



THE VIKING TRAIL

Boat man builds a longship to follow an ancient trade route

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After a year the Spanish premier has delivered economic success

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THE BLAIR EFFECT

Political parties in Europe ask: How can we emulate New Labour?

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Blair creates a new mould for sister parties

SOCIALIST hopes that New Labour's Tony Blair will hasten the creation of a "social Europe" could be disappointed despite the enthusiastic welcome given to Britain's pledge of a fresh start in Europe.

New Labour under the youthful Blair, 44, is proving well to the right in the political spectrum of mainland Europe and its dramatic success at the polls is causing confusion among the left in France, Italy and Germany.

The early decision to join the European Social Chapter has been widely applauded as a sign that a line will be drawn under the self-defeating isolation of the Tories, Michel Barnier, the French European affairs minister, said. "We were not expecting a revolution, but we did expect a new climate. What we have got so far is a new Europe."

But on 7 May Blair led a vast gathering of New Labour MPs that this conciliatory gesture meant that Britain would be "more other than less able to negotiate" in EU bargaining. The government's message to sceptical voters is that it is not European solely to the extent that it serves the national interest.

Crucially, Blair's government, whose top priority has been to grant independence to the Bank of England, does not appear to share other socialist's sense of urgency that the drift towards a Europe of austerity and minimal workers' rights must be reversed.

Victor Smart
Political Editor

The ambitions of New Labour's Tony Blair could be frustrated by the confusion in France, where economic growth has led to a drift from France's electoral triumph. While some socialists have heralded it as a shift towards a social Europe, the moderate right has trumpeted it as a vindication of Labour's adoption of free-market policies.

In his first overseas trip, Britain's Foreign Secretary Robin Cook made a whistle-stop visit, visiting his counterparts, both non-socialists.

Private he was greeted to a warm welcome. "It was easy. I hope it will be the same for you." For his part, Josip stressed the need for a single currency, and two parties but would not be a single currency, and the two parties on the French side of the Channel.

Some elements of the French press argue that they do not want to destroy the right-wing. Josip said he would not be a single currency, and the two parties on the French side of the Channel.

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LESSONS FOR THE LEFT

Shoulder to shoulder: Cook (left) with Josip in Paris. "Victory was easy," he told him

Chirac plays his last card for Europe

Bruton revives peace dialogue

magazine

MONACO & CANNES

This week the Mag 2/No celebrates two highlights of the European social season - the Monaco Grand Prix and the Cannes film festival. As the Grimaldi family marks 100 years of ruling Monaco Prince Rainier talks to Alan McKinn. And we look back over 50 years of film history

Europe Day is a movable feast

THE European Commission in Dublin will be handing out chocolate coins on the streets on 9 May as the continent celebrates Europe Day. *writes Cally Savoy.*

Europe Day marks the foundation of the European Coal and Steel Community in 1950, which began the progress towards European unity. It is celebrated in Paris, Turin and Milan will

New chief at The European

Mr Andrew Neil, the former editor of Britain's *Sunday Times*, has taken over the reins of The European social season - the Monaco Grand Prix and the Cannes film festival. As the Grimaldi family marks 100 years of ruling Monaco Prince Rainier talks to Alan McKinn. And we look back over 50 years of film history



Labour landslide followed last week's headlines in Paris and Bonn. He also visited the French socialist leader Lionel Jospin who hopes to become premier after next month's election. Cook commented: "It was a very useful and friendly meeting. I discussed with him the progress of the victory of the Labour Party in Britain. I want to make sure that Britain has a fresh start in Europe, and that Britain joins France and Germany in the new EU."

"We have good relations with our sister party in Germany," he added, however, that the decision was a matter for the French

President Jacques Chirac has one roll of the dice left in his effort to breathe life into the moribund election campaign and bolster his flagging government strategy. He is believed to be planning a public rally in Paris on the 7th of May, the first round of voting on 22 May.

The intervention followed Chirac's appeal to voters published in regional newspapers on 3 May, and approved by national newspapers, he urged voters to cast their ballots for the "political stability indispensable for effective action".

He went on: "I need your support to limit the president who we have begun to lose confidence in but fear only over time. Let's seize our opportunity in this campaign's last week. Without mentioning the unpopular Juppé, Chirac said that the coalition elected in May had been obliged to "wipe the state clean" before making a new start, arguing that both the economy and growth were improving.

"Let's opt for the voters that 65 per cent of voters were disappointed with Chirac's two years in office and felt that his record was

Chirac plays his last card for Europe

negative. Up to 41 per cent said that he should resign if the left won. A crushing 87 per cent said that Chirac had failed to do his job against unemployment."

This was echoed by former Socialist premier Laurent Fabius, who said the initiative looked ineffective not to turn their backs on history in the snap election he has called. Blaming the left for wasteful tax and spend policies, he urged voters to cast their ballots for the "political stability indispensable for effective action".

He went on: "I need your support to limit the president who we have begun to lose confidence in but fear only over time. Let's seize our opportunity in this campaign's last week. Without mentioning the unpopular Juppé, Chirac said that the coalition elected in May had been obliged to "wipe the state clean" before making a new start, arguing that both the economy and growth were improving.

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BRISH Prime Minister John Bruton has taken over the reins of The European social season - the Monaco Grand Prix and the Cannes film festival. As the Grimaldi family marks 100 years of ruling Monaco Prince Rainier talks to Alan McKinn. And we look back over 50 years of film history

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Escape route if IGC fails

PROGRESS towards enlarging the European Union, the main objective of the incoming Luxembourg process, starting on 1 July, is threatened by continued uncertainty over reform of the union treaty.

Luxembourg, which is to succeed the Netherlands as the helm of the EU, is setting up contingency plans for an extra summit in the autumn of leaders to discuss a new treaty to amend the existing one in Amsterdam.

The commission has outlined the gargantuan efforts of the Dutch presidency to com-

Paola Brusadonna
BUONALDI

She is the international finance chief of IGC, Luxembourg, which is to succeed the Netherlands as the helm of the EU, is setting up contingency plans for an extra summit in the autumn of leaders to discuss a new treaty to amend the existing one in Amsterdam.

The commission has outlined the gargantuan efforts of the Dutch presidency to com-

The organisation of a presy decree is a daunting task, and Luxembourg will be the main inhabitants, is the smallest country in the world.

Prime Minister Jean-Claude Juncker, a Christian Democrat, who also holds the country's finance minister, addressed the parliament on 29 May. He said the initiative is a challenge to all European governments to support the initiative.

Juncker's set to launch a major initiative to harmonisation which, official say, could speed negotiations for a common EU.

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Germany	95.10 (MARK) 10.15
France	95.10 (FRAN) 10.15
Spain	95.10 (PES) 10.15
Italy	95.10 (LIRA) 10.15
UK	95.10 (POUND) 10.15
US	95.10 (DOLLAR) 10.15
Canada	95.10 (CAN) 10.15
Australia	95.10 (AUS) 10.15
Japan	95.10 (YEN) 10.15
South Africa	95.10 (RAND) 10.15
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Malaysia	95.10 (RINGGIT) 10.15
Philippines	95.10 (PIES) 10.15
Thailand	95.10 (BAHT) 10.15
Vietnam	95.10 (DONG) 10.15
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Skin creams hotter than the sun

The fair-skinned northern types who reach for factor 20 sun screen before heading for the beach may think twice this summer as the European Commission says signs that sun cream use may cause as many as 100 deaths a year.

Scientists have discovered that a traditional part of all holiday skin care - sun cream - is less than they think it is. The Commission says that the protection can be unreliable, while some creams actually damage the skin.

The Commission is fund-

ing laboratories in five countries - Austria, France, Germany, Greece and Britain - for the next two years to come up with improved sun cream testing methods.

The Commission says that the market will be slapped with a ban on sun cream products that contain parabens, which are used as preservatives in many cosmetics. The Commission says that the market will be slapped with a ban on sun cream products that contain parabens, which are used as preservatives in many cosmetics.

when *The European* approached Colipa, the agency said it was the first it had heard of using standard.

"We already have a voluntary code of practice," said Colipa's Rory MacMillan. "But if you are using something like that on sun screens, you would always welcome that."

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Fraud report enters Maastricht from World leader resigns

EUROPEAN Parliament members are to launch a last minute report on negotiators at the intergovernmental conference (IGC) to modify the Maastricht treaty...
The report will be based on the June revision of the Treaty...
Right now there is legislation of 70 different laws and regulations in the different member states for

lot of these losses," said Justice Commissioner Vitorino Galvão...
Some ECU has been lost through customs fraud at EU borders...
According to the report, the vast losses concerned fraudulent use of EU structural funds for large-scale schemes and fraud in the agricultural sector...
There is no doubt that organised crime is behind a

World leader resigns
Sam King
The surprise retirement of the United States' Financial head of the World Health Organisation...
Hiroshi Nakajima has given way to persistent demands from the United States as director general...
Washington currently owes the WHO 316 million and is demanding its contribution...
Once again the US has used its veto to prevent the security council from securing the changes it wants...
The fact that he was persuaded to stand aside as secretary general...
Former Norwegian prime minister Brundtland has said she would like the job...
Pakistan has also put in a bid to become secretary general...
Meanwhile, delegates are disputing the World Health Report which warns of a major increase in life expectancy...
The report states: "In infectious diseases are well under control...
menstrual disorders, chronic kidney disease, arthritis and musculoskeletal diseases...
Europe will be particularly affected by the rise of the world's highest rates of heart disease...
Additional reporting by Sam King

Tribal Tadić of Bosnian crimes

FOR the first time since the UN leadership stole the lead in Nuremberg more than 50 years ago, a modern day war criminal has been convicted...
The verdict by the International Criminal Tribunal for the former Yugoslavia in The Hague immediately attracted criticism of the war crimes operation...
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Paola Bonadonna BRUSSELS

What is effectively a cross-border...
The fact that he was persuaded to stand aside as secretary general...
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Team of 3,000 American and Belgian troops

The tension in Kinshasa had been rising since rebel forces...
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Germany jobs boom persists

CHANCELLER Helmut Kohl has conceded that Germany's employment problem will not significantly improve this year...
The figures appear to have dashed hopes that a gradual downturn in joblessness...
Despite news of rising unemployment...

Brutus revives dialogue

West Belfast and chief negotiator Martin McGuinness...
The fact that he was persuaded to stand aside as secretary general...
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Postil strategy splits left

The Italian left entered the final mind of mayor elections...
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GC escape route

analysing detailed surveys of the candidate countries...
The fact that he was persuaded to stand aside as secretary general...
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Danish pact reveals divisions

A POLITICAL agreement between Denmark and Sweden...
The fact that he was persuaded to stand aside as secretary general...
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Table with 2 columns: Country and Price Index. Includes UK, Germany, France, Italy, Spain, Portugal, Greece, Ireland, Austria, Belgium, Netherlands, Luxembourg, Denmark, Finland, Sweden, Norway, Switzerland, Austria, Belgium, Netherlands, Luxembourg, Denmark, Finland, Sweden, Norway, Switzerland.

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Linking Europe way to the heart of Europe

A HALF-FORGOTTEN village hidden among the forests and vast sheets of water that make up Poland's remote Rozewski lakes district. Rozewski seems an unlikely starting point for a 3,000 kilometre journey by rowing boats from the Baltic to the Black Sea.

But in front of a dilapidated cow shed leading down to Rozewski's meadow lakeside waterfront, a man and two boys are there, busy sawing planks out of rough logs just as they are supplied by a local mill.

Inside the shed, a tall oak crew and the overlapping pine of clinker-built bows betray the unmistakable shape of a later-day Viking longship. It is a near-exact copy of a 1,100-year-old vessel discovered under centuries of thick mud more than 60 years ago near the then free city of Danzig, now Polish Gdansk.

"The villagers drop by and stare at the boat as if we're something from outer space," said Marek Buczerak, a Warsaw shipwright trained in the dying art of wooden boat construction who moved to Rozewski six months ago to start building the vessel.

If all goes to plan the 12-metre long ship, weighing 1.5 tonnes, will be ready to begin a slow voyage from Gdansk on the Baltic to the Black Sea down the rivers Vistula and Dniestr to the Caspian.

The voyage is expected to take at least four months. A volunteer crew of 12 will drive the ship exactly as the Vikings did, using only sail and rowing by hand from the river bank. On one section of the route, the crew will drop the ship for 60 kilometres using two rubber trucks as rollers to cross the divide between the Polish San, a tributary of the Vistula, and the Dniestr.

Food will be bought or bartered on route. The crew will be obliged to sleep Viking-style on the wooden decks of the ship or in tents

Tony Paterson in RYZEWO meets a boatman on the trail of ancient trade routes

on the bank. Home comforts such as hot water and lavatories will be kept to original Viking standards, and there will be no recourse to modern expedition aids.

The organiser and leader of the expedition is Henry Wolski, a 46-year-old Pole who lives in Berlin. He has twice sailed across the Atlantic, and in 1992 took part in a two-year expedition which attempted to circumnavigate the North Pole ice cap under sail.

The stereotypical of the Vikings is that of a blood-thirsty breed that raped and pillaged its way through the British Isles to America.

"But compared to most of the Vikings it is that of a blood-thirsty breed that raped and pillaged its way through the British Isles to America," says Wolski. "But compared to most of the Vikings it is that of a blood-thirsty breed that raped and pillaged its way through the British Isles to America."

Historians have long been aware that whereas the Vikings specialised in voyaging, the Arab and Dutch explorers of America and the colonisation of Ireland, then the Viking routes which are right on our doorsteps can be traced, he said.

Inspiration for this latest expedition came in 1984 when Wolski took a team of explorers from Riga to Odessa in an inflatable boat. The journey along the length of the Danube and Dniestr was an initial trigger for the Vikings' historical inland trade routes. It had remained inaccessible to westerners for the best part of 50 years through a com-



War. "It is a quirk of history that it is only now that the Viking routes which are right on our doorsteps can be traced, he said.

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Ship shape: Marek Buczerak (above) is building the replica longship from planks (left) based on a 1,100-year-old wreck

the Gdansk Maritime Museum. Lodz, University's Centre for East European Research and Warsaw Polytechnic. But financial back-up continues to be a problem. Wolski paid \$20,000 (\$12,000) for the building of his Viking ship out of his own pocket and has so far received limited offers of support from German and Polish sponsors. Further backing is expected to come this summer when the vessel goes on show in Gdansk during celebrations of the city's 1,000th anniversary.

But Wolski also hopes that the expedition will help raise public awareness about the plight of post-Cold War eastern Europe.

"These days media attention is fixed on the European Union, and one is left with the impression that Europe stops dead at the

German-Polish border," he said. "The aim of the expedition is to make people realise that 1,000 years ago Europe stretched further east than it does today."

As a result, crew membership will be open to anyone from Europe, providing they are physically fit enough to cope with rowing for up to 12 hours a day, weekend included. So far three Germans and three Poles have signed up for the trip, which will begin in earnest next summer. But more than a skeleton crew of 12 will be needed to complete the voyage as participants are rotated during the trip.

In a final gesture to underline the ideals of the expedition, Wolski has decided to name both the ship and the expedition Europa.

"I think even the Vikings would have been happy with the idea. They may not have thought in those terms, but it was they who helped establish the continent in the way that we know it today," he said.



Free characters in search of a notion

Raul Rodrigues de Campos from Portugal is this year's winner of the Robert Schuman essay competition, promoted by the European People's Party group in the European Parliament. He was honoured with the award by GPP chairman Wilfried Martens in Brussels on 7 May. Second prize went to Magali Couck from Belgium, and third was Dafydd Rhys Hopcyn-Kitchener from Wales. Below is an edited version of the winning essay

WELL, listeners, it's just coming up to 3,000th. And now it's your turn for Radio Euroletter's weekly programme, 'A View of Europe', with me, Raul Campos. Today we are going to discuss European culture and we have three guests: Doctor Sofia Maschako, adviser to the commission for cultural affairs in the European Parliament; Miguel Tizgo, representative of the European Club at our school; and Catarina de Campos, who recently benefited from a grant from the Erasmus programme to study abroad.

Newsdays education and culture concerns Europe as a whole, not one country in particular, for this reason others could be made to give young people new experiences as they can fulfil their role as citizens. Which brings us to the question: What is the outline of the cultural tradition of our common Europe? Sofia Maschako, can the term 'culture' be easily defined?

"It certainly isn't easy. When searching for a definition which is precise, ancient and all-embracing we often turn to Jose Mattoso, who said: 'Culture encompasses all that is specific to humans but not biologically inherited: customs, beliefs, arts, sciences, laws, customs, traditions and habits, as well as expressions and support for these things and socialising processes, which brings us to the question: How can we define it?'"

Prized for his insights, Raul Campos, 17, from Portugal

misly institutions. So when we ask, 'What is Europe?', there can be many answers: everyone loves this word, but not for the same reason. We go to come about everyone would like to have their language, their culture, their way to live today a Portuguese student who studied international relations in the University of Coimbra, who led humanities play in the form of Europe."

Humanists helped form a European consciousness by overcoming national-

"If Europe cannot open up, it will become incapable of renewal"

ly, oppressive nationalism. Erasmus, the 'humanist of humanists', said that all who dedicated themselves to the sacred mission were his compatriots. Humanism was simultaneously national and international. Movements across borders spread culture which no longer belonged to an individual nation. This favoured the emergence of the concept of Europe as a repository of culture.

Erasmus was an exponent of this idea and he is identified with Europe because of his concept of the continent

as a cultural arena cemented together by Christianity and pacifist ideals. This Erasmus is the incarnation of the European spirit.

Miguel, as the representative of the European Club, could you tell us about the history of the concept of a common Europe?

"As a result of the convergence of Graeco-Roman thinking in the roots and Christianity in the trunk. In the 16th century Europe was considered by many the political forum of the world, a symbol of civilisation and culture. Eurocentrism emerged along with pacifist ideals. World peace is identified with European peace. World peace was European peace. Today when we speak of Europe we have to approach the problem of egoism: if this cannot be overcome will never be achieved."

Does the motto 'Europe as a common construction'?

"At the moment there have to be unmistakable signs that diversity is accepted, but we must not open up. We have to discover what can unite Europe, but we must not ignore common interests and to reflect on the objectives and limits of Europe. More than just economic interests, there must be common ideas capable of creating stable cohesion. We must say no to a rigid frontier and Yes to the creation of a common identity."

And what must the youth of today contribute?

"Some of the ideas already in place, including respect for basic rights and freedoms, the battling together of nations and people, the creation of mechanisms for the resolution of conflicting society responsible for safer identities, what could jeopardise common construction?"

There have been moments of crisis during the process of unification. What is your opinion on this, doctor?

"Every development process has its crises, but we must go forward. If Europe cannot open up, it will become a self-absorbed and decadent reality, incapable of renewal."

Erasmus was once described as a close another capable of a View of Europe. Hoping that we have given you a view of matters, until next week, goodbye!

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PHOTO COURTESY OF THE BRITISH LEGATION IN BRUSSELS

Blair's new start

Blair's new start

Blair's new start

THE Tony Blair phenomenon is, for the moment, unstoppable. In the seven first days of his tenure as prime minister, when even the weather was uncommonly brilliant, coalition Britons almost persuaded themselves that a New Jerusalem could be built.

Interest rate rises and higher taxes might have forced most to sober up, sharp criticism elsewhere in Europe, not just socialists but Gaullists and Christian Democrats have begun the search for their Blair. How, they inquire, might we emulate New Labour's historic triumph?

In truth, of course, Blair's crushing victory over the Tories owed much to the uniqueness of the electoral system. Not to be realistic is to take eagerly on the legacy of Thatcherism in Britain. But honeymooners are to be forgiven. Many Britons were seeking for change after a long, gloomy, obsessive foreign war Europe among Tory MPs. After a long election campaign, the relief is palpable that a better, less disciplined party is in power.

Europe is right to rejoice as well. It was time to end the government of the day, Major and his self-destructive "EU confederations" created by the pathetic British Conservative leadership in the last few years.

First and foremost, Europe is right to rejoice in the return of German Chancellor Helmut

Victor Smart, Political Editor, follows Labour's march into Europe

Kohl would see the new British leader to enjoy a uncontestable new mandate as the "redemption" of the intergovernmental conference negotiations in June approached. That has been handsomely delivered. But the arguments for future harmony go well beyond that. In Labour's first days Foreign Secretary Robin Cook promised a fresh start with Europe. Europe Minister Doug Henderson flew to Brussels to announce that Britain wanted to end its isolation in the European Council (finance minister) Gordon Brown declared that the central bank will be granted day-to-day independence, a necessary step towards a single currency; and, for good measure, the Machiavellian figure Peter Mandelson, an ardent European, was given a role at the head of the Blair project.

Clearly, it is not in any way a coincidence that Blair is so centrist but highly market-friendly. The job as Europe minister has to go to a man whom colleagues cannot remember expressing an view on the subject. "New Labour remains unchanged until the public tells us otherwise," Blair's motto will doubtless attract

learned from building German property on economic stability and sound money. The need for stability outweighs the desire for accountability. Hence the landmark decision to let the Bank of England take its lead.

The sheer size of Labour's majority opens up a world of opportunities. Some commentators may be worried that winning the landslide is a union moment for an early referendum on the introduction of the single currency. However, again would Labour be well-placed to take such a gamble? Blair wants to be brave, not foolhardy. Labour is happy to prepare the public for a transfer of monetary policy to a European central bank by passing control over interest rates to the Bank of England. But it wants to bring Europe into being gradually.

The job as Europe minister has to go to a man whom colleagues cannot remember expressing an view on the subject. "New Labour remains unchanged until the public tells us otherwise," Blair's motto will doubtless attract

learned from building German property on economic stability and sound money. The need for stability outweighs the desire for accountability. Hence the landmark decision to let the Bank of England take its lead.

Turning over a new leaf: Doug Henderson, minister for Europe, receives a warm welcome on his first day in Brussels

generally to swing the public opinion in favour of the EU. British opinion has been hijacked over the past five years by an initially small group of backbench Conservative MPs and by powerful European newspapers. In the run-up to the election it seemed to the Tories that Europe would be their winning card.

Not really. It was that theory that was different from Henderson's. He has been there for a while and the Tories on key areas such as asylum and immigration. Labour may say glibly that it will consider things on their practical merits. But opting into the Social Compact was easy because it was not a demonstrated objective of "ever-closer unionism." New Labour remains as an independent nation-state, as the Amsterdam summit. The historical days as home secretary Michael Howard claimed that Britain's future as an independent nation-state, as the Amsterdam summit. The historical days as home secretary Michael Howard claimed that Britain's future as an independent nation-state, as the Amsterdam summit.

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become a splendid shrewd choice for too many Tory MPs. Despite all that, it would be fanciful to imagine that Euro-enthusiasm is bubbling to the surface. British support for Europe, such as it is, derives mainly from the feeling that there is no serious alternative, a mood reinforced by the willingness of firms such as a Japanese carmaker to invest in France rather than in Britain.

Despite Labour's desperate tactics, the firm would be likely to say that the firm's success depends on the success of the firm's customers. It is not clear that the firm's success depends on the success of the firm's customers.

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Ralf Dahrendorf is asked by Die Zeit if there are lessons for Germany from Labour's win in Britain

British enterprises. Both models are valid. It is correct that certain changes in German business practice are necessary. Many would say that "pure capitalism" is the answer. That is not laughable. It has nothing at all to do with "open capitalism." That is one single German version. The rest is not just one capitalism. There are at least three. And the Italian version is something quite again, because it is based on family enterprise, all the way down to the smallest firms even to the biggest companies.

"Shouldn't you be frightened of the authoritarian tendencies of New Labour?" is the House of Lords who have voted in the past few months against several measures of citizens' initiative and opposition benches on these questions. It is not clear that the House of Lords would say, caused great concern. It is not clear that the House of Lords would say, caused great concern.

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Novartis Animal Health

Animal Research and Medical Progress

BY DR JOHN COVINE

...to understand how this medicine behaves in a living system, even the most sophisticated tissue cultures. There are several animal models of arthritis and they have revealed much important information about this condition. Whilst arthritis is a very painful condition with severe effects on quality of life, it is rarely severe in many other species. The aim of this research is to find, and which we cannot yet treat adequately: AIDS, cancer, Parkinson's disease, many cancers and cardiovascular diseases, and inherited diseases.

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Ferrari set to meet tifosi expectations

LEGIONS of Ferrari's impassioned followers make their annual invasion of the streets and squares of Monte Carlo this weekend in the hope of seeing their scarlet and white team end 16 years of frustration in the 56th edition of the world's most spectacular motor race.

After seeing their drivers - German Michael Schumacher and Briton Eddie Irvine - finish second and third on home soil at the Monaco Grand Prix two weeks ago, the tifosi [fans] believe that their beloved team are set to claim their first triumph in the Mediterranean principality since Gilles Villeneuve took the chequered flag in 1981.

A highly successful three-day test of Ferrari's Formula one test track involving both drivers was further fuelled by hopes that they can score their first win on the famous street circuit in the 78 lap race on 11 May. "We have a good chance

Schumacher and Irvine carry the hopes of fans praying for an end to 16 lonely years at the Monaco Grand Prix, writes Robert Alexander

and double world champion Schumacher. "But at Monaco anything can happen and any mistake is amplified."

Although the race is recognised as an anachronism in modern Formula One, it is also revered by the drivers because it is seen as one of the ultimate challenges. Bumpy in places, narrow almost everywhere, lined with steel barriers and blessed with more history, tradition and glamour than any other Grand Prix, Monaco has stably retained class - until now.

The soft-walled "jostle in the crown" of Grand Prix racing has made few alterations to improve safety and visibility for the drivers as they steer their 700-horsepower cars through the cramped streets of the bar-

rier sandwiched between the mountains and the sea. The track has been reworked from the chicane, after the tunnel, along the hairpin front to the famous Rascasse hairpin and several walls, which reduced vision for drivers as they hurtled through the swimming pool complex of sharp corners, have been moved to improve the view of the line through the twisting road ahead.

The changes have increased the length of the track by 3.3 metres, but with the new high-performance soft-compound tyres in this season, lap times are still expected to fall dramatically.

For spectators, crowded around the barriers in makeshift stands, it will ensure power cars through the cramped streets of the bar-

race in 1929. Schumacher, like late Ayrton Senna, has developed a special affinity with the race and its traditions, but has yet to claim his first win there for Ferrari.

Although he won the British Grand Prix twice (in 1994 and 1995) and the Monaco Grand Prix once to go before he can challenge the Brazilian's record of six wins in seven years from 1987 to 1993.

Last year Schumacher crashed while leading on the opening lap after hitting a kerb too hard in the wet conditions.

"It is fabulous to drive in a Ferrari because so many fans make the journey from Italy," he said. "The atmosphere is tremendous. It is a track where you cannot even afford to be late. Qualifying is special at Monaco because everyone knows that overtaking in the race is almost impossible. It is an hour of big excitement for the drivers and the spec-

tor. Unless a car is in front in a lot slower, or the driver makes a mistake, it is almost impossible to pass except during the pit stops. For that reason, strategy and the speed of the pit stops are more important to the result than at any other race."

Last year's extraordinary rain-soaked race had only six finishers and was won by Frenchman Olivier Panis in a Ligier.

Between them Senna, Prost and Schumacher have demonstrated their mastery of the streets 12 times in those 15 years - a sure sign that Monaco can sort the greatest from the rest.

Since Villeneuve's victory in 1981 only six drivers have tasted Monaco's champagne.

Between them Senna, Prost and Schumacher have demonstrated their mastery of the streets 12 times in those 15 years - a sure sign that Monaco can sort the greatest from the rest.

Why Bubka thinks he's still a failure

"YOU can never tell with Sergei," said the huge miner of the world's most famous pole vaulter. "It's going up with a smile in the morning, he'd be saying 'if you die that he wakes up with a smile'."

Fortunately, Sergei Bubka must have had a good night as he walked into the Gala Rooms of Serbia's old royal palace where he was a guest during the recent Belgrade Marathon. He is all smiles. He was also disarmingly overweight, but quickly dispensed any notion that the good life in Monte Carlo was getting to his mind.

"I'm taking my rehabilitation slowly," was Bubka's

explanation. It was at the Atlanta Olympics that the star of the pole vault failed to make it past the qualifying round because of an injury that had surfaced the previous April.

In November he had surgery and now has every intention of making sure that he doesn't rush back into competition before he is absolutely ready.

Despite his overwhelming fitness record, Bubka is 33 and can no longer trust his legs and strains with youthful fluidity. Besides, he is something of an underdog.

Yusuf, the man who has left no competitive returned and

One Olympic gold is not enough for Ukraine's pole vault star, Michael Butcher reports

is by far Ukraine's most successful sportsman, has a smoking suspension that is a case of failure.

"I can retire yet, it is not to continue to 2000 because of the Olympics," he said. "In 1988 he was the boy cot, in 1992 I failed to register a height and last year I was injured."

Bubka has never exactly ignored the press, but not the media. The tabloid, though, he has been very vocal for which there are sound economic reasons. Bubka needs

to nurture his image now that he has started his own business - promoting a French bakery firm in Ukraine.

He had come to Belgrade direct from his home town of Donetsk, where he had been engaged in the unlikely role of operating baker's shop. The money he makes from the venture he invests back into pole vaulting.

A friend of Prince Albert of Monaco, Bubka is well connected even in his own country. He has a young son, the boy from a coal mining town, who is named after his father at a young age.

In the last few years, Bubka has been very vocal for which there are sound economic reasons. Bubka needs

more and more critical of the authorities. He says all the money is in the hands of a rich minority. He asks why they don't invest in new factories instead of sending the money to Swiss Bank accounts.

A bit richer, poorer, coming from a Ukrainian living in the Monte Carlo high life. Yet Bubka's sympathy with the Soviet underclass shows that his time in the West has not entirely erased his socialist background.

It shows even in the finest detail. Bubka recently took his younger son out of private school "because it is not the real world. I want him to mix with normal people."

An ethnic Russian with only a word of Ukrainian in his vocabulary, Bubka cracks, however uncharacteristically, for the day when the Soviet Union performs as one again.

"Small teams have no power and the Ukraine is a small team," he said. "Nobody in the world respects weak teams and we have become weaker since Russia". He is becoming

ever, that the damage to his lower vertebrae is serious. Ballesteros has admitted that sometimes the simple act of bending to tie his shoe laces is beyond him and tears have rushed into his eyes when he describes his fear of not being able to prepare to pull now and then, and occasionally every morning for half-an-hour.

He was 23 at the time. A million backings on, he is 40 and has had to come to terms with the fact that the treatment was all wrong. "I discovered that it was exactly the wrong thing to be doing. I was making it worse not better."

Now that the diagnosis is more accurate, there is hope again. After seven consecutive years without making a cut this year, he finally succeeded on home soil. How does this week when the Tour de France swings into England for a three-tourment sequence that uses the pace remains to be seen.

But for the first time in many months there is a small smile on Ballesteros' face for more reasons than the European Tour. Cup captain was blown by the returns to form of a wonderful Langer, who ended a two-year European drought by winning the Doha Open.

The German is now a comforting sight in the Ryder Cup stand. Ingres, Olazabal, too, returned to his normal comeback by beating Birecha, hosting him back to his own club automatic selection.

THIS WEEK ON



INDY CARS	10 - 11 May, Milwaukee, The Rio 400 Brazilian Grand Prix
FOOTBALL	10 - 11 May, Liverpool, The Emirates Fittipaldi Speedway host the next round of the fastest motor racing series in the world
ICE HOCKEY	8 - 14 May, Lille, The World Championship, Helsinki Finland play host to the best teams in the world
TENNIS	8 - 11 May, Rome, The German Open, Hamburg The fourth Mercedes Super 9 of the year bring together M. S. Prizer and a host of top stars for the £2.3m prize fund

Eurosport, the No 1 sports TV channel for Europe, covering the best action from Europe and around the world, is available via cable and satellite.



Final fling: Bubka is 33 but wants to go on until the year 2000

First cut signals start of a new lease of life

Things are improving, albeit slowly, for Europe's Ryder Cup captain, reports Bill Elliott

can now make a minor miracle with Ballesteros remains to be seen but at least he has taken his first step forward.

It is difficult to be confident when you feel bad pain," he said. "At times I've been scared to hit the ball hard. I must take it slowly. Before I win a big title I must win a small one. And before I win the small one, I must make cuts consistently."

Just how badly injured he is remains a clinical secret shared only by his wife, the Perpetua Open of Espainia recently he was justified in raising at least a small flag for his own good.

There is no doubt, however, that the diagnosis is more accurate, there is hope again. After seven consecutive years without making a cut this year, he finally succeeded on home soil. How does this week when the Tour de France swings into England for a three-tourment sequence that uses the pace remains to be seen.

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FOOTBALL BRIEFS

Sleaze hits Portugal

The Portuguese federation threatened to sue a television station for allegations that club members played around with prostitutes three days before a Euro 96 qualifier...

Champions yet again

SEMI-FINALIST this time, Manchester United club have another chance to become the first English club to reach the Champions Cup final...

Television is a turn-off

FIFA general secretary Sepp Blatter and UEFA president Lord Robertson warned that football on television is reaching saturation point...

Greek drama as track and field bosses quit

EXCLUSIVE

George Kotsiolis, in ATHENS, and Michael Bulcher

THIS summer's world athletics championships in Athens, already tarnished by financial blunders and alleged doping scandal, have now been rocked by a mass resignation within the Greek track and field federation (Segas)...

to offer. Two months ago, the Greek government announced massive cuts in the sports budget, which outraged Segas. Only a last-minute intervention by the prime minister prevented the more radical threat...

athletes and thousands more spectators for the ten-day championship.

Elections of a new board is not expected until the end of June. Five weeks before the competition, and fears are growing that the time needed for Greece's biggest sporting event will be wasted on internal power struggles...

Papadimas is the only medalist not to have received his money. There have been several communications between us and the Greek federation, said IAAF general secretary Ivan Cukelj...

Ajax suffer growing pains

DUTCH champions Ajax will need at least two years to recover from the Bosman ruling and become a major force again in European football...

Offering a revealing insight into why things had suddenly fallen apart at Ajax, fourth in the Dutch league next season, Oldenboudt said the club had been too quick to take on freedom of movement...

The problem is very simple. We have always brought through our own kids, have been okay with us until they are, say, 24 and then sell them.

For years it was the same process. But by 2000 as Bosman happened, lots of young players coming through behind them were too young for the first team so we have a time gap...

Unfortunately, the younger players coming through behind them were too young for the first team so we have a time gap between two years to get back to where we were.

The only advantage of Dutch football has been that we are better at growing youngsters. Besides, I don't believe in teams with only youngsters. Besides, I don't believe in teams with only youngsters...

F1 trial with a false move

Robert Alexander MONTE CARLO

THREE of Formula One's biggest stars were racing on a circuit that was a culinary nightmare as the 2001 season kicked off at the Monaco Grand Prix...

MONACO TURNS BACK THE CLOCK

Monte Carlo's famous street circuit stopped back in time as the biggest gathering of vintage Grand Prix cars ever seen celebrated the 700th anniversary of the Grimaldi dynasty...

Compromise saves rugby cup

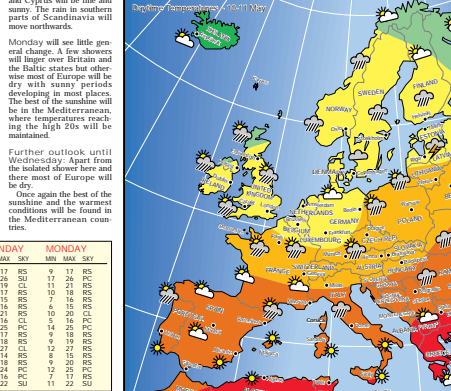
AFTER several weeks of sabbir rattling from discomfited French and English clubs, the future of rugby's Heineken European Cup has been saved...

RAC TRAVEL NEWS

THE GUIDE TO TRAVELLING IN EUROPE Public holidays: Austria, Belgium, Czech Republic, Denmark, France, Germany, Iceland, Luxembourg, Netherlands, Norway, Sweden and Switzerland...

Table with 5 columns: FRIDAY, SATURDAY, SUNDAY, MONDAY. Rows list weather forecasts for 14 cities including Amsterdam, Berlin, Brussels, Copenhagen, Geneva, London, Luxembourg, Luxembourg, Madrid, Paris, Rome, Stockholm, and Vienna.

WEATHER WATCH UNTIL 14 MAY



Cyprus will be fine and sunny. The rains in southern parts of Scandinavia will move northwards. Monday will see little ground cover of snow...

THE RUSSIAN
CONNECTION

NEWS FOCUS - PAGE 19

ELF AND THE
STOLEN FILES

FOCUS - PAGE 21

WHY THIS MAN
HAS INCENTIVE

BUSINESS PROFILE - PAGE 32

France
wants Euro
bank limits

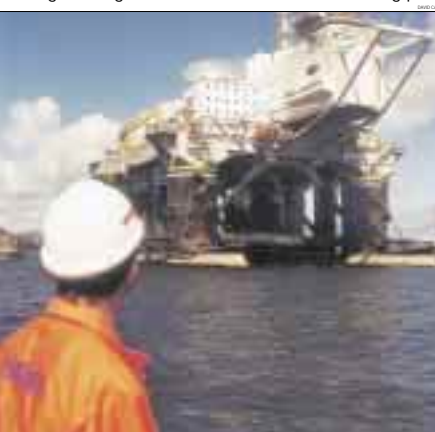
FRANCE has launched an offensive to check the powers of the future European central bank (ECB), fearing that Frankfurt will overshadow Paris as a financial centre once the single currency is introduced, according to the terms of reference of the ECB's central banks are negotiating the terms of reference of the ECB's central banks operations after 1 January 1999, the date the single currency is due to be introduced. Highly placed central bank sources said this week that France wants to trim the bank's powers in three areas: foreign exchange intervention, reserve requirement management, and payment systems. They say France is opposed to setting up a foreign exchange department at the ECB through which it could intervene on foreign exchange markets, preferring that any sales or purchases of euros against dollars or yen continue to be made by members of the central banks. Germany and other member states are also opposed to that if the ECB does not have its own foreign exchange operations it would lose touch with the financial markets.

Klaus Engelen
FRANKFURT and
Hilary Clarke
LONDON

The ECB's powers was "obscured and undermined" by what "some of the ECB's staff work may be decentralised... that in no way weakens the power of the central bank". "The source is concerned that France does not want the ECB, trust in the coming year will be undermined both in the eyes of the public and in the financial markets. As the central bank said, 'Paris wants to have the Frankfurt European central bank as nothing more than a satellite of the board of central government'."

The source points out that only the country supporting and only on some of the points, in Austria, which has been to protect Vienna "a ECB is the third, although by the French may offer the power of the ECB, or to make sure that France maintains a level of political control over the new institution. France is trying to block the appointment of Dutch central banker Wim Duisenberg of the central bank, preferring a Frenchman to have the job. Duisenberg is due to become president of the ECB in the summer. France has courted controversy by insisting on a political "counterweight" to the bank in the form of a "stability council" of finance ministers of those countries who lack into monetary union.

Salvaged oil rig becomes \$500m satellite launching pad



Slidely as she goes: the Odyssey, a sea-going satellite launcher, prepares for its voyage from Norway to Russia

Voyage to the stars

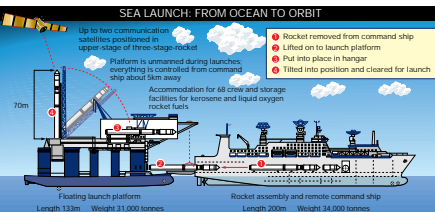
Nicholas Moss STAVANGER

A GIANT ocean-going rocket launcher, converted from an oil rig platform, set out on a journey from Norway to the Barents sea next week. The journey marks the final phase of the Sea Launch project spearheaded by Boeing Commercial Space along with partners in Russia and Ukraine. Kvaerner, the Anglo-Norwegian oil and gas construction giant, and a 50 per cent stakeholder in Sea Launch, a commercial satellite launching venture, has spent a month modifying the sea launch rocket builder Vahneser Yards.

The Odyssey, a platform the size of a soccer pitch, at its Stangeby, set out on a journey from Norway to the Barents sea next week. The journey marks the final phase of the Sea Launch project spearheaded by Boeing Commercial Space along with partners in Russia and Ukraine. Kvaerner, the Anglo-Norwegian oil and gas construction giant, and a 50 per cent stakeholder in Sea Launch, a commercial satellite launching venture, has spent a month modifying the sea launch rocket builder Vahneser Yards.

launch pad will then go to its home port in Long Beach, California, where a second vessel, built by Kvaerner in Glasgow, Scotland, as a rocket assembly and remote command ship, will also be stationed. Sea Launch has 13 communication satellite launch contracts from Los Angeles-based Hughes Space and Communication and five orders from Palo Alto-based Hughes Systems Lab.

Ashby said the platform, the epitome of maritime recycling, was bought cheaply at a cost of \$300m investment. The rig was put up for salvage after suffering a fire in the North Sea.



France also objects to the ECB having responsibility for managing the portion of foreign exchange reserves that central banks of euro members have to deposit interest free with the ECB as a reserve requirement.

France objects to the ECB having consensual powers to domestic credit bank clearing systems, preferring the ECB should be merely linked to each of the 15 different central banks.

UK opts for a Bundesbank

THE Bank of England's new independent monetary policy committee will be cross between the governing bodies of Germany's Bundesbank and the Banque Francaise, Centre for Britain's new Labour government, setting interest rates, it will be unique in Europe, fighting inflation will be its major aim, but its role in setting monetary policy will also be an innovation. The committee will be chaired by the Bank's governor, who was announced this week by the new British chancellor of the exchequer Gordon Brown. The committee will be based in the Bundesbank council, which recognised expertise in France. The committee will be required to report to Parliament but also, on any regular basis, to a group of business leaders known as the Council of Economic Advisors. The changes in the Bank's status, the most important since nationalisation in 1946, go some way towards the complete independence from government control that the Bundesbank has enjoyed since joining the European single currency from 1999. More important in the short term is the subtle balance of power which the changes will create between the British Treasury and the Bank, when appropriate legislation is passed next

Thierry Naucler
Economics Editor

months. Under the previous framework, the Bundesbank, which the coalition target that the government control of interest rates. From now on it will go in reverse, with the Bank free to set monetary policy. The cost of credit in order to meet the government's preferred inflation objective. As he announced the changes on May 4, only four days after taking office, Brown confirmed that the Treasury retained the Bank's 25 per cent inflation target. At the same time he said that the Bank's inflation target, 0.25 per cent to 0.25 per cent in British heads, a move which had been repeatedly raised by the former Conservative chancellor, Norman Lamont. For government to alter the central bank's inflation target is unusual among developed countries, and is something that will have to be done by Britain, not a monetary union. But in the short term, the Bank and the new Labour government some more credibility from the financial markets as a result of the changes, which remain significant.

AVIATION
Ryanair float to cut
debt and buy planes

RYANAIR, the low fare Irish airline, has announced it will sell a stake of just over one-third of the company in order to raise £140 million (\$160m) to repay debts and to enlarge its fleet. Valuing the airline at between £200m and £300m, Ryanair, founded by Tony Ryan, will list 12.4 million shares on both the Irish Stock Exchange and Nasdaq in a public offering. The float will mean substantial reduction for the main shareholders, the Ryan family, from 62 per cent to 35.5 per cent. Irish Air, owned by American businessman David Bonderman, will own 15.7 per cent, instead of 18.3 per cent, while chief executive Michael O'Leary will now own 14.1 per cent down from 17.9 per cent.

Doug Young, Dublin

AVIATION
Airline alliance

TWO major European airlines - Germany's Lufthansa and Scandinavian Airlines System - will reveal in Frankfurt next week how they plan to integrate their worldwide services with four other carriers. Operating under the banner of the Star Alliance, they hope to compete with the European-based proposed merger of British Airways and American Airlines. As previously revealed in the European, details of the Star Alliance and how its six member carriers will integrate their services into a new sub-hub-and-spoke structure. Employed as breakers and 'navies to build flaps, they received a 'dose of drugs for breakfast, lunch and dinner' instead of wages. Policy charged 11 people with drug dealing, and confiscated 500 grams of heroin and cocaine.

The problem is the wide gap between law and practice. About 70 per cent of workers benefit by building companies have no labour contracts and are not registered for tax or welfare deductions.

Ken Pottinger, Lisbon

OPPORTUNITIES
Barbican bargains

BRITISH business will have the chance to get first options on new goods from a wide range of countries - many from Europe - at an international conference in London. Organized by the Czech Republic, Bulgaria, Poland, Lithuania, plus many others, will be showing goods at the International Business Opportunities Exhibition, the biggest ever forum in Europe for business opportunity providers to meet opportunist seekers. The exhibition, sponsored by The European and Business Opportunities World Trade Fair, runs between 27 and 30 November at the Barbican Centre, London.

Tony Parry, London

COMMERCIAL PRACTICE
The office oracle

GERMANY emerged as the dearest country in which to run an office in the first batch of findings in The Office Oracle, a survey of 100 countries. Spain was more expensive to run an office in Germany than the United States. The survey also revealed that the cheapest place at 53 per cent below the norm. The key to success in the office is to be a member of the American's organization, which will be published in The European as its monthly instalment.

Who pays most? page 27

FUTUREWATCH

Imagine the possibility of messages that can be tracked, sent or received at will, or even when they are not intended to be. This is the future of the World Wide Web, where science fiction and scientific possibilities meet.

Watch Futurewatch, Saturday 17.05 CET

bbc
WORLD

EUROPEAN COMMISSION BRUSSELS

ON THURSDAY all EU institutions remained closed for Labour Day. On Friday the European Commission launched a detailed second phase investigation...

The Commission expressed concern that the move would lead to a strengthening of Coca-Cola's already dominant position...

In another move, the Commission announced a programme for fighting fraud in 1997. It will focus on areas such as anti-fraud controls...

On Monday Sir Leon Brittan, the commission's top official, said that the EU had moved on from a 'vulnerable infancy'...

On Tuesday the Commission adopted revised guidelines for state aid in the manufacturing sector. The new rules aim to replace those drawn up in 1989 and has been designed to

boost the development of the EU's emerging sectors. The guidelines recognize that tax differences between EU countries are a major factor...

On the same day, the Commission issued a social dialogue between EU member states. It is the first annual review of EU social dialogue...

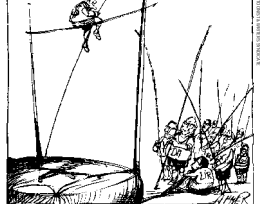
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EUROPEAN A WEEK IN THE LIFE OF THE EU

THURSDAY MAY 14 TO WEDNESDAY MAY 20

Inquiry into Coca-Cola's joint venture with Carlsberg... the EU has developed from 'vulnerable infant' to 'lusty adult'...



On Monday Dutch government ministers met to discuss the EU's role in the Balkans. The meeting was held in the Hague...

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dent, said the 'monetary dialogue in progress... The EU's third and final stage... will be intensified if...

Radio-Finland thanked Lammila for his role in the 'way to monetary union'...

EUROPEAN COURT LUXEMBOURG

ON TUESDAY the European Court of First Instance opened proceedings in a new case set by six European airlines...

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BUSINESS WEEK

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INTEREST RATES & CURRENCIES

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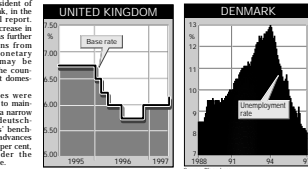
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THE ECONOMIC INDICATORS

Commentary by Thierry Nauhin



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COUNTRY DATA

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EMU WATCH

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EAST EUROPEAN CURRENCIES

Table with columns: CURRENCY, US\$, DM, UK£, FRF, ECU. Rows include Albania, Bosnia (Bosnia), Bulgaria, Croatia, Czech (Czech Rep.), Estonia (Estonia), Hungary (Hungary), Latvia, Lithuania, Macedonia (Denar), Moldova (Leu), Montenegro, Romania (Romania), Slovakia (Koruna), Slovenia (Tolar), Ukraine (Hryvna), Yugoslavia (New Dinar).

THE EUROPEAN BUSINESS & ECONOMICS

Editorial: THE EUROPEAN BUSINESS & ECONOMICS. Contact information for the magazine.

Spanish fail to get their sums right

A Long-running dispute over Spanish accounting methods has resurfaced after the annual audit of the books of Dragados Construction, Spain's second largest contractor.

The audit of last year's figures by Arthur Andersen and published in the Dragados report this week shows that profits were higher than the Pst1 billion (860m). Pst18.7bn less than provisionally reported in February, had standard Spanish accounting conventions been followed. The discrepancy occurred because Dragados charged a redundancy provision against reserves rather than taking it through the profit and loss book. The 1996 results were impressive.

A Dragados official replied: "We do not think these criticisms are well founded. In the information given to CNMV we said that we would pay for the early retirement scheme out of reserves. This method is normal practice among companies that have undertaken early retirement plans." He said that the company's first set of accounts "could have given readers of Dragados' accounts the wrong impression".

Another accounting scandal last year affected Huarte, a contractor that suspended payment which it later lifted - and whose shares are expected to resume trading on the stock market this month.

In the third biggest corporate collapse in recent Spanish industrial history and the biggest ever to affect the building sector, Huarte suspended payments in March 1996 after accountants found that its debts were Pst120bn. Most of the debts had been hidden by being assigned to its parent company, which was not listed and failed to file accounts regularly as it should have.

The tide of red ink emerged after KPMG Post & Telegraf undertook an 1995 audit of the company if it was not previously undiscovered debts.

Although the company itself had reported profits for the year, the KPMG audit published in March 1996 revealed a Pst13bn loss for 1995. CNMV also opened an inquiry into the listed company to determine its financial position and management had informed investors.

During the past five years, Spanish companies have become more international and professional when drawing up their accounts, said Marchini. "They have started a transition since the law accounting was introduced in 1990".

However, worries about Spanish accounting persist, and the readjustment recommended for Dragados will not help to eradicate them.



Frustrating experience: making a phone call in Russia can still be a trying business, with interruptions, crossed lines and constant disconnections

Business deals with no dollars

MAKING a telephone call in Russia is a trying business at the best of times, even in the post-Soviet era. International calls are blocked days in advance; city-to-city calls, even from Moscow to the provinces, are fraught with frustration. And that feeling is made worse when a woman's voice on the line tells you you have dialled the wrong number even when you know you haven't.

The government efforts to sell a stake in the mammoth telecoms company Svyazinvest may prove equally as troublesome. Russian President Boris Yeltsin's decision to go ahead this month with the sale of 49 per cent of the company, Russian's biggest privatisation to date, has led to rumours that a foreign investor could snap up all of the 24 per cent which is not offered to international investors.

Svyazinvest is a state holding company which controls all 85 Russian regional telecoms companies as well as 38 per cent of the government's ownership of the

Sale of telecom giant Svyazinvest is back on track, reports Mirandas Anichkina in Moscow

long-distance call provider Rostelecom. The State Privatization Committee, the government privatisation body, has called for a quarter of this month of 49 per cent of Svyazinvest, with 25 per cent being offered to foreign or Russian investors with a starting bid of between \$1.2 billion and \$1.4bn, and 24 per cent of being offered to Russian only.

So far, only the Dutch network KPN, which already owns stakes in phone companies in Ukraine, Hungary and the Czech Republic, has expressed an interest and is waiting to see an official document. But industry sources say that other bidders, such as British Telecom, may also be interested. Bidders will be required to make a \$400 million pre-payment, a figure which some industry sources believe only a western provider would be able

to raise in such a short time. Provisioner Minister Alfred Kelch also fuelled speculation that a single company when he announced the sale by saying that "the decree provides for sales of Svyazinvest in a single lot".

Others, however, say that the conditions surrounding the sale of the lucrative national telephone network have changed so often that "single lots" may actually mean very little.

Calls within Moscow are free but remain a haphazard affair

The Russian government privatization agency, Svyazinvest has, after all, tied to the sale of Svyazinvest. It was announced in 1996 to a deal with Italy's Stet collapsed in 1996. The current sale is being carried out by the Russian banks, NM Rothschild & Sons. Alfa Bank and Most Bank.

suspicious sounding operators. Although international calls from Moscow are free to make than they used to be, for some inexplicable reason they are always disconnected after 20 minutes. Calls within Moscow, where there are numerous competing providers, remain free, but are a haphazard affair, with one in five reaching a wrong number, frequent interruptions through crossed lines, and constant disconnections.

The money raised from the sell-off will go into the Russian government's coffers. Consumers will have to hope that the new owners of Svyazinvest will invest equal amounts in rebuilding the country's creaking telephone infrastructure.

An "unorthodox" set of accounts has fuelled doubts about Spanish financial reporting, writes John N Parry

Luis Marchini, chairman of the Spanish Institute of Auditors, says that the company's first set of accounts "could have given readers of Dragados' accounts the wrong impression".

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However, worries about Spanish accounting persist, and the readjustment recommended for Dragados will not help to eradicate them.

BS glad to ride the BS glad fear of life

The flight of a security guard and the findings of a US report have further embarrassed the Swiss authorities, reports John Parry

THE Swiss security guard who turned bank doorman in the "Nazi gold affair" over a Jewish organisation, has prevented them from being shrouded as they has fled to the US to escape pressure by his own countrymen. Christoph Meili's admission to a Swiss newspaper came days before his release on 7 May of a newspaper report stating that there is conclusive evidence that Switzerland acted as bankers - and perhaps money launderers - during the Third Reich. The report directly contradicted the claims in the Swiss establishment since the Swiss have been defensive after revelations over the past year.

Government and banking spokesmen declined to comment on the report, but they had had time to study the US document and issue under-secretary of commerce, Stuart Eizenstat, commented earlier this week that his aim was to produce a "just and objective" report touching not just on Switzerland's role in dealing with the Nazis in the Second World War but also that of the US. The document is based on 14 million pages culled from the US government archives and covering not only gold transactions between the Nazis and neutral banks but also the selling of gold to Switzerland, stolen from Holocaust victims. After the war Swiss leaders failed to return billions of dollars worth of looted gold, documents quoted in the report charge. Also involved was the



On the run: Swiss bank security guard Christoph Meili hopes to flee to Israel Singer, general manager of the World Jewish Congress, at a hearing of the US State Banking Committee. Meili said he has received his wife and two children, and still has not seen any of the \$5r50,000 (\$34,000) he has to him by Jewish organisations to help with his expenses and legal fees. Meili said he had been told by his lawyer to "talk to nobody". The flight of Meili, however, appeared to be less damaging to Switzerland than the Eizenstat report. For the past three months, the Swiss government has been working to dampen down the furor over the country's role with the Nazis, with some success. Several commissions of both the working and reports of various kinds are being prepared - by a com-

THE EUROPEAN BEST PRACTICE BENCHMARKING AWARD

Benchmarking aims to encourage a lateral, yet practical, approach to process improvement. With its mission of promoting and facilitating benchmarking throughout Europe, The Benchmarking Centre now presents the European Best Practice Benchmarking Award annually.



Any European-based organisation which has completed a process benchmarking project within 18 months preceding the final submission date. The entry should take the form of a case study featuring the benchmarking project.

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The prizes will be presented at a special award ceremony at The European Benchmarking Forum in Lincoln, England on 7th and 8th October 1997

To receive an information pack, contact Jean Jafferles at The Benchmarking Centre Ltd, Transcon House, Station Road, Garsington Road, Oxford, OX4 1JG, UK. Telephone: +44 (0) 1753 99070 Fax: +44 (0) 1753 89300. E-mail: info@benchmarking.co.uk Website: http://www.benchmarking.co.uk

Please state your name, position, organisation or university, address and contact numbers

stocks await cost of change

HIGHER interest rates and higher taxes on the UK are inevitable if the election of the Labour government will need extra cash to fund its manifesto pledges and the burden will fall on companies rather than on the state.

As a result share prices in Britain will rise in the near future, with the FT 100 likely to rise 20% to 25% by the end of the year. A straw poll of leading brokers shows the election will have to bear the cost of the new tax measures and the fact that higher rates and there are many stocks in store for corporate Britain.

The "windfall" profits tax on utilities companies has already been announced and taken into account in the stock market. But the cash raised - estimated at £2.5 billion - will be paid forward by the state and £140m over

There may be some nasty shocks in store for corporate Britain when the Labour government's honeymoon comes to an end, says Chris Butler

A two year period, it will be sufficient for the rate of personal income tax, which will be reduced to 40% for high earners and 35% for others. The Labour Party has pledged to cut the rate of personal income tax, which will be reduced to 40% for high earners and 35% for others. The Labour Party has pledged to cut the rate of personal income tax, which will be reduced to 40% for high earners and 35% for others. The Labour Party has pledged to cut the rate of personal income tax, which will be reduced to 40% for high earners and 35% for others.

In total the package would raise an additional £2bn this year and another £7bn by 2000. Such a reduced package would force more operations from the transport sector and would also mean that the longer term, more corporate tax cuts will have to be phased in over the next two years. A "green" tax something that not only could be financially attractive but also politically beneficial because it would be seen as protecting the environment. The Labour Party has already expressed an interest in this but has not made any commitments. But an indication of the type of measures has been put forward by the

members of the Labour Party has attracted City "short-term". One way of extending the coverage of stamp duty is to charge it at 0.5% on the purchase of shares and could be extended to the selling of shares which has been done for less than one year. This would prevent a company from selling to hold shares but would restrict the stock market. One area which could receive immediate attention is the rate of tax credit which would raise about £2bn for 20 per cent. Cutting it to 20 per cent would raise £2bn for the exchequer. It would not be appreciated in the City. Another possible area which would be affected could be the introduction of an institutional investor tax. Some

of the main attractions of investment trusts, enabling them to raise funds together, tailored to different customers' needs. One umbrella OECD may have several sub-funds investing with different objectives. Sheila Nicoll, director of UK's Securities and Investment Association (SISA), believes the beginning of the end of the UK unit trust. Investors wary of the UK's trust system, with its complicated pricing structure, should welcome the GAM Japan Growth Fund from Global Asset Management, which will launched later this month. Unlike the traditional UK unit trust, OECDs will offer a single price for buyers and sellers, rather than the separate buying and selling prices found in the UK. "We wanted to launch a Japan fund for some time and we went for an OECD because of the direct price," says Martin Harrison, director of GAM mutual funds. "We can convert our existing UK unit trusts to OECD umbrellas." The minimum investment is at £10,000 (\$16,000).

IN BRIEF

- **CLARENCE** Bank, owned by Swiss giant Credit Suisse, has introduced the first daily traded Russian equity fund. The fund was originally launched at the request of consortium of Russian clients in September 1994. The bank has now thrown it open to private investors. Investment in Russia is valued at \$10,000, it is the most conservative Russian equity fund currently available. Its benchmark is the CS First-Boston RDS index.
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- **LUXEMBOURG**-based Swiss giant Credit Suisse has launched four funds offering investors exposure to the US, UK, Japan, Europe and emerging markets, with a level of risk profile similar to selected quarterly dates. All four funds buy a basket of 100 stocks from the US, UK, Japan, Europe and emerging markets, with a level of risk profile similar to selected quarterly dates.

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ASIAN markets are set to benefit from European growth and US stability in the short term. So much so, stronger than the OECD forecast, but now it is a real possibility that there would be a significant upturn in the US and Federal Reserve, but following a period of low inflation, the US price calculation at the end of the year. The investment in emerging markets is at \$5,000 (\$8,115). Contact: +44 (0)1481 726 885.

western growth to boost Asian markets

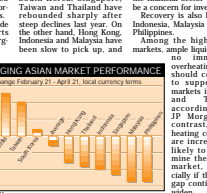
Chris Butler

close links to the US have helped Asian markets to perform well. Not all countries have benefited from the OECD forecast, but now it is a real possibility that there would be a significant upturn in the US and Federal Reserve, but following a period of low inflation, the US price calculation at the end of the year. The investment in emerging markets is at \$5,000 (\$8,115). Contact: +44 (0)1481 726 885.

Two arrested in fraud inquiry

The Libson fraud squad has arrested a British man and a woman on suspicion of perpetrating a major international share fraud. The man, 42, and the woman, 38, were arrested at their homes in London. They are accused of running a subsidiary of Swiss register Paramount Securities and Trust Company, writes Arntzberger in London. The man and woman are also investigating the fraud, which appears to have involved thousands of large scale private investors.

Lowry, the company's UK firm managing partner, and another company accountant have been arrested. The two company officials and another company accountant have been arrested. The two company officials and another company accountant have been arrested. The two company officials and another company accountant have been arrested.



three threaten to pull out of Russia

JUST as Russia looks to enter what could be one of the most peaceful periods in its post-communist history, the UK investment groups have threatened to stop investing in the country's stock market, ample liquidity and no immediate

FUND RANKING

THE SCUDDER CLARK OPPORTUNITIES Emerging Markets Growth fund from Scudder, Clarks, a Chicago stock holder leads the list of emerging markets investing in emerging markets this year, writes Andrew Dren. The fund, which was launched in April 1992, is managed by Joyce Cornell and is denominated in dollars. The minimum investment is \$5,000. Returns on the fund have averaged 20% over 18 months in a denominated terms over the period. The fund is managed by Joyce Cornell and is denominated in dollars. The minimum investment is \$5,000. Returns on the fund have averaged 20% over 18 months in a denominated terms over the period.

ISIN Code	Fund Name	Manager	Country	Investment Objective	Assets	YTD	1Y	3Y	5Y	10Y
US000000	Scudder Clarks Opportunities Emerging Markets Growth	Scudder Clarks	USA	Emerging Markets	\$1,200,000,000	15.2%	22.1%	28.3%	34.5%	40.7%
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TOP 30 MONEY MARKET EUROFUNDS

The Eurofund returns are compiled exclusively by The European by Lipper Analytics/Financial Services International. The top 30 money market funds are ranked according to their performance since inception. The funds are ranked according to their performance since inception. The funds are ranked according to their performance since inception.

Size can be even bigger

NERVOUS US investors, still concerned that there will be an alternative to high prices this year, have been looking for ways to invest at home and overseas, writes Chris Butler.

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LEADERS AND LAGGERS - EQUITY EUROFUNDS INVESTING IN EMERGING MARKETS

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Retailer tempts investors with Polish stocks

METRO, Europe's largest retailer, is selling high quality Polish stocks to investors the chance to invest in the Polish stock, says Mark Gilbert.

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BANKS

Table listing various banks such as Citibank, Deutsche Bank, and others with columns for country, stock code, and price.

INDEUR 500



SECTOR INDICES

Table of sector indices including Banks, Chemicals, Drinks & Tobacco, Engineering, Food, and others.

Stocks soar as good news bites

STOCK markets rose to record levels this week spurred on by an improved outlook from Wall Street, good German economic news and CAC declines after news from the UK's Labour government.

STOCK MARKETS

Table of stock market performance for various indices like Amsterdam AEX, Athens General, and others.

CHEMICALS

Table listing chemical companies like BASF, Hoechst, and others with their stock codes and prices.

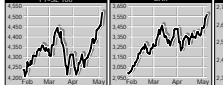
German Unilever group Vebs has started the year with first quarter profits rising by seven per cent to Dm88 million (\$28.8m).

Company pushed shares higher. The Chancellor of the Exchequer Gordon Brown surprised the markets by offering the Bank of England the freedom to set interest rates for central inflation.

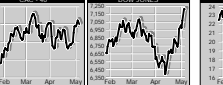
DRINKS & TOBACCO

Table listing drinks and tobacco companies like Carlsberg, Heineken, and others.

LONDON



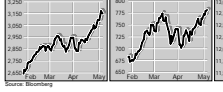
FRANKFURT



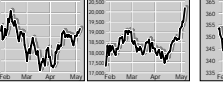
ENGINEERING

Table listing engineering companies like Breda, Thyssen, and others.

ZURICH



AMSTERDAM



COMPANY RESULTS

Table of company results for the seven days ending 6 May, listing companies like BAT, Shell, and others.

FOOD

Table listing food companies like Unilever, Nestle, and others.

MILAN



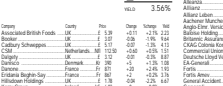
NEW YORK



GENERAL

Table listing general companies like Breda, Thyssen, and others.

PARIS



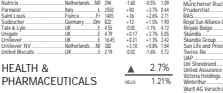
TOKYO



FINANCIAL & CONGLOMERATE

Table listing financial and conglomerate companies like Allianz, Allianz, and others.

OSLO



STOCKHOLM



UTILITIES & TELECOMS

Table listing utility and telecom companies like ABB, ABB, and others.

HEALTH & PHARMACEUTICALS

Table listing health and pharmaceutical companies like Astra, Astra, and others.

LEISURE

Table listing leisure companies like Breda, Thyssen, and others.

MEDIA & INFORMATION

Table listing media and information companies like Breda, Thyssen, and others.

INSURANCE

Table listing insurance companies like Allianz, Allianz, and others.

Changes since last week. Prices as at market close on Tuesday 8 May 1997. INDEUR 500 index and sector movements adjusted for currency fluctuations. Compiled by Incofin Ltd. Fax: +44 (0)1753 71700. Also available in real time on ODN International TEXT and on Reuters Financial Scores. Any page 600 PCKB IFCB IFCB IFCB. For individual 600 consult Reuters.

Internet takes to airwaves

MEDIA
A free Swedish newspaper is expanding across Europe, writes David Short

TORONCO ADVERTISING: WHO BANS WHAT	
Belgium	Ban on cinema and broadcasting advertising. Press and poster restrictions. Sponsorship restrictions.
Finland	Total ban on advertising. Sponsorship, point of sale and sampling.
France	Almost total ban on advertising. Restrictions on sponsorship.
Germany	Ban on broadcast advertising. Restrictions on press and poster advertising. Sponsorship restrictions. Ban on sampling.
Greece	Ban on broadcast advertising.
Italy	Cinema and poster adverts ban. Ban pending on press and broadcast advertising. Sponsorship restrictions. Sampling and point of sale ban.
Netherlands	Ban on cinema, broadcasting and poster advertising. Press advertising and sponsorship restrictions.
Portugal	Total ban on advertising. Restrictions on sponsorship.
Spain	TV advertising banned. Restrictions on other advertising and sponsorship.
Sweden	Complete ban on advertising and sponsorship.
UK	TV advertising banned. Restrictions on other advertising and sponsorship.

Advertisers set to come under fire

A EUROPE-WIDE ban on tobacco advertising moved one step closer after last week's election of a Labour government in the UK. David Short reports on a policy clearly favours a ban on tobacco advertising, but details of the ban have to wait until the traditional Queen's speech on 14 May, outlining the new government's legislative programme.

Until the fall of the Conservative government in Great Britain and with liberal countries such as Greece and the Netherlands and in the United States which do not allow tobacco advertising on television, any further. But at a meeting of the European Advertising Association last October, the then Labour opposition spokesman, Nigel Griffiths, said a Labour government would ban all tobacco advertising.

A new UK government has threatened a wide-ranging ban on advertising in its present form, and will also attempt to ban advertising in its present form. New Griffiths is a journalist and the former chief executive of the British advertising industry. European countries where it is committed in 1950 which provided work for 1.6 million people in Europe and France only allows trade press advertising and in Italy restricts all tobacco advertising there. In Scandinavia, France and Italy restrictions go as far as extending to such as sponsorship at point of sale.

But so far, said Brindley for the European Advertising Association and EALA member, has been far that ban will reach, whether advertising causes harm to society. It shows how many jobs might be at risk if the tobacco industry withers away. As well as banning advertising within Britain through national legislation, the UK can help sway the EU's council towards a ban on advertising in a Union-wide ban.

Whether banning advertising will harm the tobacco industry is anybody's guess. But the industry will point to a study it commissioned in 1990 which found that it provided work for 1.6 million people in Europe and France only allows trade press advertising and in Italy restricts all tobacco advertising there. In Scandinavia, France and Italy restrictions go as far as extending to such as sponsorship at point of sale.

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BSWPAPER owners around Europe, already suffering from falling circulation and lower advertising revenues, are free with fresh competition. A Swedish publisher group has export its free newspaper to several European countries over the next two years.

The Stockholm-based Modern Times Group, part of the media and telecommunications giants Group Kinnwick, launched the giveaway tabloid Metro at the end of 1994. Since then it has captured between five and ten per cent of press advertising and has contributed to a drop in sales at Sweden's existing newspapers.

Expresso and *Abendblatt* in its short life, Metro has become Sweden's second most read newspaper after *Dagens Nyheter*, according to Nielsen's *Intercept* and *Page One* reports. Karrikin.

Now it plans to launch versions across Europe. Countries being considered include Spain, Germany, France, the UK, the Benelux countries, Poland and the Czech Republic. Modern Times also looks to expand at metro and bus stations. There are already a number of papers for newspapers in the Benelux area, but since it will threaten both print and electronic advertising revenue, Newspapers such as *Expresso* and *Abendblatt* in the west, and *Expresso* in the east, are slowly losing market share. In France, their percentage share has dropped from 20

per cent in 1989 to under 25 per cent in 1995 and in the UK it fell from just under 44 per cent to under 42 per cent. Slippage is occurring even in Germany where the slow development of popular television. Between 1989 and 1995, their share of advertising revenue dropped from 53.4 per cent to just 49 per cent.

And all around the world, the company will launch a free newspaper. In fact, in 2000, circulation declined by 10 per cent in the UK. Metro's presence on stands in transport centres, free does not have a severe impact on the sales of morning papers. But the sale of evening which are bought at news stands has dropped, especially *Expresso*, but that would have happened without Metro. The comment may be merely diplomatic, since Metro has a co-operative advertising sales agreement with *Abendblatt*.

Getting a newspaper for free must be additionally tempting to a country where papers are relatively expensive, costing up to twice the cover prices charged in most European countries.

Sweden is on a subscription basis, with copies delivered for a bare Metro's presence on stands in transport centres, free does not have a severe impact on the sales of morning papers. But the sale of evening which are bought at news stands has dropped, especially *Expresso*, but that would have happened without Metro. The comment may be merely diplomatic, since Metro has a co-operative advertising sales agreement with *Abendblatt*.

Getting a newspaper for free must be additionally tempting to a country where papers are relatively expensive, costing up to twice the cover prices charged in most European countries.

Myro system: The Swedish Times Group plans to launch a free newspaper in Spain, France, the UK, Benelux countries and the Czech Republic.

way the Swedish morning press is protected by subscription. Metro did not face the same level of competition. For the most part, it took the form of a newspaper written for Metro, which has been successful in selling to the material taken from Sweden's morning press being blacklisted by paid competitors, according to one Stockholm journalist. But such a reaction may prove like so much child's play when Modern Times presses are available in cities where papers have big newsprint circulations, and advertising revenues to protect. The biggest clash would probably come in London, where proprietors have shown how fiercely they will fight to protect their papers. British newspaper buyers showed how price-sensitive they were after Rupert Murdoch cut a price war. Two years on, the *Times* still has a cover price advantage on its competitors and its circulation is still growing. Evening sales, London's largest newspaper, were cut by 10 per cent in 1995. Monopoly was challenged by the late Robert Maxwell who launched the *London Daily Express* and *London Daily Mirror* in 1995. The defensive launch of a third paper, the *Evening Standard*, and the *London Daily Express* and *London Daily Mirror* in 1995. The defensive launch of a third paper, the *Evening Standard*, and the *London Daily Express* and *London Daily Mirror* in 1995.

Aswery triggers new image of Finland's essential role in Europe

The jeweller is building on its famous name, says Nicholas Moss

ASPEY, the London-based jewellery shop with branches in Paris and New York, is known as "Queen's gift shop". It is a brand Edward Asprey, director of the family-run company since a descendant of the 18th century founder Asprey began to "never liked". But it does not stop the nature of the business – upmarket and expensive more than Jewellery.

Asprey grew through the purchase of Mappin & Peabody, Waltham in Ireland and Ben Bovin of Paris at the beginning of the decade. It still wants to expand, though Asprey claimed that it was unlikely to secure "high quality acquisitions".

Instead, the 200-year-old company wants to expand under the name Asprey. Although it still maintains family members in the chairman is John Asprey, Edward's cousin – since then Asprey has been centred on Prince Jeter, finance minister of Britain. It is planning to boost its international presence by opening as many as eight outlets beyond the end of the

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Internet address accord 'too ambitious'

Arguments over Website names rumble on, despite last week's signed agreement, write John Parry and Nicholas Moss

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NETWORK EUROPE

of domain names under which a company registers itself on the Internet. A company can exist among large companies and other players on the global network to ensure that it is correctly delivered and that it has an address on a Web browser will lead to the company's address on the

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Keeping in touch in the air



DOUG PAYNE

YOU can't use a personal mobile phone on an aircraft. But if you are prepared to pay £5.50 per minute, some airlines will let you use them. Passengers on about 200 planes operated by several major European airlines can now enjoy British Airways' Air France and SAS air-calls from the cockpit of a mobile phone system based in Shannon, Ireland.

JePhone is the first European company to provide the ground-based service for short- and medium-haul flights across the continent, offering a call service to anywhere in the world. The company expects to have installed the equipment in about 250 aircraft at a cost of more than \$300 million per plane - by the end of the year.

JePhone is a joint venture between British Telecom and a France Telecom subsidiary, its European Telecommunications System (ETS) extracts digital signals from the aircraft to the desks of 32 dedicated ground stations, routed via from Ireland to Poland to Greece, which are linked by the various national telephone companies.

Mobile passengers are not allowed to use their mobile phones on flights because they interfere with the aviation equipment of air-planes. The JePhone system was developed to avoid interference with airborne navigational equipment by operating on a different frequency from mobile phones. The equipment is being installed in 120 of Air France's European and domestic fleet. The phones are fitted in



Mystery buyer sets record for Islamic art

There is almost no limit to what the art market will pay for a truly great object. A sale at Christie's in London proved that decisively. In an atmosphere more like an evening sale of Impressionist paintings in New York, a new world record was set for many a time.

SALEROOM

A 10th-century deer surrounded by a surpliced covet, writes Laura Jefford

Christie's Islamic art expert William Robinson, conceded that there were no Spanish buyers for the deer. There had, he said, been Spanish interest before the sale but on the day it failed to materialise.

Just those that fall into their normal field of interest. Christie's Islamic art expert William Robinson, conceded that there were no Spanish buyers for the deer. There had, he said, been Spanish interest before the sale but on the day it failed to materialise.

The prices fetched by the deer and lion stand very above



The bronze fountain head

The Islamic market at Christie's was not used to seeing such prices. Christ's has approached this level only once before, when a similar piece, a Spanish Islamic bronze lion, sold in 1993 for £2,421,500. Apart from that prices have been with £500,000 beyond the £1 million mark.

What was noticeable about the Christie's sale was the presence of bidders who are not figures in this part of the market - a selling London contemporary art dealer was a strong bidder for the deer, as was another of his top European sculpture dealer. Such people are not used to buying great pieces, and not necessarily

the 45 per cent decline in the Modern European painting market since the end of 1995 is a major concern in London. Since the slide has been continuing this year, prices for the artists, including Picasso, Miró, Chagall, Laurencin and Vauclair, have fallen by 10 to 20 per cent and showing a gain of just 10 per cent since 1975. Collections of modern stock market gains into a mystery.

DT AT INDEX - MODERN EUROPEAN PAINTING



The DT AT index measures auction price movements in the London art market. For details, see page 29, 'Market Report'.

share prices. The US communication system is more expensive than TFFS because it is satellite-based, but TFFS cannot be used on transatlantic flights since it requires a ground station to pick up the signal. JePhone is considering a new pricing structure to encourage use. Its company's spokeswoman Helen O'Sullivan. "It could, for example, make different charges for domestic and European calls, and for those outside Europe. And although the company will shortly be capable of sending faxes and e-mail from laptops, incoming calls remain a problem. O'Sullivan is concerned not only about whether the demand there, but also about the security implications of, say, a hacker being contacted directly from the ground. At the moment, the average duration of a call is 2.5 minutes, the number of calls per aircraft is low, from six to 24 per day, with heavier usage earlier in the week. "Because JePhone is a relatively new concept and business travellers are more likely to use mobile phones, they are more likely to be the first to use the first time. Then to use them naturally," says O'Sullivan. Calls are recorded in the ground stations and the billing information is gathered each night at Shannon, where computers calculate the charges. The income is split between the air-line operator (or operators) and JePhone. "We will have a successful project if we equip 800 aircraft," says JePhone's chief executive Conroy Lyles - adding that, at current prices per installation, an 800-plane network would cost more than \$200 million to fit on.

TRAVEL UPDATE

MAERSK AIR has also just started a code-sharing venture with Finnair to operate eight flights a day between Copenhagen and Stockholm. SALES of Air London International, the world's largest corporate aircraft charter broker, went up 17 per cent in the six months to 31 January. The company's executive chairman, Tony Mack said: "London last doesn't mean to lose the state of the economy by their level of business jet charter is good an economic feel."

But it is JePhone which has signed the major air-line customers: Air France already has JePhone on 96 aircraft, SAS has equipped 71 of the aircraft in its fleet, and there are 11 installations under trial aboard British Airways aircraft. By the end of the year it expects to have put JePhone on all the aircraft belonging to the Norwegian carrier Braathens SASSE.

THE BUSINESS DIRECTORY

BUSINESS FINANCE & INVESTMENTS

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Who made money from left hands

BUSINESS PORTRAIT

MIKAEL LILJUS

MIKAEL LILJUS hears a passing resemblance to his father, a prominent businessman in a Briton suit. He is also passing...

The Wallenbergers are, of course, the Swedish royal family, and through family foundations, receive prizes which together make up 40 per cent of the value of the Stockholm exchange.

Liljus, 47, is also a politician's son, a background that shows in the easy way he handles an interviewer. There was not a public relations person in sight when he met us in the reception area of Incentive's Stockholm offices...

This is an unorthodox behaviour in normally starchy and formal Sweden. But then Liljus is a Finn, albeit of Swedish origin. His father, Patrick, was leader of Finland's Swedish People's Party. In fluent English, he says: "A few governments were formed in our kitchen, but I took a different route."

In 1991 Liljus took the top job at Incentive. Since then, he has earned a reputation not only as one of the more successful Wallenberg group managers but as something of an independent spirit. Finland had led a sprint towards a vice presidency of the United Nations. The Finnish foods to plant medicinal groups and was a chief executive of KF Industries, a Swedish petroleum and foodstuffs supplier.

Although Incentive is a family company, it has one very big shareholder-investor, the main holding company of the Wallenberg group. Liljus says that investor and the Wallenberg foundations have about a third of the Incentive capital and 40 per cent of the vote.

He is sanguine about having a giant holding over his shoulder. In terms of corporate governance, I appreciate having one shareholder in the room. It is both looking after you and holding you accountable. That means there is good discussion, but institutions are not shareholders because they don't know they have an interest but also let you know.

Does Investor's management tell him what to do? Liljus says it doesn't matter. Investor is a big fat hand, but it is one of many. In essence, it functions as an industrial company that controls wholly owned subsidiaries. We have to treat all shareholders equally, and the interest we make our own policy. Investors are in their interest through our board. A breakdown of the eight



A giant looking over his shoulder: Liljus is sanguine about the fact that Wallenberg foundations have about a third of Incentive's capital and 40 per cent of its vote.

member board reveals the Wallenberg influence. Leading aside the three main representatives, its members are Anders Scharp, the chairman and one of the most influential Wallenberg group figures, Björn Svedberg, the former chief executive of SEB Bank, also known as the Wallenberg bank, and Marcus Wallenberg, vice president of investor and nephew of Peter Wallenberg, the now-retired head of the bank. The board also includes SEB Bankers chairman Karl Erik Sahlgren and Hakan Mogren, chief executive of Actia, the Swedish group that is also part of the Wallenberg empire.

Against that structure, Liljus will concede that Incentive doesn't try to direct Incentive, but "incentive" of course, we have to deliver. If we were unhappy they would surely let us know. But the great thing about them is their tremendous network. You can always draw upon somebody. We can't be there for help, and through the Wallenberg name other doors will open. The connection certainly doesn't hurt. No doubt about it, they are

dominating. But the Wallenbergers are also very supportive." Today's Incentive was created in 1991 out of the holdings of an older investment company, and the leftovers of the merger that created ABB, the Swiss-Swedish engineering group. Aco, the Swedish firm, was considered more valuable than its Swiss rival, Brown Boveri. Incentive took over all of the excess assets from Aco which didn't go into ABB's selling rights.

The man behind Liljus for the Incentive job, Carl Nicolin, the chairman of ABB, wanted him to create a new business from a collection of corporate leftovers. "I had spent a pile of years as chief executive of KF Industries," Liljus recalls, "where I had managed some disciplines in an uncooperative. Nicolin had noticed that someone and thought I might be the man to make sense of it, and through the Wallenberg name other doors will open. The connection certainly doesn't hurt. No doubt about it, they are

done the job mainly by wheeling and dealing. The result is a company which guides (Liljus prefers to say coaches) other businesses. Diversified companies will never be able to compete against those with a great deal of focus," he says.

Incentive has four core businesses. The dominant one is medical technology, run by its subsidiary, Cimbino. The others are the environment, materials handling, and defence. In addition, Incentive still has some straight holdings, in Swedish electrical goods firm Electrolux, but it is in ABB. Liljus says that Incentive has over 20 per cent of the Swedish stock market.

The disposals continue. A contract to sell Mats environmental companies, was signed in February. Liljus says the military business, represented by Hagglunds Vehicle, "will be sold sooner or later." Despite the frenetic look of Incentive's activities since 1991, the result has been growing stability, profitability and market value.

After four years of sharply rising turnover, 1996 turnover of SK220 billion (S220m) was up 20.3 per cent compared with 1995. That fall was mainly due to disposals, including Hasselblad cameras, Gargantuan (vehicular components), Aka (a trader in industrial products, particularly refrigeration elements), and Skandianska Elverk (the world's largest wind company) that accounted for 30 per cent of 1996's sales.

Profitability and value have soared under Liljus's management. Last year's group operating earnings of S64bn, up 25 per cent compared with 1995, represent a more than seven-fold growth since Liljus arrived. The company's shares, worth SK76bn in 1991, are now valued at over SK170bn.

The key decision in Liljus' long-term strategy was to buy Lund-Balck Camlin and to move Incentive into medical technology, a new field for it. The two-stage purchase, which began in 1984 with the acquisition of Cardo, a Swedish industrial group which had

Incentive was a wildly diversified operation with holdings in 60 companies

57 per cent of Incentive, has paid off and is a good home for Gambiro, he says. 54 per cent of Incentive's turnover and 70 per cent of its profits came from it.

The remainder of the Gambiro stock was in the hands of the Swedish stock market, the Crawforders, and their family trusts. In March 1996, Liljus paid SK3.7bn for the Crawford stock but had to fight for the privilege. Before we could buy the shares, we had to convince them that it would be a good home for Gambiro, and his conviction is persuasive. It did not come from Gambiro, he says. Liljus clearly believes that Incentive is the best home for Gambiro, and his conviction is persuasive.

As an outsider looking at Swedish politics, the reconstruction of Incentive was a more business-friendly government here. He was one of 412 Swedish companies whose names were on a more business-friendly government here. He was one of 412 Swedish companies whose names were on a more business-friendly government here. He was one of 412 Swedish companies whose names were on a more business-friendly government here.

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Hale Richards

'No doubt about it, the Wallenbergs are demanding, but not very supportive'

CROSSWORD - NUMBER 365

Crossword puzzle grid with clues for Across and Down.

CHESS

Chess board diagram showing a game position with Black to move.

BRIDGE

Bridge hand analysis including a bidding sequence and a table for card values.

EUROPEAN CROSS RATES

Table showing exchange rates for various European currencies against the British Pound (£) and the US Dollar (\$).

EUROPEAN CROSSWORD answers and solutions for the crossword puzzle.

CHESS SOLUTION: Analysis of the chess game position and the winning move.

BRIDGE SOLUTION: Analysis of the bridge hand and the winning bidding strategy.

EUROPEAN CROSS RATES: Table showing exchange rates for various European currencies against the British Pound (£) and the US Dollar (\$).

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