0.5%	1.06
Imperial Tobacco	UK	£	3.98	-0.02	-0.4%	
LVMH Moet Hennessy	France	Fr	1412	-35	-2.4%	1.46
Pernod-Ricard	France	Fr	294.90	-11.90	-3.9%	2.82
Scottish & Newcastle	UK	£	6.96	-0.08	-1.1%	3.47
Seita	France	Fr	202.10	-10.70	-5.0%	3.22
Tabacalera A	Spain	Pts	7750	+570	+7.9%	2.20
Whitbread A	UK	£	8.05	+0.19	+2.4%	3.66

ENGINEERING

▲ 1.0%

YIELD 1.96%

Electrical & Electronic

Company	Country		Price	Change	%change	Yield
Acerinorox	Spain	Pts	24860	+100	+0.4%	1.61
ABB AB	Sweden	Kr	109	+5.50	+5.3%	1.58
ABB BBC	Switzerland	Fr	2025	+60	+3.1%	1.88
Asea Brown Boveri	Germany	Dm	635	-5	-0.8%	3.03
ASM	Netherlands	Nfl	175	+0	+0.0%	
Atlas Copco	Sweden	Kr	219	+11	+5.3%	1.68
Barco	Belgium	Fr	6330	+60	+1.0%	0.74
BICC	UK	£	1.71	-0.24	-12.1%	8.95
Cap Gemini Sogeti	France	Fr	328.40	-14.60	-4.3%	0.61
Dassault Systemes	France	Fr	371	-5.20	-1.4%	0.48
Electrocomponents	UK	£	4.03	+0.06	+1.5%	2.06
Electrolux	Sweden	Kr	476	+19	+4.2%	2.59
Ericsson B	Sweden	Kr	274.50	+8	+3.0%	0.90
GEC	UK	£	3.55	+0	+0.0%	4.37
Getronics	Netherlands	Nfl	67.20	+6.10	+10.0%	0.45
Incentive	Sweden	Kr	692	+40	+6.1%	1.43
Legrand	France	Fr	951	-17	-1.8%	0.90
Nokia	Finland	Mk	351	+16	+4.8%	1
Oce-Van Der Grinten	Netherlands	Nfl	247.80	+6.50	+2.7%	1.24
Philips	Netherlands	Nfl	108.30	-1.10	-1.0%	1.47
Premier Farnell	UK	£	4.82	-0.06	-1.1%	3.10
Rheinelektra	Germany	Dm	1240	+0	+0.0%	1.21
Sagem	France	Fr	2940	-60	-2.0%	0.83
Saipem	Italy	L	8877	+149	+1.7%	1.59
SAP	Germany	Dm	316.40	+6.90	+2.2%	0.07
Schneider	France	Fr	297.40	-22	-6.9%	1.66
Sema	UK	£	12.52	+0.22	+1.8%	0.61
SGL Carbon	Germany	Dm	249	+14	+6.0%	0.91
Siemens	Germany	Dm	99.55	+2.35	+2.4%	0.15
Technip	France	Fr	624	+8	+1.3%	1.70
Thomson-CSF	France	Fr	175	-18.50	-9.6%	1.63

General

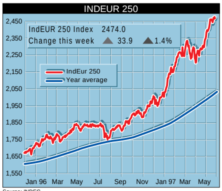
Company	Country		Price	Change	%change	Yield
Alcatel Alsthom	France	Fr	666	-19	-2.8%	1.51
British Aerospace	UK	£	12.38	+0.32	+2.7%	1.56
BTR	UK	£	2.12	-0.04	-2.1%	5.27
Dassault Aviation	France	Fr	1168	-52	-4.3%	0.69
FKI	UK	£	1.75	+0	+0.0%	3.69
Linde	Germany	Dm	1253	+13	+1.0%	1.40
Mannesmann	Germany	Dm	723	+22	+3.1%	1.10
Morgan Crucible	UK	£	4.47	+0.01	+0.3%	4.08
Orkla	Norway	Kr	628	+35	+5.9%	1.12
Rolls Royce	UK	£	2.43	+0.05	+2.1%	2.64
Sandvik	Sweden	Kr	208	+7	+3.5%	3.11
SEB	France	Fr	986	-7	-0.7%	1.15
Siebe	UK	£	9.48	+0.03	+0.3%	1.76
SMH	Switzerland	Fr	203	+3	+1.5%	0.84
Smiths Industries	UK	£	7.66	+0.27	+3.7%	2.64
TI Group	UK	£	5.55	+0.36	+6.8%	3.26
VA Technologie	Austria	Sch	2186.20	+186.20	+9.3%	1.37
Williams Holdings	UK	£	3.05	-0.07	-2.1%	6.21

FINANCIAL & CONGLOMERATE

▲ 1.9%

YIELD 2.73%

Company	Country		Price	Change	%change	Yield
Almanij	Belgium	Fr	16000	+900	+6.0%	1.46
AXA	France	Fr	369.20	-3.30	-0.9%	2.06
BAT	UK	£	5.63	+0.08	+1.4%	2.64
BIC	France	Fr	855	-25	-2.8%	1.29
Caradon	UK	£	2.14	-0.03	-1.4%	5.39
CGIP	France	Fr	1705	-37	-2.1%	2.38
Cimpor	Portugal	Esc	3830	+80	+2.1%	3.29
Colruyt	Belgium	Fr	14550	+425	+3.0%	0.77
Eurafrance	France	Fr	2400	-98	-3.9%	3
Finaxa	France	Fr	319	-4	-1.2%	2.01
GBL	Belgium	Fr	5520	-50	-0.9%	2.67
Hanson	UK	£	3.18	-0.05	-1.5%	7.96
Inchcape	UK	£	2.91	+0.06	+2.1%	2.68
ING	Netherlands	Nfl	88.20	+8.10	+10.1%	2.25
Investor A	Sweden	Kr	387	+8	+2.1%	2.56
Largardere Group	France	Fr	178	-10.40	-5.5%	2.12
Lonrho	UK	£	1.44	+0.04	+3.2%	2.38
Mercury Asset Management	UK	£	14.10	+0.69	+5.1%	4.08
Navigation Mixte	France	Fr	871	+1	+0.1%	4.59
Pargesa Holding	Switzerland	Fr	1798	+1	+0.1%	3.88
Provident Financial	UK	£	5.93	+0.17	+3.0%	3.47
Rentokil	UK	£	2.28	-0.05	-2.1%	1.38
Richemont	Switzerland	Fr	1972	-4	-0.2%	0.38
Tomkins	UK	£	2.71	-0.06	-2.1%	4.51
Veba	Germany	Dm	98.65	-0.15	-0.2%	0.19
Viag	Germany	Dm	790.50	+26.50	+3.5%	1.55



Source: INDEC

Poll sends out shock waves

EUROPEAN bourses for once ignored Wall Street and concentrated on domestic politics. The shock first round French election result, in which the Socialist-led opposition made a strong showing, initially sent the stock market reeling. The CAC-40 tumbled by more than 100 points in its largest single one-day fall since 1992. But stocks staged a mini-recovery after the resignation of the unpopular Prime Minister Alain Juppé amid concerns that the ruling coalition might lose the final legislative election. His decision to quit was seen as giving a boost to the centre-Right. The index had fallen by almost four per cent immediately after the Socialist showing, but calm returned and over the week the fall was limited to 2.6 per cent.

Italian stocks mirrored Paris, with shares initially falling sharply on concern that a Socialist presence in France might delay European Monetary Union, which would be detrimental to the Italian economy. But as French stocks recovered, Milan perked up, although not enough to recover earlier losses. By the end of the week, shares were less than one per cent lower.

In contrast, Spanish shares were hitting new highs as falling interest rates and growing corporate profits attracted investors. Investment funds are experiencing a big influx of cash from individuals seeking higher returns than those available from bonds. Several other European markets, including London, Brussels, Amsterdam and Zürich, were also moving back towards record levels

Chris Butler

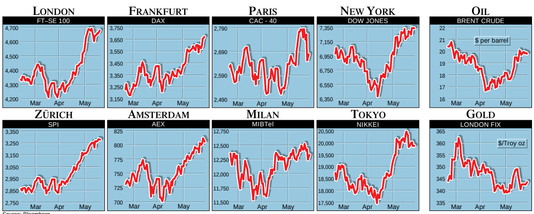
SECTOR INDICES

Sector	Index	% change Week ago	% change Year ago	12 month High	12 month Low
Banks	2184.8	2.2	+56.2	2184.8	1384.5
Chemicals	2482.5	3.3	+24.6	2619.0	1902.6
Drinks & Tobacco	3268.3	1.4	+18.9	3295.9	2560.1
Engineering	2076.2	1.0	+30.9	2094.9	1430.5
Financial & Conglomerate	2229.0	1.9	+25.6	2858.0	1489.1
Food	3514.8	0.2	+33.2	3576.5	2583.5
Health & Pharmaceuticals	8103.2	0.4	+40.6	8167.1	5321.5
Insurance	1637.1	3.1	+38.3	1637.1	1158.7
Leisure	1846.7	-2.2	-1.9	1933.1	1580.0
Media & Information	3522.0	0.3	+10.8	3569.4	2809.8
Metals	3279.6	1.7	+21.7	3279.6	2421.2
Motors	1417.9	1.7	+39.3	1422.3	924.8
Oil	3624.1	2.8	+41.0	3624.1	2460.1
Paper & Packaging	1699.6	-2.6	+19.6	1762.9	1362.5
Property & Construction	1216.2	-0.7	+22.3	1247.0	946.8
Retail	2789.4	1.0	+28.3	2812.3	2087.4
Transport	3106.7	0.2	+40.2	3147.6	2097.0
Utilities & Telecoms	3107.1	0.8	+40.5	3117.7	2079.5

STOCK MARKETS

Market	Index	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	806.1	2.4	42.9	812.2	512.8
Athens	General	1714.0	5.7	87.3	1733.1	873.0
Brussels	Bel-20	2279.0	2.3	28.9	2279.0	1652.6
Budapest	BTI	5973.4	1.5	105.9	5991.3	2865.5
Copenhagen	Stock Market	578.1	-0.4	42.3	581.2	401.5
Dublin	Ireland SE	3272.8	1.7	29.4	3272.8	2395.2
Frankfurt	Dax	3674.4	3.7	44.5	3674.4	2447.8
Helsinki	Hex	3094.0	1.9	50.5	3120.1	1935.6
London	FT-SE 100	4681.6	1.6	24.8	4693.9	3632.3
Madrid	Madrid SE	578.6	5.7	59.1	578.6	347.0
Milan	Mibtel	12337.0	-0.8	16.2	12799.0	9284.0
Oslo	OBX	640.2	4.6	41.4	640.2	437.4
Paris	CAC-40	2680.3	-2.6	26.6	2786.4	1954.1
Prague	Stock Market	478.7	-4.3	-13.1	629.0	476.7
Stockholm	Affarsvariden	2911.0	2.7	46.3	2911.0	1845.1
Vienna	Credit Aktien	430.8	1.4	9.9	430.8	349.2
Warsaw	WIG-20	1574.1	-3.8	25.4	1894.9	1235.9
Zurich	SPI	3281.3	2.1	42.3	3284.7	2240.7
New York	Dow Jones	7345.9	0.6	27.5	7345.9	5346.6
Tokyo	Nikkei	19889.9	-2.2	-8.3	22666.8	17303.7
Hong Kong	Hang Seng	14540.2	2.1	31.2	14574.6	10585.9
Pan-Europe	IndEUR Blue	2720.8	1.9	24.2	2720.8	2152.0
Pan-Europe	IndEUR 250	2474.0	1.4	21.4	2474.0	2004.4

SOURCE: Datastream, Bloomberg, Indec



Source: Bloomberg

THE Spice Girls have added a little bit extra to the profits of UK music group EMI. Their debut album, which sold more than 11.5 million copies, gave a boost to annual earnings which rose to £380.5 million ($619m) from £367.3m. The strong pound cut £29.6m from profits. EMI plans to reorganise its North American business at a cost of £117m. The move comes at a time when the major music markets are sluggish and the US in particular is beset by price wars and a surplus of retailers. Music sales worldwide rose just 5.5 per cent last year.

COMPANY RESULTS

Reported results for the seven days ending 27 May

Date	Company	Country	Sector	Period		Profits (m) current	Profits (m) previous
21 May	Carlton Comms	UK	Media	6 months	£	159	143
21 May	National Power	UK	Utilities	12 months	£	718	806
21 May	Land Securities	UK	Property	12 months	£	244	238
22 May	PowerGen	UK	Utilities	12 months	£	577	687
22 May	Storehouse	UK	Retailing	12 months	£	98	110
23 May	Dresdner Bank	Germany	Banking	3 months	Dm	991	901
27 May	EMI	UK	Leisure	12 months	£	381	367
27 May	Thyssen	Germany	Metals	6 months	Dm	631	349

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.

FOOD

▲ 0.2%

YIELD 3.67%

Company	Country		Price	Change	%change	Yield
Associated British Foods	UK	£	5.66	+0.14	+2.4%	2.10
Booker	UK	£	3.10	-0.06	-1.9%	9.61
Cadbury Schweppes	UK	£	5.51	+0.28	+5.2%	3.84
CSM	Netherlands	Nfl	101.40	-2	-1.9%	1.65
Dalgety	UK	£	2.67	+0.04	+1.3%	10.32
Danisco	Denmark	Kr	401	+6	+1.5%	1.04
Danone	France	Fr	898	-2	-0.2%	1.92
Eridania Beghin-Say	France	Fr	844	-75	-8.2%	3.92
Hillsdown Holdings	UK	£	1.76	+0.01	+0.6%	7.22
Kerry Group	Ireland	Ir£	6.10	+0.10	+1.7%	
Nestlé	Switzerland	Fr	1793	-25	-1.4%	1.48
Nestlé Deutschland	Germany	Dm	472	+2	+0.4%	2.22
Northern Foods	UK	£	2.01	+0.03	+1.5%	5.65
Nutricia	Netherlands	Nfl	299.20	+10.20	+3.5%	1.06
Parmalat	Italy	L	2529	-156	-5.8%	0.59
Saint Louis	France	Fr	1365	-37	-2.6%	2.83
Sudzucker	Germany	Dm	873	+13	+1.5%	1.80
Tate & Lyle	UK	£	4.46	-0.12	-2.6%	4.75
Unigate	UK	£	4.88	+0.07	+1.3%	4.93
Unilever	UK	£	16.76	+0.18	+1.1%	2.39
Unilever NV	Netherlands	Nf	380.60	+2.70	+0.7%	1.82
United Biscuits	UK	£	2.12	-0.12	-5.4%	5.86

HEALTH & PHARMACEUTICALS

▲ 0.4%

YIELD 1.30%

Company	Country		Price	Change	%change	Yield
Altana	Germany	Dm	1578	+163	+11.5%	0.98
Ares-serono	Switzerland	Fr	1980	+15	+0.8%	0.15
Astra A	Sweden	Kr	351.50	+15	+4.5%	2.98
Beiersdorf	Germany	Dm	91.40	+2.40	+2.7%	0.09
British Biotech	UK	£	2.55	-0.02	-0.9%	
Christian Dior	France	Fr	891	-9	-1.0%	1.76
Clarins	France	Fr	701	-23	-3.2%	1.04
Elf-Sanofi	France	Fr	529	-26	-4.7%	1.25
Essilor	France	Fr	1442	-81	-5.3%	1.01
Fresenius Midical Care	Germany	Dm	150	+3.50	+2.4%	
Gehe	Germany	Dm	124	+6.60	+5.6%	0.81
Glaxo Wellcome	UK	£	12.08	-0.24	-1.9%	3.07
L'Oreal	France	Fr	2084	-86	-4.0%	0.69
Novartis	Switzerland	Fr	2000	+27	+1.4%	1
Novo Nordisk	Denmark	Kr	703	-10	-1.4%	0.53
Pharma Vision	Switzerland	Fr	829	+4	+0.5%	
Pharmacia	Sweden	Kr	263	+3	+1.2%	0.74
Reckitt & Colman	UK	£	8.65	-0.05	-0.6%	2.43
Roche Holding	Switzerland	Fr	19700	+350	+1.8%	0.38
Roussel-Uclaf	France	Fr	1530	+0	+0.0%	1.01
Schwarz Pharma	Germany	Dm	127.50	+6.80	+5.6%	1
Smith & Nephew	UK	£	1.74	+0.07	+4.2%	4.39
Smithkline Beecham A	UK	£	10.65	+0.27	+2.6%	0.95
Synthelabo	France	Fr	693	+0	+0.0%	0.63
UCB Cap	Belgium	Fr	97000	+1500	+1.6%	0.77
Zeneca	UK	£	18.78	-0.26	-1.4%	2.33

INSURANCE

▲ 3.1%

YIELD 2.24%

Company	Country		Price	Change	%change	Yield
Aegon	Netherlands	Nfl	142.80	+2.10	+1.5%	1.92
AGP	France	Fr	186	-6.10	-3.2%	2.69
Alleanza	Italy	L	11303	-352	-3.0%	1.33
Allianz	Germany	Dm	375.80	+22.30	+6.3%	0.43
Allianz Leben	Germany	Dm	1398	+58	+4.3%	0.79
Aachener Munchener Bet	Germany	Dm	1670	+123	+8.0%	0.90
Anglo-Elmr. Versich	Austria	Sch	19500	-100	-0.5%	0.77
Baloise Holding	Switzerland	Fr	3245	+45	+1.4%	1.43
Britannic Assurance	UK	£	8.66	+0	+0.0%	4.03
CKAG Colonia Konzern	Germany	Dm	170.50	+1	+0.6%	8.16
Commercial Union	UK	£	7.30	+0.09	+1.3%	5.16
Deutsche Lloyd Versich	Germany	Dm	4100	+0	+0.0%	0.68
EA-Generali	Austria	Sch	3050	+19	+0.6%	0.56
Fortis	Belgium	Fr	6920	+590	+9.3%	1.22
Fortis Amev	Netherlands	Nfl	81.50	+5.10	+6.7%	2.31
General Accident	UK	£	9.51	+0.32	+3.5%	4.53
Generali	Italy	L	29143	-1099	-3.6%	1.29
Guardian Royal Exchange	UK	£	2.90	-0.05	-1.7%	4.27
INA	Italy	L	2379	+43	+1.8%	2.73
Legal & General	UK	£	4.82	+0.46	+10.6%	3.01
Munchener Ruckvers	Germany	Dm	4445	+105	+2.4%	0.32
Prudential	UK	£	6.43	+0.01	+0.1%	3.38
RAS	Italy	L	13395	-485	-3.5%	2.55
Royal Sun Alliance Group	UK	£	4.80	-0.01	-0.3%	4.94
Royale Belge	Belgium	Fr	9900	+300	+3.1%	2.72
Skandia	Denmark	Kr	241	+35	+17.0%	
Skandia Group	Sweden	Kr	276	+31.50	+12.9%	0.94
Sun Life and Provincial	UK	£	3.14	-0.05	-1.7%	2.62
Swiss Re	Switzerland	Fr	1978	+144	+7.9%	1.13
UAP	France	Fr	150.10	-1.70	-1.1%	1.98
Uni Storebrand	Norway	Kr	47.10	+1.40	+3.1%	0.42
United Assurance GP	UK	£	4.94	+0.09	+1.9%	4.55
Victoria Holdings	Germany	Dm	1620	+20	+1.3%	0.77
Winterthur	Switzerland	Fr	1158	+52	+4.7%	1.62
Wurtt AG Versich-Beteil	Germany	Dm	1285	+65	+5.3%	1.04
Zurich Insurance	Switzerland	Fr	507	+22.50	+4.6%	1.18

LEISURE

▼ 2.2%

YIELD 2.04%

Company	Country		Price	Change	%change	Yield
Accor	France	Fr	53	-36	-4.0%	2.32
Adidas	Germany	Dm	89.50	+7.50	+4.1%	0.13
Airtours	UK	£	0.55	+0.50	+5.0%	1.91
Compass Group	UK	£	.77	+0.18	+2.7%	1.61
EMI	UK	£	1.73	-0.59	-4.8%	3.87
Granada	UK	£		-0.15	-1.6%	1.81
Gucci Group	Netherlands	Nfl	38.20	+2.30	+1.7%	0.36
Ladbroke	UK	£	.42	+0.04	+1.7%	3.14
PolyGram	Netherlands	Nfl	3.20	-2.10	-2.2%	1
The Rank Group	UK	£	4.35	-0.04	-0.9%	4.84
Thistle Hotels	UK	£	.67	-0.02	-1.2%	1.49
Thorn	UK	£	.50	-0.07	-4.7%	

MEDIA & INFORMATION

▲ 0.3%

YIELD 2.12%

Company	Country		Price	Change	%change	Yield
Audiofina	Luxembourg	Fr	550	+15	+1.0%	1.02
BSkyB	UK	£	.89	+0.13	+2.3%	1.17
Canal Plus	France	Fr	036	-30	-2.8%	1.92
Carlton Communications	UK	£	5.21	+0.19	+3.8%	2.67
Daily Mail	UK	£	5.50	-0.10	-0.6%	1.55
De la Rue	UK	£	.90	-0.06	-1.2%	5.98
Elsevier	Netherlands	Nfl	2.60	-0.60	-1.8%	2.32
Emap	UK	£	.62	+0.31	+4.2%	1.84
Havas	France	Fr	16	-17.90	-4.1%	2.02
Pathe	France	Fr	335	-54	-3.9%	0.76
Pearson	UK	£	.20	+0.07	+1.0%	3.12
Reed International	UK	£	6.10	-0.09	-1.4%	2.81
Reuters	UK	£	.84	+0.24	+3.6%	2.16
Springer	Germany	Dm	490	-40	-2.6%	1.14
TF-1	France	Fr	67	-21	-3.6%	2.87
United Newspapers	UK	£	7.80	+0.07	+0.8%	3.77
VNU	Netherlands	Nfl	3.10	-0.10	-0.2%	1.26
Wolters Kluwer	Netherlands	Nfl	34.50	-1.40	-0.6%	1.05
WPP Group	UK	£	.41	-0.04	-1.4%	0.88

METALS

▲ 1.7%

YIELD 2.76%

Company	Country		Price	Change	%change	Yield
Alusuisse Lonza	Switzerland	Fr	1355	+91	+7.2%	1.39
Avesta Sheffield	Sweden	Kr	84.50	+1	+1.2%	3.55
British Steel	UK	£	1.53	+0.03	+2.3%	8.21
Cyprus Amax Minerals	Germany	Dm	40	+0	+0.0%	
Imetal	France	Fr	789	-17	-2.1%	2.06
Johnson Matthey	UK	£	4.67	-0.20	-4.0%	3.77
Krupp	Germany	Dm	321.50	+1.50	+0.5%	1.39
Metallgesellschaft	Germany	Dm	37.35	+0.97	+2.7%	
Outukumpu	Finland	Mk	102.90	-0.70	-0.7%	0.97
Preussag	Germany	Dm	465.50	+6.25	+1.4%	2.57
RTZ	UK	£	10.72	+0.21	+2.0%	0.93
Union Miniere	Belgium	Fr	399.10	+12.60	+3.3%	2.04
Thyssen	Germany	Dm	2890	+10	+0.3%	
Usinor	France	Fr	88.90	-3.25	-3.5%	3.46

MOTORS

▲ 1.7%

YIELD 1.95%

Company	Country		Price	Change	%change	Yield
Autoliv	Sweden	Kr	274	+0	+0.0%	1
BBA Group	UK	£	3.28	+0.07	+2.3%	2.73
BMW	Germany	Dm	1477	+92	+6.6%	0.92
Continental	Germany	Dm	39.68	+0.48	+1.2%	0.06
Daimler-Benz	Germany	Dm	136.40	+4.40	+3.3%	
Fiat	Italy	L	5553	-2	-0.0%	1.84
Ford-Werke	Germany	Dm	820	-20	-2.4%	4.58
GKN	UK	£	10.07	+0.55	+5.8%	3.29
Lucas Varity	UK	£	1.99	-0.02	-1.2%	1.42
MAN	Germany	Dm	511	+2	+0.4%	2.33
Michelin B	France	Fr	340.10	-0.30	-0.1%	0.98
Peugeot	France	Fr	613	-33	-5.1%	0.50
Pirelli Spa	Italy	L	3603	-152	-4.0%	2.81
Renault	France	Fr	144.50	-9.40	-6.1%	2.39
Scania	Sweden	Kr	221.50	-3.50	-1.6%	2.45
Valeo	France	Fr	352	-12.50	-3.4%	3.39
Volkswagen	Germany	Dm	1153	+22.50	+2.0%	0.52
Volvo B	Sweden	Kr	214	+5.50	+2.6%	2.01

OIL

▲ 2.8%

YIELD 2.28%

Company	Country		Price	Change	%change	Yield
British Petroleum	UK	£	7.40	+0.19	+2.6%	3.31
Burmah Castrol	UK	£	10.14	-0.04	-0.4%	2.77
Elf Aquitaine	France	Fr	598	+6	+1.0%	2.35
Enterprise Oil	UK	£	6.82	+0.16	+2.4%	3.13
Lasmo	UK	£	2.48	+0.01	+0.4%	0.48
Neste	Finland	Mk	137	+1.10	+0.8%	1.47
Norsk Hydro	Norway	Kr	363.50	+13.50	+3.9%	1.94
ÖMV	Austria	Sch	1571	+36	+2.3%	1.45
Petrofina	Belgium	Fr	12800	-50	-0.4%	2.33
Petroleos (Cia Esp)	Spain	Pts	5030	+0	+0.0%	2.37
Primagaz	France	Fr	532	-15	-2.7%	1.63
Repsol	Spain	Pts	6330	+240	+3.9%	2.86
Royal Dutch	Netherlands	Nfl	372.80	+13.20	+3.7%	2.83
RWE-DEA	Germany	Dm	415	+4.95	+1.2%	3.86
Saga Petroleum	Norway	Kr	140	+5.50	+4.1%	2.32
Shell Transp & Trading	UK	£	12.11	+0.56	+4.8%	3.88
Total B	France	Fr	540	-13	-2.4%	1.95
Transocean Offshore	Norway	Kr	495	+45	+10.0%	0.07

PAPER & PACKAGING

▼ 2.6%

YIELD 3.80%

Company	Country		Price	Change	%change	Yield
Arjo Wiggins Appleton	UK	£	1.77	+0.12	+6.9%	5.28
Assi Döman	Sweden	Kr	212	-2	-0.9%	2.46
Bunzl	UK	£	2.02	-0.02	-1.0%	3.83
FPB Holding	Germany	Dm	325	+2	+0.6%	5.39
KNP BT	Netherlands	Nfl	39.90	-0.70	-1.7%	2.11
MoDo	Sweden	Kr	248	-2	-0.8%	3.54
Pechiney International	France	Fr	94	+1.40	+1.5%	3.16
Rexam	UK	£	3.02	+0.28	+10.4%	5.85
SCA	Sweden	Kr	170	-1.50	-0.9%	3.04
Smith (David S)	UK	£	2.30	+0.13	+6.0%	4.10
Smurfit (Jefferson)	Ireland	Ir£	1.77	+0.10	+5.7%	
Stora A	Sweden	Kr	118.50	+1.50	+1.3%	3.16
UPM-Kymmene	Finland	Mk	120	-3.50	-2.8%	3.66

PROPERTY & CONSTRUCTION

▼ 0.7%

YIELD 2.91%

Company	Country		Price	Change	%change	Yield
Blue Circle	UK	£	4.24	+0.09	+2.3%	3.94
Bouygues	France	Fr	509	-14	-2.7%	3.33
BPB	UK	£	3.48	+0.18	+5.3%	3.53
British Land	UK	£	5.94	+0.35	+6.2%	1.81
Cimenteries CBR	Belgium	Fr	3355	-140	-4.0%	2.09
CRH	Ireland	Ir£	6.11	-0.05	-0.9%	
Hammerson	UK	£	4.78	+0.27	+6.0%	2.94
Heidelberg Zement	Germany	Dm	165.10	+6.10	+3.8%	0.90
Hochtief	Germany	Dm	76	-1.20	-1.6%	0.17
Holderbank	Switzerland	Fr	1244	+32	+2.6%	1.38
Lafarge Coppée	France	Fr	376.70	-20.50	-5.2%	2.69
Land Securities	UK	£	9.05	+0.64	+7.6%	3.66
MEPC	UK	£	5.12	+0.25	+5.1%	4.86
Pilkington	UK	£	1.27	+0.12	+10.5%	4.80
Poliet	France	Fr	500	-1	-0.2%	1.99
Randstad Holdings	Netherlands	Nfl	191.50	+6	+3.2%	0.99
Redland	UK	£	3.23	+0.03	+0.9%	6.47
RMC Group	UK	£	9	-0.22	-2.4%	3.73
Rodamco	Netherlands	Nfl	60.20	-0.50	-0.8%	4.62
Skanska	Sweden	Kr	323	-5	-1.5%	3.07
Slough Estates	UK	£	3.22	+0.05	+1.6%	3.49
St Gobain	France	Fr	800	-36	-4.3%	2.14
Wienerberger Baustoff	Austria	Sch	2511.40	+120.40	+5.0%	1.68
Wolseley	UK	£	4.69	+0.04	+0.8%	2.74

RETAIL

▲ 1.0%

YIELD 2.18%

Company	Country		Price	Change	%change	Yield
Ahold	Netherlands	Nfl	147	+3.20	+2.2%	0.65
Argos	UK	£	6.08	-0.01	-0.2%	3.27
Asda	UK	£	1.17	-0	-0.4%	2.80
Benetton	Italy	L	23200	-300	-1.3%	2.16
Bon Marché	France	Fr	1520	+190	+14.3%	1.46
Boots	UK	£	7.24	+0.23	+3.3%	3.24
Burton Group	UK	£	1.36	+0.04	+2.7%	2.57
Capital Shopping	UK	£	4.05	+0.02	+0.5%	2.55
Carrefour	France	Fr	3819	+17	+0.4%	0.70
Casino	France	Fr	270.50	-5.50	-2.0%	1.67
Castorama Dubois	France	Fr	809	-45	-5.3%	1.36
Comptoires Modernes	France	Fr	2810	+30	+1.1%	0.89
Continente	Spain	Pts	2960	+310	+11.7%	1.31
Delhaize	Belgium	Fr	1755	-25	-1.4%	1.52
Dixons	UK	£	4.71	-0.08	-1.7%	2.29
Great Universal Stores	UK	£	6.52	+0.01	+0.2%	3.17
Guilbert	France	Fr	865	-2	-0.2%	1.38
Hagemeyer	Netherlands	Nfl	94.50	+8	+9.2%	2.37
Hennes & Mauritz	Sweden	Kr	253	-5	-1.9%	4.30
Hermes International	France	Fr	1509	-51	-3.3%	0.49
Jeronimo Martins	Portugal	Esc	11700	+0	+0.0%	0.67
Karstadt	Germany	Dm	620	+45	+7.8%	2.14
Kingfisher	UK	£	7.20	+0.24	+3.4%	3.36
Marks & Spencer	UK	£	5.15	+0.21	+4.3%	3.15
Metro	Germany	Dm	184	+16	+9.5%	0.49
MFI	UK	£	1.30	+0.07	+5.7%	4.40
Montaigne	France	Fr	2480	-55	-2.2%	0.20
Morrison Supermarkets	UK	£	1.50	-0.05	-3.5%	1.40
Next	UK	£	7.30	+0.22	+3.1%	2.56
Pinault Printemps	France	Fr	2467	-45	-1.8%	1.34
Promodes	France	Fr	2025	-45	-2.2%	0.59
Pryca	Spain	Pts	2955	+265	+9.9%	1.57
Safeway	UK	£	3.54	+0.01	+0.4%	4.82
Sainsbury (J)	UK	£	3.53	-0.09	-2.5%	4.28
Sears	UK	£	0.77	-0.02	-2.5%	6.37
Smith (WH)	UK	£	4.40	-0.11	-2.4%	4.47
Storehouse	UK	£	2.23	+0.07	+3.2%	4.05
Tesco	UK	£	3.72	-0.20	-5.1%	3.44
Vendex International	Netherlands	Nfl	109.20	+8.20	+8.1%	1.82
Vendome	UK	£	5.11	-0.05	-0.9%	2.50

SERVICES

▼ 0.6%

YIELD 1.03%

Company	Country		Price	Change	%change	Yield
Baan	Netherlands	Nfl	117	+8.20	+7.5%	
Berendson (Sophus)	Denmark	Kr	882	-13	-1.5%	0.62
Danka Business Systems	UK	£	6.13	+0.22	+3.8%	0.54
Hays	UK	£	5.58	-0.06	-1.1%	1.81
Mice Group	UK	£	0.07	-0.01	-14.7%	2.34
Securicor	UK	£	2.91	-0.01	-0.5%	0.67
Sodexho	France	Fr	2682	-128	-4.6%	0.97
Surveillance	Switzerland	Fr	3230	+20	+0.6%	1.77
Waste Management Intl	UK	£	2.74	-0.01	-0.4%	

TRANSPORT

▲ 0.2%

YIELD 2.66%

Company	Country		Price	Change	%change	Yield
Associated British Ports	UK	£	.63	+0.02	+0.8%	3.63
Autopistas Cesa	Spain	Pts	920	+135	+7.6%	3.93
BAA	UK	£	.27	-0.08	-1.5%	2.66
British Airways	UK	£	.12	-0.04	-0.6%	2.59
d/s 1912 A	Denmark	Kr	42500	+1500	+0.6%	0.31
d/s Svendborg A	Denmark	Kr	50000	+1000	+0.3%	0.33
KLM	Netherlands	Nfl	6.50	-1.70	-2.9%	1.75
Lufthansa	Germany	Dm	8.25	-0.70	-2.4%	0.62
NFC	UK	£	.27	+0.04	+3.3%	6.93
P & O	UK	£	.34	-0.01	-0.2%	5.98
Railtrack	UK	£	.42	+0.12	+2.8%	3.88
Stagecoach Holdings	UK	£	6.47	+0.01	+0.1%	1.26
Swissair	Switzerland	Fr	490	+146	+10.9%	0.68

UTILITIES & TELECOMS

▲ 0.8%

YIELD 3.35%

Company	Country		Price	Change	%change	Yield
Aare Tessin	Switzerland	Fr	880	+30	+3.5%	2.06
Aguas de Barcelona	Spain	Pts	5990	+320	+5.6%	1.45
Anglian Water	UK	£	6.80	-0.13	-1.9%	5.48
Badenwerk	Germany	Dm	530	+10	+1.9%	1.65
Berliner Kraft & Licht	Germany	Dm	42.80	+1.80	+4.4%	0.19
British Gas	UK	£	2	-0.02	-0.7%	7.99
British Energy	UK	£	1.41	+0.02	+1.4%	
British Telecom	UK	£	4.51	+0.07	+1.6%	5.51
Cable & Wireless	UK	£	4.86	-0.16	-3.2%	2.82
Deutsche Telekom	Germany	Dm	39.40	+0	+0.0%	1.38
East Midlands Electricity	UK	£	6.65	+0	+0.0%	5.90
Eaux (Cie Generale)	France	Fr	770	-39	-4.8%	1.58
Edison	Italy	L	8168	-18	-0.2%	2.43
Electrabel	Belgium	Fr	8310	+80	+1.0%	4.25
Electrafina	Belgium	Fr	3540	-15	-0.4%	2.98
Elektrowatt	Switzerland	Fr	539	+6	+1.1%	1.48
Endesa	Spain	Pts	11750	+420	+3.7%	2.40
EVN	Austria	Sch	1712.45	+86.45	+5.3%	1.48
Fuerzas	Spain	Pts	1345	+130	+10.7%	4.20
Gas Natural	Spain	Pts	29800	+320	+1.1%	0.80
HEW	Germany	Dm	487	+0	+0.0%	1.75
Hyder	UK	£	8.23	-0.12	-1.4%	5.84
Iberdrola	Spain	Pts	1910	+205	+12.0%	3.65
Isar Amperwerke	Germany	Dm	575	+26	+4.7%	1.78
Italgas	Italy	L	5359	-131	-2.4%	2.47
KPN	Netherlands	Nfl	67.70	-0.50	-0.7%	4.18
London Electricity	UK	£	7.01	+0	+0.0%	7.16
Lyonnais des Eaux	France	Fr	583	+3	+0.5%	2.08
National Grid	UK	£	2.25	-0.03	-1.1%	3.41
National Power	UK	£	5.37	-0.23	-4.1%	5.33
Nynex Communications	UK	£	0.99	-0.05	-4.8%	
Orange	UK	£	2.08	-0.08	-3.7%	
OTE-SA Telecom	Greece	Dr	6850	+450	+7.0%	1.83
Portugal Telecom	Portugal	Esc	6710	-10	-0.1%	
Powerfin	Belgium	Fr	5110	+30	+0.6%	2.37
Powergen	UK	£	6.93	-0.03	-0.4%	4.54
Rexel	France	Fr	1575	-60	-3.7%	1.26
RWE	Germany	Dm	75.75	+2.55	+3.5%	0.20
Scottish Hydro	UK	£	4.03	+0.07	+1.6%	4.88
Scottish Power	UK	£	3.79	-0.05	-1.3%	6.07
Severn Trent	UK	£	7.70	-0.06	-0.8%	4.61
Sevillana de Elec	Spain	Pts	1470	+130	+9.7%	3.04
Southern Electric	UK	£	4.15	+0	+0.0%	10.85
Stet	Italy	L	8677	+30	+0.3%	1.52
Sydcraft	Sweden	Kr	169	+0	+0.0%	2.37
Tele Danmark	Denmark	Kr	323	-8	-2.4%	5.17
Telecom Italia	Italy	L	4707	+15	+0.3%	2.70
Telecom It Mobile	Italy	L	5133	-69	-1.3%	0.98
Telefonica de Espana	Spain	Pts	4520	+475	+11.7%	2.01
Telewest Comms	UK	£	0.66	-0.08	-10.8%	
Thames Water	UK	£	6.71	-0.12	-1.8%	5.26
Thuega	Germany	Dm	480	+3	+0.6%	2.29
Tractebel	Belgium	Fr	15400	+75	+0.5%	2.50
Union Elec Fenosa	Spain	Pts	1325	+55	+4.3%	3.81
United Utilities	UK	£	7	+0.26	+3.9%	5.21
VEW	Germany	Dm	505	+0	+0.0%	1.78
Vodafone	UK	£	2.68	-0.01	-0.2%	1.87
Yorkshire Electricity	UK	£	9.23	-0.02	-0.2%	5.01
Yorkshire Water	UK	£	3.76	+0.09	+2.5%	5.11

Changes since last week. Prices as at market close on Tuesday 27 May. 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

CYAN MAG YELO BLCK

Wear the label, buy the shares

Melanie Bien

THE world's wealthy love to be seen buying the finest designer wear and drinking the best champagne. They like to be associated with the Gucci and Louis Vuitton Moët Hennessey labels.

Now the companies want them to buy not only their products but also their shares. With the European markets for branded goods almost saturated, the manufacturers are targeting the wealthy of the Far East, India and South America in a move designed to improve profits and the attractiveness of their shares.

But although LVMH is opening a Dior perfume plant in China and L'Oréal is spending $40 million to open a second cosmetics factory there, investors should be careful.

Cedric Magnelia, a London-based analyst at Credit Suisse First Boston specialising in the branded goods sector, warns: "A few of the companies expanding into Asia have faced a number of distribution and licensing problems. Until these are sorted out, profits will be minimal."

Magnelia says the difficulty lies in choosing a brand which is well-managed and will be desired by shoppers in the future. "Status is demonstrated through labels. The intangible asset which is the most important factor is the brand and the scarcity value attached to it. This cannot be explained in simple terms but accounts for why something like Gucci is coveted."

So what should investors be looking for? Magnelia recommends looking at the management of the company, and its track record – particularly whether it has been successful in building the brand. Investors should find out whether licensing could be a problem and avoid those with excessive distribution costs.

Two companies which fulfil these requirements and show strong investment potential are Bulgari and Gucci. Gucci has proven itself a strong brand, with its performance on the stock exchange as encouraging as the shop floor. Shares have trebled in price since its initial offering in New York and Amsterdam 18 months ago.

Gucci also more than doubled net profits last year to $168.4m from $82.9m in 1995 and profits are expected to increase by 14 per cent this year.

But choosing a brand with good potential is becoming increasingly important as the market in Asia expands for branded goods. Although European brands have been popular in Japan since the early 1980s, with some having a presence for a number of years now, it is only recently that this process has accelerated in other parts of Asia.

The accessories market is a mature one, with big companies such as Chanel owning its own stores. The perfume and beauty skincare business is growing in popularity: French cosmetics company Clarins is now trying to widen its market by selling cosmetics in India. Estée Lauder has also followed up the success of its skincare range in the West by launching a perfume range.

The move into Asia and other emerging markets is offering a lifeline for branded-goods makers, compensating for lagging sales to western and Japanese buyers, with countries such as France and Switzerland not seeing much growth.

UK has a yen for Japan

Chris Butler

UK institutional investors have given a vote of confidence to Japanese equities. Figures released this week by the UK's Association of Unit Trusts and Investment Funds reveal that institutions poured a net £189 million ($307m) into the Japanese market. That is more than double the monthly average and the highest single inflow to the sector for more than three years.

One of the main reasons for the resurgence in interest in Japanese equities has been the remarkable recovery in domestic corporate earnings. Spurred on by a weak yen, the country's large exporting companies have been reporting sharply higher profits. So far this year the average increase in profits has been around 17 per cent, against expectations of about ten per cent. As a result, the Nikkei index has risen by almost 14 per cent this year.

Although the yen is now beginning to strengthen against the dollar in the expectation that interest rates will be lifted some time this year, fund managers are still convinced that this will not damage export earnings.

John Rodgers, the president of Invesco Asset Management Japan, which has $3 billion under management, believes Japanese exports can compete with the yen at 115 to the dollar.

UK investment in Japan represented nearly nine per cent of the £2.13bn worth of funds committed to unit trusts and investment trusts in April. The most popular investments were UK-related stocks, which accounted for £1.08bn, followed by Europe, which attracted £271m of the funds.

IN BRIEF

■ ATLANTIS Investment Management has launched an Asian Growth Fund targeting the Asian market, excluding Japan. It is a Luxembourg Sicav, but Atlantis is reserving the right to cap the fund once it has reached $200 million. It is being managed by Tony Jordan, the ex-director of Schroders Asia who managed the AAA-rated Schroder Far Eastern Growth Fund for five years. He will be adopting a stock-driven strategy, aiming at a portfolio of 50 to 60 stocks, usually those with substantial growth prospects and the potential to rise 50 per cent in absolute terms over an 18-month period. The minimum investment is $1,000 and there is a five per cent sales charge and an annual management fee of 1.5 per cent. SIB approval is still being sought to allow the fund to be offered in the UK. *Contact: +44 (0)171 638 9192.*

■ MASSACHUSETTS Financial Services is expanding its range of Luxembourg funds as part of a new European expansion plan. Three new funds are being added. The US Research Fund will be investing in US companies, basing its selections on investment analysis overseen by the MFS director of research. The US High Yield Bond Fund will be buying high-yielding and lower-rated US corporate bonds. The US Dollar Reserve Fund will be investing in a diversified portfolio of dollar-denominated, short-term instruments of high-quality issuers, which MFS says can be considered as an alternative to cash. Minimum investment is $5,000. *Contact: +44 (0)171 470 7132.*

FUND RANKING

THE Citicurrencies Sterling fund from Citibank Luxembourg tops both our tables of money market eurofunds investing in Europe this week, *writes Melanie Bien*. The fund, which was launched in March 1989, requires a minimum investment of $10,000. There is an annual management fee of 0.65 per cent and administration fees of 0.05 per cent. It is a mutual fund, composed of high quality, primarily sterling-denominated, money market instruments issued by government entities, financial institutions and other corporations.

TOP 30 MONEY MARKET 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 short-term money market instruments. Next week: equity Eurofunds. Ranked on % total return (gross dividends reinvested) in US dollars for one year ending 23 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	9	Citicurrencies-STG	Citibank Luxembourg SA	£	MonMkt	UK	13.41	n/a	19.57	24.47	n/a	25.40	48.0	Mar 89	Bel/Fr/Gre/Sp/Swz
2	2	Credis Money Market-STG	Credis/Credit Suisse	£	MonMkt	UK	13.35	13.20	19.73	24.41	39.34	25.56	633.3	Jul 85	Au/Ger/Swz
3	1	Mercury Selected-STG Reserve	Mercury Asset Management SA	£	MonMkt	UK	13.30	13.21	n/a	24.36	39.36	n/a	43.9	Nov 93	Au/Ger/Ir/Swz/UK
4	3	Fleming Flagship II-STG	Fleming Fund Mgmt (Lux) SA	£	MonMkt	UK	13.25	14.22	19.63	24.30	40.59	25.46	17.7	Aug 78	Au/Fr/Ger/It/Neth/Sp/UK
5	6	Julius Baer Multicash-Sterling Cash	Julius Baer Invest Fund Services	£	MonMkt	UK	13.00	12.97	n/a	24.02	39.06	n/a	34.9	Apr 91	Au/Ger/It/Swz
6	5	Midland Intl Circuit-STG Liquidity	Trinkaus & Burkhardt/Midland	£	MonMkt	UK	12.80	15.93	20.14	23.81	42.71	26.00	2.0	Feb 90	Fr/Sp/UK
7	7	CU Privilege-STG Reserve	Commercial Union Luxem SA	£	MonMkt	UK	12.79	12.47	12.09	23.79	38.44	17.56	20.7	Apr 90	Au/Bel/Fr/It/Nor/Sp/UK
8	4	INVESCO Premier Select-STG Reserve	INVESCO Intl Ltd	£	MonMkt	UK	12.68	11.33	n/a	23.68	37.04	n/a	8.0	May 93	Au/Fr/Ger/Ir/It/Neth/Swe/UK
9	8	Aetna Intl Umbrella-STG Reserve A	Aetna Intl Fund Managers Ltd	£	MonMkt	UK	12.45	12.04	13.88	23.43	37.92	19.44	1.4	Apr 88	Au/Ger/Ir/Neth
10	10	CMI Global Network-STG Curr Reserve	CMI Financial Mgmt Services Ltd	£	MonMkt	UK	11.65	9.40	14.95	22.54	34.66	20.55	93.2	Apr 90	Ger/Ice/Ir/UK
11	11	Midland Intl Circuit-USD Liquidity	Trinkaus & Burkhardt/Midland	$	MonMkt	US	5.29	12.19	19.12	15.56	38.09	24.93	0.5	Feb 90	Fr/Sp/UK
12	12	Fleming Flagship II-USD	Fleming Fund Mgmt (Lux) SA	$	MonMkt	US	5.15	11.04	n/a	15.41	36.68	n/a	104.3	Sep 92	Au/Fr/Ger/It/Neth/Sp/UK
13	13	Sogenalux Treasury-USD B	Société Générale	$	MonMkt	US	5.08	10.80	22.87	15.33	36.39	28.86	62.4	Apr 92	Bel/Fr/Swz
14	14	Credis Money Market-USD	Credis/Credit Suisse	$	MonMkt	US	5.00	10.46	22.94	15.24	35.97	28.93	6559.4	Sep 84	Au/Ger/Swz
15	16	ABN Amro Interest Growth-USD	ABN Amro Luxem Invest Mgmt	$	MonMkt	US	4.97	10.48	19.71	15.21	35.99	25.55	65.9	Mar 92	Bel/Fr/Ger/Neth/Sp/UK
16	18	Fidelity-USD Cash	Fidelity Intl Ltd	$	MonMkt	US	4.96	10.41	n/a	15.20	35.91	n/a	82.2	Sep 93	Fr/Ger/UK
17	17	Parvest-Short Term USD B	Banque Paribas	$	MonMkt	US	4.93	10.52	23.72	15.17	36.04	29.75	466.1	Mar 90	Bel/Fr/Ger/It/Neth/Swz
18	15	Mercury Selected-USD Reserve	Mercury Asset Management SA	$	MonMkt	US	4.90	9.66	21.42	15.14	34.98	27.34	110.6	May 87	Au/Ger/Ir/Swz/UK
19	21	Julius Baer Multicash-USD Cash	Julius Baer Invest Fund Services	$	MonMkt	US	4.89	10.21	n/a	15.13	35.66	n/a	350.9	Apr 91	Au/Ger/It/Swz
20	20	Citicurrencies-USD	Citibank Luxembourg SA	$	MonMkt	US	4.86	10.53	22.38	15.09	36.05	28.34	604.1	Sep 85	Bel/Fr/Gre/Sp/Swz
21	19	Federated ShTm US Prime Fund	Federated Intl Management Ltd	$	MonMkt	US	4.80	9.84	n/a	15.03	35.20	n/a	74.2	Feb 95	Bel/Fr/Ger/UK ††
22	22	CU Privilege-USD Reserve	Commercial Union Luxembourg SA	$	MonMkt	US	4.76	7.44	13.51	14.99	32.25	19.05	15.2	Jun 90	Au/Bel/Fr/Nor/Sp/UK
23	23	Federated ShTm US Govt-Invest Growth	Federated Intl Management Ltd	$	MonMkt	US	4.44	9.40	19.99	14.63	34.66	25.85	1.7	Jan 92	Bel/Fr/Ger/UK ††
23	24	Groupe Indosuez Funds-USD Res C	Groupe Indosuez Funds Mgmt Co	$	MonMkt	US	4.44	9.54	n/a	14.63	34.83	n/a	54.1	Feb 91	Au/Bel/Fr/Ger/Ice/It/Sp/Swz/UK
25	27	Aetna Intl Umbrella-USD Reserve A	Aetna Intl Fund Managers Ltd	$	MonMkt	US	4.38	8.08	15.90	14.57	33.04	21.55	7.6	Apr 88	Au/Ger/Ir/Neth
26	26	INVESCO Premier Select-USD Reserve	INVESCO Intl Ltd	$	MonMkt	US	4.21	8.39	15.12	14.38	33.42	20.73	7.5	Jan 91	Au/Fr/Ger/Ir/It/Neth/Swe/UK
27	-	Credis Money Market-CAD	Credis/Credit Suisse	C$	MonMkt	Can	3.95	9.94	11.56	14.09	35.32	17.00	253.4	Jul 90	Au/Ger/Swz
28	28	Federated ShTm US Govt-Invest Divi	Federated Intl Management Ltd	$	MonMkt	US	3.66	8.10	16.62	13.77	33.06	22.31	344.6	Jun 91	Bel/Fr/Ger/UK ††
28	28	Federated ShTm US Treasury Securities	Federated Intl Management Ltd	$	MonMkt	US	3.66	8.42	18.26	13.77	33.46	24.03	139.0	Apr 92	Bel/Fr/Ger/UK ††
30	30	CMI Global Net-USD Currency Reserve	CMI Financial Mgmt Services Ltd	$	MonMkt	US	3.46	7.23	15.06	13.55	31.99	20.67	12.4	Apr 90	Ger/Ir/UK

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: MONEY MARKET EUROFUNDS INVESTING IN EUROPE

LEADERS

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
1	Citicurrencies-STG	Citibank Luxembourg SA	£	MonMkt	UK	13.41	n/a	19.57	24.47	n/a	25.40	48.0	Mar 89	Bel/Fr/Gre/Sp/Swz
2	Credis Money Market-STG	Credis/Credit Suisse	£	MonMkt	UK	13.35	13.20	19.73	24.41	39.34	25.56	633.3	Jul 85	Au/Ger/Swz
3	Mercury Selected-STG Reserve	Mercury Asset Management SA	£	MonMkt	UK	13.30	13.21	n/a	24.36	39.36	n/a	43.9	Nov 93	Au/Ger/Ir/Swz/UK
4	Fleming Flagship II-STG	Fleming Fund Mgmt (Lux) SA	£	MonMkt	UK	13.25	14.22	19.63	24.30	40.59	25.46	17.7	Aug 78	Au/Fr/Ger/It/Neth/Sp/UK
5	Julius Baer Multicash-Sterling Cash	Julius Baer Invest Fund Services	£	MonMkt	UK	13.00	12.97	n/a	24.02	39.06	n/a	34.9	Apr 91	Au/Ger/It/Swz
6	Midland Intl Circuit-STG Liquidity	Trinkaus & Burkhardt/Midland	£	MonMkt	UK	12.80	15.93	20.14	23.81	42.71	26.00	2.0	Feb 90	Fr/Sp/UK
7	CU Privilege-STG Reserve	Commercial Union Luxembourg SA	£	MonMkt	UK	12.79	12.47	12.09	23.79	38.44	17.56	20.7	Apr 90	Au/Bel/Fr/It/Nor/Sp/UK
8	INVESCO Premier Select-STG Reserve	INVESCO Intl Ltd	£	MonMkt	UK	12.68	11.33	n/a	23.68	37.04	n/a	8.0	May 93	Au/Fr/Ger/Ir/It/Neth/Swe/UK
9	Aetna Intl Umbrella-STG Reserve A	Aetna Intl Fund Managers Ltd	£	MonMkt	UK	12.45	12.04	13.88	23.43	37.92	19.44	1.4	Apr 88	Au/Ger/Ir/Neth
10	CMI Global Network-STG Curr Reserve	CMI Financial Mgmt Services Ltd	£	MonMkt	UK	11.65	9.40	14.95	22.54	34.66	20.55	93.2	Apr 90	Ger/Ice/Ir/UK

LAGGERS

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
1	Sogenalux Treasury-SFR B	Société Générale	Sfr	MonMkt	Swz	-9.29	-17.15	21.94	-0.44	1.98	27.89	30.7	Apr 92	Bel/Fr/Swz
2	Credis Money Market-SFR	Credis/Credit Suisse	Sfr	MonMkt	Swz	-8.82	-16.11	26.53	0.08	3.26	32.70	6999.1	Oct 91	Au/Ger/Swz
3	Mercury Selected-SFR Reserve	Mercury Asset Management SA	Sfr	MonMkt	Swz	-8.77	-16.75	n/a	0.14	2.47	n/a	15.5	Nov 93	Au/Ger/Ir/Swz/UK
4	Julius Baer Multicash-SFR Cash	Julius Baer Invest Fund Services	Sfr	MonMkt	Swz	-8.66	-15.89	27.82	0.25	3.54	34.06	371.3	Apr 91	Au/Ger/It/Swz
5	Aetna Intl Umbrella-DEM Reserve B	Aetna Intl Fund Managers Ltd	Dm	MonMkt	Ger	-8.07	-14.03	n/a	0.90	5.82	n/a	1.5	Apr 93	Au/Ger/Ir/Neth
6	CMI Global Network-DM Curr Reserve	CMI Financial Mgmt Services Ltd	Dm	MonMkt	Ger	-7.95	-16.43	n/a	1.03	2.87	n/a	2.4	Jun 94	Ger/Ice/Ir/UK
7	RG Interest Plus-Money Plus NLG	Robeco Group	Nfl	MonMkt	Neth	-7.48	-14.11	21.13	1.55	5.72	27.04	155.1	Jun 92	Bel/Ger/Neth/Swz/UK
8	Worldfolio-DM Daily Income	AEB Worldfolio Management Co	Dm	MonMkt	Ger	-7.42	-14.60	n/a	1.61	5.12	n/a	6.8	Mar 93	Fr/Ger/It/Swz/UK
9	ABN Amro Interest Growth-NLG	ABN Amro Luxembourg Invest Mgmt	Nfl	MonMkt	Neth	-7.31	-14.33	21.49	1.74	5.45	27.41	115.4	Mar 92	Bel/Fr/Ger/Neth/Sp/UK
10	Aetna Intl Umbrella-DEM Reserve A	Aetna Intl Fund Managers Ltd	Dm	MonMkt	Ger	-7.24	-12.65	17.30	1.82	7.52	23.02	2.1	Apr 88	Au/Ger/Ir/Neth

Source: Lipper Analytical Services International

Italy's wealth of home comforts

Residential

Clive Branson reports on the delights of Tuscan villas, historic castles and Venetian palaces

David Wetherell, with a group of friends of several nationalities, bought a walled Umbrian village called Santa Giuliana in 1973. After three years spent restoring the village, which is 25 kilometres from Perugia, the ten friends each had their own property. The Community of Santa Giuliana – as the friends call themselves – installed mains electricity and telephone lines in 1981.

Wetherell, who is now 63, started a design and marketing company there. He is now marketing the property of Martin and Marion Carlson, who are leaving the community. Their 170-square-metre house, on three floors, has three bedrooms and two bathrooms. It is for sale at L246 million ($145,000).

Umbria still offers properties for refurbishment. But the adjoining region of Tuscany has become one of Italy's most expensive and most refurbished areas.

Chianti Estates, an affiliate of the Knight Frank agency, has a selection of large properties there on its books. One of them is Villa Castagnoli at San Leolino, Panzano, about 35km from Siena. This restored country house is arranged around a medieval watchtower and has five reception rooms, a billiard room and minstrel gallery. There are five bedroom suites, a one-bedroom guest-cottage, plus staff accommodation. In the 26 hectares of grounds are a vineyard and olive groves, a swimming pool, helicopter pad and croquet lawn. The asking price is L5.4 billion.

The same agent is also marketing the agricultural estate of Cogno Castellina in Chianti for L3.3bn. The main house on the estate has nine bedrooms, five bathrooms and a number of reception rooms. There is a two-bedroom guest-cottage and farm buildings. The principal commercial activity of the estate is the production of 2,200 litres of extra-virgin olive oil per year from 2,500 trees.

Northwest of Tuscany, the coastal area of Liguria around Portofino and Rapallo is popular and expensive; but further inland it is possible to find reasonably priced houses. Linda Travella's agency offers several properties which are a few kilometres inland from the Mediterranean. She has a two-bedroom village house with a reception room and bathroom in Diano Borello available for L219m. Travella also has the top floor of a house in Torria, in need of restoration. It has two bedrooms and a bathroom, and is priced at L68.5m. She estimates restoration costs at L54.8m.

On the other coast of Italy, in Venice, Giorgio Vigano, an affiliate of Sotheby's, is marketing the 13th-century Merchant Palace, which is in the Dorsoduro area facing the Ca' Foscari canal. The gallery has a living area of 250sqm, with terraces of 35sqm; it has a study, two reception rooms, three bedrooms and two bathrooms. It is for sale at L1.8bn.

Friuli Venezia Giulia, northeast of Venice, is one of Italy's lesser-known regions. Brian French, an agent, believes it has potential for residential, commercial and tourist development. He has several properties in Lignano Sabbiadoro, including apartments ranging in price from L165m for a studio flat to L600m for a three-bedroom flat. The area has a number of golf courses, and French is marketing semi-detached houses next to the course at Lignano Sabbiadoro from L300m for a two-bedroom property to L670m for one with four bedrooms.

He is also marketing Castello di Villalta in Friuli, which has a history dating back to 1158. The castle, listed as a national monument, is a commercial proposition because banquets and wedding receptions are held there. It also has an annexe which has been converted into a 30-room hotel and a restaurant seating 250. Living space for the current owner is provided by a 700sqm modern villa.

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On the waterfront: the Merchant Palace on Venice's Ca' Foscari canal is for sale at $1m

Former City bomb site offers a flexible future

THE City of London's tallest building (above), which was devastated by an IRA bomb, has reopened. Formerly known as the NatWest Tower, it is now the International Financial Centre. The 29,530-square-metre building, which is 183 metres tall, has been virtually rebuilt to make its office spaces more flexible. In letting it, joint agents Richard Ellis and Weatherall Green & Smith have again stressed flexibility: instead of seeking a single letting, prospective tenants are being offered a choice of four different packages. This is the first time such an approach has been attempted in a prime London office building. The options are:

- Fully furnished rentals and serviced office suites on short-term lets;
- Short-term leases with inclusive rents, rates and service charges. There are no residual liabilities;
- Short-term exclusive leases covering single or multiple floors on a longer-term basis;
- Traditional long-term leases.

The basic rent is £477 ($763) a square metre per year, the highest currently charged in the improving city property market, but still well below the level of the late 1980s.

Why investment figures do not tell the whole story

Commercial

The Commission must get its sums right before it tries to standardise rules

DESPITE its success in harmonising tax rules and trade practices, the European Commission has failed to address the issue of differing national rules governing property, *writes Clive Branson.* Commission vice-president Sir Leon Brittan believes that the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO) should lead the way in setting standard rules.

Introducing a report by the Economist Intelligence Unit (EIU), he said: "I hope we will have an OECD multilateral agreement within three years for the protection of investments, so foreigners have the same rights as nationals."

Sir Leon is also attempting to push the WTO in the direction of liberalising the rules on property investment among member countries, although he admitted that there are problems. He said: "While the developing countries stand to gain the most from the inflow of investment on liberalisation of the rules they are the most opposed to change."

According to the EIU report, called *Global Direct Investment and the Importance of Real Estate*, "there is a danger of a mismatch between a liberalised global economy, with strong capital flows, and a heavily restricted property sector burdened by country-specific restrictions". Echoing Brittan's views, the report urges standardisation of rules; among the sectors needing reform are planning and development, land ownership, taxation and valuation techniques. But this is where a problem arises: the EIU analysis is unable to provide basic information on global property investment.

Foreign direct investment in 1995 was up by 40 per cent over 1993, at $317 billion. But the EIU's calculations on how much of that global figure goes into property is just "a rough estimate on the basis of existing data, implying it is anywhere between five and 20 per cent of the total". Its figures for the EU (ten per cent of total direct foreign investment) and the US (11 per cent) are more specific, but some researchers believe that it has massively underestimated the sums going into property. For example, the EIU figures do not include private real estate. Wealthy Far Eastern individuals are the largest investors in world property, notably in London and the North American residential market; private German investors make a major contribution, too.

Problems also occur in differentiating between investment in construction and property, and in sorting out pension-fund investments which could be assessed either as portfolio items or property. That latter difficulty crosses again in the figures for foreign investment in hotels and catering: many analysts would, unlike the EIU, put that under property because most of the money goes into buildings.

- Accurate figures are also elusive when estimating bank lending on property in Britain. The agent Savills estimates that the total figure is £47bn ($76bn), more than 50 per cent higher than the government figure of £30bn. The reason for the variation is that a substantial amount of lending is not reported to the Bank of England because it is booked off-shore, or recorded by other bodies such as the Building Societies Commission.

Taxman clips flyers' wings

The success of incentive schemes could be their downfall as companies, governments and tax authorities clamp down, writes Bruce Martin

THE frequent-flyer programme has proved a remarkably successful marketing idea. Since American Airlines introduced AAdvantage 16 years ago, mileage-counting has become an addiction.

An estimated 150 million travellers (40 million of them Americans) have signed up. In the 1997 OAG Business Lifestyle Survey, nine out of every ten business travellers were FFP members – and the more they travelled, the more programmes they belonged to. The average was three and a half.

Membership of an FFP is a huge influence in the choice of an airline, the survey showed (although it is still less important than airline schedules and convenience). More than three-quarters of business travellers say that a programme influences their choice of carrier on a given route, even when this contravenes their employer's travel policy.

Americans and Australians are most likely to succumb to the perks; the Japanese appear the least susceptible, although six out of ten of them are swayed by their FFP membership.

However, the very success of the programmes threatens their future. They are under threat from all sides. Governments view FFPs as inimical to fair competition, especially as major airlines use alliances to increase their leverage; companies argue that FFP perks from business trips should belong to them rather than their employees, and that the programmes inflate fares and encourage unnecessary or circuitous trips at high prices (to amass maximum bonus points).

Airlines now owe their travellers billions of miles, and are therefore hedging redemptions with expiry dates, "blackout" periods and "capacity control" to run (to very few) the seats available per flight; upgrades are now only given to full-fare passengers. Tax authorities regard FFPs as benefits in kind and are therefore examining ways of taxing employees who earn them – and of reducing the travel expenses companies can set against tax by subtracting the value of the benefit to the employee.

Travellers themselves are now beginning to wonder, with the value of their hard-earned mileage having diminished substantially within the last couple of years and the terms under which they can be used growing ever more complex, whether the whole thing is worthwhile. "I believe only about 30 per cent of business travellers use their FFP miles," says Richard Lovell of Carlson Wagonlit Travel in London.

Ian Wheeler, area marketing director for OAG, part of the Reed Travel Group in London, says: "FFPs are still popular. But our latest survey suggests that incentives to join them are not as great as a year or so ago – especially in Britain and Singapore, where membership have actually decreased. Travellers are feeling there is very little difference between the various programmes, and it is very hard to keep track of who flies where and how you can earn miles: there is a lot of frustration. Airlines are trying to reduce the high cost of running the programmes by reducing benefits and concentrating on high-value travellers – how much you pay is becoming more important than how many miles you fly. They are also bringing in non-airline partners such as credit-card and phone companies to help pay for them."

Mike Platt of Hogg Robinson Travel in London sees a major threat to FFPs is coming from the airlines themselves: "They are asking if it is necessary to spend at least three per cent of the value of a ticket on funding FFPs – especially when they are doing more deals direct with corporations. If travel decision-making is moving towards the corporations, do airlines still need to give incentives to individual travellers?"

But the biggest threat comes from the taxman. In a landmark case in Canada, a court decided that the incomes of two executives included free airline tickets they had received, and that the value of free tickets was their market price on the actual flights taken.

Swedish employees are now liable for tax on awards earned on company business and later redeemed for leisure travel. And this year, the German government has imposed a two per cent tax on FFP awards exceeding a value of Dm2,400 ($1,400) a year – although Lufthansa has responded by offering to pay the tax on behalf of its "Miles & More" members.

Britain's Inland Revenue has no plans to tax FFP awards because under present "benefits in kind" rules, it is hard to establish the "cost to the provider" – and in any case, according to a spokesperson for Inland Revenue, it is "not worth the cost of collecting the tax". But the policy could change under the new Labour government. And as one travel agent responsible for buying $800 million-worth of tickets per year says: "If FFP benefits are taxed, the bubble will quickly burst".

- THE alliance between five major airlines will give members of their frequent-flyer programmes access to 179 VIP lounges around the world. The new Star Alliance involves Lufthansa, SAS, United Airlines, Thai Airways and Air Canada, and members of each airline's FFP will be able to collect points when flying on the other four.
- BRITISH Midland's new service from Heathrow to Cologne/Bonn and on to Rome started this week. Flights depart from London at 8.10, and from Rome Fiumicino at 14.50.
- VISA International has arranged discounts on European hotels and car hire for business travellers working through the summer. Until the end of September, cardholders are offered reductions of between 30 and 60 per cent on rates at the Hilton and Radisson SAS hotel chains, and 20 per cent off the cost of Budget car rentals.
- MANNHEIM-based Cosmos Air has launched a daily service between Berlin Tempelhof and London City Airport. The flights run from Monday to Friday in a 31-seater Dornier aircraft.

Gill Williams

Travel Update

London auctions ready for an Indian summer

Saleroom

Laura Suffield on sales of art from the subcontinent

Vision of India: *A Banyan Tree at Shiva shrine, Hardwar, Uttar Pradesh*

LONDON'S two major auction houses have devoted a lot of time and effort recently towards developing the Indian market, and have reaped some benefit from their investment. For example, one relatively new area which has proved successful is paintings by modern Indian artists who, although unfamiliar to many in the West, are highly esteemed on their home territory.

Sotheby's had considerable success in New York in 1995 offering a private collection of modern and Indian paintings by artists such as Maqbool Husain and Jamini Roy. Since then, both Sotheby's and Christie's have been selling modern Indian art in London and New York, mainly to Indian collectors.

Early this month Sotheby's tried a new approach in London, offering what it called The Indian Sale. Billed as the first auction of its kind, it included classical sculptures and bronzes, the decorative arts (including arms and armour, jewellery and textiles), paintings and drawings from the 19th century to the present day.

The sale included 254 lots, of which 54 per cent found buyers. This was not an outstanding result, but much of the material was less than top quality. It was noticeable that the best prices were for detailed watercolours painted in traditional Indian style in the first half of this century, which sold for up to £27,000 ($40,500). The best price among the modern pictures was about £17,000, with most making between £1,000 and £2,000.

In general, 19th-century views of India by European artists are easy to find and of rather indifferent quality. Sotheby's had few really outstanding examples in its sale, and a number failed to find buyers.

The idea of mixing paintings and objects for this month's sale was an appealing one; but there was little evidence to suggest that presenting the material in this context did much to raise the prices. Of the top ten lots sold, five fell into the category of arms and armour, and all of these were bought by Gulf and Kuwaiti collectors.

The sale at Sotheby's raised a fairly modest £1.7 million. Christie's may be hoping to do better on 10 June with its Visions of India sale. This is the third annual auction with this title: it consists of views of India by mainly European artists in the years of the British Raj.

Last year's event raised £1.4m, but this year's sale has some more important items in it, including Thomas Daniell's *A Banyan tree at a Shiva shrine, Hardwar, Uttar Pradesh*, which is estimated to fetch £100,000-£150,000.

In the 50th year of Indian independence, Christie's is not holding back. On 4 June it is offering a separate sale of modern Indian art which should prove an important test of the market. Also, on 8 October, it is holding its first sale of Indian jewellery. This market has been performing well and devoting a separate sale to it is sensible.

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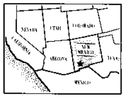

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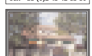

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CYAN MAG YELO BLCK

Kangoo leaps into shoes of Renault 4

Family values: the spacious Kangoo follows the trend towards simple and practical leisure vehicles

THIS IS Renault's latest model, the Kangoo, *writes Tony Lewin*. Positioned at the bottom of the range, the Kangoo is a successor (at least in spirit) to the Renault 4, still the best-selling model in the company's history. Similar in concept to the Berlingo van/estate launched by Citroën last year, the Kangoo follows the trend towards simple, practical leisure vehicles for family use.

Longer, wider and much taller than both the Twingo and Clio hatchbacks, the boxy Kangoo is, in Renault's words, "resolutely non-conformist ... in perfect keeping with the marque's *voiture à vivre* approach to the automobile." Its large sliding side door gives easy access to the rear bench seat, which can be easily folded or removed. Even with the back seat in place, the van-like boot offers a vast 650 litres of load-area, the largest of any model in the Renault range.

The passenger cabin is as original and eccentric as that of the Twingo, but it is more spacious and the seating position is higher. Airbags are optional, as is ABS braking. Under the bonnet there is a choice of 1.2 or 1.4-litre petrol power or a 1.9-litre diesel in 55 or 65bhp versions. Top speeds are between 135kmh and 155kmh, and the best figure for fuel consumption – which is obviously affected by the Kangoo's tall shape – is 6.3 litres per 100km.

Renault has not indicated what the price will be, but says that it will go on sale in France before the end of the year and will then be progressively introduced across the rest of Europe.

Brussels to spend $9bn on tourism

Peter Matthews reports on how funds are being focused

TOURISM is expected to become the biggest money-spinning industry in Europe in the 21st century. It already contributes an estimated five per cent towards the continent's gross domestic product, making it one of the largest inputs.

But surprisingly there have been relatively few funds available so far from the European Commission for its direct development. Small, indirect tourist-related budgets are scattered across the whole spectrum of the Commission's activities; and even Directorate General 23, the Commission department responsible for tourism and enterprise, has a budget of only Ecu3 million for studying and measuring the industry's performance.

BUSINESS OPPORTUNITIES

But that is about to change. The most comprehensive Commission report on tourism and tourist-related activities will be published this summer. Called Community Actions Affecting Tourism, the report will signal the spending priorities for the available Ecu6 billion ($9bn) tourism support budget.

One of the main reasons for the lack of focus on direct funding has been the problem of defining tourism. It is not surprising, therefore, that around 50 programmes which could loosely be called tourism-related are found in every Commission department.

To add to the problems, some EU support for tourism, in the form of payments for consultancy and reports, has been dogged by allegations of misspending of funds.

The mega-budget will be an umbrella fund divided between a number of departments and this should help ensure that the money goes where it is most needed .

To help explain the contents of the report and the opportunities available for businesses *The European*, in co-operation with Aslib, is planning to hold a series of workshops. The first is earmarked for 18 July, at a venue to be announced, but probably in London. The cost will be between £80 and £90 ($128-$144).

Firms which want to take part must complete a company-profile questionnaire to set the scene for any grant entitlement. Ask Aslib for a form or find it on Website http://www.aslib.co.uk/europe/grants/index.html and return the questionnaire by e-mail.

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/

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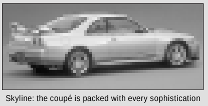


Skyline: the coupé is packed with every sophistication

■ NISSAN is to bring its spectacular 280bhp twin-turbo sports coupé to Europe. Packed with every sophistication from four-wheel steering to automatic torque-split and yaw control, the 2.6-litre Skyline GT-R is the only production car to have lapped the challenging 22-kilometre Nurburgring race track in under eight minutes. It is likely to be priced at $80,000-plus, but with only right-hand-drive cars being produced, the UK will be the sole European market to receive the car.

■ FEWER than one in eight Europeans buys an automatic car according to a study from Automotive Industry Data. This compares with eight in ten Americans and six out of ten Japanese. The VW Golf has even seen a fall in the proportion of automatic versions, to 6.4 per cent last year from 9.2 per cent in 1995. The most remarkable figures come from France, where only one in 40 car buyers chooses an automatic.

■ AN ADVANCED new Audi diesel engine will be launched in the luxury A8 saloon next week. Featuring 24 valves, four overhead camshafts and direct injection, the turbocharged 2.5-litre V6 develops 150bhp. Substantial advances in performance, refinement, economy and emissions are claimed. This autumn the engine will also appear in the new A6 saloon and Avant estate.

Crash tests hit brick wall

MOTORING

Critics are questioning the results of impact studies, writes Tony Lewin

THE publication of the first European crash-test results in February caused a storm in the motor industry, *writes Tony Lewin*. The tests, for head-on and side-impact collisions and pedestrian "friendliness", raised questions about the safety of seven "super-mini" models, and showed the Metro in a particularly bad light.

The next set of results from the European New Car Assessment Programme, on 13 Mondeo-class cars, will no doubt cause further controversy when they are published in July. Already Christer Nilsson, head of accident investigations at Saab, is saying that to judge one car as safer than another because it performs better in three tests is "frankly naive".

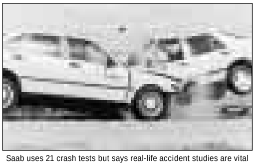
Nilsson says that the EuroNCAP's design of deformable barrier may give unrealistic results for cars weighing more than a Peugeot 406, which is 1,400kg. Heavier cars, he says, can smash through the deformable part and hit the solid block behind – which means the test does not simulate car-to-car accidents. One solution might be to have a range of deformable faces for the barrier, appropriate for cars of different weights: this and other solutions are being examined by the Fédération Internationale Automobile in Paris and Germany's ADAC.

Other critics have questioned the 64kmh speed used in the test because it is eight kmh faster than that required under next year's EU safety regulations. But Jeanne Breene of the European Transport Safety Council in Brussels, a EuroNCAP member, says: "Australia and the US use 64kmh, and we hope that everyone else will harmonise around the EuroNCAP protocols." In Brussels circles it is confidently expected that unity among EuroNCAP members, and the collective support of Europe's motoring organisations, will finally gain – after a wait of almost 18 months – European Commission funding for the programme.

In the ratings for accident injury claims used in Sweden, the Saab 9000 series has consistently been the best performer, and has the lowest driver-fatality risk among cars on the US market. The newer Saab 900 is expected to do well in the second round of EuroNCAP test results in July.

Nilsson's major concern about the test methods is that car makers may begin to design their cars to do well in those tests – to the possible detriment of their performance in other kinds of accident.

Saab uses 21 different crash tests, only seven of them arising from legal requirements. Real-life studies of accidents are vital, says Nilsson. "One thing we have learnt is that we are actually protecting people, not dummies."



Saab uses 21 crash tests but says real-life accident studies are vital

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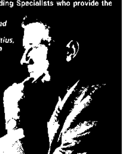

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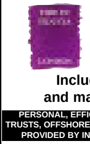

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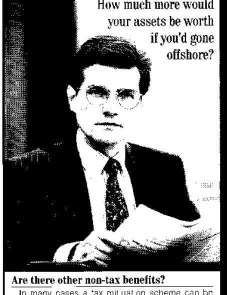

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CME proves eastern TV is a mission possible

A little-known US company is turning the former communist bloc on to commercial television, reports David Short

NOT so many years ago, Romanian politicians under the dictatorial president Nicolae Ceausescu had the media in one of the tightest iron grips in the whole of the former communist bloc. Now the old order has been neatly reversed and politicians in Bucharest are ardently wooing the new, free media to achieve their objectives.

One of those aims is membership of Nato, which the political establishment sees as a first step to acceptance into the European Union. During the run-up to the Nato meeting in Madrid in July, when Romania as well as the Czech Republic and Hungary will be up for election, President Emil Constantinescu and other senior politicians and personalities, both domestic and foreign, will appear in weekly televised broadcasts promoting the idea of Nato membership. The series will be called *Operation Pro-Nato: Mission Possible*.

But those politicians won't be on the airwaves used by the state channels TVR1 and TVR2. Instead they will appear on the commercial station Pro TV because that is the station the overwhelming number of Romanians in its broadcast area watch.

Pro TV is no stranger to political influence. At its launch party on the night of 1 December 1995 in the Ceaucescu Palace, former President Ion Iliescu may have been the guest of honour, but he appeared almost meek as he was led around by one of the Romanian investors in Pro TV while leather-jacketed bodyguards melted into the vast background of the second biggest building in the world.

Those two investors – both very rich and powerful – were Adrian Sarbu, a Romanian version of a media mogul with interests in magazines, video and advertising, and Ion Tiriac, the retired tennis champion and former coach to German tennis star Boris Becker.

But most of the money for the buildup of Pro TV was not Romanian, but came from CME, a US company quoted on the New York Nasdaq stock market, domiciled in Bermuda for tax purposes, and originally bankrolled and still controlled by Ronald Lauder, a former US ambassador and an heir to the Estée Lauder cosmetics fortune.

CME has specialised in launching new commercial terrestrial stations in eastern and central Europe since starting up Nova TV in the Czech Republic in February 1993. Since then, in addition to Pro TV, it launched Pop TV in Slovenia in 1995, TV Markiza in Slovakia in 1996, is developing operations in Poland and Ukraine and is one of three applicants for television franchises in Hungary to be awarded next month.

From its impeccably capitalist credentials, it seems clear that CME has entered the television business in former communist Europe simply for the cash. Pro TV for instance cost $40 million to develop and made the same in profit in its first full year of operation. Pro TV made an operating profit of $507,000 in its fourth quarter in 1996 after just one year on air.

CME's policy for its television stations has always been apolitical, and it has never sought to influence a country's political or cultural life. Instead it has concentrated on winning audiences through a mixture of locally produced popular programming including home-grown soap operatas such as *The Novaks* on Nova TV. But its very success in achieving big audiences – both Nova TV and Pro TV have a 70 per cent audience share – and the recent past of those countries mean political intrigue is never far away.

Sharp focus: CME has opened stations throughout eastern and central Europe and has now set its sights on Hungary

Lauder's wealth and background as former US ambassador to Vienna during 1986 and 1987 and that of his founding CME partner, Mark Palmer, as Uncle Sam's man in Budapest between 1986 and 1991, helped to smooth top-level introductions and is one reason why this little-known company has won franchises in those territories while household-name giant western media groups have stayed out in the cold. Once those franchisees were in the bag, CME's president and chief executive Leonard Fertig steadily built up these terrestrial stations while the giants concentrated on satellite and digital television ventures.

But winning an overwhelming big audience can have its adverse effects. In the Czech Republic, for instance, there is some xenophobia over the country's most successful television station being part-owned by foreigners. And some old-style Czechs are embarrassed that a nation which traditionally prided itself on being high-minded and intellectual is as happy tuning into everyday soap operas and US series such as *MASH* and *The X-Files* as anyone in the West.

The almost immediate financial success of commercial television in eastern and central Europe also means that the murkier elements from those societies are bound to be attracted, particularly as CME attempts to branch out into the more cowboy territories of the Ukraine and Russia.

It is already involved in one strange tussle in Slovenia, which began when a case erupted in the English courts in July. CME had announced that it had bought a controlling stake in a rival Slovenian station Kanal A. But the very next day, London-based Scandinavian Broadcasting Systems (SBS) said it had concluded a separate deal with the station's founder Vladimir Polic.

A key question was whether Polic, nicknamed by some in Ljubljana "the KGB man" because of his rumoured prior involvement with the former Yugoslavian secret service, knew SBS's permission was needed for the CME agreement. That mystery now has to be unravelled by the Slovenian courts.

CME will be hoping matters will be far more clear-cut when the Hungarian franchises are decided. All applicants will have to be well-heeled and respectable. Their plans are to be investigated for suitability and the two franchises will be decided on a points basis.

In a 100-point system, 35 points will be awarded for programming, ten for the business plan, five for technical content and another ten are associated with references and when broadcasting will start. But 40 points are earmarked for the amount of money the bidders are prepared to pay, because hard cash will also play a key part. The government there has taken a leaf out of the West's book and has introduced an auction element.

Each applicant must bid a minimum of $50m for each ten-year franchise. Three of those years must be paid for in advance. Hungary is a relatively small country of only 3.8 million households but already has the highest advertising spend per capita in the region at close to $20.

That should keep the cowboys away, but this time CME will be squaring up to some of the world's media giants after having the former communist bloc almost to itself for so long. The rival bidders are the giant German television group CLT-Ufa and Walt Disney – which hold a 23 per cent stake in SBS, CME's opponent in the Slovenian courts.

Cointreau mixes it for the young

The famous French drink is trying to woo younger drinkers with a slick campaign

DRINKS manufacturers seem determined to win over young drinkers, despite threats from some governments to clamp down on the advertising of products such as alcoholic lemonade, *writes David Short*. Despite the popularity of these so-called alcopops in Britain, which have been joined by alcoholic milkshakes called Moo, it seems many young people still prefer healthy options or the unhealthier combination of ecstasy and mineral water.

The latest brand to get a youthful makeover is the French orange liqueur Cointreau with a pan-European campaign starting next month. But ironically the campaign from top British agency Bartle Bogle Hegarty, which masterminds the Levi jeans campaign in Europe and the United States, will have least impact on its home ground in France. The reason is the already tough French law which bans alcohol advertising on television. Instead, the French are likely to see just print advertising.

But TV viewers in the Netherlands, Spain, Italy, Germany, Ireland and the United Kingdom will see the commercial *Journey*. Until recently, British viewers like the French would not have seen it because of a voluntary ban since the 1960s on spirits advertising on television. But last year, brands such as Bell's whisky and Virgin vodka decided to use the power of the small screen.

In the TV commercial, the complexity of the different flavours are illustrated in a series of imaginative, contemporary images. The film insists that properly savouring the complexity takes time – 38.072 seconds for each sip to be exact.

Rémy Cointreau have spared no expense in giving the brand, created in 1849, a modern boost. Postproduction of the commercial took one month. In a mirror-breaking sequence, when an actor first takes a sip of Cointreau, 400 oranges were filmed breaking through glass at six different camera angles. The image of the man sipping Cointreau was then hand-painted on to every frame. As a result, that five second sequence took a week to complete. The TV campaign will be backed up by press advertisements in style magazines and on posters throughout Europe.

But when going for youth, Cointreau is realistic. It is, after all, the can generation. Cointreau will also appear in pre-mixed 25cl and 20cl cans. And like alcopops, they will have a fruity taste. There will be Cointreau mixed with pink grapefruit and Cointreau mixed with pineapple, as well as a Cointreau Pina in Spain. And just like alcopops, they will be five per cent proof.

Why broadcasters are focused on US

European stations seem to be ignoring a system designed to protect domestic production, reports David Short

EUROPEAN broadcasters were waving their chequebooks this week in Los Angeles, lining up to spend lavishly on new US programming at the LA Screenings television market. And figures released this week confirm that European television groups, both public and private, are continuing to spend at record levels on American products, seemingly in contempt of the European Union quota system designed to protect domestic production.

Demand seems to be growing relentlessly despite the quota system which requires that European broadcasters' schedules should include at least 51 per cent of material made in the European Union. European TV buyers spent in excess of $2 billion a year on US programmes and films for television stations in a bid to boost flagging ratings and head off increased competition from new channels and pay-TV. That figure is 15 per cent higher than the 1995 level, which itself was 14 per cent higher than 1994 spending.

EUROPEAN BROADCASTERS SPENDING ON US TV 1996

France	$325m
Germany	$750m
Italy	$320m
Spain	$230m
UK	$470m

SOURCE: VIDEO AND INTERNATIONAL

Europe is the most valuable export territory in the world for US producers, taking more than half of the their total global sales of $3.85bn.

Of the $2bn, around $1.45bn went to the Motion Picture Association of America (MPAA), which represents the seven major Hollywood studios – Paramount, Columbia Tristar, Disney, Fox, Turner and Warner Brothers, who not surprisingly have lobbied the hardest over the years against TV quotas. Other producers represented by the American Film Marketing Association scooped $380 million, with independents accounting for the rest. German television companies were the biggest spenders, shelling out $750m, mainly on big-name series and TV films. The British came second with a budget of $470m. Even the French, probably the strongest supporters of the quota system, spent $315m on US police shows, comedies and hospital dramas.

And public service television groups are just as keen on American shows as their commercial competitors. Both the BBC and France Télévision were responsible for 40 per cent of TV programme spending made in the US last year by British and French buyers. The figure for Italy's RAI was even higher at 47 per cent, despite lobbying in Italy for media legislation to stimulate domestic production and European co-productions.

The two German public channels ARD and ZDF spent around $220m or 30 per cent of Germany's spending in the US. Of the relatively low acquisition budget of $230m spent by Spain's troubled and crowded broadcasting industry, the public service broadcaster RTVE accounted for more than 32 per cent.

Two reasons why European broadcasters want US hits such as *Murder One*, *Seinfeld* and *Friends* despite the official disapproval of Brussels, are falling audiences and the fact that buying-in is much cheaper than making original programming. Michael Bartholomew, the MPAA's director for European affairs in Brussels, said: "Americans continue to produce programming that people want to see," adding that the quota system will continue to be applied flexibly. The reason is that quota hardliners failed to have the phrase "where practicable" dropped from the Television Without Frontiers directive when referring to the 51 per cent quota during last year's review of the regulations. The phrase will remain when the new directive is rubber-stamped by EU culture ministers in June. Bartholomew says the quota system will become redundant in a few years time with the advent of digital television and the hundreds of new channels that development will bring.

Who needs *Friends*? European broadcasters do, as they can save money and boost ratings by buying in popular US shows

Terrestrial broadcasters, particularly public service stations, have seen audiences nibbled away in recent years, both by competition from pay-TV and simple disillusion with what is on offer.

The tendency for people to watch less television, particularly at prime time, is a process which has been happening since the early 1990s. When the research group Millward Brown International conducted a telephone survey in 1995 to find out why, the most common response was "poor programming". The phenomenon was most acute among the young.

Even Europe's most popular network measured by audience share, Belgium's VTM, is suffering. Its share fell to under 39 per cent last year from 43.3 per cent the year before. Dom Serafini, publisher of the US trade magazine *Video Age International* which compiled the statistics on European TV buying, commented: "Recent reports indicate that networks in countries such as Italy and the UK have seen their viewing shares drop. In Italy, a whopping 1.5 million viewers have left prime time."

However, all is not lost for European producers, said Bartholomew. Largely as a result of the quota campaign, the major US studios are planning to co-produce local programming in Europe, creating European versions of popular US products. Warner Brothers will be producing local programming in France by next year. MGM is going to do the same and others will be following them.

MOVES

■ GUINNESS has appointed Jean François Jamet, a former French rugby international, as managing director of its Northern Ireland operation. He worked for Pernod Ricard International, before joining Guinness in 1985.

■ DELL COMPUTER CORPORATION has appointed Jan Gesmar-Larsen as its president for Europe, Midle East and Africa. Gesmar-Larsen, 37, will take up his post in August, joining Dell from Apple Computers where he holds a parallel position. He worked for Compaq and Olivetti before joining Apple in 1992.

■ SALOMON Brothers has appointed Edward Kaufman as vice-president in European Investment Banking in London. He joins from the Boston Consulting Group.

■ GEORGE Poste, 52, has been appointed chief science and technology officer of SmithKline Beecham, the pharmaceuticals group. He is working as head of research and development for the company.

Supplied by Handel Communications

Marks & Spencer targets Europe

EXECUTIVE EDUCATION

Andrew Crisp

MARKS & Spencer's roots are planted firmly in the UK, but its branches have spread to more than 17 countries. As a result of this expansion the retailer has launched its first European graduate recruitment programme.

Hilary Woodland, the company's graduate recruitment manager for the UK and Europe, explains that because of the expansion plans "we have to recruit managers from specific countries rather than just British expatriates".

In the UK, retail companies have sometimes struggled to attract the best graduates. But Marks & Spencer is effectively a start-up business in continental Europe, and can offer new employees the opportunity to benefit from its expansion. As a result it has had more success in its recruitment. This year it aims to find 100 graduates in five European countries: Germany, Belgium, the Netherlands, France and Spain. It is offering two distinct career programmes. Graduates in any of those countries will be able to join the Europe-wide management programme, for which they must be prepared to go anywhere on the continent; in France and Spain there will also be national programmes. Jean-Jacques Signoux, Marks & Spencer's regional personnel manager in Paris, says: "The company is offering a real Europe-wide career."

Although the selection criteria for jobs remain the same as in the established UK recruitment programme, there has been a difference of emphasis from country to country. Mobility has been a problem in Spain because the family unit is very important and this ties people to areas of the country. In Germany adaptability has been the key difficulty; in France it has been leadership skills.

When Marks & Spencer first recruited across Europe, candidates from the continent were mixed with those from the UK for assessment. But although many students had good English language skills, those for whom it was not their first language were at a disadvantage.

This year the assessment will still be carried out in English, but British candidates will not be mixed with those from the continent. In the UK the company's image has made it difficult to attract men. But on the continent its image is more fashionable and male recruitment has not been a problem. Among other differences that Marks & Spencer has noted is that continental candidates rarely raise the question of salaries, apparently considering it impolite to do so, and that they are more prepared to undertake work placements.

Having discovered that candidates' attitudes to presentations vary from country to country (in France presentations tend to be formal affairs, in Germany candidates come to career fairs well-prepared so that they can cross-question potential employers), Marks & Spencer can now fine-tune national recruitment strategies. Woodland says: "We are doing too much in the UK: we need more focus. To recruit 250 people in Britain we have been targeting 85 universities and getting more than 8,000 applications. On the continent we make links with just ten universities, attend six career fairs and recruit 100 graduates. Although it remains important to meet our recruitment targets, we have taken a risk with our strategy. It would have been easier to just advertise. But we are keen to build for the future and have spent time making links with higher education institutions."

This continental strategy lays the emphasis on attracting candidates, raising their awareness of the opportunities and encouraging them to consider a career with Marks & Spencer. To many of them, of course, it is a foreign company.

Contact: Marks & Spencer Recruitment Department, Room D700, Michael House, London WIA 1DN, UK.

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Worldwide MBA and a spot of Japanese

THE worldwide MBA course is a variant of ESE's Italian-based international MBA. Both courses have been available since 1989 through a joint venture with Paris's Institut Supérieur de Gestion (ISG), *writes Joshua Jampol*. The first part (from October to March) is common to both courses, and students can take it either in Paris or on one of ESE's campuses in Rome and Lucca: it consists of six core subjects, including international marketing and finance, entrepreneurial psychology, microeconomics and information technology. The ISG version is a fairly typical MBA; the ESE's slant is towards the psychology of management, leadership and personal development. Students decide after three months whether to select the "worldwide" option. If so, from the end of March they have three weeks of European studies at different locations. New York is the next stop; for four months students learn about consumer marketing, corporate finance, money markets, investment, and risk management. They study Japanese to prepare for the next part of the course in Tokyo. There, six weeks of studies explore marketing, financial systems, management and commercial law.

COURSES

■ THE Business Training Centre of Kaunaus, Lithuania, will offer an international executive MBA programme for central and eastern European managers from May next year. A one-year, part-time course, it will be Lithuania's first long-term international MBA. *Contact: Business Training Centre tel +370 7 209186; fax +370 7 202556.*

■ THE Amsterdam Institute of Finance has added property management to its seminar for portfolio managers and investment advisors. The new two-day course will offer an introduction to property for investors, and will cover the public and private markets in the US and Europe. The course takes place on 6/7 June. *Contact: Amsterdam Institute of Finance, tel +31 20 520 8555, fax +31 20 520 8506.*

■ THE European Business School in London has received recognition from Lånekassen, Norway's state educational loan fund for students. Norwegian students from that country are eligible for loans of up to Nk112,000 ($15,680) per year. *Contact: EBS London tel +44 (0)171 487 7505; fax +44 (0)171 487 7425.*

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THE EUROPEAN

Euro broker is ice-cool in Luxembourg

Business Portrait
Jean-Claude Juncker

WHEN France and Germany reached a potentially embarrassing stalemate in negotiations over the stability pact for European monetary union at the EU leaders' summit in Dublin in December, the German Chancellor looked round the room. "Where is Jean-Claude? We need him," said Helmut Kohl urgently.

Luxembourg's Prime Minister and Finance Minister Jean-Claude Juncker was, of course, close at hand and his ice-cool, no-nonsense negotiating style brokered an agreement, saving the summit from collapse in what could turn out to be one of the defining moments in the birth of the single currency.

When Juncker recalls his friend Kohl's words, sipping coffee at the Brussels Sheraton, you sense that he would not be unhappy if they were eventually to become his epitaph. At 42, Juncker is younger than British Prime Minister Tony Blair, and although it seems too soon to be talking about his epitaph, it could easily have been otherwise.

In 1989, he survived a horrific car accident in which both his legs were broken and which left him in a coma for weeks. "To this day, I've no idea what happened," he says. "I just blacked out at the wheel. The car was destroyed. I don't know how I survived."

His handshake is warm, his hair is grey and neat, and he dresses down compared with many of the pretentious Brussels Sheraton business types: a plain, rather old cotton shirt, a grey suit and a conservative tie.

Juncker is friendly, courteous and intellectually impressive, careful to answer questions rather than avoid them. He smokes three or four cigarettes in the half hour we are together, and while he appears patient, it is difficult to imagine him suffering fools gladly.

With only 60 members of parliament and a coalition government, ministers in Luxembourg have to double or triple up in roles. Thus Juncker is also the minister for employment. He became prime minister in 1994 when his predecessor Jacques Santer became EC president.

Juncker's country has a population of just 406,600, but the Grand Duchy of Luxembourg is influential, not to mention rich. It is the wealthiest state in the world in terms of GDP per capita. Its gross national product is higher than that of Greece, and it is a founder member of the EU. Because of the small size of their country, two generations of Luxemburgers have become used to acting as brokers between the EU's larger, more unreasonable member states. They are not seen as a threat and can afford to be more opinionated than representatives of other states, since there is little chance of anything they propose getting through without being substantially watered down.

'As far as monetary union is concerned, the Maastricht treaty has worked'

Take a social Europe. Juncker is a firm supporter, perhaps the firmest of all EU heads of government. The day before our meeting he was in London to meet the new British prime minister, and afterwards, he met the political editors of Britain's quality newspapers to size up opinion before Luxembourg takes over the EU presidency on 1 July.

Juncker had "given a speech" to Blair about the need for a more social Europe and was surprised at the lukewarm response he received from the British leader. "I told this to one political editor afterwards and he said it was because I had given an Old Labour speech, not a New Labour one," Juncker says. "I found that rather surprising."

Of Britain's new prime minister, he says: "We got on well. He's taking his time, doing a lot of listening. The problem with John Major was that every time you said anything, he was obliged to contradict you because he knew his party would not agree. It is very different with Blair."

Before he became prime minister, Juncker was Luxembourg's finance minister, and he headed the EU's economic and financial affairs committee at a crucial time, brokering and amending the Maastricht treaty on monetary union.

Was he disappointed with the way the Maastricht treaty turned out? "As far as EMU is concerned, the Maastricht treaty has worked. It is the social dimension that has been less exploited than it could have been. The second disappointment of the Maastricht treaty and the current intergovernmental conference is the lack of progress in developing a common foreign and security policy."

He is from the same party as Jacques Santer, but the two men are very different, says an aide. "Santer is full of bonhomie, likes to take his time, is more of a bureaucrat, whereas Jean-Claude is perhaps drier and can be hard-headed on certain subjects."

Santer and Juncker have been friends since Juncker was studying law at Strasbourg University, when Santer was an MEP at the European Parliament nearby. Juncker, then editor of the student newspaper, organised conferences and arranged for Santer to speak at one. Recently, it was Santer's 60th birthday party and this time it was Juncker's turn to give the congratulatory address.

DIDIER LEBRUN/PHOTONEWS

Jean-Claude Juncker: his no-nonsense negotiating style saved the Dublin summit from collapse

"I do turn to him for advice from time to time," Juncker says. "Not so much on which policy to take, but how to go about handling certain problems, when to take your time, how to approach it, that kind of thing." He would continue to do so during Luxembourg's EU presidency, he said.

Juncker was born in the small town of Redange-sur-Attert, on the Belgian border. His uncle was a Social Christian MP and mayor of the northern city of Ettelbruck, but it was Juncker's father, a trade unionist, who was the chief influence on his decision to enter politics.

"He was a steelworker and he and his colleagues used to sit around in the kitchen at home debating, and he was on the telephone all the time trying to sort out his members' problems. It gave me the idea that I, too, wanted to do something to help people."

Juncker's first job on leaving university was as parliamentary secretary to the Social Christian party. Elected in 1980, he joined the government at 28. His first job was as junior minister for labour and social security; by 1984 he was the senior minister in that department. Five years later, he inherited the finance ministry and in 1990 chairmanship of the party.

The car accident changed him, he says. "When I was recovering I began to notice ordinary things and started to realise their importance. Flowers, for instance; I began to notice them for the first time. As prime minister, you make lots of important decisions, have important discussions, but the most important thing in life is the private life."

Luxembourg has sketched out its agenda for its period in the EU presidency. One of the picklier issues it faces is that of fiscal harmonisation. Other member states, particularly Germany, have for years been pressing Luxembourg to consider imposing a withholding tax on investments to prevent a haemorrhage of their citizens' money to the Grand Duchy.

But Juncker is firm. Each state has its fiscal advantages. Belgium, for example, is a corporate tax haven. "In an internal market completed by the EU, there is some need for tax harmonisation. In principle, I am saying yes to tax harmonisation. I simply don't want to have the introduction of a withholding tax without a parallel harmonisation of other aspects of tax. As for income tax, that is a matter of subsidiarity."

PROGRESS towards monetary union is top of Luxembourg's presidency agenda, along with enlargement. Juncker feels that his colleagues have kept central and eastern European countries too much in the dark about their chances of joining the EU. He rejects the year 2000 date which President Chirac has given to Poland and Hungary. "Everyone in Europe has responsibility for his prognostics," he says mysteriously.

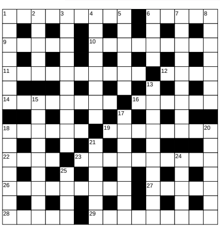
Juncker believes that Luxembourg's presidency is all the more important given that Britain will succeed it in January 1998. Britain will chair the key phase in the run-up to the single currency, and yet is unlikely to be taking part at the start. "I exclude the possibility of Britain joining [in the first wave]. I'm totally convinced they won't. This means we [Luxembourg] have to prepare the best way forward. Tony Blair and I have agreed to be in close contact in the last month of the Luxembourg presidency."

The British presidency will more than likely need Juncker's brokering skills during that critical period. What price Tony Blair looking around at the London summit in June 1998, asking: "Where is Jean-Claude? We need him", as Britain negotiates a change-of-heart late entry to the first wave of EMU? Nor should we be surprised if Jean-Claude, the night before, ahead of the game as usual, will have turned to his aide and said: "Get me Jacques Santer. I need him."

Tony Snape

END GAMES END GAMES END GAMES END GAMES END GAMES

Crossword - Number 368



ACROSS
1 One male's deep changes cause obstruction (6)
4 Fish and chips cut to be cooked with lard (8)
9 Very good river flowing round the French compound (9)
11 One has pine brought to more advanced state (5)
12 One civil engineer does better in polar regions (7)
13 Wife has but to alter a laundry feature (7)
14 Poor Lewis's going to Dutch city for flower (9)
15 Experienced hard day having to take one in (3)
17 See naughty cat play (3)
18 Concerned with competitor pointing in (2-7)
21 Land of note incorporated in a prison (7)
23 Popular feeling, we hear, is to cause anger (7)
24 Group translating OT etc (5)
25 See thirst dispelled for garments (3,6)
26 Add words popular with NT character (8)
27 Mars, say, tree, taking little time (6)

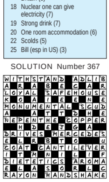
DOWN
1 I talk, mostly one conservative branch of languages (6)
2 Example justifying power not long ago limiting editor (9)
3 Enlightened social concern? (7)
5 Anger of Irish and English (3)
6 Frame which makes blackcurrant cordial hot inside (7)
7 Concerned with a fight (5)
8 A drudge in animal's organisation (8)
10 Heels were repaired but not here (9)
13 Said to spoil policy to get bodily feature (9)
15 Successful play and what follows a kind of accident (3-3-3)
16 Pasta's conservative in aroma when cooked (8)
18 Source of power one's found in a clergyman (7)
19 Local house in short could provide this (7)
20 I'd best be getting new place to live (6)
22 Charges for dispelling tears (5)
25 Mark sees nocturnal creature flying up (3)

QUICK CLUES

ACROSS
1 Get in the way (6)
4 Seafood of family *Clupeidae* (8)
9 Gas used in welding (9)
11 In accompaniment (5)
12 Frozen extremities of earth (7)
13 Container for cleansing clothes (7)
14 The plant *Leontopodium alpinum* (9)
15 Owned (3)
17 Put on a performance (3)
18 In fortifications the opposite of salient (2-7)
21 Measure of size of a farm (7)
23 Holy smoke (7)
24 Eight players (5)
25 Casual upper-body clothes (3,6)
26 Write on plaque etc (8)
27 Orbiter of sun (6)

DOWN
1 Of letters, sloping to the right (6)
2 It establishes case law (9)
3 It helps the housebound to get out (7)
5 Rage (3)
6 Part of vehicle to which the body is attached (7)
7 In the vicinity (5)
8 Person doing menial tasks (8)
10 In another place (9)
13 Person's girth? (9)
15 Indicating criminal failure of driver to stop (3-3-3)
16 A dandy in 18th-century Britain (8)
18 Nuclear one can give electricity (7)
19 Strong drink (7)
20 One room accommodation (6)
22 Scolds (5)
25 Bill (esp in US) (3)

SOLUTION Number 367



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

LAST week we saw England taking the men's title at the European Champions at the Croatian holiday resort of Pula. In the women's competition it was very much business as usual for Georgia. With former women's word champion Maia Chiburdanidze on top board Georgia won easily.

England had another great result and won a medal for the first time.

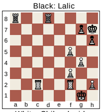
Scores: 1 Georgia 13/18; 2 Romania 12; 3 England 12; 4 Russia 11.5; 5 Armenia 11; 6 Hungary 10.5; 7 Lithuania 10.5; 8 Bosnia Herzegovina 10.5; 9 Germany 10; 10 Poland 10.

I always think well-played games without castling are particularly classy; knowing when to disobey the main principles is the mark of a great player. The following is a great example.

Chiburdanidze – Lalic
Georgia v England
European Ch, Pula.

1.d4 e6 2.c4 Bb4+ 3.Nc3 f5 (Black is steering the game into a kind of Dutch Defence with Nimzo-Indian characteristics. Control of e4 is vital. The dark squared bishop is often a problem piece in the Dutch so Bb4 works well. The one drawback is that Black rather declares her hand early on and White can adapt) 4.e3 Nf6 5.Bd3 b6 (5..Bxc3+!?) 6.Nge2! (Much better than the stereotyped Nf3, this prevents the doubled c pawns after Bxc3 and prepares to fight for e4 with f3) 6..Bb7 7.f3 0-0 8.Qc2 c5 (Black must fight for the centre before White castles and plays e4) 9.a3 Bxc3+ 10.Qxc3 Nc6 11.b4! (White takes the opportunity to open up the game for the bishops and leaves castling until later) 11..cxb4

Black: Lalic



White: Chiburdanidze

12.axb4 b5! (A well motivated idea, now if 13.cxb5 or c5 Black controls the white squares and the Bc1 would be a sorry piece) 13.d5! (Forced and good; White forces open the long diagonal) 13..Ne7 (13..exd5 14.cxb5 ruins Black's structure) 14.dxe6 dxe6 15.Nd4 bxc4 16.Qxc4 Bd5 17.Qa6! Nc6 (An ingenious idea that nearly works but the pressure on e6 was hard to deal with anyway) 18.Nxc6 Bxc6 19.Qxc6 Qxd3 20.Qxe6+ Kh8 21.Qa6 (A pawn up with potentially the better minor piece, White wants to exchange queens) 21..Qc2 22.0-0 Nd5 23.Qa4 Rfc8 24.Qxc2 Rxc2 25.e4! Nxb4 (25..fxe4 26.fxe4 Nxb4 27.Rxa7 is the hidden point) 26.exf5 h6 (26..Kg8 was slightly better) 27.Rd1 Re8 28.Bf4! (This completely safeguards the king and lets the rooks get on with winning the game) 28..Ree2 29.g4 a5 (29..a6 was a little better. This aims to get the knight, cut off by the Rd1, into play.) 30.Rxa5 Nd3 31.Bg3 (31.Rxd3 Re1#) 31..Nf2 32.Bxf2 Rxf2 33.Ra8+ Kh7 34.Rdd8 1-0 see diagram. If 34..g6 35.f6 wins and the rooks can check the white king only as far as d1.

Malcolm Pein

Bridge

BEFORE reading on, cover the East and West hands on the deal below. Playing five-card majors and a strong notrump, you are obliged to open the South hand with a short minor. There are two styles: better minor and prepared club.

In both methods, you open a four-card minor if you have one. It is when you hold 3-2 in the minors that they diverge. The prepared clubbers never open a short diamond which means they sometimes need to bid a two-card club suit. The better minor approach is to open in the three-card suit. With two three-card minors some partnerships select the stronger, others always bid one club.

At the table, South opened one club and North responded one diamond. Now what should South rebid? It may appear tempting to bid one notrump to show the balanced nature of the hand and about 12-14 points. However, this is not really the best method. You cannot afford to by-pass a four-card heart or spade suit. Here you should bid one heart.

Love all; dealer South

North: ♠ 3 2 ♥ 9 4 3 2 ♦ A K 7 5 ♣ A J 7
West: ♠ K 10 7 4 ♥ J 10 ♦ 9 8 6 ♣ 10 6 3 2
East: ♠ Q J 9 ♥ K Q 8 ♦ Q J 10 4 ♣ 8 5 4
South: ♠ A 8 6 5 ♥ A 7 6 5 ♦ 3 2 ♣ K Q 9

North raises this to four hearts, against which West leads the four of spades. What is your plan?

With an inescapable spade loser, you will have to assume a 3-2 trump division to have any chance. That being so, you should aim to ruff two spades in dummy. To prevent the risk of an over-ruff by the defender with the two-card heart holding, you will need to draw two rounds of trumps. However, you must not allow the opponents to draw a third round of trumps. Do you see how to retain full control?

Duck the opening lead. Say the defenders continue spades. Win with the ace and then play a low heart from both hands. Whatever they play, win and cash the ace of hearts. Now it is an easy matter to ruff a spade, cross back to a top club and ruff the other spade.

Bridge Plus is offering readers substantial discounts on a range of bridge computers and software. Details from: PO Box 384, Reading RG1 5YP, UK.

Newman Colour Cards has produced a special Minibridge kit to help children start playing bridge. Details from: 47 Bath Road, Swindon, Wiltshire SN1 4AU, UK.

David Parry

The European Cross Rates

27 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	1.847	7.036	6.257	2.335	2.084	0.044	18.09	7.135	1.690	0.070	0.083	1.565	8.440	19.52	11.95	0.103	8.691	13.71
BELGIUM Franc	2.933	-	5.418	20.64	19.35	6.850	6.114	0.129	53.07	20.93	4.956	0.204	0.244	4.590	24.75	57.25	35.07	0.301	25.50	40.22
DENMARK Krone	0.541	0.185	-	3.809	3.387	1.264	1.128	0.024	9.795	3.862	0.915	0.038	0.045	0.847	4.569	10.57	6.472	0.056	4.705	7.423
GERMANY Deutschmark	0.142	0.048	0.263	-	0.889	0.332	0.296	0.006	2.571	1.014	0.240	0.010	0.012	0.222	1.199	2.774	1.699	0.015	1.235	1.949
NETHERLANDS Guilder	0.160	0.054	0.295	1.125	-	0.373	0.333	0.007	2.892	1.140	0.270	0.011	0.013	0.250	1.349	3.119	1.911	0.016	1.389	2.191
FINLAND Markka	0.428	0.146	0.791	3.013	2.679	-	0.893	0.019	7.748	3.055	0.723	0.030	0.036	0.670	3.614	8.358	5.119	0.044	3.722	5.872
FRANCE Franc	0.480	0.164	0.886	3.376	3.002	1.120	-	0.021	8.680	3.423	0.811	0.033	0.040	0.751	4.049	9.363	5.735	0.049	4.170	6.578
GREECE Drachma	22.72	7.747	41.97	159.9	142.2	53.06	47.37	-	411.1	162.1	38.39	1.582	1.894	35.55	191.8	443.5	271.6	2.331	197.5	311.6
IRELAND Punt	0.055	0.019	0.102	0.389	0.346	0.129	0.115	0.002	-	0.394	0.093	0.004	0.005	0.086	0.466	1.079	0.661	0.006	0.480	0.758
ITALY Lira	140.2	47.78	258.9	986.2	877.0	327.3	292.2	6.168	2536	-	236.8	9.759	11.68	219.3	1183	2736	1676	14.38	1218	1922
NORWAY Krone	0.592	0.202	1.093	4.165	3.703	1.382	1.234	0.026	10.71	4.223	-	0.041	0.049	0.926	4.995	11.55	7.076	0.061	5.144	8.115
PORTUGAL Escudo	14.36	4.896	26.53	101.1	89.86	33.54	29.94	0.632	259.8	102.5	24.26	-	1.197	22.47	121.2	280.3	171.7	1.473	124.8	196.9
SPAIN Peseta	12.00	4.091	22.17	84.43	75.08	28.02	25.01	0.528	217.1	85.62	20.27	0.836	-	18.78	101.3	234.2	143.5	1.231	104.3	164.5
SWEDEN Krona	0.639	0.218	1.181	4.497	3.999	1.492	1.332	0.028	11.56	4.560	1.080	0.045	0.053	-	5.394	12.47	7.640	0.066	5.555	8.763
SWITZERLAND Franc	0.118	0.040	0.219	0.834	0.741	0.277	0.247	0.005	2.144	0.845	0.200	0.008	0.010	0.185	-	2.313	1.416	0.012	1.030	1.625
UNITED KINGDOM Pound	0.051	0.017	0.095	0.361	0.321	0.120	0.107	0.002	0.927	0.366	0.087	0.004	0.004	0.080	0.432	-	0.612	0.005	0.445	0.703
UNITED STATES Dollar	0.084	0.029	0.155	0.589	0.523	0.195	0.174	0.004	1.514	0.597	0.141	0.006	0.007	0.131	0.706	1.633	-	0.009	0.727	1.147
JAPAN Yen	9.749	3.324	18.01	68.60	61.00	22.77	20.32	0.429	176.4	69.56	16.47	0.679	0.812	15.25	82.28	190.3	116.5	-	84.74	133.7
CANADA Dollar	0.115	0.039	0.213	0.810	0.720	0.269	0.240	0.005	2.082	0.821	0.194	0.008	0.010	0.180	0.971	2.246	1.375	0.012	-	1.58
EUROPE Ecu	0.073	0.025	0.135	0.513	0.456	0.170	0.152	0.003	1.320	0.520	0.123	0.005	0.006	0.114	0.616	1.423	0.872	0.007	0.634	-

* 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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CYAN MAG YELO BLCK