THE EUROPEAN
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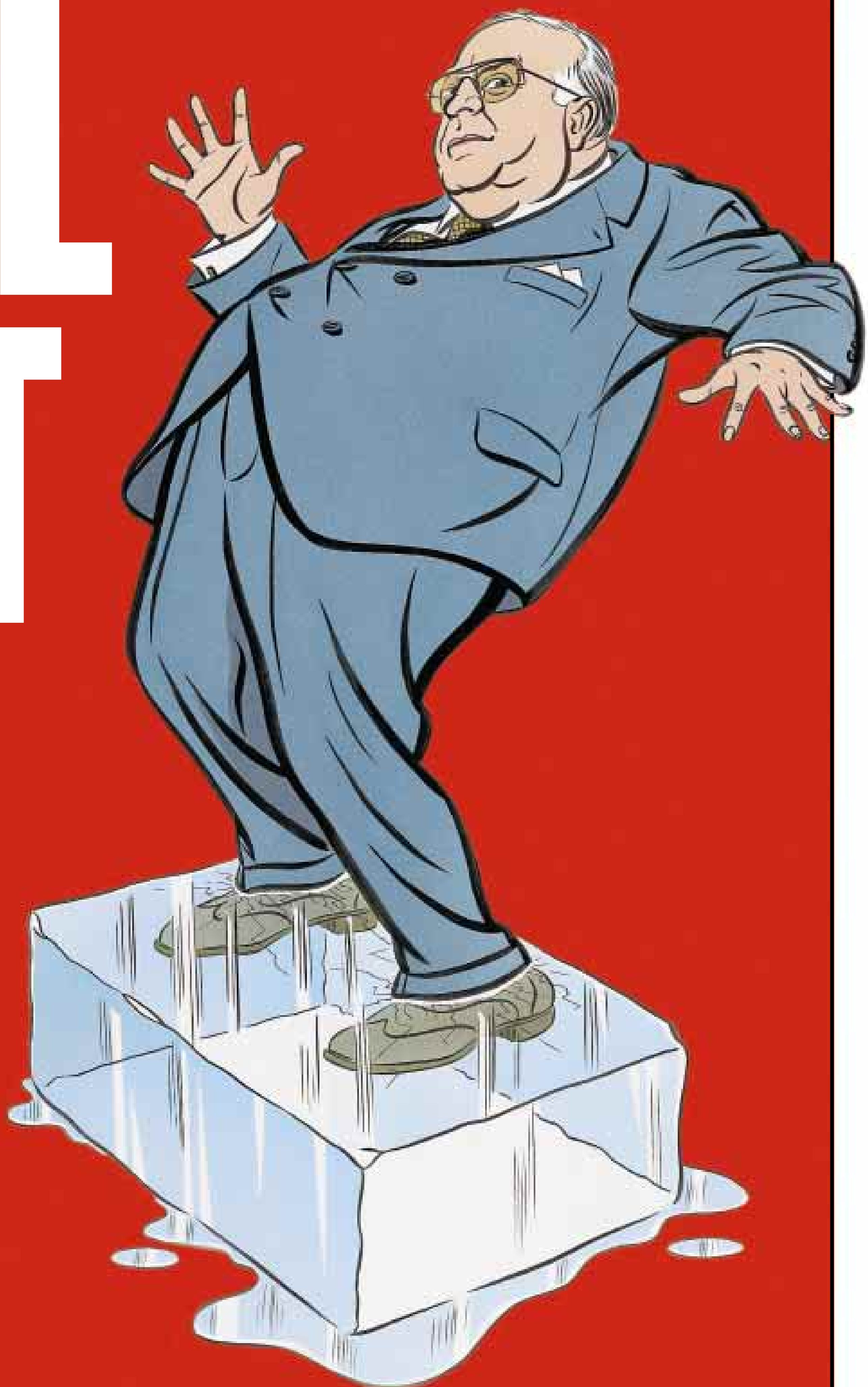
KOHL FEET

Could a German angst attack put Helmut's Euro plans on ice?



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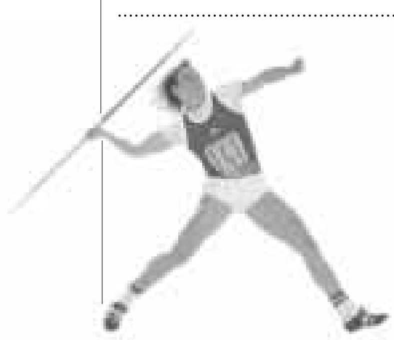

Cover illustration by Mark Thomas

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TEAM SAATCHI

THE EUROPEAN
8-14 JANUARY 1998 No. 399

Europe's Rio Grande

THE beginning of this new year – which has coincided with the Muslim holy month of fast, Ramadan – has seen the bloodiest days in the grisly six years of civil war in Algeria. In less than a week more than 1,000 civilians – men, children, infants and pregnant women – have been hacked, stabbed and burned to death by the psychopathic fanatics of the Armed Islamic Group (GIA), or by government militias disguised as fanatics. It matters less who is actually doing the killing than that it must stop forthwith. Europe cannot have any credibility as a source of stabilising power when such events occur on the other side of the Mediterranean. This is no isolated backyard war. The latest developments in Algeria have ominous implications for the European neighbourhood to the north.

A feature of ominous novelty is the concentration of attacks in Algeria's western province of Relizane, around the gas and oil installations from which Algeria earns more than 90 per cent of its export revenue, some $43 billion per annum. They are a vital natural resource for western Europe, particularly Italy.

Large parts of the Algerian population are on the move; there is every likelihood that they will try to escape to Spain, France, Italy and beyond. Germany, with its enduring image of affluence, despite current unemployment, remains a popular goal. Britain, meanwhile, has become a favourite destination paradoxically because, being outside the Schengen agreement which abolishes frontier controls between member states, its entry regulations are now less strict. Italy is the most vulnerable EU partner to the new invasions of the Mediterranean. Where once the shores of the peninsula were conquered and colonised by Phoenician, Greek, Avar and Goth, the same spots are now the beachheads for refugee Arabs and Berbers from the Maghreb, Albanians and Bosnians from the Balkans, Iraqis, Iranians and Kurds from the edge of Asia.

In the dying days of the old year nearly 1,500 Kurds were dumped from rusty freighters on the shores of Calabria and Puglia; at least as many more were reported at sea, many having paid the entrepreneurs of Cosa Nostra – increasingly the real power in the southern marchlands of EU Europe – up to $6,000 a head for the ride. The Mediterranean is the European Rio Grande, our equivalent of the watery ditch that millions of Mexicans and South Americans have penetrated to create the great new barrios of Los Angeles and Houston.

Since October Italy has been a full member of Schengen. Kurds are among those who now know that, if they can get ashore in Italy, they have a better than even chance of getting through France or Austria to Germany – the intended destination for the majority. The crisis blowing up from the Mediterranean gives the lie to the claim that 1998 will the year of the launch of EMU or the new EU enlargement, or even the grandiloquent 'people's Europe' proclaimed by Britain's strutting Foreign Secretary, Robin Cook. For Europe 1998 is much more likely to be remembered as the year of the migrant and the refugee.

Incredibly, and without much in the way of apparent consultation, Italy's Prime Minister, Romano Prodi, has appeared to be putting out the welcome mat, offering refugee rights to those new arrivals who deserve it. The Germans are furious. Mr Prodi now says he is hopeful of achieving "a co-ordinated strategy" with EU partners to deal with the looming crisis. Germany's Foreign Minister, Klaus Kinkel, is meanwhile warning Turkey to get tough in stopping the migrants leaving its shores in the first place. There are already about 12 million migrants and de facto refugees moving around inside EU Europe, and most are undetected. Schengen, of course, is a blessing for them, since to get into one country is to get into them all.

The first imperative for Europe is to build a realistic security and frontier policy to deal with the migrant crisis, which becomes daily more destabilising socially. Brussels must overhaul the Schengen agreement entirely, and if necessary scrap it. Defence and security policies of European countries will have to focus on this as a top priority.

Brussels must overhaul the Schengen accord entirely, and if necessary scrap it

But this will only be a holding operation if nothing is done to stabilise and restore the lands from which the new arrivals are fleeing. The governments of Britain, France, Italy and the US, and the UN Commissioner for Human Rights, Mary Robinson, have recommended sending fact-finding missions and teams of advisers to help end the fighting in Algeria – a difficult but necessary attempt to establish who the real perpetrators are in this murkily documented civil war. The roots of the conflict run too deep for a quick fix of aid and diplomatic hand-wringing. In Algeria today nearly half the population is under the age of 20; in the towns two-thirds of the young people have no chance of a job. The demographic prospect is much the same for the peoples of Egypt and eastern Turkey – and the Palestinians.

The Mediterranean has never been exclusively a European sea: the poorer two-thirds of the inhabitants of its shores are non-European. The role of the EU – and its partners – must now be to put aside the platitudes and rhetoric, trotted out at so many summits, and work on concrete humanitarian proposals aimed at protecting civilians and strengthening the rule of law. Investment and economic advice should be aimed at providing jobs to keep migrants at home. The survival of all in the European neighbourhood depends on it.

DISPATCHES

NIKOLAUS NOWAK'S

Madrid

AN elderly skier is chatting to his companion in front of the cable car station. He is lively and relaxed. Snow flutters down on the man's anorak and on the woman's waistcoat and woollen hat. Nearby stand a young couple in skiing gear. Despite the snow, the mood is sparkling.

These snapshots provide a glimpse of the annual skiing holiday of King Juan Carlos and Queen Sofia together with their daughter Elena and her husband Jaime de Marichalar in the Pyrenean village of Baqueira-Beret. Pictures from the monarch's summer holidays on his yacht *Fortuna* off Mallorca's coast, where the Spanish royal family has spent many summers, portray a similar atmosphere. For 20 years Spain's royal family has lived close to its people and unostentatiously. The king wears shorts and a polo-necked shirt. A jeans-clad Elena jumps into her deep red Ford Ka. His second daughter, Cristina, who became engaged last year, prefers tracksuits and seldom wears make-up. The message is that Don Juan Carlos I is a man of the people.

But then there is also Juan Carlos the soldier in uniform, who with heir apparent Felipe gets into the driving seat of a piece of military hardware, or dressed in combat fatigues, lunches in a field canteen. This military role represents the other aspect of Spain's monarchy. After all, the king is commander-in-chief of the armed forces.

REX

JUAN CARLOS: NO GLAMOUR OR POMP FOR THE FLESH-AND-BLOOD KING

This mix of man of the people and military commander was quite consciously chosen, for Spanish people are not naturally servile. The regions, led by the Basques and the Catalans, strive for independence within a united Europe and people are as suspicious of Madrid's centralism as they are of the military sympathies of some Catalans. So the concept of having both man and soldier as head of state draws support from the whole country, from Bilbao to Malaga, and Barcelona to Badajoz.

It was the dictator General Franco who named Juan Carlos Alfonso Victor María de Borbón y Borbón as his successor, and the significance of the king's military role dates back to this time. Juan Carlos has also proven time and again how much he has stayed in touch with his people. Many Spaniards remember him racing along Boulevard Castellana on a motorbike. He often escaped his bodyguards.

Juan Carlos married Sofia, Princess of Greece, in 1963. His fidelity is not unquestioned. But Spaniards view him, indulgently, as a man of flesh and blood. Spain does not have a tabloid press tradition like that of Britain. The scandals and revelations that have plagued the House of Windsor do not concern Spaniards and their royals. "But do not believe that the king would not have the power to prevent unfavourable publicity," says one observer. There is no law forbidding unfavourable coverage of the king. But, says Asuncin Valdes, a spokesman for the monarch: "Since the transition period from Franco's regime to democracy there has been a commonly held view that the state and its institutions should be treated with respect."

Without Juan Carlos there would not have been a peaceful transition to pluralism 20 years ago, perhaps not even democracy in Spain. The Spanish people know this. During the military putsch on 23 February 1981, Juan Carlos took the brave decision to order the generals back to barracks and on that day the son of Don Juan of Borbón and Battenberg became father of democratic Spain.

This is all the more remarkable because Franco had gained the permission of the exiled father of the young Juan Carlos to educate him in the fascist ideology of the Movimento Nacional. The head of state designate passed through all three branches of the military and studied national law and economy at the University of Madrid. Franco wanted to establish his influence beyond his death and so arranged that Juan Carlos should be confirmed as his successor on 22 July 1969 by the parliament of estates and as head of state and king. But a few weeks before the dictator's death in 1975, the crown prince announced in an interview that his aim was the "reconstruction of true democracy".

As Franco's successor, Juan Carlos took over – initially without his father's renunciation of dynastic rights to the throne. To begin with, Juan Carlos had the power only to reconstruct Spain from above. He encouraged the democratic forces and, together with prime minister Adolfo Suárez, drafted the federal constitution of 1978. He gave the lie to all those who mocked him with the phrase *Juan Carlos I El Breve* – Juan Carlos the short-term king. Time and time again Juan Carlos has proved that the monarchy is the only respected institution in the whole of Spain. On his regular trips to the country's regions, Juan Carlos is greeted with respect and warmth.

He has made himself invaluable to the country's democratically elected government, which, according to the constitution, has to inform the king about its politics each week.

If the monarchy were vulnerable to attack, it would threaten the whole system. But Juan Carlos needs none of the usual trappings to confirm his legitimacy. No glamour, no pomp, no exaggerated lifestyle, not even crown and sceptre. The royal couple do not live in the palace in Madrid but in a hunting lodge outside the capital.

On Juan Carlos' 60th birthday on 5 January, the three tenors, Pavarotti, Domingo and Carreras, gave a benefit concert in the reopened Opera Madrid. It was the end of a long day that began with a visit to Bosnia, to cheer Spanish peacekeeping troops.

His charismatic bearing and his military role form the twin pillars of his authority. This will remain the case until crown prince Felipe gets married. The heir apparent turns 30 at the end of this month; he is said to be in no hurry to take the dual mantle of power from his father.

This article first appeared in Die Welt

FLASHPOINTS

BONN
German Interior Minister Manfred Kanther criticised Italy and Greece for not doing enough to prevent hundreds of Kurds illegally entering Europe. Turkish authorities detained 310 Iraqi Kurds preparing to sail to Italy on 5 January. Bonn may call for border controls in Italy, due to be eliminated from 1 April in line with the Schengen 'open borders' agreement, to remain in effect. German authorities have sent 200 extra police to border points to guard against an influx of Kurds into the southern states of Baden-Württemberg and Bavaria. Italy invited top police officials from several countries, including Turkey, to a meeting to discuss border problems.

PARIS
France condemned the massacres of civilians in Algeria while reminding the Algerian government of its duty to ensure the people's "legitimate right to be protected". Foreign ministry spokesman Yves Doutriaux said: "The French authorities condemn in the firmest fashion these terrorist crimes that can have no justification, especially not on religious grounds." Fighting and killings since early 1992 have claimed at least 60,000 lives. Klaus Kinkel, the German foreign minister, has called for urgent EU action to respond to the bloodshed.

LONDON
Britain's Prime Minister Tony Blair and Northern Ireland Secretary Mo Mowlam redoubled their efforts to revive the province's peace process after a series of sectarian killings. Blair met Ulster Unionist leader David Trimble, while Mowlam had talks with political leaders from all sides. Loyalist paramilitaries have carried out two killings in recent weeks following the murder of their leader Billy Wright while in the top security Maze prison by an IRA splinter group.

MOSTAR
King Juan Carlos of Spain, on his 60th birthday, arrived in Mostar to visit Spanish troops serving in the Nato-led peacekeeping force. The king placed flowers at a monument in the town in memory of UN-deployed Spanish soldiers killed during the 1993-1994 conflict between Croats and Muslims. A total of 1,300 Spanish soldiers are serving throughout Bosnia.

ANKARA
Turkey has begun fresh naval manoeuvres in international waters of the Aegean Sea in defiance of Greece. Athens had asked the United States to seek to persuade Turkey to "refrain from moves raising tensions" in the Aegean. But Ankara said the exercises should not raise fresh tensions with Athens, adding that Greece was also planning to hold exercises in the Aegean.

TIRANA
Masked gunmen killed the chief of police in Patos and wounded two policemen after the officers had tried to stop them from robbing a bus bound for Greece. The criminals escaped. The shooting near Patos, 100km south of Tirana, brings to ten the number of policemen killed in clashes with criminals or in ambushes since mid-December. The latest incident happened despite an interior ministry order to police in December to shoot gunmen robbing or kidnapping citizens.

GRENOBLE
A French court fined a British driver Ffr12,000 ($1,970) over a crash which killed three British schoolchildren near the Alpine resort of Peisey-Nancroix last July. The court in Albertville found Jim Shaw guilty of manslaughter and unwilfully causing bodily harm. The police report said Shaw was driving at 45kmh when his minibus plunged 20 metres down a gully. Two 15-year-old boys and a 16-year-old girl were killed and 19 other passengers were injured.

BUCHAREST
A British aid worker was charged with sexual corruption of a nine-year-old girl at a Romanian orphanage, the latest in a series of westerners to face child sex charges. If convicted, Brian Leonard Freeman, 47, from Leicester, faces two years in prison under Romania's criminal code, toughened last year to take account of an influx of westerners preying on Romanian children, many of them homeless.

GERD KRÖNCKE'S

London

SINCE it happened, autumn has gone and winter has come. A generation ago it was Kennedy who provoked the same reaction. Where were you when John F Kennedy was murdered? Those who were teenagers at least back in 1963 can answer that question. Their children will equally remember where they were on the morning they heard of the death of Diana.

Ian Hislop, for example, editor of the satirical magazine *Private Eye*, was wakened by his children complaining that their favourite cartoons were not on television. He knew then that this was something extraordinary, and that he had only until the following afternoon to bring his magazine out. As befits a satirist, he made himself very unpopular by citing a few celebrities' comments about her before her death. The famous British sense of humour doesn't go that far. Hislop fell from public favour for a while. Now, at the beginning of a new year, recalling that week when the world stood still, it is hard to understand how the whole country was changed by one item of news.

This kingdom has rarely changed as quickly as it did in the past year. It has virtually become fashionable to display emotions. In theory the sea change had already begun with Tony Blair's election victory and the wave of relief that swept the country. The 'people's princess', as Blair christened her, albeit only after her death, would surely have voted Labour, if the royals could vote; like her friend Elton John, whom Blair has now at the year end elevated to the knighthood.

Arise Sir Elton – Reginald Dwight, the fat boy from the small-minded suburb of Pinner, was knighted at the prime minister's request; the elevation of the singer contributed to the popularity of the prime minister. Sir Elton has long been a regular guest at Windsor Castle. Diana's death has not changed that. Last month he turned over £20 million ($32.5m) to the Diana Memorial Trust. His funeral song 'Candle in the Wind' has become the best-selling single of all time.

The fact that the allegedly reticent British were so deeply affected surprised us foreign correspondents here too. Some considered it mass hysteria; one interpreted the wave of tributes at Buckingham Palace as 'flower fascism'.

But in the months since Diana's death, the number of new psychiatric patients has halved. "Her death had a cathartic effect," says Dianne Trueman, manager of Sutton Manor clinic in Essex. "When they cried for Diana, many – particularly men who often find it hard to express emotions – were crying for themselves." They were letting loose all the feelings that had been stifled for a lifetime. In so far, one might say Diana's death has been good for the British health.

Even the Queen has changed. To shed tears for her daughter-in-law, in public at any rate, was asking a bit much. But a few months later, saying farewell to her yacht *Britannia*, she let a few tears show, even though she must have known that the television cameras, and with them the nation, were peeking over her shoulder.

The death of her daughter-in-law has begun a movement in the monarchy that might otherwise have taken years. The practical starting point is that a couple of rooms in Kensington Palace have become empty. Charles and Diana had lived there together; later she remained there alone. But after Charles moved out and Diana died, there were still a couple of second-rank royals and their families. Now it is time for the Duke and Duchess of Kent to move out, and Prince and Princess Michael of Kent too (which has the advantage for the Queen that she can keep the unloved German princess at an even greater distance).

JOHN STILWELL

DIANA: IN DEATH SHE IS ACHIEVING IMMORTALITY AS A BRAND

'KP', as insiders call the palace, is to house the royal picture collection, which will now be open to the subjects. The Queen wins both ways. On the one hand she saves money by no longer having to pay for the palace's expensive upkeep, even if she has to put the boring relatives up elsewhere. On the other hand, the monarchy's reputation will be further modernised by dropping a few hangers-on. The fact that the common people will have access to the palace and paintings can be sold as another gesture of openness, paid for by entrance money that will bring in a tidy income.

Even Diana's brother, Earl Spencer, is getting in on the act. Diana's burial site will open for two months each summer; tickets are already sold out. In the former stables the lord intends to open a museum to his dead sister for the paying public.

The name Diana has unsurprisingly become popular again. For many she is already a saint. Those already called Diana are particularly affected. They imagine themselves in her role. Diana Cruttwell, for example, who runs the Diana School of Motoring in Peterborough, has been suffering from daydreams and nightmares for four months. Or the Diana in Londonderry, Northern Ireland, who runs a wedding outfitters – 'Diana's The Bride'. When she started up just before Charles and Diana's wedding, business boomed; after the divorce it collapsed. Since the death, Diana from Derry is more miserable than ever.

But what of Blair's 'cool Britannia', London at the end of the millennium? In central London, only minutes from the Houses of Parliament, there is a regular evening gathering of believers who have already claimed Diana as a sort of Mary figure for their own beliefs. They honour as a prophetess the wife of a Sheffield taxi-driver who last 18 May had a premonition of the nation in mourning, streets and squares swamped in flowers. They meet in a former Christian Science church in Marsham Street, several thousand of them now, including six dozen men whose job normally requires scepticism: London policemen. "I detect a new tenderness in people," says sect leader Gerald Coates. "Since Diana's death, they are questioning their beliefs."

There are of course those revolting profiteers who believe in nothing. Andrew Morton was portrayed as a villain when he pepped up his book, *Diana, Her True Story* with new quotes after her death. He revealed that she herself was the source and became a million or two richer as a result. The best sales were just before Christmas. In Morton's office hangs a cartoon of a little girl asking her parents after her bedtime story: "But if the prince and princess can't live happily ever after, who can?" "The author," her parents suggest.

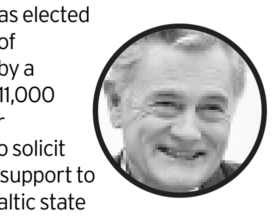
But what would have happened if she had lived? Few are prepared to deal with that question level-headedly. Sir Julian Critchley, however, a former MP, no longer has to be over-careful. He remembers feeling strangely relieved by the news of her death, and still believes that all her further escapades would only have damaged the monarchy, and her two sons. In the end, according to Sir Julian, she might have caused trouble all round, then ended up married to an Argentinian polo player. But he is forgetting how much Diana hated polo.

Meanwhile Diana is achieving immortality as a brand: the Memorial Trust tried to patent several photos, if not her face itself. Lawyers are sending out letters across the world demanding a cut from the manufacturer of every cup with her face on it. The postage stamps come out next month. The Diana industry is just gearing up.

This article first appeared in Süddeutsche Zeitung

WINNERS

Valdas Adamkus, 71, a United States citizen and a retired regional head of the US Environmental Protection Agency, was elected president of Lithuania by a margin of 11,000 votes after pledging to solicit American support to help the Baltic state escape Russian dominance and become more closely integrated with the West.



Titanic, the film soon to be seen in Europe, glided into first place again at the box office in the United States, scooping up $33.3 million in a week, bringing total revenue so far to $157m. The film must earn $450m to break even. It left the second-biggest contender, *Tomorrow Never Dies*, which took $13.8m, trailing in its wake.

LOSERS

The Little Mermaid of Copenhagen wasn't gazing out to sea this week – vandals have cut off the statue's head for the second time. Shocked Danes flocked to the harbour park after hearing the news. The first decapitation of the statue based on the Hans Christian Andersen story was in 1964.

Steve Fossett, the US millionaire, was forced to land his Solo Spirit in Russia, ending his third attempt to fly around the world in a balloon. Also trying for the elusive record are Bertrand Piccard of Switzerland, expected to launch his second attempt from a village in the Swiss Alps, and two other Americans starting from New Mexico.

PRESS WATCH

ITALY
La Repubblica

For Europe the problem of persecuted Iraqi Kurds is a decisive challenge. A world without a shared idea of what is desired and of what can be tolerated cannot have a future. Europe should send delegations of peace, mediation, control and research to that part of the world which is dying next to us.

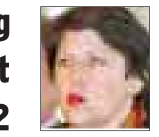
FRANCE
Libération

Never has militant action in France been so effective with such paltry means as the recent action led by anti-unemployment protesters. They have provided us with an instant opinion poll on French sensitivity to joblessness.

GERMANY
Frankfurter Allgemeine

The resignation of foreign minister David Levy could mark the beginning of the end of the peace process. But Levy also brings to light the social gulf which separates Sephardic Jews, from Arabic lands, and the rest of Israelis.

Martine Aubry must do something drastic to cut unemployment in France. But what? – page 12



Can Chris Patten, the last governor of Hong Kong, boost Britain's beleaguered pro-European Conservatives? – page 14

COVER STORY

GERMANY ■ Europe's pre-eminent power has been shaken by the jitters – a terrible attack of *Wechselfieber*

Facing a future without Kohl or the mark

TOM STODDART/KATZ

Overtaken by events: Frederick the Great surrounded by cranes littering the giant building site that is today's Berlin

TONY PATERSON BERLIN

FOR Germany, 1998 is a momentous year. Eight years after unification, Germans should be looking forward with confidence to the nation's investiture as Europe's pre-eminent political and economic power.

Instead, Germany has been struck down by a bad attack of the jitters, or *Wechselfieber* – literally, feverish anxiety about change. The country, it seems, is in no fit state to play the role of Europe's dominant political and economic force. With its population now swelled to 80 million, Germany now has more inhabitants than at any time in its history and certainly more than any other country in Europe. Yet the Germans are beset by uncertainty and edginess.

The word *Wechselfieber* was coined and turned into a catchword by German television's star female presenter, Sabine Christiansen. She used it in the title of her weekend discussion programme on the principal television channel. Beamed into homes via more than 60 million screens, it seemed to sum up the mood of angst gripping the population.

The following day – in a German version of the old one-two – the widely respected weekly magazine *Der Spiegel* appeared on the newsstands with a detailed 15-page analysis of the same phenomenon. The package encapsulated the fears of the people in a headline positing a year when Germans could lose both their beloved deutschmark and their iconic chancellor, Helmut Kohl – the epitome of stability – ending in a bold question mark which seemed to sum up the whole thesis.

Yet all the indications are that – in international terms at least – things are going Germany's way. Barring a major economic catastrophe, in two years' time the predominantly German idea of a single European currency will have taken root throughout most of the continent with its base at the new European central bank headquarters in the German city of Frankfurt. On top of that, in little more than a year's time, Germany's ruling political elite will have shifted lock, stock and barrel from the cosy confines of bourgeois Bonn to the former capital – brash and brazen Berlin. With its four million inhabitants, it remains the largest city between Paris and St Petersburg, and one which is destined to become the de facto capital of a new post-communist European Union that will stretch almost as far east from Berlin as it now does west.

More than anything else, the Bonn-to-Berlin move will signal to the outside world that Germany has stopped hiding behind the postwar concept of a nation that is an economic giant but a political dwarf. As the German journalist Manfred Bissinger puts it: "There is no doubt about it. By the end of this century, Germany will be somebody again. Economically, it will be anyway, despite the moaning. Since unification, it is territorially almost as big as it was. Politically, it will be a giant that keeps its claws pressed to its side so as to hide its true strength."

The year ahead will see the start of these monumental changes that will have profound and lasting impact on Germany and the rest of Europe: Bonn government officials have already begun to move into the half-finished ministry and parliamentary buildings that litter the giant building site that is today's Berlin. In May Europe's heads of government will decide which countries are eligible for the single currency project due to begin just seven months later in January 1999, and in September Germans will vote in a general election which will spell the end, or at least the beginning of the end, of the era of the 'unification chancellor' – Helmut Kohl.

The *Wechselfieber* is most palpable over economic and monetary union (EMU). For months the government has been pretending that this issue, which Kohl himself once characterised as one of 'war and peace', was a foregone conclusion and that Germans would, in the end, accept as the inevitable price for stability in post-communist Europe. Now Kohl finds himself confronted once again by a groundswell of public opinion that remains vehemently opposed to the idea that in the 50th birthday year of the deutschmark, the government will begin digging the mighty currency's grave.

On 12 January four leading German academics will fire the first shots in a campaign to save the deutschmark by challenging at the constitutional court in Karlsruhe the legitimacy of the euro. While the government prefers to dismiss the challenge as an untimely escapade by a bunch of eccentrics, it is having to face up to the fact that a sizeable majority of ordinary Germans agree with the plaintiffs. The first opinion poll of 1998 published by *Der Spiegel* this week shows that 56 per cent of the electorate are against ditching the mark for the euro, whereas a year ago only 49 per cent were opposed to the idea. The poll also showed that three out of four Germans, including many supporters of Kohl's Christian Democrats, believe that the euro will be weaker and softer than the mark.

The country is in no fit state to play the role of a dominant political force

Nor can the plaintiffs be dismissed as mere mavericks. They include the Frankfurt professor and currency specialist Wilhelm Hankel, the former Bundesbank director Wilhelm Nölling, the economist Joachim Starbatty and the project's legal mastermind, Karl Albrecht Schachtschneider. The four argue that most governments wishing to take part in EMU fall short of the convergence criteria because they have overshot the total debt target of 60 per cent of gross domestic product.

They predict that the project will fail because it has not been preceded by political union, warning of 'hatred and envy' between the peoples of Europe if the single currency is allowed to go ahead.

Whether the euro is stopped dead in its tracks by this so-called 'gang of four' Eurosceptics will depend greatly on how the Karlsruhe court judge, Paul Kirchhof, sees the issue. He is the constitutional court rapporteur on Europe who five years ago stipulated in a historic judgment on the Maastricht treaty that there could be no 'automatic' progress towards EMU and that it could only be realised if the convergence criteria were met.

The odds are that with the momentum building in the rest of Europe for a successful start to the project, Kirchhof will find it difficult to apply the brakes at such a late stage. Germany's wobbles over the dooming of the mark are not confined to opinion polls and legal challenges. An anti-euro book with contributions by 41 currency and legal experts is currently being run off the presses and three of the country's most formidable state premiers – Edmund Stoiber of Bavaria, Kurt Biedenkopf of Saxony and Gerhard Schröder of Lower Saxony – remain strongly critical of Kohl's uncontrolled euro-enthusiasm. Schröder even believes that his stance could carry him to the chancellorship next September.

Yet Germany's euro jitters are merely symptoms of a far deeper reluctance to effect changes elsewhere. As it enters one of the most important years in its history, Germany, with more than four million of its people out of work, is saddled with its worst unemployment problem since the depression of the early 1930s, a tax and welfare system so outdated that foreign investors continue to stay away in droves and trade union attitudes completely out of step with the inevitable onslaught of globalisation.

Worse, it is lumbered with a government and opposition apparently so terrified of the impact that changes might have on voters in a key election year that both remain paralysed like frightened rabbits caught in car headlights, apparently unable or unwilling to countenance taking any meaningful steps to remedy the problem.

It has been left to figures on the fringes of politics like German President Roman Herzog to read out the writing on the wall. In a keynote speech last year he warned: "The world is changing and it is not waiting for Germany. Our country needs a shake-up." The politicians applauded, and Germany's chattering

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COVER STORY

CONSTITUTIONAL COURT

Kohl faces euro showdown

KARL ALBRECHT Schachtschneider is in no doubt: "A premature monetary union is already unconstitutional in that no state has the right to lead its people into economic difficulties."

The professor of public law at the University of Erlangen-Nürnberg is unequivocal about how much he dislikes the German government's attempt to replace the mark with the euro.

On 12 January he and three other opponents of economic and monetary union (EMU) will present a complaint at the Karlsruhe constitutional court. Schachtschneider is to act as the legal representative.

He will be joined by Wilhelm Hankel, professor for monetary politics at the University of Frankfurt; Professor Wilhelm Nölling, former president of the Landeszentralbank Hamburg and lecturer at the Academy for Economy and Politics in Hamburg; and economist Joachim Starbatty, professor at the University of Tübingen.

The academics see EMU as a threat to Europe, and contend that it is doomed to failure because political union has not yet been established.

According to Hankel, the single currency should be called Icarus rather than the euro since it is bound to crash: "Icarus did not have the right binding. The euro lacks the right monetary and social binding."

Their case focuses on three major aims. First, to place the Federal Republic, represented by its federal government, under an obligation to give up its policy of monetary union. Second, to make certain that the Federal Republic cannot be included in the third stage of monetary union without its consent. And third, to oblige the Federal Republic to postpone the third stage until the economies of all eligible candidates are permanently convergent and to prevent Germany voting in favour of proceeding to the third stage at EU ministers' meetings.

Officially, the German government claims it is confident that their plea will be rejected. A decision in Karlsruhe to stop Chancellor Helmut Kohl's plans to launch the euro on schedule on 1 January 1999 seems as unthinkable to them as it is to the Commission.

However, the plaintiffs have some reason to be optimistic. Judge Paul Kirchhof, rapporteur on Europe to the court, who will have a leading voice in the decision whether or not to grant an interim injunction, has already shown that he is prepared to take on the European orthodoxy.

The 54-year-old judge is a known Eurosceptic. He is engaged in a conflict with the Court of Justice of the European Communities over whether Germany should be forced to obey the EU's banana directive. Kirchhof is known for his suspicion of further integration, which he sees a potential threat to democratic rights.

Schachtschneider is familiar with Kirchhof's views, and it is not the first time that the two men have faced each other in court. In 1993 Schachtschneider encouraged the Eurosceptic campaigner Manfred Brunner to appeal against ratification of the Maastricht treaty. Although the plea failed, the judges voiced reservations about further integration.

Schachtschneider and his three colleagues are most likely to focus on aspects where they expect Kirchhof to be on their side. They argue that none of EMU criteria has been met by Germany and will stress that both houses of parliament had promised in 1992 not to allow any softening of the criteria.

A continuation of the euro policy would mean root-and-branch damage to stability and the democratic principle, they assert. It almost sounds like a quote from Kirchhof himself when Schachtschneider says: "Until an actual state of Europe has been created, a monetary union will fail economically."

Even if the plea fails, Kohl will still be fearful of the consequences. Pressure for a strict interpretation of the criteria will almost certainly increase and have an effect on the decision that will be taken in May about the ins and outs of EMU's first round. It will also put pressure on Hans Tietmeyer, head of the Bundesbank, to declare openly whether he regards the euro as a stable currency.

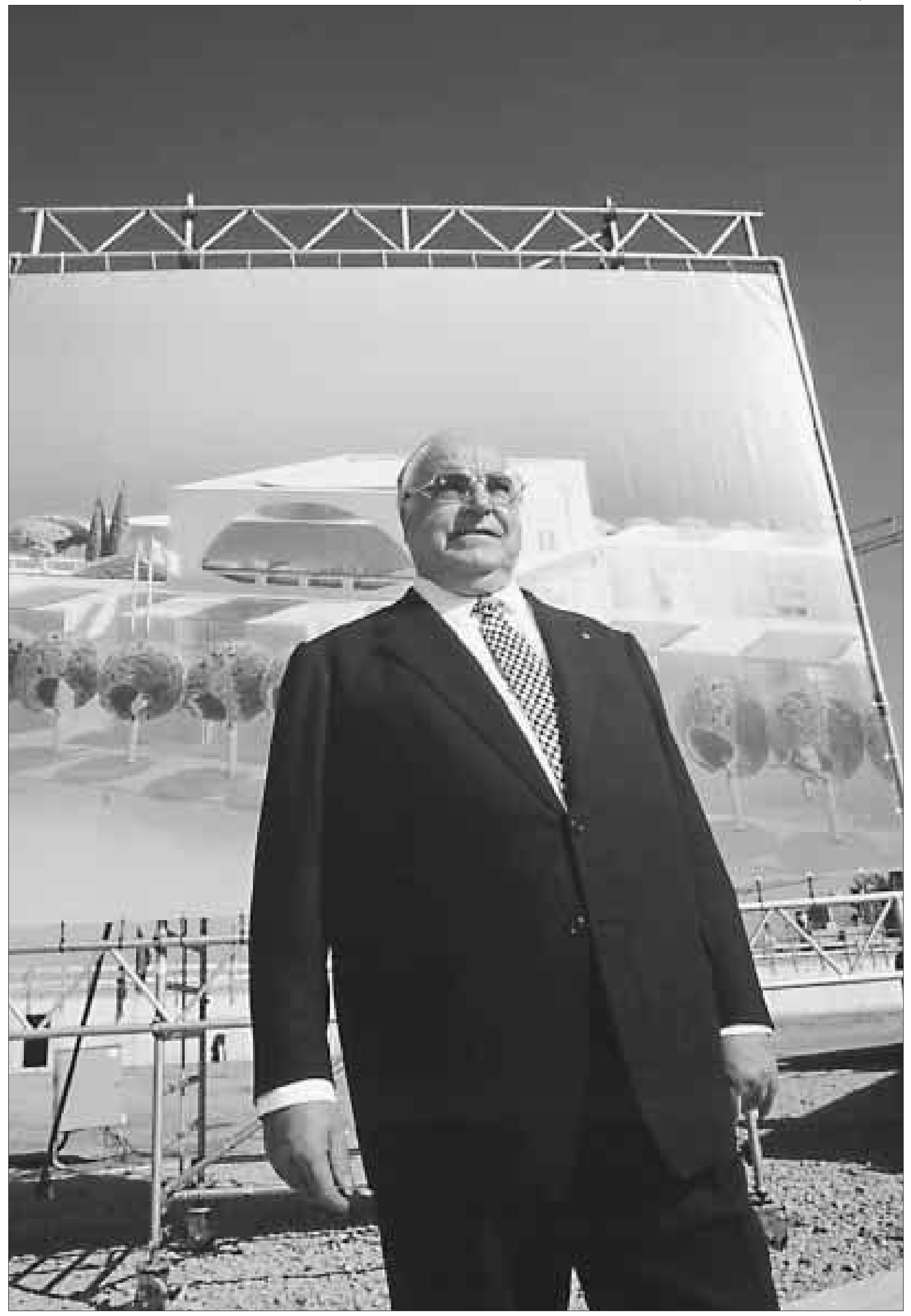
Kohl, a man with a reputation for carefully selecting his own people for powerful positions, might remember that Kirchhof, who joined the constitutional court in 1987 and is not a member of any political party, was nominated by Kohl's own Christian Democrats.

VERA BLEI

ACTION PRESS

Eurosceptic: Manfred Brunner opposed Maastricht but got egg on his face

JUNGEBLODT/SIGNUM



Larger than life: Helmut Kohl (above) stands before a backdrop of the new Berlin parliament. The coinage (right) that will either make or break his reputation

continued from page 9

classes agreed. Then nobody lifted a finger. Instead, Kohl's Christian Democrat-led government has remained in mummified standoff with the the opposition Social Democratic Party (SPD) – which controls Germany's upper house, the Bundesrat – over key tax and pension reforms that virtually every independent analyst agrees are essential to kickstart the economy into creating jobs.

With the general election set for September, all the major political parties are now far too preoccupied with securing votes to risk what would amount to an assault on Germany's hallowed consensus system. Employers justifiably complain that the the 60 per cent of wage costs which companies continue to dole out to cover welfare amounts to one of the highest company-borne social costs in Europe. Germany's trade unions have begun the new year with a commitment to end wage restraint. It is a new year present that Kohl's coalition could have done without.

Allegedly radical opponents of the government such as the outspoken president of the Association of German Industry (BDI), Hans-Olaf Henkel, see two possible ways in which Germany will emerge from its self-imposed economic crisis: the British or the Dutch answer.

Two-thirds of the electorate think that 16 years of the unification chancellor are enough

"Either we continue driving into a brick wall for so long that a Margaret Thatcher is eventually forced to come along and clean up the mess, or the unions, employers and the government do as they do in Holland and realise that only healthy companies create jobs and take the pressure off industry," says Henkel. Yet neither of these solutions is in the offing for Germany in 1998. For the first nine months of the year, *Colossus Germanicus* is certain to remain trapped in a state of unhealthy political paralysis as the warring parties slug it out in a painfully protracted election campaign.

Opinion poll results at the beginning of the election year suggest that Germany's voters are as confused and angry about the political choices facing them as they are jittery. Two-thirds of the electorate think that 16 years of the unification chancellor are enough and are demanding change. Yet 37 per cent would vote for his Christian Democrats (CDU), and only one per cent more would opt for the opposition Social Democrats.

What will determine Germany's political constellation after September is less likely to be decided by the big parties than by their fringe counterparts. If the latest results are anything to go by, then more than ten per cent of Germans will vote for the increasingly popular environmentalist Green Party. Its leader, Joschka Fischer, is being seen as a man for the future.

At the same time the German electorate seems set to deliver a knockout blow to Kohl's longstanding coalition partner, the small and once influential liberal Free Democratic Party (FDP), by depriving it of the five per cent of votes it needs to stay in the Bonn parliament.

This week in Stuttgart the party was trying to save its bacon by ironing out differences which emerged with a warning from the party's elder statesman, former foreign minister Hans-Dietrich Genscher, that the party risked political extinction by failing to address the problems of poorer voters, particularly in eastern Germany.

The lesson did not seem to strike home. FDP chairman Wolfgang Gerhardt told delegates that he would stick to his recipe of economic deregulation and tax cuts as he focused on the battle to slash unemployment. Meanwhile the party's ratings continued to plummet.

The inevitable upshot of FDP failure would be a so-called red-Green coalition government comprised of Social Democrats and environmentalist Greens. But to add to the confusion, the voters think otherwise. Most believe that a grand CDU/SPD coalition is the most likely outcome.

The German electorate can hardly be blamed for suffering the bout of *Wechselfieber* that seems likely to prevent it from making decisive choices about its political future. The choices it is offered do not exactly invite an enormous swing in public opinion along the lines of Britain's Blairite revolution.

On the political right, the prospect is continuity: more of the tired, if ostensibly secure, government under the increasingly dead weight of Helmut Kohl. If reelected, Kohl would almost certainly pass the reins of power to his right-hand man, the interim chancellor designate, Wolfgang Schäuble – a sort of Kohl mark II minus the charisma.

Schäuble might head a grand coalition, but such a development would amount to little more than a stop-gap solution to Germany's problems, while Kohl's party embarks on a search for a younger and more permanent leader.

On the left, German voters are stuck with a more difficult choice. Far from being equipped to take over as Germany approaches the next millennium, the SPD remains a political party trapped largely in the socialist ideology of the past, and nine months before a general election, dithering over its choice of candidate to run against Kohl.

Although he is unpopular with voters, Oskar Lafontaine, the troublesome left-wing prime minister of Germany's Saarland state who installed himself as SPD leader after an internal party putsch two years ago, has reinforced his iron grip on the party apparatus and now calls the shots.

Lafontaine is being challenged in his bid for the job as SPD frontrunner by Lower Saxony's popular prime minister, Gerhard Schröder, who makes no secret of his ambition to effect at least some of the reforms that Germany so desperately needs. But with Lafontaine in control of the party, Schröder has already been forced to tone down some of his more innovative ideas by the party's vociferous left.

Schröder is pinning his hopes on securing a big enough win in crucial elections this March in his home state of Lower Saxony to render his selection by the party as candidate for chancellor unavoidable. But what happens if Schröder replaces Kohl as Germany's third SPD chancellor next September?

People like Hans-Olaf Henkel, president of the Association of German Industry, are not optimistic. "After three months in office you will suffer the same fate as Helmut Schmidt at the end of his chancellorship," he told Schröder in a joint interview earlier this month.

"You will find that your policies cannot command a majority within the SPD. You will be taking over where Schmidt left off," he added.

There was no comfort either from the economists. The independent German Institute for Economic Research snatched away the hope that an improved economy would help solve the country's problems. Economic growth in 1998, forecast as high as three per cent by the government, would reach only 2.5 per cent, the institute said.

Small wonder that *Colossus Germanicus* is suffering a fit of the shivers.

PAWEL KOPCZYNSKI

AGENDA 2000

CHRISTOPHER SPRINGATE

Resigned: Leopold Herz gets 60 pfennigs for a litre of milk: 'Not enough to keep going' – but worse is to come

Bavarian muckrakers cause trouble in Brussels

THERE is something naive about the resignation painted across the face of Leopold Herz as he rakes away the muck from under his cows. "For one litre of milk, I get 60 pfennigs," says the 44-year-old dairy farmer from the idyllic Allgäu region of Bavaria. "That's not enough keep this farm going. Now they want to reduce the milk price by ten per cent."

To exist, Herz – like many other small-scale farmers in the Allgäu – relies on renting out rooms to tourists. His farming income of some DM60,000 ($33,480) a year before tax is just not enough to support a wife, four children, 17 cows, and 25 hectares of pasture. The only way to make ends meet is "not to consume much".

Take away much more of Herz's income and he will share the fate of 38,000 German farmers last year: bankruptcy. With failure threatening so many, it is no surprise that the powerful Bavarian farming lobby is indignant at the EU's planned Agenda 2000 reforms aimed at making eastward expansion financially viable.

Under the proposed reforms, Europe's system of protecting its farmers from competition by guaranteeing minimum prices above world levels is doomed. This Common Agricultural Policy (CAP) already consumes around half the EU's annual budget. If new members from eastern Europe are admitted while maintaining current agricultural prices, the EU will be bankrupt overnight.

So Agriculture Commissioner Franz Fischler wants to reduce the EU's agricultural spending by abandoning price maintenance and introducing one-off compensation payments direct to farmers.

But it is not a tune that finds a welcoming ear in Bavaria, home to more than one-third of Germany's farms. "We say no to Agenda 2000 because it means cuts in income for us of between 15 and 20 per cent," says Gerd Sonnleitner, president of the Bavarian Farmers' Association.

This dapper farmer from the city of Passau disagrees with Fischler's plans. "We think the reforms will lead to extra agricultural spending for the EU of DM10 billion by the year 2006."

Where there are problems, in the beef and dairy markets for instance, Sonnleitner wants to see "an independent, sovereign European agricultural policy with which we can protect our producers". Protectionism? Exactly, say his critics.

Sonnleitner is also the president of the German Farmers' Association, dividing his time between Munich and Bonn. His is the voice which makes sure that the federal government knows which side its bread is buttered when it comes to farming. It is no coincidence that Agriculture Minister Jochen Borchert regularly voices the same arguments against the reforms. Even Chancellor Helmut Kohl has to take notice. Last June, thousands of farmers from the Allgäu shouted him down when he paid a visit. The German leader promptly promised them special treatment – and subsidies above and beyond what they already get from the EU.

So if Fischler's reforms – and with them EU enlargement – should be shipwrecked, the torpedo will probably have come all the way from Bavaria.

As Heribert Prantl of Munich's *Süddeutsche Zeitung* points out: "The farmers are one of the groups that help fund Germany's political parties, in particular the Christian Social Union, the Christian Democrats' Bavarian sister party, which really originates from a farming environment. Though the number of farmers is decreasing, they're still very influential."

With federal elections and, perhaps more important for them, Bavarian state elections in September, the ruling CSU is worried that part of the farming vote could defect to the so-called Free Voters' Groups, which could overturn the CSU's absolute majority.

Prantl also sees the kid-glove treatment politicians are giving farmers as evidence of a bad conscience, typical of Germany's resistance to change. "This is a case of politicians getting the bill for bad policies in the past," he says. "Now they're facing having to make drastic cuts which would have been easier to accept in small portions. What is now happening here with the farmers is not much different to what happened in the Ruhr valley with the miners and steelworkers: delaying closures until the last minute, pulling the wool over people's eyes, keeping old industries alive with massive subsidies."

Some Bavarians think there is a sub-plot to the story. They point out that Germany's farming associations are dominated by owners of large farms like Gerd Sonnleitner (with 100 hectares) with powerful vested interests. "Every year Sonnleitner gets DM60,000 in subsidies," says Georg Paul, a Bavarian vet. "The current system benefits large-scale farmers."

Paul fully supports Fischler's reforms. "The rural culture in the Alps and the pre-Alps must be saved, and that can only be done with direct payment to the farmers," he said. But he is in a minority, he admits.

Bonn has hinted that it may not make more money available after all. This only strengthens the scepticism of farmers like Herz. "They say we can do anything we want as long as it doesn't cost anything. The budget is already under strain. After the year 2000, the situation will be even worse and the farmer will stand alone. "The question is: whether by standing alone together, they can make a difference.

CHRISTOPHER SPRINGATE

NEWS

Made up on Merseyside: Ford chooses Halewood to build the new Jaguar X400 - page 16

FRANCE ■ Martine Aubry discovers that you can't tell the unemployed to get back to work

Jobless put Jospin in tailspin

STEPHANE GAUTIER/EDITING

Rallying cry: protesters in Paris demand an 'end to duplicity' and a 'decent minimum payment' from the 'irresponsible' government

CHARLES MASTERS — PARIS

MARTINE AUBRY has started 1998 with a major headache, and it doesn't look like going away in a hurry. As France's minister of employment and solidarity, Aubry faces the formidable task of doing something to reduce the country's 3.1 million jobless total. But it has taken just a few hundred of them to give the minister the mother of all migraines.

Unemployed protesters have been occupying some 23 benefit offices around the country for up to four weeks, and their action is proving an unexpected thorn in the side of the socialist-led government.

The protesters are calling for an immediate Ffr3,000 ($500) 'Christmas bonus', plus an increase in benefits of Ffr1,500 a month and a revision of the benefit system which currently sees payments tail off the longer a claimant is out of work. Once a person reaches the minimum level, they currently receive around Ffr2,400 a month.

Benefit offices are under siege from organised protesters

The government is faced with a tricky situation. It has trimmed ministerial budgets to meet the single European currency criteria, and can ill afford to release funds to satisfy the protesters' claims – the bonus alone would cost an estimated Ffr9 billion.

Yet socialist Prime Minister Lionel Jospin's credibility is at stake after he made tackling long-term unemployment the central plank of his electoral platform. Although unemployment fell marginally in November to 12.4 per cent of the working population, the long-term jobless figure rose. More than 1.16 million have been out of work for more than a year.

Despite the relatively small numbers involved in the occupations, the government will also be wary about dismissing the movement, since it has wide public support. Opinion polls show that two-thirds of French people back its claims.

It is the first time such protests have been organised at a national level by associations like Act Together Against Unemployment, one of the bodies which initiated the occupations. But it is also the first time the communist-led union, the CGT, has lent its backing to action by the unemployed. A demonstration called by the CGT in Paris on 7 January could prove the decisive test of whether a repeat of the 1995 'winter of discontent' is on the cards.

The protesters timed their action to perfection, profiting from the scarcity of news over the holiday period to dominate the agenda. They have managed to provoke what has been described as 'cacophony on the left' – the government's junior partners, the communists and the Greens, have come out firmly in support of the protesters.

Jospin finds himself under pressure as internal tensions in the coalition begin to show. He depends on the communists for his parliamentary majority. Robert Hue, secretary-general of the Communist Party, who has hitherto avoided a head-to-head clash with his socialist partners, has urged the government to meet the demands.

"For the unemployed, it's a question of dignity," Hue said. "For the left, it's a duty of solidarity and remaining true to one's commitments. When profits are growing significantly, it would be hard to understand if the jobless's claim goes unheard and is not translated into concrete measures." Hue has transformed the issue into a contest of the euro versus jobs, and has used it to press his call for a referendum on the adoption of the Amsterdam treaty to pave the way for economic and monetary union.

Dominique Voynet, the Greens' only minister, has also given her backing to the protests. "Jospin is well aware that each of the soloists in the government must be allowed to play his part, but the harmony of the orchestra must not be jeopardised," a Matignon spokesman said poetically.

For their part, certain figures in the centre-right opposition are playing a canny game by stoking the discontent to exacerbate the government's woes. Former finance minister and renowned free-marketeer Alain Madelin said the claims of the unemployed were 'legitimate'.

The main French unions have also been split over the issues. Nicole Notat of the moderate CFDT said the protests were a "manipulation of people's distress". Amid signs that the battle lines are firming up, unemployed protesters in the northern town of Arras responded by burning an effigy of Notat. Unveiling details of her parliamentary bill to tackle 'social exclusion' on 4 January, Aubry announced that the government would release Ffr500 million for retraining the long-term unemployed. But in fact this was a sleight of hand that fooled no one. The cash had been pledged by the previous centre-right administration; the government was in effect trying to make paying its dues seem like a concession.

Long-term victims have nothing more to lose

The announcement by communist Transport Minister Jean-Claude Gayssot of half- price transport for the jobless in the Paris region was also dismissed by the protesters as window dressing. Aubry denounced the occupations as illegal, and said there was no justification for them to continue since the government remained determined to make employment its "priority of priorities". The response from those occupying the benefit offices was blunt. "She doesn't understand what's going on," said one protester in Arras. "All we can do is wait for the riot police to arrive." The notion proved prescient, as police moved in to evict around 20 occupiers of one office in Limoux in southern France on 5 January.

Jospin has a tricky problem on his hands. In previous labour disputes, the authorities could make some concessions and then appeal to protesters to go back to work. This time, no such appeal can be made. The long-term unemployed have nothing more to lose. Spurred on by their new-found organisational powers and considerable political backing, they may well refuse to give up their protest until concrete measures are taken. And that could cost the Jospin government dear.

AUVERGNE ■ Time may run out for ex-president's theme park

Giscard's 'Disneyland' dream

JOHN-THOR DAHLBURG — AUVERGNE

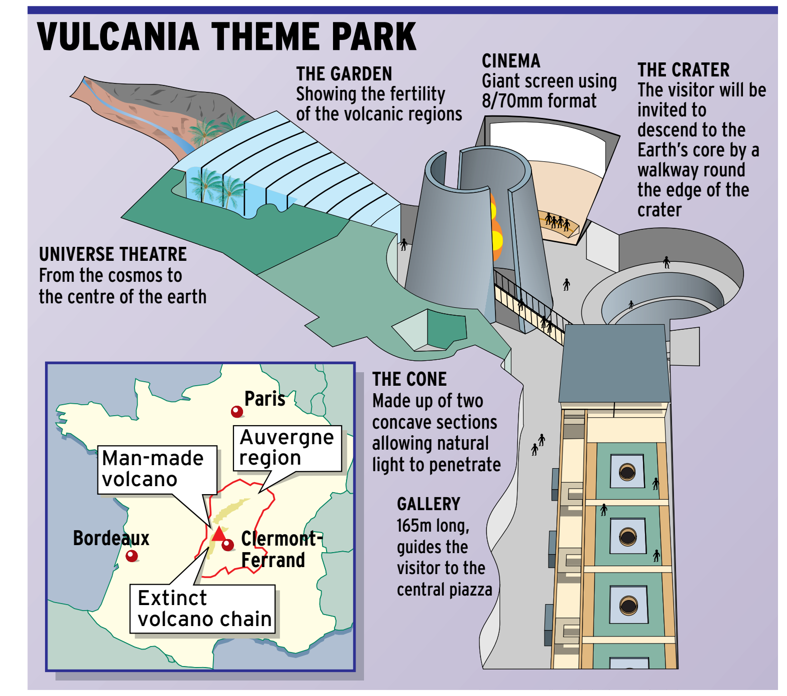
YOU'VE had your finger on your country's nuclear trigger, managed one of the world's largest economies and made friends with other global heavyweights. So what do you do when you're in your seventies and off the international stage? If you're Valéry Giscard d'Estaing, the former French president, you decide to spend $71 million – at latest reckoning – of your neighbours' taxes and other public funds to build a volcano in the middle of France.

"We are going to do it," Giscard vows. "Barring an international misfortune, we'll make it for the year 2000." A visionary idea from a man considered one of his country's brainiest politicians, or a grandiose crackpot scheme from an ageing figure desperate to leave his mark?

Backers say the volcano – actually it will be a 'European centre of volcanology', a theme park complete with man-made cone and crater – is a masterstroke of tourism and popular science alike, and will attract at least half a million people annually to the depressed and depopulated Auvergne.

Opponents, no less sure of their arguments, call it a nutty idea and an eyesore that endangers the pristine surroundings it is meant to showcase. "By definition, power makes you crazy. The more power you have, the crazier you are," charges Carole Deveau, a law student and spokeswoman for organisations that are against the project. "Giscard didn't mark his presidency with a great monument, so he wants to leave his mark here."

For the moment the foes of Giscard's Vulcania Park have the upper hand. In December, an appeals tribunal in Lyon found fault with the land-use plan of St-Ours-les-Roches, which embraces the 56-hectare site. Construction on this high, windswept volcanic plain 10km northwest of Clermont-Ferrand ground to a halt.



Few doubt that if Vulcania does get built it will be wonderfully innovative. Giscard's park is supposed to be constructed downards, straight into the layer cake of black volcanic basalt and other types of rock exuded during repeated magma flows.

Three of its floors will be buried in the earth, according to the design developed by Austrian architect Hans Hollein. Through a 70-millimetre film and multimedia and interactive exhibits, visitors will inhale the reek of sulphur, experience searing heat from artificial geysers and volcanic mud pots, cross a 30-metre crevasse and hover on the edge of a volcano as it erupts.

Vulcania's man-made crater will plunge 35 metres, and its stylised, lava-clad cone, redesigned after some people complained that it looked too much like a nuclear power plant's cooling tower, will jut 25m in the air.

It is all intended to be scientifically accurate, but sufficiently middlebrow and entertaining that French and foreign families on vacation will choose to make a detour to this isolated site 400km south of Paris.

"This is to give an object of interest for people to come and visit us," says Giscard, 71, who has been president of the Auvergne regional council for the past 11 years. "It's one of the most beautiful parts of France, but it has always been remote. A beacon was lacking to make us known."

Giscard successfully championed a site in the Puys area that had been a military munitions dump until it was bought by the regional council. The location is what especially riles environmentalists. Danielle Auroi, a member of the Green party who forced Giscard into a run-off for the first time in his long political life in last June's parliamentary elections, blasted her opponent for wanting to build "a Disneyland in the heart of nature".

The Volcanoes National Park's charter specifies that 'large tourist units' are not compatible with its conservation mission. But the park's president is none other than Giscard himself, who says: "I am very much an ecologist." He points out that the digging machinery at Vulcania is being lubricated with sunflower oil to prevent contamination of the underground water table, and that most of the park, far from defacing the landscape, will be hidden underground or in a dip of the earth.

For Giscard, Vulcania has become something close to a crusade. Time, however, may be running out for him. Polls suggest that Giscard and other conservative politicians will lose control of Auvergne in March's regional elections unless they ally themselves with the far-right Front National.

With 1.3 million people, Auvergne has fewer inhabitants and jobs than a century ago. Vulcania is supposed to put the region firmly on the map and serve as an economic elixir.

"It's either Vulcania or we leave the key under the door," says Marc Bailly, a restaurant owner in the nearby village of Orcines.

This article first appeared in the Los Angeles Times

COMMUNISTS ■ Coalition partners demand a referendum

Hue raises red flag on euro start

EDITH CORON — PARIS

THEY may be a spent force in electoral terms but France's communists still know how to send a shiver down the spine of the inhabitant of the Elysée Palace. Just when President Jacques Chirac thought he had cleared the last hurdle before economic and monetary union, out jumps Communist Party national secretary Robert Hue brandishing his red flag and calling for a halt, challenging him to hold a referendum on the ratification of the Amsterdam treaty.

Hue did the unspeakable: he reminded Chirac that he had promised a referendum on the euro – a commitment the president would now much rather see forgotten.

In a letter to Chirac, Hue argued that because the treaty "touches on essential conditions for the exercising of national sovereignty it requires that the French people should be consulted on European choices and their consequences".

French anti-Europeans, who range from the communists to the far-right Front National, took heart from a 31 December ruling by the constitutional council that several articles of the new treaty – dealing with matters such as the free passage of citizens, border controls and the right of asylum – contradicted the constitution.

Immigration is always politically delicate in France, and is currently a matter of renewed debate as the Interior Minister, Jean-Pierre Chevénement, works on a new immigration law. The government wants to call a joint session of parliament to amend the constitution rather than spark the national argument that a referendum campaign would inevitably involve. Some leading members of the conservative Gaullist opposition support this approach.

The French did hold a referendum in 1992, approving the Maastricht treaty by a narrow majority. That politically bruising experience is not one premier Lionel Jospin is keen to repeat. But the council ruling may have opened the floodgates and made national sovereignty an issue which he will be forced to confront.

BRITAIN ■ Clarion call shows Tories are just as divided on Europe as Blair's team

Patten steps into front line

WALTER ELLIS

IF THEY had been a few years younger they might have changed the shape of British politics and the UK's relationship with Europe. As it is, with an average age of just under 67, they are being dismissed by their opponents as greybeards rather than grandees.

Harsh words. But the 12 senior Conservatives who this week shocked their party by declaring openly for a single European currency are not done yet. A letter they wrote to the *Independent* newspaper, in which they urged Britain 'to prepare now to join a successful single currency', has reawakened the issue of monetary union in the UK just as Britain embarks on its much-publicised presidency of the European Union.

One signatory, in particular, has raised the hopes of pro-European Tories. Chris Patten, 53, a former party chairman and the last governor of Hong Kong, is widely regarded as the Tories' great white hope, ready to stage a takeover should William Hague fail to dislodge Tony Blair and New Labour at the next election.

Patten has been lying low since his return from Hong Kong, but is assumed to be casting around for a suitable seat at Westminster from which to relaunch his domestic career. Party bosses, in two minds over the kind of influence he wields, were vaguely aware of his pro-European stance but believed he would say nothing that would embarrass Hague or distance himself obviously from the official Eurosceptic position.

Out in the open, Patten could prove a formidable rallying point for disaffected pro-Europeans. Britain's economic growth, for several years the strongest in the EU, is slowing down precisely as its partners begin, in unison, to forge ahead. The factors at work in both instances are many and varied: what is most obvious is the establishment, on the one hand, of a putative single currency block, moving ahead in phalanx formation, and, on the other, the UK, out of step, slightly belligerent in tone, claiming unique economic insight.

Britain can point to its considerable achievements in recent years, especially in job-creation. Yet as high interest rates, rising inflation and the strength of sterling begin to cut into that achievement, Europe's failings are easily forgotten. Latest forecasts look to a UK growth rate in 1998 of little more than two per cent – the lowest in the EU. Interest rates, currently at 7.25 per cent, are expected to rise further before slowly drifting back, while falling exports should produce a deficit in the balance of payments.

We have, of course, been here before. Other signatories of the *Independent* letter, including Lord Howe, a former foreign secretary, and Sir Leon Brittan, the UK's senior commissioner in Brussels, have lived most of their political lives in the shadow of Brussels and have come to be regarded as yesterday's men. Sir Edward Heath, the prime minister who took Britain into the EEC, is 82; Lord Carrington, foreign secretary in the run-up to the Falklands war, is 79. Even Kenneth Clarke, finance minister under John Major, is at 57 reckoned to have blown his chance of supreme power when he lost to Hague in last year's leadership contest.

There is no doubt that a large majority of Conservatives are firmly against the single currency. Sir Teddy Taylor, a veteran Eurosceptic member of parliament, himself in his 61st year, was quick to pour scorn on the pretensions of the *Independent* 12, urging them to consider joining Labour or the Liberal Democrats, "where their views would be appreciated". Factions, both pro and anti-European, are forming across the usual political boundaries. By the time British electors are asked to vote in a referendum on the issue, probably in the course of the next parliament, around 2002, it is likely that two broad coalitions will have formed, each enjoying cross-party appeal.

The Tories like to maintain that they are united on Europe; in fact the fissures are widening and have provoked a response at the highest level. In a newspaper article, Hague – just back from honeymoon in India – warned that supporters of a single currency wanted Britain to take a leap into the dark. "My response is clear and unwavering," he wrote. "The Conservative Party will not play Russian roulette with Britain's future. That is why we say no to a single currency in this parliament and why we intend to oppose a single currency in the next election."

Tory divisions are mirrored in the Labour Party, but with the proportions more or less reversed. The Blairite majority has gradually come round to EMU, albeit only when it has been demonstrated that it can be made to work. Those against, probably constituting no more than a third of the parliamentary party, are mainly of the older generation, opposed as ever to their conservative contemporaries. The Liberal Democrats, meanwhile, with 47 MPs, are pro-EMU, as are the Scottish and Welsh Nationalists.

Robin Cook, Britain's foreign secretary, charged with co-ordinating the British presidency and preparing the ground for EMU, is to the fore among those on the government side to have adopted pragmatism as his guiding principle.

"We have already explained," he wrote this week in the *Frankfurter Allgemeine Zeitung*, "that Britain will not move on to stage three of economic and monetary union at the time that our partners link up in the single currency. This has no bearing on our conviction that British participation in a common currency is in principle a good thing for Britain and a good thing for Europe. The point is that, for us, timing is everything."

Cook, like many economic forecasters and analysts, is concerned that the UK's economic cycle remains obstinately out of kilter with the pace of events on the continent. The prospect of a British slowdown would not be a cheering one at the best of times; that it should occur just as its partners collectively hit their stride is bound to make it more difficult for sceptics to refute the logic of a unified approach.

Opponents of EMU membership point to the fact that Britain is more open to global trends than its European partners and unlikely to benefit from a currency rooted in continental trade. Only, they say, if London were to retreat from its Atlanticist position and adopt the costly European social employment model could its industry and banking system profit from EMU. Chris Patten and the Tory elders, together with the bulk of Labour MPs, suggest that this is what is going to happen anyway, over time, and that the country would be well advised to recognise the fact.

The lines are drawn; troops are mustering. The second Battle of Britain is about to begin.

ERIC DRAPER/AP

Greybeard or grandee? Former Hong Kong governor Chris Patten is ready to shake up British Conservatives

FISHING ■ A slippery story lands in the pages of Ireland's newspapers

Dramatic sea rescue reveals fishermen's quota games

IAN MATHER LONDON

THE crew of a Royal Air Force Sea King helicopter posed proudly for photographs after carrying out an epic ten-hour rescue from a stricken trawler in mountainous seas. Britain's coastguard service expressed its 'delight', and British Transport Minister Glenda Jackson publicly thanked the airmen for their 'extraordinary operation'.

But from the crew and owner of the *Sonia Nancy*, which had broken free while being towed to Spain after an engine failure, there was silence. "They're out shopping for new clothes. Their firm have told them not to speak," said an official at the Newlyn fishermen's mission in Cornwall, where the men, nine Spaniards and one Irishman, were staying after the local hospital had declared them fit and well. Patrick Sheehy, the boat's Irish owner, was no more forthcoming. "I'm not interested in saying anything about it. I'm on my way to Mass right now," he said.

The dramatic rescue, featured in several British and Irish papers, has focused an embarrassing spotlight on the murky world of 'quota-hopping', the practice by which some European countries, especially Spain, contrive to take advantage of other EU members' fishing quotas, especially those of the UK and Ireland.

Officially the fishermen of Ireland, where the *Sonia Nancy* is registered, are hostile to the Spanish, whom they accuse of stealing their fish. Last March tension was high when the townspeople of Castletown Bere in western Cork, the second largest white fish port in Ireland, gathered for the funeral of an Irish skipper who had been drowned in an accidental collision with a Spanish fishing boat. But in practice there is much more collusion between Irish and Spanish in southwest Ireland than it is politically appropriate to discuss openly.

Sheehy bought the *Sonia Nancy* from a Boston fishing company last December and after registering the vessel in Skibereen immediately leased it to a Spanish fishing company, Vigun SL of La Coruña. Irishman David Fox, the captain and radio operator, was the only non-Spaniard and English speaker on board. Although he had bravely co-ordinated the rescue from the *Sonia Nancy*'s wheelhouse and was the last to be winched up, he too remained silent.

Even the Irish South and West Fishermen's Association, which campaigns for tighter controls against quota-hopping, does not inquire too closely into the business deals of members such as Sheehy. Its chairman, Donal O'Driscoll, said of Sheehy: "If I asked the direct question he would tell me to mind my own business. If there were a change of ownership it would be a different matter, but the vessel is fully Irish-owned. Provided the deal is with EU nationals we cannot do anything about it." He said that most of the Spanish-run ships landed two catches in Ireland and then sailed to Vigo, Spain, with the remaining catch. "But the fish they land here often go straight into a truck to be taken away. The fish that is not good enough is used to make meal."

Sheehy is not the only local fishing boat owner to do business with the 'enemy'. Close links with Spain are well-established in the area around Castletown Bere. "There are six Spanish-crewed fishing boats which are serviced in Castletown Bere," said Eddie Cassidy, a West Cork journalist. "There is a Spanish agent and a Spanish-owned fish-processing factory. Spanish families have integrated in local society. Some live here and some have married locally. It is the only part of Ireland where you find people whose eyes are black."

The deal with Vigun is typical of a disguised form of quota-hopping, which has many advantages for the Spanish. The 160 Spanish-owned boats which have been placed on the British and Irish registers to take advantage of British and Irish fishing quotas are required to prove a direct economic link with the host country.

Half their catches must be landed in a port of the host country, or most of the crew must be from that country or most of the fishing trips must begin from that country. The *Sonia Nancy* remains Irish-owned, the link with Ireland is not in doubt, so the operators are left free from the restrictions.

Local fishermen have had no option but to make compromises. A hundred years ago, 5,000 made a livelihood from fishing off the Beara peninsula in southwest Ireland. Today there are around 600. Modern steel-hulled Spanish vessels outperform the Irish open-decked wooden boats in local waters. It is officially estimated that $3.5 billion worth of fish, mostly hake, plaice, megrim, monkfish and sole, is taken abroad from Irish waters each year.

The situation is not improving. When London, with Dublin's support, went to the European Court of Justice to try to have quota-hopping banned on the grounds that it undermined the protection of coastal communities, it not only lost the case but the court awarded compensation to quota-hopping fishing boat owners who had been temporarily deprived of their fishing rights.

The *Sonia Nancy* affair is a telling example of a fishy but legal practice.

DEVON NEWS

In peril on the sea: there are cross-currents in the saga of nine Spaniards and an Irishman plucked from the ocean

ECONOMY

Dublin sees clear water ahead

THE Irish fleet may be fishing in murky waters but the country's economy – dubbed the Emerald Tiger – looks like breaking through into clear water for the first time in 1998.

The department of finance in Dublin this week forecast that the economy will end up in the black for the first time in nearly 30 years. Exchequer funds, officials say, will be sufficient to meet day-by-day spending without borrowing.

Nearly Ir£1.5 billion ($2.5bn) was added to the value of the Irish stock market after the New Year holiday, and government bond prices also soared to record levels in the wave of optimism.

Exchequer figures point to the economy growing even faster than predicted in the last three months, and borrowing in 1997 is likely to be Ir£43m less than Charlie McCreevy, the minister of finance, predicted when he presented his budget last month. Tax revenues surged, VAT revenue leapt Ir£45m more than predicted.

If this all sounds too good to be true, there was one dark cloud on the horizon: up to 100 million Irish punts were sold in one day based on speculation that the government will not revalue the currency in the run-up to monetary union.

Which goes to prove that even Irish blarney has its limits.

BUSINESS

Soros makes cash out of a crash: there are fortunes to be had but bailing out South Korea is a mistake – page 21

DAN CHUNG

SEAN DEMPSEY

HULTON/GETTY

Halewood celebrates its X400 victory (left); last year their protests (right) recalled the plant's strike-ridden past. The 1963 Anglia (inset) was the first car made there

CARS ■ X400 saloon will be built at a plant known for strikes, not quality

Jaguar picks Merseyside

HARRIOT LANE FOX

THE union man was adamant: "BMW and Mercedes are manufacturing in the States and we couldn't take any chances. We took the decision we'd all bat for Britain."

Twenty years ago – ten, even – British labour negotiators would have cut their throats rather than utter such mercantilist cant. But 18 years of Conservative rule, followed by a new Labour government which has shed its left-wing heritage, has turned militancy into pragmatism and a taste for cricketing metaphors.

When Ford announced the new Jaguar small sports saloon last year, the X400, it had already ruled that building it at the marque's base at Birmingham and Coventry in the Midlands was not financially viable. The Halewood plant was the only British option left and the Transport & General Workers' Union stepped in to marshal its Ford and Jaguar members behind the Merseyside bid. It restructured the labour agreements which kept Halewood open last year, against the odds, to build the old-style Escort until 2000 and then a new multi-activity vehicle (MAV). It also secured guarantees for Jaguar's employees. And while the company assessed the 'investment case' for Cologne, the United States and Britain, the TGWU explained the 'business logic' of Halewood.

The strategy worked. Well-informed reports detailing the win began appearing in the British press and then, on 6 January, at the Auto Show in Ford's home town Detroit, Jaguar chairman and chief executive Nick Scheele finally made it official. The X400 starts production at Halewood (100,000 units in the first year) in 2000.

Ford bought Jaguar for £1.5 billion ($2.5bn) in 1990 and hasn't put a foot wrong since. It has launched the XJ8 saloon and the sporty XK8, winning the praise of dealers, customers and car critics alike. But the X400 is part of a much more dramatic strategy: to make Jaguar more than just big cars for fat cats. To turn a proper profit, it has to sell more cars than last year's 45,000 worldwide and chisel out a bigger niche.

Size isn't important, claims Ford. What post-recessionary drivers really want is luxury. Last year it took the first step towards satisfying them, announcing a new medium-size model, the X200, to rival the BMW 5 Series. It will be manufactured at Jaguar's redeveloped Castle Bromwich plant in Birmingham and goes on sale in 1999. After that comes the X400.

In Detroit, Scheele said: "Over the course of the next few years we will progress to being a full-line, four-model premium vehicle manufacturer producing 200,000 vehicles each year."

It is an admirable aim and, despite Jaguar's bringing the X400 forward by two years, long overdue. But it is still a tough task. The global market is already burdened with capacity for 20 million surplus cars a year. Ford aims to attract new buyers of luxury cars but it must also convert a sizeable proportion of those loyal to its rivals: not only the Mercedes C-Class but the overhauled mini-titan, the BMW 3 Series (41,000 sold in the UK, 48,302 in the US, in the year to November last year). But the X400 only comes as a saloon. The marque may be very strong (and underexploited) but it will have to be if it's going to persuade sophisticated customers used to choosing between coupé, convertible and so on to opt for its range of one.

All that said, why is Ford making things even tougher for itself by sending the X400 to Halewood with its history of strikes, quality problems and poor productivity? There may be little spare capacity at Cologne but its Lorain plant in Ohio has lain idle since the middle of last year. And Jaguar already sells 45 per cent of its cars in the US. BMW and Mercedes both now manufacture there, though not the 3 Series or C-Class. US manufacturing brings labour cost savings and protection from heavy price rises when the exchange rate swings the wrong way.

But, for Ford, the economic arguments for the UK were strong. Though it won't put a figure on it, overcapacity in Europe has put a huge dent in its contribution to the group bottom line. Thwarted in its bid to close Halewood last year, the plant would probably have still operated understrength after the switch to the MAV in 2000. Now that project can help fill one of its continental plants, alongside the new Escort at Valencia perhaps, while the bigger-turnover, double-shift Jaguar takes over at Halewood.

Britain's department of trade and industry (DTI) denies it but one Jaguar spokesman suggests it was the grants that swung it. Negotiations won't complete for another few weeks, and will need European Commission approval, such is the sensitivity about the past overpaying of incentives. But Ford is expert at persuading the funds to flow its way. The X200 won it around £72m for Castle Bromwich and there is a £15m offer on hold at Halewood dating from Ford's original plans to build the MAV there. Talk is that the subsidy for for the X400 will cost £50m.

The DTI looks for sustainable job creation and training, both of which the Halewood workforce badly needs. Ford and its unions claim that the plant is unfairly dogged by the shadow of its past, and that productivity and quality now compete with levels elsewhere in Europe. Nevertheless, cutting back to the bone in the mid-1990s has inflicted long-term damage on skills and morale. The lay-offs started in early 1995. They were followed by a year and a half when Halewood shut down for two days a week. There will be loud cheers on Merseyside for the 1,800 jobs safeguarded and potential for 1,000 more.

Some reckon they have Nick Scheele to thank – but he was only protecting his own interests: he lobbied hard for Halewood, knowing that Jaguar would lose control of the new car if it moved too far from him and into Ford's domain. He may yet have cause to regret it.

So far, the unions have played by the company's rules. They're fluent now in management-speak. But all they really share with their employer is the doctrine of expediency. The same union negotiator who batted for Britain was quick to add: "They would have had a war on if they had tried to move Jaguar out of Europe."

REV BLK

THE RIVALS

Ego trip comes as standard

JAGUAR's problem is that no fast-rising executive ever damaged his image by opting for a 3 Series BMW.

The model, which accounts for 70 per cent of BMW's sales, has become the standard car for up-and-coming salarymen, and all the signs are that the new model – due to have its debut at the Geneva motor show in March – will confirm the marque's dominance of this sector.

If anything, the 3 Series is too successful. With so many on the road, some buyers see BMW as too boring, too samey. For those who want to stand out from the crowd (yet still retain peer approval), there are alternatives, but the serious ones are also German: the Mercedes C-Class or the Audi A4.

Alfa Romeo has continued its rebirth with the launch of the 156, which some motoring writers feel is a better car than the 3 Series, but it will be a while before the Italian marque regains its former prestige. For the moment it remains an outside bet. Saab has always had a place as the quirky alternative to BMW – one for the creative industries – and the 9-5 continues that tradition.

Toyota's upmarket Lexus brand offers buyers the GS300, which has all the right features but zero credibility. Given the Japanese manufacturers' success in the sports car market, no one would bet against Lexus eventually carving out a sizeable niche in the executive sector (perhaps with its upcoming 910T), but for now the correct answer to the question 'what are you driving these days?' doesn't begin with an 'L'.

"Consumers are still buying executive cars but only those with the badge on," notes John Lawson, auto analyst at Salomon Smith Barney.

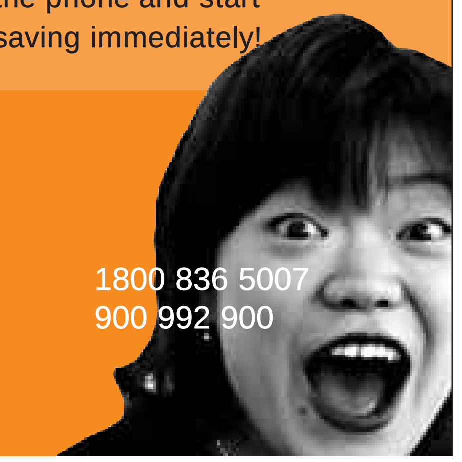
Jaguar has a badge but it also has a hell of a fight on its hands. It's up against strong opposition – and plenty of it. The sector is awash with a tide of new launches, but while supply is increasing rapidly, demand isn't keeping up. Growth in the sector is forecast at only about three per cent.

The growth in supply stems from structural changes in the manufacturing process, which have seen companies create a wider range of models from a single platform. The X400, however, comes only as a saloon.

So what are tomorrow's leaders driving today? Take your pick:

- BMW 3 Series 328i : the ultimate driving machine is still the ultimate status symbol for the upwardly mobile, though its classic styling will receive a much-needed revamp this year to maintain its appeal to advertising executives. The classy choice.
- Mercedes C-Class C280: build quality impeccable but never as much fun to drive as a BMW. A Merc carries a strong appeal to minor aristocracy and sports stars. The posh choice.
- Audi A4 2.8 Quattro: viewed as the natural 3 Series beater and with good looks as well, Audi has taken an assured third place behind its German rivals in the market. The 'I don't follow the herd' choice.
- Alfa Romeo 156 2.0 Twin Spark: a strong return to form for the Italian marque with something to lust after for the romantic who remembers St Valentine's Day. The aesthete's choice.
- Toyota Lexus GS300: a brave choice, especially in brown, but Toyota's combination of affordable build quality and refinement has caught the populist eye. The 'charisma bypass' choice.
- Saab 9-5: the quirky Swede has lost the bulky look of its predecessors while retaining the traditional Saab strength and integrity, making it a natural for judges, law enforcement officers and, curiously, airline pilots. The 'I know a bit about engines' choice.

DOUG CAMERON



GERMANY ■ How the hated phone monopoly punishes its customers

Telekom's regulator shows (a little) spine

DAVID BRIERLEY AND NICHOLAS MOSS

ON 1 JANUARY telecoms competition kicked off in Germany. At least that was the idea. Instead, Deutsche Telekom, the hated former monopoly carrier, has been using every trick in the book to stymie the efforts of its would-be rivals. Displaying contempt for the liberalisation process, Telekom's latest undermining tactic has been to demand a fee of DM95 ($53) from its captive customers who want to migrate to a competing operator.

The task of taming the unruly telecoms giant and putting an end to the abuse of its dominant position before the situation descends into complete farce falls to one man. Klaus-Dieter Scheurle is the head of the Regulierungsbehörde für Telekommunikation, Germany's new telecoms regulator. This week he may have chalked up his first victory.

The 42-year-old lawyer had called for 'round table' discussions between Telekom and its rivals. It hardly seemed the sort of decisive action needed to ensure that the liberalisation process runs smoothly for any of the expected 50 entrants to the German market. But Scheurle surprised Telekom by ruling that it won't be able to levy any fee until it has justified it.

If Scheurle can show similar resolve to face down Telekom at the talks this week it will be a vital pointer to the viability of liberalisation in Germany. The only price he should agree is no price at all. The idea that Telekom's disillusioned customers should have to bribe their way out is disgraceful.

MICHAEL JUNG

Taking charge: Klaus-Dieter Scheurle, Bonn's new telecoms tsar, will need to show continued resolve to face up to Deutsche Telekom

Many of Telekom's rivals are bemused Scheurle should have been caught unawares by Telekom's move, though they have been loath to attack him personally. After all, this is a man with whom they will have to work when negotiations for other basic services from Telekom become bogged down by its delaying and confusion strategies.

Criticism of the new authority has focused on its wastefulness, slowness and structure. Behind the scenes Scheurle's appointment last summer was bitterly opposed. A protégé of Chancellor Helmut Kohl and former personal assistant to the erstwhile posts minister Wolfgang Bötsch, Scheurle is a card-carrying member of the centre-right Bavarian Christian Social Union, Kohl's main coalition partner. Social Democrats called his appointment 'scandalous' and several politicians from the ruling coalition failed to support his candidature. Nevertheless, Kohl made sure he won. Outrage over his political appointment was exacerbated by his links to the former monopoly. Scheurle held a seat on the board of Telekom's mobile phone subsidiary, DeTeMobil. While the move from poacher to gamekeeper is not unprecedented, it has laid Scheurle open to stronger attack. Now he may be able to appease his critics, though he's not their sole target.

> **The only price Scheurle should agree is no price at all**

With typical Teutonic bureaucracy the regulatory authority employs 3,000 staff. Until now, the torpidity of Scheurle's office and the uncertainty surrounding its birth have allowed Telekom, by contrast, to appear deft of foot. Ron Sommer, Telekom's chairman, has taken advantage of the prevarications to postpone negotiations with his competitors, then make exorbitant charging proposals, and all the time sow confusion among customers.

Thousands of worried phone users contacted Telekom's rivals just after the New Year to query the proposed pricing regime – to which nobody had agreed. Nearly 80 per cent of Telekom's business customers and 40 per cent of domestic customers say they want to change operator once the new tariffs are settled.

Sommer wanted to charge them DM95 if they 'pre-selected' a rival international carrier for the privilege of using Telekom's lines and equipment for part of the call. He insists Telekom is not trying to prevent competition, though Ulf Bohla, chairman of O-tel-o, the joint telecoms venture of German utilities Veba and RWE, is in no doubt about the "incredible abuse of monopoly power".

Elmar Hülsmann, marketing manager of Mannesmann Arcor, says: "The prices are completely over the top." Both companies, rivals to Telekom, complained to Scheurle, who says the carrier has a right to cover its costs but won't allow the fee to deter customers from switching. Scheurle also admitted he had heard of the new prices only when they turned to him.

> **Telekom is acting like a spoilt child in the throes of a tantrum**

He should have been better prepared. Predatory pricing is still on the agenda. And Sommer gave a taste of things to come last summer when he issued his own proposals for charging Telekom's rivals for access to its network. Sommer wanted an average DM0.06 interconnect charge. Bötsch, who was still posts minister, responded by stipulating a lower average of DM0.027, in line with international tariffs.

To some it showed the political will to create a level playing field. Sommer's cries of foul and moves to litigation heightened a feeling of fair regulation. If it was hurting Telekom it must be fair to its rivals, went the philosophy. But as any football player knows, if you harangue the referee over his decision he may just hesitate and be more lenient next time round. Scheurle has shown he can react with some pace when the incumbent operator acts like a spoilt child in the throes of a tantrum because it is unhappy at the prospect of a sibling rival. Now the regulator must show he can also be tough.

MARKETING ■ Forget the 'hard sell' – today's advertisers are going for the 'confusing sell'

The customer is always bewildered

RICHARD COOK

IF you have bought a mobile phone recently, you will have first hand experience of confusion marketing. This is the new technique to lighten the pockets of consumers by baffling them. The primary perpetrators of this socially hostile form of salesmanship are, needless to say, the telephone companies.

When Orange launched its mobile service in Britain, researchers found there were already more than 200 different tariffs in the market. No consumer could be expected to make an informed decision. Explains Julian Huff at advertising agency WCRS: "Consumers were becoming increasingly confused by the whole marketplace. Nor was the marketing doing anything to cut through that confusion. In fact, if anything, it was adding to it. The result was that consumers had no idea what their bills were likely to be. They were frequently presented with an extremely unpleasant surprise at the end of the first month – hence the term 'bill shock'."

Confusion marketing will soon backfire on companies that use it

All the talk in marketing circles these days is of 'relationship marketing' and 'customer loyalty' – treating customers well, so that they stay with you. Profit is still the bottom line, of course – the theory runs that only a tiny increase in customer retention leads to a major increase in sales – but the result is, supposedly, that companies take a new 'touchy-feely' attitude to consumers.

The reality is different. The real hot new trend, which is accelerating as telecoms competition takes root in Europe, is confusing consumers by throwing up a barrage of obfuscation, designed to leave the customer feeling dazed, insecure and vulnerable.

The marketing textbooks say that relationship marketing is based on "a mutual exchange and fulfilment of promises". Confusion marketing is based on a different kind of exchange. The company offers reams of facts, figures, prices, tariffs, special offers and financing options; the customer responds with an exasperated cry of "oh, just give me anything".

Confusion marketing began – as these things tend to do – in the United States, and, while it is Britain that is spearheading its arrival in Europe, it's quickly spreading elsewhere. After confounding customers with insanely complex mobile phone tariffs, the telephone companies are now engaged in using similar tactics to sell long-distance services. It is all so complicated that it becomes virtually impossible to make sensible comparisons between one service and another, especially when free or subsidised telephones are thrown in, to confuse matters still more.

"Because no one knows what the phones are worth, the marketing message is extremely confused," points out Ogilvy & Mather business director Joe Clift. "In the Nordic countries, where mobile phone penetration is more than double that in western Europe, at over 40 per cent, the situation is completely different.

Because the manufacturers don't need to subsidise the prices of the handsets, it's quite apparent what the charges are and the marketing message is far less confused."

Advertisers also use confusion marketing techniques in other product categories such as financial services, computers, and even food, where baffling the consumer is as valuable a marketing tool as a snappy slogan or reams of the very latest research.

When Mars launched the Flyte chocolate bar in Europe last year, it was marketed as much as a scientific breakthrough as a triumph of the confectioner's art – the first 'Lo-Fat' chocolate bar to become available. And while the bars are in truth lower in fat than conventional alternatives, they are, significantly, no lower in calories. But it's not hard to guess which claim the advertising zeroed in on.

And if it's easy for food manufacturers to, shall we say, accentuate the positive side of their products, how much more so is it then for those trading in the complex world of finance or IT. Would-be computer buyers want to know what a computer can do; but the advertising tells them what it has – whether their direct drive, quad speed, RAM-enhanced CD-Rom comes complete with synchronous pipeline burst cache and extended DMI support – leaving them drowning in a sea of techno-babble.

"The conventional wisdom – and it's the same throughout Europe – is that in IT and financial services especially, you have to list all the product features and benefits, no matter how tedious," says Paul Simons, managing director of the London-based TBWA Simons Palmer ad agency.

"The idea behind it for advertisers is that this information overload makes it difficult for consumers to shop around and compare products, and the advertisers are therefore more likely to maintain market share."

However, Simons claims the backlash against this kind of approach is already starting. His agency helped launch the Goldfish credit card, for example, last year, in one such attempt to move away from a complex world where the marketing revolved around such snappy claims as the discounted offer-period APR for transferred balances.

Instead British TV viewers saw the Scottish comedian Billy Connolly dressed as a druid, and an ad campaign with a brief to be entertaining rather than merely educational.

In fact, the success of Goldfish helped Simons' agency win the account to launch Virgin One, a new bank fronted by the entrepreneur Richard Branson.

"The launch is partly in response to this increasing trend among financial companies to confuse and confound consumers," Simons says. "Our brief is to try to cut through much of this confusion in our advertising."

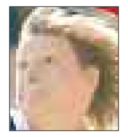
In Italy confusion marketing is being employed to sell newspapers. Fewer and fewer Italians read newspapers. According to a Censis survey in 1996 just 112 in 1,000 Italians pick up a daily. To win back lost readers, newspapers are offering a plethora of supplements, free gifts and what the marketing experts refer to as 'gadgets'. In recent years, the news has been hard to find among never-ending collections of medical encyclopaedias, atlases and countless free videocassettes.

Some are not even free. A 1995 Censis survey showed that the average reader of *Corriere della Sera*, in a single week, was compelled to buy two magazines and a TV guide – to which he or she could not say no. If a *L'Unita* buyer wants to buy the videocassette on offer every Saturday, they must spend L18,500 ($11) – rather than the L1,500 that the newspaper costs by itself.

If the thinking behind relationship marketing is true (that keeping customers happy is the long-term key to profitability), then confusion marketing will soon backfire on companies that use it, as disgruntled customers won't stay loyal. But in the short term it seems that keeping customers confused is every bit as successful a sales technique as keeping them happy.

FINANCE

East Germans must give their medals back but will they end up in the hands of their rightful owners? page 36



ANALYSIS ■ Foreign lending should be more transparent and not just short term

What follows a banker? A crash

BRIAN READING

A HAPPY new financial mess, with banks up to their snouts in it as usual. The Asian crisis rumbles on. It should come as no surprise. In the early 1980s there was the Latin American debt crisis. In the early 1990s the Mexican debt crisis. To these world crises can be added domestic ones. Looking further back, Charles P Kindleberger in *Manias, Panics, and Crashes* lists nine British crises during the 19th century, roughly one every decade. Banks always lend copiously and carelessly in good times, inflating bubbles that inevitably burst, leaving legacies of loan losses, bankruptcies and fraud. They then expect themselves to be bailed out, while the borrowers go under. Usually the banks are rewarded for their stupidity and rescued.

The Asian financial crisis, triggered by the collapse of the Thai baht in July 1997, is a classic example of the genre. Figures released this week by the Bank for International Settlements (BIS) reveal a lending frenzy on the eve of the crisis. Most people believe that Japanese and American banks were in deepest. But the combined total of European Union bank loans to Asia (and to Korea) at end-June 1997 exceeded that of American and Japanese banks put together. During the first half of 1997, when Japanese and American banks were pulling back, EU banks plunged in deeper, accounting for 60 per cent of new lending. German and French banks were the biggest EU lenders, not British. It hardly required a genius to foresee trouble.

THE LENDING FRENZY

$ billion	Total outstanding End 1996	Total outstanding End June 1997	Change during first half 1997	% of total End June 97	% of change first half 1997
France	38.0	40.4	2.4	10.4	10.9
Germany	41.7	47.2	5.5	12.1	24.4
UK	26.4	29.7	3.3	7.6	14.6
Other EU	39.1	41.4	2.3	10.6	10.1
EU total	145.2	158.6	13.4	40.7	59.9
Japan	118.6	123.8	5.3	31.8	23.4
US	34.2	32.3	−2.0	8.3	−8.7
Japan+US	152.8	156.1	3.3	40.1	14.7
Other	69.0	74.7	5.7	19.2	25.4
Total	**367.0**	**389.4**	**22.4**	**100.0**	**100.0**

Source: Bank for International Settlements

Asian exports declined in 1996. Excess capacity in many industries emerged. Take but one example: Indian mid-sized car production capacity is 150,000. Sales last year were 35,000. All crisis-stricken Asian countries have current account deficits, ranging from five to ten per cent of GDP. Bank lending was financing the greater part of these deficits. More than half had a maturity of less than one year. Asian economies needed to roll over old loans and obtain new ones on a massive scale. The moment the lending frenzy abated, exchange rates were bound to crash and interest rates to soar, creating financial havoc.

The Asian crisis will, at best, abort hopes of a Japanese recovery this year and dent growth in America and Europe. The IMF, in its interim assessment of world prospects published in December, cut its Asian growth forecast from six to three and a half per cent, while saying that the crisis would lop between a quarter and half per cent off US and EU growth. Such initial downward revisions are too modest. They depend on the terms of IMF bail-outs being met so that confidence in Asia is rapidly restored and private capital flows resumed. But the conditions imposed are seriously flawed and will not be met. Correctly, the IMF demands that Asian financial systems be restructured. Dud banks and companies must go to the wall; only those which are basically sound can be rescued. But wrongly, fiscal policy has to be tightened while interest rates must remain high. Thus the credit crunch is intensified, leading not to slow growth but no growth. A real recession is in the making, in which sound institutions as well as sick will go under. Thailand, wisely, wants the terms of its IMF assistance eased.

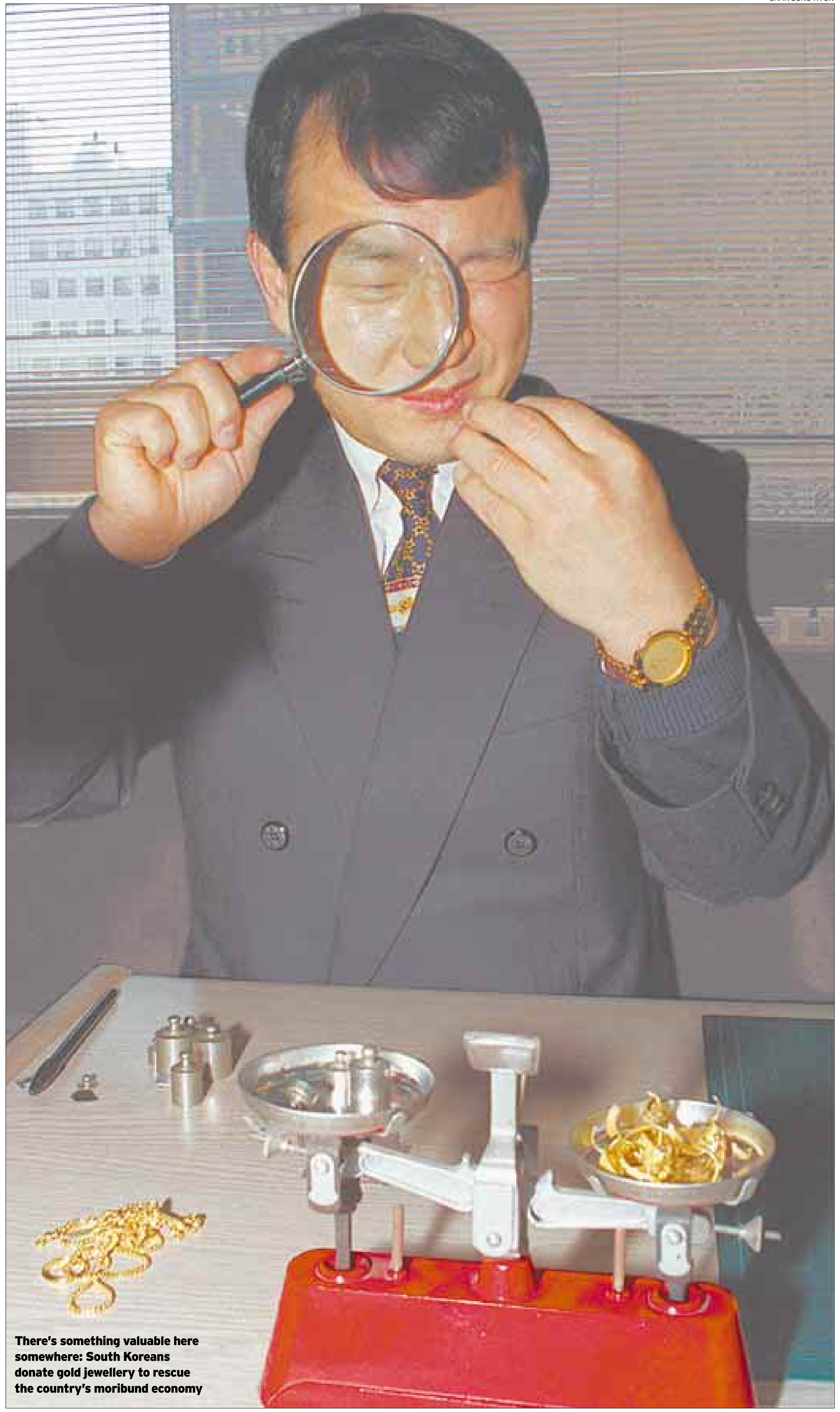
Korea is another case in point. Its budget has been in surplus since at least 1980. Its public sector gross debts are less than the Maastricht three per cent criteria for EU annual budget deficits. Inflation is four per cent, but short-term interest rates are a massive 25 per cent. There is no danger of sovereign debt default by the Korean government. It owes nothing on balance to foreigners. The country's $150 billion foreign debts have been run up by private banks and companies (equal to one-third of average annual income per head).

Government interference in the financial system is partly to blame for the mess. But as things stand, the IMF bailout will increase the pain Korea suffers. The Korean government, as the recipient of IMF-brokered loans, is now running up foreign debts. The proceeds are not earmarked to bail out the Korean financial system but the foreign banks which were responsible for the lending frenzy. Western banks, meanwhile, are rolling over loans and pressing the Korean government to borrow on the international bond market.

More needs be done to regulate western banks' foreign lending. Better information might also help. Individually, banks must instantly know, at a press of a computer button, the precise extent, maturity and national distribution of their own foreign lending. But it takes six months before they discover their collective position. The banks' information could be fed electronically into BIS computers, to produce global accounts virtually instantaneously. It would cost, but it would be cheap at the price. Individual sanity becomes collective madness when all simultaneously seek to exploit the same seemingly profitable opportunities. Hence manias, panics and crashes.

Brian Reading is a director of Lombard Street Research

CHAN SUNG-HYUN



There's something valuable here somewhere: South Koreans donate gold jewellery to rescue the country's moribund economy

BANKING ■ European banks lent heavily to South Korea. Now they expect the international community to bail them out

How to be a billionaire

PAULA HAWKINS

HOW's this for a one-year investment strategy? First, you attack a country's currency, forcing it to devalue by more than 50 per cent. You make more than $1 billion from this part of the strategy. You also evoke the enmity of leaders in the region. One politician calls you the devil. You shrug this off: less than six months later you are invited to the region, feted by the president. This is part two. You announce plans to invest $1 billion in the country's exporting companies. This looks like a good bet: with the devalued currency, exports from the country will soar. By the end of the year you are on your way to making another $1bn.

It is not for nothing that the financial markets hold George Soros in awe: this double whammy is exactly the strategy he has followed. In his book, South Korea's problems may be all but over, and he is ready to cash in again. He can rest assured there is no risk that the country will default, because the IMF and American and European governments will rush to the rescue, protecting his investments and those of other western bankers and speculators. And how will they finance this? Courtesy of the taxpayer.

Soros was helped by the South Koreans in the first place. They fell for the oldest borrowing trick in the book. Taking out massive dollar loans with short maturities is a dodgy manoeuvre if you only have local currencies with which to repay them. When the won was devalued by more than 50 per cent, the loans became twice as expensive, and impossible to service. The country was bankrupt. But step forward the International Monetary Fund, together with 13 countries including America, Germany, Italy, Belgium, France, Britain and Sweden. They devised a multibillion dollar bailout plan for South Korea, worth at least $57bn, though "more may be needed", according to IMF sources. Some commentators estimate that $30bn of that bill is likely to be shouldered by America, although Robert Rubin, the US treasury secretary, has formally pledged only $1.7bn. The British government has pledged $1.25bn.

Why is Rubin involved? As chief secretary to the US treasury department, his job is to manage the American economy, not to throw lifelines to failing emerging markets. But as he has revealingly admitted, a by-product of the American bailout is that "investors are going to do better than they otherwise would have". While America and the international community rush to South Korea's aid, they are also protecting their own banks which took calculated risks in investing in and extending credit to South Korean banks and companies. The losses incurred are borne not by the banks and their feeble analysts who took the risks but by the western taxpayer.

The international community should refrain from saving the South Koreans and their creditors. The bailout represents a distortion of global markets. Markets should be allowed to reach their own level, with prospective winners and losers sorting things out for themselves. The moral basis for allowing markets to clear is that the private financial establishment should not be bailed out by the public one.

European banks lent recklessly, even when their international competitors were pulling out. South Korea's two individual biggest creditors are American and Japanese banks. But of its top ten creditor banks, four are European. Heading the list is that seasoned expert at blowing public money, France's Crédit Lyonnais, which has an exposure of $1.4bn. Deutsche Bank has lent $1.3bn, Société Générale $1.1bn and Banque Nationale de Paris $1bn. European central banks refuse to say which other European banks are most exposed.

But more important than the amounts they lent to Asia is the fact that European banks increased their exposures to the region in 1997, despite warning signs that Asian economies were heading for disaster. According to the Bank for International Settlements (BIS) on 5 January, German financial institutions lent $10.8bn to Asian countries in the first half of last year. French banks lent less, at $10.1bn, but their exposure to Asia increased more than that of any other creditor nation, by 13 per cent. More than half of the increase in the Asian exposure of French banks was accounted for by South Korea.

There is a view that there is a mundane, though wrong-headed, motive behind the actions of the American government. "What the treasury wants most of all is peace and quiet. The idea of stability has enormous appeal for bureaucrats," says James Grant, editor of *Grant's Interest Rate Observer*.

But stability has a price: when does this bailout business stop? Bankers involved in drawing up the IMF plan have admitted that the debt rollovers extended to South Korea are not likely to be sufficient to see the country through its present crisis. The international community lays itself open to claims from the next economy to collapse under the weight of a corrupt financial system and widespread bad lending policies. The act of shoring up these economies and protecting risk-taking speculators has the effect of leading up to the next, larger bailout opportunity.

Moreover, the risk-taking banks are not only protected by the IMF plan; it could enable them to profit from South Korea's distress. A group of American investment banks led by JP Morgan, and including some of Asia's largest creditors, Chase Manhattan, Citicorp, BankAmerica and Bank of New York, have devised a debt swap scheme. The plan involves transferring Korean banks' debt to the Korean government through the issue of up to $20bn in government bonds. Foreign creditor banks would then buy these bonds, and the Korean government would use half the proceeds to bolster its reserves, and the other half to buy Korean bank debt. For this, JP Morgan will earn substantial underwriting fees paid by the South Korean government from funds donated by the IMF. Now who's the sucker?

Similar moves are likely to be taken by European banks. Representatives of 80 European banks met at the Frankfurt headquarters of Deutsche Bank at the beginning of January to discuss their response to the situation. No concrete plans have been announced, but a spokesman from one of Germany's largest banks says that "a debt swap agreement could be arranged, probably financed by money raised in the capital markets". He adds: "There is an inclination to roll over short-term credits." Banks have already announced that $15bn worth of short-term debt will be rolled over, and that further concessions are likely to be made.

The architects of the various plans to rescue South Korea argue that letting the country default on its loans would be a catastrophe. But there is no certainty that it will be. Since Asian finance is so opaque, it is impossible to tell how serious the repercussions would be. That should not deter us from doing the right thing and letting them default. When Latin America suffered its debt crisis at the end of the 1970s, it endured a 'lost decade' of stagnant growth and divestment. Only when it had restructured and privatised a significant portion of its leading companies were investors prepared to restructure the non-performing loans, and reinvest. South Korea's medicine is quicker and less painful. If other investors follow Soros's lead and his poodles at the IMF, it will be more like a 'lost weekend'.

PAUL BARKER

Smile: I've just taken all your money, says Soros

FINANCE

CURRENCY ■ What's a euro worth? About the same as an American dollar

Euro muddle that made traders a mint

MELANIE BIEN

FABRIZIO BENSCH

Keep your change: euro notes and coins are due to take over by 2002

IF YOU want to know what a euro is worth, ask a bond trader. No government official can tell you because Europe's fledgling single currency does not yet exist. The bureaucrat will produce a hypothetical figure based on a basket of currencies and exchange rates. But the futures market has been dealing in euros for years. More than half of all bond futures business in Europe over the past two years has been in ecus. For euro, read ecu. The European currency unit, a weighted basket of currencies, will be convertible from 1 January 1999 into euros on a one-for-one basis.

As it stands, a euro will be worth around $1.1; it will take DM1.9 to buy a euro; and Ffr6.6. Traders have enjoyed speculating at what rate the final exchange rate will be. Banks across Europe have been enacting over-the-counter contracts to do swaps – vehicles that pay out in euros next year but which are initially denominated in other currencies. These deals, known as forward starting contracts, make euro trading possible in practice.

The swaps business in ecu-based interest rate derivatives has been operating for more than two years: contracts define the expected future rate of the euro, with traders taking a gamble on the exchange rates against other currencies – and hence against the ecu basket – to be fixed at the end of the year.

The big money from arbitrage trades has been made already. When there were question marks over which countries would meet the Maastricht criteria for monetary union, there was more room for manoeuvre. The risks for dealers were greater but potential gains more lucrative. Marginal entrants such as Italy still look doubtful candidates, but with participating countries more or less guaranteed entry ahead of official voting and confirmation on 1 May, there are fewer opportunities for arbitrage. Nearly all of the convergence has happened already. Once the euro is born on 1 January 1999, bond futures in euro-participating currencies will be redundant and money market futures will become far more important.

Away from the financial markets, consumers have a longer wait before euros enter everyday life. This is just as well: early experiments in euro education have met with mixed success. Some supermarkets in Italy and Germany have displayed prices in euros as well as deutschmarks or lire, encouraging shoppers to appreciate the practical value of the new currency. However, Italians may know how much their olive oil is worth in euros but they are going to have to wait until 2002 before they can use euro coins to buy it. The learning curve ahead of the euro's launch remains fraught with difficulty. The currency's real value – away from the futures market – remains unknown.

The first step to clear the fog comes on 1 May this year, when the decision on convergence rates for participating currencies will be decided. The 15 finance ministers, due to meet in Brussels, will decide which countries will enter the first wave of European monetary union. All EU member countries except Greece (which will not qualify) and the UK, Sweden and Denmark (who do not want to join yet) are likely to go forward.

The following day the first wave entrants will be formally announced, together with the bilateral conversion rates. This will fix how many deutschmarks there will be to the franc and other currencies in the Economic and Monetary Union (EMU).

Finance ministers are hoping there will be little fluctuation after this. There could be if sterling or the drachma moves radically, either up or down. Both are included in the ecu basket of currencies though neither will be in the euro. Fluctuations in either currency between May and December will affect the final level of the euro. The rate of the deutschmark against the ecu will move up and down depending on the sterling exchange rate.

The financial markets have already developed their own shorthand to anticipate the rates which will be set. The value of the deutschmark against the ecu is a pretty good estimate for what the deutschmark to euro rate will be. But while the ecu performs as a useful shadow for the future currency, it means little to somebody buying a meal in a restaurant or a new pair of shoes. The rate of ecu to those currencies likely to be in the first wave of EMU is generally taken by those discussing the euro as being close to the final conversion rate.

The arbitrage opportunities for market traders could have been eliminated if the euro rate were simply set in May, when convergence rates are decided. But it is impossible to set the new currency without the existence of the central bank which will be controlling it. The most contentious issue – who will head the European central bank (ECB) – will also be decided in May.

The most likely outcome is a fudge: Dutchman Wim Duisenberg, head of the European Monetary Institute, was clear favourite before the French stepped in with their candidate, Jean-Claude Trichet, head of the Banque de France. Duisenberg is likely to take the helm of the ECB for four years with Trichet following him for a similar period.

Not only is there uncertainty surrounding the appointment of the head of the ECB, but it will also be difficult to establish the bank's credibility before it is up and running. It could be heavily politically manipulated, even if it does look good on paper.

However, a greater danger may be the lack of an economic counterweight (through the EU Council of Ministers) to the monetary power which the ECB supervisory board will wield. This, coupled with uncertainty over the strength of the euro, may encourage investors ahead of its introduction to shun Europe's currencies in favour of the dollar.

Such behaviour – a big vote of no-confidence – will only weaken the currency further and cause more problems for the bank when it is finally set up. The uncertainty stems from a number of concerns. Investors buying into what will eventually be euros are going in with only partial information. There are many grey areas. It could well be a different matter seeing how it all works in practice. It will also be difficult for the bloc of countries converting to the euro – which will be locked into an exchange rate – to establish stability against the dollar. If the locking of the currencies together fails to work, a weak exchange rate may be used to paper over the cracks.

The ecu is a useful euro shadow in the financial markets but means little to everyone else

But even those who see the dollar as a safe haven in the coming 12 months believe that there will be little room for speculators, such as hedge funds, to make a fast buck in the euro markets. Convergence has come so far that volatility is unlikely.

Currencies participating in EMU will be measured against the ecu until next January when it will cease to exist and be replaced by the euro. Policymakers hope the passage will be a smooth one. Coins will be minted in the new currency but will not completely replace local currencies until 2002.

Once the euro does arrive, most dealers in financial products will need no honeymoon period to get used to the new currency. They will have to cope from day one when new debt is issued in euros and existing government debt is converted into euros as well. The euro has already arrived, even if few people know what it is worth.

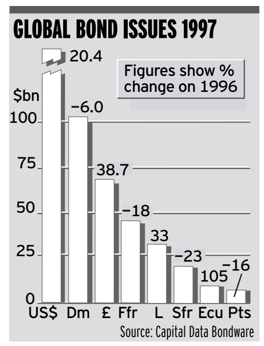
FINANCE

Issuers shun Euro currencies but ecu makes its mark

THE euro breathes already in the form of the ecu and international bond investors were given a foretaste of life under a single European currency with a doubling in ecu issuance last year.

A total of 41 ecu-denominated deals raised $9.66 billion compared with $4.71bn in 1996, with sovereigns such as Italy, Spain and Portugal launching large ecu bonds to cement their commitment to the single currency. The bald total is understated as innovative borrowers are already starting to issue bonds convertible into euros from 1 January 1999. Last December Belgium became the first sovereign state to issue bonds of this type with a French franc-denominated structure automatically convertible into euros.

However, primary bond market issuance during the year was dominated by the flight to the safe haven of the dollar as yields and spreads for other denominations reached record levels in the final quarter of the year. Dollar issuance was up 20.4 per cent to $357.2bn and accounted for 48 per cent of a record total market of $742bn, up 9.1 per cent. Issues in most other major European currencies slipped back sharply, with the notable exceptions of sterling and lire, as governments clamped down on borrowing to meet the Maastricht criteria. The lira market rose sharply by 33 per cent as its yield curve moved to within 60 basis points (0.6 per cent) of the deutschmark. Sterling's popularity was demand-led, pushed by its appreciation against most other currencies.



The American bulge bracket banks also increased their hold on the market during the year with the top four – Merrill Lynch, Morgan Stanley, JP Morgan and Goldman Sachs – leading 26.8 per cent of international deals during the year. SBC Warburg Dillon Reed was again the leading European house in fifth place followed by Credit Suisse First Boston and Deutsche Morgan Grenfell, with ABN-Amro climbing into the global top ten in ninth position.

DOUG CAMERON

Economic indicators

BELGIAN unemployment edged up slightly in December to 13.2 per cent from 13.1 per cent the previous month. Unemployment was higher in Brussels. The Belgian capital recorded a rate of 19.5 per cent.

UKRAINIAN inflation fell to 10.1 per cent last year, the lowest since Independence in 1991 and far removed from 10,000 per cent in 1993. In 1996, the rate of inflation reached 39.7 per cent. The state statistics committee put the fall down to tight monetary policy pursued by the country's central bank.

INDUSTRIAL sales in Portugal rose in October, up 7.8 per cent from the previous year. Sales were boosted by a 15.9 per cent month-on-month increase in sales of capital goods, up 22.9 per cent from a year earlier. The figures show that Portuguese economic growth, already among the fastest in the EU, remains on track.

COMPANIES in Italy reported growing confidence in the country's economic prospects. Manufacturers see the economy recovering at a moderate pace, with production and orders remaining at October levels. Industrial output has been bolstered by an incentive to car buyers. This drove October's industrial output up 1.2 per cent in the month.

INTEREST AND MONEY MARKET RATES

COUNTRY	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	3.75	3.84	3.35	5.42	5.29	5.99	Oest Bund
Belgium	3.30	3.00	9.10.97	Central	3.64	3.64	3.06	5.52	5.38	6.19	OLO
Denmark	3.75	3.50	9.10.97	Repo	4.01	4.01	3.65	5.65	5.58	6.65	DGB
Finland	3.25	3.00	15.09.97	Tender	3.58	3.58	3.09	5.51	5.42	6.34	FGB
France	3.30	3.10	9.10.97	Intervention	3.69	3.70	3.41	5.34	5.24	5.90	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.63	3.70	3.15	5.35	5.22	5.96	Bund
Germany	3.30	3.00	9.10.97	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	2.05.97	Short Term	6.06	6.00	6.00	5.47	5.42	6.69	Gilt
Italy	5.50	6.25	23.12.97	Discount	5.95	5.91	5.66	5.66	5.56	7.67	BTP
Luxembourg	3.30	3.00	9.10.97	effective rate*							related to OLO
Netherlands	3.30	3.00	9.10.97	Special Adv.	3.60	3.63	5.28	5.28	5.19	5.81	DSL
Norway	5.50	5.25	16.7.97	Overnight	3.83	3.84	5.51	5.51	5.42	6.35	NGB
Portugal	4.90	5.20	18.11.97	Discount	5.07	5.04	5.62	5.62	5.54	6.89	OT
Spain	4.75	5.00	15.12.97	Repo	4.80	4.85	5.64	5.64	5.52	6.94	Bono
Sweden	4.35	4.10	16.12.97	Repo	4.88	4.88	5.98	5.98	5.93	6.85	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.47	1.50	3.29	3.29	3.21	3.91	Swap rate
UK	7.25	7.00	6.11.97	Base	7.55	7.56	6.28	6.28	6.20	7.70	Gilt
US	5.00	5.25	31.1.96	Discount	5.75	6.72	5.66	5.66	5.74	6.51	Treasury
US	5.50	5.25	25.3.97	Fed Funds							
Japan	0.50	1.00	9.7.95	Discount	1.15	1.13	1.72	1.72	1.71	2.61	JGB
Canada	4.25	4.30	2.01.98	Call Loan	4.63	4.75	5.51	5.51	5.66	6.54	CGB

** Tied to Belgian Franc* — *SOURCE: Standard & Poor's MMS*

EUROPEAN CROSS RATES

6 JANUARY 1998	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	–	0.338	1.833	6.981	6.193	2.305	2.085	0.044	17.57	7.100	1.709	0.068	0.082	1.584	8.615	20.72	12.72	0.095	8.917	13.80
Belgium Franc	2.955	–	5.417	20.63	18.30	6.811	6.161	0.130	51.93	20.98	5.052	0.202	0.243	4.681	25.46	61.23	37.58	0.281	26.35	40.78
Denmark Krone	0.546	0.185	–	3.808	3.379	1.257	1.137	0.024	9.587	3.873	0.933	0.037	0.045	0.864	4.700	11.31	6.938	0.052	4.865	7.528
Germany Deutschmark	0.143	0.048	0.263	–	0.887	0.330	0.299	0.006	2.517	1.017	0.245	0.010	0.012	0.227	1.234	2.968	1.822	0.014	1.277	1.977
Netherlands Guilder	0.161	0.055	0.296	1.127	–	0.372	0.337	0.007	2.837	1.146	0.276	0.011	0.013	0.256	1.391	3.346	2.054	0.015	1.440	2.228
Finland Markka	0.434	0.147	0.795	3.029	2.687	–	0.905	0.019	7.624	3.080	0.742	0.030	0.036	0.687	3.738	8.990	5.518	0.041	3.869	5.987
France Franc	0.480	0.162	0.879	3.348	2.971	1.106	–	0.021	8.429	3.406	0.820	0.033	0.040	0.760	4.133	9.939	6.101	0.046	4.277	6.619
Greece Drachma	22.65	7.666	41.52	158.1	140.3	52.21	47.22	–	398.1	160.8	38.72	1.547	1.866	35.88	195.2	469.4	288.1	2.156	201.9	312.6
Ireland Punt	0.057	0.019	0.104	0.397	0.352	0.131	0.119	0.003	–	0.404	0.097	0.004	0.005	0.090	0.490	1.179	0.724	0.005	0.507	0.785
Italy Lira*	140.8	47.66	258.2	983.2	872.3	324.6	293.6	6.218	2475	–	240.8	9.619	11.60	223.1	1213	2918	1791	13.40	1256	1944
Norway Krone	0.585	0.198	1.072	4.084	3.623	1.348	1.220	0.026	10.28	4.153	–	0.040	0.048	0.927	5.040	12.12	7.440	0.056	5.216	8.072
Portugal Escudo	14.64	4.955	26.84	102.2	90.69	33.75	30.53	0.646	257.3	103.9	25.03	–	1.206	23.20	126.2	303.4	186.2	1.394	130.6	202.1
Spain Peseta	12.14	4.109	22.25	84.75	75.19	27.98	25.31	0.536	213.3	86.20	20.76	0.829	–	19.23	104.6	251.6	154.4	1.155	108.3	167.5
Sweden Krona	0.631	0.214	1.157	4.407	3.910	1.455	1.316	0.028	11.09	4.482	1.079	0.043	0.052	–	5.439	13.08	8.029	0.060	5.629	8.711
Switzerland Franc	0.116	0.039	0.213	0.810	0.719	0.268	0.242	0.005	2.040	0.824	0.198	0.008	0.010	0.184	–	2.405	1.476	0.011	1.035	1.602
UK Pound	0.048	0.016	0.088	0.337	0.299	0.111	0.101	0.002	0.848	0.343	0.083	0.003	0.004	0.076	0.416	–	0.614	0.005	0.430	0.666
US Dollar	0.079	0.027	0.144	0.549	0.487	0.181	0.164	0.003	1.382	0.558	0.134	0.005	0.006	0.125	0.677	1.629	–	0.007	0.701	1.085
Japan Yen	10.50	3.556	19.26	73.35	65.08	24.22	21.91	0.464	184.6	74.60	17.96	0.718	0.865	16.65	90.53	217.7	133.6	–	93.69	145.0
Canada Dollar	0.112	0.038	0.206	0.783	0.695	0.258	0.234	0.005	1.971	0.796	0.192	0.008	0.009	0.178	0.966	2.324	1.426	0.011	–	1.55
Europe Ecu	0.072	0.025	0.133	0.506	0.449	0.167	0.151	0.003	1.273	0.515	0.124	0.005	0.006	0.115	0.624	1.502	0.922	0.007	0.646	–

** Italian lira rates in the vertical column have been multiplied by 1,000 for clarity. Divide by 1,000 for actual figures.* — *SOURCE: BZW*

ECONOMIC DATA

COUNTRY	INDUSTRIAL OUTPUT*			INFLATION†			UNEMPLOYMENT††		
	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	Oct 1.1	1.0	n/a	Nov 4.5	4.5	4.0
Belgium	1.7[2]	1.9	0.7	Dec 1.1	1.4	2.5	Nov 13.1	13.4	13.5
Denmark	3.7[3]	2.4	2.3	Nov 2.1	2.2	2.4	Oct 7.6	7.7	8.3
Finland	6.0	6.2	3.84	Nov 1.9	1.7	0.7	Nov 13.2	13.1	15.9
France	2.2[3]	1.1	−0.4	Nov 1.3	1.0	1.6	Nov 12.4	12.5	12.7
Germany	2.4	2.9	1.9	Nov 1.9	1.8	1.4	Nov 11.8	11.8	10.8
Greece	2.0[1]	n/a	1.4	Nov 5.1	4.7	7.5	Oct 7.5	6.6	7.1
Ireland	7.8[2]	n/a	10.1[1]	Nov 1.6	1.2	n/a	Nov 9.9	10.1	11.0
Italy	2.1	1.9	0.7	Nov 1.6	1.6	2.6	11.7[3]	12.2[4]	11.7
Luxembourg	5.5[2]	3.8[1]	12.4	Nov 1.51	1.7	1.7	Aug 3.4	3.4	3.0
Netherlands	3.1[3]	2.1	3.1	Nov 2.5	2.3	2.3	Oct 5.3	5.6	6.6
Norway	2.3	4.6	3.2	Nov 2.3	2.1	1.8	Dec 2.6	2.5	4.1
Portugal	3.0[2]	2.3	2.0	Nov 2.1	1.8	3.0	6.5	6.5[3]	7.1
Spain	3.4	3.1	2.2	Nov 2.0	1.9	3.1	Nov 12.9	12.9	14.0
Sweden	2.7	2.5	0.8	Nov 1.8	1.8	−0.3	Nov 6.5	6.8	7.9
Switzerland	0.8	0.2	−0.7	Dec 0.4	0.4	0.8	Nov 4.9	4.8	5.1
Turkey	6.6	6.6	8.1	Nov 95.8	93.2	80.4	Oct 5.8[5]	6.3[6]	6.6
UK	3.9	3.5	2.3	Jun 2.9	2.6	2.1	Oct 5.2	5.2	7.2
US	3.9	3.4	1.0	Nov 1.8	2.1	3.3	Nov 4.6	4.7	5.3
Japan	1.0	0.1	3.1	Nov 2.1	2.5	0.5	Nov 3.5	3.5	3.3
Canada	4.2	3.9	1.8	Nov 0.9	1.5	2.0	Nov 9.0	9.1	10.0

*Gross domestic product year on year. † Annual per cent. †† Per cent of workforce. SOURCE: Standard & Poor's MMS
q^3 except where stated: 1=$q^4$95 2=$q^4$96 3=$q^2$97 4=$q^1$97 5=Oct96 6=Apr.96

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	Jun −0.8	5.7	484.2	May 14.8	15.3	10.4
Croatia	Jun 8.4	5.2	−0.7	Jun 0.2	0.4	3.4	Apr 23.1	23.2	21.0
Czech Rep	May −1.0	6.3	4.3	Jun 1.2	0.1	6.8	May 4.0	3.8	2.8
Estonia	Apr 20.3	10.3	n/a	Jun 1.9	2.0	10.8	Apr 4.5	4.5	4.7
Hungary	May 1.7	11.4	−3.1	Jun 1.7	1.3	18.7	Jun 10.3	10.6	10.6
Latvia	Apr 9.5	1.1	9.2	Apr 0.7	0.4	8.8	Apr 7.6	7.5	7.1
Lithuania	Apr 7.6	−10.1	−1.4	Apr 0.3	0.1	7.3	Apr 5.9	6.2	8.0
Poland	Jun 19.9	6.6	2.4	Jun 1.5	0.6	15.3	Jun 11.6	11.7	14.3
Romania	May −10.0	−4.0	10.7	Jun 2.3	4.3	176.0	May 6.8	7.0	7.7
Slovakia	May 0.6	9.0	−0.3	Jun 0.3	0.1	6.2	May 12.3	13.0	11.9
Slovenia	Apr 4.3	−1.3	11.5	Jun 0.4	1.3	8.8	Mar 14.4	14.0	14.4
Russia	May 0.2	0.6	−5.7	Jun 1.1	0.9	14.5	Apr 9.6	9.6	8.9
Ukraine	Jan −8.2	−5.3	n/a	Apr 0.8	0.1	17.7	Mar 2.1	2.0	0.9

**Change over same month of previous year in per cent. † Month-to-month change in per cent. †† Rate in per cent. SOURCE: PlanEcon*

EAST EUROPEAN CURRENCIES

COUNTRY	US$	DM	UK£	Ffr	Ecu
Albania Lek	149.0	81.8	242.7	24.4	161.658
Belarus Rouble	42600.0	23381.8	69402.9	6982.9	46218.87
Bulgaria Lev	1819.0	998.4	2963.5	298.2	1973.524
Croatia Kuna	6.4	3.5	10.4	1.1	6.950
Czech Rep Koruna	35.8	19.7	58.4	5.9	38.861
Estonia Kroon	14.6	8.0	23.8	2.4	15.823
Hungary Forint	206.0	113.1	335.6	33.8	223.5
Latvia Lat	0.6	0.3	1.0	0.097	0.7
Lithuania Litas	4.0	2.2	6.5	0.656	4.3
Macedonia Denar	55.8	30.6	90.9	9.142	60.5
Moldova Leu	4.7	2.6	7.6	0.767	5.1
Poland Zloty	3.5	1.9	5.8	0.580	3.8
Russia Rouble	5996.0	3291.0	9768.5	982.85	6505.4
Romania Leu	8212.5	4507.6	13379.6	1346.18	8910.2
Slovakia Koruna	34.9	19.1	56.8	5.717	37.8
Slovenia Tolar	171.8	94.3	279.9	28.165	186.4
Ukraine Hryvna	1.9	1.1	3.2	0.318	2.1
Yugoslavia New Dinar	4.9	2.7	7.9	0.795	5.3

SOURCE: BZW

UNITED ARAB EMIRATES

Facts & Figures

Area: 83,600 km²
Population: 2,855,000
Capital: Abu Dhabi
Subdivisions: 7 emirates
Languages: Arabic, Farsi, English, Hindi, Urdu
Memberships: AL, OPEC, UN

Economic Summary

GDP: $63,800,000,000
Per Capita: $24,633
Monetary unit: Dirham
Trade partners: Japan, France, U.K., U.S.
Exports: Petroleum, natural gas, dried fish, dates
Imports: Food, manufactures, machinery

A DIVERSIFIED AND PROSPEROUS ECONOMY

On December 2nd, 1971, seven undeveloped Arab sheikhdoms, Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Qaiwain merged to become the United Arab Emirates. In the following decades, oil wealth transformed the country into a modern and affluent state. The majority of the population lives in Abu Dhabi, which is the largest of the seven emirates and also the country's capital city. Ruler of Abu Dhabi Emirate, His Highness Sheikh Zayed Bin Sultan Al Nahyan, is also the U.A.E. President. He maintains that "the real wealth of the country lies not in its financial resources, but in its people", and it was his wisdom and ability to lead and involve all his people that has allowed the U.A.E. to achieve so much.

Industrial diversification has become a cornerstone of economic policy. That policy has succeeded remarkably. The industrial base has been broadened, while private sector activity is at an all-time high. The U.A.E.'s open economy means that imports are almost without restriction. Oil income plus a growing manufacturing sector, including vigorous free zone activity, help maintain a healthy balance of trade. Exports of non-oil products have grown threefold since 1980. The atmosphere of free trade encourages foreign investment and participation in all manner of enterprises from heavy industry to re-exports and transit trade.

Of course, while overall U.A.E. economic policy is aimed at diversification, not all emirates are the same. To a large extent, one could talk more accurately of seven different economies. Abu Dhabi, owning the bulk of U.A.E. oil reserves, obtains much more income from oil than the others and has only recently moved seriously towards diversification. The smaller northern emirates (Umm al-Qaiwain, Ras-al-Khaimah, Ajman and Fujairah) by necessity adopted policies of investing in infrastructure to attract industry much earlier in their history.

According to the Ruler of Sharjah, H.H. Dr Sheikh Sultan Bin Mohammed Al Qassimi, Sharjah, with two free zones (Al Hamriyah and the Airport) and an unusually liberal policy of zero rated corporate and personal taxes allowing foreign ownership of land and full repatriation of profit and capital, has managed to attract almost half of industry in the U.A.E. Much of this was admittedly concentrated in the garment industry, but recent new industries have been more high-tech.

Another success story is that of Dubai, the booming business centre of the Middle East in the north-eastern part of the U.A.E. Dubai has made spectacular progress in the field of trade, transport and tourism.

President of the UAE, Sheikh Zayed Bin Sultan Al Nahyan, with at his left Vice president, Prime Minister and Ruler of Dubai, Sheikh Maktoum Bin Rashid Al Maktoum and at his right Crown Prince of Abu Dhabi, Sheih Khalifa Bin Zayed Al Nahyan.

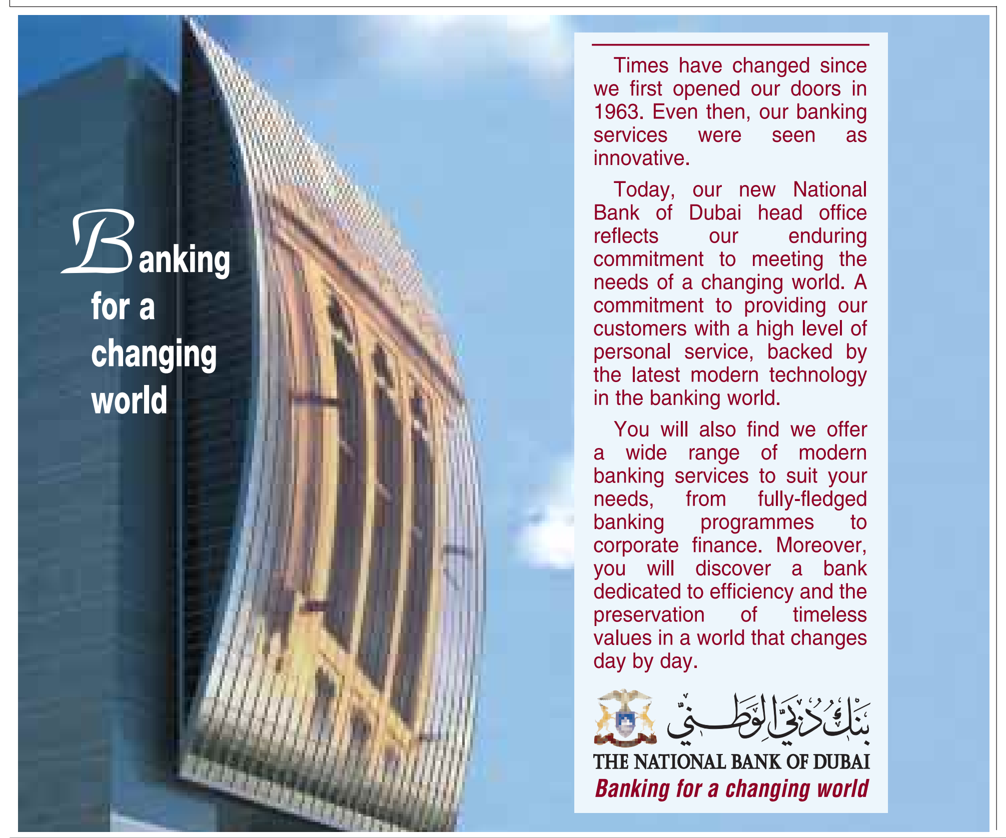
Sheikh Maktoum Bin Rashid Al Maktoum, Prime Minister of the U.A.E. and ruler of Dubai, announces: "Diversification is already well under way in Dubai. Dubai's dependence on the oil sector has been significantly reduced. The share of non-oil sectors in total GDP increased from 53% in 1975 to about 80% in 1994. Building on its long history of trading, it used its oil revenue to establish an infrastructure for a free zone and to build up its ports. Much of the future growth of the region depends on the establishment of trade agreements between the EU and the GCC states, which will help expand markets for U.A.E. exports and re-exports."

FINANCE

Central Bank

For a population of two million, the number of banks (almost 50) in the U.A.E. is surprisingly high. It is tempting to conclude that the country is over-banked. However, as the governor of the Central Bank, H.E. Sultan Bin Nasser Al Suwaidi, points out: "The profitability of all banks and the queue of foreign banks keen to establish branches in the U.A.E. indicate otherwise." The U.A.E. is in many ways ideally poised to build upon its strength as a regional trading hub by becoming the region's financial centre. For this trend to continue, a greater opening up of the market is required, with a structure for the offshore banking sector and a financial exchange.

The U.A.E. does not yet have an official stock exchange. Governor Al Suwaidi attributes this delay to "the need to establish appropriate rules and regulations, the need for a strong independent governing body and the extent to which foreign ownership will be allowed". Planned for 1998, it is anticipated that the stock exchange will accelerate the development of the financial sector. The recent oversubscribed public offerings indicate that there is much liquidity in the U.A.E. searching for a promising investment opportunity.



National Bank of Dubai

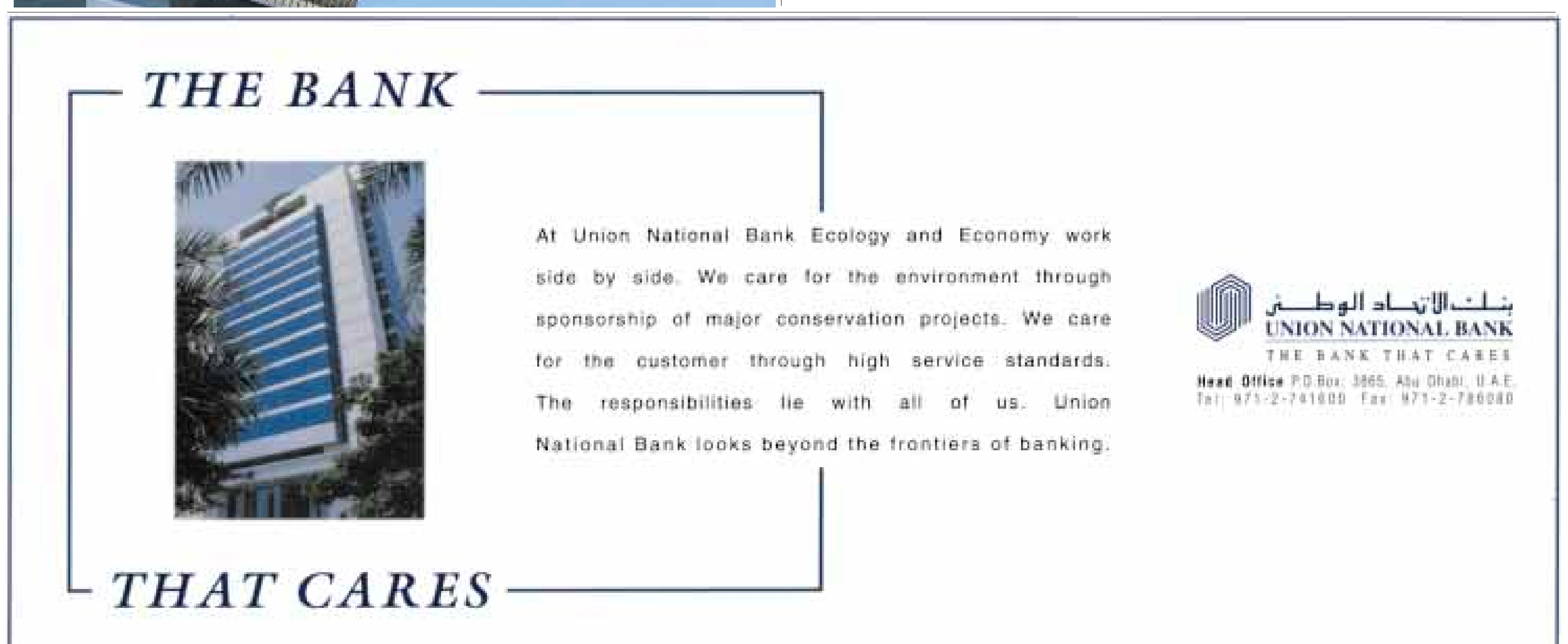
National Bank of Dubai (NBD) was established in 1963, the first local bank in the U.A.E. and the third bank in the entire Gulf region. Set up to contribute to the development of Dubai and the U.A.E., NBD has many reasons to be proud of its record. At the time, Dubai was just a small trading centre, but a look at the skyline today reveals the rate of growth since then. National Bank of Dubai has also grown remarkably. Today, NBD is the strongest bank in the U.A.E. Standard & Poor's international credit rating agency has recently assigned the bank an "A" rating. This rating, higher than that of any other U.A.E. bank, was attributed to its superior asset quality and exceptionally high capitalisation. With more than 22 billion dirham assets, the bank's capital adequacy was over 60% at the end of 1996, far in excess of the Basle Accord and U.A.E. Central Bank minimum requirements.

As a national bank, NBD is not a niche player but instead tries to provide a comprehensive broad service – and is in many ways 'all things to all men'. Trading is, of course, a major part of the bank's business, since Dubai is an international entrepôt of increasing renown. As part of its support for the development of Dubai, NBD has also been involved in all government projects. NBD's focus on providing a service is reflected in NBD's network of 24 branches across the U.A.E., its two branches in London and its branch in Jersey. While most of its corporate clients are local companies such as DUBAL (Dubai Aluminium), Emirates airline or government bodies, NBD also has a strong appeal to international companies. Many of the international companies who have established operations in Dubai use both NBD and a foreign bank.

Mr Abdulla Mohamed Saleh, managing director of NBD, says: "There once was an identifiable difference in technology, performance and professionalism between the new local and more experienced foreign banks. But this difference has disappeared and today some local banks such as NBD are much more professionally managed and successful than most foreign banks. In addition to their more extensive branch network within the U.A.E., these banks have also invested heavily in technology."

Dubai has much to offer as a business location. The far-sighted vision of its leaders and their investment in infrastructure is bearing fruit. With its extensive air and sea links and its excellent infrastructure, Dubai has built on its traditional role as an entrepôt and comprises a major hub for trade and re-export to the Gulf countries, the Indian subcontinent, East and North Africa and the CIS states. In addition, it has diversified its economy and today tourism, services and manufacturing figure prominently in Dubai's income. The quality of life, range of facilities such as schools, golf, restaurants and communication, the relaxed atmosphere and attitude are also important considerations for the business community. Looking ahead, important considerations for the U.A.E. economy are the future opening of the Iran and Iraq markets and the establishment of a trade agreement between the EU and GCC trading blocs. One thing is certain: Dubai has always successfully adjusted to market conditions and will continue to do so in the future.

Mr Saleh offers the following advice to companies who are considering Dubai as a business location: "Spend some time here (not just two days with a briefcase). The banking sector in the U.A.E. is quite healthy overall but, just as when choosing a business partner, one should be selective in deciding upon a bank." With its security and its strong knowledge of the local market and business environment, its laws, customs and people, National Bank of Dubai is probably the best bank in Dubai to give advice, and is a bank to be seriously considered as a partner.



Bank of Sharjah

Dr Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah, Honorary Chairman of the Bank of Sharjah

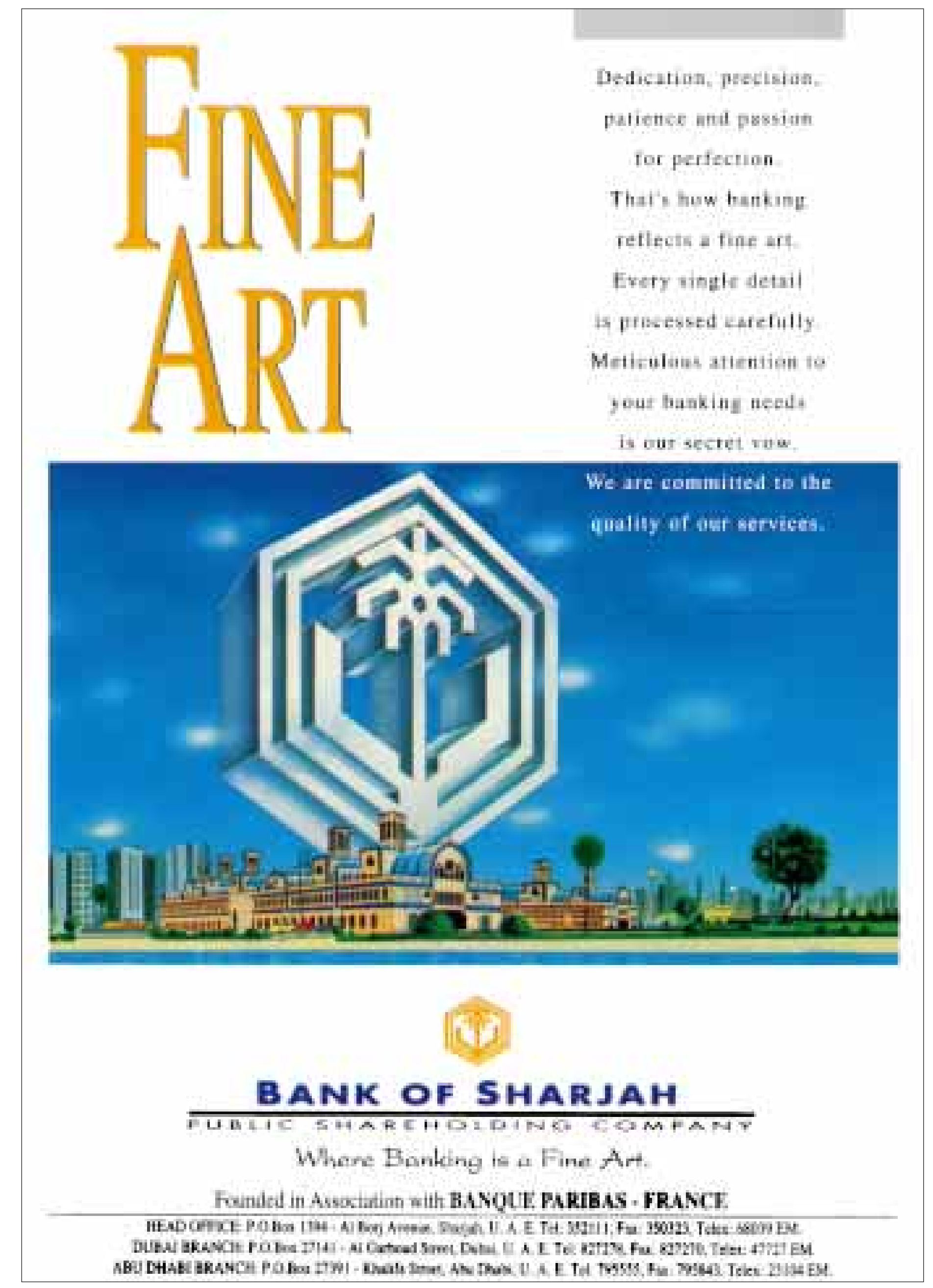
Bank of Sharjah was founded in 1972 by the government of Sharjah, Banque Paribas and Mr Mubarak Al Hassiwi, a Kuwaiti businessman. The bank was the first in the U.A.E. to offer shares to the public, with a 40% public offering. Banque Paribas plays a leading role in the management of the Bank of Sharjah, with an appointee on the four-man executive committee. While many other banks experienced tremendous growth during economic booms, Banque Paribas' caution prevented the bank from participating in the speculation in gold, silver or real estate, focusing instead on the industrial, trade, utility and petroleum sectors. This approach hindered the bank's growth compared to other banks unfettered by caution. But it was proved right during later downturns when other banks suffered heavily while Bank of Sharjah remained immune to crisis. Bank of Sharjah retains this caution today. It is reluctant to engage in the aggressive marketing of personal loans and credit facilities. In its field of activities, its banking knowledge is backed up by strong technical expertise, e.g. of industry or petroleum. As Mr Varouj Nerguizian, general manager of Bank of Sharjah, says: "This knowledge of a client's business, combined with Bank of Sharjah's local expertise, makes the bank an ideal choice of partner for any company considering the U.A.E. as a manufacturing or redistribution location." Sharjah's development has been interesting. With little oil reserves, the government saw a future in industrialisation. It established free zones, invested in infrastructure and utilities, streamlined the process of establishing a base in Sharjah and allowed land ownership by foreign companies (the only place in the Middle East to allow this).

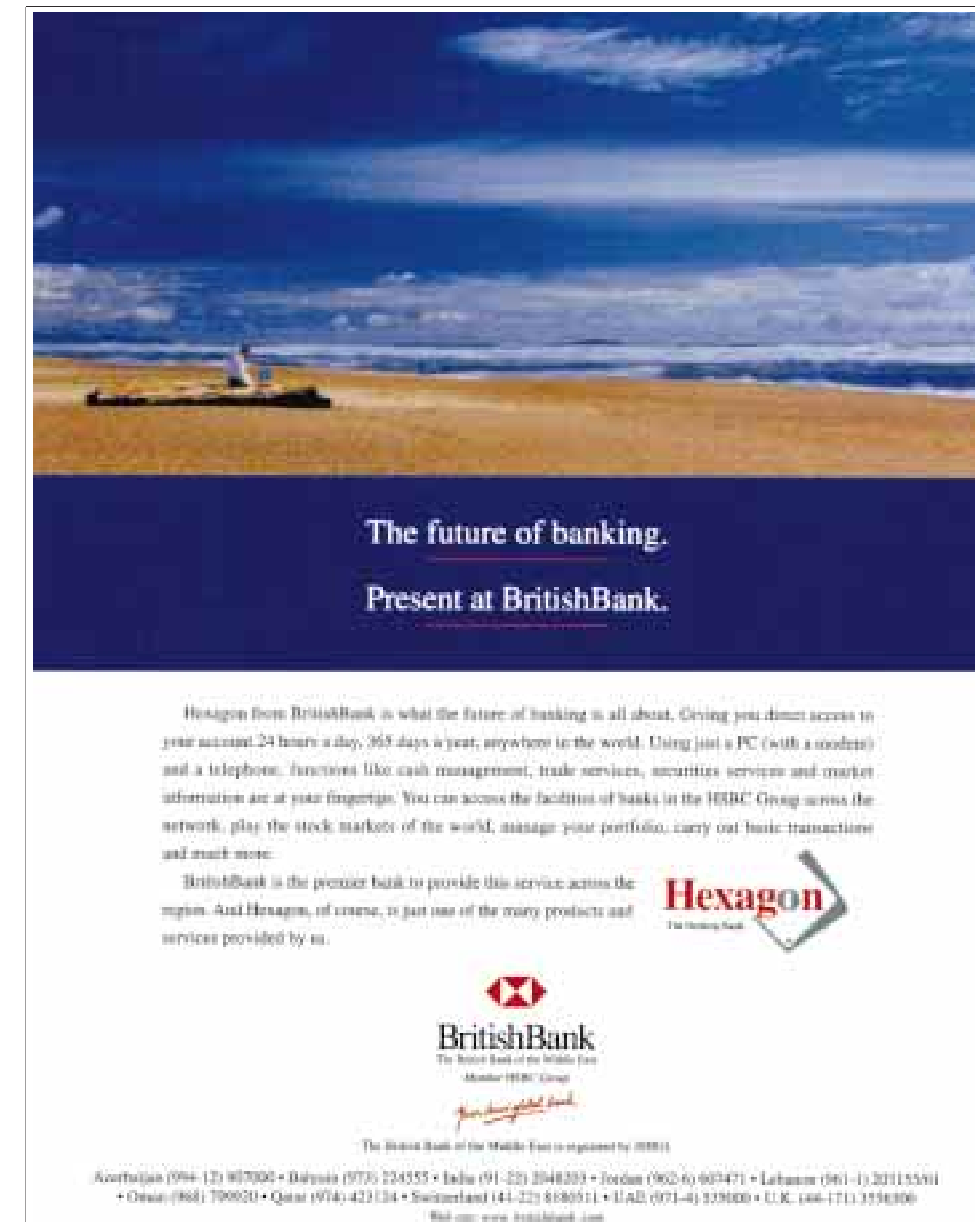
These policies, combined with the quality of life in Sharjah, have attracted most of the private investment in industry. Today, Sharjah is home to almost half of the total industry in the U.A.E. Bank of Sharjah sees banking as a fine art – and strives for perfection. A worthy aim in itself, this approach also brings benefits, as a look at Bank of Sharjah's financial performance testifies. The bank has also recently expanded its operations, opening a new branch in Dubai. For any company considering investing in Sharjah or indeed anywhere in the U.A.E., the Bank of Sharjah can provide a comprehensive range of support and banking facilities. With its in-depth knowledge of industry and the local environment, it can offer advice to a company, help to choose a local partner and help in creating a joint-venture company. In a number of cases in the past, Bank of Sharjah has supported industrial development by taking an equity stake as a minority partner. It can provide all trading facilities such as letters of credit, etc. and all commercial banking facilities needed by a company.

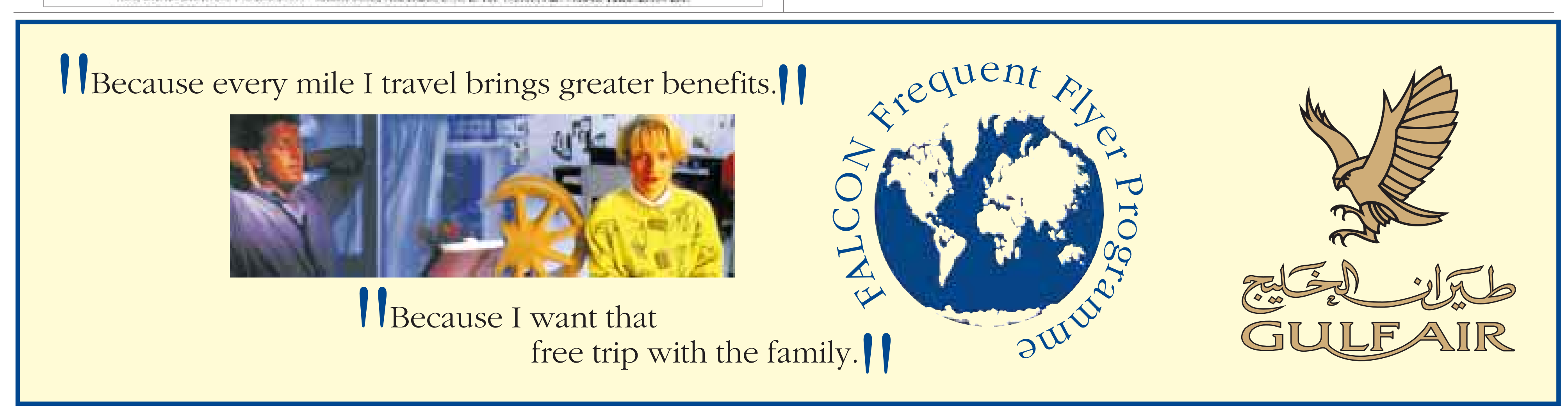
Union National Bank

Union National Bank, since the demise of its 40% owner BCCI in 1991, has completely shaken off the shadow of its past. Initially saddled with a sizeable illiquid receivable from BCCI Group liquidators, BCCI operated with very thin profit margins for several years. Keenly aware of the need to build the bank's reputation, the new management team led by Mr Anwar Qayum Sher, the acting chief executive, rewrote the bank's credit policies, adopting a conservative, risk-averse operating philosophy. With advice from consultants on various issues, they implemented a strong set of controls. As a result, profitability has greatly improved in the last few years and UNB is a new banking institution with a strong reputation and a healthy balance sheet. According to Mr Nahayan Bin Mabarak Al Nahayan, the chairman, "the bank's capital adequacy in 1996 of 12.6% signifies the strength of the bank and its prudent management of its credit portfolio and liability management." Capital Intelligence has recently upgraded the bank's rating to A-long-term and Bank Watch has assigned a Senior Debt rating of 'A-'. UNB's corporate strengths are primarily in trade and contractor finance. Many of its commercial clients are medium to large private sector companies to whom it offers a broad range of services. UNB is also diversifying its product range. Mr Sher says: "UNB focuses on relationships, instead of merely offering transactions." In addition to its strength in commercial banking, its network of 19 domestic branches and many ATM links makes it a significant player in retail banking. UNB is also playing an active role in the development of the local share capital market. Through its Union Securities Dept., it has successfully handled the public share offering of a private insurance company. It plans to introduce funds in 1998. UNB is the only U.A.E. bank to have developed a system for the electronic delivery and settlement of local shares – and in the interests of the development of the equity market in the U.A.E. Initially, technology was an important tool for implementing the stricter credit controls and a more efficient management. Since then, UNB has become a pioneer in the use and development of technology in banking. UNB was the first Abu Dhabi bank to be connected to the SWIFT network and to introduce an electronic delivery, custody and settlement system for local shares. UNB also has an interactive Internet banking site. With Arthur Andersen, Oracle and NCR, UNB is developing its Banking Vision MIS software which will be implemented in 1998. This exciting development is unique in the world. Using imaginative business process re-engineering, it will match customer requirements (such as providing one global account number). This software package, on an open platform, will also be offered to other banks for purchase next year.

With a young population, an excellent infrastructure, a growing economy, and leaders who consistently demonstrate vision in the development of their country, the U.A.E. is increasingly the chosen location for companies expanding internationally. Mr Sher gives companies considering the U.A.E. as a business location the advice to carry out a domestic feasibility study, seek a good partner and speak to a bank. Given its technological sophistication, its stability and its local knowledge, Union National Bank should be one of the first ports of call.







SPECIAL PROMOTIONAL FEATURE

ABU DHABI COMMERCIAL BANK

Abu Dhabi, the capital of the United Arab Emirates, has been blessed by oil and good leaders. Although the U.A.E. enjoys the status of a key global source of oil, its government has also devoted much attention to reducing its heavy dependence on oil by diversifying the economy. Privatisation of industries, the opening of a formal stock exchange and the establishment of an industrial free zone are just some of the activities which will help broaden Abu Dhabi's income base. Abu Dhabi Commercial Bank was incorporated in 1985 with a strong capital base. According to Mr Khalifa Mohammed Hassan, chief executive officer, "Abu Dhabi Commercial Bank has been strongly linked with the development of Abu Dhabi. As an important manager of Abu Dhabi's oil revenues, it has a large deposit base."

With the rise of the U.A.E. as an important regional trading hub, Abu Dhabi Commercial Bank has expanded its activities overseas – establishing two branches in India. With 32 branches throughout the country, Abu Dhabi Commercial Bank is one of the largest retail banks in the U.A.E. Its treasury division provides the highest standards of personal banking services – and is currently opening an offshore branch in the Cayman Islands.

In the commercial banking sector, Abu Dhabi Commercial Bank is a leader in U.A.E. banking. With an emphasis on providing quality financial services and a professional approach, Abu Dhabi Commercial Bank is associated with a wide range of client companies of all sizes. It has played an important role in the development of commercial activity by its services to the business community. It has supported infrastructure projects of strategic importance to the country, participating in both primary and secondary market syndications. ADCB has had an enviable financial performance. With market penetration, it raised its revenues by 16% in 1996. This rise in revenue coincided with a control of expenses, so that the bank's profit rose by 21%. Abu Dhabi Commercial Bank has invested in maintaining its edge in information and technology and shows no sign of a let-up in its performance.

ADCB has built an extensive network within the personal and commercial communities. According to Mr Hassan, "With its experience of the local market, its local business contacts and its technological edge, Abu Dhabi Commercial Bank is the ideal choice of banking partner for any European company seriously considering the U.A.E. as a centre of operations."

A ROLE MODEL FOR DIVERSIFICATION:

THE KANOO GROUP

With a government which welcomes foreign investment, a superb, infrastructure with modern roads, inexpensive utilities, a world-class telecommunications system, and regular air and sea links through its excellent ports and airports to the regional market of more than one billion people, the U.A.E. is a business location which companies can ill-afford to ignore. However, apart from its free zones, where 100% foreign ownership is possible, a foreign company wishing to establish itself in the U.A.E. must have a local company or individual as a partner. One such potential partner is The Kanoo Group.

Kanoo is one of those companies which have helped develop business in the Middle East. Mr Yusuf Bin Ahmed Kanoo initially invested money for pearl divers on a non-interest basis in Bahrain in 1890. In the 1920s, he became the agent for B.A. Tobacco in Bahrain. He later moved into shipping – first of tobacco, then of general cargo. Later, he followed this up with air cargo, providing refuelling facilities for Imperial Airways. The company branched out yet again, with a move into tourism, becoming the first IATA agency in the Gulf in 1947. Each generation of the Kanoo family has subsequently expanded the business into new activities and new markets. As the economy of the Middle East grew, Kanoo Group became active in real estate, supply of construction machinery, oil and petrochemical industry supplies, chemical sales, consumer products and procurement services etc.

Diversification has been, and continues to be, one of the key elements underlying Kanoo´s successful growth. From its shipping, merchant trading, property and travel base, the company has branched out into machinery sales and service, general trading, oilfield supplies and services, chemicals, procurement services, insurance, business services and joint venture associations with many of the world´s leading companies in manufacturing, construction, retail and industry. Today, they are the leading shipping and tanker agency in the GCC, the top travel agent in the region, and a leading supplier in Saudi Arabia of products and services at all stages of oil production.

The Kanoo Group joint venture division is managed by experienced specialists who are constantly searching for new diversified opportunities with foreign partners. Through its joint venture companies, with offices throughout the Gulf, The Kanoo Group provides the technology, skills and service required to meet the demands of existing industries and new developments. The customer service Kanoo offers is renowned throughout the region and is the hallmark of a company which has gained an enviable reputation for its dependability and quality of service for more than a century.

BRITISHBANK

Founded over a century ago, BritishBank was a pioneer of modern banking in the Arabian Gulf states. For decades, it was the only bank committed to supporting the region, being the only bank in Kuwait from 1942 to 1952, in Dubai from 1946 to 1963 and in Oman from 1948 to 1968. As the sole provider of banking services to the government, commerce, industry and private individuals, BritishBank has made a significant contribution to the development of the region. Some of its most notable projects in Dubai include the dredging of Dubai Creek in the 1950s, a project which was crucial to allow Dubai maintain its importance as a trading centre. BritishBank's contribution has been more than just project financing. Mr Aman Mehta, deputy chairman of BritishBank, explains: "BritishBank trained a generation of young professionals, introducing them to the managerial skills which, at an earlier stage, the Middle East lacked. Indeed, today, several of the leading names in commerce in the U.A.E. developed their business skills working with BritishBank."

This contribution has brought its rewards: by serving the needs of its customers, the bank has grown with the region. Today, with 30 branches across the region, BritishBank is the largest, most widely represented international bank in the Middle East. This extensive regional coverage is enhanced by its fellow HSBC Group associates: The Saudi British Bank and Egyptian British Bank. In addition to its Middle Eastern network, the bank has branches in Mumbai and Trivandrum in India and Baku, Azerbaijan, as well as private banking operations in London and Geneva. But as Mr Mehta points out: "BritishBank cannot rely on the past to stay ahead of the competition. There are now 45 banks, both local and foreign, many with the ability to satisfy customer demands. Competition is extremely tough, especially in the retail sector. Many local banks are increasingly well managed and use modern technology. They may also operate many more local branches than BritishBank, which is limited to eight in the U.A.E. For BritishBank, this presents the challenge of how to grow the business whilst remaining static in terms of distribution." Technology provides one solution to this problem. Mr Mehta illustrates: "By focusing on ways to satisfy customer needs without the physical presence of a branch, BritishBank can continue to grow with the economy. BritishBank is a leader in providing remote, telephone, and automated banking and information services which offer our customers convenient access to their accounts without the need to visit their branch."

The increase in the number of banks in the U.A.E. has led to specialisation, with some banks focusing exclusively on certain sectors of the market. This is definitely not BritishBank's strategy. Mr Mehta explains: "BritishBank has too many capabilities and strengths to be here only as a niche player. We offer a broad range of services, personal, corporate and private, and were first in the U.A.E. to offer a dedicated and locally based investment banking unit." In 1959, BritishBank became a member of the HSBC Group, which with the acquisition of Midland Bank in the UK in 1992 became one of the world's leading banking and financial services organisations. The HSBC Group has more than 5,500 offices in 79 countries and territories, and assets of £ 275 billion (as at 30 June 1997). Mr Mehta mentions the benefits to BritishBank's customers of being part of such a strongly capitalised, international group: "First of all, there's the geographical benefit – HSBC/BritishBank's products and services are recognised globally. This is especially important to customers seeking trade services and other cross-border transactions who can effectively do business with the same bank at both ends. BritishBank is the only bank which can offer regional account management to companies operating throughout the Middle East. A second advantage is the bank's international computer network. With the HSBC Group's desk-top financial services system, Hexagon, customers can have access to information about their accounts or the markets etc. from almost anywhere. HSBC's GlobalAccess network gives cardholders access to more than 300,000 ATMs in more than 100 countries. Last but not least, BritishBank can access a broad range of specialised skills to provide solutions to our customers, almost whatever their needs. In short, BritishBank provides its customers with a window to the world."

This last point was perfectly illustrated by BritishBank's recent establishment of an investment banking unit in the U.A.E. Mr Mukhtar Hussain, chief executive officer of HSBC Financial Services (Middle East) Ltd., recounts the founding of the company: "When we started our operation three years ago, we were able to employ skilled professionals from within the HSBC Group who had gained relevant experience in other markets. Investment banking is relatively new to the U.A.E. However, there is a huge demand within the U.A.E. for investment opportunities. With the establishment of the stock exchange, expected in 1998, the sophistication of financial products offered will increase. BritishBank and the HSBC Group will be at the forefront of this development, with the introduction of innovative new products and services to the regional market pioneered here in Dubai."

Mr Mehta urges European companies to consider business in the Middle East. "European companies with know-how are very important to this region. Most countries have a very strong infrastructure but each country in this region has its own selling points. For example, Sharjah allows 100% ownership of land and Dubai has become the largest import/export trade centre in the Middle East."

For companies interested in setting up or investing in the region, BritishBank provides a full range of banking services. With experience and a historical presence unrivalled by any other bank, it can provide invaluable advice on the local market. Mr Colin Neathercoat, manager of public affairs, adds: "BritishBank also produces a series of business publications which give useful information on the government, economy, business environment and facilities of countries in the region. Updated regularly, these profiles are an invaluable guide to BritishBank customers and an excellent point of reference for anyone planning 'to set up' and invest in the region." BritishBank has an extraordinary track record of banking in the Middle East. Coupled with its membership of the HSBC Group, the most strongly capitalised bank in the world, BritishBank, with its policy of constant innovation and widespread use of technology and years of experience of local traditions and cultures, is unique in the region. Employing more nationals than any of the international banks in the U.A.E., BritishBank is truly a local, global bank.

AVIATION: GULF AIR

Gulf Air is the national airline of Abu Dhabi, Bahrain, Oman and Qatar. With over 47 years' experience, today Gulf Air is a major international airline operating the most comprehensive international network in the region, complemented by an unrivalled regional network.

Gulf Air operates a modern fleet, including the ultra-longhaul state-of-the art Airbus A340. The fleet is configured to afford Gulf Air passengers the highest level of comfort. Gulf Air's investment in technology allows it to provide a range of services, all geared to make travel as enjoyable as possible. Golden Falcon, Gulf Air's award-winning inflight service, reflects the Arabian hospitality which sets Gulf Air apart from other airlines. Enhanced ground services ensure that a passenger feels this welcome difference from the first contact with the airline.

More information on Gulf Air can be found on the airline's homepage on the Internet at http://www.gulfairco.com/

NEIGHBOURING COUNTRY TO THE EAST, OMAN

Bordering the UAE to the east is the Sultanate of Oman. While it is possible to visit Oman on a day trip from Dubai, this does not allow enough time to discover this beautiful and enchanting country. Time is very well spent in its capital city, Muscat.

GATEWAY TO THE GULF, ORIGINAL OMAN

The Hyatt Regency Muscat is a dream come true. After five years of development this hotel of extraordinary beauty has finally opened its doors. The building blends the rich architectural heritage of Arabia with local Omani colours, shapes and ornaments. This interesting approach has resulted in a thousand-and-one-night fairy tale palace surmounted with a dome that takes you straight into the endless blue skies of Muscat.

We hope that Hyatt Regency Muscat will form your gateway to the Gulf and original Oman for many years to come.

MARKETS EUROPEAN 500

THE EUROPEAN 500

The European 500 is a listing of Europe's top 500 companies measured by market capitalisation. Our main index, the IndEUR 250, is a pan-European benchmark index of 250 listed companies in the EU and Efta, weighted by 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. Sector yields represent the average yield of companies in the sector.

Banks ▲ 2.0% Yield 2.11%

Company	Country	Price	Change	%change	Yield
Abbey National	UK	£ 11.40	+0.25	+2.2%	2.81
ABN-Amro Holdings	Netherlands	Nfl 39.80	+0	+0.0%	2.79
Alliance & Leicester	UK	£ 8.28	+0.28	+3.5%	
Allied Irish Banks	Ireland	Ir£ 6.25	+0.39	+6.7%	
Alpha Credit Bank	Greece	Dr 16550	+90	+0.5%	4.50
Argentaria	Spain	Pts 9770	+290	+3.1%	3.11
Banca Commerciale Italiana	Italy	L 6588	+318	+5.1%	2.64
Banca di Roma	Italy	L 1859	+30	+1.6%	1.38
Bancaire (Cie)	France	Fr 952	−22	−2.3%	0.98
Banco Bilbao Vizcaya	Spain	Pts 5110	+110	+2.2%	1.67
Banco Central Hispano	Spain	Pts 4035	+60	+1.5%	1.51
Banco Com Portugues	Portugal	Esc 3855	+15	+0.4%	1.81
Banco de Santander	Spain	Pts 5280	+130	+2.5%	2.21
Banco Esprito Santo	Portugal	Esc 5707	+109	+1.9%	2.32
Banco Popular Espanol	Spain	Pts 11560	+260	+2.3%	2.50
Banesto	Spain	Pts 1585	+40	+2.6%	
Bank Austria	Austria	Sch 659	+20	+3.1%	1.88
Banco Intercon Esp	Spain	Pfs 9190	+210	+2.3%	2.42
Bank of Ireland	Ireland	Ir£ 9.79	+0.40	+4.3%	
Bank of Scotland	UK	£ 5.90	+0.26	+4.7%	1.79
Banco Ambros Veneto	Italy	L 7694	+696	+9.9%	2.29
Banco Port De Invest	Portugal	Esc 4750	+115	+2.5%	1.78
Bankgesellschaft Berlin	Germany	Dm 40.70	+0.15	+0.4%	0.23
Barclays Bank	UK	£ 16.80	+0.59	+3.6%	2.38
Bayerische Hypobank	Germany	Dm 87.80	+2.10	+2.5%	0.17
Bayerische Veriensbank	Germany	Dm 116	+2.50	+2.2%	0.14
BBL	Belgium	Fr 10700	+450	+4.4%	1.80
BHF Bank	Germany	Dm 495	+20	+4.2%	2.40
BNP	France	Fr 52.75	+0.25	+0.5%	0.27
Bque Gén Luxembourg	Luxembourg	329	+4	+1.2%	1.69
CCF	France	Fr 68400	+350	+0.5%	1.52
Cetelem	France	Fr 408.50	−6	−1.4%	1.39
Christiania Bank	Norway	Kr 833	+18	+2.2%	1.22
Copeba (Cie Belge)	Belgium	Fr 30.70	−0.10	−0.3%	5
Commerzbank	Germany	Dm 1710	+40	+2.4%	3.82
Creditanstalt	Austria	Sch 72.05	+0.10	+0.1%	0.18
Credito Italiano	Italy	L 702	+0.90	+0.1%	1.71
CS Holding	Switzerland	Fr 6014	+319	+5.6%	1.06
Den Danske Bank	Denmark	Kr 231.50	+5.50	+2.4%	1.72
Den Norske Bank	Norway	Kr 950	+15	+1.6%	1.66
Deutsche Bank	Germany	Dm 36.50	+0.70	+2.0%	4.78
Deutsche Pfandbrief	Germany	Dm 126	−1.45	−1.1%	0.14
Dexia	**Belgiu**	**Fr** 114	+5.90	+5.5%	1.28
Dresdner Bank	Germany	Dm 5090	+115	+2.3%	1.71
Generale Banque	Belgium	Fr 86.50	+3.50	+4.2%	0.18
Halifax	UK	£ 16975	+375	+2.3%	2.32
HSBC	UK	£ 7.77	+0.17	+2.2%	
IKB Deutsche Industrieban	Germany	Dm 15.82	−0.08	−0.5%	3.25
IMI	Italy	L 35.50	+1	+2.9%	0.37
Kredietbank	Belgium	Fr 37088	+788	+2.2%	1.66
LloydsTsb Group	UK	£ 16075	+150	+0.9%	1.64
Mediobanca	Italy	L 7.76	−0.15	−1.9%	2.04
Merck	Germany	Dm 15034	+684	+4.8%	1.40
Merita	Finland	Mk 29.50	−0.10	−0.3%	0.68
National Westminster	UK	£ 10.85	+0.55	+5.3%	3.39
Natl BK Pf Greece	Greece	Dr 25250	+430	+1.7%	4.23
Nordbanken HLDG	Sweden	Kr 45.90	+1	+2.2%	
Northern Rock	UK	£ 6.17	+0.21	+3.5%	
Paribas	France	Fr 557	+26	+4.9%	2.38
Rolo Banca	Italy	L 26635	+745	+2.9%	1.84
Royal Bank of Scotland	UK	£ 8.02	+0.13	+1.6%	3.34
San Paolo Torino	Italy	L 18363	+963	+5.5%	1.61
SBC	Switzerland	Fr 469	+15	+3.3%	3.59
Schroders	UK	£ 19.70	+0.20	+1.0%	1.27
Skand Enskilda BKN 'A'	Sweden	Kr 101	+0	+0.0%	2.72
Société Générale	France	Fr 849	+26	+3.2%	2.06
Standard Chartered	UK	£ 6.56	−0.03	−0.5%	2.77
Suez (Cie de)	France	Fr 16.10	−0.15	−0.9%	7.45
Svenska Handelsbank	Sweden	Kr 280	+6	+2.2%	1.83
UBS	Switzerland	Fr 2190	+78	+3.7%	1.49
Unidanmark 'A'	Denmark	Kr 534	+19	+3.7%	1.89
Woolwich	UK	£ 3.38	+0.20	+6.3%	
Worms & CIE	France	Fr 450	+15	+3.4%	4.83

Chemicals ▲ 0.8% Yield 2.27%

Company	Country	Price	Change	%change	Yield
AGA A	Sweden	Kr 114	+3	+2.7%	2.43
Air Liquide	France	Fr 950	+5	+0.5%	1.47
Akzo	Netherlands	Nfl 349.80	−4.10	−1.2%	2.40
Allied Colloids	**UK**	**£** 1.71	+0.05	+3.0%	2.33
BASF	Germany	Dm 66.65	+0.75	+1.1%	0.25
Bayer	Germany	Dm 70.60	+0.60	+0.9%	0.23
BOC Group	UK	£ 10.14	−0.02	−0.2%	3.57
Cookson Group	UK	£ 2.01	+0.07	+3.4%	5.31
Courtaulds	UK	£ 2.90	−0.09	−3.0%	6.80
Degussa	Germany	Dm 94	+0.50	+0.5%	0.13
DSM	Netherlands	Nfl 184	−1.80	−1.0%	5
Ems-Chemie	Switzerland	Fr 7250	+70	+1.0%	2.08
Henkel	Germany	Dm 116.70	+0	+0.0%	1.15
Hoechst	Germany	Dm 67.80	+1.30	+2.0%	0.20
ICI	UK	£ 9.75	+0.28	+3.0%	4.06
Laporte	France	Fr 6.93	+0.20	+3.0%	4.39
Montedison	Italy	L 1708	+39	+2.3%	1.21
Rhone-Poulenc	France	Fr 287	+12.60	+4.6%	1.23
Schering	Germany	Dm 173	−6	−3.4%	0.11
Sidel	France	Fr 403	+0	+0.0%	1.13
Solvay	Belgium	Fr 2390	+15	+0.6%	2.27

Drinks and Tobacco ▲ 0.9% Yield 3.11%

Company	Country	Price	Change	%change	Yield
Allied Domecq	UK	£ 5.44	+0.20	+3.8%	5.53
Bass	UK	£ 9.64	+0.18	+1.9%	3.59
Carlsberg 'B'	Denmark	Kr 375.15	+5.15	+1.4%	0.96
Diageo	UK	£ 5.66	+0.09	+1.7%	3.58
Gallaher Gp	UK	£ 3.35	+0.11	+3.4%	
Greenalls	UK	£ 4.34	−0.13	−2.9%	4.76
Heineken	Netherlands	Nf 364	+3	+0.8%	0.96
Hellenic Bottling	Greece	l 7062	+0	+0.0%	2.01
Imperial Tobacco	UK	£ 4	+0.14	+3.6%	6.74
Louis Vuitton	France	Fr 1866	+0	+0.0%	2.95
LVMH Moet Hennessy	France	Fr 1035	+19	+1.9%	1.97
Pernod-Ricard	France	Fr 359.70	+2.70	+0.8%	2.35
Scottish & Newcastle	UK	£ 7.42	−0.02	−0.3%	3.56
Seita	France	Fr 220	+0.50	+0.2%	2.95
Tabacalera A	Spain	Pts 13000	+500	+4.0%	1.41
Whitbread A	UK	£ 8.88	+0	+0.0%	3.40

Engineering ▲ 1.8% Yield 2.95%

Electrical and Electronic

Company	Country	Price	Change	%change	Yield
Asea 'A'	Sweden	Fr 96.50	+1.50	+1.6%	1.84
BBC Brown Boveri	Switzerland	Fr 1887	+52	+2.8%	1.67
Asea Brown Boveri	Switzerland	Dm 580	−10	−1.7%	3.32
Atlas Copco	Sweden	Kr 240	+8	+3.4%	1.62
Barco	Belgium	Fr 7200	+330	+4.8%	0.65
Cap Gemini Sogeti	France	Fr 501	+11	+2.2%	0.41
Dassault Systemes	France	Fr 177	−7.90	−4.3%	0.92
Electrocomponents	UK	£ 4.59	+0.08	+1.8%	2.13
Electrolux	Sweden	Kr 585	+35	+6.4%	2.27
Ericsson B	Sweden	Kr 316	+11.50	+3.8%	0.82
GEC	UK	£ 4.02	−0.01	−0.1%	4.04
Getronics	Netherlands	Nfl 65.30	−0.50	−0.8%	0.46
Heidelb. Druckmaschine	Germany	Dm 97.80	−1.20	−1.2%	55.30
IMI	UK	£ 4.15	+0.09	+2.2%	3.98
Incentive	Sweden	Kr 715	+6	+0.8%	1.41
Kalmar Industries	Sweden	Kr 130	+1	+0.8%	3.10
Legrand	France	Fr 1199	−36	−2.9%	0.68
Misys	UK	£ 18.60	+0.20	+1.1%	0.82
Nokia	Finland	Mk 411	+21	+5.4%	0.89
Oce-Van Der Grinten	Netherlands	Nfl 220.60	−4.20	−1.9%	1.51
Philips	Netherlands	Nfl 127.60	+3.60	+2.9%	1.22
Premier Farnell	UK	£ 4.25	−0.14	−3.2%	3.49
Rorento	Netherlands	Nfl 123	+1.60	+1.3%	
Saipem	Italy	L 9626	+126	+1.3%	1.48
SAP	Germany	Dm 544	−7.50	−1.4%	0.04
Schneider	France	Fr 352	+16	+4.8%	1.43
Sema	UK	£ 15.03	+0.13	+0.9%	0.50
SGL Carbon	Germany	Dm 222	−8	−3.5%	0.97
Siemens	Germany	Dm 111.60	+1.30	+1.2%	0.13
T&N	UK	£ 2.58	+0.03	+1.2%	2.93
Technip	France	Fr 644	+9	+1.4%	1.59
Thomson-CSF	France	Fr 190.50	−0.70	−0.4%	1.45

General

Company	Country	Price	Change	%change	Yield
Alcatel Alsthom	France	Fr 805	+17	+2.2%	1.23
British Aerospace	UK	£ 17.78	+0.38	+2.2%	1.10
BTR	UK	£ 1.87	+0.04	+1.9%	6.04
Dassault Aviation	France	Fr 1301	−26	−2.0%	2.36
FKI	UK	£ 1.91	+0	+0.0%	3.42
Linde	Germany	Dm 1115	+30	+2.8%	1.55
Mannesmann	Germany	Dm 951	+1	+0.1%	0.92
Orkla	Norway	Kr 670	+19	+2.9%	1.04
Rolls Royce	UK	£ 2.37	−0.01	−0.4%	2.78
Sandvik 'A'	Sweden	Kr 2080	+70	+3.5%	1.49
SEB	France	Fr 230	+1.50	+0.7%	2.85
Siebe	UK	£ 856	+6	+0.7%	1.30
SMH	Switzerland	Fr 12.17	+0.17	+1.4%	1.38
Smiths Industries	UK	£ 198.75	+1.75	+0.9%	0.91
TI Group	UK	£ 8.74	+0.19	+2.2%	2.59
VA Technologie	Austria	Sch 5	+0.30	+6.4%	3.70
Williams Holdings	UK	£ 3.42	+0.05	+1.3%	5.49
ZU Sulzer	Switzerland	Fr 965	+39	+4.2%	1.24

Financial and Conglomerate ▲ 1.3% Yield 2.34%

Company	Country	Price	Change	%change	Yield
3i Group	UK	£ 5.23	+0.13	+2.5%	2.22
Almanij	Belgium	Fr 1925	+0	+0.0%	1.43
AXA	France	Fr 461.70	−9.30	−2.0%	1.60
BAT Industries	UK	£ 5.77	+0.20	+3.6%	2.63
Benckiser	Netherlands	Nfl 82	−2.60	−3.1%	
BIC	France	Fr 460.20	+16.20	+3.6%	1.33
Bk Vision	Switzerland	Fr 1506	+18	+1.2%	
CGIP	France	Fr 2019	−86	−4.1%	1.97
Colruyt	Belgium	Fr 19900	+925	+4.9%	0.64
Erste Bank	Austria	Sch 630	+0.50	+0.1%	
Finaxa	France	Fr 360	−20	−5.3%	1.72
GBL	Belgium	Fr 5500	+60	+1.1%	2.70
General Belgique	Belgium	Fr 3605	+215	+6.3%	2.43
Hanson	UK	£ 2.77	+0	+0.2%	9.17
Industrivarden	Sweden	Kr 450	+1	+0.2%	2.89
ING	Netherlands	Nfl 91.80	+3.30	+3.7%	2.40
Investor A	Sweden	Kr 385	+5	+1.3%	2.63
Largardere Group	France	Fr 213	+13.50	+6.8%	1.79
Mercury Asset Management	UK	£ 17	+0.05	+0.3%	3.31
Navigation Mixte	France	Fr 767	+2	+0.3%	5.19
Pargesa Holding	Switzerland	Fr 1800	+0	+0.0%	3.94
Provident Financial	UK	£ 8.06	+0.06	+0.7%	2.57
Rentokil	UK	£ 2.84	+0.14	+5.1%	1.12
Richemont	Switzerland	Fr 1648	+58	+3.6%	0.38
Sofina	Belgium	Fr 28200	+750	+2.7%	1.89
Stillhalter Vis	Switzerland	Fr 823	+9	+1.1%	
Tomkins	UK	£ 3.08	+0.13	+4.6%	1.29
Veba	Germany	Dm 118.40	−3.90	−3.2%	0.16
Viag	Germany	Dm 1015.50	+35	+3.6%	1.18

Changes since last week. Prices as at market close on Tuesday 6 January 1998. 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

Food ▲ 1.1% Yield 2.53%

Company	Country	Price	Change	%change	Yield
Associated British Foods	UK	£ 5.53	+0.18	+3.4%	2.32
Cadbury Schweppes	UK	£ 6.30	+0.06	+1.0%	3.45
CSM	Netherlands	Nfl 95.10	+4.10	+4.5%	1.88
Danisco	Denmark	Kr 407	+21	+5.4%	1.26
Danone	France	Fr 1090	+0	+0.0%	1.54
Eridania Beghin-Say	France	Fr 980	+10	+1.0%	3.37
Nestlé	Switzerland	Fr 2237	+48	+2.2%	1.34
Nestlé Deutschland	Germany	Dm 488	−11	−2.2%	2.25
Northern Foods	UK	£ 2.69	+0	+0.0%	4.46
Nutricia	Netherlands	Nfl 64.50	+2.30	+3.7%	1.10
Parmalat	Italy	L 2671	+91	+3.5%	0.58
Sudzucker	Germany	Dm 840	−4	−0.5%	2.01
Tate & Lyle	UK	£ 5.08	+0.02	+0.4%	4.19
Unigate	UK	£ 6.06	+0.03	+0.5%	4.19
Unilever	UK	£ 5.24	+0.02	+0.4%	1.90
Unilever NV	Netherlands	Nf 127.70	+0.30	+0.2%	1.50
United Biscuits	UK	£ 2.19	−0.08	−3.5%	5.64

Health and Pharmaceuticals ▲ 1.1% Yield 1.06%

Company	Country	Price	Change	%change	Yield
Altana	Germany	Dm 125.30	+2.30	+1.9%	1.18
Ares-serono	Switzerland	Fr 2485	+75	+3.1%	0.20
Astra A	Sweden	Kr 143	+5.50	+4.0%	1.09
Beiersdorf	Germany	Dm 76	+0.50	+0.7%	0.06
Christian Dior	France	Fr 638	+13	+2.1%	2.43
Ciba	Switzerland	Fr 180.25	+6.25	+3.6%	
Clarant	Switzerland	Fr 1249	+29	+2.4%	0.79
Elf-Sanofi	France	Fr 653	−31	−4.5%	0.99
Essilor	France	Fr 1849	+25	+1.4%	0.80
Fresenius Midical Care	Germany	Dm 130	+10.80	+9.1%	
Gehe	Germany	Dm 96	+0.50	+0.5%	0.13
Glaxo Wellcome	UK	£ 15.18	+0.55	+3.8%	2.42
L'Oreal	France	Fr 2365	−32	−1.3%	0.60
Novartis	Switzerland	Fr 2383	+8	+0.3%	0.83
Noro Nordisk	Denmark	Kr 970	−10	−1.0%	0.38
Nicomed Amersham	UK	£ 22.46	−0.16	−0.7%	1.22
Pharma Vision	Switzerland	Fr 929	+22	+2.4%	
Pharmacia	Sweden	Kr 300	+7.50	+2.6%	0.67
Reckitt & Colman	UK	£ 9.88	+0.21	+2.2%	1.06
Roche Holding	Switzerland	Fr 22220	−280	−1.2%	0.33
Smith & Nephew	UK	£ 1.78	−0.02	−1.1%	4.17
Smithkline Beecham A	UK	£ 6.37	+0.09	+1.4%	0.79
Synthelabo	France	Fr 790	+44	+5.9%	0.71
UCB Cap	Belgium	Fr 128650	+1250	+1.0%	0.58
Zeneca	UK	£ 22.35	+0.85	+4.0%	1.97

Insurance ▲ 2.7% Yield 1.68%

Company	Country	Price	Change	%change	Yield
Aegon	Netherlands	Nfl 183.70	−0.20	−0.1%	1.63
AGP	France	Fr 317.90	+0	+0.0%	1.58
Alleanza	Italy	L 18318	+363	+2.0%	0.84
Allianz	Germany	Dm 487	+17.50	+3.7%	0.04
Allianz Leben	Germany	Dm 1730	−5	−0.3%	0.72
Aachener Munchener Bet	Germany	Dm 196	−0.30	−0.2%	0.82
Asr Verzekeringsgroep	Germany	Dm 113.50	+3	+2.7%	2.38
Axa Colonia Konzern	Germany	Dm 167	−11.40	−6.4%	0.98
Baloise Holding	Switzerland	Fr 2700	−3	−0.1%	1.13
Britannic Assurance	UK	£ 11.34	+0.09	+0.8%	3.11
Commercial Union	UK	£ 8.99	+0.42	+4.9%	4.26
EA-Generali	Austria	Sch 3290	+40	+1.2%	0.52
Fondiaria	Italy	L 10147	+311	+3.2%	1.37
Fortis	Belgium	Fr 8060	+90	+1.1%	1.18
Fortis Amev	Netherlands	Nfl 90.70	+0.80	+0.9%	2.97
Gan	France	Fr 149.50	+2.10	+1.4%	2.68
General Accident	UK	£ 11.48	+0.53	+4.8%	3.82
Generali	Italy	L 47128	+2178	+4.8%	0.84
Guardian Royal Exchange	UK	£ 3.57	+0.16	+4.7%	3.52
INA	Italy	L 3653	+53	+1.5%	1.82
Legal & General	UK	£ 5.78	+0.28	+5.0%	2.36
Mediolanum	Italy	L 35477	+578	+1.7%	1.03
Munchener Ruckvers	Germany	Dm 679.50	−4.50	−0.7%	0.02
Prudential	UK	£ 8.08	+0.53	+7.0%	2.70
RAS	Italy	L 17898	+348	+2.0%	1.94
Royal Sun Alliance Group	UK	£ 6.48	+0.35	+5.7%	3.84
Royale Belge	Belgium	F 11075	+125	+1.1%	2.43
Sampo Insurance	Finland	Kr 185	+5	+2.8%	0.82
Skandia	Denmark	Kr 343	+2.50	+0.7%	
Skandia Group	Sweden	Kr 401	+8.50	+2.2%	0.70
Sun Life and Provincial	UK	£ 4.84	+0.25	+5.4%	1.79
Swiss Life	Switzerland	Fr 1206	+59	+5.1%	
Swiss Re	Switzerland	Fr 2849	+117	+4.3%	1.03
Trygg-Hansa	Sweden	Kr 235	−5	−2.1%	1.04
UAP	France	Fr 196.10	+9.10	+4.9%	1.61
Uni Storebrand	Norway	Kr 55.50	+2	+3.7%	0.36
United Assurance GP	UK	£ 5.48	+0.18	+3.4%	4.16
Victoria Holdings	Germany	Dm 1950	+105	+5.7%	0.75
Winterthur	Switzerland	Fr 1611	−39	−2.4%	1.22
Wurtt AG Versich-Beteil	Germany	Dm 2560	+30	+1.2%	0.51
Zurich Insurance	Switzerland	F 696	+0	+0.0%	1.01

Leisure ▲ 1.7% Yield 2.26%

Company	Country	Price	Change	%change	Yield
Accor	France	Fr 1112	−8	−0.7%	1.76
Adidas	Germany	Dm 232.50	−6.50	−2.7%	0.46
Airtours	UK	£ 13.08	+0.48	+3.8%	1.94
Compass Group	UK	£ 7.55	−0.06	−0.8%	1.62
EMI	UK	£ 5.32	+0.02	+0.4%	4.38
Granada	UK	£ 9.89	+0.73	+8.0%	1.90
Gucci Group	Netherlands	Nfl 82.10	−2.40	−2.8%	0.61
Ladbroke	UK	£ 2.88	+0.20	+7.5%	2.83
PolyGram	Netherlands	Nfl 94.50	−2.50	−2.6%	1
The Rank Group	UK	£ 3.48	+0.08	+2.3%	6.09

Media and Information ▲ 0.6% Yield 2.00%

Company	Country	Price	Change	%change	Yield
Audiofina	Luxembourg	Fr 1520	+20	+1.3%	1.05
BSkyB	UK	£ 4.58	−0.04	−0.8%	1.64
Canal Plus	France	Fr 1186	+41	+3.6%	1.69
Carlton Communications	UK	£ 4.79	+0.04	+0.8%	3.32
Daily Mail	UK	£ 20.15	+0.35	+1.8%	1.20
Elsevier	Netherlands	Nfl 33.40	+0.40	+1.2%	2.55
Emap	UK	£ 9.40	+0.33	+3.6%	1.76
Havas	France	F 443.50	+0	+0.0%	1.90
Mediaset	Italy	L 8980	+238	+2.7%	2.19
Pearson	UK	£ 8.19	+0.14	+1.7%	2.75
Reed International	UK	£ 6.14	+0.01	+0.2%	2.74
Reuters	UK	£ 6.76	+0.01	+0.1%	2.15
Springer	Germany	Dm 1195	−15	−1.2%	1.67
TF1	France	Fr 619	−6	−1.0%	2.59
United Newspapers	UK	£ 7.17	+0.17	+2.4%	4.14
VNU	Netherlands	Nfl 57.40	+0.10	+0.2%	1
Wolters Kluwer	Netherlands	Nfl 262.20	−0.40	−0.2%	0.94
WPP Group	UK	£ 2.79	+0.08	+3.0%	0.77

Metals ▲ 1.5% Yield 3.00%

Company	Country	Price	Change	%change	Yield
Alusuisse Lonza	Switzerland	Fr 1477	+84	+6.0%	1.32
Billaton	UK	£ 1.64	+0.09	+5.4%	
British Steel	UK	£ 1.31	−0.01	−0.9%	9.35
Imetal	France	Fr 720	−35	−4.6%	2.13
Ispat International	Netherlands	Nfl 42.50	−0.50	−1.2%	
Johnson Matthey	UK	£ 5.51	+0.07	+1.3%	3.34
Krupp	Germany	Dm 339	+2.50	+0.7%	1.46
Metallgesellschaft	Germany	Dm 33	−0.50	−1.5%	
Preussag	Germany	Dm 543	+12.50	+2.4%	2.19
Rio Tinto	**UK**	**£** 7.75	+0.20	+2.6%	1.30
Solac	**France**	**Fr** 103.80	+0	+0.0%	3.39
Thyssen	Germany	Dm 394.80	+1.80	+0.5%	2.02
Usinor	France	Fr 84.85	−4.15	−4.7%	3.45

Motors ▲ 1.8% Yield 1.85%

Company	Country	Price	Change	%change	Yield
Autoliv	Sweden	Kr 268	+7	+2.7%	1
BBA Group	UK	£ 4.16	+0.06	+1.5%	2.14
BMW	Germany	Dm 1372	+7	+0.5%	1.07
Daimler-Benz	Germany	Dm 132.50	+2.20	+1.7%	0.08
Fiat	Italy	L 5397	+112	+2.1%	1.89
Ford-Werke	Germany	Dm 805	+0	+0.0%	4.61
GKN	UK	£ 13.35	+0.70	+5.5%	2.59
Lucas Varity	UK	£ 2.18	−0.02	−0.7%	1.26
MAN	Germany	Dm 557	+28	+5.3%	2.55
Michelin B	France	Fr 307	+1	+0.3%	1.05
Peugeot	France	Fr 802	+19	+2.4%	0.38
Pirelli Spa	Italy	L 5021	+191	+4.0%	2.09
Renault	France	Fr 184.30	+11.80	+6.8%	1.93
Scania	Sweden	Kr 182	+3	+1.7%	3.07
Valeo	France	Fr 411	−3	−0.7%	2.85
Volkswagen	Germany	Dm 1043.50	+13.50	+1.3%	0.86
Volvo B	Sweden	Kr 214	+1	+0.5%	2.02

Oil ▼ 3.9% Yield 2.22%

Company	Country	Price	Change	%change	Yield
British Petroleum	UK	£ 7.66	−0.42	−5.2%	3.02
Burmah Castrol	UK	£ 10.75	+0.05	+0.5%	2.59
Dordtsche Ptl	Netherlands	Nfl 107.30	−3	−2.7%	2.58
Elf Aquitaine	France	Fr 663	−49	−6.9%	1.94
Enterprise Oil	UK	£ 5.74	−0.18	−3.0%	3.63
Lasmo	UK	£ 2.65	−0.12	−4.3%	0.44
Neste	Finland	Mk 138.50	+2	+1.5%	1.47
Norsk Hydro	Norway	Kr 348.50	−17.50	−4.8%	1.95
ÖMV	Austria	Sch 1805	+22.80	+1.3%	1.29
Petrofina	Belgium	Fr 13950	−175	−1.2%	2.09
Petroleos (Cia Esp)	Spain	Pts 4740	+95	+2.0%	2.58
Repsol	Spain	Pts 6820	+170	+2.6%	2.87
Royal Dutch	Netherlands	Nfl 108.60	−3.50	−3.1%	2.53
RWE-DEA	Germany	Dm 425	−3	−0.7%	3.77
Shell Transp & Trading	UK	£ 4.26	−0.17	−3.9%	3.43
Total B	France	Fr 638	−35	−5.2%	1.55
Transocean Offshore	Norway	Kr 350	+10	+2.9%	0.05

Paper and Packaging ▲ 2.7% Yield 3.87%

Company	Country	Price	Change	%change	Yield
Arjo Wiggins Appleton	UK	£ 1.66	+0.04	+2.6%	5.70
Assi Döman	Sweden	Kr 209	+10	+5.0%	2.64
FPB Holding	Germany	Dm 320	+4	+1.3%	5.47
KON KMP	Netherlands	Nfl 46	−0.70	−1.5%	1.82
echiney International	France	Fr 200	+0	+0.0%	4.50
Rexam	UK	£ 120.20	+3.20	+2.7%	1.97
SCA	Sweden	Kr 2.88	−0.06	−1.9%	5.91
Smith (David S)	UK	£ 186.50	+10.50	+6.0%	2.98
Smurfit (Jefferson)	Ireland	Ir£ 1.74	+0.04	+2.1%	
Stora A	Sweden	Kr 103.50	+3	+3.0%	3.73
UPM-Kymmene	Finland	Mk 116	+5	+4.5%	3.95

Property and Construction ▲ 2.2% Yield 2.63%

Company	Country	Price	Change	%change	Yield
Blue Circle	UK	£ 3.40	−0.07	−2.0%	4.71
Bouygues	France	Fr 676	−4	−0.6%	2.50
BPB	UK	£ 3.41	+0.01	+0.3%	3.80
British Land	UK	£ 6.87	+0.05	+0.7%	1.64
Cimenteries CBR	Belgium	Fr 3595	+145	+4.2%	2
Cimpor	Portugal	Esc 4988	+43	+0.9%	2.49
CRH	Ireland	Ir£ 7.27	+0.22	+3.1%	
Fomento De Cons	Spain	Pts 6350	+280	+4.6%	0.67
Giupo Acciona	Spain	Pts 25000	+400	+1.6%	1.16
Hammerson	UK	£ 4.76	+0.07	+1.5%	2.97
Heidelberg Zement	Germany	Dm 127	−2	−1.6%	0.12
Hochtief	Germany	Dm 70.10	−1.40	−2.0%	0.17
Holderbank	Switzerland	Fr 1224	+32	+2.7%	1.39
Lafarge Coppée	France	Fr 409	+16.50	+4.2%	2.44
Lahmeyer	Germany	Dm 72.70	+0	+0.0%	1.84
Land Securities	UK	£ 10.07	+0.17	+1.7%	3.30
MEPC	UK	£ 5.28	+0.17	+3.3%	4.90
Pilkington	UK	£ 1.34	+0.07	+5.5%	4.83
Poliet	France	Fr 500	+20	+4.2%	2
Randstad Holdings	Netherlands	Nfl 78.60	+0.10	+0.1%	0.97
Redland	UK	£ 3.43	+0	+0.0%	6.05
RMC Group	UK	£ 8.79	+0.29	+3.4%	3.73
Rodamco	Netherlands	Nfl 56.90	−0.10	−0.2%	5.06
Skanska	Sweden	Kr 330	+3.50	+1.1%	3.06
Slough Estates	UK	£ 3.45	+0.02	+0.6%	3.28
St Gobain	France	Fr 855	−9	−1.0%	1.98
Valenciana Cementos	Spain	3010	+20	+0.7%	1.17
DPtsWolseley	UK	£ 4.97	−0.01	−0.2%	2.81

MARKETS EUROPEAN 500

Retail ▲ 1.5% Yield 2.08%

Company	Country	Price	Change	%change	Yield
Adecco	Switzerland	Fr 53.80	−0.30	−0.6%	0.82
Ahold	Netherlands	Nfl 5.40	−0.09	−1.6%	3.73
Argos	UK	£ 1.79	+0.02	+1.4%	2.18
Asda	UK	£ 29785	+935	+3.2%	1.74
Benetton	Italy	L 1000	+0	+0.0%	2.20
Bon Marché	France	Fr 9.07	+0.23	+2.6%	2.85
Boots	UK	£ 1.43	+0.06	+4.4%	3.04
Burton Group	UK	£ 4.08	−0.02	−0.5%	2.52
Capital Shopping	UK	£ 3220	+60	+1.9%	0.81
Carrefour	France	Fr 337.30	−0.20	−0.1%	1.33
Casino	France	Fr 744	−6	−0.8%	1.47
Castorama Dubois	France	Fr 3005	−20	−0.7%	0.80
Comptoirs Modernes	France	Fr 1975	+65	+3.4%	1.38
Delhaize	Belgium	Fr 5.96	−0.13	−2.1%	2.18
Dixons	UK	£ 7.77	+0.07	+0.9%	2.91
Great Universal Stores	UK	£ 86.30	−0.60	−0.7%	1.81
Hagemeyer	Netherlands	Nfl 363	+12	+3.4%	0.63
Hennes & Mauritz	Sweden	Kr 430	+1	+0.2%	0.59
Hermes International	France	Fr 5999	+99	+1.7%	0.70
Karstadt	Germany	Dm 594.50	+4.50	+0.8%	1.70
Kingfisher	UK	£ 8.76	+0.28	+3.4%	2.75
Marks & Spencer	UK	£ 4.64	−0.11	−2.3%	4.23
Metro	Germany	Dm 6.05	+0.05	+0.7%	2.69
MFI	UK	£ 69	−0.80	−1.1%	0.67
Montaigne	France	Fr 1965	+0	+0.0%	0.27
Morrison Supermarkets	UK	£ 2.30	+0.03	+1.3%	0.92
Next	UK	£ 7.07	+0.05	+0.7%	2.66
Pinault Printemps	France	Fr 3450	+151	+4.6%	0.95
Promodes	France	Fr 2450	−26	−1.1%	0.58
Pryca	Spain	Pts 2395	+30	+1.3%	2.75
Safeway	UK	£ 3.42	−0.03	−0.9%	5.18
Sainsbury (J)	UK	£ 5.14	−0	−0.1%	2.98
Sears	UK	£ 0.54	+0.02	+3.8%	9.40
Smith (WH)	UK	£ 4.02	+0.13	+3.3%	4.99
Tesco	UK	£ 5.13	+0.10	+1.9%	2.57
Vendex International	Netherlands	Nfl 113.20	+0.90	+0.8%	1.84
Vendome	UK	£ 4.76	+0.01	+0.2%	2.73

Services ▲ 1.7% Yield 0.82%

Company	Country	Price	Change	%change	Yield
Adecco	UK	£ 463	+39.50	+9.3%	1.14
Baan	Netherlands	Nfl 66	−1.70	−2.5%	
Berendson (Sophus)	Denmark	Kr 1180	+20	+1.7%	0.46
Hays	UK	£ 8.58	+0.43	+5.3%	1.39
Securitas	Sweden	Kr 2.99	+0.11	+3.6%	0.75
Securicor	UK	£ 223.50	−0.50	−0.2%	1.07
Sodexho	France	Fr 3239	−76	−2.3%	0.78
Surveillance	Switzerland	Fr 2760	−40	−1.4%	2.40

Transport ▲ 3.4% Yield 2.07%

Company	Country	Price	Change	%change	Yield
Associated British Ports	UK	£ 3.03	+0.04	+1.3%	3.21
Autopistas Cesa	Spain	Pts 2095	+50	+2.4%	3.58
BAA	UK	£ 5.06	−0.03	−0.6%	3.03
Brisa-Auto Estradas	Portugal	Pta 7050	+300	+4.4%	
British Airways	UK	£ 6.03	+0.39	+6.9%	3.19
d/s 1912 A	Denmark	Kr 345000	+25000	+7.8%	0.22
d/s Svendborg A	Denmark	Kr 488000	+23000	+4.9%	0.22
KLM	Netherlands	Nfl 77	−0.20	−0.3%	1.31
Lufthansa	Germany	Dm 35.70	+1.70	+5.0%	0.14
P & O	UK	£ 7.15	+0.25	+3.6%	5.45
Railtrack	UK	£ 9.50	−0.35	−3.6%	2.91
Royal Caribbean Cruises	Norway	Nfr 390	−2	−0.5%	0.28
Stagecoach Holdings	UK	£ 8.52	+0.19	+2.3%	1.35

Utilities and Telecoms ▲ 1.0% Yield 3.10%

Company	Country	Price	Change	%change	Yield
Aguas de Barcelona	Spain	Pts 6390	+90	+1.4%	1.50
Anglian Water	UK	£ 8.51	+0.26	+3.2%	5.07
Berliner Kraft & Licht	Germany	Dm 54	+0	+0.0%	0.18
British Gas	UK	£ 2.92	+0.14	+5.2%	5.53
British Energy	UK	£ 4.19	−0.02	−0.5%	4.07
British Telecom	UK	£ 4.88	+0.05	+1.0%	5.07
Cable & Wireless	UK	£ 5.49	+0.07	+1.3%	2.50
Centrica	UK	£ 0.91	+0	+0.0%	
Deutsche Telekom	Germany	Dm 33.20	−1.30	−3.8%	1.76
Eaux (Cie Generale)	France	Fr 823	−21	−2.5%	1.42
Edison	Italy	L 10790	+40	+0.4%	1.87
Electrabel	Belgium	Fr 9200	+250	+2.8%	3.84
Electricidad de Portugal	Portugal	Pta 3700	+174	+4.9%	
Elektrowatt	Switzerland	Fr 524	−6	−1.1%	1.55
Endesa	Spain	Pts 2815	+15	+0.5%	2.61
Energie Baden Wuelt	Germany	Dm 53	−1	−1.9%	
Energy Group	UK	£ 6.84	+0.08	+1.1%	1.01
France Telecom	France	Ffr 218	−0.30	−0.1%	
Gas Natural	Spain	Pts 7950	+160	+2.1%	0.85
HEW	Germany	Dm 465	+1	+0.2%	2.15
Hyder	UK	£ 9.97	+0.35	+3.7%	5.59
Iberdrola	Spain	Pts 1995	+25	+1.3%	3.57
Isar Amperwerke	Germany	Dm 580	−19	−3.2%	1.72
Italgas	Italy	L 7366	+96	+1.3%	1.79
KPN	Netherlands	Nfl 84.80	+0.60	+0.7%	3.45
Lyonnais des Eaux	France	Fr 3.04	+0.12	+4.1%	4.67
National Grid	UK	£ 6.18	+0.16	+2.7%	5.10
National Power	UK	£ 525	+12	+2.3%	1.48
Neckarwerke Stuttgart	Germany	Dm 166	−0.50	−0.3%	
Netcom Systems	Sweden	Sfr 2.63	−0.02	−0.8%	
Orange	UK	£ 6030	+130	+2.2%	3.05
OTE-SA Telecom	Greece	Dr 9070	+170	+1.9%	1.53
Portugal Telecom	Portugal	Esc 5460	−40	−0.7%	2.20
Powerfin	Belgium	Fr 8.04	+0.04	+0.5%	3.91
Powergen	UK	£ 1762	−117	−6.2%	1.08
Rexel	France	Fr 98.50	+1.50	+1.5%	0.16
RWE	Germany	Dm 5.20	+0.15	+3.0%	4.32
Scottish Hydro	UK	£ 5.42	+0.02	+0.4%	4.30
Scottish Power	UK	£ 9.89	+0.09	+0.9%	4.63
Severn Trent Water	UK	£ 1470	+30	+2.1%	3.47
Sevillana de Elec	Spain	Pts 9.25	+0	+0.0%	4.93
South west Water	UK	£ 5.34	+0.12	+2.3%	4.94
Southern Electric	UK	£ 683	+17	+2.6%	1.76
Suez Lyonnaise Des Eaux	France	Ffr 184	−1	−0.5%	2.16
Sydcraft	Sweden	Kr 455	+25.10	+5.8%	3.85
Tele Denmark	Denmark	Kr 22850	+2400	+11.7%	
Telecom Italia	Italy	L 11539	+159	+1.4%	1.14
Telecom It Mobile	Italy	L 8651	+301	+3.6%	0.60
Telefonica de Espana	Spain	Pts 4725	+80	+1.7%	1.92
Thames Water	UK	£ 9	−0.13	−1.5%	4.76
Tractebel	Belgium	Fr 3335	+55	+1.7%	11.60
Union Elec Fenosa	Spain	Pts 1440	+0	+0.0%	3.84
United Utilities	UK	£ 8.15	+0.31	+4.0%	5.80
VEW	Germany	Dm 570	+15	+2.7%	1.70
Vodafone	UK	£ 4.59	+0.15	+3.4%	1.30
Yorkshire Water	UK	£ 4.94	+0.09	+1.9%	4.76

Europe's bourses welcome strong trading

EUROPEAN stock markets began the year on a buoyant note, unfazed by poor performances from Asian equity markets.

Sentiment across Europe's financial markets improved following agreements reached by international banks and the International Monetary Fund to rescue South Korea and its neighbours from their crises.

With big name investors such as George Soros returning to the Asian fray, the assumption is that the worst is over.

Milan, which remains top of many brokers' European selection lists after its record performance in 1997, hit all-time highs on 5 January, with the MIB30 gaining more than five percentage points in the first week of 1998. Paris was another leading player in the European rally, and analysts forecast further gains to come in the first quarter of this year. Among the best performers were car company Renault, and luxury goods firm LVMH Moët Hennessy Louis Vuitton, which had taken a battering during Hong Kong's market crash.

Market performance in London and Frankfurt was less exuberant, with the FTSE gaining just over 2.5 per cent in the first week of the year.

The FTSE was weighed down by poor performances from heavily weighted banking stocks such as HSBC which have a large exposure to Asia. All eyes will now be on the outcome of the Bank of England's monetary policy committee meetings later this week, which will determine whether or not an interest rate rise is now due.

In Frankfurt, the DAX index rose 3.2 per cent, led by exporters such as vehicle manufacturer Daimler-Benz, which was boosted by the strength of the dollar. However, the German equity market is forecast to underperform the rest of Europe over the next few months as a flood of new issues hit the market, limiting its liquidity.

With the exception of Russia, which has gained nearly five per cent since 1 January, and looks likely to repeat last year's storming performance, Europe's emerging markets have not seen the brightest possible start to 1998.

Stockmarkets in Hungary, the Czech Republic and Romania all posted losses in early January. The WIG-20, Warsaw's main stock exchange, has also seen sluggish trading.

The Athens stock market recovered slightly in early January, up 3.8 per cent on last week's trading, but analysts are not confident that the Greek financial markets have got over the effects of last year's drachma crisis. If this is the case, Athens will find it difficult to repeat the outstanding equity performance of 1997 this year.

The Dow Jones was struggling this week, down by 0.01 per cent but the dollar remained strong. It was the only market to join Tokyo and Hong Kong, as all three recorded falls on last week's trading.

A volatile first quarter is anticipated in all emerging markets as the aftershocks of last year's crash continue to be felt for some time to come.

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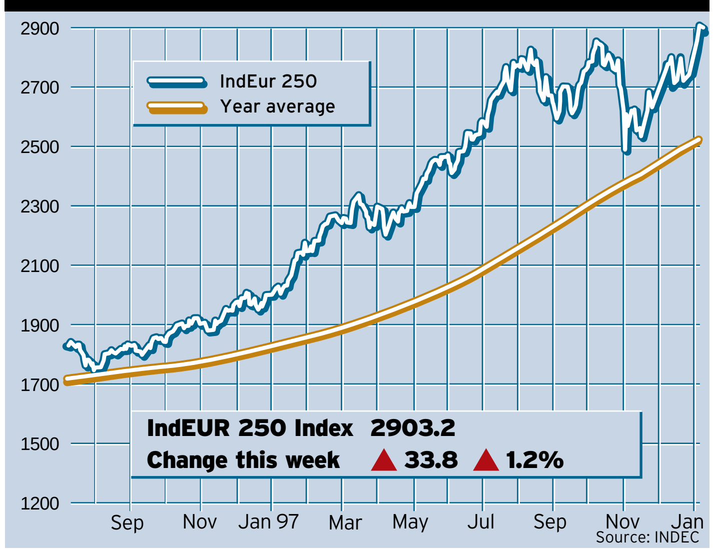

SECTOR INDICES

Sector	Index	% change Week ago	% change Year ago	12 month High	12 month Low
Banks	2771.2	2.0	68.5	2771.2	1644.9
Chemicals	2737.4	0.8	19.5	2915.0	2236.1
Drinks & Tobacco	3387.5	0.9	16.5	3584.3	2843.3
Engineering	2422.5	1.8	40.6	2657.0	1723.5
Financial & Conglomerate	2454.7	1.3	32.4	2454.7	1853.4
Food	4393.5	1.1	54.0	4394.1	2810.6
Health & Pharmaceuticals	9741.8	1.1	50.1	9768.5	6330.3
Insurance	2229.3	2.7	71.7	2229.3	1287.5
Leisure	1938.5	1.7	15.3	2037.9	1632.3
Media & Information	3613.8	0.6	7.4	3700.7	3192.3
Metals	2887.8	1.5	9.2	3518.6	2625.0
Motors	1416.2	1.8	30.9	1564.9	1081.8
Oil	4023.6	−3.9	33.3	4488.8	3019.2
Paper & Packaging	1580.5	2.7	12.4	2122.5	1362.5
Property & Construction	1282.2	2.2	20.8	1374.2	1058.9
Retail	3234.3	1.5	32.1	3257.9	2410.9
Transport	3766.0	3.4	53.8	3810.7	2449.1
Utilities & Telecoms	3609.4	1.0	39.2	3618.2	2592.0

STOCK MARKETS

Market	Index	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	930.2	1.8	42.5	1010.9	646.7
Athens	General	1525.0	3.8	57.9	1794.1	989.9
Brussels	Bel-20	2535.4	4.9	33.6	2621.9	1891.9
Budapest	BTI	7999.1	0.0	86.0	8483.8	4463.5
Copenhagen	Stock Market	682.8	1.0	41.41	682.7	483.1
Dublin	Ireland SE	4229.8	0.9	52.9	4229.8	2765.2
Frankfurt	Dax	4352.5	2.4	51.1	4438.9	2886.1
Helsinki	Hex	3441.6	4.2	36.7	3890.8	2543.7
London	FTSE 100	5264.4	2.6	28.2	5330.8	4056.6
Madrid	Madrid SE	660.1	3.5	48.2	660.1	447.6
Milan	Mibtel	17762.0	6.1	68.0	17762.0	10592.0
Oslo	OBX	680.9	−2.0	23.3	751.1	552.4
Paris	CAC-40	3037.7	2.1	31.7	3094.0	2301.7
Prague	Stock Market	485.9	−0.2	−10.3	629	458.5
Stockholm	Affarsvariden	3079.0	2.6	27.6	3315.8	2421.0
Vienna	Credit Aktien	459.8	1.3	20.6	474.4	374.4
Warsaw	WIG-20	1476.0	2.2	1.8	1894.9	1351.5
Zurich	SPI	3965.3	1.9	58.3	3972.6	2510.8
New York	Dow Jones	7914.5	−0.0	20.5	8259.3	6391.7
Tokyo	Nikkei	14896.4	−2.4	−23.4	20681.1	14775.2
Hong Kong	Hang Seng	10135.5	−5.8	−24.6	16673.3	9059.9
Pan-Europe	IndEUR Blue	3185.6	1.94	46.3	3210.9	2151.9
Pan-Europe	IndEUR 250	2903.2	2.6	42.8	2915.9	2004.4

Source: Datastream, Bloomberg, Indec

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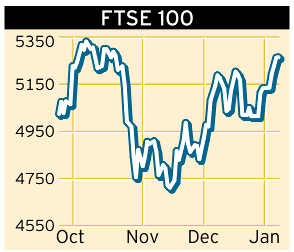

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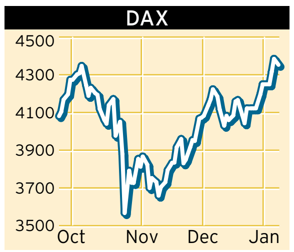

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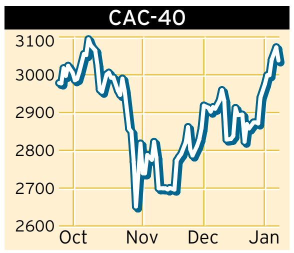

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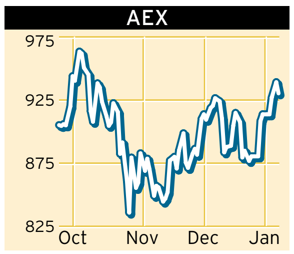

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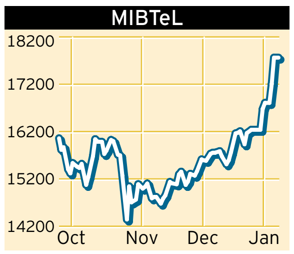

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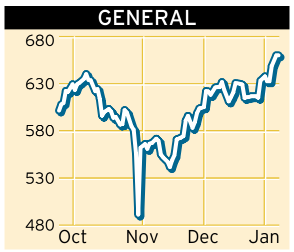

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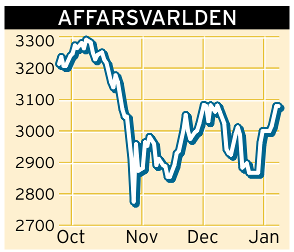

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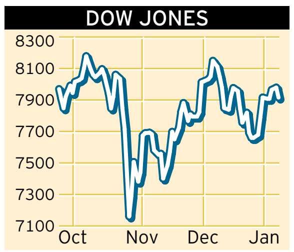

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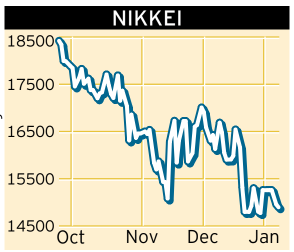

Source: Bloomberg

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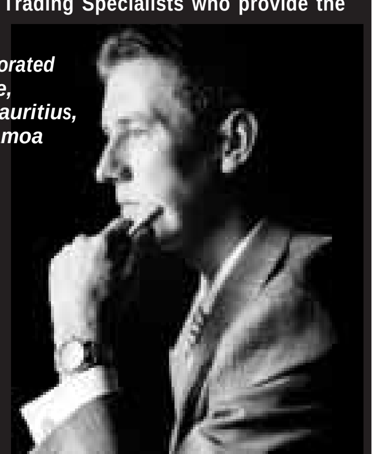

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FRANCE ■ The intriguing riddle of a stately home for sale in the Dordogne

Is this chateau the original White House?

FSP

Presiding spirit: the neglected chateau is a tourist attraction

SASHA SWANN

UNEARTHING an impressive historical past is always helpful when trying to sell a draughty stately home in the middle of nowhere.

In the prettiest wilds of the Dordogne the locals claim that the Château de Rastignac is the true begetter of no less than America's premier piece of real estate: the White House.

The Château de Rastignac, situated near the sleepy village of La Bachellerie, has been on the market for the past 12 years. The owner of La Bachellerie's only *tabac* says that it is a bargain for Ffr4 million ($668,000). But not only that. The best thing is that it comes complete not only with 115 hectares of ground but with three historical controversies to boot. Béatrice from the *tabac* says that she doesn't mind if the stern-looking house gets sold or not: even in its current state it is the biggest tourist trap in the area. When visitors come in to buy stamps and Gauloises on their way to see the chateau with the oval-pillared facade, Béatrice fills them in on the web of intrigue they are about to enter.

In 1971 the Dordogne Historical Society organised a competition to discover the origins of the chateau. In the midst of much argument, the society declared it to have been the work of Mathurin Blanchard and claimed that building work had begun around 1811 and finished around 1830. The architect of the White House, James Hoban, started work on the American building in 1792.

One of Béatrice's favoured theories is the one that says that plans by Parisian architect Louis-Charles Clérisseau (1721-1820) inspired both buildings. In the United States, it is already officially established that one of the south-facing doors of the Washington White House was delivered in 1824 on behalf of Thomas Jefferson. Jefferson, the former US president, had once been US ambassador to France and a friend of Clérisseau.

One particularly glamorous theory which Béatrice will reveal to big spenders is the French Revolution angle. A stone built into the ceiling on Rastignac's ground floor bears the inscription '1789'.

Some cynical tourists suggest that it probably came from the ruins of the chateau that pre-dated it. But for such faint doubters Béatrice has some sturdy threads of controversy to warm the cockles of their hearts. Maybe, she figures, it will get them to buy the hulking great shell of a chateau – which is still pretty much of a shell after the damage it suffered in the Second World War. Many of the walls have been crudely patched up with concrete following the aftermath of what happened in Béatrice's cockle-warming story: how on 30 March 1944 the SS tried to burn the chateau to the ground but failed. This was followed by a heist of important works of art from the house including seven Cézannes, four Manets, four Renoirs and three Toulouse-Lautrecs.

The Château de Rastignac has recently received a meagre grant from the ministry of culture which should make 700 square metres of the place habitable. But ideally what is needed is a buyer. Alas, says current owner Didier Legrez: "It's too modern for most.

"Several British people have expressed an interest but most of them are looking for medieval architecture in the Dordogne, not classical," he said.

Interested investors can contact Didier Legrez in Paris on +33 1 459 0471 55674.

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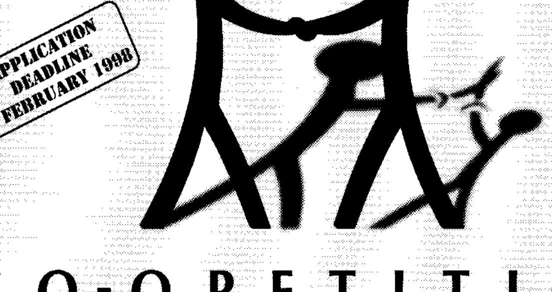

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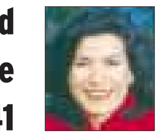


Gianna Angelopoulos has restored national pride by winning back the Olympics for Greece – page 41

DRUGS ■ Athletes and swimmers are joining forces to make cheats of the former East Germany pay for their past crimes. But is it fair?

Pressure growing to hand back those tainted medals

MICHAEL BUTCHER

AT the Montreal Olympics of 1976, Dutch swimmer Enith Brigitha had the race of her life. But as her outstretched fingers touched down at the end of the 100 metres freestyle final, she couldn't believe her eyes. She had been beaten. Not once, but twice.

Ever since then, Brigitha, now 42, has wondered just how she had swum so fast yet failed to strike gold. Today, as she struggles to finance a swimming school in the Dutch Antilles far away in the Caribbean, she is closer than ever to finding the truth.

Brigitha is one of a growing number of western sportsmen and women pressurising the Olympic movement to strip all former East German medallists retrospectively for being involved in their country's vast doping programme.

She remembers how time and again, through world, European and Olympic competition, no matter what she did, there was always an East German in front of her. "The first time I heard about the East German drugs past was two years ago. I was very angry about it because I was swimming for ten years and the whole time everybody was asking me why I never came first."

In the 1976 Olympics, as on many other occasions, Brigitha was beaten by Kornelia Ender, with Petra Priemer second. Thirteen years later, Ender admitted taking drugs but claimed that she did not know what was being administered. It is a claim Brigitha treats with contempt. "I never believed that the girls did not know what they were taking. Of course they did. Your body changes. You can't ignore it. They knew full well what was happening. We thought they were using something but we couldn't know for sure. We had no proof. I now know I could have been number one, but I never knew it then."

Despite the claims of athletes in the Netherlands, Britain and Australia that they were cheated out of Olympic honours, the International Olympic Committee has so far refused to countenance any suggestion of East Germans being unilaterally stripped of medals won over the 20-year period prior to unification.

But, crucially, it does not rule out individual cases being re-examined – such as Ruth Fuchs' confession that she was on drugs when she won the 1972 and 1976 Olympic javelin titles. "If an athlete has admitted they competed at the Olympics while using performance-enhancing drugs, it might be worth a request to the medical commission," said an IOC spokeswoman.

That would also be music to the ears of Australian former runner Raelene Boyle and her compatriot, swimmer Lisa Curry-Kenny, who have been in Berlin combing for evidence to support their claim for medals they missed out on.

According to respected German anti-drugs campaigner Werner Franke, there may not have been a single 'clean' East German Olympian. For years, Franke has campaigned for names to be struck from the records and for justice to be done. "We have court evidence that they were all on drugs," said Franke, referring to the winners of more than 500 Olympic medals.

Franke's assessment appears to be backed up by the continuing probe by Berlin authorities into a programme of systematic doping by the former East German regime. Six coaches and doctors have so far been charged for administering banned anabolic steroids and male hormone injections.

There is, however, growing concern in Olympic quarters that if action is taken against East German medallists, any progress made by Berlin prosecutors in identifying those ultimately responsible will immediately dry up, with reformed coaches and trainers suddenly becoming afraid to assist the investigation. "We must be careful not to shoot the messengers," said one high-ranking Olympic official. "We risk a legal minefield."

Edward Grayson, one of Europe's leading experts in sport and the law, can barely conceal his contempt for such an attitude. "What are these people saying: that if someone is guilty of negligence or criminality on the field of play, real life laws are suspended? If a sportsman can provide evidence that because of someone else's misrepresentation he has lost a medal, there could be a substantial case for compensation."

Franke's opponents question where the line should be drawn, pointing to the fact that East Germans may not have been the only perpetrators. Soviet athletes invariably stood on the podium alongside their East German counterparts and there is no lack of suspicion that they, too, gained their medals by false means. East European athletes were not the only culprits. In the late 1980s Californian doctor Robert Kerr admitted to the US Senate that he had supplied drugs to 20 American medal winners in the 1984 Olympics.

Ironically, American swimming officials have started hiring lawyers to monitor the Berlin inquiry, hoping to regain medals for American swimmers beaten by East Germans. Such action is infuriating those who have willingly come out and told the truth about how they were exploited. "People in the West have no inkling of what it was like to live in a communist state where any form of opposition was out of the question," said one former East German swimmer who asked not to be identified. "They seem to forget we were the victims of the system."

The same tune is sung by the coaches. Only this week unified Germany's head swimming coach was barred from the forthcoming world championships in Perth, Australia, because of his past association with doping. Winfried Leopold, 59, had his accreditation withdrawn, angering the German team who stressed that he was one of the few former East Germans who had actually assisted the Berlin inquiry. "It has turned out that someone who is honest enough to tell the truth about what he had to do under a former regime is getting punished," said a German federation spokesman.

The Australians were understandably sensitive. A few months earlier their own appointment of another former East German coach, Ekkart Arbeit, to head their bid for Olympic glory in Sydney led to his being exposed as a Stasi informer. Four days after signing the contract, Arbeit went to ground in Berlin.

Just like Arbeit, Leopold was probably only obeying orders from his superiors; just as East German athletes were probably only obeying orders from the coaches. But the buck has to stop somewhere. The next stage would be to hand the medals back. Enith Brigitha, for one, would breathe a huge sigh of satisfaction.

Additional reporting by Clive Freeman

TONY DUFFY

Stained: Ruth Fuchs admitted taking drugs before winning two Olympic javelin titles

ALLSPORT

It should have been me: Enith Brigitha (above right) raises an arm on the 1976 Olympic podium. Now it seems, her bronze should have been silver or even gold

EAST GERMANY'S OLYMPIC HAUL

1968 Mexico City

	Gold	Silver	Bronze
East Germany	9	9	7
Other leading European countries			
Soviet Union	29	32	30
Hungary	10	10	12
France	7	3	5
Czechoslovakia	7	2	4
West Germany	5	11	10
United Kingdom	5	5	3

1972 Munich

	Gold	Silver	Bronze
East Germany	20	23	23
Other leading European countries			
Soviet Union	50	27	22
West Germany	13	11	16
Poland	7	5	9
Hungary	6	13	16
Bulgaria	6	10	5
Italy	5	3	10

1976 Montreal

	Gold	Silver	Bronze
East Germany	40	25	25
Other leading European countries			
Soviet Union	49	41	35
West Germany	10	12	17
Poland	7	6	13
Bulgaria	6	9	7
Romania	4	9	14
Hungary	4	5	13

1980 Moscow

	Gold	Silver	Bronze
East Germany	47	37	42
Other leading European countries			
Soviet Union	80	69	46
Bulgaria	8	16	17
Italy	8	3	4
Hungary	7	10	15
Romania	6	6	13
France	6	5	3

1984 Olympic Games were boycotted by the eastern bloc

1988 Los Angeles

	Gold	Silver	Bronze
East Germany	37	35	30
Other leading European countries			
Soviet Union	55	31	46
West Germany	11	14	15
Hungary	11	6	6
Bulgaria	10	12	13
Romania	7	11	6
France	6	4	6

SPORT

SKIING ■ Her surname is pronounced 'no win' but Sweden's overnight sensation no longer suffers when she hears the jibe

Ylva psyches out the slopes

BILL SCOTT

FOR eight years Ylva Nowen laboured on the fringes of Alpine achievement. She watched with envy as rival after rival on the fashionable White Circus beat her to the podium while she lived up to her name, pronounced 'no win'.

Not any more. Within a month, the 28-year-old Swede has been transformed from World Cup also-ran to one of the strongest contenders for gold at next month's winter Olympics.

Four straight victories, the last of them coming on her 28th birthday in Bormio, Italy, have thrust Nowen into the unfamiliar role of Sweden's best Olympic hope, a position that seemed certain to be held by defending World Cup champion Pernilla Wiberg before she returned to Sweden nursing injured ribs. As the circuit charges through a full schedule towards next month's Games in Japan, the low-key Nowen, who had never previously won a race, is trying to keep her increasingly valuable feet on the ground.

FRANZ PAMMER

Effortless: all Nowen needed was self-belief. Now she is being hounded by the media for stories about her private life

A psychology student from the small village of Foesen in central Sweden, she is putting her schooling to good use, keeping a sense of perspective over her stunning run of success on the slopes of France, Austria and Italy.

"Everything has come so fast and suddenly," said Nowen, who credits months of work with Stockholm sports psychologist Ingvar Bengtsson for bringing about her amazing form.

"I cannot explain why I'm skiing so well. It's all so new to me, almost embarrassing. I need time to digest what has happened."

What has happened is that Nowen now rules the women's slalom table despite a blip in her most recent race on 6 January, when she failed to finish the opening run.

Thinking too far ahead is not something she does willingly after a career spent labouring in the deep shadow of Wiberg and coping with injury problems.

While Wiberg reached podium after podium, Nowen, who had never finished higher than fifth before this season, contemplated retiring as she struggled to challenge the sport's best performers. "I was never jealous of Pernilla's wins," she said. "After all, she can win in all disciplines while I'm only good at slalom. I learned by myself how to overcome psychological problems." Indeed, achieving success in the later stages of her career has been a blessing. Her background in psychology should not be underestimated: her victories are unlikely to go to her head as they might with someone younger.

'It's all so new. I need time to digest what has happened'

"People are surrounding me, wanting to know about my private life. I have always been by myself in the past. It's important to remain calm and focused. I don't really want to think yet about Nagano. Anything can happen on any given day; you cannot always control your form."

Skiing's top brass aren't surprised by the sport's most remarkable metamorphosis. Observers believe that Nowen's problem was simply a lack of self-belief. "Ylva a strong athlete who just needed more confidence in herself to express her best," said Italy's leading female skier Deborah Compagnoni. "The way she's been winning shows her class."

Nowen is counting on her mental fortitude to carry her through the next pressure-packed weeks of January and into the Olympic run-up. "I'm not taking everything too seriously," she said. "I'm trying to enjoy life and take one race at a time."

Two of the most tired and trite cliches in sport, perhaps, but usually expressed by someone at the peak of his or her form. Which Ylva Nowen most certainly is.

New years resolutions for...

Martina Hingis should take more horse riding lessons. The world's Nº1 tennis player (*pictured below*) injured a knee in a fall from her steed last year but has no intention of giving up her hobby. Good for her – it's refreshing to see a sports star behaving like a teenager – but another tennis prodigy, Maureen Connolly, had her career ended by a tumble from a horse. So, if you want to ride, Ms Hingis, learn how to do it properly.

England football manager Glenn Hoddle, a devout Christian, needs to pray **Alan Shearer** (*pictured right*) will recover fully from a broken ankle. England are one of Europe's best hopes for World Cup success but only if their injury-prone captain, who has just resumed training, is fit.

Speaking of the World Cup, **organisers for France 98** ought to back down on their plans to give only 20 per cent of tickets to the visiting fans, a policy which threatens to turn a festival of football into a parochial garden party. At the same time, they ought to ban any martial references to the Iran-United States group match, along with any military strikes by the losing team.

Michael Schumacher (*pictured right*) could volunteer to drive any bid to break the land speed record. As well as teaching him how to drive in a straight line, there will be no one for him to ram.

Andre Agassi (*pictured right*) must resolve to make this comeback last longer than his previous ones. A fit, motivated Agassi is the only player with a chance of stopping Pete Sampras's domination of the sport.

The presidents of the WBC, WBA, IBF and WBO should get into a ring together: last one standing becomes the only authority able to award world titles . It would cut out the near-meaningless succession of so-called 'unification' fights which do little more than fill the the pay-per-view schedules and fleece the public.

Fifa, football's world governing body, ought to reintroduce a maximum wage for mercenary stars who have taken advantage of the Bosman ruling. Long-overdue freedom of movement and contract has been accompanied by avarice, which the players try to justify by claiming that theirs is a short career.

SPORTING WORLD

FOOTBALL

Ref drops lawsuit

THE SWISS REFEREE who was banned for life by Uefa for alleged bribery has decided to drop his civil action but denied a deal had been struck with Europe's governing body. Kurt Röthlisberger, a former World Cup referee, told *The European*: "There was no out-of-court settlement. I dropped the case for the sake of my wife and two children, who have suffered enough. A life ban is not always that and I hope to resume my football activities one day." Röthlisberger, who heads a foundation to fight drug and alcohol abuse, claims he is the victim of a misunderstanding.

MOTOR RACING

F1 crash inquiry

GERMAN prosecutors have launched a criminal investigation into former world champion Michael Schumacher for his collision with rival Jacques Villeneuve during the final Grand Prix of the season in Jerez last October. State prosecutors in Cologne say that they have been asked to look into the incident. "We are investigating Schumacher's actions from the point of view of criminal law," prosecutor Hans Bernhard Jansen said. Under German law, prosecutors are normally obliged to investigate any complaint from the public.

GOLF

Monty hangs on

COLIN MONTGOMERIE won the Andersen Consulting World Championship of Golf in a dramatic showdown on the last green. The Scot, Europe's Nº1 for the past five years but yet to win a major tournament, halted a late charge by USPGA champion Davis Love III. Montgomerie was four up with four to play but let the lead slip and he saved the $1 million prize only by firing an immaculate iron shot over water to within three metres of the hole. From next year, the event, held in Arizona, will feature the world's top 64 players competing in matchplay over five days.

MOTOR RACING

GP clings to life

THE BELGIAN GRAND PRIX has been given a brief stay of execution to see if its organisers can work out an arrangement with the government over the country's tobacco advertising ban. Francesco Langanesi, a spokesman for the International Automobile Federation, said a decision could be made next week on the organisers' request for a delay in the scrapping of the race. A New Year's deadline had earlier been set. China and South Africa have both been earmarked as possible replacement venues.

STEPHEN WAKE/PROFESSIONAL SPORT

Commitment: McEnroe says there is no point taking part if you can't perform on court. His match with Borg proved that both players can still do themselves justice and delight the fans

NOSTALGIA ■ Yesterday's stars enjoy a new lease of life as fans look back not forwards

Sport trades off memories

Dominic O'Reilly

THE tiebreak swung this way and that but John McEnroe just had the edge over Bjorn Borg to the delight of the fans packing the historic London venue.

This was not, however, one of the two Wimbledon finals that the pair fought out at the beginning of the 1980s but a Seniors event in the Royal Albert Hall last month. A public jaded by the artillery barrage that is serve-dominated modern tennis was treated to a reminder of a bygone age when racquets were wooden and rallies lasted longer than the time it takes to eat a strawberry.

The tournament, won by McEnroe, was part of the newly established Seniors Tour, a move by tennis to cash in on the one of the fastest-growing forces of society: nostalgia. As the millennium nears, retrospection is inevitable and sport is no exception.

In most sports shops around the world, alongside the garish, nylon abstract art that is the modern football kit, are simpler creations in cotton. Many fans will buy their club or country's shirt from the 1960s or 1970s as well as the current one. Having no direct connection to the wearer is not a handicap, with the Brazilian national shirt selling worldwide through its links with Pele, Zico and the style and grace that their countrymen brought to football.

British clothing manufacturer Admiral has shrewdly chosen Sir Bobby Charlton to spearhead its latest marketing drive. Rather than enter an auction for Charlton's modern-day equivalents that it would inevitably lose to Nike or Adidas, Admiral has tapped into the affection and happy memories evoked by a World Cup winner who remains England's most prolific goalscorer.

The origins of this trend for looking back through rose-tinted spectacles can be traced back to the United States Seniors Golf Tour, which now boasts annual prize money of $25 million. Lee Trevino is famous for his one-liners but was not joking when he said that he could make more money in one year of playing 'grandpa events' than he did in his entire career on the main tour. Lesser names are also enjoying their biggest paydays at an age when they should be pottering about playing social foursomes.

For the tennis players, most of whom have already made their fortunes, the money is less important. For them, the tournaments offer a chance to meet up, share a glass of beer or two and play a little tennis. And although they clown about and play to the gallery, with McEnroe delivering tantrums to order and even Borg cracking jokes, there is pride at stake. McEnroe says he felt the same about losing as he always did and feels a responsibility to play well.

"There's no point joking around if you can't play," he said after his match with Borg in London. "Whatever age you are, you have to be able to go out and perform. Some guys are fitter and more focused now than they were at the end of their careers, and I think we give the fans a pleasant surprise."

McEnroe said he is at now at 85 per cent of the standard he reached at his peak. During his recent match with Borg, who was as lean and fit as ever, both players provided flashes of brilliance which few of today's moody millionaires could match. What they can't do is keep it up: for that reason, the matches are best of three sets with a tiebreak for a decider.

McEnroe expressed a desire to run a similar tournament at Wimbledon, and said that this type of event was a perfect outlet for him for reasons both sporting and social. "People often ask if I play much tennis when I am at home and the answer is 'no'. When you have spent your life giving everything to win, it's hard just to hit a few balls for the sake of it. This way, I can play for real."

He is not alone in his enthusiasm. There is a flourishing Seniors golf tour in Europe now and rugby union, cricket and football have all set up events of their own for players whose reputations are in better shape than their waistlines.

The Italian team which won the 1982 World Cup attracted 20,000 fans to matches during a tour of Mexico and found that in Africa, Paolo Rossi, whose goals won that World Cup, is almost as famous as the Pope. Three years ago, they drew 62,000 for a clash with a Rest of the World side which raised $574,000 for a spinal injuries charity. This year, the Italian veterans will go to Australia and Cuba.

The popularity of the old-timers could backfire on the modern players. At the Royal Albert Hall a doubles event with twentysomethings was staged in conjunction with the Seniors event and the one-dimensional nature of the modern game shone through. For the older fans, it was a reminder of what they had been missing, while for the younger generation it was a chance to see the names that their parents had spoken of with such affection. Events such as this should ensure that appreciation of the players' enduring skills will replace the curiosity of watching throwbacks to a golden age. It also aided those who accuse modern sport of favouring the bludgeon over the rapier, but Benito Perez Barbadillo of the ATP Tour was quick to scotch those fears.

"These guys play a completely different game to what is played now," he said. "It is like comparing the Brazilian team that won the 1970 World Cup, which has been called the best the world has ever seen, with the team that won the cup in 1994. So tennis has changed but people like to see what they grew up with and enjoy the contrast with what is available now."

The test will come if McEnroe gets his wish to hold a Seniors event at Wimbledon and the public have to choose who to watch: yesterday's heroes or today's. Equally, it will be fascinating to see how long the likes of Mac the Mouth can carry on. Anyone for tennis in bath chairs?

Additional reporting by Michele Puccioni

The Continental

Driven to distraction: Teutonic logic meets Californian dreaming as BMW's R 1200 Cruiser is taken on a test drive

TOM STOCKILL

Going for gold: first she was woman of the year, now Gianna Angelopoulos is tipped for the Greek presidency

INTERVIEW ■ Gianna Angelopoulos is being hailed the saviour of Hellenic culture after reclaiming the Olympic Games for Athens

Keeper of the Greek flame

PAUL ANASTASI ATHENS

THE DEATH of Melina Mercouri in 1994 robbed Greece of one of its most potent symbols. Glamorous, headstrong and intensely patriotic, Mercouri was not just a former film star and minister of culture but the very embodiment of Hellenic pride.

Now a new leading lady has risen to fill the void. Gianna Angelopoulos, the campaigner who successfully fought to bring the Olympic Games back to their birthplace in Athens in 2004, has just been elected Greece's Woman of the Year.

A hero's welcome greeted Angelopoulos when she returned to Athens after the International Olympic Committee announced its decision, and the applause has scarcely diminished since then. Many are already tipping her for the presidency next time round.

Who is she and where did she spring from? The answer speaks volumes for the present state of Greek civilisation. First, and most important, she is rich, or at least her husband is rich. Theodore Angelopoulos is a shipping magnate, one of a seemingly inexhaustible supply in his country, who, having married Gianna in 1990, quickly introduced her to a life of influence and luxury on an international scale.

Before she met Theodore, Cretan-born Gianna was just another backbench member of parliament. Her greatest achievement, she recalls, was first stepping on to the red carpet that led to the national assembly.

Today, as a member of various international committees, with homes in Athens, Switzerland, New York and Paris. Only this week she was revealed as the secret buyer of one of the finest properties in London, an 18th-century Chelsea mansion worth $40 million. But while others might merely have enjoyed the luxury and the opportunity for indulgence conferred by new-found wealth, Gianna Angelopoulos exercises her role as to the manor born.

In the morning she might find herself giving an interview in Athens, and in the evening working in the family's shipping headquarters in London. On the flight she will deal with her Olympics and Greek sporting correspondence while planning family events involving her husband and three children.

"I am lucky to have been given so many opportunities, but I enjoy working hard," she says. "Winning the Olympics bid and maybe participating in the organisation of the Games is a lifelong goal in itself."

Her success in attracting the 2004 Games helped heal the deep psychological wound her country had suffered after its failure, by a narrow margin, to win the 1996 centennial Olympics. These had been expected 'by historic right' in recognition of the 100th anniversary of the relaunching of the Games in Athens in 1896 but, instead, they went to Atlanta in the United States.

Gianna is credited with providing a new, more pragmatic approach to Olympic contention by emphasising Greece's contemporary achievement and future promise. The approach for 1996 had depended considerably on sentiment – the idea of a restaging of the Games beneath historic Mount Olympus. Angelopoulos preferred to lay stress on climate, infrastructure and location.

Her success, in spite of considerable doubts concerning the true ability of Greece to live up to its boasts, has boosted hopes of an economic and cultural revival. This could stem the social unrest over the strict austerity programme imposed as a means of meeting the criteria for European monetary union. It led directly to Angelopoulos' election as Woman of the Year by a group of media organisations organised via the Internet.

However, sceptics point to feuds within the Sydney organising committee preparing for the millennial Games and wonder aloud whether they will prove a boon or a burden to the Greek economy. Angelopoulos is guarded.

"At present," she says, "I feel I can still play a valuable role in making the Games a success. But I have made clear that I am not pursuing the leadership of the organising committee."

Her success has boosted hopes of an economic and cultural revival to stem social unrest

The rise and rise of Greece's woman of the year can be traced back to a series of shrewd moves aimed at her personal promotion. She moved seamlessly from her legal studies at the university in Thessaloniki to train with the private legal firm of the president of the Athens Bar Association. By 1986, at the age of 29, she was ready to enter politics, standing for office in the Athens city government using the novel incentive of free basil seeds.

Athens, she reckoned, needed more greenery, and packets of basil seeds attached to her election literature were a quaint, and effective, reminder of her commitment to this cause. As 'Madame 2004', dedicated to bringing the Olympics home to Athens, she went on to win two successive elections to parliament with the conservative New Democracy party in 1990 and 1991. She quit her seat only when she met her husband and discovered the value of designer-lobbying over the hard slog of democracy.

Somehow, over the frantically busy days of the past ten years, she has managed to bring up three children, all of them now at boarding school in England. Her high-profile social life in England is well known: her house in Chelsea is filled with priceless art and artefacts and her clothes are by Guy Laroche.

Politics and style are never far from her mind. In a major public relations move and as a gesture of goodwill towards Turkey, her country's sworn enemy, the Angelopouloses' last child was baptised in 1992 at the Oecumenical Patriarchate in Istanbul, the spiritual headquarters of the Christian Orthodox faith. The godfather was Constantine Mitsotakis, the Greek prime minister, while attending guests included leading officials from both governments.

"When I started my involvement in public life, I didn't have powerful backing or a political family, and no one knew me," says Gianna. "But I have been very fortunate over the past ten years. Now I want to be a good mother, to offer something important to my country and to help offer to the international community what we hope will be the best Olympics the world has ever seen."

THE FAME GAME

PRINCESS DIANA won only one prize in her lifetime: the prize for best-kept pet. Posthumously, and by association, she won another prize, the Nobel Peace Prize, which was awarded to the landmine campaign whose profile she had raised so dramatically in the last year of her life: two prizes at opposite ends of the prize spectrum – one of the kind which you give to people who aren't going to win any other prizes, and one which is awarded without prejudice or favour to whomever has made the greatest contribution to world peace.

I thought of Princess Diana when I read that yet another prize for women is being launched in Europe. Idea prize '97 is being offered by the German magazine *Bunte* and businessman Albert Darboven for women wanting to launch their own businesses.

It joins a world of special prizes for women, from the Louis Vuitton-sponsored Woman of Europe award to the Veuve Clicquot Businesswoman of the Year and Britain's Orange prize for fiction.

The danger in special prizes for women is that they offer not so much a level playing field as an enclosed ground. At the award ceremonies there is an air of mildly patronising wonder, as though these women were extra-special to have achieved anything at all. There are very few men and the atmosphere is that of a ghetto which will have little impact on the competitive and aggressive male-run world outside.

We have had some decades of bringing women forward by grooming them separately – the high proportion of women in the Finnish government or Britain's New Labour party is proof of that working – but it's high time that men and women were on the same platform in the same room. At everybody's favourite prize-giving, the Oscars, the sexes are recognised as making an equal but separate contribution. The same applies in music. Soprano Angela Gheorghiu doesn't need special treatment to get the same applause as her tenor husband, Roberto Alagna, or a better recording contract.

If there has to be a prize for businessman or woman of the year, then double the prize, have a big party and award Business Oscars to male and female, different but equal. Otherwise we are simply perpetuating the best-kept pet syndrome.

LESLIE GARNER

The Continental

CULTURE ■ While cash has put the sex appeal back into American museums, Europe's collections continue to crumble

CRACKING UP

LAURA SUFFIELD

A STROLL round many European museums today reveals that the cracks, chinks and ruins are not confined to the works of art. Leaky ceilings, striking staff and absent heating are only the most obvious signs of neglect. Chronic cash shortages result in a 'dumbing down' of cultural expectations as museums and galleries opt for populist exhibitions in a desperate attempt to bring in new trade.

In 1997 scholarly shows on Renaissance painting were forced to compete with soap-opera exhibits at Rotterdam's Museum Voor Volkenkunde and international horror-fest Torture and Punishment at the Leeds Armouries Museum. The British Museum's current Cartier show was part funded by the jewellery company itself and now, what is basically a sumptuous advert by a rich company is masquerading as a cultural statement.

As Europe's top museums tire of struggling to keep a roof over their head, many are turning to the United States for inspiration on how to make culture pay. Americans run their museums with the precision of a multinational's CEO.

According to Barry Munitz, the newly appointed head of the J Paul Getty Trust: "Structure, financial responsibility, organisational talent and a respect for expertise and genius wherever it may reside" are needed for the museums of the next century. Munitz, who is responsible for running the Getty Museum in California and who has a multi-million dollar budget and a brief to seek out sponsors and donors, is a good example of the new business-oriented US museum manager. He contrasts sharply with Europe's more cerebral heads of cultural establishments, who often become bogged down in academia, to the detriment of well-managed and well- funded operations.

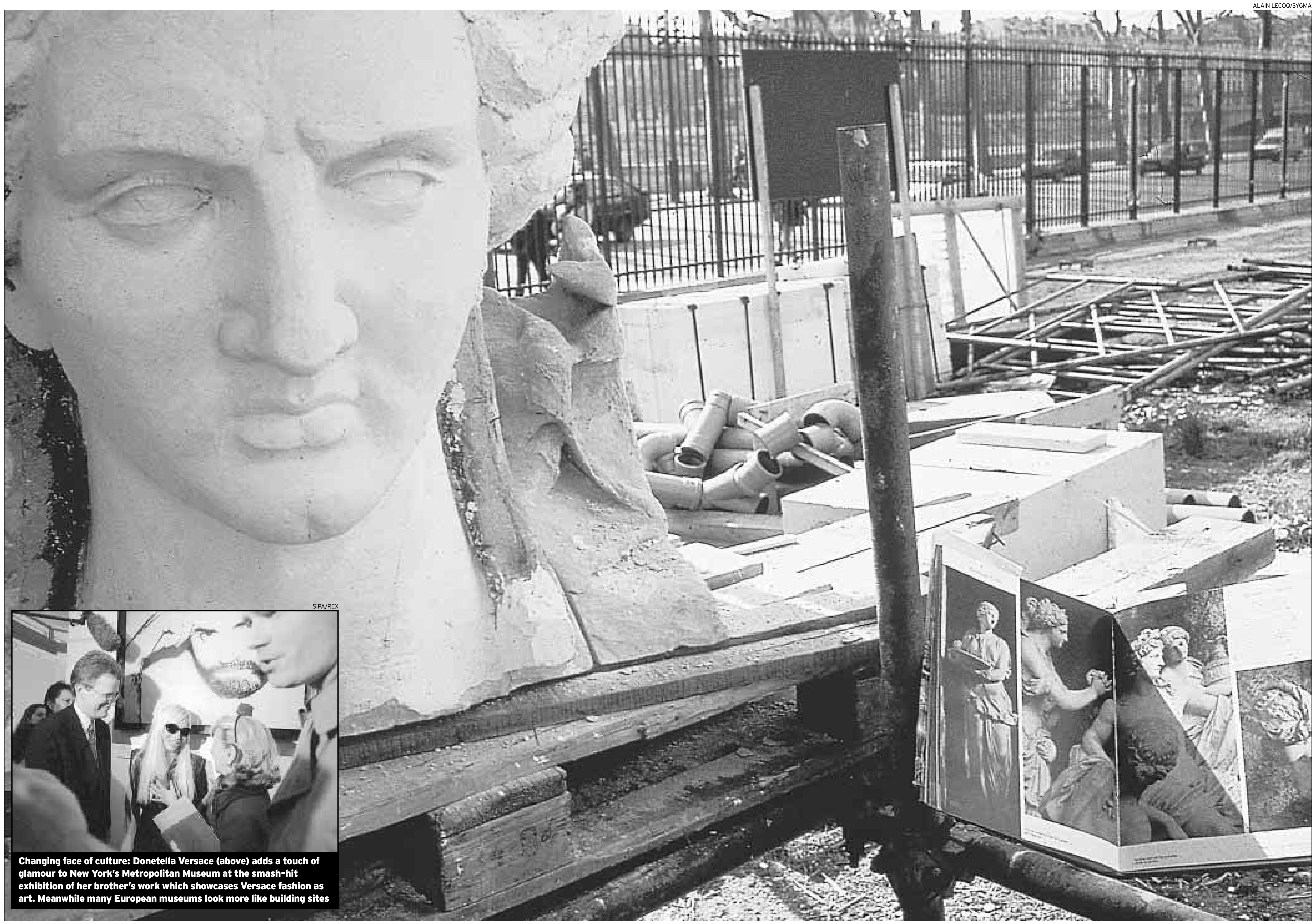
Already the Netherlands is settling into the cash culture state of mind. The country's top museums, the Rijksmuseum (home to Rembrandt's *The Night Watch*), the Het Loo and Mauritshuis have acquired the status of foundation, with a board of trustees who have the authority to make decisions on budgeting and appointing the director. Both jobs were formerly the remit of the ministry of culture. The Rijksmuseum's board of trustees includes senior directors of ABN-Amro bank and Vedex International.

In Italy, a new law means that museum shops and catalogue sales are up for tender. Previously, Italian museums had no incentive to have shops because they were not allowed to keep the revenue.

But energetic fund-raising in the private sector is still the exception to the rule in Europe. Both London's V&A and the British Museum are run by academics, not businessmen, who some might argue are ill-equipped in today's world to keep their unwieldy institutions in good financial order. (The British Museum's acquisition budget has been cut to the wholly inadequate sum of $800,000, down from $2.24 million in 1995-96.)

In addition, the carrot of lottery funding which seemed to dangle before Britain's museums is receding as the new Labour government shifts the emphasis in its distribution of lottery revenues from culture to social 'good causes'. As a consequence, the country's institutions are having to cut back on expansion plans and abandon hope of acquiring new works of art for their collections.

ALAIN LECOQ/SYGMA



SIPA/REX

Changing face of culture: Donetella Versace (above) adds a touch of glamour to New York's Metropolitan Museum at the smash-hit exhibition of her brother's work which showcases Versace fashion as art. Meanwhile many European museums look more like building sites

Spain's top museum, the Prado, is currently headed by a soft-spoken academic and specialist in 17th-century patronage, Fernando Checa. The problems faced by the British Museum are nothing compared with Checa's, whose museum has been forced to struggle along on a miserable annual budget of less than Pts2 billion ($14m) – a smaller annual budget than it received ten years ago. The Prado has become a byword for unhappy staff relations (striking guards and bickering curators), for misconceived initiatives and inopportune political intervention. It is so short of space that gallery staff staged a demonstration last spring to protest against the folly of holding temporary exhibitions when there was not enough room for permanent artworks.

According to Rubén Amón's new book on the museum, *Los Secretos del Prado* (Temas de Hoy), the Prado is 'a mirror of the history of Spain'. It certainly seems that many of the less edifying aspects of recent Spanish politics – the tendency to favouritism and nepotism, the lack of openness and accountability – are reflected in the running of its leading art collection, whose directors come and go at the whim of whichever party is in power.

In France, the centralised nature of budget distribution means that the museums world needs a government committed to culture in order to thrive. So there were sighs of relief at the recently announced 3.8 per cent rise in the culture budget after four years of funding erosion. Yet the commercial activities of its museums are certainly in need of better management. The Réunion des Musées Nationaux, the umbrella body which runs ancillary projects such as shops and exhibitions, lost Ffr86m ($14m) in 1996.

The problem in countries such as Italy, France and Germany is that funding has been centralised for so long that governments are loath to devolve responsibility for running museums to the regions. Decision-makers at the centre of power fear loss of control and possible corruption at local level, although at least in Italy the country's powerful minister of culture, Walter Veltroni, has begun a debate on that very possibility.

In these countries, problems are often more to do with cumbersome bureaucracy than an actual lack of funds. Recently, the director of Berlin state museums, Dr Wolf Dieter Dube, noted that the museums under his control had too many staff: 80 per cent of his budget went on wages and running costs, leaving just 20 per cent for scholarly activities, temporary exhibitions and new acquisitions.

There are signs of change in Germany. A scheme handing financial management directly to the museums has been operating successfully in Bavaria for two years. This shows that the US model is not necessarily the only one: sponsorship is always tainted by self-interest and art displayed often reflects the personal art collections of tycoon trustees.

There is also the problem of what happens when so-called businessmen turn out to possess the financial savvy of an academic. In 1997 the Detroit Institute of Arts lost $950,000 when it invested in the Foundation for New Era Philanthropy which turned out to be running the biggest charities fraud in US history.

The Metropolitan Museum in New York lost millions from its 1998 budget because of the poor performance on the stock market of its main benefactor, the Reader's Digest Association. It seems early days to cast businessmen as the new messiahs of world culture.

BOOK REVIEW

Hardship at the Hermitage

The Hermitage – The Biography of a Great Museum

By Geraldine Norman

(Jonathan Cape, London, £20)

WHEN founded by Catherine the Great in 1764, the Hermitage in St Petersburg was considered by many to be the most spectacular museum in the world. Although the Louvre has since taken over in terms of size, Russia's showcase for the legendary extravagance of the tsars has now won itself the reputation as the most troubled museum in Europe.

Today's Hermitage suffers all the problems of a modern museum but on a hugely magnified scale. While its energetic director Mikhail Borisovich Piotrovsky has raised his annual grant from $3 million to $13m and has increased funds by exhibiting Hermitage treasures around the world, the building is famous for being freezing cold. The place is in a ruinous state and the government will fund only two-thirds of curators' salaries (around $80 per month).

The Hermitage became the victim of capitalist plunder in the Stalin years when the Soviet government shot several curators and sold off several thousand items from the collection in order to obtain foreign currency. Experts now consider the most serious losses to be about 25 world-class Old Master paintings.

***The Hermitage*, a new book by art market journalist Geraldine Norman, traces the history of the museum from its origins in the private collection of Peter the Great through the turbulent years under communist rule to the present day.**

Calouste Gulbenkian, the oil tycoon and art collector, acquired a whole group of works between 1928 and 1930, including paintings by Rubens, Rembrandt and Watteau, at bargain prices. Other billionaires who took advantage of the situation included Andrew Mellon, who bought 21 paintings including Jan van Eyck's *Annunciation*, but Armand Hammer's attempts to buy Leonardo's *Benois Madonna* for $2m failed.

Norman's book focuses on the years of the Second World War, or the 'Great Patriotic War' as it is known in Russia, when 20 million died and the contents of the museum were packed off to Sverdlovsk. The Hermitage is also at the centre of the so-called restitution issue, which came to light in the 1990s when two Russian art historians revealed that museums still contained treasures removed from Germany at the end of the war.

Visitors are advised to abide by the original instructions of Catherine the Great when they enter the great museum. Her main proviso was pinned on the wall and read: "One shall be joyful but shall not try to damage, break or gnaw at anything."

LS

TEST DRIVE

■ James Bond's latest film keeps him in the fast lane but do his vehicles stand the ultimate test of a licence to thrill?

From BMW with love

MIKE VALENTE

Road hogs: the Cruiser departs from BMW conservatism with a shameless pitch for wannabe Californian easy riders while the 7 Series limo makes a play for the fat cats

ANDY WARREN — RIDING THE BIKE

AS YOU CRUISE the hippest parts of town everyone, it seems, is drawn to the Bond bike. Even before the latest film, *Tomorrow Never Dies,* went on general release, the BMW R 1200 C was hogging the limelight. People stop and stare, others point and nudge friends, some narrowly miss walking into lamp posts – and that isn't just the men. Never have I ridden a motorcycle that causes such a stir among the non-biking public.

Motorcyclists, on the other hand, seemed indifferent. And I could see why. The bike felt alien and clumsy. The big handlebars flopped from side to side too easily and the footpegs were in the wrong place. I am used to slicing through traffic but I felt this beast had me in a cage. The engine was not happy at a slow pace and felt a little uneven, while the gears competed with the rear-wheel drive box for creating a clamour.

The fluid lines, sparkling chrome and matt-finished alloy create an impression of Art Deco opulence. Follow the hand-painted coach lines and they lead you on a detailed tour of shape and contrast, taking in the retro-style speedometer and the teardrop theme in the filler cap, front-mudguard mounting, indicators, rear light and seat catch. BMW's stylists had a hand in the manufacture of every component. Even the front suspension wishbone exudes quality of construction, turning the ugly into a thing of beauty.

The Munich manufacturer has wrapped Teutonic logic around its near-legendary Boxer flat-twin engine and come up with a sophisticated cruiser for the 1990s, with all the technology that entails: catalytic converter, computerised engine management, mobile diagnostic system, a front suspension that virtually eliminates dive under braking, shaft drive and triple disc brakes (ABS optional) which are powerful enough to shame many a sportier machine.

BMW created the R 1200 C by drawing on its 75-year history while breaking with its traditional conservatism. This radical departure, backed by market research showing strong projected growth for machines of this type, has brought rising sales since the bike's European launch in September. And judging by the interest shown in the Cruiser I rode, BMW can expect a huge sales boost from the bike's starring role in the Bond movie. But is it the kind of bike Bond would ride or just clever product placement?

It is certainly cool enough for 007 and has power a plenty to get him out of trouble. But real life soon creeps in. Posing pace is fun for the attention-seeker in you, providing you can ignore the drivetrain chatter and the off-beat engine. But give the ego a rest and take the Cruiser on to the kind of road it was designed for – open, with lots of sweeping curves – and it comes into its own. The engine's 61 horses reach full gallop at 5,000rpm, offering plenty of mid-range grunt to haul you past slower traffic. And as the engine smooths out, so does the gear change, powering the bike to a relatively stress-free 160kmh plus, which is more than can be said for the rider: with those high and wide handlebars, 130kmh is as fast as you can go unless you want to imitate a mainsail.

At this speed in the feet-forward riding position, with your back resting on the pop-up rear seat pad (a full-sized pillion seat is optional), you settle into the bike, making the most of the horse saddle-shaped leather seat and comfortable ride. But what if those curves should tighten? Just shift a little more weight on to the front wheel and the bike can be hustled through surprisingly quickly, even though things feel a little vague. Watch out for the footpegs, though.

Paying $15,892 for the bike is all well and good but what if your wardrobe doesn't match? Don't worry: BMW has a range of clothing should you wish to become one with your machine. Or you could remind others of your new lifestyle by wearing the tie pin and pocket watch.

I started out disliking this bike, thinking it too big and ponderous, but ended up loath to give it back. I enjoyed the attention, appreciated the bike's style, became addicted to the laid-back riding position and relished the out-of-town capabilities of that unburstable 1200cc engine.

There are many bikes faster and better handling than the Cruiser, but none so outrageously styled or possessing the qualities to match 007. After all, Bond performs with function, style and sophistication, despite being a little rough at times – and he always gets the chick, too.

BMW 728IL

Price: $60,310
Engine: six-cylinder in-line, 24 valves with VANOS variable valve timing
Capacity: 2,793cc
Power output: 193bhp
Transmission: five-speed automatic with adaptive control and Steptronic
0-99kmh: 9.6 seconds
Top speed: 224kmh
Average fuel consumption: 11.4litres/100km
Length: 4,984mm
Width: 1,862mm
Boot capacity: 500 litres
Standard equipment: leather interior and upholstery, air-conditioning, memory electrically-adjustable front seats, alloy wheels, Thatchem Category 1 remote control anti-theft system, RDS radio-cassette with six speakers, twin air bags

BMW R 1200 C

Price: $15,892
Engine: four-stroke flat twin (Boxer)
Capacity: 1,170cc
Power output: 61bhp at 5,000rpm
Torque: 98Nm at 3,000rpm
Top speed: 168kmh
Average fuel consumption: 5.4 litres/100km
Wheelbase: 1,650mm
Seat height: 740mm
Overall length: 2,340mm
Unladen weight: 256kg
Colours: ivory, canyon red metallic and deep black
Standard equipment: four-way adjustable brake and clutch levers, catalytic converter, stainless steel exhaust, leather seat and grips, hazard warning lights, BMW Telelever front and monolever rear suspension

DAN GILKES — DRIVING THE CAR

WHAT, Bond in a limo? Surely some mistake. His undercover character in *Tomorrow Never Dies* is a banker but was that a good enough reason to supply our intrepid hero with a fat-cat cruiser?

Last time around dark mutterings could be heard when the movie moguls put 007 in a BMW Z3 roadster. Either nobody listened or Q has been benefiting from something of a discount from the Munich manufacturer. For Bond not only climbs aboard the BMW R 1200 C motorcycle but also slips behind the wheel of a much modified 750iL.

At least the sportier Z3 matched the more dangerous side of Bond's persona. The limo, on the other hand, needs all the gadgets it can carry to impress diehard Bond fans, who look back at the ever faithful Aston Martin as the ultimate Bond car. Fans can take consolation in the fact that the 750iL is just a hire car, albeit one that is bulletproof and fires rockets from its sun roof. In the rough-and-tumble of world espionage, Bond is sometimes shaken but never stirred. And in the 750iL he wont even get his suit creased.

We chose the more economical and lower priced 728i to test drive. It looks exactly like its star-struck bigger brother but Bond's less common 750iL is powered by a mammoth 5.4 litre V12 engine, almost double the size of our straight six lump: a worry for the greener members of the community.

The 728i will set you back just under $60,310, which is not bad in this particular marketplace. A 750iL, even without 007's goodies, sits on the high side of $122,250. Perhaps the most absurd thing is that the larger the engine, and presumably the more fun to drive, the less likely the owner is to get behind the wheel. Bond steers his car from the back seat by remote control, many 750iL owners will probably hire a chauffeur instead. But no matter where you sit you are cocooned in air-conditioned luxury. Swathes of grey leather surround you, deep carpets cushion your feet and discreet burr walnut interiors are soft on the eye. Its almost like being in your private corner office, except it moves.

Any fat cat should be more than comfortable planning his next attack in such luxury. And it is a good thing too, because externally the 7 Series is nothing special, being eclipsed by BMW's own superb 5 Series, Audi's aluminium A8 and the gorgeous Jaguar XJ8 in terms of drooling desirability.

As the motor purrs into life, the silky smooth six-cylinder power plant settles into a background whisper, and the 728i glides away, moving imperceptibly through its five ratios to cruise serenely at the speed of your choice. The Steptronic gearbox automatically adjusts its performance to match the individual driver's style. Or you can select the gears yourself by nudging the lever forwards for upchanges and back to come down the box.

The steering is less satisfactory, the over-large wheel is light but it jittered when the car reached average speed and it also felt clumsy when parking. But there are plenty of things inside to distract you. Gone are the days when everything was an 'extra' on a BMW. Traction control, ABS, cruise control, an on-board computer and airbags offer technical solutions. Electronic memory seats, remote locking, a decent stereo and the most complex looking cup holders around should keep the occupants happy. Everything is electrically powered, from windows and door to mirrors. Simply press a button on the key and the boot pops up; touch a button inside and it powers down.

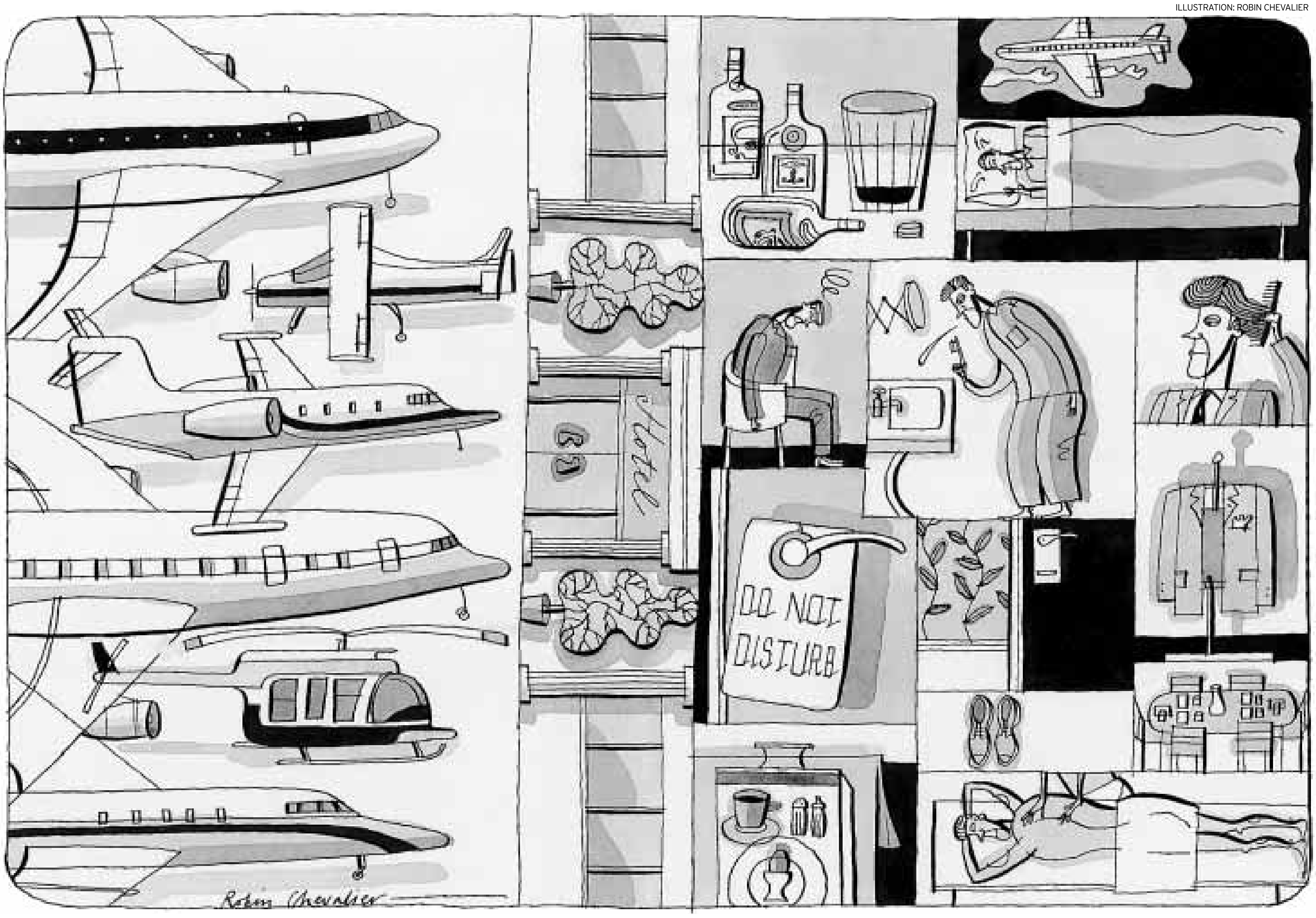
BMW built its reputation on providing a driver's car, a motor for enthusiasts, yet that's not what is coming back through the controls. The 7 Series is more a car for relaxing in, letting it cope with the journey, while you think through the next meeting. Despite that it manages its size and weight well: with a car weighing just over 1.7 tonnes, even a 193bhp engine is going to have to work hard. If you forgo the muted purr of the engine for a more aggressive snarl, the 728i will shift considerably.

Nevertheless, driving a 7 Series isn't about thrashing around at high speeds. It is about comfort and effortless travel, whether a short hop to work or crossing continents for conferences. But unlike the Bond films, excitement is low on the 7 Series' agenda.

What this car supplies is superb luxury and build quality. Its owners will know that when tomorrow does in fact arrive, the 7 Series will continue to transport them in style.

The Continental

ILLUSTRATION: ROBIN CHEVALIER



TRAVEL ■ Smart business travellers check out the facilities that airports now offer

Terminal accommodation

GILLIAN UPTON

THE smart business traveller in the 1990s is landing at an airport and staying there. Rather than sit in traffic jams en route downtown, the traveller maximises the time by staying put and tapping into all the facilities now on offer within the airport environment.

It is a far cry from the 1980s when airport hotels were drab places to be avoided at all costs. "They were of very poor quality and the service was atrocious, particularly in the US," recalls frequent business traveller Ian Weatherhead.

Now, however, it is not unusual to find that exhibition centres, offices, conference halls, business centres, transit facilities and shopping malls are within walking distance of airport terminal buildings. All the modern airport lacks today to qualify as a conventional town is a housing area.

Deyan Sudjic, author of *The 100 Mile City*, views airports as the new city square. "The airport has become not just a gateway but a destination in its own right," he says. He cites Los Angeles International airport as a surrogate downtown, with its main distributor road, an extension of Century Boulevard, one of the busiest pedestrian streets in LA.

In Europe, Amsterdam's Schiphol has done much the same. To cater for the 44 per cent of passengers who are on scheduled transfers, Schiphol offers somewhere to sleep, do business, somewhere to gamble, shop and occupy children.

The World Trade Centre and adjoining Sheraton Hotel are opposite the terminal, so too is the Schiphol Plaza which incorporates three arrivals areas, railway station, car hire rentals, supermarket and branded shops such as Esprit and Leonidas. In the UK, London Gatwick airport has already established itself with the local community as the place to go to bank, shop, eat, sleep, do business and, oh yes, fly.

Airport hotels now offer business travellers a different service from their downtown counterparts. Whether travellers are delayed from a flight and need to pass the time, are in transit or have arranged meetings, being able to book a hotel room during the day is important. The 46-room Mercure Hotel inside Schiphol's terminal offers day rates (between 10am and 7pm) of $45. Rooms have a shower, lavatory, telephone and television.

In the Hilton hotel at London's Heathrow airport, connected to Terminal 4 by a five to six minute link bridge, passengers can book more comfortable day rooms between the hours of 9am-6pm for $144. The Hilton also offers same-day laundry service (in by 9am and back by 4pm), a 24-hour restaurant and 23 meeting rooms which can be hired out by the half day.

"Our customers want absolute efficiency," says Hilton Heathrow general manager Neil Mathieson. "What they want is a quick check-in. Good soundproofing is essential, a private fax in their room is standard: early morning calls, round-the-clock eating and flight information complete the package. It's not necessarily too many frills but the right facilities."

Mathieson claims the average check-in time is two minutes. Telephone wake-up calls are backed up five minutes later with a reminder on the TV. The hotel offers a no stop checkout. Guests paying by credit card automatically receive a print-out of their bill, sign the back and leave it on the front desk as they depart.

Rather than sit in traffic jams travellers maximise time by staying put

Hilton isn't the only hotel chain to gear itself up for customers on the move. Sheraton's seven airport properties around Europe have formally launched Airport Hotels Services. The services comprise a four-hour laundry service priced at 50 per cent extra, day break rooms (available between 8am and 6pm) priced at half the overnight room rate, anything between four and 28 meeting rooms in each of the hotels (its properties in Frankfurt and at Heathrow have large conference halls), a transit survival kit offered to guests of useful stopover items such as T-shirt and toothbrush, a menu of 14 Body Clock Cuisine dishes geared to adjusting to new time zones, and a late 5pm checkout for Sheraton Club members. As Paul Tribolet of ITT Sheraton says: "Airport hotels are fast becoming a key service to business travellers."

LETTERS

Letters for publication should include the writer's name, 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 preferred. The Editor reserves the right to edit letters.

Drugs: a normal part of growing up?

THE British Home Secretary's 17-year-old son is said to have sold £10 ($16) worth of cannabis resin to an undercover reporter. So what? Does it merit all this intense media attention?

Drugs such as cannabis and Ecstasy are used recreationally by most of Europe's young people, who see them as a normal part of growing up. The battle against addictive drugs must continue, but let us not pretend that occasional use of cannabis is in the same league as persistent heroin and crack cocaine misuse.

As Dr Jan Cowart clearly pointed out ('The Dutch way to control drugs', Letters, issue 395), cannabis needs to be seen in a different light from other drugs. We wonder will Jack Straw's hardline stance be modified as a result of his son's more liberal outlook?

Mary and Roger Cunningham
Cahors, France

IF THE British Home Secretary cannot protect his own son from the drugs culture what chance have the rest of us? It is unfortunate that the Straw family is forced to confront a problem in the full glare of the media spotlight. But at least the debate is now in the open and the people involved have been identified. How many parents of adolescent children must be thinking, there but for the grace of God …

Rick Neel
Brussels, Belgium

I SUPPORT Jack Straw's position on drugs and applaud his courage in taking his son to the police after being told that he had been dealing in cannabis. Legalising cannabis would be a mistake and lead to a huge increase in its use.

Geoffrey Burridge
Dublin, Ireland

I AM appalled at the amount of time and public money being spent prosecuting people for offences involving cannabis, a virtually harmless plant. The fact that cannabis is remarkably safe has been confirmed by every major government and scientific investigation of the past few years.

Our laws are meant to protect people and society, not simply impose the will of the government on its citizens. The British government has recently banned beef on the bone, declaring it to be dangerous. Yet known poisons and dangers are allowed. These include alcohol, tobacco, mercury fillings, clingfilm, pesticides, pollutants and certain food additives.

When this minister's son supplied cannabis there was no victim and nobody was hurt (except possibly a father's pride). Millions of people have supplied each other with cannabis since this case has been in the press, with no harm done. A young man, a journalist and the public who will foot the bill have now been victimised by a nonsense law.

We need the truth, not any hidden agenda or some sort of nanny state run by hypocrites.

Ann Clarke
Norwich, England

IT IS time to face reality with respect to cannabis consumption. Most people don't get marijuana from drug pushers – they get it from their friends. This is why the war against cannabis will never be won by the heavy-handed tactics of the state. Governments know this but they would rather do the politically expedient thing and hide their collective heads in the sand. We need to acknowledge the fact that more than ten per cent of the Canadian population uses the drug on a regular basis. It's time to entertain the idea of legalising cannabis.

Patrick Nix
Toronto, Ontario, Canada

Le Pen needs to pull his punches

JEAN-MARIE LE PEN, the head of the Front National in France, obviously enjoys a good fight. He has brawled from Mantes-La-Jolie in Paris to Fort-de-France in Martinique. The FN leader may well strike a chord with ordinary French people with his blame-the-immigrants economics but he should realise that amateur boxing bouts in the streets reflect badly on him and his party. He should learn to control his temper or pull his punches.

You ask the question 'Has Le Pen's iron fist lost its sure grip?' (issue 398). The sight of him wrestling a socialist candidate to the ground during last year's election campaign was not a pretty sight. It did not help Le Pen's image that in this instance his fists were used on a woman.

Solange Trentin
St-Germain-en-Laye, France

AS A French supporter of the Front National, I would like to comment on Robert Fox's criticism of Jean-Marie Le Pen (issue 398) for claiming that the gas chambers in Nazi Germany were 'a mere detail in the history of the Second World War'. Semantically, the detail is part of the whole. It does not depreciate this 'detail'. Why should Le Pen be seen as a culprit, given that Eisenhower, Churchill and De Gaulle did not mention Nazi gas chambers in their memoirs?

Members of the press feel obliged to give a dog a bad name before hanging him. Nonetheless, Le Pen is closer to a British bulldog than a poodle, and you can expect some surprises from him very soon.

Michel Fradin
Paris, France

ROBERT FOX (issue 398) writes of 'the new spirit of co-operation and tactical harmony on the right' in France. Nothing could be further from the truth. The right-wing parties loathe one another and Jacques Chirac despises Le Pen and his Front National. The French president has not responded directly to Le Pen's claims that Jews 'control' the political establishment, but it has been widely reported that Chirac is infuriated by these slurs.

Le Pen continues to claim that Chirac's hostility to him is so strong that it can be explained only by the grip of international Jewish organisations that have provided the French president with 'enormous sums and political support'.

Jacob Smalley
Washington DC, USA

THE Front National is the unacceptable face of the far right in Europe today. The anti-democratic, anti-immigrant ravings of the likes of Le Pen and Jean-Marie Le Chevallier, the FN mayor of Toulon, are dangerous to a free society.

If the Front National can succeed in its isolationist, anti-foreigner agenda in France, the ideals of the more than 200 years of French democracy are at risk.

Connie Frederick
Bergen, Norway

DRAWN FROM EUROPE

CARTOONISTS AND WRITERS SYNDICATE — HACHFELD – *NEUES DEUTSCHLAND*, BERLIN, GERMANY

Kohl loose in London

WHOSE bright idea was it to give Chancellor Helmut Kohl the freedom of the City of London? Is it a final acceptance of subordination to their counterparts in Frankfurt?

Tony Blair's government assures us that Britain will not become a full member of European economic and monetary union in 1999. Nevertheless, the European central bank will have considerable power over British banks and institutions, while politicians will be working like beavers to get us fully into EMU as soon as possible.

The London financial market is far larger than Frankfurt's but will soon become its satellite. By giving an honour to the German chancellor is the corporation of London trying to curry favour with its new boss?

REG Simmerson
Member of the UK Independence Party
London, England

LONDON isn't that bad (Dispatches, issue 396). Peter Millar writes: "'A life" is something that too few Londoners have.' But it is something that no Tokyoites expect. Has Millar experienced rush-hour Tokyo?

When in London, I was impressed by the wonderful architecture and the realisation that the city functions well. Here in Japan, there is stunning architecture in Kyoto, the former capital. But Tokyo is very much the centre for business. London is the place for both.

Yasutaka Komatsu
Kitakyushu, Japan

Inspiration for union

IT IS not true, as Andrew Sullivan writes (issue 397), that free trade within Europe was the original inspiration for the European Union. The European Communities, the predecessors of the EU, were set up as a political response to the Second World War. The fundamental concept of European integration is to maintain peace between our nations.

Free trade is merely one of various policies aimed at attaining this objective by means of functional integration. Equally, the single currency is expected not only to strengthen the single market, but also to further political and emotional integration.

Sven M Ringhof
Laufen an der Salzach, Germany

From lira to euros

IF Italy believes so strongly in the euro, and is certain that it will meet the requirements to be one of the first countries to adopt the single currency, why doesn't Romano Prodi now knock off a couple of noughts from the lira so that Italians will be better prepared for euros and cents?

Italians will soon have to get used to working with pocket calculators. When the day comes, I believe everyone will be examining the exchange rate to work out the cost of a packet of aspirin. They will need it.

Alexander J Stirling
Brescia, Italy

A place for Turkey

AS A Greek of Greek-Egyptian descent, I was embarrassed by Ted Boultadakis's letter (issue 398). His view that Turkey does not belong in the EU because it is Muslim and thus has 'different opinions on human rights and … profound cultural differences with Europe' reflects the opinion of a small, bigoted minority and in no way represents the position of most Greeks.

The Greek government has long emphasised that religion should not be used to discriminate against any country wishing to become a member of the EU. It has stated repeatedly that Turkey's place is in the European family. However, Turkey should understand that the only way to gain admittance is to 'play by European rules'. Turks must work to silence their critics. They can begin this process by taking their territorial claims against Greece to the International Court of Justice, creating a just settlement for Cyprus and settling the Kurdish issue.

The Turks should also concentrate on putting their economic house in order so that European fears of an influx of Turkish workers would finally be put to rest.

Granted, all these are difficult issues that pertain directly to national pride but once they have been solved, who would dare say that Turkey's place is not in Europe?

Anwar Soussa
Baie D'Urfe, Quebec, Canada

Air-traffic flak

I AM a German air-traffic controller with an English fiancée. Late last year I began to inquire about working in Britain. After having been given the run around, I discovered that my qualifications are 'not good enough' for the UK. I would have to convert my licence to one approved by the Civil Aviation Authority. This involves an assessment at a CAA-approved college, followed by a full training course or, depending on the results, 'just' the second half of the course.

As I understand the regulations (92/51 EEC), the authorities can demand a qualification test, a familiarisation course or proof of professional experience. They are not entitled to ask for a combination of these measures.

The European Air Traffic Control Harmonisation and Integration Programme (Eatchip) plans to announce common standards in 2000. But this will be too late for many of today's controllers.

Klaus Berchtold
Munich, Germany

Irish, not Gaelic

CIARAN Condren (Letters, issue 398) writes that Gerry Adams' 'choice of language (Gaelic) outside Downing Street was calculated'. The official language of Ireland is called Irish. The word 'Gaelic' (or, better, 'Gadhelic') was coined in Scotland to refer to the Scottish dialect of Irish, earlier known as Erse, ie Irish.

Robert Craig
Weston-super-Mare, England