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Fight-back against the flood of counterfeit luxury goods

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KELLYS ARE COMING

Musical waifs hope to be the next big thing in Britain and France

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MISSION IMPOSSIBLE?

Fight to save the Czech studios where famous films were made

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Europe's new axes rocks Parliament to build its own palaces

Victor Smart
Political Editor
AMSTERDAM
and
Julian Coman

It was symptomatic of a Europe which was losing its balance financial accounts that the summit of 11 EU leaders sign a green tax deal, a clear complementary component to a growth strategy in the treaty as well.

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He was underlining the fact that while jobs go the other way, the centre of that debate did not go to the summit. France wanted it to go. Those who thought the left was the victor in the French and British elections last month would produce a socialist consensus that the centre of Europe will clearly have to think again.

The discussion surrounded the so-called "employment chapter" agreed in Amsterdam provided Blair and his allies, particularly the French, with an opportunity to promote a "third way" to job creation, combining the German style fiscal and monetary restraint which irritates France with the kind of supply-side reform of labour markets which both France and Germany are reluctant to do.

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Tony Snape
BRUSSELS

Parliament sources say the MEPs favour a loan to finance the house, fashionable among other public institutions such as municipal authorities, would be very controversial and probably too expensive. If the financing is not suitable a separate "vehicle" for the loan should be set up.

"We have to establish a loan in order to pay for the buildings. We are in discussion with the bank," said the MEPs.

The borrowing, which MEPs hope to obtain at interest rates of 5.5 or 6 per cent in the belief that as a European institution they will be regarded as a safe credit risk, will be paid off (via the SPV) from Parliament's annual budget.

A meeting of member state civil servants agreed to the MEPs' initiative on 12 June. The Council is expected to be rubber stamped on an additional agenda item (an "A point") at a forthcoming Council of Ministers meeting in Brussels. The EIU said it would contribute to the financing of other European institutions.

Prevented from raising money directly, Parliament now appears to have to go to the markets for the money. Ministers to allow it to go to the markets through a special Vehicle (SPV) a third party backed by banks, which will be purchased by the state to almost a quarter of the total loan (or loans) of around 51bn, paying it back over ten to 15 years.

Prior to the summit, Robin Cook, Britain's foreign minister, was critical of what he called a "politicians' agenda" of institutional reform, arguing that Brussels had spent too much time wrangling over arcane treaty adjustments and not enough on issues that mattered, such as employment.

Leaving Amsterdam, Blair himself talked of his desire to shape a People's Europe that is more relevant and more in tune with what people want.

As Katharine Raymond, senior political researcher at the Social Market Foundation, a London think-tank, says: "Blair is trying to chart a middle way between the French drive towards creating an economic government in Europe and the German approach which all too often results to be merely that of the Bundesbank policy 'ring' large." The fall-out

Both sides naturally claimed victory in the wake of Amsterdam. One spokesman for Lionel Jospin claimed: "This is only a beginning. We have begun to reverse the trend. We have honoured the motto."

The French finance minister, Laurent Fabius, said that the summit had been a success. He said that the agreement should extend alongside a "European Central Bank" and that the agreement should be signed in Amsterdam, and was to be implemented through a series of disciplines under the euro's 1999 starting date and the German confidence in the project. The new French government consid-

United from Blair and Kohl, new friends seeking market flexibility to create employment in the People's Europe?

agreed by the EU. The spending will be reformed when France is forced to admit this summer that it is heading for a 1997 budget deficit closer to four per cent than the three per cent insisted on by Maastricht. Paris and Bonn will not be as big as they once were, but they are still big. The weight play-off between Jospin and Schröder, possibly to hear a third position being elaborated, which distances itself from both the "Bankers' Europe" and the "Politicians' Europe" in

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OTHER CURRENCIES PROPORTIONAL

Soaring Aeroflot has last laugh

Miranda Nishikina MOSCOW

Aeroflot's best-known service must recently have enjoyed a really strong start, according to many of those dominated the dinner table at the Moscow-based expatriates who considered themselves "Bankers' Europe" investors) has kept 200 per cent from \$28 at the end of last year to \$112 this month.

It is getting the value of the company from just \$83m to nearly \$350m. Salomon Brothers, the US investment bank, is advising on both the AIBN and Eurobond issues. Market analysts on the new issue

the way to the international rally was the fact that investors are beginning to realise the potential of the airline and consider its stock highly undervalued. Others suggest a mystery bidder buying up shares in the renamed Russian International Airlines (ARI) in 1996.

The primary target of the controversial and flamboyant Security Council deputy secretary, Boris Berensky. Of the Russia's richest men owns an impressive portfolio of previously state-owned companies, including the oil giant, Sibneft, and the DRT television channel.

The Russian press has recently carried advertisements offering to buy Aeroflot shares. Callers are directed to the LogoVIZ building in central Moscow.

LogoVIZ is the holding company through which Berensky controls the stockholder, Sotrus Investment Securities, supports the Berensky theory, saying in a recent report, "LogoVIZ appears to be taking over Aeroflot", noting that Aeroflot's share register

was transferred from United Bank to Finansinvest OJSC, both of which are controlled by LogoVIZ.

"However, the Aeroflot president, Valery Okolov, is who also Russian President Boris Yeltsin's son-in-law, denies that a single outsider owns more than a per cent of stock. He says that LogoVIZ is the largest shareholder after the state, which retains a controlling 51 per cent stake."

Bobby Mesheger, head of sales and marketing at Aton Investment Bank, also notes that Aeroflot's share register

PHOTO BY AP/WIDEWORLD

Europe's third way

Europe's third way

HOLLAND'S Prime Minister Wim Kok... mood. Economic and monetary union (EMU) has suddenly acquired a new dimension... declared. By selling an employment pact...

Barbara Smith AMSTERDAM

"We're entering another phase... said the Italian prime minister, Romano Prodi... "Europe has finally turned towards other objectives... besides those of arithmetic and convergence."

Only a few metres away from Germany's finance minister, Theo Waigel... he had just emerged from Europe's finance ministers' hard-fought negotiations about budgetary discipline... But he was insisting that employment policies were still entirely in the hands of governments...

Concretely, it recommends that the European Investment Bank (EIB)... "This was billed as the summit which would bring Europe closer to its citizens... By the 15th of June 1996 the summit... was cancelled... because of the weather... The summit was cancelled... because of the weather..."

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On foot, while demonstrators protested against Europe's high level of unemployment... their new bicycles

Europe's third way

Employment figures in the member states in 1990 and 1996 shown as percentage of civilian labour force

Table with 3 columns: Country, 1990, 1996. Includes Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Luxembourg, Netherlands, Portugal, and EU12.

UNEMPLOYMENT

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Source: Eurostat; European Labour Force Survey; 1990 and 1996 figures are preliminary; 1996 figures are based on the average of the third and fourth quarters of 1996

Paola Buonadonna AMSTERDAM

The Amsterdam summit has not been lived up to... according to Fred van Duwell... EC's economic power of the ECB... according to Fred van Duwell... EC's economic power of the ECB...

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Can we really laugh for Aeroflot Parliament to buy its palaces

Continued from page 1... Aeroflot is well placed to reap the rewards... Aeroflot is well placed to reap the rewards... Aeroflot is well placed to reap the rewards...

passengers, air travel is expected to boom... Aeroflot is well placed to reap the rewards... Aeroflot is well placed to reap the rewards...

Boeing 737s in preference to British... Aeroflot is well placed to reap the rewards... Aeroflot is well placed to reap the rewards...

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until now have been... Aeroflot is well placed to reap the rewards... Aeroflot is well placed to reap the rewards...

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Management opens a can of worms

THE minimalist reform package agreed at the Amsterdam summit opens up an uncertain path for ten of Europe's eastern and central states wanting to join the 15-country European Union. It is the first time that the intergovernmental conference (IGC) formally recognises the right of accession talks between Brussels and the emerging democracies within six months.

The Dutch prime minister, Wim Kok, declared that Europe was ready for Britain. Officials in Brussels, which assumes the rotating EU presidency at the beginning of next year, say they hope to get the process off to a flying start.

The British prime minister, Tony Blair, said on 18 June that the decisions made at the summit were a "basis for enlargement to proceed without another full-scale reorganisation" of internal EU reform.

But the EU leaders could disagree that the fact that they had ducked a more radical but much needed overhaul of the Union's treaty decision-making machinery. Despite the bargaining session late into the night in Amsterdam, no breakthrough was achieved on reform of the size of the 20-man Commission and the reweighting of individual states' votes within the Council of Ministers.

Instead, five new seats on the Commission are to be added by the single treaty of the forging of the big states, Germany, France, Italy, Italy and Spain, to sacrifice second commission seats when the first wave of accession negotiations begins. This can only be a stopgap arrangement. Europe's embark on its historic enlargement process, with only piecemeal plans to accommodate the new newcomers into EU institutions, which were originally

The path to a larger European Union will never run smooth, writes Victor Smart in AMSTERDAM

designed for a Community of a mere six.

This spells a period of uncertainty for all the hopefuls. With Maa's application not going forward after a change of government, and Cyprus's ambitions Greece and Turkey, the spotlight is firmly on the east of Poland.

A spokesman for the EU said that the most popular of the aspirant states, concentrated in the Balkans, is the most important thing in the wake of the IGC will be to confirm that the EU will still be open to new members. It is a suggestion that individual states' members have had second thoughts.

In practice, a select handful of countries may be admitted within four or five years under the existing procedures. The treaty remaining states, however, will still in limbo until the vexed issue of internal reform is resolved.

At Amsterdam Kok was caught off guard by the freeing up of the seats in the Commission. He had allowed to dictate the size of the first wave. Elsewhere



this is viewed sceptically. A Brussels source commented: "Theoretically, all countries are on an equal footing. But the decision to postpone real institutional reform in the closest future yet that the EU intends to admit only three or four newcomers in the next few years."

Steluta Arhire, deputy director of the Romanian EU delegation, complained: "For me there is a list of countries that are not eligible, and possibly Slovenia, and a half of the IGC. I am disappointed that after the high hopes that had been placed on widening the EU, this was a second priority behind

the questions of deepening the central structure. Staging yet another IGC in the midst of enlargement to seven among EU members there is dismay that the enlargement process may degenerate into an invidious struggle to be judged by how far they meet objective criteria."

BRINGING east European countries into the EU is likely to cost more than any previous enlargement. EU officials were to join they would increase the EU's

population by around 30 per cent, but its GDP by only 10 per cent. The clear message from Amsterdam is that for those already in the club, widening new members is a daunting priority.

Dominique Moisi, deputy director of the French Institute of International Relations, said: "It's had new members to displace themselves to cope with the rigours of single market competition."

One of the biggest hurdles to their accession is their relatively large agricultural sectors. Extending the Union's Common Agricul-

ture Policy (CAP) could increase the new budget by 10 per cent (to 150 billion \$450n), half as much again as now.

Another headache is the social burden from Brussels. Extending the welfare state eastward could become impossible. The EU will need the harkles of Spain, Portugal and Greece who stand to lose their subsidies.

Time is also on the side of the emerging democracies. They have invested their goals political capital in the EU and embarking on painful economic reform with only discredited promises in return.

By signing up to the accession agreement we had to open our markets," said a Slovenian diplomat. "But so far benefits that have been reaped by the EU countries. Public opinion would be strongly affected by any hint that the club might have been used. We have already tired ourselves down to so many commitments."

These missives, however, are not meant to dissuade. "Our government has had to ask people to make many sacrifices with the goal of membership in sight," he said. "We have to adapt our industry to competition policy and moderate and liberalise. Now we have to be able to deliver."

Analysts also warned that a delay or loss of momentum could cause economic stagnation. Stefan Jurecek, of the Institute for European Policy Studies, commented: "European leaders need reassurance that enlargement is ahead of a precise timetable. Without that it is not clear to invest in the east and that it turns would damage the entrants' confidence in their membership of the Union."

Additional reporting by Paola Boudanos

Lightening a lightning bolt

REARLY can the host country of an international gathering have been better placed to preach to the other participants as the White House spokesman did at the Denver summit of the G7.

With the US economy in sparkling form and that Europe lacklustre at best, as debate at Amsterdam Democree's President Bill Clinton's aides say this year's meeting will be a landmark contrast to previous ones at which the leaders of the industrialised nations and countries tore into the US for its high deficits.

This time it will be the US that will take to the pulpit and Clinton does not need to waste the opportunity. "We are the only major superpower," said Larry Summers, US deputy treasury secretary.

It is clear that we are also the world's only economic superpower. In an era of globalisation, we are the most flexible and dynamic economy. We dominate or lead in virtually every major industrial industry. The reason we are so successful is that we have a world of our making. We are the White House spokesman, Michael McCurry, added with studied understatement: "We may provide a model to other industrial nations which wish to emulate."

The economic miracle in the US has turned the tables for the summit of rich nations, reports Ian Mather, Diplomatic Editor

Instead it will be the leaders of Japan, France, Germany and Italy in particular who will find themselves on the receiving end of criticism on how to run a successful economy.

Britain and Canada have growing economies. But it is the US which remains the biggest economic miracle. Since the last G7 summit hosted by the US, in Houston in 1980, the US has created 12.1 million jobs, reduced unemployment to 4.8 per cent, a 24 year low, and seen its exports rise 60 per cent and led to half the deficit of the 20-22 June summit. The US labour department announced that that inflation had dropped to 2.2 per cent, the lowest for 31 years, and led to half the figure in 1990.

After decades of profligacy, Washington has budgeted a balanced account on its double-digit 1.1 per cent of GDP, which is predicted to drop below one per cent next year.

The US is now in its best year of steady economic growth, pre-empting Clinton by two years. This remarkable performance has attracted other industrialised economies have struggled. Since 1990 total employment in Japan has declined by one million jobs, while unemployment rates and budget deficits continue to rise.

European leaders arrive not knowing whether they can meet the Maastricht criteria for the single currency. In Denver, Clinton is expected to go on the offensive and demand that Europe reform its welfare programmes and urging Japan to open up domestic led by Robert Rubin, the US Treasury secretary, said Washington that in the US view the EU should hang an account on its double-digit jobs rate by paying down social charges levied on employers and allowing

them the flexibility to cut payoffs if markets contract. "It is a fundamental change in the economic landscape in the world economy, unchanged by technological advances and the liberalisation of trade and investment," he said. The biggest impact has been between the EU, which one believed that its interests are best served by protective tariff barriers.

EU governments are having to come to terms with no longer being able to subsidise inefficient corporations. Many small companies compete internally. They are forced to pay for substantial social security and health benefits.

Only in Paris is there resistance to this approach. France, which is only slowly liberalising its economy, wants government intervention to combat joblessness.

Chancellor Helmut Kohl heads for Denver after three years of inactivity. He is designed to keep Europe on track on the straight and narrow path following the introduction of the single currency in 1999.

The European Union's efforts to meet the euro criteria, as Germany faces the same problems, will find itself in the same position as the Clinton administration on growth and employment. It is looking for support from the new Government of the 15 countries.

The summit is also focusing on trying to help sub-Saharan Africa, especially those countries attempting economic reform, to reduce social charges levied on employers and allowing access to G8 markets.

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"NOTHING moves WITHOUT THEM."

Time is money. And with each day a ship sits idle in port costing thousands, Ikar Utstein, C.E.O. of Norway's Utstein Shipbuilding and Marine Manufacturing Corporation, knows better than most the importance of keeping his customers' ships in action.

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The SECRET is to find people we can trust and rely on. Professionals with know-how."





Boffins of the vanities: counterfeit fashions are burned by customs authorities. The world trade in fakes is worth up to \$350bn a year, growing at a rate that far outstrips legitimate business

or \$250 billion to \$350bn. And it is a fast growing business: while world trade grew 4% per cent between 1990-95, trade in counterfeit goods grew by a staggering 150 per cent.

A study of international fraud within the EU conducted for *The European* by accountants Deloitte and Touche (DT) found that counterfeiting causes many ills. According to the report, the fraud distorts competition; it affects investment flows, reducing the level of legitimate employment and taxation revenue; it creates safety risks; and it even affects relations between member states, if one country is believed to have more or tolerate counterfeiters.

"France has a high volume of brand names which are easily counterfeited and so \$250 billion to \$350bn. And it is a fast growing business: while world trade grew 4% per cent between 1990-95, trade in counterfeit goods grew by a staggering 150 per cent."

"Some of the copies are very good. Others fall apart after you wash them. You have to check the stitching. We sell only high-quality copies," says Ahmet, an 18-year-old student helping out on his uncle's stall. He adds that he does not remember any of the stalls in the covered bazaar being raided by the police. "Of course, we know it is against the law," he says, then laughs and shrugs. "But, well, this is Turkey."

Turkey is the world's top producer of counterfeit products, followed by China, Thailand, Italy and Colombia. But most of the fakes end up for sale in European countries. According to a 1994 survey by the Service de Statistiques Industrielles 60 per cent of the world's counterfeit goods end up for sale in the EU, with France receiving 25 per cent.

It is estimated that financial losses caused by counterfeiting amount to five to seven per cent of world trade.



feited and is therefore particularly vulnerable," says Will Ingle, the author of the report and British co-ordinating partner in the European fraud and international disputes group of Deloitte and Touche. French brand owners claim that seven out of ten copies sold in a mass market stand a high risk of being counterfeit, especially names with strong brand images such as sports and leisure wear companies—Adidas, Reebok, Nike, Levi Strauss—and luxury goods such as Chanel, Louis Vuitton and Gucci. "Industries such as computer software, music, law, cars and spirits are particularly vulnerable," says Ingle.

Catherine Hughes, communications manager at the International Feder-

ation of the Photographic Industry (IPFI), the lobbying body representing the world's record companies, says the IPFI estimates the industry alone lost \$2.6bn worldwide last year, against legitimate sales of \$40bn. "The situation is getting worse. Some 35-40 million compact discs are produced each year and 15-20 million found in western Europe via Russia. We also have a problem in Bulgaria, where there is virtually no market for genuine CDs, Italy and Greece also present problems."

"In the past it was just coasters, but they were produced locally. With CDs, the problem is much more international. For example, CDs produced in Taiwan enter Europe through Luxembourg, where there are no direct laws against counterfeiting of recordings, and then go on to Spain, Italy and America."

"But it is not just companies which stand to lose revenue from their reproduction. Consumers risk buying inferior products which do not perform to the standards expected of the genuine article. At a conference on 10 May, delegates heard how fake machines

ery parts led to deaths - in France a woman was killed when the bonnet of her car failed to crumple in a crash, and in Niger a coach mechanic was found to contain industrial solvent and caused up to 3,000 deaths.

What is attractive to a counterfeiter is a product where the cost of the physical material is a small part of the overall price," explains Ingle. "With pharmaceuticals, the reason the price levels is high is that you are paying for years and years of research to develop it. With a CD the basic cost is a few pence, what makes it expensive is the investment and the distribution network. With a Gucci bag, the cost of making it is a fraction of the selling price. Volker Spitz of the German anti-fraud association

admits his association is struggling against all the counterfeit goods which arrive in the Czech Republic, originate from Turkey, Asia and Poland, and that half of brand-name goods on the market are counterfeits.

In Turkey, there are signs that the authorities are slowly moving to stamp on counterfeiting, under pressure from manufacturers.

"Until the law on intellectual property rights was passed, all manufacturers, thought that patent protection was for foreign brands," explains a spokeswoman for the Turkish Clothing Manufacturers' Association. "But when

investigators were told they couldn't cross the border and only two shirts were seized, local people and the police are unwilling to help. In the Vietnamese mafia responsible for the counterfeiting."

Lawyer Vladimir Rotk works with the Czech consumers' rights organisation - the commercial inspection office in Prague. He says: "I don't think the Germans understand the difference in the laws between our two countries in the Czech Republic: we have no specific law against counterfeits, so the police can't seize the goods."

"Only when we can prove the retailer knew he was selling counterfeit goods can we charge him with an offence. That doesn't happen very often, and

the law was passed they understood that it would also protect them. Within days they were turning up to register their goods, as usual."

Will Ingle observes: "One of the difficulties is that as business gets more international, so does fraud. But the techniques for following fraud across borders have not anything like kept up with the need. What is needed is a law which would fight counterfeiting in the whole of the EU, but getting agreement from all countries is going to be slow. One of the difficulties the European Commission has is that it has no competence in the field of criminal law."

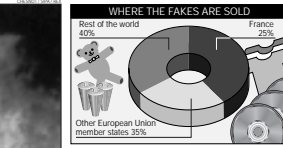
At the Commission, the anti-fraud division (UCLAF) announced a plan in May to fight economic fraud with special emphasis on counterfeiting, but it admits that the battle has a long way to go.

It is hoped that co-operation in the member states will put a number of legal instruments in place. It is something which will very seriously help in the future," said a spokesman.

The absence of a central authority has spurred the IPFI to create its own global anti-gang network responsible for detecting and taking action against counterfeit manufacturers and distributors. It claims that because Luxembourg has not yet implemented any of the EU directives it has become a haven for counterfeiters, with easy access to the rest of Europe.

There are huge benefits in having fewer borders and controls, but one of the prices you pay for that is a greater degree of ill behaviour across the border. It is a bad penny," adds Ingle.

Additional reporting by Gareth Jenkins in Istanbul



Value of counterfeiters in relation to total turnover	Percentage
Computer software	35%
Audio-Video	25%
Toys	12%
Perfumes	10%
Pharmaceuticals	6%
Watches	5%



of companies selling counterfeit goods, 10% of average loss is 1/2 turnover.

GUCCI

When it does it usually amounts to a small fine of 3,000 crowns (€150). Also, the police don't have enough huge raids because they don't have anywhere to store the seized goods and it's difficult to find interceptors."

Rotk believes there are all the counterfeit goods which arrive in the Czech Republic, originate from Turkey, Asia and Poland, and that half of brand-name goods on the market are counterfeits.

Until the law on intellectual property rights was passed, all manufacturers, thought that patent protection was for foreign brands," explains a spokeswoman for the Turkish Clothing Manufacturers' Association. "But when

investigators were told they couldn't cross the border and only two shirts were seized, local people and the police are unwilling to help. In the Vietnamese mafia responsible for the counterfeiting."

Lawyer Vladimir Rotk works with the Czech consumers' rights organisation - the commercial inspection office in Prague. He says: "I don't think the Germans understand the difference in the laws between our two countries in the Czech Republic: we have no specific law against counterfeits, so the police can't seize the goods."

"Only when we can prove the retailer knew he was selling counterfeit goods can we charge him with an offence. That doesn't happen very often, and the law was passed they understood that it would also protect them. Within days they were turning up to register their goods, as usual."

Will Ingle observes: "One of the difficulties is that as business gets more international, so does fraud. But the techniques for following fraud across borders have not anything like kept up with the need. What is needed is a law which would fight counterfeiting in the whole of the EU, but getting agreement from all countries is going to be slow. One of the difficulties the European Commission has is that it has no competence in the field of criminal law."

At the Commission, the anti-fraud division (UCLAF) announced a plan in May to fight economic fraud with special emphasis on counterfeiting, but it admits that the battle has a long way to go.

What are we doing here, as various of Albania

AS we share the soldiers' lunch - casseroles and chicken - the shade of a fan is blown from a French corporal's explain: "We have experienced war in these places. Here we are in a country which is functioning. Schools have reopened. The police seem to be under control and disarmed. We are happy to see that there is no humanitarian crisis."

The PAK, or Force Multinationale de Presence Albanaise, was one of the streets of Durres and all commercial activity had stopped. Three days later the camp was back to normal.

"To battle hardened soldiers arrived on 15 April in the camp near the beach at Durres where Albanian soldiers once convalesced. The camp was razed in the February violence, so the first task was to rebuild it, starting by reconnecting water and electricity supplies.

The international community rushed in where angels might have avoided further developments. Françoise Thion finds an army caught in a quandary near DURRES

plifies the dilemma of the whole United Nations backed intervention in Albania. The PAK, or Force Multinationale de Presence Albanaise, was one of the streets of Durres and all commercial activity had stopped. Three days later the camp was back to normal.

"To battle hardened soldiers arrived on 15 April in the camp near the beach at Durres where Albanian soldiers once convalesced. The camp was razed in the February violence, so the first task was to rebuild it, starting by reconnecting water and electricity supplies.

Today the soldiers are reduced to filling sandbags under the searching sun and most of the equipment is rusted. They recently delivered two tonnes of equipment to the main hospital in Durres. Casualties are few, but a child who has lost his or her fingers while playing with

The French doctor at the first aid post is disappointed. "I would like to help the people in the villages who are asking for medical care and drugs, but I have neither the means nor the authorization," he complains. His frustration ex-

8 May. Volunteer Day. We didn't understand what was going on as we had planned the Danish flag on the beach, next to those of France.

These men have spent weeks in the Bosnian conflict. They don't understand what they are doing here. For the moment, they are playing football. The Danish and the Danish Albanian glossary of the International Institute for Security and Cooperation in Albania, which is overseeing the force. They have been in a country where there is no war and no

booster," explains Thion. "Anyone who has visited Albania knows that the situation there has improved. Food shortages are minor. Everything can be found in the market, even if prices are high for a country where the average monthly wage is the equivalent of \$50."

What Albania is going through is a delicate political, social, moral and economic crisis. It is a country where the population at large have not found their bearings since the 1992 transition from a communist dictatorship. The country is discovering, all too abruptly, the possibilities inherent in a free market, but with rules and principles inherited from Enver Hoxha, for so long Albania's political and bureaucratic ruler. It will take several years to adjust. The main problem which needs resolving is the total lack of security. During the



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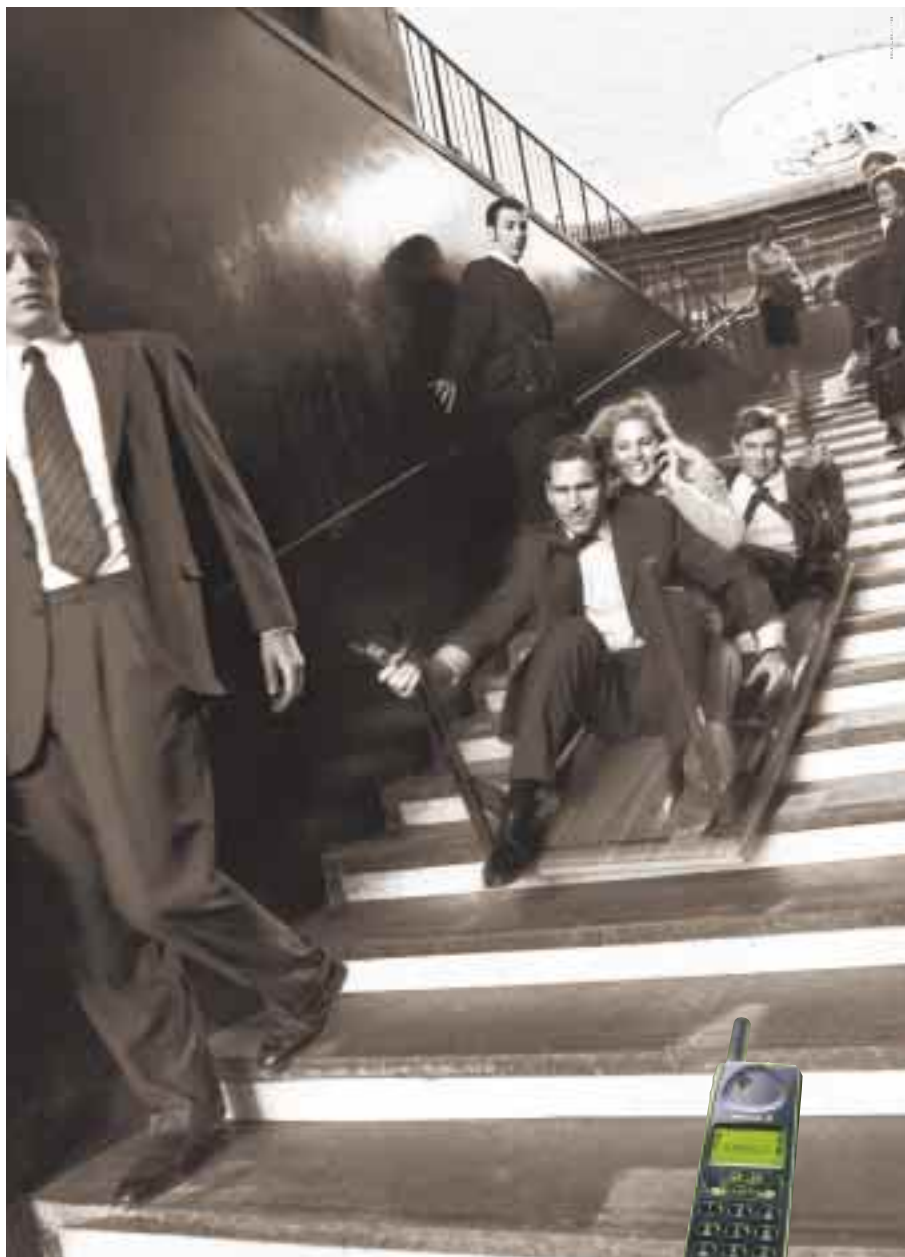
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That persuader turns to human rights

PORTRAIT

MARY ROBINSON

A "DRAINING TALK" is Mary Robinson's assessment of her new role, while other describe it more graphically as a political shield. The Irish princess certainly need not her skills as a mediator in her forthcoming post as United Nations human commissioner, a job which carries high expectations, many of which may be difficult to fulfil.

The woman who took tea with the British queen at Buckingham Palace and shook heads publicly with Sinn Féin's former chairman in the IRA's 1994 ceasefire has been to all things to all people during her presidency. But her new post as human rights watchdog will not be her post of conciliation in her utmost, for the regions of both developing and industrialised countries could prove less than enthusiastic about her new objectives.

Not all governments will want the UN to take effective action on human rights, for it is a politically sensitive issue. However, Robinson is an effective operator. Her style is far from confrontational; she uses the persuader's language in speeches and, while she has a highly defined moral sense, she is likely to choose her moment before making an accusatory charge.

The 53-year-old former lawyer and academic has not yet been defined for the post of her Geneva job. Her special adviser, Bridie Rooney, insists that she is still concentrating on the Irish presidency.

"She has her ideas about the job, but she doesn't want to put them out there until after her meeting with the UN secretary general in July. She still has a commitment to the president," said Rooney.

However, Robinson seems likely to step down early, probably in September, three months before her seven-year term formally ends. As a priorist, she has already indicated her interest in the issue of refugees, addressing the subject last week at an event in Dublin organised by the Irish Refugee Council, where she warned that racism was "tearing us up" here in her country.

Refugees are a major social and economic phenomenon in the Republic of Ireland and her welcome has been criticised mainly because of the sudden increase in numbers. In 1992 there were just 39



Irish icon: President Mary Robinson may find her popularity in Ireland is not exported to developing countries when she becomes UN human rights commissioner.

refugees, compared with an expected 8,000 asylum applications, but in the Dublin conference, Robinson pleaded for greater tolerance.

The voice of moderation has always characterised Robinson. Her calm hand of friendship to Unionists in Northern Ireland during her term as

president as a lawyer, she was known for her civil rights record and often accepted media and financially unattractive cases on merit. As president, she invited members of the gay community to her official home and visited the poor and disadvantaged in their communities.

Her presidency has been one of compassion. She became the first head of

state to visit Rwanda after the genocide and to travel to the International Criminal Tribunal for former Yugoslavia. Now Robinson will help to set international priorities, as she disbursed her £20 million (\$40m) budget and directs a staff of 450-250 of the commission, social and economic development. They bitterly resent what she sees as western attempts to

interfere in their internal affairs under the guise of human rights.

Robinson may also be keen to expand human rights in her own country's office, said Gavin. "If you look at her career cards, she has been in a room from a deep and fundamental commitment to human rights. The television footage of her visit to Somalia when she cried out in anguish that people is a clear indication that these issues are close to her heart."

Amnesty International has produced a checklist of priorities for the new commissioner, including confronting the major violators of human rights. However, Robinson may be more interested in the areas where she can help diplomatically, which you need for any job in the UN. She will choose her moment to introduce things. She won't rush in and do things that perhaps have to be worked out cautiously, said Professor Helen O'Neill, director of the Centre for Development Studies at University College Dublin.

O'Neill believes Robinson should highlight the economic link in the arms market between Western and developing countries - another politically sensitive issue likely to be taken up on about peace and the arms selling the European Union, the US, Britain and France. Members of the Security Council designed to achieve peace, are the major suppliers of arms, she said.

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Some argue that she was lucky to step into the presidential job during a cultural and economic boom, but she is also stepping into a job during a boom and now enjoys near iconic status. She has a high profile in Ireland, and is pushing at the constraints of what she can do as the individual's sponsor, and if she had opted to spend more time in Ireland, she would have had more, but one could have successfully challenged her.

Martin Davitt

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Malta is the poor man's empires

"THE lion has spoken," said a diplomat from a southern European NATO country lately on hearing of the US government's sudden announcement that it wanted to limit NATO's expansion to three new members.

For the backers of Slovenia and Romania a major battle has been lost, since these two countries lie in fourth and fifth positions, and the United States, by far the most powerful member of the alliance, insists its decision is "final".

Whether the lion is a lioness or a panther is not clear, but the counter-superpower has been over for them will soon become a reality. The Secretary General Javier Solana says he got all 16 NATO members into line for the Nato summit in Madrid on 8 July, which is due to open the invitations, is not to become a shambles.

Since enlargement has to be by consensus, the majority of NATO members have to be persuaded to change their minds. As things stand, only the US and Iceland were just these few new members - Hungary and Poland. At the moment, the only NATO members in line for inclusion are all those in southern Europe, from southern Italy to Greece, and southern Turkey. The bulk of the vote is in announcing its decision during a Nato defence ministers' meeting in Brussels on 12 June, without giving prior warning to the allies, will not make Solana's job any easier.

There is much sympathy for Romania and Slovenia. Both insist they meet the five criteria laid down for new members: a stable democracy, a free-market economy, civilian control of the armed forces, no outstanding disputes with neighbouring countries and respect for human rights.

A claim by the US defence secretary, William Cohen, that the reform process in Slovenia and Romania has not been sufficient means to become firmly rooted has infuriated them. Neither convinced by Washington's argument that a small country like Malta is more likely to be

expanded to developing countries when she becomes UN human rights commissioner.

rights, says William Gavin, a spokesman with Goal, the Third World relief and development agency. Western countries view it as the individual's right to free speech, freedom from torture and a fair trial while Africa and Asian countries emphasise the rights of the community, social and economic development. They bitterly resent what she sees as western attempts to

interfere in their internal affairs under the guise of human rights. Robinson may also be keen to expand human rights in her own country's office, said Gavin. "If you look at her career cards, she has been in a room from a deep and fundamental commitment to human rights. The television footage of her visit to Somalia when she cried out in anguish that people is a clear indication that these issues are close to her heart."

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"The US decision is political, to ease ratification through Congress"



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ESCORT. What did you do in yours?



Germany

HILKE MASCHKE finally left her patience with German state secretary for Italy when she tried to lead a modest conservative party to her next semi-detached home in west Berlin's leafy middle-class suburb of Zehlendorf. For the 32-year-old lawyer turned estate agent, the plan was that when the city government told her it would take more than two years to get planning permission.

"There is something seriously wrong with the way things are conducted in Germany," she said. "The country is so over-regulated that even building a back garden conservatory is a nightmare. For business it's even worse. No wonder more and more are choosing to invest abroad."

Maschke's experience never confirmed her belief in the new-found policies of Germany's small but influential liberal Free Democratic Party (FDP), of which she has been a member for four years. The party is holding a gun to the heads of its coalition partners. Chancellor Kohl's CDU is considering the Christian Democrats (CDU), the "no tax increases" mantra.

It has now unveiled a programme that voters can believe in. If it comes to it, the FDP would rather bring the government than give it a "safe" message. "Faced with FDP opposition to raising taxes to reduce the budget deficit, Kohl's CDU is on the retreat. The FDP, in contrast, feels for the first time in years that the tide of public opinion is flowing in their direction." They are the only party that has a reform programme capable of breaking through the economic stagnation that has become a staple of Germany's problems," claimed Friedrich Thomas Volkmann. "After years in the political wilderness, we seem to have caught the pulse of the public."

Less than two years ago the party was on the verge of being overtaken as Germany's third political force by the environmentalist Greens. For years, the party's chief source of popularity was Germany's first foreign minister, Hans-Dietrich Genscher. When he resigned shortly after winning the 1994 election, Kohl's grand old party presided over a freefall. Humiliating defeats in regional and national elections were followed by near disaster in the 1994 Bonn parliamentary elections. Then the party

surged in with 6.0 per cent of the vote.

The problem was that the FDP had such a broad spread of ill-defined policies that nobody could identify with them. They were just seen as a party of yes men, hoodlums in the coalition partners in Kohl's CDU, said Martin Metz, Berlin's FDP leader.

The turnaround began after Kohl's replacement in 1995 by the current party leader, Wolfgang Gerhardt, and the appointment of Guido Westerwelle as general secretary. The new team shows signs of dynamism, and for the first time in years, the media are paying attention.

The key may be the FDP's adoption of stringent, Anglo-Saxon style monetary policy aimed at lacking over-regulation, high social spending, unit labour and regional costs. The general trade plan of its key figure and leader of the FDP, Wolfgang Tiefensee, last year when the FDP was swept back to power in the state of Baden-Wuerttemberg was to cut government spending with the CDU. We now see a single-issue party that is dedicated to bringing about the kind of economic reforms that business leaders are fighting for every day.

The FDP's decision to adopt a monetarist, non-interventionist economic programme shows that Germany is attempting to deal with an inflation problem that has crept up on processes that are not being controlled elsewhere in Europe. It is a policy that has been followed for five years, said analyst Wolfgang Eberhard, leader of Chemnitz Technical University. There is no need to debate signs of a national electoral dividend. Most recent opinion polls show that the combined forces of the Social Democrats (SPD) and Greens would win 51 per cent of the vote in the upcoming election. The FDP on the opposition, says Eberhard, is being "think a spell in political limbo." It is a "important thing to be kept in mind." As things heat up, he would expect Kohl's old party to be elected. The option is preferable to the alternative, with the brush of being led by Kohl's yes men, said Metz.

Tony Parsons, BERLIN



International contacts: a soldier of the multinational force kicks a Somali boy in Mogadishu in 1993. The allegations come at a sensitive time as Italy tries to secure its reputation in Albania

Do Somalia's saviours become torturers?

THE United States led 1992 to early 1994, have been published over the past two weeks in the new magazine *Panorama*. The pictures show soldiers from the Federal reserve regiment apparently engaged in acts of torture and sexual abuse against Somali prisoners. Other testimonies include allegations of murder, rape and sexual abuse. The magazine quotes a former soldier, Benedetto Bertini, as saying that fellow troops used Somali civilians for "target practice". Shocking though the charges may be, it is not just the nature of the allegations that bother the Italian government. After all, the risks of delivering food supplies in Somalia would mean many troops to adopt a so-called "shoot to feed" policy. Two Canadian troops were recently jailed for murder in Somalia.

What worries the Italian most is the timing. The same paratroop regiment in Somalia is currently flying the flag in Albania, where Italy has led a coalition in the Balkans. The government is determined to keep the peace in the run-up to an election on 29 June. Italy's high profile role in Trana had been seen as a reassurance that

Italy was serious about peacekeeping. Bosnia's Andrić, "Italy has always thought of its capabilities as maybe not efficient as those of other countries but capable of managing delicate and operating in different circumstances, even in wars, without being demeaning."

He told parliament that the government commission would look "not only on covers ups and on delays to get to the truth. Prodi has promised that the inquiry will not have any agenda - words not normally associated with Italian investigations into

military scandals. The 17-year-old inquiry into how an Italian civilian sniper was apparently shot down by a stray missile off the Sicilian island of Ustica has now reached a verdict. A total of 13 air force commanders have since been charged with an organised cover-up.

Fears that the army might be unwilling to take a long hard look at what was really going on in its ranks in Somalia were heightened by this work by the general responsible for the Italian force's internal enquiry.

Francisco Vannucci spoke of an event exaggerated by newspapers, adding "I am confident that the whole truth will emerge. That is what we are working towards." Vannucci's comments dovetailed with the defence of paratrooper Virgilio Grillo, photographed apparently about to flick what he had detected in the genitalia of a naked, prone Somali man. "What torture," he told journalists. "The UN, it is the Yugoslav president who is the biggest enemy of the world. I never killed anyone in Somalia."

Chris Endon, ROME

European leaders meet to discuss the Balkans

Some fillers, some leakers, some berries with power play

THE row over the resignation of Turkey's first Islamist prime minister, Necmettin Erbakan, on 18 June deepened a crisis which highlighted the tensions of the political system to produce a modest government. Erbakan agrees that early elections are desirable, but insists that the constitution should be amended to allow the ability of any party to form a government. The resignation, or whether new parties would resolve the crisis, is "whatever happens over the next few days will be crucial to Turkey's problems," said a European diplomat. "Instability will continue for the foreseeable future. This is bad news for Turkey and for its friends." The coalition of Erbakan's Islamist Welfare Party (RP) and the right-wing True Party (DYP), led by Cengiz Ural, the former prime minister, had been living in minority for two months. Erbakan presented it with a set of measures to curb fundamentalism. On 29 April the general staff announced that it was given priority to combating the internal threat from fundamentalism and separatism and Kurdish separatism. In late May another general staff establishment meeting, the judiciary, stepped up the pressure on Ural. In June, the chief prosecutor for the supreme court of appeal stepped into the constitutional court to force dissolution of the cabinet.

Then on 11 June Major General Turgut Bayraktar, chief of staff of the army's counter-

terrorism branch, announced that 45 days of a government formed with the same dominant coalition which Italian newspapers have termed the "photographs of the coup," are possible. The photographs and interviews with some of the military leaders who served in Somalia at part of a multinational United Nations force from late

1992 to early 1994, have been published over the past two weeks in the new magazine *Panorama*. The pictures show soldiers from the Federal reserve regiment apparently engaged in acts of torture and sexual abuse against Somali prisoners. Other testimonies include allegations of murder, rape and sexual abuse. The magazine quotes a former soldier, Benedetto Bertini, as saying that fellow troops used Somali civilians for "target practice". Shocking though the charges may be, it is not just the nature of the allegations that bother the Italian government. After all, the risks of delivering food supplies in Somalia would mean many troops to adopt a so-called "shoot to feed" policy. Two Canadian troops were recently jailed for murder in Somalia.

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Advances and setbacks to the incentive to peace'

THE Sinn Fein leader, Gerry Adams, says the murder of two RUC officers 'picturized right - must act as a huge incentive to peace process'.

NORTHERN IRELAND

violence. The dissidents, who have fortified near Lurgan as their main power base, have been blamed for killing a 41-year-old Catholic soldier in Belfast earlier this year, and the UVF planted a bomb which failed to go off at the Sinn Fein office in Monaghan in April.

It is clear that the British and Irish prime ministers, John Major and Tony Blair, have been relatively muted in response to the hitherto low level of IRA violence and the absence until now of the murder of any members of the Royal Ulster Constabulary (RUC) and the Royal Irish Regiment.

The latest outrage is a blow for senior security officers, who have seen its share of the vote rise to 12 percent in local and national elections. It pulled nearly 10 percent in the British general election, at which two Sinn Fein MPs were elected to the parliament in Westminster, and is now the third largest political party in Northern Ireland. In the Irish election it doubled its vote.

'The killers must be denied the sickening possibility of still more deaths'

believed that in recent months the political wing of the IRA had been successful in the point of persuading the military wing to eschew the use of violence.

This impression was reinforced by reports from security sources in the border area of a largely flat IRA activity. However, it now appears that the IRA was simply waiting for the general election and then proceeded to reversion to a full terrorist campaign.

The killings place a question mark over the position of Adams. Predictably, he refused to condemn the outrage, choosing to reflect: 'These deaths must act as a huge incentive to redouble our efforts to bring about a negotiated settlement.'

Adams has put all his weight into trying to ensure that the dividends to be gained from joining the political route are greater than the continuation of armed struggle. It is now clear that the IRA has lost - and that presents a dilemma.

Yes if there is no point in talking to Adams, then what is there? If there is, then this is a conundrum that makes the future in Northern Ireland so grim.

Ian Mather, Diplomatic Editor

Without a ceasefire, Sinn Fein will be called to break through into the talks, and two sets of 'clarification' talks which are underway between British officials and Sinn Fein went badly.

In Amsterdam, Blair said there was 'obviously no question' of another meeting between British officials and Sinn Fein, while the Irish prime minister, John Major, said there would be no further contact with its officials and Sinn Fein. Bertie Ahern, expected to be confirmed as Britain's successor, said that he had dropped plans to meet Gerry Adams, Sinn Fein's leader.

Adding his voice to the widespread condemnation of the atrocity, Northern Ireland Secretary, Michael Mowlem, appealed for no retaliation. He said: 'That is what the killers want. They must be denied the sickening possibility of yet more deaths.'

Sinn Fein's chief negotiator, Martin Meehan, also refused to issue a condemnation, saying what was needed to move to 'a conflict resolution situation.' Meehan said the IRA had intended to return to the political route, but the decision to continue armed struggle has been made.

Lurgan in County Armagh, where the two men were shot in the back of the head by two men wearing visors, is only a few kilometres from Drumree, the scene of last year's stand-off which brought the province to the brink of anarchy.

Drumree has come to symbolise the sectarian struggle. Even before the latest slayings the Orange Order had given up its efforts to reach a compromise over this year's church parades at Drumree and had said neither that it would march along its traditional route past the Catholic housing estate where the violence flared last year.

After the murders at Lurgan, Orange sources said they were even more determined to go ahead on 6 July. But Catholic residents of the Garvey Road estate past which the Orangemen intend to march have announced a street 'festival' to block the Orangemen's route.

With the Orange Order planning no fewer than 2,000 parades throughout the province in July, a survey conducted by the IRA, which the British prime minister, Tony Blair, is attempting to make look irrelevant to the immediate problems faced by the British, is thought the maintenance of civil order.

The most immediate threat is of a backlash by Protestant paramilitaries which would unleash an even greater spurge of IRA violence. Loyalist paramilitary leaders are under more just about managed to contain the fury of their followers in the absence of any IRA killings of members of the indigenous security forces.

But the Protestant paramilitaries are influenced by the increased political support for Sinn Fein and by the resurgence of Drumree. The IRA is being undermined by dissidents. Formerly, the Loyalist leadership, which were seen determined to strike Catholics in proportion to IRA

And without a ceasefire, Sinn Fein will be called to break through into the talks, and two sets of 'clarification' talks which are underway between British officials and Sinn Fein went badly.

In Amsterdam, Blair said there was 'obviously no question' of another meeting between British officials and Sinn Fein, while the Irish prime minister, John Major, said there would be no further contact with its officials and Sinn Fein. Bertie Ahern, expected to be confirmed as Britain's successor, said that he had dropped plans to meet Gerry Adams, Sinn Fein's leader.

Adding his voice to the widespread condemnation of the atrocity, Northern Ireland Secretary, Michael Mowlem, appealed for no retaliation. He said: 'That is what the killers want. They must be denied the sickening possibility of yet more deaths.'

Sinn Fein's chief negotiator, Martin Meehan, also refused to issue a condemnation, saying what was needed to move to 'a conflict resolution situation.' Meehan said the IRA had intended to return to the political route, but the decision to continue armed struggle has been made.

Sudden death, the bodies of the RUC officers lie in Lurgan. The Irish and British governments have broken off talking to Sinn Fein

Spain's Ferret moves on

FELIPE GONZALEZ, the first Spanish socialist for 23 years, is expected once more to stand before the party faithful to receive their backing for his continued leadership.

It is a re-election to the party's Madrid conference on 27 June as a candidate for re-election to the party's Madrid conference on 27 June as a candidate for re-election to the party's Madrid conference on 27 June.

Spain

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Germany

There are no signs that the two parties, seven years since their last general election, are still in any danger of a merger.

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Investment

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WALL STREET JOURNAL THE US business newspaper continues to grow its readership in both 'real' and 'virtual' worlds.

They were hailed as the reformers that would usher in long-awaited constitutional reform. But even under the new system 23 per cent of the seats in the lower house of parliament are still elected by proportional representation, leaving mainstream parties dependent on the support of fringe groups.

LE MONDE

The French daily ponders US realities in the Hong Kong handover. The diplomatic clouds are gathering over the reversion of Hong Kong to China on 30 June. The US secretary of

PRESS WATCH

state Madeline Albright is threatening partially to hold the ceremonies if the Germans do not give up their intention to buy an investment of the Czech Republic. She says she has no intention of buying an investment of the Czech Republic.

LA STAMPA

The Amsterdam comment was an honourable draw, says the Spanish daily. It was NOT to be another battle of attrition. The Netherlands' comment was an honourable draw, says the Spanish daily.

DIE WELT

The German daily's Press Briefing says the US focus on domestic issues. AN END to the acute coalition crisis over the budget is now drawing near.

THE GUARDIAN

The London daily's Press Briefing says the US focus on domestic issues. AN END to the acute coalition crisis over the budget is now drawing near.

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LETTERS TO THE EDITOR

MILLAR'S EUROPE
This is sweet but any name except euro

HOW much is that euro worth? Two forty... 'C' cent... 'cent'... 'cent'... 'cent'... 'cent'...

PETER MILLAR

The unsavory world would be naturally abhorred in our text... 'The unsavory world would be naturally abhorred in our text...'

Book-keeping for Eurocrats

IT IS not only on the large scale that the euro is looking increasingly incredible... 'It is not only on the large scale that the euro is looking increasingly incredible...'

Power to the Parliament

THE intergovernmental conference which has produced the Maastricht treaty has been deciding the future of hundreds of millions of people... 'The intergovernmental conference which has produced the Maastricht treaty has been deciding the future of hundreds of millions of people...'

Curbing the Commission

HAVING read about the summit proposal for an amendment to the European Union's treaty... 'Having read about the summit proposal for an amendment to the European Union's treaty...'

German colossus with feet of clay?

THE recent Franco German summit added to Chancellor Helmut Kohl's difficulties... 'The recent Franco German summit added to Chancellor Helmut Kohl's difficulties...'

Brussels is not Flemish

IT IS not the case that Brussels is Flemish... 'It is not the case that Brussels is Flemish...'

DRAWN FROM EUROPE



CHIRAC AND JOSPIN CELEBRATE

LETTERS for publication should include the writer's full name, full postal address and telephone number... 'Letters for publication should include the writer's full name, full postal address and telephone number...'

POINTS OF VIEW

with an excellent value price... 'with an excellent value price...'

The chancellor's situation at home is scarcely better... 'The chancellor's situation at home is scarcely better...'

Divided over the Justice

THE fact that the inability to reach a decision... 'The fact that the inability to reach a decision...'

Hunting is a sport for all

THOUGH I enjoyed Ronald Fraser's article... 'Though I enjoyed Ronald Fraser's article...'

Where ear-splitting talkies ride round on motorcycles

HAVE guessed in the past that it is the business of the human race... 'Have guessed in the past that it is the business of the human race...'

USTINOV AT LARGE

'Each gang has its leader, branny heroes of an invented code of honour, with vague medieval precedents based on jousting'

Now even the satisfaction a single motorcycle can give its master... 'Now even the satisfaction a single motorcycle can give its master...'

Perhaps it is natural that stability should be the ideal terrain for such aberrations... 'Perhaps it is natural that stability should be the ideal terrain for such aberrations...'

The line to Auzon is a pity that the French town of Auzon

misleading data ('Will the Danube set a precedent?')

Could G&S's letter seem to be based on emotional... 'Could G&S's letter seem to be based on emotional...'

An honour for women

AS PRESS Officer for the women's rights award... 'As Press Officer for the women's rights award...'

Elgin Marbles?

Elgin Marbles? If Scotland can have its Stone of Destiny back... 'Elgin Marbles? If Scotland can have its Stone of Destiny back...'

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Elgin Marbles? If Scotland can have its Stone of Destiny back... 'Elgin Marbles? If Scotland can have its Stone of Destiny back...'

CLIMBING EVERY MOUNTAIN



Oskar Carmenzind shows the power and determination that have put him at the vanguard of the strong home challenge for the first Tour de Suisse. The ten-day race, which finishes on 26 June.

is regarded as an ideal way to toughen up their 'climbing legs' as more than half the stages run through mountain ranges. It is also a warm-up for the Tour de France, which starts on 5 July

THIS WEEK ON



The best young footballers in the world meet in Malaysia; who will lift the Cup to become the Under 20 World Champions?

- FOOTBALL** • 19 - 25 June, LIVE, The FIFA Under 20 World Championship will only be held in Malaysia and France as among 24 nations who qualified for the competition
- INDY CAR** • 21 - 22 June, LIVE, The PPG CART World Series, Portland Mark Blundell will want to banish the memory of running out of fuel on the last corner of the last lap in the previous round of the Championship
- CYCLING** • 19 - 26 June, LIVE, The Tour of Switzerland 144 riders will line up at the start of the 60th running of the race
- ATHLETICS** • 1 - 24 June, The Europa Cup, Munich Ulrich Christie leads Britain for the last time as the giants of European athletics clash in Germany
- GOLF** • 20 - 21 June, The WPGA European Tour, The Evian Masters Laura Davies is expected to return to France to defend the title that she won in 1995 and 1996

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.

Wimbledon's net advantage

FOR 120 years, Wimbledon's hierarchy has fiercely resisted calls to tear up the grass and replace it with concrete - all in the name of tradition.

Likewise, those same officials adamantly oppose all suggestions of the world's proudest grand slam tournament giving to its advertisers and surrounding the delicately maintained lawn with all manner of publicity.

Yet when the clock ticks round to 2pm and the action starts on the two short courts on 23 June, behind the garden party atmosphere the Pimm's and polite applause from the Royal Box, a huge marketing operation will roll into life.

BEST BETS FOR THE TITLES

PETE SAMPRAS The American still remembers his first Wimbledon quarterfinal loss to Richard Krajcik last year and wants to avenge it by capturing his fourth Wimbledon title. Sampras started 1997 by winning his second Australian Open but has played erratically since.

LIPTON The 1996 Wimbledon Champion and the French Open toughen his fitness into question but he has the game to glide through the draw. However, there are many doubts over his serve and volley specialists who will pick and drill to prove physically feeble.

GORAN IVANISEVIC He was supposed to have been Canada's first grand slam champion yet watched embassy as corporate at McGill won this year's French Open. Now, at least at the best of the 25-year old from Split, there is

no advertising but the world's proudest tennis tournament makes a mint. Matthew Glendinning reports how the money rolls in

the ACM group since 1986. The All England Club is advised by International Management Group (IMG), the sports marketing giant, which opened the eyes of the tradition board folk in the late 1980s to the possibilities of marketing. For all that, sponsorship is discreet and limited to the four companies which directly supply Wimbledon with services: Rolex, Diet Coke, Slazenger and Robinsons Bailey Water.

THE BEST BETS FOR THE TITLES

GRIN in the fourth round. Now, she is the top seed and has a big advantage from being in the second round but she may take time to adjust to the grass courts. But her serve is so good that she will be a hard opponent to beat.

MONICA SELEGNY The Yugoslav-born player has had a good relationship with Wimbledon. Seles reserves the traditions but struggles on the low bouncing

surface and has difficulty adjusting his baseline game when rain stops play. Wimbledon is the corporate hospitality company commented: "Wimbledon is so prestigious that you can sit next to a client for two hours without making much of an outlay and talk business."

Such comments infuriate genuine fans who would die for a showcut ticket, especially as some businessmen with hospitality tickets simply stay in the hotels eating and drinking, and turn their heads to what is happening on court only when a roar from the crowd draws their attention to a television set.

Such comments infuriate genuine fans who would die for a showcut ticket, especially as some businessmen with hospitality tickets simply stay in the hotels eating and drinking, and turn their heads to what is happening on court only when a roar from the crowd draws their attention to a television set.

When a race is stopped while the most drivers wait in a queue, it was driving I always wore two layers and was finished, the other was in this sort of detail that

can see how people are thinking and I am concerned about my own performance. Three of it was an unusual one to most observers at Montreal. The threat of fire was an unusual one to most observers at Montreal. The threat of fire was an unusual one to most observers at Montreal. The threat of fire was an unusual one to most observers at Montreal.

THE EUROPEAN ESSAY

19 25 JUNE 1997 NO 371

CRAZY FOR BLUE OF WIMBLEDON

FOCUS - PAGE 26

THE ELUSIVE MIDAS TOUCH

NEWS FOCUS - PAGE 19

THE COURT OF THE KING OF SWATCH

PROFILE - PAGE 32

Swedish group's shares surge as ten per cent of the workforce face sack

Flexibility can bend job rules

FOR Marie Paz Merlo, things have just got better. "Before, I had a six-month contract and I could not plan anything longer, or invest. Now I am very pleased with the new conditions: more stable outlook means that I can think about buying a car or a house, for example."

The 22-year-old recipient of a Spanish sports award manages hours of supply and demand on business conditions. Under this relaxation, fixed term or part-time contracts substitute for tenure positions. Hiring and firing has not been most decisive work arrangements, in terms of more flexible hours or overtime pay. Last but not least, flexible wages are not tied to a legal minimum, an index or collective settlements.

Thierry Nauclin
Economic Editor

"responsive" and "employment-friendly" rules and regulations. Economists define flexibility as the relaxation or removal of the labour market and prevent employers from adjusting to business conditions. Under this relaxation, fixed term or part-time contracts substitute for tenure positions. Hiring and firing has not been most decisive work arrangements, in terms of more flexible hours or overtime pay. Last but not least, flexible wages are not tied to a legal minimum, an index or collective settlements.

Toddy, even in Germany, collective wages bargaining, a pillar of the country's social market model is eroding - ironically, as a side effect of the collapse of communism. As the wages agreed nationwide in the west are far too high for the east, where productivity lags behind, workers in the six new Länder have taken to trade lower wages for jobs.

With German unemployment at a record 11.4 per cent high, calls for more tailored-made writemore are also being heard in the west. The most decisive break occurred in the chemicals industry earlier this month. Under pressure from the big three companies - Hoechst, Bayer and BASF, which together employ about a quarter of the industry's 590,000 workers - IG Chemie became the first labour union to enable firms to cut wages by up to ten per cent in difficult periods.

In Spain, flexibility has encouraged job creation, not preservation, Israel Peres, personnel and administration manager of Joma Sport in Toledo, said. "Before" in the month referred to for more "growth".

In most of the European labour markets flexibility is perceived as a threat, causing more unemployment. In fact, high unemployment is the price the EU is willing to pay to maintain viable jobs and produce the gains. Or so said the Organisation for Economic Co-operation and Development (OECD) in its landmark 1994 paper "Jobs What the OECD study called an "extension" of the ability to change" was at the back of EU leaders' minds when they met earlier this week in Amsterdam. "Resolution on 'Growth and Employment'", which instead called for more "adaptable",

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Continued on page 18

Country	Difficulty Index (0-14)
France	13.5
Spain	13.0
Germany	12.5
Netherlands	12.0
Italy	11.5
Belgium	11.0
Denmark	10.5
Ireland	10.0
Sweden	9.5
Austria	9.0
Portugal	8.5
UK	8.0
Greece	7.5
Finland	7.0

Countries ranked by difficulty of dismissing employees; length of notice period, average cost of dismissal, and incidence of procedures.

Source: Lehmann Brothers/OECD Jobs Study (1994)

Sign of the times: Electrolux is following a trend by America, Britain, the Netherlands and Switzerland for laying off staff, or downsizing, to increase competitiveness

MICHAEL Tresschow has a low nickname. The man who became chief executive of Electrolux less than two months ago has been nicknamed *Kristenagjutes* - Mike, or "Mike the Knife" by Stockholm stockholders. They are being complimentary. After only a short spell in charge of the world's biggest manufacturer of washing machines, fridges and vacuum cleaners, Tresschow has not only managed to cut the company's costs, but also increased its profit margins by more than ten per cent.

"If we don't do it now, there will be stronger medicine to take later," said Tresschow, 54. Shares in the company, which for years have been floundering, rocketed 25 per cent in the two days after the announcement.

Peter Lawrence, analyst at Dresdner Kleinwort Benson in London, said: "It's a reaction to focus signs that the new management is moving quickly to positive signs about the company on reducing cuts."

Tresschow also said he wants to close half of the Swedish group's global production and storage facilities, although he has not yet indicated where the cuts will take place. They will cost the Stockholm-based company, which markets its home appliances under the Electrolux, AEG, Zanussi and Frigidaire brands, two years to recoup the \$16.5 billion (\$253 million) write-off charge. But within four years Tresschow says the group should be performing far better. He has his mind on operating margins of about seven per cent, up from four per cent last year, and

Make the Knife cuts here

Up to 12,000 jobs will go, write Nicholas Moss in LONDON and Hale Richards in STOCKHOLM

return on equity for shareholders of about 15 per cent. Tresschow is adamant that the cuts, which follow a showing of the workforce in various countries, are needed to keep the company competitive in a declining \$25 billion-a-year European market for white goods.

However, analysts are divided over the need for managers to use "downsizing" as a tool to increase performance. Some say they expect companies in Europe to concentrate more on financial restructuring to increase competitiveness. Gary Dugan, equity strategist at JP Morgan in London, said: "Laying

off people in Europe is becoming a bit of a disaster. Companies are turning to different forms of restructuring, such as selling off subsidiary businesses.

But Peter Oppenheimer, international investment strategist at HSBC James Capel in London, said the move towards American-style downsizing has been going on for the last 12 or 18 months, and is clearly not the end of it.

"It's encouraging to see and clearly good for the stock markets. In one sense it's an easy tactic, but it shows the management is serious about staying competitive and not just waiting for economic conditions to improve." Another strategist said

Britain, the Netherlands and Switzerland had led the trend for laying off staff in Europe and frequently used technique, through managers need to be careful not to cannibalise their own ability to sell. They need to find good faults."

Tresschow is obviously confident that he can. For the past few years Leif Johansson, his predecessor as chief executive of Electrolux, had the same stated aim. The problem was that Johansson never gave the impression that he would achieve them. At least, not without the benefit of a cyclical upturn in the market, which seems more and more distant. Last week Whirlpool of America, which shares with Electrolux the top slot in the world's domestic appliance industry, said sales in Europe were expected to decline in value for the fifth successive year.

Manufacturers say they under pressure to transfer any cost savings to their customers, rather than to bid to gain sales, rather than to bid to gain profits.

But in Tresschow, Electrolux at last has a man with a plan. He is the market research analyst at HSBC James Capel in London, said the market research and management teams perceive to be visionary and they implemented a plan that seems credible. That's what they've got in common. The majority of Electrolux's workforce is in America and western Europe. Lighter labour legislation in the US may mean that many of the 23,000 employees there will suffer layoffs. But

Andrew Griffin, an analyst at UBS in London, said high labour costs in Europe also make it of its workers probable targets. Electrolux's Swedish workforce of 14,000, its biggest in Europe, are also likely to be hit. In Italy its subsidiary, Zanussi, is the group's third largest employer, with just over 3,000 workers, but its modern and highly automated operations is expected to miss the brunt of the layoffs. France, with just over 3,000 workers, is also to take some of the cuts, although it is Germany's 11,000 workforce which seems the most likely target.

The decrease in the size of Electrolux's overall manufacturing base will be compensated by increased production at the factories that Tresschow believes work well.

Schwarzmann said: "Tresschow doesn't need to worry about having manufacturing sites everywhere. He needs to run factories at higher capacity with enough staff for additional needs when the market begins to turn up."

Tresschow's reputation suggests that he should be able to see the plan through. The Swede won many admirers during his five-year tenure as chief executive of Atlas Copco, the Swedish firm that has been largely known for its industrial air compressors. He enjoyed a successful reign as a tight manager and cost-cutting chief of a consumer products company. Tresschow says that his aim is to "rethink the macro-economy."

Continued on page 18

Theory is put into practice at IRI

AN INDUSTRIAL economist has been given the difficult task of winding down the Italian state holding company, IRI, whose assets include Alitalia and IAL, the national broadcaster.

Gian Maria Gros-Pietro will take over as group chairman this week in a management buy-out. He has been appointed by the Italian government to speed up the slow pace of the indelible group's privatisation over the next five years and liquidate those companies not sold.

Although the Treasury minister, Antonio Di Pietro, announced the ultimate deadline of 30 June last December, he 60-year-old Gros-Pietro has been slow to leave Italy's industrial and economic scene.

The company is likely to fall to meet an extension of its debt reduction deadline fixed by the European Union's accession commissioner, Karel Van Miert, for

Gian Maria Gros-Pietro has three years to put the Italian state out of its misery. Writes Ruth Sullivan in MILAN

the end of the month. Instead of reducing debt to an agreed 15,000 billion (\$27 billion), it is still at 19,400 billion. Though it has raised 12,000 billion in asset disposals since 1992, little has been sold in the past year.

Gros-Pietro is required to succeed where his predecessor, Michele Tedeschi, failed. Gros-Pietro was a consultant on the Treasury's privatisation committee and describes himself as an academic. He said at the weekend that he has written a lot about privatisation, but it will be much harder to put theory into practice.

Twenty-four hours later he seemed even prouder about the Treasury's mandate to wind down over three years, the giant group

welcomed by Van Miert, who will see the shake-up as a move from the Treasury. IRI's sole shareholder, towards speeding up the privatisation of state companies. IRI's remaining assets include Eni, the oil giant, and the state-owned railway company, Ferrovie dello Stato. IRI's remaining assets include Eni, the oil giant, and the state-owned railway company, Ferrovie dello Stato. IRI's remaining assets include Eni, the oil giant, and the state-owned railway company, Ferrovie dello Stato.

But observers point out that it will be difficult to sell off some of IRI's most troubled assets such as IRI, Finmeccanica and Alitalia, in the allocated time span.

Much depends on the extent to which Gros-Pietro succeeds in putting his considerable academic knowledge to industry, privatisation and economics into practice, and whether he can convince bickering political factions into the kind of compromise arrangements. His appointment is likely to be

Barry Norman presents Film 97 - the latest news and reviews from the big screen.

WATCH FRIDAY AT 22:30 CET

BBC WORLD

MAC MEDIA is a member of the BBC Broadcasting Corporation.

Gros-Pietro: academic takes over

Did gold playboys lose Midas touch?

As more gold reserves come to the market, it seems two of the world's top investors may have lost out, reports Charles Raw

AT THE END of last week an ounce of gold was worth about \$341 an ounce, the same level as it was just four years ago. The same \$411 invested in the Dow Jones Industrial Average over the same period would now be worth over \$830.

So much for the foresight of two of the world's most reputed investment operators, Sir James Goldsmith and George Soros. For it was in April four years ago that they started their great gold play - and it is now possible to assess the outcome of one of the biggest gold gambles of all time.

The game began quietly early in April 1993 when a number of well-placed newspaper commentators in London started singing the praises of gold, which had been sliding steadily since 1988 and was at its lowest price since 1986. Then on 23 April Sir James Goldsmith announced that he had sold just over ten million shares in Newmont Mining, America's largest gold producer, to George Soros. The price for about 150 million of the shares was \$39.50 a share, or around \$500 million.

The deal was well timed. The day before Goldsmith announced the sale, the then president of the Bundesbank, Helmut Schlesinger, had emphasized the importance of gold to central bank reserves. Within two days the gold price had jumped \$10 to \$351.60. Goldsmith declared himself a "colossal bull of gold".

The market was swamped by rumours that Goldsmith had invested his Newmont shares in gold options. The press was full of praise for Soros as the man who had made \$1 billion when sterling fell out of the European Exchange Rate Mechanism the previous year and who was set to repeat the trick that summer with the French franc. For a brief while the markets seemed to believe that Goldsmith and Soros knew more than the central banks. Within four weeks the gold price was over \$350. By the first week of August it had peaked at \$405.00.

Goldsmith and his partner Lord Rothschild, the London financier, still held a 30 per cent stake in Newmont, bought in 1990 from the British conglomerate King, Good Hanson, in exchange for Goldsmith's American forest interests.

As the gold price soared so did Newmont's shares, enabling Goldsmith and Rothschild to dispose of most of their remaining holdings of a sizeable profit. Their first 15 per cent sale to King had been at the original price bought from Hanson. But, according to the March 1994 accounts of Goldsmith's company, General Oriental Investments (registered in the Cayman Islands but quoted on the Vancouver Stock Exchange) a profit of \$117.7m was made selling further Newmont shares. An investment of just under five per cent was kept in Newmont.

This was good news for General Oriental's shareholders - in particular Goldsmith's Liechtenstein firm Brunnens, which then had over 72 per cent of General Oriental shares and today holds over 80 per cent of the company. But what to this day has never been appreciated is that while the market assumed Goldsmith was buying gold options, he was in fact free by his word and better physical gold. For at 31 March 1994 General Oriental had 1,536,360 ounces of the stuff, accorded to the accounts. That's over 43.3 tonnes. The gold now held at an average purchase cost of \$335.06 and General Oriental's share-ahed profit on it at the time was \$55.3m.

Meanwhile, Soros who abandoned his attack on the franc, had put the Newmont shares into his three main funds, Quantum Quota and Quasar. At the end of the year they had a combined total of just under 4.5 million shares worth nearly \$462.5m while over one million more, worth a further \$57m, were put in a



Called to the bar: four years ago George Soros (left) and Sir James Goldsmith started their great play on gold, but only now it is possible to assess what the outcome was of one of the biggest ever gambles on the metal

fund separately organised by Soros's managing director Stanley Druckenmiller. Thanks to the summer boom they were showing profits of some \$15 a share.

For the next two years gold fluctuated around \$380.00 and \$360.00. At 31 March 1995 General Oriental's holding was down slightly to 1,515,776 ounces worth \$393.4 million, but curiously the purchase cost in the books had increased by nearly \$16 dollars an ounce to \$257.02, with no explanation offered: could he have sold and rebought?

The unexplained profit was then only about \$28m.

Meanwhile, the Soros funds holding in Newmont increased to nearly 91.2 million shares thanks to the 1:1.25 stock split in 1994 and its share price fluctuated between below \$35 to over \$45. The number of shares in the Druckenmiller fund will presumably have also increased, although figures were unavailable.

Towards the end of 1995 the gold price began to move up strongly again, pushing the Newmont price with it; the shares reached nearly \$60 in February. It was around then that, according to market reports, the Soros funds sold heavily.

To judge from the funds' later accounts they disposed of 2,350,000 shares; that they were free, say, an average of \$55 the funds would have made a profit of some \$55m.

Gold hit a peak of \$414.50 on 2 February last year but dropped back to under \$400. Unlike Soros, Goldsmith did not sell: at 31 March 1996 General Oriental still had more than 1.5 million ounces of physical gold held in the books at \$350.4m and worth \$605.3m. Furthermore it also still held its Newmont stake which, at a market value of \$240.3m, was showing a paper profit of more than \$100m.

The gold price tumbled through last summer and then started to drop in the autumn. In November it

began to fall fast. It was probed by a statement from the Swiss National Bank saying that the Swiss government should think about muddling its gold reserves. In February the Dutch announced they were actually doing so, having sold 300 tonnes in January. The price had dropped to around \$340.00; it briefly recovered to nearly \$360.00 and then dropped again after the recent announcing between Chancellor Kohl and the Bundesbank over the issue of revaluing the German gold reserves.

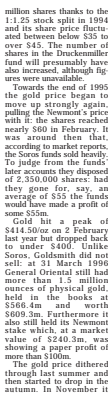
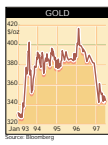
So have the gold bugs been caught out by the central banks and has Goldsmith lost money? The unexplained half-yearly financial statements for 30 September 1996 contain a suggestion that General Oriental had begun selling before then. Did Goldsmith sell subsequently?

THE General Oriental accounts for 31 March 1997 are not yet available. Gold market sources point out that Goldsmith's 43.5 tonnes could have been easily absorbed. Possibly Goldsmith may have done other things on his mind: first the referendum party's fight in the UK General Election and now his battle with pancreatic cancer. If General Oriental is still sitting on its 1.5 million ounces, it will now be showing a loss of nearly \$42m.

Over in the Soros camp, the accounts of Quantum and Quasar show they still held 2,708,650 and 2,396,630 Newmont shares respectively at the end of last year. The accounts of Quantum for financial year ends on 31 January, are not yet out but to judge from a Newmont proxy statement it still held 2,741,968, making a total of 5,842,618. Soros's funds are probably still holding the shares and, thanks to the earlier stock split, would be showing a gain of more than \$60m.

General Oriental also seems to retain the remnant of its original Newmont investment on which it made its money through a modest profit of around \$25m. Four years after the modest profit it seems that while the Newmont share transaction was profitable on both sides, Goldsmith's gold bullion gamble has fallen flat.

But Goldsmith can take some comfort from the fact that Soros also seems to have got the gold market wrong last winter: the accounts of Quantum for December last year reveal that it had a long forward contract to buy 996,560 ounces of gold due on 30 January this year on which it was showing a loss of nearly \$13m. Another Soros fund, Quantum Industrial Holdings, had a contract on 249.10 ounces on which its unexplained loss was \$3,277,824. As the gold price dropped \$20 an ounce between the end of last year and 30 days after the year ends, looks as if the loss would have topped \$40m. Perhaps Goldsmith had the last laugh: was he on the other end of those contracts?



BANKS

Table listing bank stocks with columns for Country, Company, Sector, and various financial metrics like Dividend Yield, P/E, and Market Cap.

INDEUR 250



Source: Reuters

UK shares lose their appeal

The UK and US shares vanished on Tuesday after a week of heady gains. UK shares in particular did a nose-dive as US shares were back in favour after a sharp recovery. Losses were compounded by a report suggesting that the Labour government is to cut tax-exempt funds...

SECTOR INDICES

Table showing Sector Indices with columns for Sector, Index, % change, % change, High, and Low.

STOCK MARKETS

Table showing Stock Markets with columns for Market, Index, Latest, % change, % change, High, and Low.

CHEMICALS

Table listing chemical stocks with columns for Country, Company, Sector, and various financial metrics.

UK shares lose their appeal (continued)

again. That would put a further upward squeeze on the pound, which has already appreciated strongly, and so hurt the earnings of big exporters such as British Steel...

UK shares lose their appeal (continued)

market with a profits warning and news of its high-flying head of NaWest. Markets, Martin Curran, has been thrown serious doubts on the bank's ability to pay forward as a global investment bank player.

DRINKS & TOBACCO

Table listing drinks and tobacco stocks with columns for Country, Company, Sector, and various financial metrics.

UK shares lose their appeal (continued)

the corporate sector that needs - it is the retail sector.



PROPERTY & CONSTRUCTION

Table listing property and construction stocks with columns for Country, Company, Sector, and various financial metrics.

ENGINEERING

Table listing engineering stocks with columns for Country, Company, Sector, and various financial metrics.

UK shares lose their appeal (continued)

BRITISH STEEL, which warned that the damage may not be over. The company, which is a heavy exporter, said its last summer may not have been fully satisfied as yet.

COMPANY RESULTS

Table showing Company Results with columns for Date, Company, Country, Sector, Period, and Profits (m).

FOOD

Table listing food stocks with columns for Country, Company, Sector, and various financial metrics.

UK shares lose their appeal (continued)

General

UTILITIES & TELECOMS

Table listing utilities and telecoms stocks with columns for Country, Company, Sector, and various financial metrics.

FINANCIAL & CONGLOMERATE

Table listing financial and conglomerate stocks with columns for Country, Company, Sector, and various financial metrics.

UK shares lose their appeal (continued)

HEALTH & PHARMACEUTICALS

Table listing health and pharmaceutical stocks with columns for Country, Company, Sector, and various financial metrics.

LEISURE

Table listing leisure stocks with columns for Country, Company, Sector, and various financial metrics.

MOTORS

Table listing motor stocks with columns for Country, Company, Sector, and various financial metrics.

MEDIA & INFORMATION

Table listing media and information stocks with columns for Country, Company, Sector, and various financial metrics.

INSURANCE

Table listing insurance stocks with columns for Country, Company, Sector, and various financial metrics.

Changes since last week. Prices are as marked on Tuesday 17 June 1997. INDEUR 500 index and sector movements adjusted for currency fluctuations. Compiled by INDEUR Ltd. Fax: +44 (0)1753 737930. Also available in Russian on CNN International TEXT and on Reuters Financial Screens. Key pages: 80-82 (P&C), 83 (P&C), 84 (P&C).

LANDRUH

East West faces bitter pill of market retreat



Behind picture: production of television sets will continue at Grundig's plant at Nuremberg (above), but the overall European market for sets is a nightmare of losses and over-capacity

Grundig fights for final settlement

PETER DE JONG, the chairman of Grundig, is struggling to secure a massive final payment from Philips as the Dutch electronics giant settles its links with the German consumer electronics group. The Jong is asking Philips for DeM05 million (\$290m) to help cover the loss of Grundig's last year. De Jong denies this and says that the figures have been properly audited. Yet he conceded that Grundig might not sue under just Dutch law. The Dutch discussions between Philips and Grundig are dragging and de Jong said they could last up to ten years. This would be a first in the industry as the two firms would be facing a contractual obligation to match the entire loss.

Philips management wants a swift solution to the Grundig problem. As well as annulling its management contract, Philips is seeking to end its obligations towards the Grundig family trust. Under the 20-year deal struck in 1984 with the late Max Grundig, the company's charismatic founder, Philips is obliged to pay the trust annual dividends of Dm50 million (\$200m) until 2004. At that point the trust will cease to exist and its 50 per cent part of Grundig stock will go to Dm's family. The European television market is a nightmare, highly loss for several years. De Jong remains optimistic. 'We want to be number one in

the German firm's dispute with Philips is testimony to the troubled state of the European television market, reports David Brierty
maker, with 30 per cent of the market, but has struggled throughout the 1990s. Critics claim its costs are too high, its development programme is ineffective and that its "employment protection" as former CEO might be a factor. Philips bought Siemens and Bangamp recently but failed to manage the existing divisions. It had 10,000 jobs in 1991 and has yet to make a profit since, although Philips de Jong claims that the company is profitable. Yet Grundig is not alone with its problems. The European television market is a nightmare, highly loss for several years. De Jong remains optimistic. 'We want to be number one in

Europe by 2005. Our turnover will be Dm35'. This is a demanding target, sales last year were Dm27. Grundig has suffered a fall in demand since Philips severed its management links. De Jong says 'January and February were disastrous. We lost 20 per cent of turnover' year after year. And that is not surprising when you think of Grundig machines when Europe is over-producing that can go into bags in a couple of months'. But since April, the figures are back to normal. 'Our capital could be used in other areas, but the bank's confidence would then be over. But I am sure that will not happen. We will succeed.' Grundig insists it is confident that Grundig will survive on its own. The first fruits of separation were seen in the first quarter when Philips' consumer electronics returned to the black, replacing profits of Dm22 million last year. Grundig also conceded this. 'I am happy that the last sales can only be produced in Vienna and small sites in Hungary. The year, which worked for Philips for 30 years, resumed Grundig one before during the 1980s. He believes it is possible to solve the company now. 'Very many mistakes have been made at Grundig. The improvement is not cheap.' He

accesses the previous Philips-led management of the division. 'Without Philips there would have gone last five times over.' Grundig continues to be an important customer for Philips. It purchases 700,000 televisions and 1.8 million televisions to export from the Dutch company. 'If Grundig were to exit, Philips would have to close a significant number of plants' says de Jong. He admits Grundig could withstand another 20 years' losses but little more. 'Our capital could be used in other areas, but the bank's confidence would then be over. But I am sure that will not happen. We will succeed.' Grundig insists it is confident that Grundig will survive on its own. The first fruits of separation were seen in the first quarter when Philips' consumer electronics returned to the black, replacing profits of Dm22 million last year. Grundig also conceded this. 'I am happy that the last sales can only be produced in Vienna and small sites in Hungary. The year, which worked for Philips for 30 years, resumed Grundig one before during the 1980s. He believes it is possible to solve the company now. 'Very many mistakes have been made at Grundig. The improvement is not cheap.' He

Suzanne Miller deing its homework for another week. Grundig's departure as the much-reduced head of Grundig Markets, many now believe that Grundig will inevitably be forced to stage its own retreat from global investment banking.
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Table with columns: OFFICIAL INTEREST RATES, Previous rate, Change, Date.

Table with columns: MONEY MARKET RATES, 10-12 MONTH, 3-6 MONTH, 3 MONTH, 1 MONTH.

ECONOMIC INDICATORS

Commentary by Thierry Nauvin
FROM the evidence of current trends, the Organisation for Economic Co-operation and Development is expecting the German public deficit to amount to 2.2 per cent of gross domestic product (GDP) this year and 2.7 per cent next year. The deficit forecasts for France are 3.2 and 3.8 per cent for the same years.

Table with columns: COUNTRY, GROWTH, INFLATION, UNEMPLOYMENT.

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EAST EUROPEAN CURRENCIES

Table with columns: CURRENCY, US\$, DM, UK£, FR, ECU.

EAST EUROPEAN DATA

Table with columns: COUNTRY, INDUSTRIAL OUTPUT, INFLATION, UNEMPLOYMENT.

Source: Statistical Office of the European Communities; World Bank; International Monetary Fund; Eurostat; Reuters; and other sources.

Doing make it to the big league

BORN Rune Gjeltset is not the normal, self-effacing Norwegian businessman. Nor is his remuneration business partner, Kjell Inge Rokke. By ostentatiously displaying their wealth they have spent some of their more staid compatriots, but they are successful.

They spent more than a decade cutting their teeth buying undervalued companies and turning them round. Over the past year they have accelerated, taking Aker a deeply discounted engineering company, and merging it with a diverse portfolio of unrelated businesses. Now they are preparing to reorganise their empire.

Last week the names were in the headlines again as the purchasers of a majority interest in Wimbledon, an English football club from south London which has achieved respectable results in the leading Premier League despite the lack of a home ground; its nickname is 'the Gunners'.

When they are not buying football clubs - they also own a large chunk of the Norwegian club Mjølde - they relax by reading pulpboats and in Rokke's case, buying big houses and private jet clubs. Although Gjeltset is happily married, Rokke for a while did some spectacular dating. There have been complaints in northern Norway about their ostentatious lifestyles, but most of their countrymen seem, at heart, to be proud of them.

Gjeltset says, "We haven't handled public relations very well but we tried to live here in a natural way, as an extension of our personalities. We could have done it like a classic Norwegian entrepreneur with a Rolls Royce in London. Rokke: football fan

Born Rune Gjeltset and Kjell Inge Rokke have caused a stir in Norway - and brought into an English football club, writes Hale Richards

with the Gjeltset family. Gjeltset played the older brother and mentor roles with the club. Indeed, fitness-conscious Gjeltset bought the once-pudgy Rokke to work out and lose weight.

But it was not until 1993 that they became business partners. Trains in Norway, says Gjeltset, with business of my own with other partners. Bjell Inge was creating his fishing enterprise. We kept in touch. In 1995, we met in Seattle and decided our interests would best be served by merging them. I believed a lot of Norwegian businesses were undervalued. So we invested here in Norway."

The two pooled their interests into Resource Group, a holding company registered in the Netherlands.

From the beginning, their partnership has shown a pattern of start up and acquisition, turn around, and disposal. In short, it bears all the hallmarks of the turn-around artist. The day I knew for sure that Kjell Inge would be a perfect partner, says Gjeltset, "was when he agreed to sell his original fishing fleet. The words would soon be obsolete."

There were Japanese buyers who would pay a good price for it. We could invest in a more modern fleet. It is hard to sell your first baby, but he had the guts to do it."

An Oslo banker who has dealt with the deal says that Gjeltset's "strongly held conviction that the official value of the Aker shareholding, this gives Gjeltset 3.6 per cent of the company worth around \$45 million, and Rokke 12.7 per cent (making to him on paper worth \$40 million).

But the banker says, "Gjeltset is a Norwegian resident, while Rokke has made his money outside of the country (he lives in London). I think they have private devices for covering up their holdings."

Gjeltset went to university in America, winning a scholarship to the University of Colorado, ultimately obtaining a business degree. He then returned to Norway and started a sportswear manufacturing business in Molde, Norway was in recession, and the local weather predicted the business would never last. Gjeltset is still angry when he says, "We were promised that the paper folded. I called the editor and reminded him of the deal he had written."

Rokke, meanwhile, skipped higher education and started his career as a "small entrepreneur", but soon escaped to Seattle where he swiftly built a substantial business, becoming the biggest white fish fisherman in the world.

Because of Rokke's spectacular rise, the Norwegian press tends to present him as the deal maker, while Gjeltset as the faceless associate who rubber stamps them. The owner of a business in which they once invested says the partnership is more complicated. "It's true that Gjeltset is a wonderful manager and that Rokke has big ideas. But Gjeltset will also say creative things like: instead of expanding our fishing fleet, let's get into trout processing. And Rokke has big business judgement."

Gjeltset and Rokke's takeover of Aker was dramatised by a boardroom bloodbath in April last year that shocked Oslo's financial world but which established the partners as major players. Aker was once a successful Oslo engineering company, but Gjeltset and Rokke knew that it was ripe for a shake-up, a pending court case over the 1991 loss of an oil platform had long depressed its shares, allowing Rokke and Gjeltset, through

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chairman of Den Norske Bank, and very much part of the Oslo financial establishment. Gjeltset and Rokke from showing their displeasure at the loss of Roud. They forced Roud's resignation. They succeeded him as chairman and Håvard Roud, but on a temporary basis. "I respect Roud," says Gjeltset, "and he was the best man to bridge between the old Aker and Aker RGI."

In October the court case was settled for Nkr100 million. Aker shares soared. In November the takeover was completed when Gjeltset stood aside as chairman and replaced Roud as chief executive. The merger of Aker and RGI was formally completed in February this year.

Largely as a result of Rokke and Gjeltset's hands-on, entrepreneurial leapfrog from acquisition to acquisition, RGI included a diversified range of activities, from property to sportswear. That diversity has been transferred into Aker RGI, a state of affairs which Gjeltset admits is now due for review. "Our maintenance and harmonisation project is under way," he says. "We've made Nkr1 billion of deposits since November last year."

Aker RGI's main activity, contributing half of its turnover, is oil and gas technology. Rokke and Gjeltset have consolidated into Aker Maritime. The pair have concentrated their interests in cement and building materials into a 3:3 per cent stake in a Swedish-Norwegian group Seacem. And Rokke's old specialty, sportswear, comes under another Aker RGI subsidiary, Norway Sportfide.

As well as property and sports, the company is also involved in office technology, speciality shipping and food processing equipment. Last year pre-tax profit of the now combined business on a pro forma basis around a third to Skerfvingen operating revenue of Nkr20.4 billion last year, level up almost 20 per cent. Net profit was down around 50 per cent to Nkr570m. But there were signs of a turnaround last month when first quarter pre-tax profit more than doubled to Nkr370m, although most of this was because of asset sales.

Gjeltset says the dip in profits was inevitable. "We knew profitability would suffer as we rationalised and disciplined this big new enterprise," he says. "We acted as chief executive to do that properly in a hands-on way."

A former who works at a bar around the corner from Gjeltset's office says the pair are familiar faces. "They come in here all the time," he says. He is delighted at the Wimbledon deal. "Those two are the Norwegian Crazy Gang. When they started, no one thought they could compete with the business giants with Aker. After they've made it to the big league, Rokke's long-term plan for Wimbledon is to package the club with Mjølde into a single holding company and go into the stock market. "Of course it's an investment," says Gjeltset. "That's what we do. But it's also a deal from the bottom."

They will be sporting ethanol, says the deal. "Always comes first."

Art market faces to challenge a nation monopoly of a big two

CHALLENGING the monopoly of Christie's and Sotheby's is a high priority for the world's smallest auction houses. Three of them recently embarked on an interesting project that challenge in mind, working on principle of strength in numbers.

In the Dorotheum in Vienna on 5 June the first joint sale between the French, British and Austrian salerooms took place. Offered by Bonhams and Neary 300 lots of Art Deco, including metal, wood, glass, furniture, paintings and drawings, were offered by Bonhams of London, Tajan of Paris and the Dorotheum. All three are members of the International Association of Auctioneers, founded in 1992. The other members are Butterfield & Butterfield of San Francisco, Los Angeles, and Lawson's of Sydney.

Bonhams is Britain's fourth largest auctioneer, after Christie's, Sotheby's and Phillips; it had a turnover last year of \$1.2 million (\$65m). The Dorotheum is the largest Austrian saleroom, its turnover last year for 600 auctions was \$ch764m



SALEROOM
Bigger proves better at a sale in Vienna, writes Laura Suijff

with Singapore auctioneers. The idea of dovetailing the sale to Art Nouveau, Jugendstil (the Austrian equivalent of Art Deco) was an interesting one. All three salerooms have

strongly expertise in these fields, and the market is extremely international. The sale raised \$868,4m, with 57 per cent of lots sold. There were bidders from European and American collectors, and from Japan and the Gulf States. The highest-selling lot was a crown drawing on paper by Egon Schiele of a naked girl, which had reached its 140,000 to 160,000 estimate, selling for 440,500. Most of the highest prices were

achieved by Austrian material, apart from a fine gold and pearl necklace by Lalique, which sold for \$22,784 (estimate \$23,000 to \$27,000). Christopher Elwes, Bonhams' managing director, explained that lots were designated by a lot consigned by the English or French. Elwes felt that "common sense" was the key to success as to whether Austrian, French or English was applied. This seems to be an interesting lesson. He felt the total was very satisfactory, as was the number of international participants (with about 40 per cent of the sale would be expected to take place with the International Association members.

Shining light: a 'Sirene and Nautilus' lamp by Gustav Gurschner sold for £19,171 in Vienna

SPECIAL REPORT

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SPECIAL REPORT

Rich pickings on the Greek islands

The Greek islands are becoming some of the most cosmopolitan places on earth as second home buyers from all over the world seek out valuable properties. In Ioanna Plakotkefatos of Hellenic Realty says: "We are getting buyers from countries including Switzerland, Scandinavia, Germany, Italy, Britain, the US and even Australia."

This number of interest in the Greek market is caused by a variety of factors, says Plakotkefatos: the improvement in the Greek economy; lower interest rates; and the fall in the value of the drachma, particularly against sterling and the US dollar. This has not been fully reflected in increased sales, however, because prices are often too ambitious.

Palinor Kalligaris of Hellenic Realty believes that the improvement in the market has enabled her to persuade sellers to set real

istic prices. "We now force the issue and get them to set a sensible price which will not deter a foreign buyer," she says.

Gallagher is holding a series of exhibitions in Poreos on 21-25 June and intends further shows in Spetses and Hydra later in the year. Apart from giving details of properties, there will be information on the financial and legal aspects of buying in Greece.

In general, the most expensive properties in Greece are on the mainland, notably around Porto Heli in the Peloponnese. This area is becoming popular with wealthy Athenians and foreign diplomats. The islands, particularly of Hydra, Spetses and Corfu, are also favoured locations for wealthy buyers.

One of the properties on Halcyon's books is an island

in the Saronic Gulf close to Spetses. The island measures 31,710 square metres and it would be possible to build a house on it of 450 square metres. There is a small natural bay with a beach which could be extended to provide a jetty area. The asking price is £25.7 million (\$1m).

The same agent is offering a 150 square metre house at the entrance to the harbour on Hydra for Dröblon, while on the mainland at Megara in Attica, Halcyon is marketing for £844,000 a 14 room house which has the security features of either a modern fortress or a fully equipped shelter to all the windows.

Syros, which has an air-line connection to Athens, is another island that has become popular with foreign buyers. Hellenic is selling a villa there of 600

square metres, with 8,000 square metres of land. It has three apartments with a total of nine bedrooms, six bathrooms and large terraces. The asking price is \$2.5 million.

Ploimistrotropolis, an affiliate of Sottery's, has a villa on Spetses on its books. It overlooks Kouroum Bay and has a deep water anchorage for large yachts. Constructed in 1984, the house has six bedrooms and seven bathrooms. It is on the market for \$1.1m.

The same agent is marketing a newly built villa on a peninsula at Kammenos in Corfu. It was once the site of a castle and the fortress and the ruins have been preserved. The villa is priced at £175m.

Contact: Hellenic Realty tel: +354 50472198; Hellenic Properties: +44 (0) 1523 881938; Ploimistrotropolis: +30 364 3112 Sottery's: +44 (0) 171 408 4100.



Seaboard: a six bedroom villa on Spetses overlooks Kouroum Bay and has a deep-water anchorage for large yachts

City whizz kids head for a breath of country air

HUGE salaries and bonuses in the past two years has also been a lure to the public and politicians, but they are moving to the countryside. Estate agents, writes Clive Branson.

The bouillabaisse in the City over the past two years have had a significant factor in the boom in prime property in central London, and in Britain outside country.

Prices have risen and Savills is now forecasting that estate house prices will be up by 14 per cent this year, compared with 12 per cent in the previous year.

There is a similar situation in the Republic of Ireland which, following a fast growing economy, is having an unprecedented property boom. As in Britain, high salaries in the Dublin financial community have

boosted the sales of country houses. City workers have also been a lure for foreigners, notably Britons, Germans and Americans.

One property is Clonmoghain in the heart of the Bherag peninsula, which is bounded by the dramatic, coastal and mountain scenery of the Ring of Kerry. Built six years ago, the house has three reception rooms, four bedrooms and three bathrooms. Adjoining it is a renovated cottage. It has 71 hectares of land around it, and a further 300 hectares of commonage held with two other owners. It is within the Glenties and Clonmoghain mountains. The asking price through Michael Daniels of Malton is £1,500,000 (\$750,000). In Britain, Henry Pryor of the

High-earners are seeking out historic rural estates

London Office, which handles residential property marketing for 24 independent British estate agents, estimates that there are 1,200 cash buyers looking for country houses costing more than £200,000. Of these, eight per cent are from outside the UK, predominantly from North America and mainland Europe.

The countries close to London, such as Buckinghamshire, Surrey and Berkshire, have seen a sharp rise in sales of more than 50 per cent in the past year. The improvement has

spread further and taken in East Anglia, Yorkshire and Oxfordshire. Manton Court, near the Herefordshire town of Ledbury, which is a Grade II listed house dating from 1821, is the sort of property which is always popular. Set in 2.8 hectares, the house has a reception hall, four further reception rooms, seven bedrooms, two bathrooms and a shower room.

There is a range of period outbuildings, a stone lodge house and a cottage with farm buildings. The asking price through Christopher Lyons, in association with Savills, is £55,000 (\$1m).

One of the most interesting country estates to recently come on to the market is St Odyth Priory in Essex, which has a range of buildings

dating from the 13th, 15th and 18th centuries, seven of which are Grade I listed. It has been in private occupation since the dissolution of the monasteries by Henry VIII in 1537.

The estate includes the Great House, a chapel, an abbey tower and ruins, two cottages and two barns. There are also a tilie barn and outbuildings, as well as a deer park and arable land. There are shooting rights on 70.2 hectares of marshland and a modern three-bedroom house. Bidwell is marketing the estate at £2.5m.

Contact: Michael Daniels tel: +353 25 39145; Savills: +44 (0) 171 49 8844; London Office: +44 (0) 171 839 0888; Bidwell: +44 (0) 1223 81814.

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- 3 July: INTERNATIONAL RELOCATION
- 10 July: LONDON/MILLENNIUM
- 17 July: SOUTH OF THE FRENCH
- 4 Sept: AMERICAN PROPERTY
- 11 Sept: UK COMMERCIAL
- 18 Sept: SPECIAL REPORT: French Property
- 25 Sept: SPECIAL REPORT: Worldwide Golfing Property
- 2 Oct: Balcarires Residential
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Tiger and a group of property including a dairy and piggy, the third comprises most of the estate buildings...



Ornate touch: one of the most striking features of Taymouth Castle's magnificent Chinese drawing room is the elaborate painted ceiling.

PROPERTY BRIEFS
TWO Dutch companies, Wima and Multi-Vend Good, and British developer...

Cardroom picks up again

THE Dordogne's popularity has slipped in recent years, the obvious reason for this is that the franc has been so high...

The fall in the franc is luring a new breed of buyers - including investors - which might appeal to the latter group...

It was owned for many years by the British family of whom (Armand) was the surveyor responsible for planning the route of the Parisian canal...

Some antique furniture (and other furniture) are also for sale. Sarah Francis of the Sixes estate agency has seen a big increase in inquiries...

Many of these potential buyers have the illusion that it is possible to find cheap, restorable properties in the heart of the region...

On the waterfront: Domus are asking FR1.3m for this 18th-century house by the river Dordogne...

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East fights to join world quality league

MOVES

ROGER Morin has joined Friends President, the insurance and investment group, as an independent director of the main board. He is a trustee of the Joseph Rowntree Charitable Trust... CHRISTIAN Delagrave is taking over the running of Bull Franches edwards... The international investment bank Paribas has appointed two new senior managers to its London swings from Roman Orf... RENEE Barbeau, president of the National Centre of Savings Banks (Concept) has been appointed president of the European Group of Savings Banks (Gesbc).

BUSINESS schools in central and east European countries are being put in place at the end of the year. But of these 18 pioneer schools, only one is from eastern Europe. At a meeting in Madrid in late April, it was agreed that participating schools should start up money for Equits and pay fee £10,000 to be used for... Eastern schools want MBA standards... The American Management Centre has been running for seven years, writes Joshua J. Diamond... THE distance learning MBA of Leicester University's Management Centre has been running for seven years...

EXECUTIVE EDUCATION

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Europe and is campaigning hard for new members. AACSB president is another reason Europeans want to get together... and examine courses will typically be business education and industry professionals who know about management institutions... HENLEY Management Centre has been granted accreditation by the Association of MBAs (AMBA) for its 18 schools outside the UK... HENLEY Management Centre has been granted accreditation by the Association of MBAs (AMBA) for its 18 schools outside the UK...

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