



VERSACE: CAN THE EMPIRE SURVIVE?

Assassination leaves Donatella in control of the most flamboyant design house

THE EUROPEAN

17-23 JULY 1997

No. 375

France Ffr17.00 Germany Dm4.50 UK 75p

MARTYRED

How a cold-blooded killing inspired a nation to stand up to terrorism



EUROPEAN PRICES																					
Austria.....	S32	Croatia.....	KN14	Denmark.....	Kr17.00	Greece.....	Dr500	Ireland (Rep).....	IRE.75	Malta.....	MIO.90	Poland.....	Z17	Slovenia.....	Sit360	Switzerland.....	F4.00	USA.....	\$3.00		
Belgium.....	Bf60	Cyprus.....	CE1.40	Finland.....	Mk15.00	Hungary.....	HUF240	Italy.....	L3.500	Netherlands.....	Fl 5.00	Portugal (Cont).....	Esc 430	Spain.....	Ptas325	Turkey.....	TL200.000	Canada.....	\$3.50		
Canary Isles.....	Ptas350	Czech Rep.....	Kc78	Gibraltar.....	£1.40	Iceland.....	Kr195	Luxembourg.....	Lf60	Norway.....	Kr20.00	Portugal (Cont).....	Esc 430	Sweden.....	Kr20.00	Yugoslavia.....	YUD13.00				World prices - See Page 3

LETTERS

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

Can Séguin break the cohabitation mould?

Sir, THE late president of the French Republic, François Mitterrand, was forced into two periods of cohabitation with the right. He governed with Jacques Chirac as premier from 1986 to 1988 and with conservative prime minister Edouard Balladur from 1993 to 1995. Mitterrand's Socialist government was decisively beaten by a right-wing alliance of the Gaullist Rassemblement pour la République (RPR) and the Union pour la Démocratie Française (UDF) parties.

President Chirac now shares power in an uneasy tandem with the left. During the recent election he warned voters that a period of enforced cohabitation with the left could weaken France's voice abroad. But French foreign policy has generally run smoothly during such periods. Extremes of domestic policy have also been avoided, though often by inaction. Cohabitation between left and right can work as a system of checks and balances on the extremes and excesses of political choice. Even so, it is an imperfect model. The mould needs to be broken.

Your profile of Philippe Séguin (issue 374), Alain Juppé's replacement as leader of the RPR,

describes him as "a left-wing Gaullist by instinct" but he is clearly a centrist realist. Séguin is France's hope for the future and the politician I believe capable of toning down an unfettered free-market economic approach and hugely expensive leftist job-creation plans.

The new leader of the opposition has indeed inherited a party which is "stunned, divided and confused", but what an excellent opportunity this is for him to make his mark. He should learn from the mistakes of Chirac and Juppé.

Paul Oakley
Pavia, Italy

Sir, I FOUND "Can Séguin save the Gaullists" (issue 374) particularly interesting. There is a parallel between Séguin and the British former governor of Hong Kong, Chris Patten. Time out from the political inner circle can be extremely rewarding and reinforces my belief that a successful political career is all about timing.

Séguin wisely kept his distance from the unpopular policies of Alain Juppé, refusing to take even a junior post in the governing administration. He is now free to reap the

benefits and can fix his eye even more firmly on a presidential run early next century. In addition, he can wait out the French recession in opposition so that when the French people reject (as I have no doubt they will) the absurd Socialist policies now on offer, Lionel Jospin will be the victim.

Chris Patten, too, though unfortunate to lose his seat in the 1992 general election, was conveniently out of the picture winding up the British Empire during the disastrous years of John Major's premiership. Now he is untainted by that debacle and is in a good position to win a by-election and return to Westminster.

Since Tory leader William Hague will probably be defeated in the next election, Patten is perfectly placed to lead the Conservative Party in the early years of the next century and restore Tory government to Britain.

The thought that come 2005 we could have rightist government back in Britain and France under two very capable men would be prodigious timing indeed.

John N Cantazun
Oporto, Portugal

Playing with the Eurofighter

Sir, EUROPE's big boys want to play with their expensive toys. But with a price tag of \$50 billion the Eurofighter is a tad expensive. Let them instead play with a virtual plane and virtual fighter command. Cancel the real Eurofighter project, as your editorial (issue 374) sensibly suggests, and issue the generals and politicians with EF2000, one of the finest modern air-combat flight simulations for the PC.

EF2000 would put our boys safely behind the simulated controls of Nato's Eurofighter 2000. They could happily team up over the network skies in an effort to thwart the Russian air force and keep them from securing a foothold in northern Europe. Our boys could beat back the simulated enemy (the only one they actually have) by flying their newest fighter, equipped with all the latest avionics and weapons systems.

All good, clean fun. Nobody would get hurt. And we would save billions.
I Johansson
Lyon, France

Sir, IN making a case to kill off the Eurofighter (issue 374) you have neglected the tax issue. European governments will pay more for designing and building Eurofighters, but they will recover much of the purchase price in tax receipts. If Europe buys from the United States these funds leave the Union for good.

As Tony Benn said when the British government rescued Rolls-Royce aero engines, if we don't make aircraft we will end up knitting socks. Any plane designed more than ten years ago is, of course, out of date. We should therefore cancel the Eurofighter and design a new one.

Your slash-and-burn policies would ensure that our American friends completely dominate the market.
James W Beaumont
Grünwald, Germany

Sir, THE Eurofighter is megalomania at its worst. The government here in Germany tells us that we have to tighten our belts. But they believe the Eurofighter is indispensable. It is just another toy for them to play with.
Johann H Pick
Cologne, Germany

Sir, SPENDING \$100 million on each Eurofighter aircraft is indefensible when we have 12 million unemployed in Europe. The money should be spent on creating jobs and reducing unemployment.

You have rightly pointed out that by the time the Eurofighter is in the air it will already be strategically and technically obsolete.
Gerd Treuhaft
Chorleywood, England

Sir, EUROFIGHTER was first set up by British Aerospace in the 1980s. Conflict in design and scheduling have dogged the project ever since. It has been a disaster on the ground and will be useless in the air.
Henry Adams
Madrid, Spain

Nato's peacekeeping role

Sir, IT IS irrelevant whether all or some of the countries of central and east Europe join Nato. The alliance has changed its role from a Cold War instrument balancing the West against the Warsaw Pact.

Eastern Europe is no longer the battleground between western democracy and Soviet imperialism. It is no longer a question of "them and us". There is no military threat from the East and Nato's key role has been transformed to peacekeeping.

The issues to be addressed now are whether Nato can help consolidate the Bosnia ceasefire and maintain the momentum to reduce the American military presence in Europe.

Jeremy D Talbot
Rome, Italy

Ethics of genetic testing

Sir, I WAS disturbed to read your report about genetic testing (issue 373). The proposed uses are unethical because they violate the principle of medical confidentiality.

If it became common practice that insurance companies or potential employers had access to such information then our society would be divided between the genetically "pure" and genetically "impure" – or, as Hitler would say, between the super race and the sub-humans.

It would be a tragedy for humanity were a modern version of the Nazi race laws to be reintroduced.

AR Travis
Hamburg, Germany

Sir, THE Medical Information Bureau (MIB) in Westwood, Massachusetts, contains copies of the medical records of 20 million Americans. The databank was purportedly designed to prevent insurance fraud but is now routinely used by insurance companies to set an applicant's premiums or to assist in decisions about coverage. Insurance companies use this medical information to "weed out" applicants they consider to be unwise investments. Although



the establishment of an MIB file or the initiation of a databank search requires "consent" from the applicant, failure to agree to MIB searches is automatic grounds for exclusion from insurance coverage.

Under existing law, the insurance industry may use genetic information to deny insurance coverage, provided the applicant has waived physician-patient confidentiality, as all applicants are required to do.

Like their counterparts in the armed services and the FBI, these databanks of medical records are poorly regulated and do not protect the privacy of the sensitive information they contain.

Erik Nielsen
Oslo, Norway

The issue of human rights

Sir, RECENT correspondents have alleged that Turkey's human rights record is no worse than that of a number of other EU member states and should therefore not be used as a reason for not admitting Turkey to

the Union. They produce no evidence for this and I am inclined to doubt it, while conceding that few countries are blameless in this respect.

I am concerned by the implication that human rights is not an issue to be considered in deciding whether or not to admit a country to the EU. To admit Turkey before improvements are made would be to send a signal to all states, both inside and outside the Union, that oppression, denial of freedom and of legal rights, use of torture etc, are of no concern to the existing members of the Union.

John Keith Snowden
Worcester, England

Lesson in multiplication

Sir, RICHARD Eames does nothing to restore our faith in economic and monetary union ("Bookkeeping for Eurocrats", Letters, issue 371), describing yet more devastating news from "Eurocratia" to horrify us.

He writes: "EU Regulation 235 on bookkeeping ... insists not only that humble accounts clerks like myself

always enter six decimal places in our calculators when doing conversions to and from the euro, but also forbids the use of inverse exchange rates."

The opposite is true. Eurocrats do think of the consumer. It is still advisable to be cautious of banks and especially their currency exchange practices. Using Eames's example, if you divide by 0.1075 to change £100 into French francs – as demanded by EU guidelines for the euro – you will get Ffr930.232558. But if you multiply, as Eames prefers, with £100 you will get Ffr930.23. This is wonderful for the banks.

What at first sight looks like Eurocrat hairsplitting is good news for the people of Europe.

Joachim K Greve
E-mail: 101700.1343@compuserve.com
Osnabrück, Germany

No to tax harmonisation

Sir, AFTER reading your leading article "Competition is the key, not tax harmonisation" (issue 373) I feel better about the future of the European Union. Harmonisation is a charged word. It usually reflects something positive, but in the EU tax context it resembles communism.

Torbjörn Sundblom
E-mail: torbj.s@n60e20.pp.fi
Mariehamn, Åland Islands

Nostalgia for the Trabi

Sir, "TRABANT owners rev up for a fight" (issue 372) reminded me of summer holidays as a youngster behind the Iron Curtain in East Germany and Poland. We would pass from the bright, colourful West and through to a grey, quiet, bland, scary East. From Marienborn to Frankfurt an der Oder there were only East German Trabis and Wartburgs to be seen on the roads.

I sympathise with their fight for survival and would appreciate some information on Trabi clubs in Europe. I don't want them to disappear.

Eddie Kurpanik
3 Hedley Street, Newbasford
Nottingham NG7 7BP, England

CONTENTS

As the fashion world mourns the loss of Gianni Versace, the harsh business question is raised: can the house that Gianni built carry on without him? Pages 14-16

STEPHANE CARDINALE/SYGMA



COVER STORY PAGES 8-13

Atrocity too far for Spain Outpouring of griefwashes away ETA's credibility

NEWS PAGES 14-21

War criminals finally face reality The West gets tough in Bosnia **18**

The liberal who wants a revolution Alain Madelin steers France between extremes **20**

BUSINESS PAGES 24-29

Porsche saved by invasive surgery The German car maker has shifted up a gear **24**

Can Jospin sell off without selling out? Monetary union and ideology don't mix **25**

Nuclear power meets green ticket Bonn's tax plans create strange partners **26**

FINANCE PAGES 30-42

Is Germany's love affair with the mark over? Brian Reading on the currency **30**

Soros, the unwelcome philanthropist The tycoon finds money can't buy him love **37**

Rising interest rates put gloss on gilts Fund managers avoid the FTSE index **38**

SPORT PAGES 48-53

Formula One scents the end of tobacco sponsorship How the sport is coping **48**

The Continental
Culture and lifestyle of Europe
PAGES 56-63



59

Fallen angels?
Uffizi challenged over a Leonardo restoration

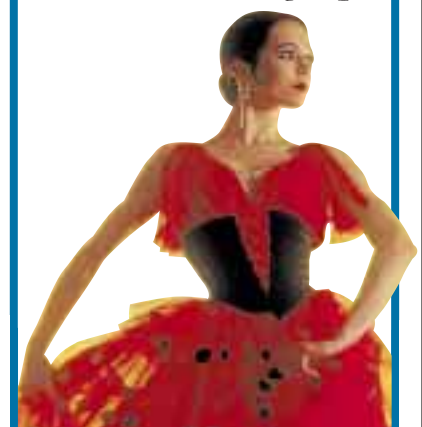


61

Dial H for hi-tech
The latest gadgets keep you switched on

56

Babes of the Kirov
Catwalk ballerinas restyle the Russian dance group



REGULARS

Editorial comment	5
Seven Days	6-7
Business Directory	43-47
Appointments	46
Property	55
What's on where	62-63

EDITORIAL OFFICES: 200 Gray's Inn Road, London WC1X 8NE. Tel: +44 (0)171-418 7777 Fax: +44 (0)171-713 1840 Home page: <http://www.the-european.com> Editor's e-mail: editor@the-european.com

EUROPEAN WORLD PRICES

Australia	SA 3.95	Dubai	Dh16	Jordan	JD 2.75	Lebanon	LL 6,000	Qatar	Rials 16.00	Thailand	Baht 75
Abu Dhabi	Dh 16	Egypt	EP 15	Kenya	Ksh 200	Malaysia	S\$ 7.00	Saudi Arabia	Rials 16.00	Tunisia	Td 3.75
Bahrain	Din 1.650	Hong Kong	HK \$25	Kuwait	Kd 1.25	Morocco	Dirh 35	Singapore	S\$ 7.00	UAE	Dirh 16.00
Canada	\$ 3.50	Japan	Y 700	Israel	NS10.00	Oman	Rials 17.00	South Africa	Rand 12.95	USA/E	US\$1.95

Denmark - importer and distributor: International Press Distribution Denmark ApS, PO Box 9006, 1022 Copenhagen K, Denmark Basic annual subscription rate £52 - £150. The European is a registered trademark of The European Limited 'The European' (USPS 008-803) is published weekly for \$135.00 per year by The European Ltd., 200 Gray's Inn Rd., London WC1X 8NE, England and distributed by Speedimpex USA, Inc. Periodicals postage paid at Long Island City, N.Y. and additional offices. Postmaster: Send address changes to: The European, c/o Speedimpex USA Inc., 35-02 48th Ave. L.I.C., N.Y. 11101-2421

Printed by Mirror Colour Print Ltd, St Albans Road, Watford WD2 5RD. Printed by Mirror Colour Print Ltd, Hollinwood Avenue, Oldham OL9 8EP. ©The European Limited 1997 All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Copyright owner. The European is registered as a newspaper at the Post Office and is a registered trademark of The European Limited ISSN - 0959 9061A

Pfizer forum

E U R O P E

Competition Lowers the Costs of Medicines for Consumers

BY W. DUNCAN REEKIE

In many European markets, new pharmaceutical products are subject to direct price controls. A recent study of six countries with varying degrees of price freedom for new medicines found that price freedom permits competition, which tends to lower pharmaceutical prices. The author asks why the full effect of this competition should not be encouraged.

The pharmaceutical sector is a key component in the economic and social welfare of all countries. Yet today, various constraints and pressures facing the industry worldwide are making the environment in which it operates markedly tougher. These range from regulatory inflexibility, unpredictability and outmoded controls, to a weakening of intellectual property rights. Such pressures are often combined with diverse and inconsistent government policies on drug price and reimbursement levels set by various national authorities. Because governments are under pressure to contain overall health care costs, they have often targeted pharmaceuticals.

As a result, price regulation is not uncommon, even given the fact that drugs account for only a relatively small and often declining proportion of health care spending. In addition, some governments, particularly the U.S. government, have also focussed on the regulation of research and development activities, often imposing highly complex, time-consuming licensing procedures on innovation. Still others heavily regulate the industry's distribution mechanism, stifling institutional evolution.

Are these policies worth their cost? A recent empirical pricing study of six countries - Denmark, Germany, the Netherlands, South Africa, the United Kingdom, and the United

States - examined whether there are any economic advantages in allowing entry to markets at the manufacturer's risk and at prices of their choosing. The evidence shows that considerable economic advantage for customers results from allowing free access to pharmaceutical markets, and that these

pricing variety or product-by-product controls as exist in some European countries) carries with it the implication that prices are not competitively determined. Historically, after World War II, price regulation in Europe was not confined to pharmaceuticals; controls were pervasive. Gradually, in the West, they

The pricing patterns revealed in the six countries studied suggest that competitive forces are far from repressed in pharmaceutical pricing. But the question must then be posed: why not permit the price depressing influence of competition its full effect? Why distort or suppress competition by regulation at the level of the manufacturer or the retailer? Why not encourage it by enhancing information flows to prescribers and patients?

The alternative to regulation is competition to enable consumers to discuss information and product attributes and, in particular, price. Prices assist consumer choice, and choice exercised provides the ultimate benefit of therapy. Artificial suppression of price by regulators distorts choice. Attempts to discourage innovation by regulation reduces choice. And, by extension, distorted and reduced choice distorts and reduces - in the patients' and prescribers' eyes - the values to them of the ultimate benefit of therapy and cure.

W. Duncan Reekie is E.P. Bradlow Professor of Business Economics at the University of the Witwatersrand in Johannesburg. His full study, *Medicine Prices and Innovations: An International Survey*, can be obtained from The Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB.

Six Country* Summary of Innovative Pricing Levels

Year	Sub-markets with innovations	% of sub-markets where innovations were launched at a discount	% of sub-markets where discount exceeded 25%
1989	212	73	54
1990	211	69	49
1991	226	65	51
1992	202	70	54
1993	222	63	48
1994	221	63	51
1995 [†]	127	75	61

*USA, UK, Germany, South Africa, Holland and Denmark

[†]First nine months only

advantages would be lost if regulators opted to limit access on grounds other than safety or efficacy. Furthermore, institutional evolution in the marketplace is reinforcing the competitive pressures of product innovation as novel distribution channels emerge, not only competing with each other, but imposing further constraints on factory exit prices.

The multi-country study found that, in markets where there is some semblance of pricing freedom, competition tends to keep down the price of medicines. And contrary to the claim made by some regulators, rival products serve a useful purpose in containing market prices. In fact, competition is seldom more evident than it is in the pharmaceutical industry, and innovative rivalry is the *sine qua non* of pharmaceutical markets.

Unfortunately, the very existence of price controls (whether of the reference

were dismantled, until only pharmaceuticals remained under regulation. The increasing intensity, not just the continuation, of price controls on pharmaceuticals in Europe has come about as a reaction by governments to the ever-increasing costs of paying wholly or partially for health care in a welfare state. This was exacerbated by the fact that, once in place, price controls are difficult to remove.

The outcome is to distort the incentives for the supplying industry (and so discourage the innovative activity wanted by consumers). Given international trade, autonomous governments and exchange rate fluctuations, another result of price control is to introduce wasteful anomalies. This is not to argue that there should be no pressure for cost containment in pharmaceutical expenditures. The issue is how that pressure should be applied.

PFIZER FORUM EUROPE IS AN ADVERTISING SERIES SPONSORED IN THE INTEREST OF ENCOURAGING PUBLIC DISCUSSION ON POLICY QUESTIONS AND FEATURING A WIDE VARIETY OF VIEWS FROM LEADING POLICY EXPERTS.

PFIZER IS A RESEARCH BASED, GLOBAL HEALTH CARE COMPANY. ITS PRODUCTS ARE AVAILABLE WORLD-WIDE. THE COMPANY HAS FOUR BUSINESS SEGMENTS: PHARMACEUTICALS, HOSPITAL PRODUCTS, ANIMAL HEALTH AND CONSUMER PRODUCTS. PFIZER'S MISSION IS TO DISCOVER AND DEVELOP INNOVATIVE, VALUE-ADDED PRODUCTS THAT IMPROVE THE QUALITY OF LIFE OF PEOPLE AROUND THE WORLD AND HELP THEM ENJOY LONGER, HEALTHIER, AND MORE PRODUCTIVE LIVES.



PFIZER EUROPE, HOGE WEI 10, 1930 ZAVENTEM, BELGIUM.

THE EUROPEAN

17-23 JULY 1997 No 375

Ballots not bullets in Spain

TERRORISTS do not blush. The ETA killers who callously murdered a young Basque politician this week will not be shamed by the unprecedented outpouring of public revulsion, just as they have not been shamed by the 772 previous deaths in their bloodstained 29-year campaign for political independence. Indeed, with the tortured rationalisations that such groups adopt, they have already shifted the "blame" for their killing to José María Aznar, Spain's prime minister.

Yet ETA has made a mistake. With the public less sympathetic than ever to its methods and aims, it is time for the Spanish authorities to hit back, and hard. The climate in Spain, unlike in Northern Ireland, is now hostile to terrorists.

ETA began as a popular anti-Franco movement and until last weekend could still rely on residual revolutionary romanticism to ensure tacit support. But there was little that was romantic about the shocking images of Miguel Angel Blanco, his head covered in a shroud to conceal the gaping hole in his skull; the faces of his fiancée and sister, as they wept at his funeral.

It will be small consolation to Blanco's grieving relatives, but his death has handed the security forces at least a temporary advantage. The telephone hot lines will have yielded a lot of fresh information this week, from those who might previously have been willing to turn a blind eye to ETA's crimes. The police must exploit the disenchantment of former ETA sympathisers to encourage the *arrepentidos* to expose their one-time friends.

The killing offers Spain's politicians, of all parties, the opportunity to step up their political campaign against ETA, at home and abroad. Mr Aznar must now insist that Europe's governments give him unequivocal backing for co-operation on cross-border intelligence, pursuit and extradition. In this way, the anger towards ETA and its political apologists, Herri Batasuna, can make a real difference.

But the biggest political opportunity of all now lies in the hands of José Antonio Ardanza, the regional premier and leader of the Basque National Party (PNV), which backs constitutional change to full regional autonomy. He must challenge the people to take their wrath from the streets into the voting booth by calling early elections. Herri Batasuna (ETA's Sinn Fein) accounts for 16 per cent of the vote in the Basque region. It is doubtful that it could hold on to this. Any claim that ETA or its political wing may make to legitimacy can be well and truly shredded.

ETA, like the IRA, has coupled the bullet with the ballot box. All too rarely has a readiness to murder been reflected in a loss of democratic support. This time it must be. An election must take place immediately while public feeling is still outraged. The sad reality in democracies is that passions, however strongly held, can fade as fast as they bloom. The history of Northern

Ireland is littered with periods of apparently unstoppable cross-community campaigns that have gradually lost momentum. The gunmen return to their trade when it suits them. Spain is unlikely to be any different. In six months or a year, even memories of Blanco's bloodied body will have passed. Boycotts of bars and shops belonging to Herri Batasuna will gradually end.

A crushing election victory will do more than demonstrate popular repudiation of ETA and its fellow travellers. It will fortify the legitimate PNV. In the past, Mr Ardanza's criticism of ETA terrorists has been equivocal. Indeed, he came close to calling for nationalist prisoners to be returned to jails in the Basque Country – the very issue over which Blanco was murdered.

Spain must not waver from an insistence that political grievances are expressed democratically. Most of the Basque people's demands to protect culture and identity, and to give the region tax-raising powers, have now been met. If they are to achieve further gains, it must be with ballots not bullets.

ETA will survive even if the alliance between the government and moderate nationalists holds and popular anger is sustained. The murder was not an act of desperation. It was a cold-blooded demonstration of their intent to force the Madrid government into negotiations. ETA has already threatened to murder another city council member.

The real test of public determination to reject the gunmen will come when the next politician is kidnapped and killed, and then the next, and calls for talks become hard to resist. Mr Aznar has not negotiated with these evil men and women and must not allow himself to be pressured into doing so. Nor must the police and other agencies be permitted to operate once again outside the legal system, handing ETA a huge propaganda victory, as Mr Aznar's predecessor did.

For the other governments of Europe, the lessons are clear. Democracies cannot defeat terrorism if they are divided. Some of the most effective action against ETA has been the result of cross-border co-operation between France and Spain.

Other countries have been less supportive. European Union states have helped with tip-offs and police co-operation. But hundreds of terrorists have found sanctuary in South America. Belgium refused to extradite two alleged ETA members to Spain.

Europe's terrorists, from Spain to Northern Ireland, Corsica and beyond, work together across national frontiers to bomb and kill for their ends. It is time Europe's governments showed an equal resolve to co-operate to preserve the values that the overwhelming majority of our continent's citizens share.

Cover Story: Page 8

**An election
must take place
immediately
while public feeling
is still outraged**

SEVEN DAYS

That was the week...

Bottom line for the euro

Robert Kalina, who created a furore with his designs for the new euro banknotes, is back in favour. Most of his original sketches of bridges and archways received a lukewarm response because the scenes could be identified as real places rather than symbolic representations of architectural types. At first, the European Monetary Institute (EMI) accepted the work of the chief banknote designer of Austria's central bank, but in December last year experts spotted the departure from the original commission. EMI chiefs have now given the go-ahead to Kalina's revised designs.

The price on free trade

The widely trumpeted North American Free Trade Agreement (Nafta) has failed to live up to its promise. The Clinton administration, reporting on Nafta's first three years, said that it had only "a modest positive effect". In 1993 free traders said that the deal would create hundreds of thousands of jobs and higher wages.

Pearls of wisdom

The jeweller who bought Diana, Princess of Wales's favourite dress, plans to tear off its imitation pearls to sell them on as separate items. Roxanne Duke bought the beaded silk frock at a Christie's auction in New York for \$34,500. But after doing a few simple sums, she realised she could turn the pearls into designer earrings - by appointment - and put them up for sale at \$1,000 a pair. It's one way of turning a modest investment into \$10m.

Strange communion

Worshippers in Britain's Methodist churches - men are the prime suspects - have been accused of using the sign of peace as a cover for sexual advances. In some cases, it is claimed, behaviour during the kiss-and-embrace ritual added up to sexual harassment.

Stallion fatigue

Cigar, the US champion racehorse, is getting away from it all on a Kentucky farm after his stud duties became too much for him. In his first season as progenitor he failed to get a single mare in foal. Vets have put his infertility down to stress, and have prescribed a long holiday.



The devil's music: two dancers dressed as demons join the Love Parade in Berlin last weekend. With an estimated one million ravers taking part, the event laid claim to the title of the world's biggest techno festival

Waigel's budget fuels Eurofighter

THE sky is now officially the limit for the Eurofighter. The project was cleared for take-off by the German cabinet, as expected, despite widespread criticism that the aircraft is an expensive, outdated and outclassed non-starter.

The news was welcomed in Britain, Italy and Spain, which had been waiting for the Germans' decision before moving ahead. Theo Waigel, the German finance minister, announced that next year's budget provides Dm850m (\$485m) for the Eurofighter, rising to about Dm1bn (\$570m) in 2001. The plans are expected to be approved by parliament in October,

committing the country to buying 180 aircraft.

Critics claim that the warplane, which lacks high-tech capabilities such as stealth and thrust vectoring, is strategically and technically obsolete.

British Aerospace, partners with Daimler-Benz Aerospace, Casa of Spain and Italy's Alenia in the \$60bn project, said it was "delighted" by the decision. The project could create 60,000 jobs in Europe at peak output.

The first aircraft will not be ready until the start of next century - hence the change in the hapless project's name from "Eurofighter 2000" to simply "Eurofighter".

CATHY SAVAGE

PROTOCOL ■ The Austrian foreign minister is only a novice at the put-down

Diplomats polish insults for posterity

RONALD PAYNE

IT'S good to know that Wolfgang Schüssel, the Austrian foreign minister, survived a censure motion by his opposition for making a few spirited remarks about foreign notables. Politicians should be encouraged to speak their minds so that their verbal assaults are more reader friendly.

Diplomacy can be a boring business. Insults have been formalised into absurdity. For instance, if Herr Schüssel is called upon to tick off a foreign ambassador, he will be required to make these moves: unsmiling, he will remain seated as the victim enters; he will refrain from small talk; then he will get straight down to cold disapproval. Not much fun there.

No wonder the foreign minister should try to move into more lively intercourse. The real surprise is that an Austrian should set himself up as a one-liner act, a form of politics for which Austrians are not famous.

Dear Wolfgang has quite some way to

insult *vb.* (In'SALt), 1. (*tr.*) to treat, mention, or speak to rudely; offend; affront. 2. (*tr.*) Obsolete. to assault; attack. ~n. (In'SALt). 3. an offensive or contemptuous remark or action: affront; slight.

go if he ever hopes to carve out a niche for himself in the dictionaries of witty badinage. So far his only recorded efforts, while promising for a beginner, do not quite come up to the mark.

You can just about see what he was getting at in describing Madeleine Albright as "an old Bette Davis", but that's just the kind of thing that might be heard in any beer garden. It will not do for the European big league.

He must have been egged on by the laughter of sycophants to call Hans Tietmeyer, the Bundesbank president, "a real pig" and poor Edith Cresson, whose very name cries out for more imaginative treatment "an old bag".

The former French prime minister herself went on the offensive several times during her short period in office. She referred to the Japanese as ants, and as

good as said that half the British population were homosexuals unwilling to look her in the eye.

It has to be admitted that things were not easy for her, or for the foreign minister trying to do one-liners without professional back up. Many of the best bits of political insult demand the services of a straight man. Take, for example, the exchange prompted when the straight man remarked to the former Labour foreign minister, Ernie Bevin, that one of their colleagues was his own worst enemy. "Not while I'm still alive, he isn't," snapped Ernie.

General de Gaulle also set a fine example. When flying to Britain in 1940, the RAF steward looking after him inquired, "Did you enjoy the coffee, sir?" "Oui," came back the gloomy general with superb timing, "but I thought it was tea."

He and Winston Churchill, both old troopers in the forked tongue trade, played off each other. "Of all the crosses I had to bear," said old Winston, "the Cross of Lorraine was the heaviest."

Churchill described a political opponent as a sheep in sheep's clothing. He summed up Field Marshal Montgomery in the admirable sentence: "In defeat unbeatable: in victory unbearable."

Having a go at the Crown, Mr Bentley, who invented the clerihew that made his name famous, wrote: "George the Third ought never to have occurred. One can only wonder at so grotesque a blunder." That is the kind of stuff that secures a first-class seat in the anthologies.

If Wolfgang aspires to immortality through insult, he really must put in more effort. He might benefit from a read through the quotes of Otto von Bismarck. He once described a British opponent as "a piece of wood painted to look like iron".

With a little practice, the Austrian contender might yet top the bill.

PRESS WATCH

GERMANY

Süddeutsche Zeitung

EUROPE's old masters of diplomacy, looking down from Elysian fields, would not be amused. Along comes this great-power latecomer, America, to show the successors of Richelieu, Talleyrand and Bismarck how to make foreign policy in their own domain. While Paris is tilting at windmills, Clinton has already bound the Romanians to the US. Talleyrand and Bismarck can only watch and groan.

SPAIN

El Mundo

THE BLOOD of Miguel Angel Blanco will not have been spilled in vain if the political groups now unite to fight against violence and against those who use it - as millions of Basques and Spanish are demanding in mass street demonstrations throughout the country. The voice of the people is being heard loud and clear. But if it is not acted upon, that voice could itself turn to violence.

FRANCE

Le Figaro

IT almost seemed as if from the beginning Jacques Chirac was determined to cast the socialist prime minister, Lionel Jospin, in European liberal mould, and to impose upon him the constraints which hemmed in the Juppé government right to the end. Without appearing to, he has been tightening the noose around his prime minister. It is an impossible situation. For the moment, this remains virtual politics.

ITALY

La Stampa

BY FAR the most urgent problem confronting Europe is the choice between large regional autonomies and violent separatism. Vasquez Montalban, the famous writer, recently compared the nationalistic soul of ETA to the ethnocentric one of the Italian Lega. Is Venice like Bilbao then? If such things are said by an authoritative Spanish citizen, we must take it as a serious warning.

UNITED STATES

Wall Street Journal

THE more one considers the potential costs of enlarging the EU and the muddled way in which the enlargement process is being undertaken, the harder it is to muster enthusiasm for the enterprise. It wouldn't surprise us if some candidates were to say "thanks, but no thanks" to the invitation to join. Following the peaceful revolutions of 1989, the EU actually raised trade barriers against east European countries.

From Montesquieu to Madelin,
French liberalism makes a comeback

Page 20



SEX ■ German women lash out at lacklustre performances in the bedroom

Lie back and think of Deutschland

SASKIA SISSONS

THE German male is master of erotic minimalism," writes Petra Reski in the magazine *Spiegel Special*, describing the bedtime routine which, she claims, sends women to straight to sleep. "First he takes off his glasses and watch, then puts his change on the bedside cabinet. He hangs his suit up to air on the balcony and inserts the shoe trees. He recharges his mobile phone, sets the alarm clock for seven, turns the light off and gets to work."

He is, in short, more Clark Kent than Nietzsche's Superman.

The conclusion drawn from the magazine's sortie into the sex war is that men are boring in bed. This is the brutal verdict of magazine folk intent on shattering the illusions of the Teutonic male.

If job insecurity and economic decline have dented his confidence in the work-

place, this document should place a landmine or two under any remaining confidence in his role at home. German men are presented as being egocentric, old-fashioned, demanding and sexually inadequate.

Five foreign women married to Germans allowed themselves to indulge in a mass character assassination. In another article, entitled "Turnip in the sack", a journalist derided his lovemaking technique. The magazine also revealed unsavoury personal hygiene such as wearing the same pair of socks two days running. Further dark secrets unearthed included the copious use of aftershave to disguise body odour.

Is *Spiegel Special's* attack justified? According to one of Berlin's most respected sex therapists, it's spot on. "German women have suffered in silence for too long," said Konrad W Sprai, a psychologist. "It's high time they spoke out."

In his book *Liebe, Lust, Frust* (Love, Lust

and Frustration), Sprai describes the German bedroom as a "darkened parade ground of the male drive for domination". According to the accounts of more than 700 women collected by Sprai, reality doesn't get much of a look in: 76 per cent said they got no fulfilment during sexual intercourse. Of the 500 men interviewed, however, 68 per cent thought they were "very good" lovers.

"Working may be the national hobby, but in bed, men are lazy," he said. "They are obsessed with surfing the Internet, and seem to prefer their computer games to their wives. But women are getting their revenge. My latest research shows that increasing numbers are having affairs."

While women in the neighbouring Nordic nations and the Netherlands have made huge strides towards political, social and economic equality, green causes have always exercised German women more than sexual politics. No longer. "Most women are economically

and sexually independent and this is threatening for men – they feel castrated," said Sprai. "A few years ago it tended to be men who filed divorce suits; now 70 per cent are coming from women."

A selection of comments from *Spiegel Special* makes depressing reading. "He is self-conscious and self-important," said Liisa Vihmna, a 29-year-old Finnish vet married to a German. "He tends to be egocentric and imperious, never grateful."

"Unbelievably selfish," opined teacher Fatimae Samadzadea, 41. "He always comes first: his career, his time, his money, his socks, everything."

It was hard to find anyone who disagreed. "I know these men," groaned Andrea Ketterer of *Cosmopolitan*. "They concentrate all their energies on the workplace so their wives and families come second. I don't think they are getting more boring, it's just that women are more self-confident and demanding, so they're beginning to complain."

BORIS HORVAT



Wailing walls of Avignon

FOR the composer Vladimir Martinov and the director Anatoly Vassilev, the Celestine Chapel in Avignon is a perfect stage for the Lamentations of Jeremiah. Performed by Sirine, the Russian early sacred music ensemble, as part of the 51st Avignon Theatre Festival, the work is set against a backdrop of white panels and is composed of 22 verses in each chapter, echoing the 22 letters of the Hebrew alphabet. Vassilev, the founder of a school of music and drama in Moscow, is a regular at the festival. His energetic version of Pirandello's *Six Characters in Search of an Author* at Avignon in 1988 won high praise.

ROXANNA MOHSENI

...what's to come

French figure skating

Dominique Strauss-Kahn, the French finance minister, has done his best to prepare public opinion for the shock. But on 21 July he must finally reveal the truth. The state of the French economy will be revealed when the Jospin government's audit of the nation's finances is published.

Virtually the best pilot

The contest to find the champion fighter pilot of the world gets off the ground at the Royal International Tattoo in Fairford, England. Well, perhaps not exactly off the ground – it will be decided on three days of virtual reality flying.

It's carnival time again

You know summer holidays are really here when the festivals and carnivals start popping up all over the place. Rotterdam's music and dance carnival takes to the streets on 16 July. Salzburg gets in the party mood with its own festival on 19 July.

Hair today

As far as France is concerned, its monarchy is confined to the pages of history. The Duchess of Anjou lives on, however. The title goes to the beauty queen chosen at the annual hairstyle festival in the town of La Minitre next week. All the hairstyles on display incorporate traditional Angevin lace.

Naked ambition

David Avery, a former mayor of London's City of Westminster, and Alan Whitehead, a member of the 1970s rock band Marmalade, have teamed up, hoping to make money out of table-dancing clubs. Here male and female dancers shed their clothes to order for clients. It is not a risk-free offer. The share prospectus for their forthcoming company warns: "Investment should only be made by investors able to sustain a total loss."

Camel train

The camels are coming to Europe, it appears. Berlin is to stage Europe's first camel races on 17 August at the city's Hoppegarten racecourse. Up to 40,000 spectators are expected for the five races, sponsored by the United Arab Emirates, which is lending 20 camels.

WINNERS

President Boris Yeltsin, on holiday in Karelia, gave himself the modest pleasure of flogging the Finnish head of state, President Martti Ahtisaari. The gentlemen were relaxing in a sauna while their wives visited Martsialnye Vody, a health resort founded by Peter the Great.

"I used a Russian birch switch to spank the president very well," declared Boris in joky mood. So that's all right.

Mohammed Fayed, the Egyptian magnifico, became host of the week by luring to his St Tropez villa those desirable

house guests the Princess of Wales and her princely sons. Buckingham Palace was less than amused, for the latter-day pharaoh who rules over Harrods does not enjoy universal admiration and has so far failed to get the British citizenship he desires.



Bill Gates, the wizard of software and master of Windows (pictured), learned, if he read *Forbes Magazine*,

that not only was he the richest man in the world but that his net value had soared in the past year by \$18 billion. That makes his fortune the highest ever recorded in the journal's respected listing.

LOSERS

George Soros, the financier-philanthropist from Hungary who invested a billion dollars in projects to encourage democracy and press freedom in places where neither flourishes naturally, suspended operations in Belarus. The new government had fined his foundation \$3m for alleged tax violations and seized his bank account.

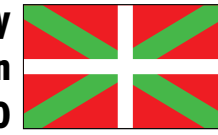
Charles Haughey, the Irish politician (pictured), admitted receiving a present of Ir£1.3m (\$1.9m) from a supermarket proprietor. The supermarketeer, Ben Dunne, said he handed the money over

because he felt sorry for Haughey. When Dunne slipped a douceur of Ir£200,000 into the former Taoiseach's top pocket, saying "something for yourself", Haughey replied: "Thank you, big fella."



Gottfried Wagner, the music historian, was at the centre of a dynastic row that resulted in his being banned from the Bayreuth festival devoted to the works of his great grandfather, Richard. His offence? He wrote a book revealing that his English-born grandmother, Winifred, was a friend of Adolf Hitler, going on to condemn his family's links with the Nazis.

COVER STORY

Basque homeland: the history
of Europe's hidden nation
Page 10Shoot to kill: when governments
overstep the line
Page 12

An atrocity too far for Spain

TURNING POINT FOR BASQUE TERRORISM

The cold-blooded murder of Miguel Blanco could be ETA's last outrage or the catalyst for an escalation of extremism.

By Peter Millar with Giles Tremlett, Madrid,
Hilary Clarke, San Sebastián

IT WAS a face in a million. Literally. A mask of tortured grief in a city racked with emotion and seething with anger. Amid the vast host that thronged the great broad boulevard of Madrid's Castellano, Maria Teresa Mugica's message to a nation in turmoil was an apology: "I do not know why they have done it. I can only beg forgiveness."

Mugica is a Basque nationalist; her sister died preparing a bomb for the separatist terrorist organisation ETA; until now she has voted for Herri Batasuna, ETA's political wing. But she also lived two doors away from 29-year-old Miguel Angel Blanco, the man ETA murdered in cold blood, stunning Spain and the rest

of Europe. Her words struck home: "Nobody should be fooled. They kidnapped this boy so that they could kill him. If they want more victims, they know where I live."

The tears rolling down her face were a mark of the contrition Spain has been praying for. ETA may not be dead. But its credibility has been buried under the opprobrium not just of the entire Spanish nation but of all Europe.

In itself, Blanco's murder was just one more death in a chain of killings that has stretched over 30 years. ETA has killed nine other people this year, and nearly 800 more over the past three decades. But rarely has it made Spaniards suffer like this. It was the cynical manner that produced unparalleled revulsion, proof

positive that for the terrorists human life was worth no more than another round of ammunition to be wasted at will.

From the minute Blanco, a popular young man who played the drums and whose only crime had been to be a Basque country councillor for the ruling Partido Popular, was kidnapped, Spain held its breath. ETA's demand that 500 of its members in jails across Spain be transferred to the Basque Country was clearly unachievable within the 48-hour deadline, even if the government had been tempted to surrender to terrorist blackmail (which it was not).

Blanco's bricklayer father Miguel and his wife Consuelo could only sit and wait in their small flat in the Basque town of Ermua. For two days the nation shared

the pain of the Blanco family as the minutes ticked by. The anguish of that wait became unbearable. Nearly half a million people – a fifth of the Basque population – marched through the heart of Bilbao, the Basque Country's industrial capital, pleading for ETA to spare his life.

Among a people who pride themselves on their devout Catholicism – a white Christian cross is overlaid on the red and green of the pro-independence Basque flag – there was disgust that even an appeal from Pope John Paul went unheeded.

When ETA finally carried out its threat, it left a nation in trauma. An hour after the deadline had passed, Blanco was found dumped near a country lane, still alive but with two bullets lodged in his

brain. Doctors said an operation to remove them would kill him. He died a few hours later.

Grief is a public emotion in Spain. Only hours after their son had died, the Blanco family was brought out, weeping, on to the balcony at Ermua's town hall. It was a heartbreaking, pathetic scene. Thousands of their small town neighbours shouted words of support and encouragement. In an attempted display of defiance, a relative grabbed Consuelo Blanco's fist and shook it in the air. She was scarcely aware of what was happening.

The heir to the crown, Prince Felipe, and the prime minister, José María Aznar, travelled north to Ermua from Madrid for a funeral that was broadcast live on

"Nobody understands the family's pain better than we do. We suffer repression"

all four national television channels. Aznar whispered words of condolence into the father's ear as they embraced in front of the coffin. His fiancée, Mari Mar, the force of her grief etched in harsh lines across a beautiful face, brought the tragedy home to millions, reinforced by the sad, quiet poignancy of the moment when she dropped Blanco's drumsticks into his coffin.

In Barcelona, where Catalan nationalists once posed an equal challenge to the old Franco regime's idea of an ethnically homogenised Spain, a million people took to the streets to register their revulsion. There were even more in Madrid, the largest crowds seen on the streets of the Spanish capital since the failed army coup in 1981. Even King Juan

Carlos, whose last great intervention on television helped defeat that coup, felt moved to tell the nation that Blanco's killing would work against ETA. In a special broadcast to the nation, he sombrely declared: "Miguel Angel's death has not been in vain." It may have been wishful thinking.

Outside the Bebea bar in the old town of the seaside resort of San Sebastián, or Donostia as it would be known if ETA had its way, a long-haired youth looked frantically round at the all but deserted street on Tuesday morning before hanging a banner across it: "Ya no me callo. Gora ETA" (I haven't fallen yet. Long live ETA).

This is the Calle Juan de Bilbao, a **continued on page 10**

COVER STORY

continued from page 9

narrow run-down street where ETA's young militant supporters gather to drink away the night and plot revolution. On Monday night it was the scene of a battle as the backlash against ETA brought thousands of citizens storming down the street to tell the supporters of terror exactly what they thought.

Jorka, 25, is sweeping the shards of shattered glass from the floor. "I was one of the wounded last night," he says, pointing to the blood-soaked gauze perched on the crown of his cropped head.

"There were hundreds of them kicking the door down," said a 31-year-old woman who did not want to give her name, a look of defeat and fear rather than defiance on her face. "We were locked inside, but they smashed down the door. It was the Basque police who hit us with batons."

It is already more than 16 hours after the event but Jorka has waited for a photographer from *Egin*, the Basque newspaper sympathetic to the separatist movement, to take photos of the damage before he cleaned up.

The bar next door is called the Herria, "The Land" in Basque. Here people are talking of lynching. The walls are painted with bright pro-Basque murals, including a copy of Pablo Picasso's *Guernica*, the ancient centre of Basque culture. Its destruction by a Nazi bomber squadron on loan to Franco during the Spanish Civil War first brought the Basque cause to global attention and made it the focus of worldwide sympathy.

For the hardliners of ETA, the outdated image of themselves as underdogs is a myth to be treasured. Unrepentant veterans throw in foreigners' faces the fact that in the Franco years, France turned a blind eye to ETA men seeking sanctuary across the border from the ruthless repression of the dictatorship. Even British intelligence, they insist, was once numbered among ETA's friends rather than enemies.

The hard men adamantly refuse to acknowledge that in the undisputed flourishing democracy that modern Spain has become since Franco's death, their attitudes no longer command sympathy. Yet the legends live on. The black face of the GAL assassination squads (see panel, page 12) which purported to be a grassroots reaction against Basque terror but turned out to be an incompetent undercover operation initiated somewhere in the dingier corridors of power in Madrid, has helped them perpetuate their "victim" status.

Above the bar itself hangs a line of photographs of ETA prisoners. Below, on the counter, is a red-and-green painted collection box. A television broadcasts scenes of the violence in San Sebastián the night before. It moves on to the scene outside, showing police kicking down the Bebea door. The dialogue is drowned out by cries of "Lies!"

The bar is full of young people dressed in an outdated uniform of sweatshirts, scruffy jeans and T-shirts. "They say ETA kills, but who doesn't kill here?" asks the young man, who says he is 23 and training to be an electrician. When asked if he knows of anyone killed by the Spanish government, his friends reply in chorus: "Yes, lots." But none of them can name names.

These unkempt, marginalised youths, many of them still in the early teens, are all potential recruits of ETA. For the past few years the streets of the old town have been the scene of regular Saturday night clashes between Basque police armed with rubber bullets and youths often high on drugs and alcohol. Even in the afternoon there is the smell of marijuana in

the streets. When asked how they feel about Blanco's murder, another youth replies: "The Spanish were just getting what they asked for. The problem is not ETA. The problem is a lot of people want independence."

But far from everyone. At the Madrid-style tapas bar down the road, the bulky, bearded owner has no sympathy for ETA and scant respect for those who cater to its adherents: "They should have shut those bars in the Calle Juan Bilbao a long time ago because they sell alcohol to minors."

He was expecting more trouble this Saturday in response to Herri Batasuna's call for a major protest in San Sebastián to demonstrate that ETA has not lost its support. The government has banned the march but, with tension as high as it is, there are fears that pro-ETA protesters will gather, only to be faced by angry citizens and armed police.

As far as he was concerned, ETA and those who cheered them on had lost touch with reality. But he would not give his name. In this part of the country, it pays to watch your back.

Blanco's murder may, as the vast majority of Spaniards and most moderate Basques desperately hope, have been ETA's last outrage; an atrocity too far. But it may also have been a catalyst for an escalation in extremism.

A hundred pro-ETA youths took to the streets in Pamplona during the annual San Fermin bull-running festival, when the eyes of the world routinely take a glance at the event Ernest Hemingway made internationally famous. They were arrogant and provocative in their defiance.

At a festival in which there is customarily lip service paid to the Basque national identity, particularly in a province which (to the anger of many moderate Basques) lies outside the officially recognised semi-autonomous Basque provinces, mourners in their hundreds had tied their traditional San Fermin red scarves to the railings of the town hall. The hardliners set fire to them.

ETA prisoners in the women's jail at Brieva were caught toasting Blanco's death with wine.

LIKE A LIGHT going on too late at dusk, Spain's politicians and media have finally woken up to the reality that, as with Sinn Féin and the IRA in Northern Ireland, Herri Batasuna and ETA are not two separate organisations with similar aims but two sides of a single coin.

Gorka Martinez, one of the 24 members of Herri Batasuna's collegiate leadership who meet weekly in San Sebastián, Bilbao, Vitoria or Pamplona, the four major towns of the Spanish region the separatists claim, played the victim card when he expressed his feelings towards Blanco's family.

"Nobody understands the family's pain better than we do. For years we have suffered repression and we know all about the painful consequences it brings." Martinez accused the Aznar government of starting a witch hunt against Herri Batasuna and its voters, who make up some 13 per cent of the Basque population.

"The strategy of hunting down and lynching our members and supporters that is being animated by the political parties and newspapers will not solve the problem. Rather they will cause things to get seriously worse," he said.

Aznar, who himself survived an ETA bomb attack two years ago, remains resolute in his refusal to talk to the separatist group. He has called, instead, for Herri Batasuna to be treated as a

continued on page 12

BASQUE REGION



Euskadi: Europe's hidden nation?

EUSKAL HERRIA, the land of the Basques, also called Euskadi, stretches from the rust-coloured flatlands of Navarre, through the Pyrenees into the fertile coastal plain near Bayonne, in southwest France.

That, at least, is what ETA and Herri Batasuna insist. The Basque regional television station, ETB, shows this area on its local weather map.

Historically, Euskal Herria contains seven provinces. Only three - Guipuzcoa, Vizcaya and Alava - make up the autonomous Spanish region of the Basque Country. The fourth Spanish province, Navarre, has its own autonomous government. The three "northern" provinces, Soule,

Labour and Lower Navarre, form part of the French département of the Pyrenées-Atlantiques.

These districts were united by the King of Navarre in the 11th century. The "southern" provinces joined Spain over the next few centuries, though they were able to maintain much of their autonomy.

The provinces kept their own parliaments and many tax rights, and the inhabitants were not obliged to participate in military operations outside the Basque Country.

Under a centuries-old oak tree in the town of Guernica, the symbolic heart of Basque territory, Spanish kings traditionally swore to respect the rights of Vizcaya. The dictator Francisco Franco crushed them and bombed Guernica.

Modern-day Basque nationalism has its roots in the late 19th century with Sabino Arana, who founded the now moderate Basque Nationalist Party in 1895.

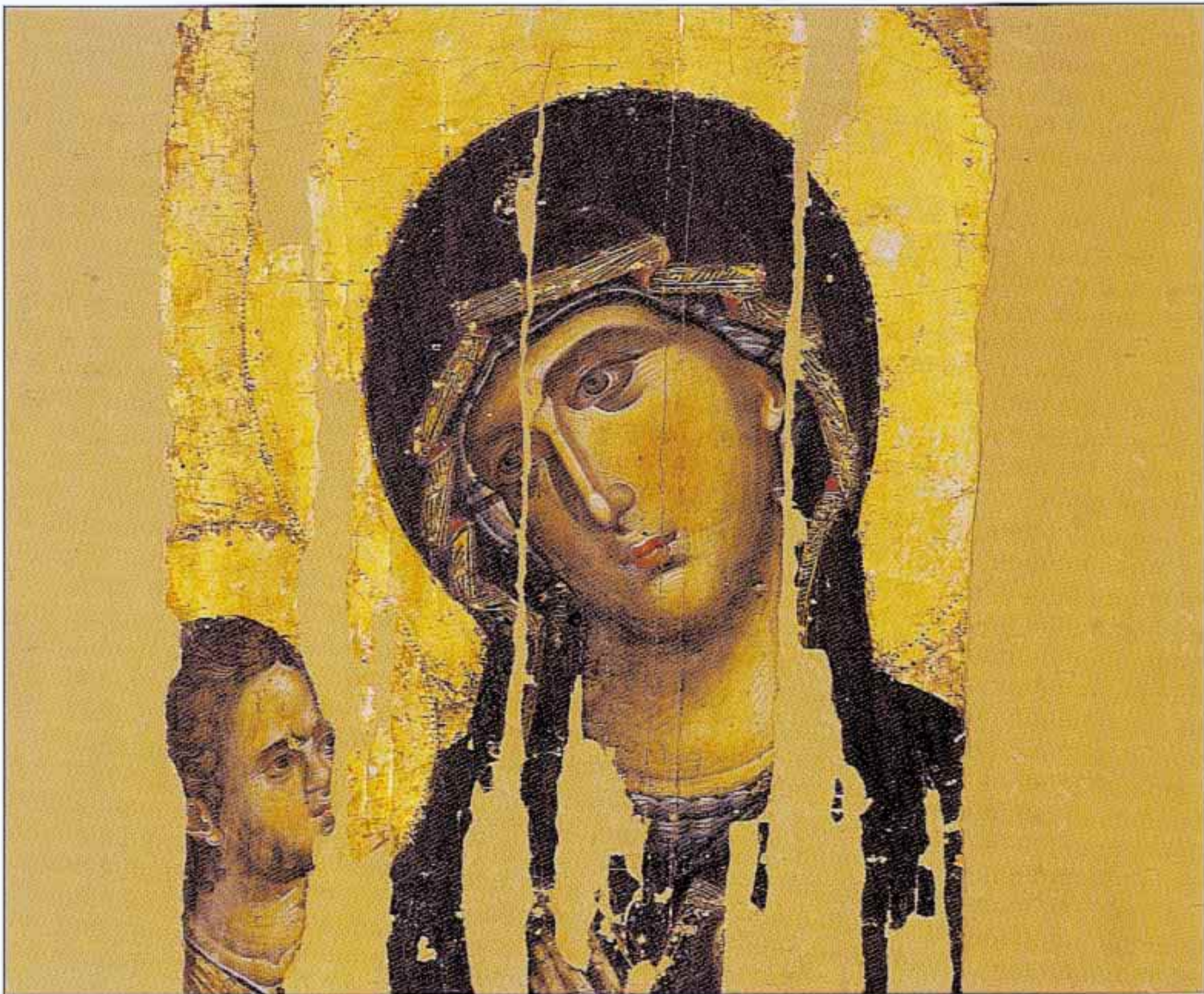
Some elements of Basque culture still unite the seven provinces, though these are increasingly scarce on the French side, known as Iparralde, and in the south of Navarre. The Basque language, Euskera, is spoken by fewer than 20 per cent of Spanish Basques and few of their French counterparts.

Cross-border bartering between farmers in the mountains of Navarre, however, is often still carried out in Euskera, and a new generation of schoolchildren heads a linguistic revival.

GILES TREMLETT



Mask of fear: ETA men brief the press from behind the cover of anonymity



Panagia Olympia, 1250-1270, Monastery of Cleonara

Mount Athos, the worldwide centre of Orthodoxy.



Mount Athos! A unique, blessed piece of Greek land, rightly surnamed "Our Lady's Garden". A historical centre of Orthodox monasticism in which Greek Christian tradition and learning, and the genuine Byzantine worship, have been preserved for over 1,000 years.

Discover its majesty now, in an exhibition of international renown in the Museum of Byzantine Culture in Thessaloniki, opening on 21st June 1997 under the title: TREASURES OF MOUNT ATHOS.

Admire 1,500 objects of art and articles used in the monks'

everyday life from the 10th century to the present, selected by experts.

Acquaint yourself with every aspect of life in the Athos Monastic Community by concentrating on the particular entities devoted to the Natural Environment, the Architecture, Everyday life and Worship, and Art.

Let the spirit of Mount Athos permeate your soul - to illuminate its most secret and innermost depths.



EXHIBITION

TREASURES OF MOUNT ATHOS

COPYRIGHT



The Holy
Community of
Mount Athos

21 JUNE - 31 DECEMBER 1997
• MINISTRY OF CULTURE • THE MUSEUM OF BYZANTINE CULTURE • THESSALONIKI - GREECE



Thessaloniki
MUSEUM OF BYZANTINE CULTURE
1997

COVER STORY

continued from page 10

political pariah. But he has accepted there will be more violence: "I cannot stand before you and tell you that there will be no more pain," he said. "But I can say that ETA and Herri Batasuna have closed the wall that isolates them from society."

All Spanish political parties have agreed to shun Herri Batasuna. A meeting of the Ajuria Enea group, which includes all Basque parties except Herri Batasuna, declared it "a political accomplice to the killing of Miguel Angel Blanco".

The Basque regional parliament's cross-party human rights committee, which had taken up the cause of the ETA prisoners, will be dissolved. Only a week before Blanco was kidnapped, the committee had agreed to take the issue to the European Union in Brussels.

"Nobody is going to lift a finger for ETA's prisoners now," explained one peace activist.

Before Blanco's killing ETA had won sympathy among ordinary Basques for the plight of its prisoners. They had originally been held together in a handful of high-security prisons. But they were dispersed by González's Socialist government in 1990 in an attempt to break ETA's hold on members who wanted to leave the group. Moderate Basque parties have questioned the legality of the moves, which force families to travel as far south as the Canary Islands to visit the prisoners. The prisons policy had driven some families, unable to pay for the trips themselves, firmly

into the embrace of pro-ETA groups such as Gestoras Pro-Amnistia that help prisoners' families.

ETA itself is led by a mysterious figure known as "Inaki of Renteria" who has overseen the rebuilding of the group since French police captured virtually the entire ETA leadership in a raid on a farmhouse near Bidart, southwest France, in 1992. There is now a growing realisation that ETA, like the IRA, has seen the power of mixing guns and politics and that many of the terrorist organisations' leaders are actually "men in suits" who put on a mask of respectability for the electorate.

Some of the faces that appear on the posters of Herri Batasuna's collective leadership are well known to Spaniards. The veteran Jon Idigoras, a trade unionist who was once hailed as the party's Gerry Adams (the IRA/Sinn Féin leader), is the best known. The youngest of them all, Floren Aoz, has become the group's most frequent spokesman. Karmelo Landa, a former MEP, is another spokesman. All are aggressive believers in the separatist cause. But it is the other, lesser-known faces who reportedly hold most power and have the closest contact with ETA.

Aznar's strongest hope is that Herri Batasuna's supporters abandon it at the next Basque regional election. But that is not due before next year. The revulsion over the Blanco murder may not last.

Over the decades since Franco died, many of the separatists' demands, including limited regional autonomy, a Basque language television station and teaching in schools, have been granted. But 150,000 people still support Herri Batasuna at the polls, fuelling the belief in eventual independence.

The terrorist organisation bases its claim to legitimacy on that level of support. But it only takes a few hundred committed people to keep ETA going. Those people, often raised in the Basque-speaking villages and farms that dot the mountainous countryside, will always be there.

Txema Montero, another former MEP for Herri Batasuna, who has now abandoned the party, warned that ETA, far from feeling weaker, was intent on an escalation in the violence. He predicted things would get worse, and quickly. "This is just the first instalment of what ETA plans to deliver," he warned. "I am convinced it will immediately carry out a second kidnapping and murder." Montero, well versed in the logic of ETA, explained the

"It doesn't matter that he was only 29, for us he was just a symbol"

reasoning: "They want us to turn around to the government and say: 'Look, bring the prisoners here right now, because this infernal activity will never stop.'" Peace activists who had been trying to mediate between the two sides agreed

with Montero's analysis. "They have thought all this through and have a coherent strategy. They just close their eyes, grit their teeth and carry on."

Already ETA's reaction has not been contrition but threats: the naming of another local councillor as their next target. Aznar's government will also grit its teeth. The prime minister is determined to take everything ETA can throw at him. It is a courageous stance, but its success depends on how much bloodshed ETA's supporters can stand.

The village of Hernani, not far from San Sebastián, is a stronghold of Herri Batasuna, which has the majority on the council. The headquarters of the separatists' *Egin* newspaper is here in the middle of a dreary industrial estate. The building looks more like an army bunker and is encased in dark green iron security gates and fencing. A notice at reception warns against the taking of photographs.

"Miguel Angel belonged to a party that did not want to negotiate," said Pepe Rei, *Egin's* editor-in-chief. "It doesn't matter he was only 29; for ETA he was a symbol of the party he represented."

His murder has become a symbol of what ETA represents.

SHOOT TO KILL ■ Terrorism can tempt governments to reply in kind, but dare law and order stoop to criminality?

An eye for an eye?

SAM KING

IN 1983 army captain Martin Barrios was kidnapped and killed by ETA. In the wave of public outrage that followed the murder it seemed that a new force had entered the arena. The terrorists were to be given a taste of their own medicine.

The Anti-terrorist Liberation Group death squads (Spanish acronym: GAL) emerged from nowhere to turn the tables on ETA. Suddenly the terrorists were terrorised; hunted and on the run. Bodies were dumped, phone calls to newspapers labelled them as "executed" terrorists. ETA could run but it could no longer hide.

Even across the border in the Basque départements of France, where ETA "guerrillas" had traditionally found sanctuary from the Spanish police, they were being tracked down, confessions extorted – sometimes through torture – and summarily put to death. No one thought it was nice, but there were many who felt that at last the terrorists were being spoken to in the only language they understood.

But instead of ending the war of terror, the GAL saga ended up by provoking the biggest scandal in the political history of post-Franco Spain

By 1987 GAL had claimed 28 lives through a campaign of bombing, torture and assassination. Inconveniently, however, press investigations found that in six cases no links could be found between the victims and ETA. Even more inconveniently, leaks from conscience-

troubled officials in Madrid began to suggest that GAL, far from being a group of mob-handed amateurs, was in fact an operation organised and directed by the Spanish secret service, CESID.

All of a sudden it became apparent that the "shoot-to-kill" policy operated against IRA terrorists in Northern Ireland by British security forces – of which London always denied any knowledge – had found secret admirers in Madrid, not just on the ground but in the corridors of power.



Anti-ETA death squads were as incompetent as they were brutal

Even more embarrassing than GAL's brutality was its incompetence. GAL gunmen were frequently captured by the French police and exposed as mercenaries or underworld figures under contract to CESID and more than willing to cough up under interrogation.

As speculation of state involvement grew, the affair allowed ETA to accuse the then Socialist government, led by Felipe González, of practising terrorism itself. A new generation of ETA fighters has since been nurtured on tales of atrocities carried out effectively by the state.

GAL ceased operations in 1987 when France agreed to extradite ETA suspects back to Spain. But the matter did not stop there. Investigations into GAL's "dirty war", both by the judiciary and the Spanish press, continue to cause political mayhem. Witnesses came forward insisting that GAL's chain of command reached all the way to González. New impetus to the inquiry was given in March 1995 by the discovery of the mutilated corpses of two ETA members, José Antonio Zabala and

José Ignacio Lasa. They had disappeared 11 years previously.

González has always denied knowing of the GAL operation, but the scandal which involved a series of ministers and senior officials being hauled before investigating judges to answer charges fatally undermined the electorate's trust.

González's 13-year government was defeated in a March 1996 general election, making way for the conservative Popular Party led by José María Aznar. But like other leaders whose desire for freedom of information is markedly more apparent in opposition than in power, Aznar initially tried to uphold his predecessor's ruling that CESID documents relating to GAL should not be released to investigating judges for reasons of state security. The excuse became ridiculous following the publication of 20 pages of documents in two of Spain's leading daily newspapers, *El Mundo* and *El País*.

Former CESID chief Colonel Juan Alberto Perote was sentenced to seven years behind bars this month for leaking those documents. Throughout his behind-closed-doors trial he repeatedly claimed González had masterminded GAL.

González's former interior minister, José Barrionuevo, now faces charges from misuse of government funds to incitement to kidnap. And Barrionuevo's second in command has also been indicted.

So far, González himself, the grand old man of Europe's centre-left, has escaped personal investigation. The supreme court, which ordered the government to declassify a number of secret documents, says there is insufficient evidence against him so far. So far, so good. But not quite good enough.

Grief: Blanco's fiancée Mari Mar (right) and sister united alongside his coffin

TERROR SPOTS

States wrestle the enemy within

United Kingdom

The Irish Republican Army (IRA) resumed its violent campaign against British rule in 1996, breaking a 17-month ceasefire. Since then there have been violent attacks in Northern Ireland and mainland Britain, most notably the London Docklands bomb which signified the end of the ceasefire in February 1996, and the bombing of Manchester city centre last summer. Loyalist paramilitary groups have maintained their ceasefire but the IRA's campaign has been stepped up to coincide with this year's marching season of the Protestant Orange Order.



Street fighting: the aftermath of an ETA attack

France

Muslim fundamentalists with a grudge against the French government for its support of the military regime in Algeria have been carrying out a growing terror campaign on the

French mainland. The most serious terrorist attacks have been linked to the Algerian Armed Islamic Group (GIA). A bomb on a Paris commuter train in December which killed four and injured 80 bore

similarities to the string of attacks carried out in the summer of 1995.

Corsican separatists continue to carry out periodic bombings on both the island and the mainland. But the most notorious faction, the Historic Wing of the Corsican National Liberation Front (FLNC), declared a ceasefire last month.

Germany

The court case which began last year surrounding the murders of four Iranian dissidents in Berlin in 1992 sparked a wave of threats against Germany. During the trial it emerged that the killings



LUIS TELJIDO

had been ordered by the Ayatollah Ali Khamenei. An arrest warrant was issued against Iranian Intelligence Minister Ali Fallahian in March. German-Iranian relations remain extremely strained.

The bulk of terrorist activity in Germany is linked to the Kurdistan Workers' Party (PKK), mainly characterised by arson or vandalism against Turkish businesses. PKK leader Abdullah Ocalan threatened last year to use suicide bombers in Germany and issued death threats to Chancellor Helmut Kohl and Foreign Minister Klaus Kinkel, although he later withdrew them.

Turkey

The PKK is active once more in Turkey, after a ceasefire brokered in December 1995 crumbled last autumn. Teachers and tourists are

among the traditional targets of the PKK hit squads but their most eye-catching efforts are made using suicide bombers in crowded areas.

Russia

Chechen separatists have been principally blamed for attacks in the former Soviet Union. Last year a series of bombs were planted in buses and trams in Moscow and one bomb destroyed an apartment block in Kaspiysk, killing more than 50 people.

Chechens continue to hold hostages despite the settlement which officially ended hostilities with the Russian government.

In December six aid workers for the International Committee of the Red Cross were murdered. Suspects were arrested but later released without charge.

Poland

A Polish nationalist organisation calling itself GN95 emerged last year with an attack on a Shell petrol station in Warsaw. The group stated its opposition to the growing number of foreign investments in the country and demanded \$2 million from the Royal Dutch/Shell Group.

Austria

Letter bombs have been directed at foreigner and immigrant communities. Some bear the logo of a little-known far-right extremist group known as the Bajuvarian (Bavarian) Liberation Front.

Italy

Judicial authorities are still fighting a relentless cat-and-dog fight with Mafia and Camorra mobsters, whose tactics include car bombs and assassinations.



NEWS

FASHION
VICTIM

The genius designer is dead. Now it's up to his flamboyant sister to save the house of Versace

PAULA REED

THE death of Gianni Versace will bring one of fashion's most dynamic and high-profile empires to a sudden halt. It is a style powerhouse that generates an annual turnover of £400 million (\$640m), produces 12 fashion collections a year and a collection for the home, has an advertising budget of £30 million and a chain of opulent flagship shops in major cities around the world. But it was also a one-man band and that one man is now dead.

Versace, 50, was shot twice in the head on the steps of his Miami Beach mansion by a lone gunman on 15 July. Police and the FBI named Andrew Cunanan, 27, as the chief suspect. Cunanan is an alleged serial killer and male prostitute, already wanted in connection with four previous murders during a two-week, cross-country killing spree that began in Minneapolis in April.

Sombre crowds kept vigil outside the wrought-iron gates of Versace's luxury Mediterranean-style mansion on Ocean Drive. They built a shrine of flowers and candles on the steps where he had slumped dead, blood pouring from two head wounds, after the killer struck.

As the enormity of Versace's loss is fully appreciated, the dilemma of how the house he built can carry on without him is beginning to intrude on the grief of those in mourning for one of the greatest fashion designers of the century.

Versace was genuinely loved in an often bitchy and high competitive industry. Publicly, he was a showman and a generous host, who surrounded himself with a glittering company of supermodels and stars from the

world of music, film and sport. But he was also the lynchpin of a tightly knit family unit that consisted of his brother Santo, his sister Donatella, her husband, American-born Paul Beck, and a small team of staff, many of whom had been with the company for decades.

Imagine the loss of the lead singer-songwriter in a world-famous rock band. Versace may have been preparing for a launch on the Stock Exchange but he was no ordinary captain of industry. He was the figurehead and the key driving force in a team that worked like a finely-tuned machine.

Santo, his elder brother, provided the business acumen, an understated

figure in the background with a shy smile and lightning reactions. Donatella, the youngest of the family, had an increasingly important role in the company. She was the woman's voice in the ear of the man who dressed women like superstars.

A diminutive dynamo, she was the party animal of the group and the one who worked the hardest at bringing new rock and movie-star friends into the designer's circle. She was a key influence behind the flamboyant catwalk shows and advertising campaigns and had been rewarded with the creative direction of Versus, a junior line which was shown away from the main Versace catwalk dur-

ing the New York collections.

Her husband Paul Beck (they have two children, Allegra, ten, and Daniel, six) was closely involved with marketing the menswear. He also controlled the photography and art direction of advertising campaigns. Versace had often said that he knew what Donatella was thinking before she had opened her mouth. Donatella had the courage to speak her mind honestly to her adored brother in a way a hired hand probably would not. Of course they squabbled, like any family would, but the bond was a genuinely affectionate and close one.

Santo had the trust of his brother and sister on a level that the sharpest

headhunter would have trouble replacing with any top-flight financial executive.

Each one of them played a vital role. So intrinsic a part of the success are they all that replacing any one of them would be tough. But replacing Gianni is the most daunting prospect of all. The only likely candidate among them is Donatella. However, despite becoming a fashion force in her own right, the control of a couture collection, a ready-to-wear line, a menswear collection and additional lines such as Istante and jeans, would be a towering proposition for a woman who has blossomed only in the last few years.

She does not have the technical background or experience that her brother, Gianni, first learned at his mother's knee. His skill was nurtured for over 20 years. His CV included work for consultancies and successful commercial companies such as Genny, in addition to numerous projects for the theatre, opera and ballet. Donatella's technical experience does not come near that.

But her role in the development of the flash, brash, Italian fashion house should not be underestimated. After his recent bout of ear cancer, Gianni took a much more behind-the-scenes role in his company. Donatella was the one left to parade the extravagance of the Versace ideal, she was the one who wore the skimpy dresses printed with rampant lions, Etruscan orgies, rococo cupids lodged between Bacchus-driven chariots and topped off with the logo of the house: the snaky Medusa head.

She acted the part and earned the reputation as the most festive Italian on the fashion circuit. One of her favourite sayings is "there is nothing more exciting in life than the thrill of knowing you are desired". Model Carla Bruni agrees and describes her as "a woman with no limits" while Kate Moss insists that her New York nights are incomplete without the

THE BUSINESS

\$2.4bn market flotation thrown into jeopardy

THE death of its founder-father might not signal the decline and fall of his Milan-based company, Gianni Versace SpA, but it will certainly have implications for a planned stock market flotation next year, write Chris Endean and Nicholas Moss.

Gysbert Groenewegen, a director at London analysts, The Europe Company, said the company would be unlikely to proceed in the short term with the flotation, for which a market capitalisation of \$2.4bn had been forecast.

"It's going to be very difficult. In fashion houses

it's the designer who determines the success of a company. Donatella and Santo (left) have supporting roles. I doubt they can pull off a listing soon. Investors aren't going to subscribe to shares if they can't guarantee the same sales. A designer is unique; an artist who can't be copied. Shareholders want as much predictability as possible for earnings per share. It's very unlikely they'd get it."

The Versace business had consolidated sales of £854bn in 1996, up 25 per cent from the previous year, and pre-tax profits valued at £176bn. The world's second biggest fashion house with 166 boutiques and nearly 3,000 retail outlets, it is

not about to crumble. The company has also been expanding, forging joint ventures with former competitors such as Sergio Rossi, ItaloCremona and Zegna and Ittierre.

The question is whether the brand name can survive the man sufficiently to guarantee the kind of growth enjoyed by the company in recent years. Since being diagnosed with cancer, Versace had played a smaller part in the daily running of his company, but he still embodied its charisma. In addition, according to Daniela Fedele, fashion writer for *Class* magazine, "He was a genius at marketing his products." How much of that has rubbed off is about to be discovered.

Other fashion houses like Chanel have lost their founders without serious consequence. And the murder of Maurizio Gucci two years ago has had no noticeable impact on the prestige of the Gucci label. But none dominated their companies in the manner of Versace.

He left instructions on his company's organisation in the event of his death two years ago on learning of his illness. Santo, president and managing director with a 35 per cent stake in the company, will continue as financial mastermind. His sister Donatella will take over as designer. She has already enjoyed a successful dress rehearsal, launching the Versus sportswear line last year.



TONO THORIMBERT/SYGMA



Family misfortunes: Donatella Versace is a decisive force in the fashion house, but she does not have the technical expertise or experience of her brother. The dilemma is how to carry on without him

blonde bomb at her side. "She's inexhaustible," says the British model.

It is likely that Donatella's voice will become more important in the coming months, even if she decides not to take her brother's place as head designer. She has always been bound up with her brother's creativity, ever since she was seven years old and teenage Gianni staged an impromptu fashion show in his bedroom - with Donatella in yellow leather mini-skirt, leather jacket and shiny black boots. In the 1980s, Gianni persuaded Donatella to give up teacher training college and come to work for him as

image consultant.

"We have big arguments but I can be very forceful," she said recently.

Sometimes Gianni is wishy-washy in his ideas about, say, the length a skirt should be. He'll say 'maybe this should come down to the knee' and I'll say 'no! Either put it here (pointing to her pelvic bone) or put it here' (pointing to her ankles). I believe in extremes. People believe in extremes in fashion."

The hard-edged romanticism she has injected into Versus has filtered

down into mainstream Versace. Part of that sensibility is shaped by her unashamed love for the cutting edge of British and American pop music. Had he had his way, Gianni would have filled his shows with endless songs by his best friend, Elton John. It was Donatella who drafted in soundtracks by Oasis and Republica - and got Liam Gallagher on the catwalk.

Whether the house of Versace continues or not depends very much on Donatella, and what contingency plans the family have in place. Versace was at the peak of his career. He had suffered from poor health recent-

The future of the house of Versace depends on what contingency plans are in place

ly but had apparently recovered well. His winter ready-to-wear collection was a *tour de force*. There was no reason to feel that the progress of the house was anything but unstoppable.

There are precedents but they are poor ones. When Christian Dior died suddenly and unexpectedly at the peak of his career of a heart attack in 1957, a young protege called Yves St Laurent was promoted from obscurity in the atelier to the hot seat. There are, undoubtedly, talented people in the Versace workroom but this comparison is unfair because Dior's

Continued on page 16

Business Class service at Economy Class prices.

For the fairest deal in the air, fly Icelandair Business Class to North America.

With some of the lowest Business Class fares available, services to five major destinations, and a choice of a total of 12 flights a week from Heathrow and Glasgow via our cool, calm Reykjavik hub, we think you'll find flying Icelandair one of the best business deals you'll ever make. See your local travel agent or call reservations on 0171 388 5599. <http://www.icelandair.is>



ICELANDAIR

NEW YORK, WASHINGTON / BALTIMORE, BOSTON, FLORIDA AND HALIFAX, NOVA SCOTIA.

NEWS

GIRLS, GLITZ, GLAMOUR

Over-the-top designer who held the stars in thrall



Show-stoppers: Kate Moss, Amber and Naomi Campbell show Versace's faultless instinct for colour and proportion

VERSACE was the designer who turbo-charged men's and women's fashion, writes Paula Reed. His clothes had a sex appeal and glamour that was instantly recognisable.

The unmistakable slinky and body-conscious cut, the signature Medusa heads cast in gold or studded with diamonds, the elaborate decorative work ranging from intricate silk prints to baroque embroideries.

It was over the top and it held the world's most famous women from Diana, Princess of Wales to Jane Fonda, from Madonna to Naomi Campbell in its thrall. And it commanded the loyalty of high-profile men from the pop star Prince to Viscount Linley.

The evening dress with safety pins is credited with launching the career of a previously unknown Elizabeth Hurley. Rock stars from Elton John to

George Michael owe their sartorial stage presence to Versace.

But behind the high-octane presentation and marketing there was a formidable talent for cutting fabric, an innate sense of form and a faultless instinct for colour and proportion. It was this skill that was so often overshadowed by the dazzling Versace spectacle.

But it was that which ensured he had not only a loyal following among a glamorous clientele but also the respect of his peers. A good friend of Karl Lagerfeld, Versace was a designer's designer.

The celebrated editor of *American Vogue*, Diana Vreeland, once said that no one could wrap cloth like him, and that wearing a Versace blouse made her feel 20 again.

She identified his skill for bias cutting as his most significant contribution to

design and compared him to the legendary Madame Vionnet, couturier of the 1920s.

He was inspired by the baroque, by the pageantry of the Renaissance, by Fellini-like burlesque and by the opera and ballet which he often dressed for productions from La Scala in Milan to The Royal Opera House, Covent Garden. He was formidably well read and yet he was keenly tuned to the Zeitgeist.

He led the field in the promotion of fashion. He upped the ante among competitors by paying premium fees to ensure the availability of supermodels for his advertising campaigns and catwalk shows.

He set the contemporary retail pace by being the first to open a lavish flagship store. He almost monopolised the wardrobes of movie stars and musicians, ensuring they

were walking promotions of his work.

Versace had great courage as a designer. He took daring technical risks. He worked in metal mesh that was originally developed for the aeronautical industry, creating fluid sinuous dresses out of an unyielding material. He sculpted gravity-defying dresses out of improbable combinations of leather and fine lace.

Versace was neither a retiring academic nor a glamorous showman. The key to his nature and his talent lies somewhere in between. He was an uncompromising modernist with a respect for tradition.

He was a rigorous perfectionist whose discipline was tempered with an exuberant love of life and people. But he will be remembered as much for his big-hearted generosity as he will be for his show-stopping clothes.

Continued from page 15

was not a family business. The new head of the house did not have to share the remains with a bereaved brother and sister who had a very active say in the running of the business, and the industry was a much less rapacious animal than the cutthroat arena it has become today.

Dior produced a couture collection to a small, select audience twice a year. Versace's annual output must be six times that. The house has just launched a cosmetics line and has five fragrances in addition to the successful homewares collection. Much of the success, the attraction and the sex appeal is undoubtedly directly attributed to Gianni Versace's personality. His unique skill was as much about the promotion of his design as about the design itself.

Franco Moschino died in 1994 and his house remained open and is suc-

cessful to this day. However, Moschino had been in poor health for some time and there had been an opportunity to make plans and groom the, albeit anonymous, successors. The sudden death of Versace will have left the family at a distinct disadvantage and the fashion business's relentless timetable is unforgiving. The next major collection is due to be presented in Milan in September.

Hubert de Givenchy retired as head of his house in 1995 and Bernard Arnault, the businessman who had bought it in 1990 made an executive decision to appoint a controversial young designer, John Galiano, to bring new life to the genteel business. But while Givenchy was a popular label with a loyal clientele, it does not begin to compare with the monolithic stature of the house of Versace.

There are those who insist that once a great figurehead is gone, it is point-

less trying to carry on the legacy. Pierre Berge, St Laurent's partner, has always maintained that should St Laurent no longer want to work, the couture house of that name would close down.

So the family now has to work out how to carry on without the smiling and generous presence of their talented designer brother, the man who could charm the frostiest fashion editor, even while he included the lowliest fashion hack, the man the models adored, the man who made the front pages around the world every time he launched an advertising campaign, the man who lived larger than life. His death has fractured a close family and wasted one of the greatest design talents of the century. His are impossibly large shoes to fill.

Paula Reed is fashion director of *Harpers and Queen's*

Additional reporting by Stephanie Theobald

DISASTER ■ Towns were submerged, bridges swept away and seventy people died after torrential downpours

Killer floods leave Poland devastated

ROMAN ROLLNICK
AND JUREK PYS

FOR THE PEOPLE of Poland and the Czech Republic, it was unprecedented. Seventy people dead, thousands of square kilometres of farmland flooded, tens of thousands evacuated, and hundreds more trapped on rooftops.

The rains came with a vengeance; boulevards and streets turned into torrents, and the result was, in the words of Poland's Prime Minister, Włodzimierz Cimoszewicz, the "worst natural disaster in centuries".

Among the worst hit was Wrocław, once the old German city of Breslau, now comfortably settled with its population of 700,000 in the heart of southern Poland. Thousands of citizens willingly laboured over the weekend to save historic areas, the priceless works of art and books in the collection of the Wrocław University library, and animals in the zoo from waters that swamped much of the city to a depth of up to 1.5 metres.

Then they had to look after their families. Dozens lined up for bread and water distributed by the Red Cross in Kazimierz Pulaski Street, just at the edge of receding water.

"We could not get anything for two days, but now I have water, milk and two loaves of bread," said 68-year-old pensioner Krystyna Jarocka. "At one point, the waters reached the first floor of our building. It's been a nightmare."

Jacek Dobrowolski, a university student, said: "The view from our window is of a river down our street. Water has seeped into every building, and in many areas of the city people are unable to obtain fresh water, and the electricity is cut."

The floods, caused by exceptionally heavy downpours early last week, struck dozens of towns and hundreds of villages. Around 11,000 people were evacuated near Głogów, 110km downstream of Wrocław after the water level in the river Oder rose by six metres.

The floods claimed 29 lives in the neighbouring Czech Republic where 10,000 people were evacuated from the cities of Hodonin and Breclav.

As the waters began to recede, the huge problem of clearing up had to be faced. Cimoszewicz said it was "impossible to estimate rationally" the scale of destruction to urban infrastructure and farms which lost most of their livestock. Sixteen towns, 180 villages, and 1,300km of roads were under water at the height of the flood in Poland alone, and 150 bridges swept away.

Health authorities were broadcasting warnings about disease from contaminated water supplies. A national day of mourning was declared on 18 July. Parliament returned from recess for a special sitting to amend around 25 laws, including this year's budget, partly to help raise money through borrowing for a rebuilding effort.

In the countryside, the emergency over, it was a question of mopping up and trying to get on with one's life.



Water torture: Wrocław in southern Poland was hit hard. The death toll earlier this week, according to the police, climbed to 26, with dozens of people missing

PHOTOGRAPHS: JANEK SKARZYŃSKI



Water barrier: nuns negotiate sandbagged streets



Water babes: policemen in an inflatable boat rescue a family from their flooded house in Wrocław

NEWS

BOSNIA ■ The Serbs are reeling as the West gets tough with suspected war criminals

Wanted men get a dose of reality

GILLIAN SANDFORD
AND LAURA HUBBER

ATENSE and uneasy waiting game began to play itself out on the streets of Bosnia as the rattled Republika Srpska leadership around Radovan Karadzic contemplated the accumulated shocks of the past few weeks: one Serb war crimes suspect killed by British special forces, two arrested, and a fourth, Dusan Tadic, sentenced to 20 years' imprisonment by the International Tribunal in The Hague.

The western powers had significantly increased the stakes and Washington sources pledged: "There will be more arrests."

The response of the embattled hard-liners who still control the levers of power in Srpska was a recoil to the worst propaganda excesses of the war. A spew of invective poured out. Transmitters in Pale, the disarmingly pretty mountain ski resort home of the pro-Karadzic hard-liners, cranked out broadcasts citing Suez and accusing London, whose snatch squads on 10 July gunned down Simo Drljaca and arrested his companion, Milan Kovacevic, of designs of empire. Reports lambasted the United States for overweening ambition and churned out a cascade of lies about Croatian army mobilisation.

The funeral of Drljaca, killed while being arrested by Britain's SAS, bestowed on him all the potent symbolism of Serb martyrdom. It flouted not just The Hague indictment accusing him of genocide at Omarska concentration camp, but lauded as a nationalist hero this post-war mafioso who ruthlessly raked in his cut of the aid so desperately needed by his own Bosnian Serb people. His nickname was "Mr Ten Per Cent".

Rhetoric and symbolism are two of the few weapons that remain in the depleted Republika Srpska's arsenal as it enters what could become a highly dangerous endgame. Financially crippled by the blockage of aid for non-compliance with the Dayton peace agreement and militarily enfeebled, the state remains riven by the power feud between supporters of the pragmatic nationalist President Biljana Plavsic, whose power base lies in Banja Luka, and the ideological irredentists around Karadzic in Pale.

The peace stabilisation force in Bosnia (SFOR) is on alert for retaliation. US policymakers and peacekeepers are haunted by the experience in Somalia when US soldiers' bodies were dragged through the streets, and Europe's military remember the bloodying they took during the United Nations period, particularly in May 1995, when several hundred UN soldiers were held hostage by the Serbs.

The threat to SFOR and other western agencies in Bosnia is real, but circumstances in Srpska have changed dramatically and left the rump Karadzic regime with few options. The hard-liners know violent retaliation would run severe risks – and not just of robust reprisals from SFOR peacekeepers and



Waiting game: British troops in Vitez entertain Serb children, but after the SAS killing of war crimes suspect Simo Drljaca the stakes have been raised

the international community. It would make an already weakened Srpska vulnerable to future attack from Muslim-Croat Federation military forces, now boosted by quality US hardware through the controversial Washington "equip and train" programme.

So, amid the barrage of words there were only a few sputters of physical violence (bomb blasts that claimed no lives) and harassment, mainly of unarmed civilians working for the western agency overseeing elections.

The dramatic western reversal of policy toward wanted war crimes suspects might seem to have finally accorded their due to those who have long cried for a "moral" policy towards Bosnia. Only by capture of war criminals and a process of grieving can the wounds of the war be healed, they have argued. Remove those who have fuelled the terror and it will unlock those much-breached provisions of the Dayton deal, freedom of movement and return of refugees.

But it would be disingenuous to see this departure as a new dawn, or as an example of the new "moral" foreign policy British premier Tony Blair and his foreign secretary, Robin Cook, vowed to bring to European politics.

The jury is still out on these recent events, and although the policy was sealed by matey meetings of Blair and President Bill Clinton at the Nato summit in Madrid, it owes its implementation as much to the crisis between Plavsic and Karadzic in Srpska and to the demands of the domestic American political agenda as it does to any

radical commitment to moral absolutes.

The US Congress wants "the boys" out by 30 June, as the president promised. It is exactly at this time that Secretary of State Madeleine Albright's prized treaty on Nato's eastward expansion comes before the Senate. If after 30 months of American ground troop commitment to Bosnia, the country is on the verge of renewed war, Clinton could face vice-like pressure from European partners to stay and preserve peace. It would also be a textbook example ready to be pounced on by any senator as to why broader US security commitments in eastern Europe are not in America's interests.

Credit for Blair should also be tempered, for while he gave the go-ahead to what is widely-acclaimed as a successful SAS mission, London's commitment stretched back at least to January, when the Conservative government of John Major and Washington, together with The Hague, put in train plans for British special forces snatch squads to observe and prepare to pounce.

The secret indictment of some suspects was a key part of this policy, enabling the forces to use surprise. The first test of this came on 27 June when Slavko Dokmanovic was arrested by the local UN administration

and Hague investigators after being lured to eastern Slavonia. Few realised it was the shape of things to come.

Amid the recent congratulations, it has fallen to Carl Bildt, former High Representative responsible for Dayton's civilian implementation, to criticise the Prijedor operation against Drljaca and Kovacevic. He called it "a half-baked operation" and a "half-success." He said: "The first targets had to be the most important indicted war criminals, including Radovan Karadzic and Dario Kordic, the Bosnian-Croat leader. But Nato troops started by going after minor figures. This has served to give both men advance warning."

Inevitably, the focus has now shifted back to the power duel between Karadzic and Plavsic, underlining again the lack of "moral" consideration in western policy toward Bosnia.

Plavsic, complicit architect in the policy of "ethnic cleansing", is the most pliant tool the West can grasp. Her pragmatic brand of nationalism has brought her cosy-ing up to Washington and London, where she has access and influence. It was from London that she was travelling when she was arrested in Belgrade, an event which forced the Srpska crisis. It was direct to Albright at the State Department that she called, after two relatives of Simo Drljaca were bundled off to The Hague.

She pleaded that the release of these two men would help her – and they were rapidly despatched back to Bosnia. Plavsic has touched a chord among the impoverished, war-weary population of Srpska by driving home the message that they are victims of extortion by Bosnian Serb swindlers like Drljaca. A demonstration of popular support for her on 5 July brought up to 20,000 on to the streets of Banja Luka, as the Republika Srpska duel became a tale of two cities: the Plavsic northern stronghold of Banja Luka versus the southern resort of Pale. But Plavsic's hold on power remains frail. She attempted to dissolve the pro-Karadzic parliament, but it responded by meeting to extend its own powers in a bid to sack her. When Plavsic's actions were referred to the Republika Srpska court, it effectively backed Karadzic by suspending a decision and maintaining the status quo. A recent Bosnian cartoon showed Karadzic with the words: "wanted by The Hague" and then a picture of Plavsic, with the caption: "Wanted by Karadzic". The duel goes on.

All these events have happened two years after Bosnian Serb military leader Ratko Mladic oversaw planned genocide in Srebrenica. He is still at large: so much for a "moral" foreign policy. One regional observer said: "Mladic is dangerous. The Bosnian Serb Army will fight for Mladic. They will huff and puff over Karadzic, but they won't fight for him. We can afford to play Karadzic long."

Republika Srpska has entered a highly dangerous endgame



The World Today

Weekdays at 19.00 to 20.30 CET



At Fifty: India and Pakistan

Throughout August



HARDtalk

Every day at 20.30 CET



Breaking the News

Starts Sunday 7 September
at 19.05 CET

BBC WORLD™

From The World Today studios to the waters of the Ganges... we're breaking the news.

BBC World, the BBC's 24 hour international news and information television channel, broadcasts a unique mix of impartial news reporting and in depth analysis along with current affairs, business updates, documentary and magazine programmes. Every day Tim Sebastian presents *HARDtalk*, a powerful new daily interview programme. And weekdays, Nici Marx and Donald MacCormick present the day's most comprehensive news in *The World Today*.

August sees a month long series of programmes and features to mark the 50th anniversary of *India & Pakistan's* Independence followed in September by *Breaking the News*, a major new series that traces the history of television news around the world.

BBC World keeps you better informed.

**For information on advertising and sponsorship opportunities, please call Nick Carugati on:
+44 171 580 5420**

BBC World is distributed in Continental Europe by European Channel Management Ltd, a joint venture of BBC Worldwide Ltd., Pearson Television Ltd. and Cox Programming Ltd. BBC World is a trademark of the British Broadcasting Corporation. Not available in the U.K.

NEWS

GERMANY

CDU sinks under tax pressures

TONY PATERSON

IN the grey east German backwater of Demmin, a world away from affluent Bonn, bored women peer out from decaying communist-built apartment blocks and park benches are occupied by middle-aged men with beer cans and vacant stares.

Demmin illustrates the huge problems facing Chancellor Helmut Kohl and Finance Minister Theo Waigel as they battle against the odds to render the German economy fit for economic and monetary union (EMU).

In Demmin, unemployment is officially 24 per cent, but in real terms every second member of the population eligible for work is jobless. Demmin's unemployment is seven per cent higher than the east German average; as politicians in Bonn consider Waigel's crucial tax reform package, things look set to get worse.

Tax reform for 1998 includes a cut of two per cent in the 7.5 per cent "solidarity tax" introduced to finance east Germany's reconstruction. But a renewed budget crisis would follow the tax reform bill's defeat – and that is now on the cards. Even if the reform package were to pass, bringing solidarity tax cuts, this town in the northeast corner of Mecklenburg-Western Pomerania would suffer.

Kohl is under two conflicting pressures. On one hand, he faces insistent demands from his junior partners, the liberal Free Democratic Party (FDP), to cut the solidarity tax. Their mantra is "no tax increases". On the other hand, he contemplates collapsing personal and party support in the east by those who view the measure as a renewed assault on their region's finances.

But there's another pressure: Kohl knows agreement to axe the solidarity tax would leave Waigel with an additional Dm700 million (\$400m) hole in the 1998 budget, further threatening an overshoot of the three per cent of GDP benchmark for EMU.

The opposing camps are all lobbying hard. Failure to implement tax cuts would be politically dire for Bonn, warned Günter Rexrodt, the economics minister. "Those who refuse to cut the solidarity tax are putting the existence of the coalition at risk," he said last week.

Yet nowhere is the crumbling support better illustrated than in Demmin, for so long a stronghold of Kohl's Christian Democrat Party (CDU). It has delivered the party 50 per cent of the vote since unification. But now support is rapidly ebbing.

It is the same all across the east. A recent poll found CDU eastern support plummeting from 33.3 per cent in January this year to 27 per cent last month. When asked if they wanted Kohl as the next chancellor, only 16 per cent said yes, while 30 per cent backed the opposition Social Democrat, Gerhard Schröder.

MADELIN ■ The former French finance minister is determined to sell the

The liberal who wants a revolution

JULIAN COMAN

THE day after Alain Juppé's ill-starred government fell in June, most politicians on the French right were looking for something to drink or someone to blame. But Alain Madelin, the country's most prominent neo-liberal and former finance minister in the defeated regime, sounded decidedly upbeat. "Today a page is turned," he announced. "As far as I am concerned, I am reclaiming my freedom and I intend to put it to good use."

One of Madelin's first acts as a free man has been to take control of the centrist party Démocratie Libérale, (DL), which forms half of the Union Pour le Démocratie Française (UDF), itself a former part of Juppé's doomed coalition. He intends to use it to create "a true liberal alternative" in French politics. "More than ever now," he says, "the political solutions of the future will be liberal ones."

Calls to slim the state and deregulate the economy usually fall on deaf ears in Paris. But these are interesting times for that traditionally endangered species of European politics: French liberalism.

On the right, the Gaullist Rassemblement Pour la République (RPR) still staggers from the blow inflicted by the voters. On the left, Lionel Jospin's new socialist government hurries towards the grim financial audit on 21 July which it hopes will justify the breaking of election promises it

cannot keep. As these twin sponsors of the powerful French state totter, neo-liberals such as Madelin are beginning to walk with a spring in their step.

The election disaster, they argue, can hardly be blamed on the centrist and liberal parties which make up the UDF. The government may have been an RPR/UDF coalition, but its most important faces were all Gaullist. Madelin, the UDF's star performer, was sacked by Juppé in the summer of 1995.

The disastrous decision to call a general election was Jacques Chirac's, and the campaign itself turned out to be largely a presidential production. If the Gaullists are going down, suggest UDF deputies, they have no right to take their coalition partners with them. It is in that spirit that the 51-year-old Madelin has declared that he does not consider Chirac a role model for the new opposition. Instead, he plans to promote with gusto the free-market ideas which got him thrown out of Alain Juppé's cabinet in the first place.

"Politicians across the spectrum are adopting the liberal approach," he argues, "including Labour parties in Britain and New Zealand, and the Dutch socialists. Let's not hide our own colours."

It would be unwise, however, to expect too much too soon. Attempting a liberal revolution in France is a task which would have taxed the political artistry of Machiavelli.

Given the dirigiste impulses on both left and right, the UDF is the natural home of the French liberal, but few



DANIEL GARY/REUTERS

"unions" are as fractious and divided as this one. Madelin's accession to the leadership of the DL was typically fraught. Gilles de Robien, who has had run-ins with him in the past when the DL was still called the Parti Républicain, led an unsuccessful campaign against Madelin's appointment.

According to De Robien, Madelin was being imposed in a high-handed manner and clearly intended to turn the DL into a political arm of his think-tank, Idées-Action. De Robien himself had only just stood down from the presidency of the UDF as a whole, in favour of François Léotard. He did this, he said, in order to avoid a "Balkanisation" of the movement. Centrist politics in France are nothing if not tortured.

Balkanisation could happen anyway. The leaders of Force Démocrate, the alliance's other main party, which has more affinities with Christian democracy than neo-liberalism, have

already indicated that they have little sympathy with the Madelin project. They may eventually decide to go it alone in the National Assembly.

Even were the internal bickering to cease, the UDF is structurally disadvantaged in its arguments with the socialist left and Gaullist right. Formed in 1978, and originally hitched to the star of Valéry Giscard d'Estaing, the alliance has had to battle for elbow room in a political system which, thanks to the practice of second-round voting, naturally discriminates against third forces.

Back in the 1960s, the French author and intellectual André Malraux said: "In France there are only two political realities: the Gaullists and the communists."

The socialists have replaced the Marxists on the left, and Jean-Marie Le Pen's Front National looms on the far right, but the bipolar electoral logic remains the same, requiring many an

free market to the people

ambitious liberal to court the favour of a successful Gaullist in order to gain power.

The shotgun wedding of Philippe Séguin and Madelin, presented as the right's "dream team" at the close of the last election campaign, was the latest example of this secondary form of cohabitation. But when push comes to shove, as the UDF's would-be presidential candidate, Raymond Barre, discovered in the 1980s, Gaullist priorities usually come first. Chirac, not Barre, stood on behalf of the right.

Nonetheless, the unravelling of Chirac's presidential strategy for the 1990s has provided a new and inviting window of opportunity for liberal revivalists. If France stepped back from the brink of reform in the late 1980s when partial privatisation took place, its voters have since run from a statist right to a statist left and back again in a fashion so giddy as to suggest that they have failed to find convincing

Centre ground: Madelin delivers an upbeat message to his supporters

political solutions at either end of the spectrum.

As one administration after another fails to lower unemployment and deliver social solidarity via the good offices of the state, the attractions of a new vision of France's place in the global economy – one which emphasises decentralisation and deregulation – will become more compelling.

That at least, is Madelin's gamble, and the source of this new confidence in European liberalism's most beleaguered outpost. Some, like Laurent Dominati, a Parisian deputy for the UDF, are even beginning to brag. "Look," says Dominati, "what with Montesquieu, De Tocqueville, Benjamin Constant and Frédéric Bastiat, when it comes to liberalism France has just as noble a tradition as the Anglo-Saxons."

and it doesn't agree with him

Chirac's priorities are to edge his country into economic and monetary union, taking in structural changes needed to arrest economic stagnation *en route*. French prospects for monetary union will become clearer on 21 July when an audit of state spending and taxation is unveiled. Should this show a further deterioration in the budget deficit, the onus would be on Jospin, who is lukewarm about the euro, to curb spending in September. If he continues to let state expenditure run out of control, Chirac might then feel obliged to act.

Maurice Fraser, visiting fellow at the London School of Economics, says: "As custodian of his country's strategic interests, he would be entitled to invoke a *raison d'état* to intervene to preserve France's European vocation."

But that would mean "going nuclear" and could provoke a case in the supreme court. Chirac would prefer that simply voicing his disapproval of Jospin's backsliding on the single currency issue might be sufficient to sting the government into action.

A far tougher task will be persuading Jospin's Communist-backed administration to accept a root-and-branch overhaul of the over-rigid economy. "We changed governments, but the problems... are exactly the same," the president argued this week, adding that the country still needs to streamline its top-heavy economy.

If he can expose the blinkered outlook of his opponents, Chirac might yet be vindicated.

VICTOR SMART
CHARLES MASTERS

ITALY

Scruples outlaw scoops

MICHELE PUCCIONI

WHEN Italian magistrates decided to question Cesare Romiti about the alleged falsification of Fiat's accounts, he was the last to know.

Those who found out first were the readers who were quickest to their newspapers on 15 June. Romiti's lawyers were only officially informed the following day, when the journalists who broke the story were still congratulating themselves.

But the Romiti story may be the last of its kind. The celebrated journalistic tradition of the scoop is at risk as a result of a privacy law effective from May and strenuously defended by Stefano Rodota, head of a government watchdog monitoring its application.

Rodota used the Romiti revelations as an opportunity to rap the media's knuckles and concentrate their minds on developing a self-regulatory code on privacy, as the new law demands. He upheld a complaint from lawyers that the leak flouted judicial secrecy and demanded that stories be obtained and published in a "lawful and correct way". Fines may be imposed if further breaches take place.

Rodota makes it clear that news values are not his priority. "To give the news about Romiti 24 hours later would have been a minimal sacrifice of the right to report," he said. "But it would have been a substantial victory for the rights of the individual. The same principles apply not only to Romiti but also to ordinary people who find themselves exposed in the local press." Even footballers, it seems,

In the wake of Rodota's ruling, a lively discussion ensued as to whether football reporters, a vast tribe in Italy, are entitled to publish sensitive information about players' injuries. Since the privacy law states that personal data cannot be published without the explicit consent of the citizens concerned, some of the country's sporting heroes are intent on keeping their cuts and bruises to themselves.

"It will be an additional problem for soccer reporters, not for players," said Gianluca Pagliuca, goalkeeper for the Italian national team.

More seriously, strict enforcement of the new privacy laws will put a stop to a great Italian tradition of the 1990s: fingering a corruption suspect in print before hauling him before the judges. During the *Mani Pulite* ("clean hands") era, investigative journalism almost became an extra arm of the law as journalists and magistrates fed off each other's momentum.

According to Luca Fazzo, who became famous for his clean-hands investigations for the daily paper *La Repubblica*: "At the time there was what I would call a 'virtuous' circle between magistrates and media. The magistrates created the news and the journalists kept the momentum going."

"If there had been a law which slowed down the media from publishing legal matters on public figures, Craxi would probably still be head of the Socialist Party."

That view is echoed by Rodolfo Falvo, vice-director of FNSI, the National Federation of the Italian Press

– the journalists' trade union. "It is difficult for us not to publish news as soon as we get it," he explained. "How can you ask a newspaper to slow down information?"

"The right of reporting must not be forgotten. After all, somebody who has accepted the role of a public figure cannot expect to have an entirely protected private life."

But other journalists accept that, however exciting it is to scoop, there are more important issues at stake. Michele Serra, former editor of the popular satire magazine *Cuore* and now a columnist for a number of publications, argued: "The concept that a legal matter must be communicated to the interested party before it is published in the news is sacrosanct."

"Until now Italy was a country where somebody could receive a phone call from a journalist asking for comments on his or her incrimination without knowing anything about it. This is wrong, even for people like Romiti. In this respect he is a citizen like anybody else."

According to Rodota's law, the new self-regulatory code must be in place by the end of the year. At the moment, Italian journalists are guided by a "charter of duties", agreed in 1993, which emphasises the importance of verifying sources, and underlines the presumption of innocence.

But it says nothing about the type of case exemplified by the Romiti affair. Up to now, progress in drawing up new guidelines has been unsurprisingly slow – no journalist gives up a scoop that easily.



CONTRASTO / KATZ

Naples fights back against Camorra underworld

ITALIAN soldiers have now arrived in Naples to halt the murderous power struggle being played out in the Camorra underworld. The 2,000 gangsters belonging to its 40 clans are fighting over territory and public contracts. By the end of June the murder toll was 86, prompting the decision by

interior minister, Giorgio Napolitano, to send in the army. Naples is renowned as the crime capital of Italy. The deployment follows similar missions to Mafia strongholds such as Palermo, Reggio Calabria and Sardinia.

CATHY SAVAGE

PHOTOGRAPHIC COMPETITION

Ballantine's
**One picture
 could win
 you \$5,000**

CAN you capture the spirit of travel and adventure in Europe in a single photograph? Ballantine's International Photography Award exists to prove that it can be done and readers of the European can enter for a prize of \$5,000. The competition, now in its 14th year, invites readers to send in a variety of images – maybe a hot-air balloon soaring above the Alps, lone figures trekking through the Spanish sierras, children splashing in the summer sea – which make you want to flag down the next car, plane or camel and get there yourself, or which make you feel you are there already.

The Travel and Adventure award, supported by *The European*, is one of six categories in this year's Ballantine's competition which is open to all photographers, amateur or professional.

Readers of *The European* may enter pictures for the Travel and Adventure category (or any other category) with the coupon on this page. Wherever you travel in Europe this

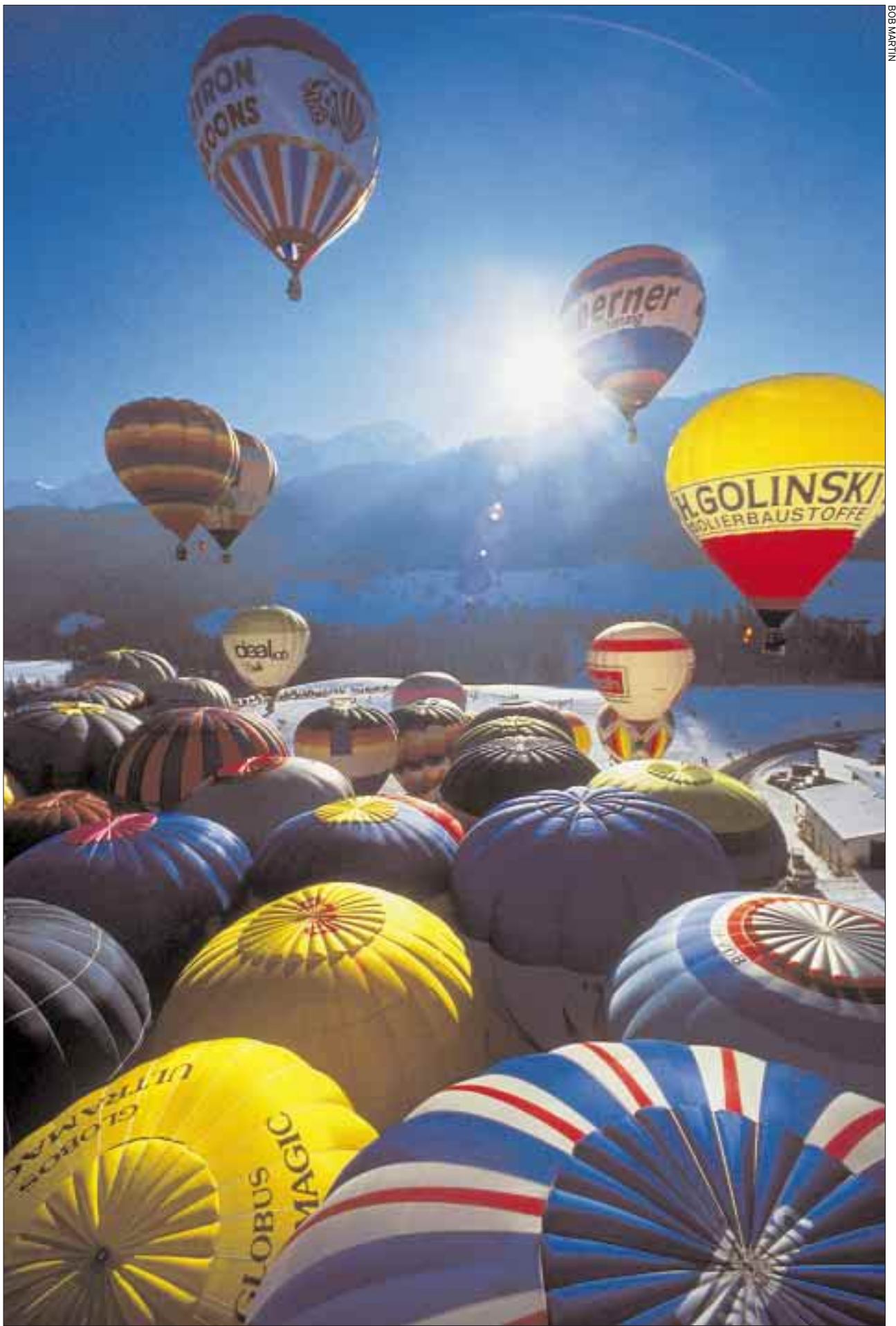
summer, remember to take your camera: you never know when a prize-winning moment may occur. The judges will be looking for images – which must be shot in Europe – that reflect individuality, self-expression and originality.

But photos can also deal with the everyday. A new category in this year's competition is the Ballantine's Inspirational Image. Even if you are not planning to travel far on your holidays, there will be plenty of opportunities to take a winning picture. Pleasure and sadness are evident everywhere. Perhaps that Parisian patisserie shop window attracts you more than the firework displays on Bastille Day?

The other categories are Enhanced (computer-generated or enhanced images); Style (contemporary fashion, design or culture); Actuality (photo-reportage); and Sport (action images calling for fast film and fast reactions).

The closing date is 27 October, and remember to give each picture a title or caption.

PAUL WHITE



BOB MARTIN

THE EUROPEAN Entry form

Name: _____
 Address: _____

 Postcode: _____ Country: _____
 Telephone: _____
 Title of photograph and category: _____
 I agree to abide by the competition regulations.
 Signed: _____



Send your entry form to: Ballantine's International Photography Award, 26 Fitzroy Square, London W1P 6BT, UK

HOW TO ENTER

The European's Travel and Adventure award is open to readers who enter the Ballantine's competition with the entry form (left). The winner will receive \$5,000 plus a case of Ballantine's Finest Scotch whisky. The runner-up will receive a case of Ballantine's whisky. The winner of the new Ballantine's Inspirational Image award will receive \$10,000. The four remaining photographic categories each offer a prize of \$5,000. Additional entry forms for the competition are available from Ballantine's at the address on the left.

RULES

- 1 Participants may submit up to six colour or black-and-white photographic prints for any one category. Prints may be of any size, but a minimum size of 25cm by 20cm is recommended. Transparencies, slides and colour photocopies may not be submitted.
- 2 The completed entry coupon should appear on the back of each print, typed or written in capital letters. Entrants must be over 18 years old on 27 October 1997.
- 3 All submissions should be sent to: Ballantine's International Photography Awards, 26 Fitzroy Square, London W1P 6BT, UK, to arrive no later than 27 October 1997. No responsibility is assumed for damaged, lost, misdirected or late entries.
- 4 All submissions will be retained by George Ballantine and Son Ltd and cannot be returned.
- 5 The copyright of the photograph will remain with the photographer, but George Ballantine and Son Ltd retain the right to reproduce entries for any Ballantine's advertising or

- 6 promotion. All negatives will be made available to George Ballantine and Son Ltd if requested.
- 6 The judges' decision will be final, and no correspondence will be entered into once the awards have been announced. Judges' names will be available from the address above one month before the closing date.
- 7 It is a condition of entry that each prize-winner must be able to certify that the photograph was taken by him or herself, that he or she has full rights to the photograph, and that it has won no previous award or competition.
- 8 Employees of Allied Domecq Spirits and Wine Ltd, their distributors, agencies and immediate families are not eligible to enter.
- 9 Entry forms are available from the address above but are not compulsory for participation.
- 10 A list of prize-winners will be available from the above address from 20 November 1997.

AGENDA

A WEEK IN THE LIFE OF THE EU

Thursday 10 July to

Wednesday 16 July

■ Brussels aims to abolish national veto ■ UK has highest car prices ■ Biotechnology directive risks 'unethical patenting of life' ■ Japan to ease restrictions on import quotas

European Commission

Brussels

THURSDAY

Christos Papoutsis, the Greek commissioner for small and medium-sized enterprises, continued his battle to reduce payment delays in commercial transactions. With Papoutsis stressing that delays in settling bills hurt smaller companies more than big ones and can force them out of business, the Commission agreed on a recommendation calling on all EU member states to adopt legislation forcing late payers to pay interest. Last week, Papoutsis said the recommendation was a last attempt to get EU countries to act on a voluntary basis. If member states turned a deaf ear to it, he warned that the Commission would table a proposal for new EU legislation.

The Commission announced the creation of a new internet database called CLAB Europa. The database is to list all contractual clauses which national courts or the European Court of Justice say break EU law. CLAB Europa was designed to help businesses, courts, consumer associations, lawyers and all consumers in the EU, a Commission spokesman stated.

FRIDAY

Mario Monti, the financial services commissioner, called on the EU's trading partners to table new offers at the World Trade Organisation talks about liberalising the global financial services market. Monti said the EU would not accept any deal at any price, and would stick to its offer to open up its own market only if other countries followed suit. The deadline for a new global deal to free trade in financial services is 12 December this year.

The Commission's half-yearly report on car pricing in the EU revealed that Britain now has the highest car prices in the Union as a result of the pound's massive re-evaluation against other EU currencies. On average, the cheapest countries in which to buy cars are the Netherlands and Portugal. The Commission said the report offered further confirmation of the need for a single European currency, saying that price fluctuations because of exchange rate swings did not sit well with the idea of a single EU market.

In a bid to improve on its ecological record, the Commission decided to make sure no new legislative proposal can be drafted without an analysis of its environmental implications. The Commission also said it would appoint "environmental integration correspondents" in each of its directorates-general. In future, the effect of the EU on the environment is to be systematically reviewed.

The Commission announced that Tokyo would open up the Japanese market for fishery products, following pressure from Brussels. Pursuing its ongoing battle to dismantle Japan's import barriers, the Commission said that, starting from September, the country would change its present restrictive import quota system to give foreign exporters better access.



Thigh's the limit: nine million tourism jobs in Europe

MONDAY

The Commission said it expected growth to accelerate in central European countries this year and next, as the EU's membership candidates benefit from economic recovery in western Europe. Stronger growth in the West would also reduce central Europe's soaring trade deficits, as their exports to western trading partners revive and partially offset their buoyant imports.

Commission sources revealed that progress had been made in the negotiations with Boeing over the aircraft maker's proposed deal with McDonnell Douglas. However, the sources also stressed that the offers tabled so far by Boeing were not enough to allow the Commission to give the merger the green light. Karel Van Miert, the competition commission-

er, has said Brussels would block the takeover should Boeing fail to respond to his concerns. Van Miert argues that Boeing already enjoys a dominant position in the global and European aircraft market, which would be strengthened if he allowed the merger to go through unmodified.

TUESDAY

The Commission gave the green light for the marketing of a test kit containing a genetically modified micro-organism, which will aid rapid detection of antibiotic residues in milk. The kit is produced by a Finnish company, Valio.

In an emergency decision, the Commission released aid worth Ecu500,000 (\$561,000) to the victims of the catastrophic flooding in central and eastern Europe. The aid is to finance operations such as

relief for the tens of thousands made homeless in Poland, the Czech Republic, Hungary, Slovakia and Romania.

A new Commission report on tourism in the EU shows that the sector now gives work to nine million people in the Community, or six per cent of the total workforce. Tourism-related activities generate 5.5 per cent of the EU's gross domestic product. The report predicts that by 2010, as many as 11 million people will be employed in tourism in the 15 existing countries of the EU.

WEDNESDAY

The Commission unveiled its proposal for a far-reaching reform of its regional aid and farm subsidy policies, prior to the first wave of EU enlargement to eastern Europe.

As expected, Brussels recommend-

ed opening negotiations early next year with six countries: Poland, the Czech Republic, Hungary, Estonia, Slovenia and Cyprus.

Following the failure of the EU's June summit in Amsterdam to agree on far-reaching reforms, the Commission said a new intergovernmental conference should be held soon after the year 2000, with the aim of abolishing the national veto in almost all areas of EU decision-making. The extra cost of enlargement is to be financed without increasing the EU's budgetary ceiling of 1.27 per cent of the Union's GDP. The Commission's enlargement package, dubbed Agenda 2000, will now be discussed by EU governments and EU leaders, who will make a final decision by December.

The Commission also proposed deepening relations with Turkey beyond the existing customs union in a bid to soften the blow to Ankara of being left out of the first wave of enlargement.

European Parliament

Strasbourg

TUESDAY

Meeting in plenary session in Strasbourg, MEPs held a key debate on the proposed directive on gene patenting, which industry-oriented supporters say is crucial for the long-term viability of Europe's pharmaceuticals and agriculture sector. Opponents of the directive claimed it would allow an unethical "patenting of life". The emotional debate, one day ahead of the vote on the legislative proposal, echoed a first parliamentary discussion of the issue two years ago, when a majority of MEPs threw out the previous biotechnology patent draft directive.

THE WEEK AHEAD

THURSDAY Jacques Chirac, the French president, Hubert Vedrine, France's foreign affairs minister, and Pierre Moscovici, the French European affairs minister, visit the European Commission.

FRIDAY Viktor Chernomyrdin, the Russian prime minister, visits the European Commission.

MONDAY All EU institutions in Brussels remain closed for Belgium's national holiday.

TUESDAY EU foreign affairs ministers meet in Brussels. The agenda includes a discussion of the new Luxembourg presidency's work programme and the European Commission's proposals for EU enlargement.

EU farm ministers meet in Brussels. The agenda includes a first discussion of the Commission's proposals for farm reform.

WEDNESDAY The Commission is expected to rule on the merger between Boeing and McDonnell Douglas.

AGENDA 2000

First shots fired at a bigger target

FOR ALL the fanfare for Commission president Jacques Santer's Agenda 2000 announcement on 16 July, the enlargement of Europe is clearly in trouble.

The proposals signalled an end to the behind-the-scenes battles of recent weeks, but also fired the first shots in public fights to follow.

Six of 11 applicants (Hungary, the Czech Republic, Poland, Slovenia, Estonia and Cyprus) have the green light to begin negotiations by the start of next year, but question marks remain as to the date

of their final EU admission.

Santer, whose cabinet lost a fierce battle against Commissioner Hans van den Broek to keep successful applicants down to three, warned MEPs that two more waves of internal reforms will be needed before new members join.

That raises the spectre of two intergovernmental conferences, one before and one soon after 2000, before anyone is admitted. The Amsterdam summit did not settle key questions on Commission size, the reweighting of Council of Ministers voting (larger

states are currently under-represented), and an extension to qualified majority voting. A Commission official said: "No EU country wants enlargement so badly that they are prepared to lose any portion of power and influence without anything in return."

The power struggles are closely related to fears that enlargement costs will reduce the money spent on present EU states. Those battles will come to a head at the Luxembourg summit in December, when the 15 member states are to

pronounce on enlargement.

Commission proposals for financial arrangements in the 2000-2006 period make clear that the budget should be kept at the current ceiling of 1.27 per cent of EU GDP. This means extensive reorganisation of the Common Agricultural Policy and the regional policy, sectors which together account for two-thirds of the annual EU budget. Farming lobbies and recipients of cohesion fund aid (Ireland, Spain, Portugal and Greece) will strongly resist funding cuts.

PAOLA BUONADONNA

THOMAS KLAU

BUSINESS

MANAGEMENT ■ Wendelin Wiedeking has taken on a high-risk strategy to save the German car maker

Porsche shifts up a gear

DAVID BRIERLEY

WHEN Wendelin Wiedeking returned to Porsche in 1991 to lead the company out of its deepest crisis, there were plenty who thought he'd never steer it out of its skid.

Its products were long in the tooth, its manufacturing approach years behind world standards, the American market had collapsed in the run-up of the mark against the dollar, and costs were out of control.

Six years later, Wiedeking has moved the company back into profit, seen its share price soar, introduced a hot new light-weight sports car, the Boxster, and is the toast of the German business

community. But now, Wiedeking is preparing to launch the company down some bumpy new roads. In a few weeks, he will formally launch the successor to the Porsche 911. The car will have typical Porsche lines, but under the gleaming metal, there is a radical difference. Gone will be the classic, flat-six air-cooled engine. In its place will be an entirely new water-cooled power unit.

As if this were not enough, Wiedeking is close to signing a deal with Volkswagen to jointly produce a sporty off-road vehicle. He's risking Porsche's brand name in a market crowded with models from Japanese, American and European firms, but he could reduce its dependence on sports cars. The question is whether this will be enough to support a long-term development of new models.

More radical still, the next Porsches will not even be made in Stuttgart. Wiedeking intends to assemble the new Porsche Boxster in Finland and is now planning a factory in Mexico, to give him access to the NAFTA market.

A charter member of Germany's new industrial elite, Wiedeking makes no secret of his intention to continue radically retooling one of Germany's most traditional companies. After several visits to Japan, he dramatised the massive cultural change that would be needed at Porsche by donning overalls, grabbing a saw, and as astonished craftsmen looked on, attacking the shelves storing parts alongside the Stuttgart production line. One month's stock would no longer be stored there, he announced; parts would be delivered as they were needed.

"We were a basket case," Wiedeking says. "Our costs were dramatically out of kilter, the cars were wrong, our prices were high. Unfavourable exchange rates made matters worse in America. We lost the customers Porsche needed to survive." Today Porsche is thriving. Its share price has rocketed, the dollar is strong (and the Deutschmark weak), demand is soaring, production is rising. Wiedeking, 45, chairman of Porsche and the architect of the turnaround, may have grown too big for his job. He looks a prime candidate to succeed Ferdinand Piëch, a member of the Porsche family, as head of Volkswagen.

But Porsche still faces challenges. It remains a one-product company that is heavily dependent on the American market; as a low-volume producer, its costs remain high; as a car designer and devel-

TRACK RECORD

1931 Porsche founded as car design bureau by Ferdinand Porsche, an Austrian engineer; starts with 12 workers. First models included Auto-Union sports car (Porsche 22) and Volkswagen Beetle (Porsche 60).

1944 Moved from Stuttgart to Gmünd, Austria.

1948 First sport car, Porsche 356, is built.

1950 Return to Stuttgart.

1963 Porsche 911 introduced.

1969 Wins World Car Championships; a year later wins Le Mans for the first time.

1972 Stockmarket flotation.

1977 Porsche 928 introduced.

1980 Ferdinand retires as chairman, replaced by Ferdinand Alexander.

1981 Porsche 944 introduced.

1992 Largest ever loss.

1993 Wiedeking becomes chairman.

1996 Boxster introduced.

oper, it feeds off the German car industry. And, as a niche producer, it could see its niche disappear - sports cars designed to travel at 250kph might one day die in congestion. Above all, Porsche has yet to show the profits record that will ensure long-term survival.

In 1991, when he joined Porsche as head of production, things were indeed starting to look bleak. By the next year sales had plummeted from 23,000 to 14,000 units a year and Porsche racked up record losses of Dm240 million (\$137m). Predators for the family-controlled company were hovering; Toyota even made an offer to buy.

The company had to rethink. Wiedeking went to Japan and looked into ways of cutting costs. Impressed by what he saw, he asked Chiharo Nakao of the Shingijutsu group, a Japanese expert in lean production, to show his methods to the unconverted. Nakao came to Porsche's Stuttgart headquarters, birthplace of the Volkswagen Beetle. Standing beside the production lines in Zuffenhausen, Nakao asked: "Where's the factory? This is the warehouse!"

Porsche's problems were deep-seated. Engineering excellence was prized above all else. This was the tradition of the company which still bears the name of its founder, the creator of the Beetle, Dr Ing HC Ferdinand Porsche. The Porsche formula was simple: engineers made the cars and the cars sold themselves. For decades it worked; the famous oyster-shaped Porsche 911, the backbone of the company, has become a classic.

Production costs were never a great concern. Design engineers planned

impossible cars which production engineers made possible; faulty parts and production errors were eliminated before the car left the factory. Production was engineering on the high-wire. "Porsche cars were always fantastically engineered," says Wiedeking. "Expensive, but great products." Communication within the hierarchy was poor and models were never planned as one entity.

The product was everything, while marketing, logistics, component development and cost controls were remote sciences. If the cars were expensive to buy and impossible to service, this did not seem to matter. "For a long time everything worked," Wiedeking says. But in 1991, when Wiedeking joined the Porsche board - he became chairman in 1993 - nothing seemed to work.

Streamlined: Wendelin Wiedeking cut through the Porsche production line

new facilities and new models. The unions agreed that 2,300 workers would go, while the remaining workforce received job guarantees. Wiedeking cleaned out top management.

The existing car programme, which was badly under-resourced, foresaw production of a saloon car and an even more exclusive sports car. Wiedeking went to the supervisory board to stop these plans and proposed a "cheaper, thoroughbred two-seater" instead. This was the Boxster which, launched last year, was Porsche's first new car for 18 years. Money - Dm1.6 billion - was needed, half for the Boxster, the other half for the replacement for the 911. "At the time the whole company was worth Dm600m and we raised Dm1.6bn. That was a brave step, but it was possible because we offered a vision."

Today, 160 sports cars leave the Porsche plant in Zuffenhausen, Stuttgart, every day. Where there were three lines, there is just one for two cars, the 911 and the Boxster. Hundreds used to work in parts inspection and defective parts were corrected on the production line. No longer. The number of suppliers has been cut. One day's inventory is stored in the "parts supermarket" where the robots which feed the production line are loaded. Within five years, supplier defects have been cut by 90 per cent, in-house production errors have been halved and the costs of producing the 911 have fallen by 40 per cent.

Wiedeking has also brought modern

continued on page 26



JOACHIM ROTTGERS

PRIVATISATION ■ The French prime minister is caught between ideology and a need to meet monetary union criteria

Can Jospin sell off without selling out?

CHARLES MASTERS

FRENCH Prime Minister Lionel Jospin's decision to scrap the privatisation of defence electronics group Thomson-CSF has led to his first public spat with President Jacques Chirac.

It has also given Jospin the task of performing some deft footwork on the future of other state assets previously earmarked for privatisation by the former right-wing administration. Despite his earlier anti-sale rhetoric, the need to keep the budget deficit respectably near the three per cent of gross domestic product required for monetary union will force at least a limited privatisation.

The reason given by Jospin for abandoning the Thomson sale was that it did not "preserve the interests of the state, the company and its employees".

It was left to Jacques Chirac, the now isolated Gaullist president, to use his Bastille Day speech to present the opposition case.

"The state today has no place in the management of the competitive sector - that's not its role. Whenever it has done so, the result was either very poor or it cost a lot of money," he said.

In a clear reference to the Thomson sale, which was to have been the launch pad of a wider restructuring of the European defence industry, he said: "Our major companies can no longer survive without making alliances. Modern countries do not see their private companies forming partnerships with companies in the public sector."

How much room Jospin will have for manoeuvre will become clearer

after the ministry of finance publishes its audit of the country's finances on 21 July. But Jospin has already been forced to promise that he will remain "supple" over sell-offs; industrial reality will prevail over ideology; potential sell-offs will be judged "case by case".

His government said that it would propose an alternative plan for the French defence sector in the coming weeks, although the state would retain a "decisive" stake in Thomson-CSF perhaps reducing its 58 per cent holding to 33 per cent.

It said the plan would be in line with "the perspective of rapprochements destined to strengthen the defence industry in Europe", adding that it was not necessary to privatise Thomson to achieve its restructuring.

According to reports, Jospin is considering allying Thomson-CSF with French industrial group Alcatel and its partner Dassault, the semi-private French aircraft manufacturer which is earmarked for a subsequent merger with state-owned Aérospatiale. The latter presents a separate problem for Jospin. Its future within European alliances - notably the Airbus plane-making consortium - is to be compromised while it remains in state hands.

While a comprehensive privatisation programme is now out of the question, Jospin has said that it is not the state's role to "refloat endlessly financial institutions in difficulty". This has been taken as a clear reference to the ailing Crédit Lyonnais, where the bill for bailing out the bank is approaching Ffr100 billion (\$16.9bn).

The sale of an initial chunk of France Telecom capital, which was

to have gone on sale last month, was frozen following the left's election victory. But Jospin has been careful to leave himself the option of selling a slice of the telecoms operator. Some predict that the sale will go ahead in the autumn following consultation with France Telecom's workforce.

Finance Minister Dominique Strauss-Kahn has also left himself room for manoeuvre concerning the insurer GAN. The previous government was given the green light by Brussels on Ffr20bn in aid on condition that the insurer and its subsidiary bank CIC would be privatised this year.

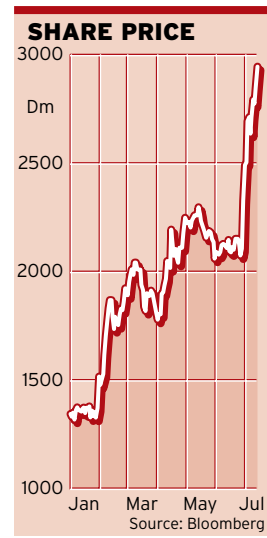
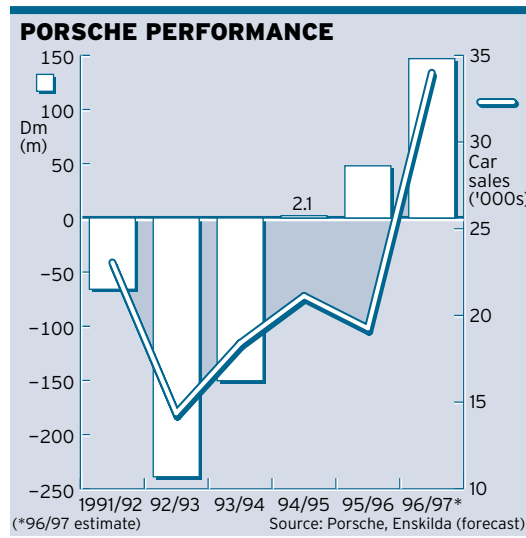
As well as the aid already promised, GAN is expected to need a further Ffr10bn in the year ahead, which the government will have to find if it is not privatised.

The government has until 15 September to agree its strategy with Brussels.

The government may also find itself forced to think about selling Crédit Lyonnais, since privatisation was a condition set by Brussels for an accord on a series of state aid packages for the ailing bank. The bank's bad debts have been spun off into a separate state-backed entity, leaving the way clear for an eventual privatisation.

Air France, which under the previous administration could have passed into the private sector later this year, appears to have little chance of going to the market. The communist Transport Minister, Jean-Claude Gaysot, has said that privatisation of the national flag-carrier "is not the order of the day".

It looks as if Jospin will have to be particularly supple.



Not for sale: missiles made by Thomson

FOR SALE

Under Juppé: Thomson-CSF - to have been sold outright to either Alcatel or Lagardère
France Telecom - 30 to 35 per cent of the capital was to have gone on sale in June
Air France - earmarked for privatisation later this year
Aérospatiale - possible privatisation linked to proposed merger with Dassault
Crédit Lyonnais and GAN - planned to privatise once accounts cleaned up

Under Jospin: Thomson-CSF - immediate sale called off but state could reduce holding to less than 50 per cent as part of an alliance
France Telecom - original sell-off scrapped, but may yet sell small stake in autumn, once workers have been consulted, to ease deficit
Air France - unlikely to be sold off in near future
Aérospatiale - problematic, since merger with Dassault could depend on its privatisation
Crédit Lyonnais - may yet be

privatised, to comply with Brussels' conditions for financial aid
GAN - signs that the insurer may be sold off to avoid further recapitalisation and to appease Brussels

BUSINESS



Porsche's replacement for the 911, the 996, will be launched later this year

continued from page 25

marketing to Porsche. In Germany, the 100,000 Porsche owners have been treated to a prize-winning Porsche marketing campaign. Porsche bought its overseas distributors in the key markets of the US, Italy and Spain. It moved into 29 new markets and now sells in 69 countries. The goal is to split sales equally between Germany, the US and the rest of the world, reducing dependency on the dollar.

Wiedeking spends one-fifth of his time drumming up sales abroad. "Our customers used to see us only on the stand at motor-shows," he says. At the moment, Porsche is growing fast. Demand for the new two-seater Boxster is intense. The replacement for the 911, the 996, will be unveiled at Frankfurt in November.

Final assembly in Finland of 5,000 Boxsters will take annual production to well above 35,000 vehicles next year. Meanwhile, rumours of much higher Finnish production abound and the shares have soared from Dm300 in the early 1990s to nearly Dm3,000 today.

Sales in the key export markets of the US and Britain are booming and exchange rates around the world are helping.

But Mercedes-Benz and BMW have moved into Porsche's territory with widely-praised and cheaper sports cars. Space is becoming tight in Porsche's niche. "Mercedes and BMW

could finish us off if they really wanted to," says Wiedeking. "But why should they? We only sell 30,000 to 40,000 cars a year." Until now Porsche has survived as a one-product company with a sideline in engineering consultancy. Of Porsche's 7,000 employees, 2,000 are development engineers working at its research facility in Weissach near Stuttgart.

But the base of the company is narrow and it is not clear that it can fund the soaring costs of new car development from its own resources. The Boxster is unlikely to emulate the 911 by financing the company for 30 years.

So Wiedeking is looking to new, fast-growing markets to fund development. Plans to build an off-road vehicle with Mercedes were jettisoned when Mercedes asked to take a stake in Porsche. This offer was refused by the Porsche and Piëch families, who control around 60 per cent of Porsche. Instead, a partnership with Volkswagen is mooted which foresees the joint development of an off-road vehicle. The VW model would appear in 2001, while Porsche would release its own restyled design a year later.

Wiedeking says: "We know that many Porsche customers would find an off-road vehicle with a sporting character attractive."

Wiedeking's saw has done its work. Now he has to find the customers for Porsche's off-road adventure.

ENERGY ■ Germany's nuclear industry may have found an unlikely backer in the fight against Bonn's tax plans

Power giants find an ally in reserves

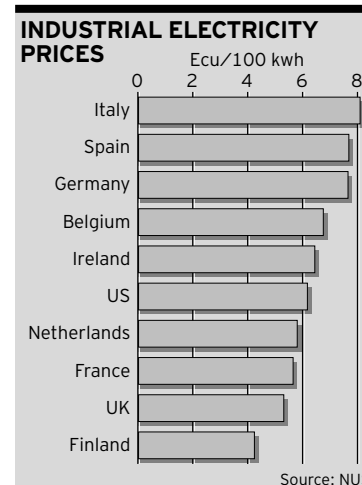
JEREMY GRAY

GERHARD Schröder, the charismatic Lower Saxony state premier, normally takes scant interest in environmental causes – unless, of course, they might help him to unseat Chancellor Helmut Kohl in next year's election. It could explain why Schröder, who also sits on Volkswagen's supervisory board, has suggested that Germany's huge energy utilities divert part of their reserves to fund green power projects.

The utilities, led by RWE, Veba and Viag, might yet warm to Schröder's idea. It is a counter-proposal to the draft tax reform which has become marooned in parliament and is under review before a mediation committee.

Theo Waigel, the finance minister, wants to tax the provisions the utilities take for their nuclear power operations. The pickings are tempting indeed, and should prove less tricky to realise than, say, the Bundesbank's gold reserves.

Since the 1970s, when the bulk of Germany's 20 nuclear generating units went on line, the industry (led by RWE, Veba and Viag) has accu-



mulated about Dm54 billion (\$31bn) in reserves for disposing or recycling hazardous material such as nuclear fuel rods, and for closing down the plants which use them, in keeping with Germany's long-term commitment to ditch nuclear power.

If it becomes law, the measure, which targets all corporate tax breaks for provisions, could raise tax receipts by Dm3bn next year and another Dm5bn in 1999. But it will also have to survive a court battle looming with

the utilities, which have accused Bonn of trying to plunder their coffers. RWE's chairman, Dietmar Kuhnt, has vowed to fight a tax on nuclear power reserves in the appeals courts if necessary, throwing a potential spanner into the works for the finance ministry's 1998 budget plans presented on 11 July. Other power generators are expected to follow suit.

While the dispute is primarily about tax, it raises the issue of whether these reserves were too high in the first place. According to Pierre Stienon, an energy sector analyst at American investment bank JP Morgan in London, Germany's listed utilities set aside about three times as much as their European counterparts for similar operations. What may be especially galling to their shareholders, moreover, is the knowledge that these funds are usually parked in short-term investment vehicles which ensure immediate access but paltry returns.

On top of that, Peter Rauen, a senior economic official in Kohl's Christian Democrats, has even accused German power managers of using the funds to finance acquisitions outside the industry, implying that they committed tax evasion. Another investment bank

OIL ■ Sales of strategic stocks pose dangers, writes Tony Patey

Desperate Germany to dispose of liquid assets

GERMANY'S plans to sell off oil stocks in its increasingly desperate search for ways of reducing its budget deficit to qualify for entry to the European single currency in 1999 could leave it badly exposed in the event of a major oil supply disruption. Its economy is

almost totally dependent on imported oil: 39 per cent comes from Norway and Britain, but 13 per cent comes from the potentially less stable Middle East, and another 24 per cent from mainly Islamic countries, such as Libya, in Africa. After failing to get the

go-ahead to revalue its gold reserves, Germany's announcement that it wants to raise cash by selling strategic oil stocks has alarmed industry researchers, who warn that a fresh crisis in the Middle East could severely hit the country's economy.

Scott Sullivan of the Paris-based International Energy Agency (IEA) said the impact of the German sell-offs, along with others announced by America, was minimal, but if western governments were to commence a concerted programme of oil stock sales it would be a worrying trend.



KAY NIETFIELD

Battleground: Germany's nuclear industry has \$31bn in reserves to dismantle power plants; Bonn wants to tax it

analyst says: "At times it's difficult to trace the financial source in some of their cash acquisitions, since most of the [German power] companies don't reveal their hidden reserves."

Curiously, the bill could prove a bane to consumers but a godsend to shareholders. Heinz Klinger, president of the German electricity industry association VDEW, maintains that taxing these reserves would raise prices of nuclear power, undermining the competitiveness of generators ahead of the European power market's liberalisation in 1999.

Thanks to the cushy conditions created by Germany's regional power suppliers, the country's power prices are already among the highest in Europe (see chart). And as it may take years for foreign rivals to gain a foothold in Germany, consumer organisations fear that tax increases would

pass straight down the lines to jolt end-users. Depending on the level of the tax, however, the bill could trigger a rise in industry net profits from next year as managers shift at least part of these funds into operating profits. As before, the draft law doesn't specify how much or how little should be earmarked as nuclear provisions, leaving plenty of leeway to circumvent the proposed tax.

RWE claims that of the Dm15bn which it has set aside for this purpose, only about Dm1bn would be affected in theory, implying up to Dm500 million in extra taxes. Privately, though, company officials are worried that the tab could be much higher, especially if Bonn slaps a levy on reserves for storage facilities of nuclear waste, raising the incentive for firms to employ these assets at the pre-tax level.

This is why Schröder's alternative

proposal should offer some consolation to the power producers, albeit not to Bonn's gaping coffers. The SPD's most popular (but undeclared) candidate to replace Kohl has suggested that instead of taxing the utilities' reserves, these companies should agree to donate to wind, solar and hydro-electric power projects, and to the development of energy-saving technology.

These funds could amount to investment in the industry as a whole, even if the donors were denied equity in the projects.

"I'd like to know who's against it," Schröder challenges.

He needn't bother to ask Theo Waigel, the beleaguered finance minister who has already pencilled in an extra Dm4bn in corporate tax receipts, including from the energy sector, for next year.

in an emergency. The oil shocks in the 1970s cost America alone a total of six per cent in economic growth, and a similar drop in gross domestic product today would set back America around \$75 billion a year for each percentage point fall.

America holds 42 per cent of the west's strategic oil stocks, and Germany ten per cent; yet, while America could nationalise some of its massive private oil reserves in the event of an emergency, Germany could not.

America is also currently selling off oil from its strategic stocks; the federal government, keen to cut its budget,

has sold nearly 30 million barrels of oil in the last 18 months, and more sales are in the pipeline.

Researchers say countries heavily dependent on oil imports need oil stock levels of about 90 days of imports to cope if there were a major disruption in supply.

America has 70 days' worth, Germany is above 90 days for now, but would come close to that level if it carried out all its plans.

Germany said up to six tenders will be held between August and the end of 1997 as it unloads nearly two million tonnes of oil reserves to raise around Dm400 million (\$228m).

PROPERTY ■ Portuguese complex which became a financial disaster is to be blown up by its owner

Last resort for holiday homes

KEN POTTINGER

THE new owner of Portugal's bankrupt Torralta holiday property company has a simple solution to improve its tawdry high-rise flats: dynamite. Belmiro Mendes de Azevedo, the 59-year-old head of Sonae Group, the country's biggest conglomerate, plans to blow up all six of the 14-storey tower blocks, as well as a number of holiday flats at the Troia complex 45km south of Lisbon.

De Azevedo, a self-made multi-millionaire, acquired the two property interests and a casino gambling concession at Troia in a deal which will see Sonae subsidiaries pay off Esc4.9 billion (\$29.4 million) of debt amassed by Torralta in back taxes and welfare contributions to the state. Sonae has a further commitment to ploughing Esc40bn into the debt-ridden resort which will see the group's strategy refocusing around tourism.

The deal is also the first stage in an attempt to resolve a financial black hole which has haunted 19 successive governments for 23 years.

Torralta was established in 1970 by Agostinho da Silva, a Portuguese property developer, as a timeshare and holiday resort group. The company went into financial decline after tourists and timeshare owners were frightened away by the 1974 revolution, which restored democracy to the country after 48 years of dictatorship. To save 500 jobs the state intervened but watched as Torralta accumulated Esc25bn in tax, social welfare and bank debts. Although in the mid-1980s Torralta still accounted for six per cent of Portugal's tourism revenue, by 1993 administrators had moved

in. De Azevedo now has a year to unveil redevelopment plans which will gear Torralta towards "quality tourism" and high spenders. He said he wants to build a yacht marina, a ferry terminal and an 18-hole golf course on the Troia nature conservation site. He also intends to develop beach amenities and sporting facilities, and to restore some Roman ruins.

Under threat, however, are the rare birds, flamingos, the fragile and unique dunar vegetation and dolphin habitat on the peninsula. De Azevedo said he will protect the environment at Troia, but added: "Without economics there is no ecology." He said if planning restrictions – aimed at preserving the beach and the country's last remaining wild coast – proved an obstacle, he would ask the government to change them. He is likely to be successful.

A state master plan covering the Alentejo coast from Troia to Odeceixe, further south, allows overall accommodation for 51,000 people – half the theoretical maximum the coast will support. But contrary to earlier assurances to a vociferous environmental lobby, the government has said Sonae may increase the number of beds in its Troia complex by 30 per cent.

The planning exceptions granted to Sonae have led to demands for equal treatment from other developers. At least seven more developers want to build along the coast, among them Santa Monica, which plans a 6,000-bed hotel, flat and tourist village complex occupying 10km of coastline south of Troia. Grupo Espírito Santo wants to turn its nearby forest plantation into a 7,700-bed beach development.



Sky high: the Torralta holiday complex will be dynamited by its new owner

BUSINESS

IN BRIEF

FRENCH luxury goods and drinks giant LVMH was on the defensive this week in its war of nerves with British drinks groups Guinness and Grand Metropolitan (GrandMet). The British companies said there may be a break-up of LVMH's Moët Hennessy drinks business, adding that secret talks between executives of all three companies had been held at an airport near London on a jet belonging to LVMH chairman Bernard Arnault. Arnault, who has stakes in Guinness and GrandMet, opposes their agreed £24 billion (\$38bn) merger, and has suggested a merger of the drinks businesses of all three companies instead.

A ROW over the proposed flotation of Formula One motor racing has broken out between two of the banks working on the \$3bn deal. Salomon Brothers, the American investment bank and lead arranger, has warned British bank BZW that it must choose between working on the flotation and advising Rupert Murdoch's British Sky Broadcasting on buying a strategic stake in the company.

BZW is one of four global managers arranging an initial public offering, postponed in July and rescheduled for November. Salomon Brothers says BZW must not use privileged information to help a third party. It insists that BZW stop advising Murdoch or be dropped from the flotation team.

SEVEN international banks have been asked by the German government for proposals on selling its remaining 35.68 per cent stake in national airline Lufthansa. Bonn is speeding up efforts to sell the stake, valued at around Dm4.5bn (\$2.4bn), by year-end. It is not known whether the sale will involve one bank or a group. The seven are ABN Amro Rothschild, Dresdner Kleinwort Benson, Deutsche Morgan Grenfell, Merrill Lynch, Morgan Stanley, SBC Warburg and UBS.

EUROTUNNEL's bankers now hold the key to the Anglo-French group's financial restructuring after shareholders backed it. The group is confident that the bankers will also give the thumbs-up by the autumn. Shareholders at the 10 July annual meeting in Paris approved the £9 bn (\$14.4 bn) debt restructuring by a majority of 98 per cent. Executive chairman Patrick Ponsolle said Eurotunnel was still negotiating terms with the British and French governments to extend its Channel Tunnel operating concession beyond 2052; the governments have agreed in principle.

BT chairman Sir Iain Vallance said he would not rule out abandoning the planned \$25bn merger with American long-distance phone giant MCI, following a surprise warning last week by its American partner of higher-than-expected losses - \$800 million instead of \$400m - from its move into the American local telephone services market. Analysts say the British group is more likely to renegotiate the price of the takeover than quit.

MERGER ■ Van Miert looks set to lose his battle with Boeing

Brussels plays its last card

HILARY CLARKE

THE EUROPEAN Union competition commissioner, Karel Van Miert, is staking everything on a last-minute showdown in his fight to block or limit the \$14 billion merger between American aircraft makers Boeing and McDonnell Douglas, which will create the world's biggest aircraft manufacturer.

Boeing has been given until 23 July to come up with improved concessions or face the uncertain prospect of the European Commission rejecting the deal. Although Brussels cannot legally stop the merger, it can levy huge fines against Boeing under its competition powers.

Despite a last-minute show of steely determination in the face of opposition from Boeing and Washington, it looks increasingly likely that Van Miert will have to accept far fewer concessions from Boeing than he had originally hoped for. On Tuesday, a day after an earlier deadline had expired, Van Miert took the unusual step of gaining the full approval of all 20 European commissioners for rejecting the concessions offered so far by Boeing.

But Van Miert's room for manoeuvre is limited. Neither Boeing nor McDonnell Douglas have any manufacturing facilities in Europe to penalise. If Van Miert imposes fines, he risks the European group Airbus suffering from American retaliation. The US anti-trust regulator, the Federal Trade Commission, has already approved the merger.

Although the dispute is technically between Brussels and Boeing, Washington could declare any fine against Boeing an illegal tariff and file a complaint against the EU at the World Trade Organisation. It could also impose sanctions against products from EU countries.

Lawyers representing Boeing in Brussels say that if the European Commission blocks the deal, they would be within their rights to claim that the commissioner had already overstepped his authority by making a

number of public statements against the merger. They believe it would be simple to cast doubt over his impartiality. Van Miert annoyed the Americans by claiming that the merger was anti-competitive before his department had fully investigated the deal.

Van Miert now has to ensure that he gains some extra concessions from Boeing in order to justify his brinkmanship. The Commission had originally wanted to force Boeing to sell off McDonnell Douglas's civil aircraft business, but this now looks unlikely to be conceded.

Boeing's acquisition of McDonnell Douglas will increase the company's 65 per cent world market share of civil aircraft sales to 70 per cent. Boeing officials, however, argued that forced divestment of McDonnell Douglas's civil manufacturing facilities would have killed that part of the company's business.

For example Finnair, one of a handful of European airlines still flying McDonnell Douglas aircraft, announced at last month's Paris Air Show that it was gradually replacing its McDonnell Douglas planes with Airbus. Likewise Alitalia, another



McDonnell Douglas user, is scaling down its investments in the aircraft.

On the contentious issue of Boeing's exclusive supplier contracts with three major American airlines, the Seattle-based company may yet offer further concessions. The agreements with American Airlines, Delta and Continental will prevent Airbus from selling aircraft to these carriers for 20 years. Critics of Van Miert argue that the agreements have less significance than the commissioner claims, because there are a number of other airlines, such as British Airways, which already use only Boeing products, with or without an exclusive deal. "Regard-

less of an exclusive contract they [BA] are a very good client for Boeing. They must get some discount, too," said an official.

The Commission is also still hoping to secure an agreement with Boeing under which the company will supply it with regular information about the amount of indirect subsidies it receives from Washington for the development of its defence-related business. The EU has long been concerned that the US exceeds the limit on indirect subsidies it is allowed to give its aircraft manufacturers under a 1992 bilateral agreement, and has sought to renegotiate the pact. If, after all the

someone gets realistic

of European engineers or financiers. Plane-making is precisely the area where Europe can retain competitive advantage over Asian tiger economies.

But to survive as a global force in aircraft production, European industry must stop regarding itself as strictly European, and see itself as a key player in a global industry. Instead of fearing the Americans, Airbus ought to be collaborating with them. If Boeing has absorbed McDonnell Douglas, would it not make sense for Airbus to take on shareholding from Lockheed-Martin (soon to be Lockheed Northrop)?

The restructuring of Airbus has been under consideration for years but, with a new dirigiste government in France,

Boeing 777: the Americans have the best hand

generation 747-700 and 747-800 aircraft. The new planes are scheduled to take to the European skies in October. However, EU government officials at the Joint Aviation Authority - the Netherlands-based body responsible for aircraft safety - have not yet approved the aircraft amid concerns about the positions of its emergency exits.

EU government officials are due to decide whether to carry out further investigations into the new Boeing aircraft on 29 July.

COMPUTERS ■ New ownership has changed little for PC maker

Key players keep falling as Olivetti spin-off struggles

RUTH SULLIVAN

OLIVETTI Personal Computers is not finding it any easier after being sent out into the world on its own. The former computer manufacturing division of Italian technology group Olivetti was sold to secretive American financier Edward Gottesman in January. But the change in ownership has yet to alter its luck.

Alessandro Barberis, chief executive of the computer firm's parent company Piedmont International, resigned at the weekend after only four months in the job; it adds another name to the list of hastily departing executives associated with Olivetti since last September when shareholders ousted Olivetti chairman Carlo De Benedetti over higher than expected losses at the computer division.

Sources close to Olivetti Personal Computers say that Barberis, a respected former Fiat manager, quit after falling out with Gottesman over the timing and method of recapitalisation of the company. Gottesman, who is chairman of the privately-held Centenary Corporation, and Piedmont's controlling shareholder, said last week that a long-awaited \$65 million recapitalisation of the company has been paid for in cash by unnamed shareholders and a \$75m credit line issued by London-based Merrill Lynch has already been drawn on.

But Gottesman's six-month delay in finding the shareholders to come up with the cash upset Olivetti, which still owns a 12 per cent stake in the company, and is trying to turn around the



Over and out: Barberis adds his name to the list of resignations

information technology group. The departure of Barberis will do little to help. In the first quarter of this year Olivetti has seen its market position slip to 12th in Europe from tenth last year; it was fifth in 1990-92. Its market share for the first quarter is down to 2.3 per cent from 3.5 per cent a year earlier, according to analysts Data-

quest.

Gottesman has yet to reveal the identity of the new shareholders and this has done little to add confidence.

Analysts have also been critical of the limited size of the capital injection and credit line. They say the invest-

ment is too small for a rapidly changing industry and for a company which has 1,600 employees and a clutch of suppliers to pay. Merrill Lynch had agreed to a credit line of \$100m, but reduced it to \$75m when the capital increase failed to materialise.

Until a chief executive is found to steer the company, Piedmont International said Olivetti PC, which is based at Scarmagno, near the Olivetti group headquarters in Ivrea, will be managed by an executive committee. Shareholders at next 21 July's extraordinary meeting will be keen to hear what they have to say.

AVIATION ■ Alitalia told to slim down in return for rescue

More cash for Italy's basket case

RUTH SULLIVAN

ALITALIA has won yet another state handout, the latest payment being worth \$1.6 billion to the ailing Italian airline. It will have to cut staff, cut the number of flights by ten per cent and freeze the size of its fleet. Also going are its 35 per cent holding in the Hungarian airline, Malev, its five per cent stake in an engineering company, Alfa Romeo Avio, and its shares in Rome, Naples, Rimini, Florence and Turin airports. But the chances are that Alitalia will be rattling the begging bowl again in a few years' time.

The state subsidy is Alitalia's second government rescue in eight years, although it was the first to fall under the European Commission's scrutiny through its "one-time, last-time" policy on airline bailouts. Alitalia's chief executive, Domenico Cempella, now has to sell the package to the militant Italian pilots' union, Anpac. Industri-

al disruption is on the cards. Istituto per la Ricostruzione Industriale (IRI), the state-owned holding company which controls the airline, has already pumped L1,000bn (\$570 million) of the government rescue funding into the carrier. The rest of the cash is to be handed over in three tranches over the next two years, supposedly only if the conditions of the Brussels plan are met.

Alitalia is widely regarded as a joke in the airline business. It has chalked up nine consecutive years of losses and accumulated \$1.7bn of debt. A succession of chief executives have struggled - and largely failed - to carry out a series of restructuring plans.

Under this latest plan, the Commission has also banned Alitalia from using government money to undercut domestic competitors. But the bloated workforce of over 17,000 is being cut by only 1,200, which suggests that Brussels has hardly driven

a tough bargain. The restructuring is supposed to put Alitalia into shape for privatisation. Alitalia is seen as the most difficult of IRI's rag-tag assortment of companies because of its reputation for loss-making inefficiency.

It is the last in a line-up of European airlines which have had state aid claims approved by Brussels, where the transport commissioner, Neil Kinnock, has developed a soft spot for supporting clapped-out airlines. Other carriers which have enjoyed Brussels' largesse include Air France, Spain's Iberia, Olympic of Greece, Portugal's TAP, and Ireland's Aer Lingus.

This time there is supposed to be no leeway for Alitalia to veer from the restructuring plan, which will be monitored by a commission seeking a profitable return on the government cash. Fat chance: Alitalia is likely to remain a basket case until the subsidy drip feed is cut off and it is sold to the private sector.

COMMENT

Airbus flying into trouble unless

WHILE the European competition commissioner, Karel Van Miert, fiddles around the margins of the Boeing merger with McDonnell Douglas, the crisis at Airbus Industrie remains stubbornly unresolved. It is symptomatic of Europe's industrial policy sclerosis that the Union is devoting its energies to a fruitless effort to inhibit an American business rationalisation, when it ought to be insisting that Europe rationalise its own industry.

Airbus was created in the traditional top-heavy European fashion by forcing together Europe's biggest aircraft manufacturers into an alliance that was overtly *contre les Américains*. The

resulting consortium has produced some good aeroplanes but at a high cost to European taxpayers - and with an insouciance to contemporary standards of industrial efficiency that is breathtaking.

Now, Airbus dreams of launching an aircraft even larger than the Boeing 747 (an investment of at least \$8 billion) and of extending into military transport aircraft, with a successor to the American Hercules (several billion more). Where will the money come from? Nobody seems to know (although Europe's taxpayers should guard their wallets). Who will be in charge? Nobody knows. What is the industrial platform upon which these

projects are to be based? Don't waste your time asking in Brussels.

Everyone knows that Airbus cannot continue as it started, the product of *dirigisme*. Yet the pretence continues that whatever happens, it must be structured so as to protect a "European" civil aircraft industry. The paradox of course is that the current arrangements virtually guarantee that there will be no civil aerospace industry left in Europe, unless Airbus is forced to face the future.

One thing must be plain from the outset. Europe has a major role to play in aircraft manufacturing. High value added, technologically complex projects are not beyond the ingenuity

FINANCE

MONETARY UNION ■ Germans have grown used to a strong deutschmark but the lure of the euro means the affair could soon be over

Torn between two lovers

BRIAN READING

IS THE German love affair with the strong deutschmark over? Perhaps not among the German people, but the bloom is certainly off Europe's benchmark currency. It looks like staying that way. The deutschmark has been allowed to fall 15 per cent against the dollar in the past year and 20 per cent against the pound. There has been no great public outcry or talk of a crisis.

True, Hans Tietmeyer, the Bundesbank president, has re-affirmed his affection, saying: "It's important for us that the deutschmark is a strong currency and stays a strong currency."

Yet the Bundesbank has done nothing to arrest its decline. German interest rates are lower today than they were a year ago (although thanks to membership of the European exchange rate mechanism, which includes Germany's main trading partners, the deutschmark's trade-weighted fall over the year has been a more modest five per cent).

Markets clearly believe that the love affair is over. The JP Morgan calculator uses interest rate spreads to calculate the odds on European Monetary Union (EMU) going ahead on schedule and which countries might be in from the start.

The calculator puts the chances of a narrow EMU, including Germany, France and Belgium, at 100 per cent, while on 14 July it showed that Italy's chances of first-wave membership had improved to 76 per cent (from 60 per cent four weeks earlier). The yield on Italian government bonds, which



Ship-shape and fiscal fashion: loaded up with cheap deutschmarks and heading towards Maastricht

exceeded those on German ones by three per cent last year, is now less than one per cent higher. A single currency, including Italy, will go ahead on schedule only if the Germans are willing to accept a weak euro. Many

people believe that deutschmark weakness is cyclical and temporary. Britain and America are booming and face the prospect of accelerating inflation. Germany, together with its continental neighbours, is slowly recovering from recession. German unemployment is high and rising. A weak deutschmark is what the economy needs to supply export-led growth. In a year or so, after the Anglo-Saxon economies have slowed and German growth accelerated, the deutschmark should recover lost ground.

Fears that currency weakness will fuel German inflation are probably exaggerated. The world does not work like that any more, as sterling's fall after leaving the exchange rate mechanism in 1992 proved. Exporters to the weak German domestic market will be reluctant to raise prices and lose sales. Instead their profit margins will be squeezed, even eliminated. Depreciations do more to lower profits and activity in countries whose currencies rise than to raise prices in countries whose currencies fall.

Yet the case for believing that the love affair with the strong deutschmark is over rests on solid ground. Germans are torn between the deutschmark and monetary union. There can be no single currency without a weaker deutschmark. The German recovery is at a more advanced

stage than France's. Output gaps calculated by the Organisation for Economic Co-operation and Development, which measure the spare capacity in an economy, put Germany's at -1.4 per cent of gross domestic product last year and France's double that.

WHILE output gaps are negative, economies can grow rapidly without inflation accelerating, as idle capacity is drawn back into production and unemployment falls. But once spare capacity has been used up and unemployment has fallen to what

economists call Nairu (the non-accelerating inflation rate of unemployment), policy must be tightened to slow growth to its sustainable non-inflationary rate.

This point will be reached in Germany, probably by 1999, a year or more before it is reached in France. The European Central Bank, if EMU goes ahead, will then face a dilemma. Should it raise interest rates to prevent the German economy from overheating, or keep them down to allow France to complete its recovery?

The Socialist victory in the French election showed that the French public will not accept a single currency in which unemployment must remain high to keep German inflation low. This is why the French want a broad EMU in which Italian votes can swing European monetary policy its way.

It is highly unlikely that the French president, Jacques Chirac, or the prime minister, Lionel Jospin, could force through a narrow EMU dominated by the Bundesbank against public opinion. Therefore, the issue is whether the German chancellor, Helmut Kohl, can force a broad EMU upon German public opinion, the Bundesbank and the German Constitutional Court (which claims to have the last say on whether the deutschmark can be scrapped for the euro). Opinions on this sharply differ. But if Kohl can force

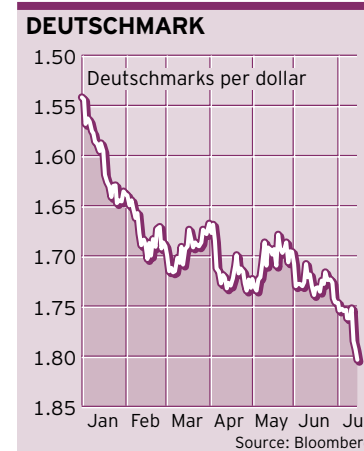


The award-winning series, *Timewatch* looks at the people and events of yesterday that still resound today - from the myth of the Spanish Inquisition to the forgotten heroes of World War II

Watch Sundays at 19.05 CET

BBC
WORLD™

BBC World is a trademark of the British Broadcasting Corporation.



through a broad EMU, it will result in steeper German inflation.

There is, however, a more fundamental reason why Germans are now likely to tolerate inflation and hence a persistently weak currency. Deutschmark strength, during most of the post-war period, was a consequence of the strength of the economy. Germany was a low inflation country in a high inflation world.

AT ANY given nominal deutschmark rate, Germany became increasingly competitive as its costs and prices rose less than its competitors. Provided the deutschmark did not appreciate in nominal terms too rapidly, its real exchange rate fell and its exports consequently boomed, delivering fast growth and low unemployment.

No wonder the Germans liked their strong currency. It was a potent symbol of their economy's virility. But the world has changed. Inflation has fallen everywhere. Other countries now match or beat Germany's performance. The German economy is more moribund than virile. A strong deutschmark is now the cause of economic weakness, not a consequence of strength. It leads to trade deficits, stagnation and high unemployment.

The belief that Germans fear inflation above all else is a myth.

When it comes to a crunch they hate unemployment even more. The fragile Weimar Republic survived hyperinflation together with harsh reparations demands and the French occupation of the Ruhr; it was the deflationary policies to keep Germany on the gold standard in 1930 which caused soaring unemployment, which brought Hitler to the Chancellery. In post-war Germany, recessions, not periods of inflation, have triggered the re-shuffling of party alliances and coalitions.

Germany and continental Europe now face an unemployment problem of crisis proportions. One-in-eight German, French and Italian workers are jobless, compared with fewer than one in 16 British and one in 20 Americans. German public opinion and the Bundesbank may not much fancy the spaghetti euro.

Many Germans have a gut feeling that they will end up being saddled with the need to underwrite Italy's public sector debts, running at double the Maastricht 60 per cent of GDP limit. But the alternative to going ahead with a broad EMU, if the French veto a narrow one, would probably be the breakdown of the exchange rate mechanism. Competitive depreciations by Germany's European trading partners would then make the deutschmark intolerably strong.

Deutschmark weakness is also a necessary condition for EMU to start at all. The flawed Maastricht convergence criteria dictate it. The budget criteria relate to the overall budget balance, which must not exceed three per cent of GDP. But the relationship between the budget and the economy is a two-way street.

Discretionary measures to reduce public spending and raise taxes slow

growth and raise unemployment. Slower growth and higher unemployment claw back part of the deficit reduction by raising public spending and cutting tax revenues. Economists call the effect of the economy on the budget the cyclical budget balance. They call the difference between the cyclical balance and the overall balance the structural budget balance.

The cyclical balance is, by definition, zero when an economy is working to full capacity. The actual budget balance then equals the structural balance. As a rough rule of thumb, measures which cut a structural budget deficit by one per cent of GDP reduce GDP growth by up to 1.5 per cent, which in turn increases the cyclical budget deficit by 0.75 per cent of GDP. The improvement in the overall budget deficit is then only 0.25 per cent.

To obtain a one per cent cut in the overall deficit, measures must be introduced to cut the structural deficit by four per cent, causing growth to slow by six per cent. This makes deficit reductions impossible unless the

effects of the fiscal tightening on GDP growth are neutralised by sufficient monetary easing to leave the cyclical deficit unchanged. The trouble is that the Maastricht exchange rate criteria limit the ability of ERM members to pursue independent monetary policies. They mostly need to cut budget deficits by more than Germany, but can only ease monetary policy by as much as the Bundesbank allows. Its decisions are based on German needs. Most have been caught in this trap.

France last year had a structural deficit of 2.6 per cent of GDP, against 3.1 per cent in Germany. But its economy was operating with more idle capacity so that its cyclical deficit was larger. The French overall deficit was thus 4.2 per cent of GDP against Germany's 3.8 per cent. France, which needed to do less fiscal tightening this year, was forced by Maastricht criteria to do more. But it could not cut interest rates below German levels without endangering the franc. The fundamental reason why countries are finding it so difficult to meet Maastricht budget targets is that the more depressed their economies become, the more they must deflate.

Deutschmark weakness, taking other European currencies (except the Irish punt) down with it, is a bonus. It may not do much this year to accelerate growth and lower cyclical deficits. But next year it will do more. Maastricht budget targets will be missed this year. But by next May, when the decision on EMU membership has to be made, growth prospects should have improved enough to put the four per cent target within reach, albeit a year late. It will be hard to delay or abort EMU on a technicality.

It is possible that German public opinion or the Bundesbank will scupper the project. But the deutschmark's collapse has lengthened the odds. It will no longer be a case of scrapping a strong deutschmark for a weak euro, but of exchanging weak for weak. While it is uncertain the Germans will buy the spaghetti euro, it is certain that if they do, their love affair with a

EQUITIES ■ Warnings of an imminent 'downward correction' seem unfounded. Traders take a deep breath and keep on buying

Bull market that is stamping out bears

RUPERT WRIGHT

EUROPEAN equities are overvalued. So buy now while stocks last. In the United States the stock market has defied gravity for the past two years. Each time the indices hit a new level, the bears issue a warning. Traders sit back, take a deep breath, then start buying again. Both the Dow Jones Industrial Average and the Standard & Poor's 500 are up 25 per cent from their lows in April. The Dow is poised to break through the psychologically important barrier of 8,000. "By the end of the year the Dow will be at 8,750," says Ray Acampora, director of technical research at Prudential Securities. "By the end of June 1998, it will be at 10,000. If you can't be bullish now, when can you be?"

European markets are catching on to the game. Most of the exchanges have hit record highs. There is no end in sight. Only twice before have European equity values been so high. Once in the summer of 1987, when the market took a sharp correction, and in the summer of 1990, which also ended in a steep fall. But American analysts have been saying that US stocks have been overvalued for more than a year, and that did not stop them. The London market's rise has been partly fuelled by international investors, who note that the gap in value between the Dow Jones industrial average and the FTSE 100 is at its highest since 1979. Analysts now say that the FTSE 100 will go even higher, with 5,000 being in range before year end.

"I can't see any reason for equities to crash," says Gary Dugan, European equity analyst at JP Morgan in London. "The only things that could go wrong are bad political news, such as the cancellation of European monetary union, or growing inflation in the US. But there is no sign of either." Nick Stevenson, equity strategist at SBC Warburg, agrees: "There are three things that could make it all go wrong - rising bond yields, falling corporate earnings and inflation. There is little sign of any of them at the moment."

German companies' earnings will be boosted by the weakening deutschmark. According to Stevenson, the DAX has much further to go. "September is the traditional season for analysts to visit companies," he says. "In eight of the past ten years, earnings forecasts have been downgraded. In the remaining two years, the news has been favourable. This year is expected to contain the best news yet: the weakness of the deutschmark,



Cheers: toasting Frankfurt's record highs

and linked currencies, against the dollar is forecast to produce stunning earnings."

Some investors in America believe that the market is going up because everyone thinks it will. "It is a self-fulfilling prophecy," says Michael Metz, chief investment strategist at Oppenheimer & Co. "Stocks are overvalued, and we are near the top of the market for the year."

In America and Europe, the rising levels are prompting fears of vertigo. Nervous investors are switching into bonds. Some equity buyers are moving to quality. "The key is to be in quality," says Alex Tarver, investment communicator at Gartmore Investment Management. "Europe is still cheap compared with America. If you back companies with quality management, decent order books, and a good attitude to their investors, you will be covered."

Bonds can also be useful for investors trying to predict what will happen with equities. "Bond markets are a good indicator of what is going to happen in stock markets," says a European strategist at Morgan Stanley. "Historically, bond markets peak between 30 and 50 weeks ahead of a stock market correction and the correlation between the two is closely related. Once the bond market turns, investors in equities should be wary."

Many people fear that there could

still be a major correction. "At what point do we start jumping out of windows? We'll have to wait and see," says Tarver. Spare a thought for a well-known London fund manager who has been bearish of the equity markets for more than two years. He has kept more than 20 per cent of his holdings in cash, and missed out on one of the biggest bull runs in the past 20 years. This has caused some amusement in the financial community, but he is adamant that his strategy is sound.

"The markets are more overvalued than they have been this century," he says. "This cannot be sustained. The risks are colossal."

He thinks that a market correction will not be triggered by a single specific event, but rather by a build-up of events that will lead to a lack of buyers. He tells the apocryphal story of an investor before the Wall Street crash in 1929 who bought 1,000 shares for \$10. Six months later the stockbroker phoned him up and told him that his shares were now worth \$20, and he should buy a further 1,000 shares. He did so. Six months later the broker called again and said the shares were now worth \$30, and he should buy more. The investor thought about it, but said he thought it was now time to sell. "To whom?" asked the broker.

Melanie Bien and Maggie Elliott contributed to this report

KATJA LENZ

SPECIAL REPORT **BT GLOBAL CHALLENGE**Sailing
against
the tide

As the boats return to Southampton, we chart the highs and lows of the unique round-the-world yacht race

ADRIAN MORGAN

WHEN the BT Global Challenge crews slip back up England's Southampton Water this week from their 33,000-mile (53,000km) slog upwind and against the currents, you will detect a gleam in their eyes, despite their having spent nine months aboard 14 brutally cramped 20-metre steel yachts. That gleam explains, better than words, what Sir Chay Blyth's yachting challenge has been all about.

Blyth, yachtsman, former paratrooper and survivor of many adventures, including a two-man row across the Atlantic and a solo circumnavigation of the globe, has never underestimated the willingness of men and women to endure hardship, privation and danger in the

search for adventure. Two round-the-world yacht races – the first sponsored by British Steel, this one by BT – have been based on the exploits of this stocky Scot, and crewed by paying amateurs.

In 1968, when Blyth set sail alone around the world against the prevailing winds, no one questioned his motives, but many thought he was quite mad. It was part of a seafaring tradition stretching back to Sir Francis Drake, and inspired by the recent voyages of Sir Francis Chichester, whose rather more patrician sailing exploits Blyth was to eclipse, claiming his solo non-stop record.

The pursuit of personal achievement is a strong force in the bland, risk-free world most of us inhabit. Europeans have caught the round-the-world bug in large measure, but Blyth's approach is peculiarly British: a daring commando-style raid on the

forces of nature by amateurs, in the spirit of Bulldog Drummond.

France has its share of sailing heroes, but they tend to flash at dizzy speed round the globe, often alone or astride outrageous catamarans and trimarans, not slogging to windward in sturdy steel barges. But then the British were always a little mad, they say, happy to bash heads against brick walls simply to enjoy the eventual respite.

Amid the euphoria and fireworks in Southampton this week, with the family reunions and tears of triumph, it will be as well to remember the scepticism with which the sailing establishment viewed Blyth's race when he announced his plan. Eight years later, no one questions his sanity or financial wisdom. He has made the search for adventure into big business. The sponsors who could not believe how little it cost to emblazon

their name on a floating advertising hoarding have seen tangible returns.

The race also has a human face. In place of the cautious, media-proof professionals of the Whitbread race and the America's Cup, with their emphasis on technology, grandmothers and firemen, school leavers and company executives all pitch into the fray, and for the most part smile through the worst of it. Many of them will go on to inspire others to go sailing.

The BT Challenge has demystified yacht racing. Schools throughout Britain followed the race. The day-by-day saga of blown-out sails and broken limbs and masts brought the adventure into everyone's homes, via television, the Internet and fax bulletins. Satellites kept track of progress, and daily reports from the yachts left nothing to the imagination. One disgruntled skipper called

it a nautical soap opera, but then we are all suckers for soap operas, especially those which involve high drama, and even mutiny, on the high seas.

Human nature dictated that the Challenge inevitably became a fully-fledged race. Yachts such as *Group 4*, *Toshiba* and *Nuclear Electric* are in a different league from the others. If there were to be a third edition of the race in its present form, the last vestiges of that admirable, plucky, but ultimately uncompetitive "have a go" attitude would find no place. Sponsors have discovered a taste for winning.

In 2000 Blyth will send his next fleet around again. It will, he hopes, be a far more international race. If that is the case, it will prove that this essentially British form of ocean racing can travel, making sailors out of ordinary folk of all nationalities.



Making waves: serious racing machines such as *Group 4* have changed the 'have a go' attitude that once characterised the race

Golding distils team spirit into trim vessel

DICK JOHNSON

HIS sponsor, Jørgen Philip-Sørensen, the boss of Group 4 Securitas, calls him the sailing fireman, his crew call him Goldie, and the opposition crews and skippers call him Golden Balls.

The world knows him as Mike Golding and the runaway leader for most of the BT Global Challenge round-the-world race, claimed to be the toughest yacht race in the world.

About halfway between Boston and Southampton, on the last leg of the race, the team aboard *Group 4* eased back into their usual place at the front of the fleet, and looked as though they would stay there to the line.

Just what is the secret of the success of Golding and his crew? After all, every one of the boats was precisely the same as the others in design and equipment, the crew had been

allocated to the boat on a random selection basis, and they all had the same time for training and preparation. So there should have been little difference between the boats.

In raw experience, Golding was definitely the fleet leader. He had been skipper of the same boat in the last round-the-world race, when he took second place less than a couple of hours behind the winner, and he had single-handedly sailed one of these 20m steel yachts round the world, non-stop, to beat Chay Blyth's record by no less than 125 days.

He had also been the skipper of the *Mumm 36* in the last UK Admiral's Cup team.

It was when you looked at the teams immediately after the finish of a leg of the race that the reasons for their success started to become clear. The crew were always to be found in their

best team clothing when out on the town. They sailed together and they played together. Then, after a day or so, they were back aboard *Group 4*, stripping winches, cleaning and inspecting, preparing for the next leg. Nothing was left to chance.

What about the sailing? Many of the other 13 yachts in the BT Global Challenge put just as much effort into their preparation, but on the water that white-hulled yacht somehow seemed to sneak through to the lead.

Take this last leg. It was always billed as the closest and the most intense. It was just 3,000 miles from start to finish, and every crew was keen to be first across the line to the cheers of the crowd.

As the early, light winds made progress a lottery, *Group 4* was always near the front, but never in the lead. Then, as soon as the wind settled, she

nibbled away at the leaders and popped ahead of them.

Team management and skills assessment were the key to Golding's success.

Some of the boats had an all-people-for-all-jobs policy, which gave everyone the chance to try every sailing position, but aboard *Group 4*, Golding spent a lot of time assessing the particular skills of each one of the crew.

He selected those with the touch and concentration to become helmsmen and women and trained them to perfection. He selected those with the balance, strength and co-ordination to work on the bow even in the roughest conditions and created his team of bowmen and women. It was the same for all the positions on the boat: he had a core group of specialists.

Every skipper of every yacht took

the helm for the first few hours of each leg, and the competition was intense and personal. After that, however, each skipper had his own way of handling the race.

Some took a watching role, supervising and controlling, and dealing with emergencies if they arose. But Golding liked to treat every tack and every change of wind strength or direction as the restart of the race.

There was no flash of brilliance that set *Group 4* above the rest; just exceptional team management that resulted in an exceptional team. Small wonder that they led the 33,000-mile race, having been beaten only once, on the leg from Wellington to Sydney.

Golding said before they left Boston: "My guys put in that extra ounce, spend that extra minute, put in that tiny extra effort that adds up to miles at sea and hours in front at the finish."

The answer is yes. What's the question?

Let's talk. *LT's proposed merger with MCI will create Concert plc, the first communications company for the world. And the most powerful.*

Will we operate a truly global network, servicing 43 million customers worldwide? Yes.

Will we provide tailor-made solutions to individual companies' requirements? Yes, yes.

Will we offer 24 hour multilingual customer service? Oui, je, si.

At LT, there's no such word as no.



Global Communications

Call us on +44 1179 217721 (Europe), +61 2 9269 1279 (rest of the world) or visit our website at www.btglobal.com

© 1997 BT and the BT logo are registered trademarks of British Telecommunications plc. MCI is a service mark of MCI Telecommunications Corporation. Concert is the trademark of BT and MCI subject to the necessary approvals.

SPECIAL REPORT BT GLOBAL CHALLENGE

Round the world in nine months

Storms, illnesses, a broken mast and a ship's mutiny tested the 14 yachts to the full

MALCOLM MCKEAG

FOR every crew volunteer enjoying or enduring Chay Blyth's "Adventure of a Lifetime", the nine-month, 33,000-mile race swung between extremes. On one hand lay the aching boredom of hour after hour, day after day, spent slowly traversing an empty ocean; and on the other, high drama and strong emotion.

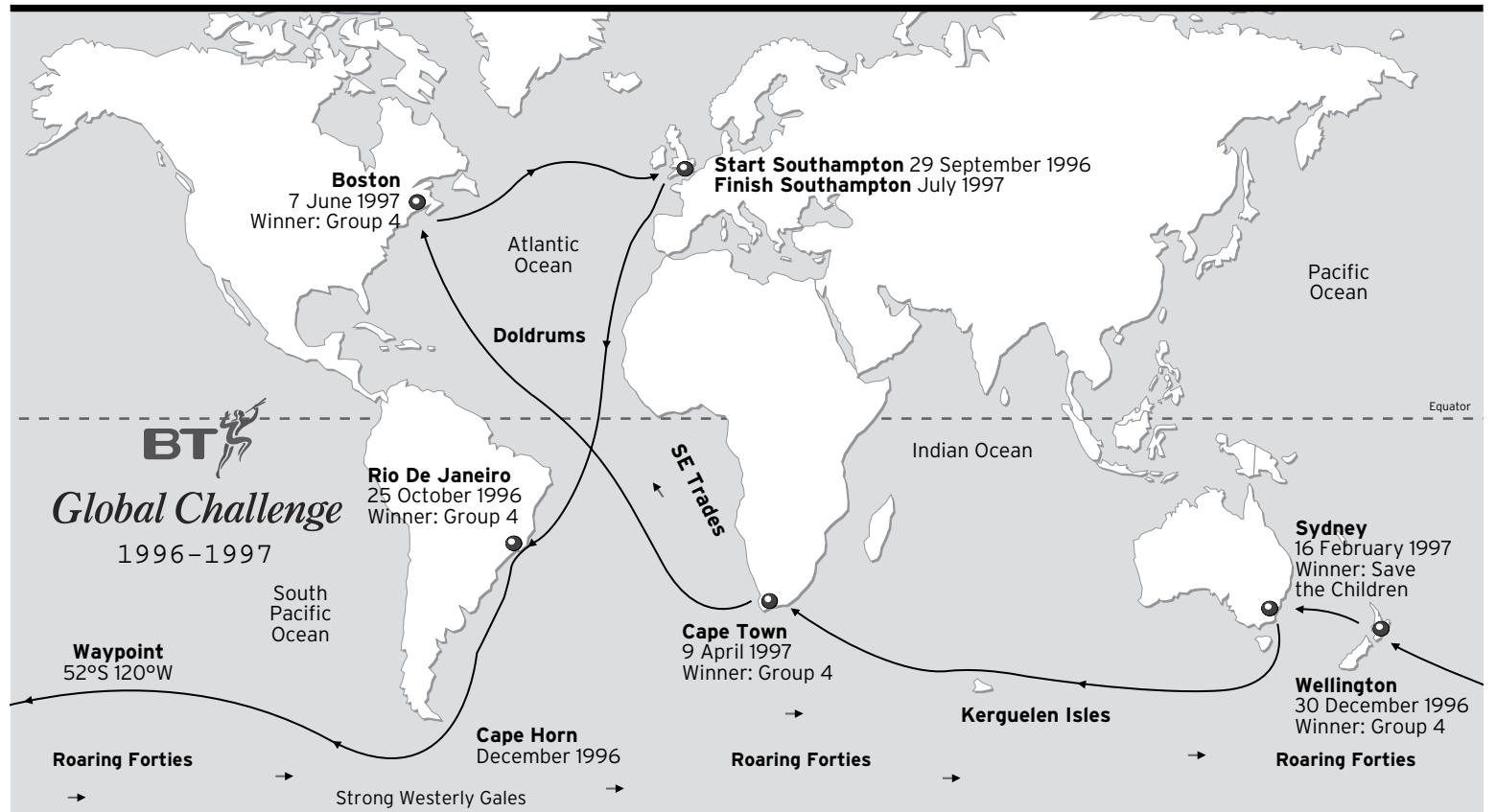
There were the moments awash on a rogue wavetop, being hurled along the deck with only a thin safety line between you and a long, cold swim; and then there were the stark beauty of icebergs regal in the Antarctic light and the sightings of whale and dolphin, albatross and frigate bird, all at home in their own domain.

Such things are familiar to most of us through wildlife programmes, but if you want to see them in the wild, where they rule and you are but a puny human, there is only one place to find them. You have to go to the Southern Ocean.

The race began last September in Southampton with 14 yachts beating down the Channel into the teeth of a full gale. A kinder fate would have waited awhile, and let things settle in, before turning up the toughness, but by the Bay of Biscay the weather had settled into pleasant sailing for the Atlantic crossing.

The first stop was Rio de Janeiro, Brazil, where the leg was won and a race pattern established when Mike Golding and his crew aboard *Group 4* arrived first. For the crews there was a chance to relax in the sun during the three-week stop-over. For Blyth and his organising team there was a first taste of what would be a recurring sensation: déjà vu.

Four years ago, when the round-the-world challenge was first run, a crew mutiny saw the skipper of one of the yachts replaced as the crews



arrived in the Brazilian port, and now similar rumours began to circulate. This time the yacht was *Time & Tide*, the disabled-crew boat, and the skipper under fire was James Hatfield, a multiple-bypass survivor, solo circumnavigator, and trans-Atlantic yacht delivery skipper.

Blyth called the crew together. The dissidents gave Blyth an ultimatum: he goes, or we go. Blyth took them at their word. They went. Hatfield and *Time & Tide* went on to beat four of the able-bodied boats in the next leg around Cape Horn to New Zealand, and again on the toughest leg of all, from Sydney to Cape Town.

There were two separate medical crises on the next leg, when crew

members from different boats had to be taken off. Kurt Kinast, a 36-year-old Australian and the mate aboard *Save the Children*, was transferred to a Royal Navy frigate. Rhian Jenkins, a crew member aboard *Global Teamwork*, was taken by helicopter.

There was more sense of déjà vu on 18 December, when, with Cape Horn behind it, but with just under 2,000 miles to go to New Zealand, the mast on the yacht *Concert* came crashing down. No one was hurt, but *Concert* was in deep trouble. In that part of the Southern Ocean being 2,000 miles from New Zealand means being a long way from anywhere.

For many, *Concert's* dismasting was

a defining moment, prompting a universal recognition that the yachts were on their own. There would be no frigates, no airborne chairlifts. Linked together by radio, the yachts formed a metaphorical defensive circle around their stricken sister. Those nearest stopped racing and diverted towards her, while the rest kept radio watch, ready too to give up their race to help.

Over the next few days there were mid-ocean meetings to pass over extra supplies of diesel fuel as the half-crippled yacht motor-sailed towards New Zealand.

The short sprint from Wellington to Sydney, a mere 1,200 miles, was an atypical respite, notable mostly

for the fact that Golding and *Group 4* did not win, beaten into third place by *Save the Children* and *Courtaulds International*. But the going got tough on the following leg, to Cape Town, when the yachts endured storms and high winds. This really was racing round the world the wrong way.

Boston, said some, was one stop-over too many. For the circumnavigator, every mile should be one nearer home, but here they were, having to divert to the wrong side of the Atlantic.

When *Group 4* won again, that further blunted the racing edge for those behind, so that the leaving of Boston hardly came a day too soon. Just one more Atlantic crossing to do.

SPONSORS

Great way of making new ties

WHAT sponsors get out of an event like the BT Global Challenge Round the World Race is directly proportional to the money, support and effort they put in, writes Dick Johnson.

Sponsors ranged from BT itself, which made a huge investment when it took overall support of the event, to the *Time & Tide* team, which started heavily in debt and raised money as it went along.

BT, with all its resources, achieved extensive publicity across the world. But *Time & Tide* also achieved prominence through its team of disabled sailors. Hard graft and persistence won it television time and press coverage. Who got the best

value? Well, both achieved their planned goals, so the outcome was an honourable draw.

BT, as part of its policy of supporting human endeavour, has had a long history in sponsoring sailing. It saw the chance to get involved with Chay Blyth's race as an extension of that and as a way of having greater control over the event than it had when it took part in the last Whitbread race.

The concept of racing around the world - coincidentally, to many of its main markets - was attractive. Throughout the race, BT worked to promote not just the event, but also its own role in it. There was coverage in the specialist press and from

yachting correspondents in the national dailies.

But stories which highlighted the efficiency of BT's global communications were seen as being most important for a conglomerate competing for a bigger stake in the ever-growing world of business communications.

The company also went out of its way to promote its involvement in areas other than basic communications. The successful Internet World Wide Web site, television documentaries, and even a planned multimedia CD have been essential to BT's promotional strategy centred on the race.

In some markets, such as Africa, BT's name is not as well known as it is in the UK, and so the race was one way to focus attention on it.

Group 4, the race leader, owed much of the motivation behind its sponsorship to the enthusiasm of Jørgen Philip-Sørensen, the chairman and chief executive.

He said: "Teamwork and training are vitally important. Where better to emphasise those qualities than in a race through the toughest conditions and with a crew that started largely inexperienced in ocean racing?"

Sørensen followed the race to every port, where he personally entertained clients and potential clients, and highlighted the success of his crew.

For *Time & Tide*, the budget minnow, just completing the race was a success. Its motto, "Sailing the latitudes to change the attitudes", defined its real goal. Susan Preston-Davis, the syndicate boss, badgered and cajoled to get television time. An early deal with ITN to feature the boat paid instant dividends. She made clever use of the ability of her diverse crew to conjure promotion from thin air.

Between the two extremes there were stories of success and of relative failure among the various sponsors. Commercial Union went to

considerable effort to maximise every moment. It re-cycled radio interviews, and pursued every story lead and every nuance that would result in more column inches. Others, such as *3-Com*, seemed to have shot their bolt in simply signing up a boat.

But the fact that so many of the sponsors were repeating past participation - among them *Group 4*, *Heath Insured* and *Nuclear Electric* - shows that they had received the right return from their investment.

And what about BT? Throughout the race they were in negotiations with Chay Blyth's organisation about sponsorship of the next Global Challenge, the millennium race in 2000. There will be changes, but the message will remain the same.

Peter Macleod, director of BT Global Sales and Services, said at the start of the race: "It's a great way of attracting new business and establishing new collaborations." That sentiment is the one that drives sponsors to return time and again.



After rounding the Cape, or battling through the Roaring Forties, what could be more appealing than the prospect of a relaxing drink and a change of clothes as the yacht nears port?

Thanks to Kay O'Neill, it was a racing certainty that at every stage of the BT Global Challenge, a full kit bag awaited every single intrepid crew member with fresh clothes and other items vital to personal comfort after gruelling weeks at sea.

But while solving the many logistical problems of ensuring regular supplies, we also had to tackle emergencies. Like sending a 26 metre mast half way round the world to meet a stricken yacht. Or arranging the collection, repair and return of storm damaged computers between each leg of the race.

All these challenges were met with the calm efficiency and application of worldwide expertise which typifies Kay O'Neill's approach.

We pride ourselves on our flexibility and utter reliability. Our sole objective is to mould our services around our customers' requirements.

In fact, Kay O'Neill is a company you can trust completely to ensure a smooth passage, whatever the conditions!



Global Challenge

Official Supplier of Yacht Logistical Support to the
BT Global Challenge Round the World Yacht Race 1996/7

Kay O'Neill

For more information on how we can tailor our services to your requirements call Bob O'Neill on 01753 684606.

AIR, SEA, ROAD AND RAIL TRANSPORT • INTERNATIONAL TRANSPORT AND DISTRIBUTION SERVICES • HEAVY LIFT
SALES / PURCHASE ORDER MANAGEMENT • SUPPLY CHAIN MANAGEMENT • WAREHOUSING / LEASE • PROJECT MOVEMENTS
SPECIALIST PRODUCT HANDLING • STOCK CONTROL AND INVENTORY MANAGEMENT • INTEGRATED LOGISTICS SERVICES

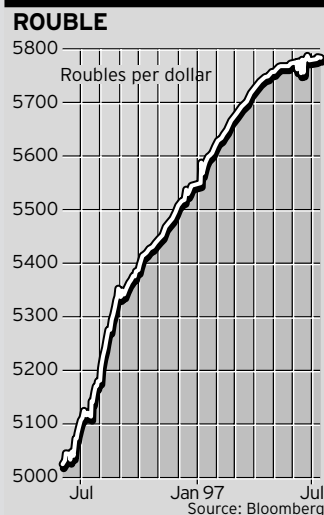
FINANCE

BANK NOTES

THE Russian rouble is back in demand. Having been in free fall since the collapse of Communism, the currency has appreciated by 2.8 per cent against the dollar in the past month. This includes an adjustment for inflation. According to a source at the Russian Central Bank, it may have to intervene to stop the rouble rising any further against the dollar.

Analysts are divided on the reasons for the shock appreciation. Some say that there is growing confidence in the rouble; others think that the new government's tax drive is forcing large companies, such as the energy company Gazprom, to convert millions of dollars into roubles to settle their debts. Another analyst puts it down to the flood of foreign investment pouring into the country.

A single rouble is barely worth the paper it is printed on: there are more than 5,700 roubles to the dollar.



SBC Warburg, a Swiss investment bank, and Brunswick Investment, a Moscow-based brokerage, are to set up Brunswick Warburg. The joint venture will combine the local knowledge of Brunswick, one of the first brokers to enter the Moscow market, with SBC Warburg's deep pockets. The move is a short cut for SBC Warburg to penetrate the lucrative Russian stock market, which is up 140 per cent this year.

In a separate deal, Swiss Bank is to form a strategic alliance with the Long-Term Credit Bank of Japan. The alliance is based on a belief that Japanese authorities are determined to transform the financial markets, leading to increasing opportunities for financial services. Each bank will take a three per cent shareholding in the other.

THE single currency could accelerate the chances of a settlement failure in the European securities market, according to a report by the International Securities Market Association. Concern centres on agreements to sell and repurchase bonds and other securities.

The association says that European governments must take action to prevent a crisis in the "repo" market.

CITY FOCUS ■ The Austrian capital's role as a regional financial centre is being threatened by EU expansion to the east

Vienna squeezed as borders widen

TOM HAGLER AND LOUISE POTTERTON

AT six o'clock every morning the so-called gold diggers' express train used to leave Vienna for Budapest, packed with prospectors heading east to make their fortune. That was in 1990, when the collapse of communism led to the opening up of central and east European markets. Fortunes were made and squandered. Austrian banks and Vienna's stock exchange took advantage of their links to the region, both geographically and politically. Vienna became regarded by some as the financial capital of the region.

The borders are opening wider, but this time Austria's financial markets may miss out. The European Union is preparing to allow Hungary, the Czech Republic, Poland and Slovenia to become members. Along with membership will come investment, competition and mature local financial markets. Austrian bankers fear that Vienna will lose its role as a financial centre. According to Michael Kremser, deputy general secretary of the Vienna stock exchange, EU expansion is the big unknown factor in any forecasting. "It will make east European countries more competitive by giving them easier access to currencies and markets and improve the competitive

position of these domestic markets," he says. "These countries will also become more attractive to investors. The big question is: which market will be chosen – the local market, the brokers' market or exchanges abroad such as the Vienna, Berlin and Munich?"

According to Thomas Brey, an economist and publisher of the newspaper *Austria Today*, Austria has been in decline as a regional financial centre for some time and this may well be accelerated by EU membership.

"Austria was in at the start for stocks in Hungary, Czechoslovakia and, to some extent, Poland when the Iron Curtain was lifted," says Brey. "Now, these markets are becoming more mature and Vienna is losing its dominant position. These countries will become even more dependent on the EU, rather than a specific country, when they join."

Analysts argue that Vienna's place as a financial centre was an invention by public relations executives. "We are the only major American bank in Vienna and it is definitely not a financial centre for the region," says a spokesman for Citibank. Even locals agree. "It would be an overestimation to compare Vienna at any time with Paris, London or Frankfurt but it is still of financial importance as far as the east European market is concerned," says Marianne Kager, chief economist at Bank Austria. "If Austrian banks



Wheel of fortune: Vienna may have to get off

offer better infrastructure and technology, there will be a chance to develop further as a financial centre in the region," she adds. Since the boom days of 1991, the Vienna stock exchange has been virtually silent in relation to east European stocks. Of the 40 listed companies, only five are now from central or eastern Europe.

"After the euphoria of the opening up of borders in the early 1990s everyone thought Hungary would soon be on the same economic level as Germany or Austria and this affected prices on the stock exchange," says Kremser. "But expectations were too high and the prices went down. There were some bankruptcies and then there was no trading in east European stocks on our exchange."

Vienna is going to try once more. The Vienna exchange is committed to breaking into the central and east European markets with a renewed attempt based on new technology. It will begin operating in September. The exchange will expand its capacity for listed companies from 40 to 260. It expects that 15 to 20 per cent of those will be east European.

"There is interest again in the

region," says Kremser. "Austrian banks have built up an important position in Hungary, Prague and Bratislava. We aim to work with Austrian banks by using their information about companies and customers. If it works, we can become a big player on the east European stock market." One of those banks is Creditanstalt, which has been taken over by the country's largest bank, Bank Austria. It now has the largest influence of any western bank in central and eastern Europe, focusing especially on merchandise and acquisitions.

"Having bought Creditanstalt, we're stronger than ever," says Kager. "If these countries become EU members they will have to follow EU banking laws so business will become easier. More banks from EU countries will move east, but we have been there ten years and have an advantage because we have much more knowledge about these markets. We also have a benefit in language and personal contacts. Austrians understand east Europeans better than people, say, in Britain. Stretching back over the days of the Empire, we have been dealing with these countries for centuries."

CURRENCIES ■ EMU and a rampant British pound are causing problems for Ireland

Pressure on the punt leads to speculation

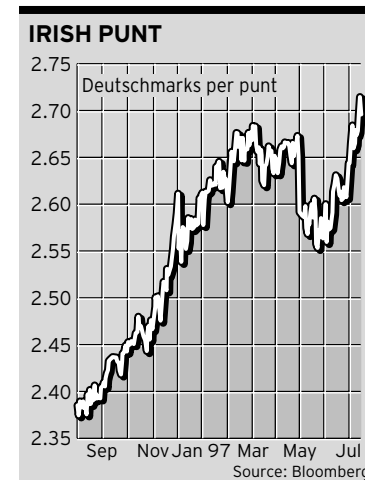
DOUG PAYNE

THE wave of currency speculation which has successfully attacked the Malaysian ringgit, the Thai baht and the Czech crown, has found a new European target – the Irish punt.

"With the Irish currency hovering around 13 per cent above the weakest currency within the European Exchange Rate Mechanism (ERM) grid, there is much talk of devaluation," says John Power, a treasury analyst at the Bank of Ireland. "With sterling set to appreciate, pressure on the Irish punt will persist."

The punt's strength has been boosted by its relationship to sterling and the weakness of the deutschmark. Even though the punt has not been linked officially to the pound for more than 20 years, the market

sees obvious parallels. Speculators continue to think that as long as the United Kingdom accounts for a third of Ireland's export sales, there is



a clear link. "A rampant British pound is posing problems for the Irish punt, which slipped earlier this week to close at £0.89 while trading above Dm2.71," says Power.

Since the Amsterdam summit last month, the Irish punt has remained around Dm2.60, well above its central rate in the ERM. There is a determined belief in the markets that the Irish government intends to enter European Monetary Union at or near the central band rate (about Dm2.41), which leaves the currency as a prime speculative target.

This has been further reinforced by the belief that monetary union will be a broad-based affair with as many as 11 members, leading to an initially weak euro.

There have been several prolonged bouts of speculation against the punt this year. When then-finance minister Ruairi Quinn said in April

that he was "somewhat concerned" about the strength of the currency, there was frantic selling. Ireland's central bank ploughed more than Ir£1.2bn (\$1.8bn) into a futile exercise to maintain the level. A further wave of selling in June was prompted by uncertainty over France's and Germany's ability to qualify for monetary union.

Dermot O'Brien, head of economic research at NCB Stockbrokers in Dublin, says that the best option would be to negotiate a higher rate for the punt to enter the single currency. "Moving the parity level upwards would remove all the incentives to sell the currency," he says.

But that presents a political problem. A revaluation of an ERM currency against the deutschmark is unlikely to attract much support at present in Germany.

WEALTH ■ George Soros, the scourge of the currency markets, finds that his money can't buy him love in Belarus

The unwelcome philanthropist

MIRANDA ANICHKINA AND
TIM CASTLE

GEORGE Soros has discovered that making money is easier than giving it away. The 65-year-old Hungarian-born financier and philanthropist spent \$362 million last year funding his worldwide network of charitable institutions. He will spend as much this year. But not all of it is welcome, particularly in Belarus.

The Belarus president, Alexander Lukashenko, former collective farm boss and self-professed admirer of Stalin and Hitler, has decided to take Soros on. Lukashenko reckons that if he can be the first leader to force Soros's charitable foundation out of a country permanently, the political gains will be incalculable. Many believe his sights are ultimately set on the Kremlin and the time when his dreamed-of reunification with Russia creates a slavish superstate.

The dictatorial leader of Belarus rules by decree, muzzles the press and throws political opponents into jail. He has already caused Washington, Europe, the International Monetary Fund and the World Bank to halt millions of dollars in aid programmes. He has expelled American businessmen and "biased" Russian TV reporters.

But the multi-billionaire Soros is, in the eyes of many former Soviet citizens, Mr West – the enemy personified. It is no accident that the first foreigner expelled under Lukashenko was the Soros Foundation's director in Belarus, an American called Peter Byrne. His departure in April came as Lukashenko accused the Foundation of supporting opposition parties – an accusation Soros strongly denies.

In May, Lukashenko, via his tax officials, raided the Foundation's bank account, emptying it of nearly \$3m to pay spurious taxes and fines. Soros wrote a furious letter to Lukashenko accusing him of illegal and politically-motivated activity. "Your government is acting unilaterally to close the Foundation by seizing its bank account," said Soros. "This indicates that the effort to close the Foundation is politically motivated and lacks a basis in law."

The Foundation then suspended its operations in Belarus, although its spokeswoman, Veronika Begun, says the office is not closed altogether. Soros has said that he would like to stay in Belarus, but not at any price.

"The main aim of George Soros's philanthropy is education, supporting an independent media and creating an environment for open, critical thought," says Frances Abouzeid, a Soros Foundation spokeswoman. "This is something the authoritarian leaders find difficult."

Soros, who recently opened offices in the central Asian states of Mongolia, Tadjikistan, Uzbekistan, Azerbaijan and Armenia, had spent \$13m in



LEIMDORFER

Quantum leap: persona non grata

Belarus since opening there in 1994 on more than 20 programmes supporting education, science, ecology, art, economics and civil society.

Soros is no stranger to accusations of political intrigue. The Belarus row comes a year after the communist and nationalist-dominated Russian parliament, the Duma, accused Soros workers, who were funding scientific projects, of being American spies.

In Croatia three senior executives of his Open Society Foundation face legal proceedings over charges of tax evasion totalling \$485,000. In Serbia the Belgrade chapter of the Open Society was shut down for four months last year before being allowed to reopen after international pressure. In Poland the Catholic church accused his Batory Foundation of having connections with freemasonry. In the Czech Republic Soros fell out with

President Vaclav Klaus over the foundation of his Central European University in Prague – Soros moved it to Budapest. In Hungary Soros is vilified in the nationalist press for his Jewish origins, which does no credit to his home country.

For many former Soviets, Soros is the enemy personified

Soros also had to restructure his Russian operation, which owns GTS, the country's second-largest telecoms company, when he found employees had diverted funds to Swiss bank accounts and bought luxury cars. Undaunted, he is still pouring money into Russia, where he has offices across the country. This year he has given \$3m to education, \$100m for an Internet network at 32 universities and a website in the Kremlin Armoury linked to the Metropolitan in New York and the Louvre.

George Soros's financial empire continues to prosper. His vast wealth – he

is said to be worth \$5 billion and have an annual income of around \$600m – is based on his powerful offshore investment funds. Linked under the name Quantum and run from New York by Soros Fund Management, they are among the best-performing in the business.

The biggest and oldest, the flagship Quantum Fund, is up 18 per cent this year, while the Quota Fund, run by freelance fund managers around the world, has produced a 45 per cent return. All are hedge funds, which magnify their investing power by borrowing extra cash and taking highly speculative positions in equities, bonds, currencies and commodities.

The combined worth of the Quantum funds is around \$14.5bn. Their power was most famously exercised in sterling's withdrawal from the Exchange Rate Mechanism in 1992, when Soros boasted he had made \$1bn. The Quantum funds have been in action driving down the Thai baht, despite the Bank of Thailand spending \$20bn to support its currency.

IN BRIEF

RUSSIA's former first deputy finance minister, Andrei Vavilov, now head of the country's fifth-biggest bank, cut short a holiday to deny charges made by Sergey Dubinin, chairman of the central bank, that he misused more than \$500 million of government money.

Vavilov, president of the International Company for Finance and Investment, is accused of authorising Unikombank, another Moscow-based commercial bank, to use the money to trade dollar-denominated government bonds instead of using it to pay the government's bills.

THE Hungarian government expects at least three international telecoms companies to bid for a stake in MKMTel, a new national phone company which will compete with Matarv, the state phone company. Unisource of the Netherlands, Germany's Mannesmann and Bell Canada of Montreal are understood to be interested in bidding.

The government wants an international telecoms company to operate MKMTel, which has yet to start operations. Matarv is the monopoly provider of local, international and long-distance phone calls in Hungary. MKMTel will be 51 per cent-owned by Hungarian companies, including oil and gas company MOL and MAV, the state railway operator, which will have a 25 per cent stake.

THE Export-Import Bank of the United States has signed an agreement with Kyrgyzstan which sets the stage for possible financing of American exports to the former Soviet republic. The so-called "project incentive agreement" provides a framework for financing American sales to Kyrgyzstan, with repayment based on export revenues. The bank said the agreement is a first step in opening a new emerging market for exporters.

A LOAN of Ffr15 billion (\$2.5bn) for Bouygues Telecom, part of the construction company Bouygues, is in syndication. The proceeds will finance the construction and development of Bouygues' mobile telephone network, which it is building in France. Banque Nationale de Paris, ABN-Amro, JP Morgan and Westdeutsche Landesbank are arranging the ten-year loan.

POLAND and the Czech Republic are counting the costs of their worst flooding in living memory. According to Josef Lux, the Czech minister of agriculture, there has been more than Ck12bn (\$353.2m) worth of damage to crops and livestock.

Polish stocks fell as the damage in southern Poland raised investors' concerns about the effect on corporate profits. The Warsaw stock exchange's benchmark WIG Index fell 2.3 per cent to 15,1012. Shares hit hard include Remak, a producer of boilers, and Olawa steelworks.

FINANCE

INVESTMENT ■ A crisis of confidence is keeping fund managers away from the FTSE index

Rising interest rates put shine on gilts

MELANIE BIEN

THE threat of rising British interest rates over the coming months is encouraging fund managers to turn their backs on British equities and pile into gilts.

Is the highest number of investors for more than three years buying government bonds this month, steering clear of the ever rising FTSE share index as it moves closer towards breaking the 5,000 barrier.

The monthly Merrill Lynch/Gallup poll of 66 European institutions, managing \$550 billion of funds, shows that buyers of gilts outnumbered sellers by a net balance of 29 per cent in July, the highest since December 1994. The net balance refers to the difference between the percentage of fund managers who are positive about a market and those who are negative about it.

These fund managers were keen

sellers of British equities, outnumbering buyers by 17 per cent, a considerable change from nine per cent in June and three per cent in May. Meanwhile, American equities were bought and sold in equal amounts.

Bijal Shah, global strategist at Merrill Lynch, says the rise in interest rates earlier this month by a quarter of a point to 6.75 per cent, and the feeling among fund managers that rates could go higher, created this crisis of

confidence. "It is true that investors make most of their money when they buy equities while interest rates are falling," he says. "They don't make any money by buying equities when rates rise, which is why it is better to stay away from British equities until rates start to come off again, which probably won't happen until 1999."

With the expectation of higher interest rates, economic activity is

unlikely to strengthen over the next year, with earnings-per-share forecasts on average lower for both this year and next. Merrill also believes the potential dividend income from British equities has been lessened by the abolition of the advance corporation tax credit in the Labour government's first budget at the beginning of the month.

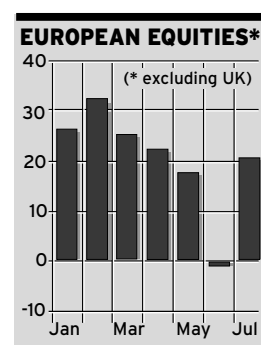
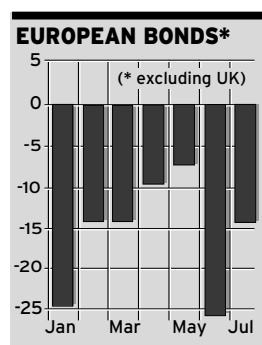
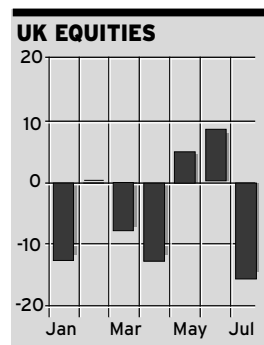
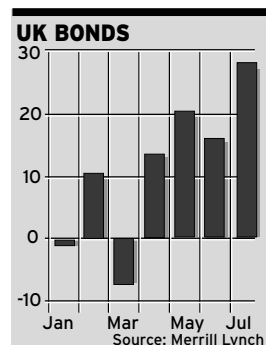
"I didn't think the swing would be so dramatic with that number of

managers switching," says Shah. "This could persist for a number of months, while interest rates continue to rise."

The picture in mainland Europe is very different. Fund managers there have a bullish outlook on European equities, increasing exposure to these markets while reducing commitments to British equities.

"Investors on the continent should be doing the exact reverse of investors in Britain," he says. "What we are seeing in Britain will happen on the continent in time, but this will be far in the future. The rest of Europe is not seeing the interest rate rises Britain faces, so continental investors should switch from bonds to equities."

In mainland Europe, 21 per cent of institutional investors renewed their interest in buying equities, although fewer were selling domestic bonds, with sellers down to 14 per cent from 25 per cent in June.



METALS

Copper price surge will melt away

THE seasonal lull in demand for copper means global stockpiles are at their highest levels for eight weeks. However, a shortage of metal for immediate delivery, compared with three-month delivery, is pushing the price up to \$240-\$260 a tonne from its \$130-\$140 level at the end of last week.

Although the rise in the premium for copper for immediate delivery is welcomed by traders after a copper crisis seemed to be emerging last month, this interest may be a blip. Traders expect the tightness to continue for the next two weeks before returning to more predictable levels, after prices were down 30 per cent in June.

Summer prices are usually low for the entire season, with demand slowing as American and European factories shut down for annual maintenance. More bad news for the copper industry is that analysts expect global production to exceed consumption in the latter half of the year, further weakening prices.

Amanda Sells, commodities analyst at UBS, says: "Downward pressure continues, and as yet there is no real positive divergence to support an imminent return to strength."

London Metal Exchange data show that stockpiles of most other metals have fallen. High-grade aluminium is down 1,625 tonnes to 661,925 tonnes, nickel down 288 tonnes to 52,824, lead down 50 tonnes to 116,800 and tin down 15 tonnes to 11,930.

EMERGING MARKETS ■ South America is coming into its own

Argentina may prove the safest bet

CHRIS BUTLER

WHAT a difference a decade makes. After suffering a debt crisis in the 1980s South America is now emerging as one of the safer developing markets for international institutional investors.

Information group DRI/McGraw-Hill has analysed the world's ten largest emerging economies, looking at 50 factors such as government policies, economic pricing and domestic and economic risk factors.

The *Country Risk Review* concludes that Argentina and Mexico are among the countries expected to have the lowest investment risk of emerging markets over the next five years.

"Solid economic growth fuelled by a rapid increase in exports, as well as sound fiscal and monetary policy, a stable peso and relatively low interest rates, lead us to believe that over the

EMERGING MARKETS World's ten largest	
Low-risk investment	High-risk investment
● Argentina	● South Africa
● Poland	● China
● Mexico	● Indonesia
● Turkey	● Russia
● India	● Brazil

Source: McGraw Hill

next five years Argentina will pose the lowest business risk of the ten largest emerging markets," says Nariman Behravesh, DRI's chief international economist. Mexico is seen as the third lowest business risk behind Poland.

Poland is considered low risk because of its revival in industrial output and construction and falling inflation and unemployment. The Polish economy is in its third consecutive

year of growth in gross domestic product of five per cent or above, a trend which could benefit emerging market investors over the next five years.

Of the ten markets analysed, South Africa was rated the riskiest, with signs that growth is declining and unemployment and inflation rising. Mineral and agricultural output are stagnant or declining and consumer debt is at a dangerous level.

China was ranked as the next most risky investment market, and one which could present a serious threat to global market stability. The main problem is that China's banking system has a very large share of non-performing loans. Analysts suggest that up to 40 per cent of China's \$600 billion of outstanding loans is not being repaid or receiving interest. Banking reforms may contain matters in the short term, but the risk of a serious debt problem will continue to mount.

SHARES

Italy's hopes rest on prompt EMU

ITALIAN shares still have a lot further to run. Assuming European monetary union takes place in 1999 and that Italy is in the first wave of countries to sign up, there is scope for a further fall in short-term interest rates, which will boost equities.

Research chief Richard Davidson at investment house Morgan Stanley Dean Witter believes that short-term rates in Italy could fall by two per cent by the end of next year. Movements in short-term interest rates have had a larger impact on equities in Italy than any other European market.

As in other countries, long-term rates are a more important driver for the equity market, but in Italy there is little separating the two measures.

The main gainers in Italy would be insurance companies and banks, which are sensitive to interest rate changes.

DEBT FINANCE ■ Companies are tempted by low interest rates and a surplus of francs

France back in fashion with foreign borrowers

MELANIE BIEN

FAVOURABLE interest rates and low inflation are making France the first choice for foreign companies trying to attract investment.

Firms such as Chicago-based food giant Sara Lee and countries such as Spain have become active borrowers in France, attracted by the billions of francs from bond redemptions and high savings for which fund managers have to find investment homes.

Mark Capleton, international bond

strategist at BZW, says most demand is domestic. "Foreign investors haven't been buying French bonds," he says. "They are typically underweight in France and usually prefer to hold German bonds for their extra yield. It is domestic ownership in France which is very high by European standards."

French interest rates are the third-lowest in the world and inflation is at a 40-year low. France is expected to be among the founding members of the single European currency in 1999, which should help keep rates and

inflation stable. Also, by issuing debt in francs convertible into euros after 1999, borrowers gain a presence in a debt market that has the potential to be second in size to America's. French banks and insurers have plenty of cash to invest, with job insecurity and 12.5 per cent unemployment encouraging the French to save.

But these circumstances could change if economic growth accelerates from its sluggish levels. "If the economic cycle improves, the excess liquidity we are seeing at the moment

will be mopped up," says Capleton. "As the surplus of savings diminishes, countries and firms will need to find investment from elsewhere."

This week ten-year bonds worth Ffr3 billion (\$507 million) were sold to finance infrastructure projects by the Council of Europe. These were priced initially to yield 12 basis points more than the benchmark ten-year bond, but strong demand caused the price to rise and the yield to fall to 11 basis points the day after issue.

OFFSHORE

Magnum Advisors lower entry level

MAGNUM Fund Management has launched a set of funds which have substantially lowered its usual access requirement. The four new funds, called Magnum Advisors Funds, all invest in Magnum's fund of funds, but carry a minimum investment of \$10,000.

The Advisors Fund follows a balanced investment strategy, allocating its portfolio among all the investments Magnum makes. The Conservative Fund emphasises the preservation of capital and the avoidance of volatility. It is based around a holding of the existing Magnum Special Situations Fund.

The Growth Fund invests in growth-oriented hedge funds managed by many of the world's top fund managers, while the Guarantee Fund follows the same strategy as the Conservative Fund but offers a guaranteed return of 35 per cent over five years. All the funds are domiciled in the Bahamas. Contact: +1 242 328 4677 or www.magnumfund.com.

Govett targets global brands

JOHN Govett Asia is promoting an international Global Brands Fund, domiciled in Singapore. It will be investing in limited companies that own globally recognised product brands. Govett names BMW, Coca-Cola and Sony as examples of the stocks the fund will be interested in.

The portfolio will include around 35 to 40 stocks, primarily from the US, Britain and continental Europe, although there will also be limited exposure to Japan and South Korea.

The fund is denominated in Singapore dollars. The minimum investment is S\$5,000 (\$7,000). There is a five per cent front end sales fee, with a 1.5 per cent annual management charge. Contact: +65 336 9123.

Sabre blunts risk with trading pairs

SABRE Fund Management has announced the public launch of its Market Neutral Fund. The fund began trading on proprietary capital earlier this year and is designed to achieve target returns of 30 per cent per year with no directional market risk.

Its automated strategy is focused on trading pairs of FTSE 100 securities, one long and one short, in order to obtain the relative performance of the two. Back-testing the strategy over a five-year period has indicated returns of 30 per cent a year, with a maximum peak-to-trough draw of less than ten per cent. The fund is an open-ended Bermuda-based investment company. The minimum investment is £50,000 (\$80,000), with a two per cent annual management charge. Contact: +44 (0)171 316 2800.

MARKETS ■ Prices are soaring but strategists are starting to get vertigo

Spain climbs to the top of the ladder

CHRIS BUTLER

SPAIN was the clear winner among European equity markets during the three months to the end of June as share prices soared by an average 12.5 per cent.

On the Madrid exchange, prices rose by nearly 27 per cent in local currency terms and by more than a fifth when measured in US dollars, sterling or deutschmarks. Spanish equity prices were spurred on by further declines in the yields of domestic bonds as investors decided that there was less gain to be made in fixed interest securities compared with shares.

In sharp contrast to Spain, British equities ended at the bottom of the performance league table in the second quarter, rising by just 5.3 per cent in sterling terms and little better in most other currencies, apart from the deutschmark, where British equities showed an 11.5 per cent improvement. The disappointing performance of UK shares reflected political worries and problems of the strength of sterling affecting exporters' profits.

Following the sharp price rises in European equities in the past three months, more global equity strategists are getting nervous about the future. According to strategist Mark Howdle of UBS Global Research: "On a fun-

BEST AND WORST PERFORMING STOCKS IN EUROPE					
Best			Worst		
Stock	% Change Relative to Europe	Relative to local index	Stock	% Change Relative to Europe	Relative to local index
Puleva Union	54.1	71.1	BSkyB	-33.0	-29.2
Philips	43.6	60.7	Thomson-CSF	-28.8	-20.3
FCC	34.0	49.4	BTR	-27.0	-22.9
Rolo Banca 1473	30.7	43.0	HPI	-26.6	-19.8
Volkswagen	29.6	45.0	Bouygues	-22.4	-13.7
BG	28.7	36.0	Peugot SA	-20.8	-11.4
Banco Central Hispano	25.2	39.5	Bayer Hypo	-20.1	-10.6
Banco Bilbao Vizcaya	24.8	39.0	Granada Group	-18.5	-13.9
Swiss RE	24.7	35.0	AGF	-18.5	-8.8
Banco Popular	24.6	38.9	RAS	-17.7	-13.0

Source: UBS Global Research

damental valuation basis, most European markets seem unlikely to maintain the level of returns generated in the first half of the year."

On the basis of its own valuation figures, the investment house believes that Germany, the Netherlands and Sweden are the most expensive markets in Europe, whereas Britain and Italy look closer to fair value.

Although partly justified by falling inflation rates and low interest rates, most markets are trading on price-earnings ratios significantly above their historic averages and at a level that cannot be justified by forecast earnings growth. This is also historically true on the basis of dividend yields, which have fallen further than can be

explained by market fundamentals.

For those markets for which valuation relative to bonds is important for institutional investors, UBS suggests that only Britain and France offer fair value. Germany, Spain and the Netherlands look between 15 and 20 per cent overvalued, while the Netherlands looks the most expensive of all, at more than 30 per cent overvalued relative to bonds.

Looking at the more specific equity winners and losers over the past three months, the main growth sectors have been pharmaceuticals, followed by electronics, support services and telecoms. These sectors significantly outperformed the more cyclically sensitive stocks



Source: FT/S&P world indices (except Portugal)

STOCKS ■ Migros' move on Globus fuels renewed interest in a Sfr78bn market

Hungry retailers push up Swiss store shares

WHEN the Federation of Migros Co-operatives said earlier this month that it planned to buy Magazine zum Globus for Sfr705 million (\$481m), Globus shares were not the only ones to rise. The retailers' index has gained around 13 per cent this month on expectations that the purchase by Migros, the country's biggest retailer, won't be the last as the economy expands after a six-year slump.

Other companies are jockeying for position in the Sfr78 billion retailing market. Manor, Switzerland's biggest department store chain, and Coop Schweiz, the second-biggest retailer, are expected to join Migros in building market share to fend off foreign competitors such as Metro of Germany, Europe's largest retailer.

Next in line to be bought may be Usego Hofer Curti, controlled by Swiss entrepreneur Beat Curti, who is 60 this year, and Denner, a closely held retailer owned by 80-year-old Karl Scherri. Neither Curti nor Scherri has heirs, which makes their businesses prime targets for rivals.

Usego Hofer Curti has risen 23.4 per cent since 24 June when it formed a joint venture with Metro. Prodega,

a supermarket wholesaler also controlled by Curti, has soared 56.6 per cent since Metro bought a 5.05 per cent stake in the company on 21 May.

"Prodega has a good share of the Swiss market. In the long term I can see Metro increasing its stake in Prodega," says Patrick Hasenboehler, an analyst at Zürcher Kantonalbank. Prodega is the twelfth-biggest in the Swiss market with sales of Sfr911m.

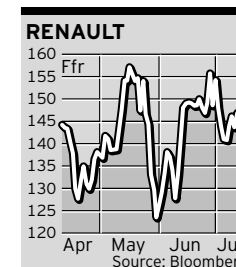
Metro has said it will spend Dm670m (\$457m), or about a third of its investment this year, on international operations and acquisitions, having derived just five per cent of last year's sales from abroad.

Last week, Metro said it was in talks to buy the Dutch SHV Holding's European warehouse stores for an estimated Dm5.2bn to expand beyond a stagnant German market.

Both Metro and Carrefour, France's largest publicly traded food retailer, are also seen as likely predators in Switzerland because Migros, with sales totalling more than Ffr16bn, will probably face antitrust resistance to further purchases in the food sector.

BLOOMBERG NEWS

BROKERS' BUYS



Renault set to accelerate

DESPITE strong performances across Europe's car making industry, the French market has lagged behind as expectations point towards first-half losses. But Salomon Brothers is recommending that investors buy shares in Renault amid forecasts that the climate for car production will improve, with favourable exchange rates and new product programmes.

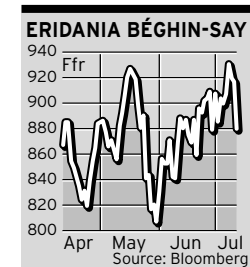
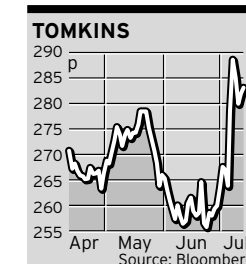
John Lawson, autos analyst at Salomons, sees Renault's situation improving once "cost-reduction efforts start showing up in the bottom line". Salomons thinks shares will reach Ffr170.

Tomkins changes tack

TOMKINS, the British industrial group, is being recommended to investors by Panmure Gordon after a change in strategy.

After husbanding the group's cash resources to pursue a £1.5 billion to £2bn purchase in an unrelated activity area, they have conceded that such purchases are unavailable at realistic prices in today's bull markets.

It has now been accepted that there is a need to use some of the surplus cash for share buybacks and a long overdue sifting of its portfolio of businesses. Charles Pick of Panmure Gordon believes the share price will go up to 278p.



Fresh growth for Eridania

ERIDANIA Béghin-Say, the French agro-industrial group, is recovering from two years of disappointing growth, mainly caused by poor harvests and rising raw material costs. But Williams de Broë recommends that investors buy shares - a decision made after signs of moderate growth this year. The crushing and refining division, the largest in terms of sales but historically the least profitable, expects to show a turnover of 35 per cent this year and a steady improvement in margins after 1997. This month share prices fell back from Ffr930 to the brokers' buy level of Ffr880.

MARKETS EUROPEAN 500

Surging dollar boosts exporter stocks

CURRENCY markets were the main influence on global bourses last week. As the dollar surged forward against most major currencies, it boosted share prices of European exporting companies. Germany was initially one of the main beneficiaries as the dollar hit a six-year high against the deutschmark, which is extremely useful for companies such as car maker Daimler-Benz and chemicals group Bayer.

The strength of the dollar was also reflected in

the Swedish stock market, where companies such as Ericsson will see the value of its US sales soar when translated back into krona.

Even though the dollar slipped back later and US shares drifted lower following an increase in US retail sales in June, it failed to seriously undermine the strength of European shares.

In London, the FTSE 100 briefly moved through the 4,900 barrier as investors ignored the strength of sterling which is damaging the profits

of British exporters. The British market was spurred on by takeover talk in the financial sector with suggestions that troubled NatWest is still a target for potential predators such as Barclays.

In Frankfurt, the DAX ended the week in positive territory, as did the CAC in Paris and the AEX in Amsterdam. After its recent strong gains, Madrid was suffering from profit-taking, as was the Swiss market.

CHRIS BUTLER

SECTOR INDICES

Sector	Index	% change Week ago	% change Year ago	12 month High	12 month Low
Banks	2427.9	2.9	70.9	2427.9	1392.7
Chemicals	2720.7	1.9	34.8	2720.7	1902.6
Drinks & Tobacco	3527.4	1.7	32.8	3527.4	2560.1
Engineering	2364.9	2.0	57.7	2369.7	1430.5
Financial & Conglomerate	2361.8	0.4	40.9	2858.0	1489.1
Food	3867.9	-0.4	43.0	3893.8	2583.5
Health & Pharmaceuticals	9533.9	2.5	63.0	9533.9	5321.5
Insurance	1824.2	4.0	54.4	1824.2	1158.7
Leisure	1806.8	0.5	2.0	1933.1	1580.0
Media & Information	3422.1	1.4	12.0	3593.1	2809.8
Metals	3383.6	0.5	36.6	3446.8	2421.2
Motors	1539.9	1.3	58.9	1539.9	924.8
Oil	4033.9	-0.4	56.6	4133.6	2460.1
Paper & Packaging	1902.2	5.4	20.9	1903.6	1362.5
Property & Construction	1290.3	2.6	33.4	1290.3	946.8
Retail	3217.3	5.6	49.9	3217.3	2087.4
Transport	3469.9	5.0	61.4	3469.9	2097.0
Utilities & Telecoms	3385.1	0.3	57.4	3402.5	2079.5

STOCK MARKETS

Market	Index	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	949.2	3.4	76.0	949.2	512.8
Athens	General	1591.8	2.8	75.7	1733.1	873.0
Brussels	Bel-20	2501.3	0.3	47.7	2504.5	1652.6
Budapest	BTI	7412.7	2.4	132.8	7412.7	2865.5
Copenhagen	Stock Market	632.3	3.8	53.1	632.3	404.2
Dublin	Ireland SE	3539.5	1.6	44.3	3539.5	2395.2
Frankfurt	Dax	4124.2	2.9	61.7	4124.2	2447.8
Helsinki	Hex	3424.4	2.3	70.1	3424.4	1935.6
London	FT-SE 100	4899.3	3.0	32.5	4899.3	3632.3
Madrid	Madrid SE	621.4	-0.4	73.4	628.2	347.0
Milan	Mibtel	14104.0	2.4	42.1	14104.0	9284.0
Oslo	OBX	676.0	0.0	47.2	676.8	437.4
Paris	CAC-40	2950.7	0.7	45.4	2950.7	1954.1
Prague	Stock Market	506.7	-0.3	-6.7	629.0	476.7
Stockholm	Affarsvarlden	3206.6	1.4	65.5	3206.6	1845.1
Vienna	Credit Aktien	439.6	0.3	21.2	441.7	349.2
Warsaw	WIG-20	1528.6	-2.4	8.6	1894.9	1288.1
Zurich	SPI	3685.4	-2.2	53.0	3768.8	2240.7
New York	Dow Jones	7923.0	-0.5	48.1	7962.3	5346.6
Tokyo	Nikkei	20069.4	1.1	-7.7	21612.3	17303.7
Hong Kong	Hang Seng	15487.2	4.7	43.4	15487.2	10585.9
Pan-Europe	IndEUR Blue	3068.5	0.3	42.6	3068.5	2152.0
Pan-Europe	IndEUR 250	2725.1	1.6	36.0	2725.1	2004.4

Company results

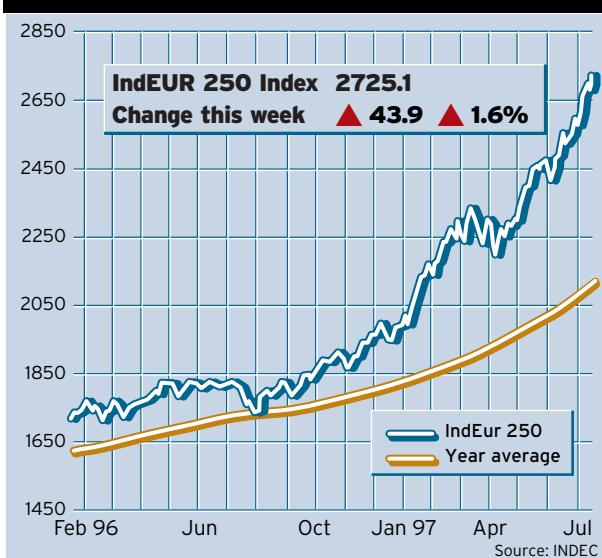
SWEDISH group SKF, the world's largest ball-bearing maker, is suffering as demand from its core European motor industry remains weak and costs continue to increase. Profits in the second quarter fell to Skr602 million (\$78m) from Skr664m, leaving the half-year total at Skr1.1bn

compared with Skr1.2bn previously. SKF's early release of earnings traditionally sets the trend of profit expectations for other global Swedish industrial companies. The group says it is seeing some increase in demand outside western Europe, which should help sales in the second half.

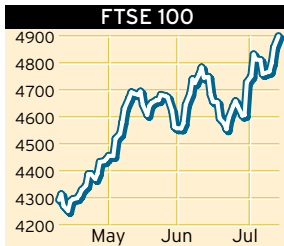
REPORTED RESULTS FOR THE SEVEN DAYS ENDING 15 JULY

Date	Company	Country	Sector	Period	Profits (m)	Current	Previous
9 July	British Biotech	UK	Biotech	12 months	£	-29	-25
9 July	Dixons	UK	Retail	12 months	£	200	102
9 July	Remy Cointreau	France	Drinks	12 months	Ffr	36	120
9 July	Wagon Industrial	UK	Engineering	12 months	£	-47	20
10 July	Goode Durrant	UK	Motors	12 months	£	26	21
10 July	GPA	Ireland	Finance	12 months	\$	105	54
15 July	Banco Popular	Spain	Banking	6 months	Pts	31.4bn	30.1bn
15 July	SKF	Sweden	Engineering	6 months	Skr	1.1bn	1.2bn

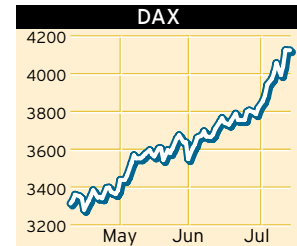
INDEUR 250



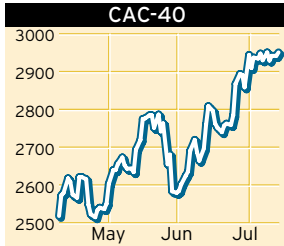
LONDON



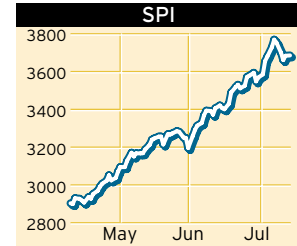
FRANKFURT



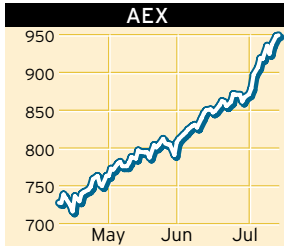
PARIS



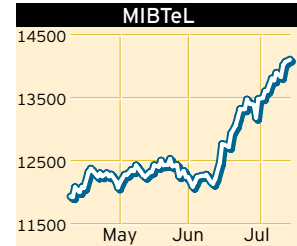
ZURICH



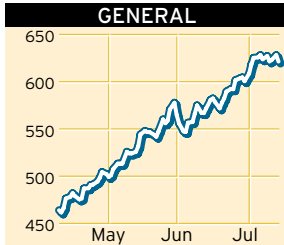
AMSTERDAM



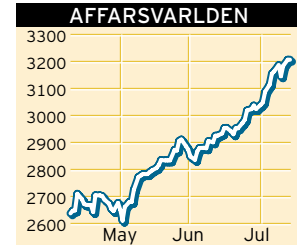
MILAN



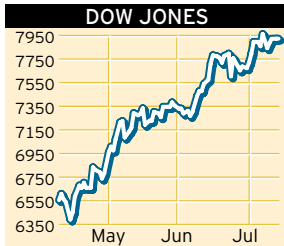
MADRID



STOCKHOLM



NEW YORK



TOKYO



THE EUROPEAN 500

The European 500 is a listing of Europe's top 500 companies measured by market capitalisation. Our main index, the IndEUR 250, is a pan-European benchmark index of 250 listed companies in the EU and Efta, weighted by gross domestic product and total market capitalisation of each country. Highlighted companies comprise the IndEUR Blue index of Europe's top 75 firms, measured by market capitalisation. IndEUR is based at 1,000 points on 1 January 1987. The yield figure for individual companies represents the latest total annual dividend as a percentage of the current share price. Sector yields represent the average yield of companies in the sector.

Banks	▲ 2.9%
	Yield 2.33%

Company	Country	Price	Change	%change	Yield
Abbey National	UK	£ 8.55	+0.01	+0.1%	3.80
ABN-Amro Holdings	Netherlands	fl 46	+4.60	+11.1%	2.25
Allied Irish Banks	Ireland	Ir£ 5.05	+0.01	+0.2%	
Alpha Credit Bank	Greece	Dr 19435	+640	+3.4%	3.78
Argentaria	Spain	Pts 9250	+350	+3.9%	2.88
Banca Commerciale Italiana	Italy	L 4406	+231	+5.5%	3.77
Banca di Roma	Italy	L 1575	+225	+16.7%	1.73
Bancaire (Cie)	France	Fr 732	-14	-1.9%	1.36
Banco Bilbao Vizcaya	Spain	Pts 12940	+300	+2.4%	1.56
Banco Central Hispano	Spain	Pts 6000	+130	+2.2%	1.81
Banco Com Portugues	Portugal	Esc 3308	-101	-3.0%	2.13
Banco de Santander	Spain	Pts 4695	-30	-0.6%	3.39
Banco Exterior Espanol	Spain	Pts 2780	+0	+0.0%	4.14
Banco Popular Espanol	Spain	Pts 35990	-3060	-7.8%	2.77
Banco Port Atlantico	Portugal	Esc 2800	+255	+10.0%	
Banesto	Spain	Pts 1480	+10	+0.7%	
Bank Austria	Austria	Sch 640	-48	-7.0%	1.88
Bankinter	Spain	Pts 26600	-1120	-4.0%	2.31
Bank of Ireland	Ireland	Ir£ 7.22	+0.20	+2.8%	
Bank of Scotland	UK	£ 4.28	+0.11	+2.6%	2.41
Bankgesellschaft Berlin	Germany	Dm 38.45	+1.65	+4.5%	0.25
Barclays Bank	UK	£ 12.53	+0.35	+2.9%	3.19
Bayerische Hypobank	Germany	Dm 56.96	+3.81	+7.2%	0.25
Bayerische Vereinsbank	Germany	Dm 77.70	+4.87	+6.7%	0.20
BBL	Belgium	Fr 9510	-290	-3.0%	1.94
BHF Bank	Germany	Dm 46.10	-0.50	-1.1%	0.31
BNP	France	Fr 256.50	+3.20	+1.3%	2.15
CCF	France	Fr 256	+2.20	+0.9%	2.26
Cetelem	France	Fr 703	-21	-2.9%	1.41
Christiania Bank	Norway	Kr 26	+1.10	+4.4%	5.87
CLF Dexia France	France	Fr 575	+5	+0.9%	2.76
Commerzbank	Germany	Dm 52.50	+1.80	+3.6%	0.25
Creditanstalt	Austria	Sch 533.50	+21	+4.1%	2.22
Credito Italiano	Italy	L 3600	+15	+0.4%	1.59
CS Holding	Switzerland	Fr 202	-7.25	-3.5%	1.98
Den Danske Bank	Denmark	Kr 743	+22	+3.1%	2.16
Den Norske Bank	Norway	Kr 30	+1.50	+5.3%	5.80
Deutsche Bank	Germany	Dm 106.40	+2.90	+2.8%	0.17
Deutsche Pfandbrief	Germany	Dm 96.90	-5	-4.9%	1.44
Dresdner Bank	Germany	Dm 70.80	+5.75	+8.8%	0.22
Generale Banque	Belgium	Fr 14750	+25	+0.2%	2.65
HSBC	UK	£ 20.84	+1.22	+6.2%	2.56
IKB Industriebank	Germany	Dm 35.50	+0.80	+2.3%	0.34
IMI	Italy	L 27901	+2139	+8.3%	2.11
Kredietbank	Belgium	Fr 14825	+300	+2.1%	1.75
Lloyds Bank	UK	£ 6.97	+0.30	+4.5%	2.44
Mediobanca	Italy	L 11300	+85	+0.8%	1.74
Merck	Germany	Dm 75	-0.50	-0.7%	1.67
Merita	Finland	Mk 20	+0.10	+0.5%	0.99
National Westminster	UK	£ 8.55	+0.16	+1.9%	4.22
Paribas	France	Fr 408	+0.80	+0.2%	3.15
Royal Bank of Scotland	UK	£ 6.33	+0.17	+2.8%	3.81
San Paolo Torino	Italy	L 14088	+152	+1.1%	1.94
SBC	Switzerland	Fr 410	-20	-4.7%	3.59
Schroders	UK	£ 17.70	+0.15	+0.9%	1.42
S-E Banken	Sweden	Kr 91	+1.50	+1.7%	3.01
Societe Generale	France	Fr 700	+6	+0.9%	2.53
Sparbanken Sverige	Sweden	Kr 182	+6.50	+3.7%	0.96
Stadshypotek	Sweden	Kr 190	+0	+0.0%	4.74
Standard Chartered	UK	£ 10.04	+0.27	+2.8%	1.86
Suez (Cie de)	France	Fr 16.25	+1.60	+10.9%	7.59
Svenska Handelsbank	Sweden	Kr 250.50	-3	-1.2%	1.96
UBS	Switzerland	Fr 1679	-61	-3.5%	1.89
Unidanmark	Denmark	Kr 438	+40	+10.1%	2.28
Worms & Cie	France	Fr 338.10	-10.90	-3.1%	2.76

Chemicals	▲ 1.9%
	Yield 2.48%

Company	Country	Price	Change	%change	Yield
AGA A	Sweden	Kr 110.50	+2	+1.8%	2.43
Air Liquide	France	Fr 972	+2	+0.2%	1.44
Alko	Netherlands	fl 281.50	+5.70	+2.1%	2.67
BASF	Germany	Dm 68.40	+1.13	+1.7%	0.25
Bayer	Germany	Dm 74	+1.73	+2.4%	0.23
BOC	UK	£ 10.60	+0.13	+1.2%	3.48
Clariant	Switzerland	Fr 965	-6	-0.6%	1.03
Cookson Group	UK	£ 2.05	+0.20	+10.8%	5.53
Courtauld	UK	£ 3.11	-0.02	-0.8%	1.81
Degussa	Germany	Dm 92.60	+0.10	+0.1%	0.14
DSM	Netherlands	fl 225.40	+18.90	+9.2%	4.12
Ems-Chemie	Switzerland	Fr 6790	+15	+0.2%	2.21
Gevaert Photo-Prod Cap	Belgium	Fr 3280	-25	-0.8%	1.68
Henkel	Germany	Dm 104.50	+0.10	+0.1%	11.85
Hoechst	Germany	Dm 81.40	+2.85	+3.6%	0.17
ICI	UK	£ 8.90	+0.72	+8.9%	4.55
Laporte	France	Fr 6.33	+0.28	+4.6%	5
Montedison	Italy	L 1126	-44	-3.8%	1.74
Rhone-Poulenc	France	Fr 259	+3	+1.2%	1.34
Schering	Germany	Dm 197	+3	+1.5%	0.10
Sidel	France	Fr 441	-6.90	-1.5%	1.02
SKW Trostberg	Germany	Dm 59.60	+0.60	+1.0%	1.66
Solvay	Belgium	Fr 21500	-875	-3.9%	2.5

Changes since last week. Prices as at market close on Tuesday 15 July 1997. IndEUR 500 Index and sector movements adjusted for currency fluctuations. Compiled by IndEUR Ltd, fax: +44 (0)171-228 7170. Also available in real-time on CNN International TEXT and on Reuters financial screens. Key in pages IPCD IPCE IPCF IPCH. For individual RICs consult Reuters

Drinks and Tobacco

▲ **1.7%**
Yield **3.06%**

Company	Country	Price	Change	%change	Yield
Allied Domecq	UK	£ 4.56	+0.18	+4.1%	6.52
Bass	UK	£ 8.50	+0.84	+11.0%	3.77
Carlsberg A	Denmark	Kr 365	-3	-0.8%	0.93
Grand Metropolitan	UK	£ 6.07	-0.06	-1.0%	3.23
Greenalls	UK	£ 4.67	+0.41	+9.6%	4.11
Guinness	UK	£ 6.05	-0.06	-1.0%	3.28
Heineken	Netherlands	Nfl 335	-10.90	-3.2%	1.05
Imperial Tobacco	UK	£ 3.62	-0.10	-2.7%	
LVMH Moët Hennessy	France	Fr 1579	-21	-1.3%	1.30
Pernod-Ricard	France	Fr 306.40	-0.90	-0.3%	2.71
Scottish & Newcastle	UK	£ 7.50	+0.61	+8.9%	3.67
Seita	France	Fr 186	-0.20	-0.1%	3.57
Tabacalera A	Spain	Pts 8140	-560	-6.4%	2.08
Whitbread A	UK	£ 8.48	+0.73	+9.4%	3.59

Engineering

▲ **2.0%**
Yield **1.93%**

Electrical and Electronic

Company	Country	Price	Change	%change	Yield
Acerinox	Spain	Pts 27620	-1380	-4.8%	1.40
ABB AB	Sweden	Kr 110.50	-2	-1.8%	1.58
ABB BBC	Switzerland	Fr 2118	-157	-6.9%	1.67
Asea Brown Boveri	Germany	Dm 635	+14	+2.3%	3.03
ASMC	Netherlands	Nfl 163	+37	+29.4%	
Atlas Copco	Sweden	Kr 228	+7	+3.2%	1.62
Barco	Belgium	Fr 7700	+240	+3.2%	0.61
BICC	UK	£ 1.73	+0	+0.0%	8.98
Cap Gemini Sogeti	France	Fr 372.40	+19.30	+5.5%	0.53
Dassault Systems	France	Fr 420	+7	+1.7%	4.00
Electrocomponents	UK	£ 4.40	+0.26	+6.3%	2.24
Electrolux	Sweden	Kr 640	+27	+4.4%	1.93
Ericsson B	Sweden	Kr 328.50	+9	+2.8%	0.76
GEC	UK	£ 3.68	+0.14	+4.1%	4.35
Getronics	Netherlands	Nfl 72.60	+4.60	+6.8%	0.42
Incentive	Sweden	Kr 698	-2	-0.3%	1.44
Legrand	France	Fr 1145	+55	+5.0%	0.72
Nokia	Finland	Mk 423	+18	+4.4%	0.82
Oce-Van Der Grinten	Netherlands	Nfl 264.50	+0.50	+0.2%	1.15
Philips	Netherlands	Nfl 151	+7.70	+5.4%	1.08
Premier Farnell	UK	£ 4.63	+0.12	+2.7%	3.25
Rheinelektra	Germany	Dm 1240	+0	+0.0%	1.21
Sagem	France	Fr 3092	+2	+0.1%	0.83
Saipem	Italy	£ 9362	-163	-1.7%	1.49
SAP	Germany	Dm 409.80	+11.80	+3.0%	0.06
Schneider	France	Fr 336.50	+7.10	+2.2%	1.51
Sema	UK	£ 14.09	+0.32	+2.3%	0.54
SGE Carbon	Germany	Dm 251	-4	-1.6%	0.88
Siemens	Germany	Dm 114.20	+45	+5.0%	0.13
Technip	France	Fr 699	+13	+1.8%	1.51
Thomson-CSF	France	Fr 163.50	-9.40	-5.4%	1.65

General

Company	Country	Price	Change	%change	Yield
Alcatel Alsthom	France	Fr 772	-3	-0.4%	1.31
British Aerospace	UK	£ 13.43	+0.12	+0.9%	1.46
BTR	UK	£ 1.99	+0.07	+3.5%	5.76
Dassault Aviation	France	Fr 1290	-100	-7.2%	2.39
FKI	UK	£ 1.54	+0.06	+4.4%	2.93
Linde	Germany	Dm 1325	-36	-2.6%	1.33
Mannesmann	Germany	Dm 790	-23.50	-2.9%	1.13
Morgan Crucible	UK	£ 4.24	+0.06	+1.4%	4.42
Orkla	Norway	Kr 563	-19	-3.3%	1.25
Rolls Royce	UK	£ 2.21	+0.01	+0.5%	3.07
Sandvik	Sweden	Kr 246	+8	+3.4%	2.57
SEB	France	Fr 1069	-10	-0.9%	1.05
Siebe	UK	£ 10.15	+0.16	+1.6%	1.83
SMH	Switzerland	Fr 207.25	-1.50	-0.7%	0.87
Smiths Industries	UK	£ 7.30	+0.02	+0.3%	2.78
TI Group	UK	£ 4.91	+0.31	+6.7%	3.70
VA Technologie	Austria	Sch 2480	+24	+1.0%	1.21
Williams Holdings	UK	£ 3.24	-0.01	-0.3%	5.81

Financial and Conglomerate

▲ **0.4%**
Yield **2.78%**

Company	Country	Price	Change	%change	Yield
Almanij	Belgium	Fr 16250	+250	+1.6%	1.48
AXA	France	Fr 373.90	+5.60	+1.5%	2.01
BAT	UK	£ 5.52	+0.01	+0.1%	2.75
BIC	France	Fr 950	-2	-0.2%	1.17
Caradon	UK	£ 2	+0.02	+1.0%	5.86
CGIP	France	Fr 1703	+24	+1.4%	2.35
Cimpor	Portugal	Esc 4399	+10	+0.2%	2.83
Colruyt	Belgium	Fr 18825	-675	-3.5%	0.59
EuraFrance	France	Fr 2449	+9	+0.4%	2.94
Finaxa	France	Fr 317	+4	+1.3%	2.05
GBL	Belgium	Fr 5900	-200	-3.3%	2.52
Hanson	UK	£ 2.81	-0.10	-3.4%	8.93
Inchcape	UK	£ 2.88	+0.18	+6.7%	2.75
ING	Netherlands	Nfl 103	+1.10	+1.1%	1.94
Investor A	Sweden	Kr 422	-3	-0.7%	2.36
Largardere Group	France	Fr 175	+2	+1.2%	2.07
Lorhro	UK	£ 1.27	+0.03	+2.8%	2.72
Mercury Asset Management	UK	£ 12.90	+0.13	+1.0%	4.33
Navigation Mixte	France	Fr 765	-50	-6.1%	4.92
Pargesa Holding	Switzerland	Fr 2000	+11	+0.6%	3.55
Provident Financial	UK	£ 5.85	-0.18	-3.0%	3.50
Rentokil	UK	£ 2.14	+0.01	+0.7%	1.44
Richemont	Switzerland	Fr 2293	+90	+4.1%	0.38
Tomkins	UK	£ 2.87	+0	+0.0%	5.06
Veba	Germany	Dm 103.95	-0.50	-0.5%	0.18
Viag	Germany	Dm 795.50	-5.50	-0.7%	1.5

Food

▼ **0.4%**
Yield **3.79%**

Company	Country	Price	Change	%change	Yield
Associated British Foods	UK	£ 5.41	-0.09	-1.7%	2.21
Booker	UK	£ 2.65	-0.10	-3.5%	11.12
Cadbury Schweppes	UK	£ 5.90	+0.38	+6.9%	3.69
CSM	Netherlands	Nfl 103.70	+6.70	+6.9%	1.64
Dalgety	UK	£ 2.36	-0.24	-9.2%	11.73
Danisco	Denmark	Kr 409	-8	-1.9%	1.21
Danone	France	Fr 991	+24	+2.5%	1.74
Eridania Beghin-Say	France	Fr 864	-66	-7.1%	3.75
Hillsdown Holdings	UK	£ 1.70	+0.12	+7.6%	7.42
Kerry Group	Ireland	Ir£ 5.68	-0.02	-0.4%	

Nestlé	Switzerland	Fr 1948	-100	-4.9%	1.54
Nestlé Deutschland	Germany	Dm 535	+15	+2.9%	2.06
Northern Foods	UK	£ 2.10	+0.06	+2.7%	5.58
Nutricia	Netherlands	Nfl 332.20	+1.70	+0.5%	0.96
Parmalat	Italy	£ 2410	-60	-2.4%	0.60
Saint Louis	France	Fr 1300	+0	+0.0%	2.92
Sudzucker	Germany	Dm 907	-10	-1.1%	1.70
Tate & Lyle	UK	£ 4.33	-0.19	-4.2%	4.87
Unigate	UK	£ 5.16	+0.30	+6.3%	5
Unilever	UK	£ 17.64	-0.01	-0.1%	2.28
Unilever NV	Netherlands	Nfl 447.50	+6.60	+1.5%	1.56
United Biscuits	UK	£ 2.08	+0.03	+1.5%	6.0

Health and Pharmaceuticals

▲ **2.5%**
Yield **1.10%**

Company	Country	Price	Change	%change	Yield
Allana	Germany	Dm 179.50	-9	-4.8%	0.82
Ares-serono	Switzerland	Fr 2295	-80	-3.4%	0.22
Astra A	Sweden	Kr 155	-1.50	-1.0%	0.96
Beiersdorf	Germany	Dm 88.80	-1.20	-1.3%	0.06
British Biotech	UK	£ 1.69	-0.33	-16.3%	
Christian Dior	France	Fr 991	-8	-0.8%	1.53
Clarins	France	Fr 826	-14	-1.7%	0.87
Elf-Sanofi	France	Fr 553	-20	-3.5%	1.17
Essilor	France	Fr 1599	+4	+0.3%	0.91
Freseus Midical Care	Germany	Dm 146.50	-6	-3.9%	
Gehe	Germany	Dm 119.50	+0.50	+0.4%	0.11
Glaxo Wellcome	UK	£ 13.86	+0.55	+4.2%	2.66
L'Oréal	France	Fr 2495	-2	-0.1%	0.57
Novartis	Switzerland	Fr 2409	-71	-2.9%	0.83
Novo Nordisk	Denmark	Kr 770	+40	+5.5%	0.50
Pharma Vision	Switzerland	Fr 895	+15	+1.7%	
Pharmacia	Sweden	Kr 288.50	+4.50	+1.6%	0.68
Reckitt & Colman	UK	£ 9.59	+0.01	+0.1%	2.24
Roche Holding	Switzerland	Fr 21000	+400	+1.9%	0.37
Roussel-Uclaf	France	Fr 1530	+0	+0.0%	1.01
Schwarz Pharma	Germany	Dm 131.50	-2.75	-2.0%	1.13
Smith & Nephew	UK	£ 1.71	+0.04	+2.4%	4.56
SmithKline Beecham A	UK	£ 12.50	+0.86	+7.4%	0.80
Synthelabo	France	Fr 770	+10	+1.3%	0.70
UCB Cap	Belgium	Fr 137600	+14100	+1.4%	0.56
Zeneca	UK	£ 21.98	+1.67	+8.2%	2.03

Insurance

▲ **4.0%**
Yield **2.01%**

Company	Country	Price	Change	%change	Yield
Aegon	Netherlands	Nfl 156.20	+11.40	+7.9%	1.80
AGP	France	Fr 199.10	+3.70	+1.9%	2.53
Allianza	Italy	£ 14985	+1015	+7.3%	1.01
Allianz	Germany	Dm 420	+14.80	+3.7%	0.04
Allianz Leben	Germany	Dm 1485	+25	+1.7%	0.84
Aachener Munchener Bet.	Germany	Dm 1860	+200	+12.0%	0.80
Anglo-Elm. Versich	Austria	Sch 16000	-1000	-5.9%	0.94
Baloise Holding	Switzerland	Fr 3525	-85	-2.4%	1.33
Britanic Assurance	UK	£ 8.15	-0.15	-1.8%	4.28
CKAG Colonia Konzern	Germany	Dm 191.50	+8.50	+4.6%	0.90
Commercial Union	UK	£ 7	+0.45	+6.9%	5.40
Deutsche Lloyd Versich	Germany	Dm 4100	+0	+0.0%	0.68
EA-Generali	Austria	Sch 3456	+26	+0.8%	0.49
Fortis	Belgium	Fr 8030	+30	+0.4%	1.19
Fortis Ameer	Netherlands	Nfl 95.30	+1.50	+1.6%	1.98
General Accident	UK	£ 9.01	-0.06	-0.7%	4.73
Generali	Italy	£ 33835	+2735	+8.8%	1.14
Guardian Royal Exchange	UK	£ 2.81	+0.13	+5.0%	4.53
INA	Italy	£ 2600	+26	+1.0%	2.48
Legal & General	UK	£ 4.33	-0.02	-0.5%	3.20
Munichener Ruckvers	Germany	Dm 6400	+905	+16.5%	0.22
Prudential	UK	£ 6.14	+0.09	+1.5%	3.54
RAS	Italy	£ 14750	+460	+3.2%	2.37
Royal Sun Alliance Group	UK	£ 4.63	+0.06	+1.3%	5.11
Royale Belge	Belgium	Fr 11050	+75	+0.7%	2.47
Skandia	Denmark	Kr 284	+1	+0.4%	
Skandia Group	Sweden	Kr 324	+1.50	+0.5%	0.84
Sun Life and Provincial	UK	£ 3.47	+0	+0.0%	2.45
Swiss Re	Switzerland	Fr 2130	-28	-1.3%	1.39
UAP	France	Fr 152.30	+1.70	+1.1%	1.97
Uni Storebrand	Norway	Kr 47.30	+1.50	+3.3%	0.43
United Assurance GP	UK	£ 4.32	-0.08	-1.8%	5.20
Victoria Holdings	Germany	Dm 1859	+69	+3.9%	0.75
Winterthur	Switzerland	Fr 1469	+65	+4.6%	1.42
Wurtl AG Versich-Beteil	Germany	Dm 1905	+5	+0.3%	0.68
Zurich Insurance	Switzerland	Fr 603	-22	-3.5%	1.20

Leisure

▲ **0.5%**
Yield **2.62%**

Company	Country	Price	Change	%change	Yield
Accor	France	Fr 944	-10	-1.0%	2.10
Adidas	Germany	Dm 225.10	+11.40	+5.3%	0.48
Airtours	UK	£ 12.25	+0.25	+2.1%	1.65
Compass Group	UK	£ 6.17	-0.16	-2.5%	1.80
EMI	UK	£ 10.96	-0.19	-1.7%	0.90
Granada	UK	£ 7.70	-0.05	-0.6%	2.08
Gucci Group	Netherlands	Nfl 132.50	+6.50	+5.0%	0.38
Ladbroke	UK	£ 2.56	+0.12	+4.7%	3.12
PolyGram	Netherlands	Nfl 106.50	+4.50	+4.4%	0.88
The Rank Group	UK	£ 3.52	-0.08	-2.2%	5.78
Thistle Hotels	UK	£ 1.34	-0.09	-6.3%	1.83
Thorn	UK	£ 1.56	-0.12	-7.1%	10.4

Media and Information

▲ **1.4%**
Yield **2.33%**

Company	Country	Price	Change	%change	Yield
Audiofina	Luxembourg	Fr 1440	-10	-0.7%	1.10
BSkyB	UK	£ 4.50	+0.22	+5.1%	1.51
Canal Plus	France	Fr 1164	-16	-1.4%	1.70
Carlton Communications	UK	£ 5.14	-0.13	-2.5%	2.67
Daily					

FINANCE

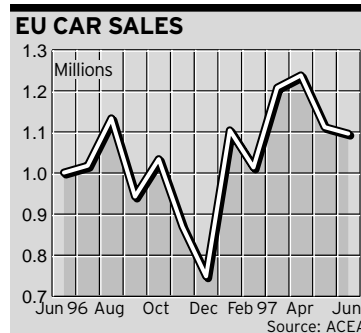
Germany, Italy and Britain accelerate car sales

CAR sales in the European Union rose by nearly ten per cent in June from a year earlier, boosted by improved registrations in Germany, Italy and Britain. However, these figures conceal a fall in sales on the previous month, down 9.9 per cent or a drop of 15,921 cars from May.

Figures from the Brussels-based European Automobile Manufacturers Association (ACEA) revealed that the European Union sold a steady 1,096,000 cars in June, up from

1,001,243 a year earlier.

France lagged behind the three leading countries in terms of registrations, down by 30.7 per cent from 134,489 passenger cars in June 1996 to 93,200 last month. Jörg Schröder, director of trade and economics at ACEA, says this was mainly because of an incentives discrepancy in France which affects the figures for last year. "June 1995 was the last month when there were certain incentives for car purchasers," he says. "In that month,



sales were very high as people tried to make the most of existing benefits before the changes were implemented."

Germany remains Europe's largest car market, with 343,000 cars sold in June this year, an increase of 8.4 per cent on the previous year. "Germany is also the biggest in production terms," says Schröder. "In Germany, there are now around 40 million old and new passenger cars on the road. The next largest market,

France, boasts a much lower 30 million cars."

The biggest growth was in Italy, up 50.7 per cent from June last year, from 147,800 to 222,800 car sales. The number of Austrian sales also rose 31 per cent to 26,600 registrations over the year. The most popular car was the Volkswagen, with 133,200 registrations in June, an increase of nearly five per cent on the same month a year ago.

MELANIE BIEN

Economic indicators

IN ITALY, sales of small commercial vehicles (up to 3.5 tonnes) rose 7.3 per cent in June from a year ago, said Anfia, Italy's automobile association. First-half sales fell 4.5 per cent. In June, 13,673 small commercial vehicles were sold in Italy.

INTEREST rates fell in Portugal, where the

discount rate was cut to 5.40 per cent from 5.70 per cent. In the UK, meanwhile, base rates were increased to 6.75 per cent from 6.50 per cent and in the Netherlands the Special Advance Rate was increased to three per cent from 2.90 per cent. Norway's central bank increased its overnight lending

rate to 5.50 per cent from 5.25 per cent.

BRITISH retail sales were up 4.5 per cent in the year to June. But on a monthly basis, sales were down by 4.8 per cent in May, as wet weather hit spending. Sales also suffered during the wettest June since 1860 - but there were signs that gains

from building society flotations were being spent.

Year-on-year consumer prices rose marginally in Spain last month, but the overall trend of sharply lower inflation remained on track. Figures showed a zero price rise in June, against a 0.1 per cent price fall a year ago.

ECONOMIC DATA

COUNTRY	ECONOMIC OUTPUT*			INFLATION†			UNEMPLOYMENT††		
	Latest quarter	Previous quarter	Year ago	Latest month	Month ago	Year ago	Latest month	Month ago	Year ago
Austria	0.3 ¹	1.4	1.0	May 1.7	1.5	1.8	Jun 4.5	4.4	4.1
Belgium	1.7 ⁵	1.9	0.7	Jun 1.7	1.6	1.8	Jun 12.6	12.5	12.8
Denmark	2.4	3.3	0.8	May 2.1	1.7	1.9	May 8.1	8.0	8.8
Finland	4.0	5.8	1.0	May 1.0	1.0	0.7	May 16.7	16.6	16.6
France	0.9	2.0	1.3	Jun 0.9	0.9	2.3	May 12.5	12.8	12.4
Germany	1.4 ⁵	1.9	0.4	Jun 1.7	1.6	1.4	Jun 11.0	11.1	10.3
Greece	2.0 ²	n/a	1.4	May 5.4	5.9	8.7	Apr 8.5	9.2	7.6
Ireland	10.1 ²	n/a	6.0 ³	Jun 1.8	1.5	n/a	11.7 ²	n/a	13.0 ³
Italy	-0.4	0.1	1.5	Jun 1.4	1.6	3.9	12.2	12.2 ⁵	12.2
Luxembourg	5.5 ⁷	3.8 ²	12.4	Jan 1.6	1.8	1.1	Nov 3.6	3.4	2.7
Netherlands	2.1	3.0	1.8	Jun 2.2	2.2	1.8	Mar 6.2	6.4	7.0
Norway	4.8 ⁵	5.1	3.5	Jun 2.9	2.7	0.9	Jun 3.4	3.2	4.3
Portugal	3.6 ⁸	2.8	2.1	Jun 1.8	2.1	3.6	7.3 ⁹	7.3	7.2
Spain	2.9	2.6	1.9	Jun 1.9	1.9	3.6	Jun 13.1	13.3	14.2
Sweden	2.3	1.8	1.4	Apr 0.2	0.0	1.3	Jun 8.8	7.8	8.4
Switzerland	-1.0	-0.6	-0.7	Jun 0.5	0.6	0.7	Jun 5.1	5.3	4.4
UK	3.0	2.6	2.0	Jun 2.9	2.6	2.1	Jun 5.7	5.8	7.7
US	4.1	3.1	1.7	May 0.1	0.1	0.3	Jun 5.0	4.8	5.3
Japan	2.5	2.9	2.0	May 1.9	1.9	0.2	May 3.5	3.3	3.5
Canada	3.4	2.9	1.0	May 1.5	1.7	1.5	Jun 9.1	9.5	10.0

*Gross domestic product year on year. † Annual per cent. †† Per cent of workforce. SOURCE: Standard & Poor's MMS q1 97 except where stated. 1 = q4 95, 2 = year 95, 3 = year 94, 5 = q4 96, 6 = q1 96, 7 = year 96, 8 = q2 96, 9 = q2 97.

EAST EUROPEAN DATA

COUNTRY	INDUSTRIAL OUTPUT*			INFLATION†			UNEMPLOYMENT††		
	Latest month	Month ago	Year ago	Latest month	Month ago	Year ago	Latest month	Month ago	Year ago
Bulgaria	Nov -5.0	-5.0	2.8	Apr -0.7	12.3	1973.0	Jan 13.4	12.5	11.6
Croatia	Mar 5.5	2.5	-6.6	Mar 0.1	0.0	4.1	Mar 23.2	22.8	21.1
Czech Rep	Apr 6.3	-0.8	10.9	May 0.1	0.6	6.3	Apr 3.8	3.8	2.8
Estonia	Apr 20.3	10.3	n/a	Apr 1.9	0.8	9.2	Apr 4.5	4.5	4.7
Hungary	Apr 11.4	3.3	5.2	May 1.3	1.4	17.7	Apr 10.8	11.0	11.2
Latvia	Apr 9.5	1.1	9.2	Apr 0.7	0.4	8.8	Apr 7.6	7.5	7.1
Lithuania	Apr 7.6	-10.1	-1.4	Apr 0.3	0.3	7.3	Apr 5.9	6.2	8.0
Poland	Mar 4.8	8.7	6.9	Mar 0.8	1.1	16.6	Mar 13.0	13.4	15.4
Romania	Apr -4.0	9.2	12.7	Apr 6.9	30.7	176.0	Apr 7.0	7.2	8.0
Slovakia	Apr 9.0	2.1	2.1	Apr 0.5	0.5	6.5	Apr 13.0	13.4	12.5
Slovenia	Jan -0.1	8.0	-5.0	Mar 0.3	0.4	7.4	Dec 14.4	14.0	14.4
Russia	Apr 0.6	0.5	0.2	May 0.9	1.0	14.5	Apr 9.6	9.6	8.9
Ukraine	Jan 91.8	94.7	n/a	Mar 0.1	1.2	19.5	Jan 1.7	1.6	0.6

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

EAST EUROPEAN CURRENCIES

COUNTRY	US\$	DM	UK£	Ffr	Ecu
Albania Lek	172.50	96.20	291.11	28.48	190.05
Belarus Rouble	32925.0	18360.6	55564.3	5436.3	36275.1
Bulgaria Lev	1784.50	995.13	3011.52	294.64	1966.07
Croatia Kuna	6.39	3.56	10.78	1.06	7.04
Czech Rep Koruna	33.96	18.94	57.30	5.61	37.41
Estonia Kroon	14.35	8.00	24.21	2.37	15.81
Hungary Forint	191.96	107.04	323.94	31.69	211.49
Latvia Lat	0.57	0.32	0.97	0.10	0.63
Lithuania Litas	4.00	2.23	6.75	0.66	4.41
Macedonia Denar	55.41	30.90	93.51	9.15	61.05
Moldova Leu	4.58	2.55	7.72	0.76	5.04
Poland Zloty	3.47	1.93	5.85	0.57	3.82
Russia Rouble	5775.0	3220.4	9745.9	953.5	6362.6
Romania Leu	7144.0	3983.9	12056.2	1179.6	7870.9
Slovakia Koruna	34.11	19.02	57.56	5.63	37.58
Slovenia Tolar	166.25	92.71	280.57	27.45	183.17
Ukraine Hryvna	1.77	0.99	2.98	0.29	1.95
Yugoslavia New Dinar	4.85	2.71	8.19	0.80	5.34

SOURCE: BZW

INTEREST AND MONEY MARKET RATES

COUNTRY	OFFICIAL INTEREST RATES				MONEY MARKET RATES						
	Rate	Previous rate	Date of change	Name	3 months			Benchmark bond			
					This week	Week ago	Year ago	This week	Week ago	Year ago	Name
Austria	2.50	3.00	18.4.96	Discount	3.39	3.39	3.53	5.59	5.64	6.60	Oest Bund
Belgium	3.00	3.20	23.8.96	Central	3.75	3.31	3.44	5.62	5.66	6.84	OLO
Denmark	3.50	3.70	29.8.96	Repo	3.61	3.61	3.95	6.10	6.19	7.35	DGB
Finland	3.00	3.10	9.10.96	Tender	3.07	3.07	3.62	5.85	5.87	7.35	FGB
France	3.10	3.15	30.1.97	Intervention	3.40	3.38	3.84	5.41	5.47	6.49	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.12	3.12	3.40	5.55	5.59	6.52	Bund
Germany	3.00	3.30	22.8.96	Repo	n/a	n/a	n/a	n/a	n/a	n/a	
Germany	2.50	3.00	18.4.96	Discount	n/a	n/a	n/a	n/a	n/a	n/a	
Greece	14.50	15.50	13.5.97	Discount	n/a	n/a	n/a	n/a	n/a	n/a	Marathon
Ireland	6.75	6.25	2.5.97	Short Term	6.13	6.19	5.47	6.26	6.31	7.46	Gilt
Italy	6.25	6.75	27.6.97	Discount	6.88	6.78	8.88	6.50	6.63	9.39	BTP
Luxembourg	3.00	3.20	23.8.96	effective rate*	3.75	3.31	3.44	5.62	5.66	6.84	related to OLO
Netherlands	3.00	2.90	10.7.97	Special Adv.	3.22	3.20	3.18	5.48	5.50	6.45	DSL
Norway	5.50	5.25	16.7.97	Overnight	4.11	3.96	5.02	6.00	5.96	7.09	NGB
Portugal	5.40	5.70	11.7.97	Discount	5.86	5.89	7.41	6.25	6.20	8.71	OT
Spain	5.25	5.50	16.5.97	Repo	5.23	5.23	7.20	6.22	6.28	8.73	Bono
Sweden	4.10	4.35	17.12.96	Repo	4.38	4.37	5.69	6.43	6.46	8.31	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.39	1.50	2.56	3.30	3.27	4.31	Swap rate
UK	6.75	6.50	10.7.97	Base	6.95	7.00	5.70	7.01	7.02	7.88	Gilt
US	5.00	5.25	31.1.96	Discount	5.63	5.69	5.56	6.22	6.30	6.88	Treasury
US	5.50	5.25	25.3.97	Fed Funds	n/a	n/a	n/a	n/a	n/a	n/a	
Japan	0.50	1.00	9.7.95	Discount	0.69	0.70	0.69	2.32	2.32	3.27	JGB
Canada	3.23	3.48	8.7.97	Call Loan	3.44	3.38	4.81	5.97	6.08	7.70	CGB

*Tied to Belgian Franc

SOURCE: Standard & Poor's MMS

EUROPEAN CROSS RATES

15 JULY 1997	Aust Sch	Belg Fr	Dan Kr	Ger Dm	Neth Fl	Fin Markka	Fr Fr	Grec Drach	IR Punt	Ital Lira*	Nor Kr	Port Esc	Spain Pts	Swe Kr	Swi Fr	UK £	US \$	Jpn Yen	Can \$	Eur Ecu
Austria Schilling	-	0.341	1.847	7.036	6.250	2.380	2.083	0.045	19.04	7.238	1.684	0.070	0.084	1.613	8.554	21.29	12.62	0.110	9.228	13.90
Belgium Franc	2.935	-	5.420	20.65	18.34	6.984	6.114	0.132	55.87	21.24	4.941	0.205	0.245	4.733	25.10	62.49	37.03	0.324	27.08	40.79
Denmark Krone	0.541	0.185	-	3.810	3.384	1.289	1.128	0.024	10.31	3.919	0.912	0.038	0.045	0.873	4.632	11.53	6.832	0.060	4.997	7.527
Germany Deutschmark	0.142	0.048	0.262	-	0.888	0.338	0.296	0.006	2.706	1.029	0.239	0.010	0.012	0.229	1.216	3.026	1.793	0.016	1.311	1.976
Netherlands Guilder	0.160	0.055	0.295	1.126	-	0.381	0.333	0.007	3.046	1.158	0.269	0.011	0.013	0.258	1.369	3.407	2.019	0.018	1.476	2.224
Finland Markka	0.420	0.143	0.776	2.956	2.626	-	0.875	0.019	7.999	3.041	0.707	0.029	0.035	0.678	3.594	8.947	5.301	0.046	3.877	5.841
France Franc	0.480	0.164	0.886	3.377	3.000	1.142	-	0.022	9.139	3.474	0.808	0.033	0.040	0.774	4.106	10.22	6.057	0.053	4.429	6.673
Greece Drachma	22.27	7.588	41.12	156.7	139.2	53.00	46.39	-	424.0	161.2	37.49	1.553	1.860	35.91	190.5	474.1	281.0	2.457	205.5	309.5
Ireland Punt	0.053	0.018	0.097	0.370	0.328	0.125	0.109	0.002	-	0.380	0.088	0.004	0.004	0.085	0.449	1.118	0.663	0.006	0.485	0.730
Italy Lira*	138.2	47.08	255.1	972.1	863.5	328.8	287.8	6.204	2630	-	232.6	9.634	11.54	222.8	1182	2942	1743	15.25	1275	1921
Norway Krone	0.594	0.202	1.097	4.179	3.712	1.413	1.237	0.027	11.31	4.299	-	0.041	0.050	0.958	5.080	12.65	7.493	0.066	5.480	8.256
Portugal Escudo	14.34	4.886	26.48	100.9																

BUSINESS DIRECTORY

Business Finance & Investments



**IQ INTERNATIONAL
DEVELOPMENT CORPORATION, LTD.**

PROJECT DEVELOPMENT & FINANCE SERVICES
BUSINESS PLAN & FEASIBILITY STUDY DEVELOPMENT
PROJECT MANAGEMENT & COORDINATION
FINANCIAL PACKAGING & CREDIT FACILITIES
PRIVATE INVESTMENT

ALSO SEEKING
INTERNATIONAL REPRESENTATIVES
IN DEVELOPING NATIONS

TEL: 44-171-402-7659 FAX: 44-171-402-0332



**Imperial
Consolidated
Securities S.A.**

Introducing Our High-Yield Investment Facility
minimum entry \$50,000 • no maximum investment • profits paid
monthly • capital secure • immediate entry • simple procedures
• commissions paid • new introducers welcome

Telephone or fax for comprehensive details on
this and all our other services

Tel: + 1 242 356 2011 Fax: + 1 242 323 3948
Imperial Consolidated Securities SA, Nassau, The Bahamas
Office Hours: Monday to Friday, 0900 - 1800 EST

LEWIS FINANCE & AAY INVESTMENTS
INDEPENDENT U.K. FINANCE GROUP

INTERNATIONAL COMMERCIAL BUSINESS FINANCE
VENTURE CAPITAL - DEVELOPMENT FUNDS -
ACQUISITIONS MIN US \$5 MILLION NO MAX.
FOR ANY VIABLE PROJECT

FAX NOW A BRIEF PROJECT SUMMARY
For Attn of Mr. Elan Avney,
International Funding Director
U.K. Fax +44 1904 785775 USA +1 305 757 0215
Any Other Country Fax +972 9742 5065 or +972 3523 0470
Tel Help Lines 24Hrs +972 3641 2844 or +972 5253 3931

GLOBAL PROJECT FUNDING

**VENTURE CAPITAL - JOINT VENTURES
- PROJECT FINANCING**



INTERNATIONAL VENTURES

TEL: +44 113 2727 550
FAX: +44 113 2727 560

Fees are not requested prior to an offer of funding being made.

IFEXCO

International Foreign Exchange Corporation S.A.
IFEXCO's offer is to open accounts for private
individuals, professional investors and corporations.
Margin 3-5% 24hour trading desk

SEE US ON BBC WORLD/PRIME TEXT PAGE 355
ON INTERNET: www.ifexco.ch

Call now for a free information package
& our daily newsletter +41 22 849 7411
86 bis Route de Frontenex-1208
GENEVA-SWITZERLAND.
24hr +41 22 849 7440 - Fax +41 22 700 1913

Cash available to leverage your
investment program. Proof of funds
through our account holders at any
of the following banks:

United States
Bank of America
First Chicago (NBD)
Comerica

European Banks
Midland Bank (UK) London Branch
Bank Leu (Switzerland)
London Branch
Credit Suisse (Switzerland)
London Branch
Deutsche Bank (Germany)
London Branch

Contact Hollywood Partners:
Tel: 305 933 8382
Fax: 305 933 4232

Business Opportunities

**MARKETING
COMMUNICATIONS
INTERNATIONAL**

Exp. professional avail. for short/long
commissions. If you need to:
Enter or develop into emerging markets...
Raise brand awareness
Re-enforce Corp. ID
Rationalise budgets
Co-ordinate International Marcomms
progs.
Create effective communications
Build loyalty
Manage team/suppliers

**Call +44 181-213 5852
or Fax +44 181-979 2187**

**FINANCIAL
GUARANTEES**

Insurance/Reinsurance guarantees
as credit enhancement for
international business projects.

**Tel. +1 561 998 3222
Fax +1 561 998 3226
USA**
<http://www.northcorp@worldnet.att.net>

**FRAUD
PROTECTION**

Protect against the loss of
advance/up front fees and
fraudulent contracts in High
Yield or Non-Conventional
Investment Programmes.

Have you entered into an
investment that you are unsure
of and need help, advice,
tracking and retrieving of funds

If you are a client, intermediary
or provider & have engaged or
are about to engage contracts
ELIMINATE RISK TODAY

**CALL CITY
(U.K.) LTD.NOW**
Phone +44 (0) 990 133512
Fax: +44 (0) 990 133561
Consultants Available
24 Hours A Day
Commissions paid.

**READERS'
NOTICE**

Readers are advised to seek
appropriate professional advice before
sending any money or entering into
any commitments. *The European*
cannot be held responsible for loss or
damages incurred as a result of
responding to advertisements.

**OFFSHORE COMPANIES
FORMED WORLDWIDE**

**ALL
INCLUSIVE
FEES**



BVI	£750
GIBRALTAR	£606
ISLE OF MAN	£875

**Includes Incorporation
and management services**

**PERSONAL, EFFICIENT & PROFESSIONAL SERVICE OF
TRUSTS, OFFSHORE BANKING, YACHT REGISTRATION & VAT
PROVIDED BY IN HOUSE LAWYERS & ACCOUNTANTS**

FIDUCIARY MANAGEMENT SERVICES LTD
13 WIMPOLE STREET, LONDON W1M 7AB
TEL: +44 (0)171 436 8100 FAX: +44 (0)171 436 8188

PLEASE SEND ME FURTHER DETAILS

NAME:

ADDRESS:

PHONE: FAX:

**CONFIDENTIAL
SWISS BANK
ACCOUNTS**

- Confidential Banking
- No Credit Checks
- Silver/Gold Credit Card
- Cashpoint Card, Cheques, Cheque Card
- Fully Functional Worldwide
- Improved Cashflow For Business
- Flexible Banking Policy
- Establish Your Credit Rating

For a genuine
introduction contact:-
**Tennyson Financial
Marketing Limited**
Tel: 01480-497444
Fax: 01480-496444

**U.S.A. INTERNATIONAL
FINANCING R.E.,**

Start-up equity, Security Bond
Issue, Account Receivable,
Mortgage Buyers, Loan
Programs, Mergers, Acquisitions
Development/Business Financing,
Contract Financing, Etc.


Ph: 516 757 4421
Fax: 516 757 8905

Business To Business

**Is this the consequence of
your current tax planning?**

It is estimated that international trading, investment and consultancy firms
unnecessarily pay millions
of dollars each year in tax simply through a lack of adequate tax planning advice.
If you or your firm wish to avoid becoming part of this statistic
please complete the coupon below.

- International tax planning
- Family settlements & foundations
- Offshore companies & trusts
- Fiscal migration
- Bank introductions
- Intellectual property registration
- Yacht registration



THE SCF GROUP
International tax planning practitioners

**Internet: www.scfgroup.com
e-mail: offshore@scfgroup.com**

LONDON: SCORPIO HOUSE, 102 SYDNEY STREET,
CHELSEA, LONDON SW3 6NJ ENGLAND
TEL: 00 44 171 352 2274
FAX: 00 44 171 873 9688

DUBLIN: 27-29 LOWER PEMBROKE STREET
DUBLIN 2, THE REPUBLIC OF IRELAND
TEL: 00 353 1 662 1388
FAX: 00 353 1 662 1554

Please forward me my complimentary 36 page brochure:

Name

Firm (if appropriate)

Address

Region Town

Postal Code Country

I am particularly interested in

EUR

LONDON • DUBLIN • MONACO • NICOSIA • DELAWARE • MOSCOW

BUSINESS DIRECTORY

Business Opportunities

BELIZE CITIZENSHIP & PASSPORT

A young English speaking Commonwealth country in Central America offers citizenship and passport to persons of good standing based on a contribution from US \$40,000 plus professional fees.

Belize a developing nation offers many business and investment opportunities. Its passport allows visa free travel to over 80 countries.

For information or immediate service contact:

**INTERNATIONAL COMPANY
SERVICES LIMITED**
Sovereign House, St. Johns, Isle of Man IM4 3AJ
Tel: +44 1624 801801 Fax: +44 1624 801800
E-mail: iom@icsl.com http://www.ICSL.com

VENTURE CAPITAL WANTED US\$20,000,000.

NAPOLEON FRENCH CHEESE
FRENCH WINERY PRODUCT
MADE IN CHINA SINCE 1993

BEIJING XINDI FOOD CO.LTD.
GSELS.SIFONI GILLES
120 Chemin du Gue
83300 (Var) Draguignan, FRANCE

EARN A WHOPPING 90% PAYOUT

FROM THE BEST DIRECT SALES COMPANY IN THE WORLD
WITH PROFIT SHARING PLANS SECOND TO NONE
A PRODUCT DEVELOPED OVER 25 YEARS
WHICH WILL BENEFIT EVERYONE ANYWHERE IN THE WORLD
UK/USA COMBINED COMPANY

YOUR BASIC BUSINESS BUILT FOR YOU BY THE B.F.G. TEAM
OPPORTUNITY ONLY KNOCKS ONCE
For Your Free Info Pack Call:
TEL: +44 (0) 116 299 6854 24hrs
or Fax +44 (0) 116 299 6856
Or Write To:
B.F.G.28,Hazel St, Leicester. LE2 7JN. GREAT BRITAIN

Reps Wanted

Delaware's Premier Company Formation Service Needs High Potential Accountants and Consultants to Sell Delaware Corporate Services. Must have office and Fax and Be Able to produce 10 New Companies Per Month. Fax for Details:

Richard H.Bell, President Harvard Business Services, Inc. USA 302-645-1280
Join us on the Web WWW.DELAWAREINC.COM

CLINIQUE DE GENOLIER S W I T Z E R L A N D

A modern exclusive hospital with a panoramic view of medicine, the Lake Geneva and the Alps.

- Complex medical problems
- Second opinions
- General medical check-ups
- Heavy smoker evaluations

Please contact G.I.P.S.
(Genolier International Patient Services)
Clinique de Genolier 1272 Genolier, Switzerland
Tel: 00 41 223669335 Fax: 00 41 22 3669363

Business Services

BARTEREX INTERNATIONAL LTD.

Established since 1979, we specialize in Corporate Barter and Countertrade. We also specialize in converting blocked and soft currencies for our clients. We barter Commercial Real Estate, Luxury Real Estate, Aircraft, Yachts, Precious Stones, Air Travel, Int'l Advertising, Hi-tech, Hardware & Software, and other Corp. Inventory world-wide.

Call/Fax: 212-986-6446
William Baker
Five Tudor City Place, Suite 1520
New York, NY 10017 USA

DO YOU REALLY KNOW, WHAT'S GOING ON?

INTERNATIONAL INVESTIGATION / SURVEILLANCE EXPERTS
Including: Security Specialists, Counter Surveillance, Internal Theft, Assets Checked, Tracing, Debt Recovery, Executive & Personal Protection, Financial Profiles.....Call for details & other services
Over 30 years Experience by former Special Forces Personnel

TEL IN CONFIDENCE +44 (0181) 954 9775
OFFICES: NEW YORK, LONDON, HONG KONG, MIAMI, MIDDLE EAST

USA-N.Y./ Wall St OFFICE

\$99.00 per month
• Mail Receiving & Forwarding
• Personalized Phone Services (answered in your/Co. Name)
• Patching-Connect you to caller
• When in NY rent office/conf. rm in beautiful corporate setting


Phone (212)943-1111
Fax (212)943-2300
E-Mail: sri@sri-ny.com

N.G. BANCORP HOLDING MANAGING & CONSULTING

We provide private Professional - Privacy - Protection - Integrity - Expertise - Stability - Tax Exemption - Project and Credit Enhancement:

- Business plans & restructuring - project & programme Management - Venture Capital & Asset based financing - preparation of Leases & Mortgages. Immigration matters - Licenses & Permits Bank account arrangements. Miscellaneous services with the flexibility to deal with specific requirements.

With a wide range of services complemented by a full panel of Multi-Lingual Consultants. Full confidentiality assured. Brokers Welcome. For further information and immediate service, please contact:
U.K. FAX (+44) 171 323 1187
U.S.A. OFFICE: FAX (+1) 702 329 0852
Internet: www.northernglobal.com
*Email: northingl@sierra.net



**The first Multimedia
Business Center
on the French Riviera**

- ▷ Virtual Offices
- ▷ On-line services
- ▷ E-mail
- ▷ Internet direct access
- ▷ High speed networks connection
- ▷ Fully furnished offices

Informations
Tel. 33 (0)4 92 38 80 00
wtcinfo@wtc-sophia.com

USA Incorporation

Nevada. South Dakota.
New York
Complete Package
from £245

Tel: +1 605 334 4250
Fax: +1 605 334 4254
www.richardgreenberg.com

Business To Business

BANK ACC EU/US/SWISS

COMPANY + BANK ACC (PRIME BANK) + CASH CARD + CHEQUE BOOK NO REFERENCES NEEDED - \$899

BANCORPS - \$2900, CREDIT CARDS - \$299, SOUTH AMERICAN IMMIGRATION FUNDS AVAILABLE
S&M INT. TRADE AND FINANCE LTD
CALL FROM A FAX - USA +302 996 5825
ENTER PROGRAM 128

OFFSHORE COMPANIES By English Lawyers from £250

Tel: +44 (0)1398 331061
Fax: +44 (0)1398 331918

NETLINK

UK's largest Internet Site provider

Get your business on the internet

Tel: 0171 831 8000
www.netlink.co.uk

READERS' NOTICE

Readers are advised to seek appropriate professional advice before sending any money or entering into any commitments. The European cannot be held responsible for loss or damages incurred as a result of responding to advertisements.

Business Finance & Investments



ANGLO AMERICAN GROUP
P.L.C.

- INTERNATIONAL PROJECT FINANCE
- COMMERCIAL FUNDING
- VENTURE CAPITAL

"dedicated to providing a first class service to its clients, associates and partners throughout the world."

In the world of International Business it is often difficult to determine the strengths and weaknesses of potential business partners. At Anglo American Group plc, one of Europe's leading independent financial organisations, we recognise that in the world of international Finance what you see isn't always what you get. We will provide you with access to:

- ASSOCIATE OFFICES WORLD WIDE
- CONSIDERABLE TRACK RECORD WITH DEMONSTRABLE SUCCESSES
- FIRST CLASS HEAD OFFICE TEAM WITH CONSIDERABLE FINANCIAL SERVICES EXPERIENCE

For unbiased and impartial advice on all aspects of capital raising telephone:
+44 1924 201365
OR FAX
+44 1924 201377

ANGLO AMERICAN HOUSE, 6-8 BOND TERRACE, WAKEFIELD WF1 2HW • UNITED KINGDOM

Commodity Dealers & Stock For Sale

Trade Buyers/ Party Organisers

FANTASTIC DEALS

on NEW
Mail Order Clothing
NOT SECONDS - All Pre-Packed

You tell us what you want

Pack 1 £1000	Retail Clothes	only £200
Pack 2 £5000	Retail Clothes	only £900
Pack 3 £5000	Designer Clothes	only £1000
Pack 4 Retail	Clothes	only £1750
Pack 5 £200,000	Retail Clothes	only £32,000

All prices plus VAT - Larger packs available
Delivery available anywhere in the world
Your choice - you don't get any old rubbish

FOCALFLAIR LTD. T/A
**MAIL ORDER
CLEARANCE HOUSE**
MAIN ROAD, STICKNEY,
BOSTON Lincs. PE22 8EE UK
Tel. 01205 480077 Fax. 01205 480099

SCOTCH WHISKY AND OTHER SPIRITS

Top Quality
Extensive Range
Low Prices
Container Loads
Export Only

**Oceanic
TRANSFERS LIMITED**
Tel: +44 (0)141 418 0265
Fax: +44 (0)141 418 0266

LEVI'S 501 NEW & USED ON A REGULAR BASIS TEL: 514 845 2204 FAX: 514 845 3834 CANADA

LEVI 501's. Used and New. Quality jeans direct from the USA. Fax: 503 628 0749 USA.

U.S.A. For Sale-Oil, Gas & Coal INTEREST in Alabama, Oklahoma, New Mexico, Texas, Louisiana. Tel/Fax: 281-565-6044

Businesses For Sale

SPECIAL OFFSHORE SERVICE:
for sale - licensed Insurance Company (Nauru) - 4,000 Nominee + Administrative office Service Special service
Fax 972-35167075
Mobile Tel: 972-50472858
e-mail magari@inter.net.il

Business Services

AMBRANCH BUSINESS CENTER, USA mail, phone and customized office services. Agent for US food products. Fax USA +3039887145

MAIL & MESSAGE SERVICE
ITER Tel 33.1.44.64.89.05
33 avenue Philippe Auguste
75011 PARIS F33.1.43.71.93.60

Business Finance & Investments

INTERNATIONAL FUNDING GROUP will lend against financial instruments, and provide funding commitments for investment programmes. Fax: +46 31 263173

IF YOU ABSOLUTELY, positively and definitely want your project funded call +44 (0) 1494 483728 or fax 484039

IMMEDIATE & UNLIMITED

Capital available for ALL viable commercial projects! Minimum U.S. \$1 million - NO maximum.
Tel: 717-397-7777
Fax: 717-397-7490
(USA)

INTERNET
http://www.intbuscon.com

PROJECT FINANCE

Funds available Worldwide
Venture Capital/
Business Finance
Broker Enquires Welcome



Ethic Investments Ltd
FAX +44 115 942 7846

Business Finance & Investments

BANK COMMITMENTS FOR "FUNDS FIRST" TRANSACTIONS MULTIPLY YOUR RESOURCES BY TWENTY TO THIRTY TIMES. TEL: +1 561 637 4363 FAX: +1 561 637 4364.

CONFIDENTIAL CANADIAN ADDRESS AND MAIL FORWARDING SERVICES FAX +1 403 486-5190

BUSINESS FINANCE AVAILABLE for any viable projects worldwide. Fax brief Synopsis in English to Corporate Advances on +44-1273-621300

FOR MORE INFORMATION OR TO ADVERTISE IN THE CLASSIFIED PAGES,
PLEASE CONTACT US ON +44 171 418 7878 (TEL) +44 171 713 1835 (FAX),
E-MAIL:classified@the-european.com

Business To Business



CHINA ECONOMIC REVIEW
The China international trade journal

- Investment • Law
- Finance • Marketing
- News • Case Studies
- Projects • Statistics

A VITAL AID TO PROFITABLE BUSINESS

The authoritative source of China business information. Subscribers worldwide - many based in China - rely on China Economic Review's practical articles to help them profit from their China trade and investment. Visit our website - www.alaincharles.com - for subscription details and to sample the contents or to request a free copy contact:

CHINA ECONOMIC REVIEW
Tel: +44 (0)171 834 7676 Fax: +44 (0)171 973 0076

UK LIMITED COMPANIES

59.95 ALL INC.

Ready made & Own Name Formations

- Certificate of Incorporation
- 6 Bound copies of Memorandum and Articles of Associations
- Share Certificates
- Pre-stamped stock transfer form
- Combined Company Register
- Certificate of non-trading
- Minute of the first board meeting
- Forms 88(2), 287, 288 and G225

Please call for our fantastic deals on offshore companies, bank accounts and many other company services.

Best value and quality service from the Professionals with over ten years experience

Visa/Mastercard/Switch Cards

ON LINE REGISTRARS LIMITED
Tel: +44 1582 459900 Fax: +44 1582 451177
23 York Road, Waterloo, London, SE1 7NJ
Crystal House, New Bedford Road, Luton Beds. LU1 1HS



OFFSHORE COMPANIES AND TRUSTS IN LIECHTENSTEIN AND WORLDWIDE

Ask for our free information about company forms in Liechtenstein and other offshore places.

Fiduciana
Verwaltungsanstalt
Egon Kaiser, Egerta 53,
POB 2, FL-9496 Balzers
Principality of Liechtenstein
Tel: +41 - 75-388 02 02
Fax: +41 - 75-388 02 19
E-mail: fiducia@EKVWA.LOL.li

OFFSHORE COMPANIES AND TRUSTS, UK LTD COMPANIES, BANK INTRODUCTIONS, INTERNET REGISTRATIONS, ACCOMMODATION ADDRESS, AND NOMINEE FACILITIES

St James's Management
88 KINGSWAY LONDON WC2B 6AW
TEL +44 (0) 171 209 5100 (7 DAYS)
FAX +44 (0) 171 209 5102
Email offshore@stjman.demon.co.uk
Credit cards accepted

Tax-Free Wyoming, USA Corporation or LLC \$295

Privacy Protection, US Bank Account, US Immigration, All Office Services. For free kit contact:

GLOBAL BUSINESS SOLUTIONS INC.
7173 Construction Court
San Diego, CA 92121 USA
Tel: 619-578-7541 Fax: 619-578-0238

OFFSHORE COMPANIES: JPCR
Tel: +44 (0)1624 629529 Fax: +44 (0)1624 629662.

EXCELLENT PRICES available on Pepsi, Coke, Gillette, Pampers, Perfumes (VSL, Dior etc.) Tel: +353 61 363305 Fax: +353 61 363310

Business Opportunities

AN INCREDIBLE INVENTION Proven to cut electricity costs by up to 40%. Manufacturer seeks UK and overseas distributors for this top quality high tech product with amazing customer demand. TEL: +44 (0) 1872 223000 (FAX: 264325) for info pack.

NETWORK THE INTERNET Unlimited global income opportunity. Tel/fax: +44 (0) 1242 253288

USA AEROSPACE MANUFACTURER Millions in Backlogs, Niche Market, Profitable, Established, 150+ employees, 5-Axis Machining, Large Skin Forming, Extrusion Forming, Hydro-forming, D1-9000 REV A Approval, No Brokers. Call Rick: Ph: 818-508-7034 Fax: 818-508-3025

VENTURE/COMMERCIAL FUND-Savillable, Joint Venture projects considered. Phone +44(0)1222 397793 Fax +44(0)1222 221128



UNLOCK THE SECRETS OF OFFSHORE COMPANIES AND TAX FREE TRADING



WITH OUR HIGHLY ACCLAIMED FREE GUIDE

Our expert advice and step by step guide will help you to retain tax free profits in discrete tax havens

- Isle of Man • Bahamas • Liberia • Delaware • Channel Islands • British Virgin Islands • Ireland



NATIONWIDE COMPANY SERVICES LIMITED

SOMERSET HOUSE
TEMPLE STREET
BIRMINGHAM B2 5DN
TEL: +44 (0)121 643 9669
FAX: +44 (0)121 616 1346

SEE OUR OFFSHORE WEBSITE

www.Nation-Ltd.Co.UK
e-mail: Sales@Nation-Ltd.Co.UK

www.ocra.com

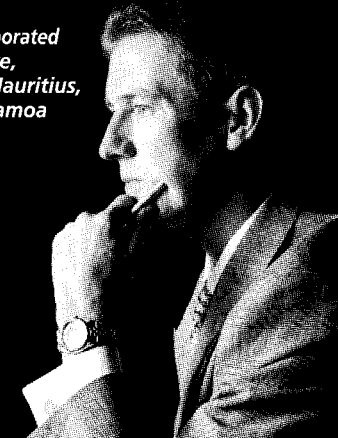
Certificate Number 91196
Isle of Man and London

No. 1 OFFSHORE COMPANY SPECIALISTS

THE WORLD'S LEADING OFFSHORE COMPANY AND TAX PLANNING SPECIALISTS

More and more businesses and high net worth individuals are using Offshore Corporations and Trusts for International Tax, Asset Protection and Estate Planning. Since 1975 Overseas Company Registration Agents worldwide team have specialised in providing confidential and cost effective company and trust formation in the world's major low tax areas. Clients are supported by a team of over 275 multi-disciplined staff including Lawyers, Qualified Accountants, Company Secretaries, Bankers and Trading Specialists who provide the following services:

- A choice of over 750 ready-made companies incorporated in the Bahamas, BVI, Belize, Cayman, Delaware, Nevis, Panama, Isle of Man, Ireland, Liberia, Mauritius, Hong Kong, Seychelles, Turks, and Western Samoa
- Domiciliation and Registered Office Facilities
- Arrangements of Full Nominee Service
- Full Management and Administrative Services for International Trade and Investment
- Ship and Yacht Registration
- Accountancy and Audit Services
- Letter of Credit Services
- Value Added Tax Registration Services
- Bank Introductions
- Offshore Trusts and Licensed Trustee Services
- Banks and Insurance Companies available to qualified applicants



ALL MAJOR CREDIT CARDS ACCEPTED

- | | |
|----------------------|----------------------|
| • BAHAMAS \$500 | • ISLE OF MAN £250 |
| • BELIZE \$500 | • JERSEY £495 |
| • BV ISLANDS \$500 | • MADEIRA \$2250 |
| • CAYMAN \$1295 | • MAURITIUS \$500 |
| • DELAWARE LLC \$495 | • NEVIS \$575 |
| • GIBRALTAR £250 | • PANAMA \$500 |
| • HONG KONG \$450 | • SEYCHELLES \$350 |
| • HUNGARY \$1995 | • TURKS/CAICOS \$700 |
| • IRELAND £225 | • UK LTD £95 |

ISLE OF MAN - HEAD OFFICE: COLIN FORSTER OVERSEAS COMPANY REGISTRATION AGENTS LTD PO BOX 54, RAMSEY, ISLE OF MAN, GREAT BRITAIN, IM99 4ED. E-mail: european@ocra.com

For immediate service and our 185 page colour brochure
TEL: +44 1624 815544 FAX: +44 1624 817082

LONDON - R E COOK, BSc (Hons) OR MR PETER SIDNEY
OVERSEAS COMPANY REGISTRATION AGENTS LTD, 72 NEW BOND ST. LONDON, W1Y 9DD
TEL: +44 (0)171 355 1096 FAX: +44 (0)171 495 3924

USE THE DEFINITIVE OFFSHORE COMPANIES INTERNET SITE



AUSTRALIA SOUTH AFRICA BAHAMAS CAYMAN ISLANDS CHINA REPUBLIC OCRA (LUXEMBOURG) S.A.

LIECHTENSTEIN
BARBARA BAUM
OCRA EST
PO BOX 70, STAEDTLE 7, FL-9490 VADUZ, LIECHTENSTEIN
TEL: +41 75 236 1440 FAX: +41 75 232 6393

FINLAND
TILL SAHLGREN BSc (Econ)
OCRA (SCANDINAVIA) LTD
WORLD TRADE CENTRE, ALEKSANTERINKATU 17
FIN-00100 HELSINKI, FINLAND
TEL: +358 9 6969 2569 FAX: +358 9 6969 2565

SWEDEN
BJARNE BORG
OCRA SWEDEN
BOX 23008 UPPLANDSGATAN 83, S-10435,
STOCKHOLM, SWEDEN
TEL: +46 8 334 720 FAX: +46 8 322 370

LITHUANIA
RAMIGIUS KABECIUS BSc (Econ)
OCRA LITHUANIA
LIAUKSMINO ST 8/2, 2nd FLOOR,
2600 VILNIUS, LITHUANIA
TEL: +370 2 623 081 FAX: +370 2 623 081
E-mail: ocra.lithuania@taide.lt

HUNGARY
MR LASZLO KISS, BSc (Econ)
OCRA (EASTERN EUROPE) LTD
VARMEGYE ST. 3-5, H-1052 BUDAPEST, HUNGARY
TEL: +36 1 266 3620 FAX: +36 1 266 3619

POLAND
MR KRZYSZTOF KUBALA, Attorney-at-Law
OCRA POLSKA
BAJONSKA 9, 03-963, WARSZAWA, POLAND
TEL: +48 22 6177173 FAX: +48 22 6160957

GREECE
MS DORA NAKOU, Attorney-at-Law
OCRA GREECE
2 PLOUTARCHOU STR, SOPHIA AVENUE,
ATHENS 11521, GREECE
TEL: +30 1 723 0766 FAX: +30 1 721 7376

CYPRUS
CHRISODOULOS VASSILIADIS, Attorney-at-Law
OCRA CYPRUS
20 QUEEN FEDERICA STR, EL GRECO HOUSE,
OFFICE 104, NICOSIA, CYPRUS
TEL: +357 2 473211 FAX: +357 2 463463

MADEIRA
DR DAVID FISKE DE GOUVEIA, BSc, MBA, MSI
MM CIA LDA
RUJA DOS MURCAS NO. 68,
9000 FUNCHAL, MADEIRA, PORTUGAL
TEL: +351 91 200 1700 FAX: +351 91 227144

MAURITIUS
KEVIN RAMKALOAN, ACMA, MBA
OCRA MAURITIUS LTD
HAPPY WORLD HOUSE, SIR WILLIAM NEWTON STREET
PORT LOUIS, MAURITIUS
TEL: +230 211 5100 FAX: +230 211 5400

SEYCHELLES
DEBRA AKATSA
IOCS LTD
303 AARTI CHAMBERS, MONT FLEURI,
PO BOX 983, MAHE, SEYCHELLES
TEL: +248 225555 FAX: +248 225999

SINGAPORE
MRS DIANA BEAN
OCRA (ASIA) PTE LTD
24 RAFFLES PLACE, 26-04 CLIFFORD CENTRE,
SINGAPORE 048621
TEL: +65 5353382 FAX: +65 5353991

HONG KONG
B G M DEKKER, LL.M.
OCRA ASIA LTD
2402 BANK OF AMERICA TOWER,
12 HARCOURT RD, HONG KONG
TEL: +852 2522 0172 FAX: +852 2521 1190

USA WEST COAST
KEVIN MIRECKI, Attorney-at-Law
AICS LTD
3501 JAMBOREE ROAD, SUITE 2100,
NEWPORT BEACH CA 92660, USA
TEL: +1 714 854 3344 FAX: +1 714 854 0938

Autos

ARMoured MERCEDES BENZ 500 SEL
New Glass/Polycarbonate
38mm / 1 1/2 inch
Many Extras
Full Specification on request
Very special car
£65,000 pounds sterling
TEL: +44 (0)171 298 6100

Franchising

GOLD

Mobile Gold Plating
European Master Licensees
Needed including U.K.
Tel: +44 (0) 1296 688105
Fax: +44 (0) 1296 688 042
<http://dSPACE.dial.pipex.com/town/place/rce10>

Import/Export

SHRIMPS / JEANS / T-SHIRTS
@ 85p. 100,000pcs. tel:44-151-707-8543 Fax: 001-305-532-5696.

Legal Services

USA IMMIGRATION LAWYER
Greencards, work visas, etc.
J.O'Shea +1 718 545 8092

APPOINTMENTS

Outstanding career opportunities with a world leader



Intel is hiring in

MARKETING, SALES, ENGINEERING, IT, CUSTOMER SUPPORT

Recently qualified graduates are also invited to discuss careers with Intel.

For further information on these exciting opportunities please contact Intel on the Internet:

<http://www.intel.com>

US Securities House

London based

To contribute to the growth of its investment banking and securities business within the emerging markets such as the Middle East, South America and Eastern Europe, our client has several opportunities for outstanding professionals to join their country and industry teams.

Candidates must possess strong marketing and analytical skills, and have demonstrable technical expertise either within corporate advisory, sales, trading or research functions of investment banking. A sound understanding of business cultures relevant to the regional focus is crucial.

You will have strong finance or marketing related academic credentials, and preferably be MBA qualified. Fluent English both written and spoken, together with additional relevant languages and computer literacy are pre-requisites for the opportunities available. Candidates must be internationally mobile.

Please apply in writing enclosing a full curriculum vitae and quoting reference 606A to: Barkers Response Services, 1st Floor, Wellington House, Queensmead, Slough, Berkshire SL1 1DB. Your CV will be forwarded to this client only. Please indicate any company to which your details should not be sent.



BARKERS

SLOUGH TEL 01753-608400 • BRISTOL • BIRMINGHAM • EDINBURGH • EXETER • GLASGOW • LONDON • MANCHESTER • NOTTINGHAM
RECRUITMENT ADVERTISING • DESIGN SERVICES • PLANNING AND RESEARCH • RESPONSE HANDLING • CANDIDATE ASSESSMENT • GRADUATE RECRUITMENT

German + French Language Typesetters

INTERNATIONAL FINANCIAL PRINT

RR Donnelley & Sons, the world's largest printer, is hiring Foreign Language Typesetters in London. Experience typesetting corporate and financial documents required. English must be fluent (written and spoken) and additional language must be fluent (at least written). Ideal candidates are also flexible, organised and self-motivated. Must be able to work on a small team to tight deadlines, under pressure, adapt to changing priorities and have excellent communication skills. Occasional travel required and some weekends. MAC skills a plus. Vacancies on various shifts.

Please forward all CVs, by post or by fax, to:
**RR Donnelley Financial 25 Worship Street
London EC2A 2DX**
Attn: Kelly Huke Fax: +44 (0)171 330 1519

RR DONNELLY FINANCIAL

TECHNICAL CONSULTANT

Design Individual Application Software. Manage staff. Science degree, travel required. C, PG/400, UNIX, CL/400, SQL/400, AS/400
Min 4 yrs experience
Please reply to Box No. P427

CRUISESHIP JOBS & WORKING HOLIDAYS

Visit USA, Australia, The Caribbean, Mediterranean, Far East...and get paid for it while meeting people, having fun & adventure of a lifetime. Working holidays in over 50 countries worldwide.

For details send 2 x 26p stamps or 4 Int'l Reply Coupons to:

Transitions Overseas (NI), 197 North End Road, London W14 9NL.

BOX NUMBERS

All box number replies prefixed by the letter "P" should be sent to:
Classified Sales Department
THE EUROPEAN, 200 Gray's Inn Road, London WC1X 8NE
Please mark clearly the box number you are replying to.

Consultants

U.K. & Overseas £30K-£80K

Our clients, leading Management & IT Consultancies are seeking Senior Consultants, Analysts and Project Managers to add to their rapidly expanding teams. We require graduate ideally aged between 25 and 35 with a proven track record in any of the following areas:-

- JBA/Coda/Tetra/Sun/JDE/Scala
 - Data/Business Modelling/Risk Mgmt
 - IS Strategy/BPR/Change Management
- Information Technology Specialists in:-*
- Banking, Insurance, Retail, Travel
 - Telecomms, Mfg/Distribution and Utilities

Contact Trish Bird or Grahame Williams quoting Ref: GW2736 on 01442 231691 days or 01442 877056 eves/wkends. Alternatively write to:

Executive Recruitment Services

Ambassador House, 575-599 Maxted Road, Hemel Hempstead, Herts HP2 7DX.
Fax: 01442 230063. Email: executive@dial.pipex.com



MARKETING MANAGER

Our client operates passenger/car carrying, high-speed ferries between the United Kingdom and France.

They seek an experienced Manager to continue the necessary in-depth analysis of this competitive market, identifying new opportunities and recommending sales and marketing strategies.

Applicants must have had experience of marketing this type of craft, either in the United Kingdom or overseas.

Please send your CV to: Katie Gleeson, GMBM Response Management Services, 22 Little Portland Street, London W1N 5AF.



A division of GMBM Advertising and Research

Classified Advertisers

If you are based in the following areas, please contact YOUR LOCAL REPRESENTATIVE to place an advertisement

GERMANY Mogdol & Carroll Tel: +49 2633 7187 Fax: +49 2633 95917
EASTERN EUROPE W Atzelsdorfer Tel: +43 7234 87881 Fax: +43 7234 87882
ITALY Milan & North: Tecnoinform Tel: +39 2 48 010643 Fax: +39 2 48 012333
ITALY Central & South: Tel: +39 761 485008 Fax: +39 761 485002
LIECHTENSTEIN: Harald Buhler Tel: +41 75 373 1183 Fax: +41 75 373 3247
SPAIN Cataluna, Aragona, Basque Country: Mike Mulvaney Tel: +34 72 3020 84
Andalucia: Joan Davies Tel: +34 5 283 0831 Fax: +34 5 283 1501
REPUBLIC OF IRELAND: John Hendrick Tel: +353 (0)21 885 608
SCOTLAND: Peter Bailey tel: +44 (0)131 343 2323 Fax: +44 (0)131 332 8822
FAR EAST: Hutton Media Ltd. Tel: +852 528 9135 Fax: +852 528 9257/9281

USA: Please book direct with London office on +44 171 418 7878 (tel) +44 171 713 1835 (fax) or by e-mail on 101512,3657@compuserve.com.

new JOB new LIFE new COUNTRY
emigration opportunities exist in

*Australia New Zealand
Canada and the U.S.A*

For qualified people from all trades and professions. We assist with the complete emigration process including help with resettlement and jobs.
Contact: St.Maartenslaan 26-7, 6221AX Maastricht, NL.

Tel: +31 43 325 8080 Fax: +31 43 326 0060
e-mail: 4corners@nex-us.com

Four Corners



Offices in England Europe Scotland & S. Africa

Euro Job Search

Belgian, 38, Massage/Relaxation/Reiki Complementary Therapist.
Associated Member of Stressconsultants.
Seeks work in S.W. France for permanent relocation.
Fluent in English/Dutch and good working French.

Contact:
Marie J. De Wilde
22E Grampian Road, Torry, Aberdeenshire
AB11 8DY, Scotland
Tel: +44 (0)1224 876151

Production/Overseas Negotiations Manager

Pharsi and Arabic speaking Iranian National required to fill management post with U.K. based import company. Candidate must be able to travel freely to Iran, whilst remaining resident in the U.K. He/she must have a detailed working knowledge of the U.K. food industry and relevant legislation. Experience in managing people in an industrial environment should be combined with sharp negotiating skills and buying experience.
Reply to Box No. P415

Euro Job Search

AEROSPACE ENGINEER, age 30, German.
UK Masters in Aerospace Engineering (1996), Gesellenbrief Anlagenmechaniker, CPDA. Experience in machine design, FE and Structural Analysis (NASTRAN, I-DEAS), PC literate. Fluent German, English, French. Seeking employment in Aerospace maintenance, R&D or customer support.
Europe and Overseas.

Contact: **Walter Baumann,**
17 Delta Drive, Liverpool L12 0AD, GB.
Tel: +44 (0)151 2595891, Fax: +44 (0)161 2735111.
E-MAIL: wbaumann@campus-ventures.co.uk

EDUCATION



European School of Economics

ROME - LUCCA - NEW YORK - TOKYO

THE WORLD-WIDE MBA

The ESE International MBA is an intensive 14 month programme with academic sessions in Italy, Eastern Europe, New York, South America, Tokyo and China. The European School of Economics is a private University with two campuses in Italy in the heart of Rome and Tuscany. The ESE offers British BA (Hons) degrees in:

International Business • Financial Management • Marketing Management • Hospitality Management • Music Industry Management

- Entertainment and Event Management • Sports & Leisure Management • European Languages and Literature
- Communication Studies • International Political Science •

For further information please call
Dr. Elizabeth Mitchell at the ESE Campuses:

Largo del Nazareno 15, 00187-Rome Italy
Tel. +39 6 6780503 Fax. 6780293.

Villa Le Pianore - 55040 Capezzano (LU) Italy -
Tel. + 39 584 915169 Fax. 915384

Web; <http://www.caen.it/ESE> e-mail: ese.lucca@telcen.caen.it

MBA

GLASGOW



An established Masters in Business Administration programme **CALEDONIAN UNIVERSITY** commencing in September 1997 which:-

- Emphasises the Integration and Implementation of Managerial Action
- Addresses an International Business Agenda with an International Participant Group
- Includes a Study Visit to the European Mainland in the Course Fee
- Places a High Emphasis on Interactive Small Group Work and Tutor Support
- Requires a Minimum Attendance of 30 Training Weeks

Admission onto the programme requires no prior formal study of Business or Management subjects. Applicants not in possession of a recognised degree or professional qualification may be considered on the basis of extensive work experience. **Accommodation** can usually be arranged in the Universities' halls of residence if desired.

Fees are £7000 for non EU residents and £5500 for EU residents.

For further information contact: Irene Urquhart/John Penlington,
Dept of Management, Glasgow Caledonian University,
70 Cowcaddens Road Glasgow G4 0BA,
Scotland
Tel: +44 (0) 141 331 3173 Fax: +44 (0) 141 331 3269
Internet: I.Urquhart@gcal.ac.uk.

INTENSIVE ENGLISH LANGUAGE COURSES

Aldon House Executive Language Centre, Dorchester Road,
Yeovil, Somerset, BA20 2RH, England
Tel: +44 1935 425892 Fax: +44 1935 433381
E-mail: aldonhouse@ukbusiness.com



- Effective ONE-to-ONE teaching
- Individually designed study programme
- Over 20 years' experience
- Intensive preparation for internationally recognised EFL examinations
- Socialise with guests from the local business community

FAIRFAX UNIVERSITY (Home Study Program)

Founded in 1986, Fairfax University offers:

- Home study degree programs with no written examinations or residency requirements
- Credit awarded for prior learning/practical experience
 - International faculty Programs at the Bachelor, Master and Doctoral levels
 - Year-round admissions

Details from:
The President, Fairfax University,
2900 West Fork Drive, Suite 200,
Baton Rouge, Louisiana 70827,
USA. (Fax: +1 504 298 1303)

Improve your ENGLISH on the beautiful island of JERSEY

International business and holiday centre

INTERLINGUAJERSEY

Send for colour brochure The Perfect Location
Tel +44 1534 852590 Fax +44 1534 856727
e.mail interjer@itl.net www.itl.net/go/to/linguaj

A & M Language Consultancy Educational Research and Placement

8 av Grandchamp, 1150 Bruxelles Belgium
Tel: +32 2 762 38 25 Fax: +32 2 762 29 76 E-mail: amlc@skynet.be

Educational research: Language courses around the world, Au Pair placements in UK, Europe and USA, Summer camp workers, Professional course research, work experience, etc.

Contact us for more information

eurolink

Train to teach English.
Distance courses leading to
CERTIFICATE
ADVANCED CERTIFICATE
& DIPLOMA in TEFL/ TESOL
accredited by ACTDEC
Qualifications awarded by
The College of Preceptors
incorporated by
Royal Charter in 1849

For prospectus write/ tel/ fax/ e-mail
Tel: +44 (0) 114 262 1522
Fax: +44 (0) 114 236 0774
E-mail eurolink@vip.solis.co.uk
EuroLink Courses (Dep.E)
3 Abbeydale Road South
Sheffield S7 2QL. U.K.

Nacka kommun INTERNATIONAL SCHOOL IN NACKA

An educational opportunity - right on your doorstep and only 20 mins from Stockholm city centre. The International School in Nacka has an English section, a perfect choice for foreign companies and organisations who are looking for an education completely in English for the children of employees. ISN provides for children from pre-school to grade 9, with daycare facilities for children aged between 5 and 10 years' old. Both the International Baccalaureate Primary and Middle Years programmes are being introduced.



Please contact:
The International School in Nacka
The Principal, Barbara Willners
Box 4003 S- 133 36 SALTSJOBADEN Sweden
home page: <http://skolor.nacka.se/isn/default.htm>
Tel: +46 8 718 8310 Fax: +46 8 718 8302
e-mail: bws@isn.nacka.se

Bring your English up-to-date

EXCLUSIVE HOMESTAY ENGLISH COURSES
IN THE BEAUTIFUL CITY OF BATH.

- *Intensive one-to-one courses for professionals.
- *All tuition and high quality accommodation in your teacher's home.
- *Course contents tailored to your needs.
- *Social and cultural programme accompanied by your personal tutor.
- *Total immersion in the language for maximum benefit.
- *Small group courses (max. 4) also available.



Direct Learning
71, High Street, Saltford
BS18 3EW, GB
Tel/Fax: +44 (0)1225 872530

LANGUAGE STUDIES International

For over 35 years LSI has been providing:

- Flexible foreign language training for corporate, public sector and private clients
- In-company training programmes
- One to One classes in London and at LSI centres abroad
- Specialists in communication skills for marketing, human resources management, finance and law



LANGUAGE STUDIES International
Tel: 0171 467 6500 Fax: 0171 323 1736
18-21 Ridgmount Street, London WC1E 7AH
All enquiries should be directed to Sarah McKechnie or Rosaria Cappello

Next week's special report will be
LANGUAGE LEARNING.

For further information on advertising in this report please contact: Arif Bajwa, Alison McNiven or Fleur Terrin on
Tel: +44 (171) 418 7878 Fax: +44 (171) 713 1835
E-mail: classified@the-european.com

EUROPEAN CENTER OF INTERNATIONAL HOTEL MANAGEMENT

CEMHI

PARIS • GENEVA

For an International Management Career
in Hospitality and Tourism Industries

BACHELOR OF SCIENCE
in International Hotel Management - in International Tourism Industry

EXECUTIVE MASTER
in International Hospitality Management - in International Tourism Industry

International Staff - Students from 39 nationalities - Language of teaching : English
Internships and job placement - Full time / Part time
Transfer credits to US and European Universities

Student exchange programs with USA - Europe - South America - Russia - China
International experts for audit and consulting : East West trade -
Asian and South American Markets

European Information Center **033-1 45 26 59 28**
contact Véronique SOURNIES

52 RUE SAINT-LAZARE 75009 PARIS • FAX 33-1 45 26 59 29

SPORT

Changing face of genius
at golf's British Open
Pages 50-51



Serbs tackle Croats in
Belgrade's big match
Page 52



MOTOR RACING ■ Despite increasing calls for a pan-European ban, Grand Prix teams are not ready to push the panic button

End of the tobacco road for F1?



ROBERT ALEXANDER

IN 1968, when George Best became British football's first sex symbol and the Beatles were in their heyday, Europe was in the grip of the first "free love" revolution.

It was the year Graham Hill won his second Formula One drivers' world championship. It was also the year that tobacco advertising entered motor sport.

Lotus, the famous team created by the engineering genius Colin Chapman, broke with all previous convention by painting his cars in the colours of Gold Leaf cigarette packets.

Twenty-nine years on, most of the teams in F1 – eight out of 11 – run their cars in the colours of tobacco firms' livery. This is despite mounting fears that the British government is about to initiate moves for legislation to ban all forms of tobacco advertising and sponsorship and support a pan-European proposal to do the same.

Such intervention would have been unthinkable in the 1960s. The fashionable marriage of motor sport and tobacco was a perfect union, helping join together two image-conscious cultures in the psyche of the age.

British drivers and teams were at the forefront in Grand Prix motor racing. Hill, in 1962, Jim Clark in 1963 and 1965, John Surtees in 1964 and then Hill again had lifted the drivers' crown.

They were followed by Jackie Stewart who won the championship three times

in the next five years. "Things were not going too well for Britain in other sports and it seemed to be the only one in which the British were doing well," said Imperial Tobacco's Geoffrey Kent.

"We thought 'why don't we sponsor that?' I think patriotism played a large part in the decision."

In 1972, Marlboro joined the party, first at BRM, then, in a 22-year association, with McLaren. Since then, Rothmans, Camel, Barclay, Mild Seven and Gitanes have all jumped on board.

But times have changed. This week, at an anti-tobacco summit, Padraig Flynn, the European Commissioner responsible for social affairs, said he welcomed the day when European children would not be exposed to any kind of tobacco advertising. Whether he gets his way, and Europe's 12 Grand Prix races are moved out of the continent, remains to be seen.

On the eve of the British Grand Prix, the Silverstone-based Jordan team announced that Benson and Hedges had extended its sponsorship of the team for a further three years, to the year 2000, hardly the behaviour of a firm fearing its money would be wasted.

At the same time, representatives of British American Tobacco (BAT) declined every opportunity to deny that their company planned to fund a new F1 team, reportedly to be led by Jacques Villeneuve. This may cost more than \$400 million to launch, but the payback would be a worldwide market push for their Lucky Strike cigarette brand.

These moves were nothing if not confirmation of two things: that F1 remains the best option for tobacco firms wishing to advertise; and that there are no realistic fears of the sport being driven out of Europe before the millennium, if at all. In other words, F1 marketers remain confident.

Ian Birks, head of corporate affairs for Benson and Hedges, explained why his Gallaher company, which also produces Silk Cut, was pressing on with its estimated £45m (\$72m) sponsorship of Jordan at a time when Europe was increasingly environmentally conscious.

Birks was confident that F1 would continue down the same road as before and made it clear B&H would not have extended the deal with Jordan otherwise.

"We [Gallaher] are only concerned with Europe because we are only responsible for B&H in Europe," he said. "As regards the legislation, we feel there is a long way to go."

At present, there are three races in Europe where F1 teams have to run in non-tobacco livery. They are at Magny-Cours (France), Silverstone (Britain) and Hockenheim where the German Grand Prix takes place on 27 July.

In France and Germany, this is due to existing legislation, while in Britain it is as a result of a long-standing voluntary deal between the sport, the tobacco industry and the government.

On 13 July, in compliance with this "gentleman's agreement", the top teams carried curious slogans instead of ciga-

WHO SPONSORS WHO

Most F1 teams are driven by tobacco companies' funding. Without this financial backing the development of drivers could suffer



Williams Renault
Title sponsorship from Rothmans



Benetton Renault
Title sponsorship from Mild Seven



Jordan Peugeot Title sponsorship from Benson & Hedges



Sauber Petronas
No tobacco backing



Minardi Hart
Support from Mild Seven



Arrows Yamaha Driver Pedro Diniz supported by Marlboro



Ferrari
Title sponsorship from Marlboro



McLaren Mercedes-Benz
Title sponsorship from West



Prost Mugen-Honda
Title sponsorship from Gauloises



Tyrrell Ford
No tobacco backing



Stewart Ford
No tobacco backing

rette brand names. Birks said that only if the European Union introduced a ban which hit the Italian, Monaco, Belgian and Spanish races, would it cause genuine concern.

"But, at the end of the day, F1 is a global sport and is watched by millions everywhere on television," he said. "It could move out [of Europe] and remain very successful, but Europe would lose out."

Birks said that B&H did not think this would happen: "There has been a long-standing proposal in Brussels for a ban, but it has made no progress. That is because Europe is not one body. It is many different societies and cultures and not as easy to move in any particular direction. It is not a big worry, at this stage, but something to watch carefully."

The mood within F1 is equally bullish. Bernie Ecclestone, the man who controls the sport's promotional activities and who is recognised as its power-broker, revealed that he is talking to pharmaceutical companies as potential tobacco replacements, but said: "It would be too ballsy [daring] to cut out smoking and hope other people come on board. I don't think that what we do now is any trouble to anyone."

Not everyone, of course, agrees but Ecclestone doubts whether F1 will ever completely do away with tobacco advertising even if it means shifting the heart of the calendar from Europe to the Asian Pacific rim.

Birks stressed that tobacco firms would not be prepared to pay vast sums – more

than £100m gross to F1 per year – if their livery and names couldn't be seen.

This explains why Malaysia and Korea have already signed contracts to host races in the future and why new alternatives like China, India, South Africa, Morocco, Korea and, in Europe, Croatia and the Czech Republic are under consideration if such classic venues as Silverstone and Imola become at risk.

Ecclestone, who has backed the theory that severe anti-tobacco legislation could force F1 to move, said: "I've been moving east for years because I think it is the biggest growth area for us and, by coincidence, it happens to be the largest growth area for tobacco. It would be sad to lose traditional circuits, but the world championship is the most important thing."

The loss of the British GP alone would cost at least £30m. But Silverstone's chief executive Denys Rohan doesn't think it will happen because of the unique agreement not to feature tobacco livery.

"We don't have cigarette company names on the cars here," he said. "If they transfer the racing to, say, Korea, where they can show the names, we would be worse off because television viewers will still see the logos in full."

That fact will not be lost on the politicians who risk the loss of an industry unless they can help fund the leading team's budgets of £30m plus each season. This may mean that any legislation would maintain in essence the current voluntary agreement which allows

Gentleman's agreement: teams carried suggestive pointers instead of actual cigarette brand names at the British GP

colours and livery, but not the names and logos, before more censorious laws are phased in later on. That, in turn, would see F1 become increasingly global with less racing inside the European Union.

"If F1 loses tobacco sponsorship, it will have to fight in the market place for sponsors like every other sport," said Max Mosley, president of the sport's ruling body, the Fédération Internationale de l'Automobile.

"The sport would lose money and that would affect the quality. A balanced world championship requires more races outside Europe. It would be sad to see traditional races cancelled, but it is important to spread across the world."

At stake, of course, is not only the sponsorship of teams, but the backing the tobacco companies give to the training and development of drivers.

France used to supply F1 with a series of excellent, well-funded and prepared teams and drivers but at Silverstone there was only one French driver, Jean Alesi, in a Mild Seven-backed Benetton, and one French-based team, Prost.

In a decade when revenue in France has dried up due to anti-tobacco strictures, the once-flourishing racing scene has dwindled. If the unique relationship between tobacco and F1 is eroded any further, France may not be the only country to lose out.

ATHLETICS ■ North American sprint stars are still ahead of the field World's fastest leave Europeans standing

MICHAEL BUTCHER

WHEN the disqualified Linford Christie was led away from the 100 metres final in Atlanta after two false starts, the gap he left in his lane represented far more than personal frustration.

As the only European challenging for the title, Christie's absence emphasised the lack of European sprinting talent. The depressing truth is that with the Briton now retired from serious competition, it is more than likely that no one will take his place at the world championship sprint final in Athens next month.

If anyone should know where Europe is going wrong, it is Christie. In Oslo recently, even his waning powers were acute enough to dispense with the American opposition. He was only beaten on the line by a man he coaches, Frankie Fredericks of Namibia.

Christie has no doubts about where the problem lies. "What we need above all in Europe is a good youth programme where we start at grassroots and then work our way up," he said.

The quality that he underlined was needed more than any other was "the right commitment".

The 37-year-old Londoner is famous for the dramatic change in attitude in his mid-twenties that transformed him from a good club runner into Olympic champion relatively late in life. He accuses Europe's athletes of being too concerned with money. "There is too much talk about how much athletes can make. We've lost the right attitude," he said.

There is a similar story in the 200m despite the best efforts of Norway's Geir Moen and Belgium's Patrick Stevens. The Belgian made the final at the last Olympics but finished seventh.

If the panorama seems depressing, it is not unusual given that the history of sprinting is one dominated by the Americans. Of 23 Olympic 100m titles disputed

since 1896, only five have gone Europe's way. In the world championships, inaugurated in 1983, only Christie has managed to break the hegemony in five events.

And if it is not the Americans who are dominant, then it is American-trained men who step into their shoes such as the current Olympic and world champion, Canada's Donovan Bailey, who lives and trains in Texas.

To compete against the transatlantic sprinters in Athens Moen has gone into the enemy camp. Each spring he goes to California to get the Scandinavian cold out of his limbs. But even that may not be enough. "Maybe to compete against the Americans on equal terms I will have to move permanently to the US," he said.

Fredericks, the Olympic 200m silver medallist who started training with Christie two years ago, believes the former Olympic champion must play a significant coaching role if Europe is to find his successor. "With Christie's help, I think Europe will be able to bridge the gap between themselves and the Americans."

To fulfil this aim, Christie is intending to start at the end of this season a roving international coaching clinic.

For some, the imbalance is due to innate physical difference between American and European athletes. But it is impossible to claim any ethnic superiority of America's black sprinters, given that Europe also has black sprinters who are still inferior, with the exception of Christie.

This implies it is America's system which produces world-class sprinters. Fredericks indeed points to the contrast in coaching. "You have to pay coaches in Europe like they do there," he said. "That's why they're so successful."

Until Europe can reproduce the wealthy American collegiate system with its professional coaching set-up, it will always have to rely on the occasional talent battling through against all odds. Athens next month will most likely simply confirm that.

OLYMPIC 100M CHAMPIONS

1896 Thomas Burke USA	1952 Lindy Remigino USA
1900 Frank Jarvis USA	1956 Bobby Joe Morrow USA
1904 Archie Hahn USA	1960 Armin Hary Germany
1908 Reginald Walker	1964 Robert Hayes USA
South Africa	1968 James Hines USA
1912 Ralph Craig USA	1972 Valery Borzov USSR
1920 Charley Paddock USA	1976 Hasely Crawford Trinidad
1924 Harold Abrahams GB	1980 Alan Wells Great Britain
1928 Percy Williams Canada	1984 Carl Lewis USA
1932 Eddie Tolan USA	1988 Carl Lewis USA
1936 Jessie Owens USA	1992 Linford Christie GB
1948 Harrison Dillard USA	1996 Donovan Bailey Canada

SPORTING
WORLD

ATHLETICS

Johnson's return

DOUBLE Olympic gold medallist Michael Johnson will defend his 400-metre title at next month's World Championships in Athens, thanks to an invitation from the organisers. The American received a wild card, as did all other current world champions, from the International Amateur Athletic Federation. Johnson, who was unable to qualify at the United States' championships because of a leg injury sustained during his multi-million dollar 150-metre exhibition race against Canada's Donovan Bailey, will not defend his 200-metre title in Greece.

MACCABI GAMES

Bridge of death

A BRIDGE collapsed just before the opening ceremony of the Maccabi Games in Israel, killing at least two people and injuring 45. Competitors from Australia were standing on the temporary crossing over the Yarkon River ready to lead a march into Ramat Gan Stadium, near Tel Aviv, for the opening of the 51-nation event nicknamed the "Jewish Olympics". Foul play is not suspected but the Israeli government has set up a commission to investigate the cause of the accident.

FOOTBALL

Oscars for Serie A

ITALY'S top footballers are to have their own Oscar ceremony after the country's players' association asked Serie A footballers to honour the colleagues that they most admire. Association spokesman, Nicola Bosio, said voting forms were being sent out and statues would be awarded to the winners at a ceremony later this year. "We'll have a big party," he said. The categories are player, foreign player, coach, young player, sports programme, goal keeper and referee.

MOTOR RACING

Berger mourns

FORMULA ONE veteran Gerhard Berger has dismissed speculation that his father, who suffered from cancer and was facing a jail sentence for fraud, committed suicide in a private plane crash. Speaking at the Tyrol funeral of 62-year-old Johann Berger, the Benetton driver told 800 guests that his father would never have killed himself. Among those attending were Benetton team chief Flavio Briatore and racing drivers Niki Lauda, Jean Alesi and Karl Wendlinger. Berger is expected to return to racing at the German Grand Prix on 27 July after a sinus operation forced him out of the sport since May.



In the rough: Ballesteros searches for yet another ball as he tries to keep a grip on his once invincible game. Despite his bad back, he still believes he has a future

Seve to Tiger: golf's

BRITISH OPEN ■ Ballesteros was the ultimate crowd-puller. But his waning career has coincided with the rise of the black American

BILL ELLIOTT

WHEN he arrived in Scotland with his family, coach and ever-present bodyguard, the customs and immigration people marched out to his private plane rather than wait for him to come to them.

As usual, he said all the right things. "It's great to be here. I love the challenge of links golf. This is the title I want to win more than any other, the biggest competition of them all, the one with the most tradition and history. You can't buy that stuff."

It was vintage Tiger Woods and the British Open championship was still four days away.

No one, least of all his father Earl who taught him to play "back to front", starting on the putting green, will be surprised if the 21-year-old genius adds the world's oldest major to his precocious curriculum vitae that already includes the US Masters.

Tiger's European experience prior to Troon had been restricted to the last

three Open championships and the amateur Walker Cup in Wales two years ago when he suffered food poisoning.

It was the last setback for a player whose inexorable rise up the world rankings to number one has been as swift as it has been inevitable.

After Tiger won his sixth US Tour victory this month, Earl watched his son being handed another huge cheque before turning to reporters and saying: "Those other guys had better get to Tiger now because my boy is only going to get better and better and better."

As he set out to prove that at the Open (which ends on 20 July) Woods admitted that he was paying a price for his colour. "I receive numerous death threats and hate mail," he said. "That's nothing unusual when you are playing in a sport in which you are not in a majority."

However, Woods has no intention of letting such attacks put him off. His talent speaks for itself as South African Ernie Els, himself acclaimed the finest player for a generation before Woods came along, acknowledged.

"When Tiger was still an amateur I didn't believe all the stuff that was being written about him," said the 27-year-old US Open champion.

"I couldn't believe that anyone could be that good. But since turning professional he has come on so much that I now acknowledge him as the number one player in the world."

The hero worship that has enveloped Woods – 1,000 fans followed him around the course on the first day of practice at the Open – is in sad contrast to the continuing decline of Seve Ballesteros at the championship where he, too, used to draw the crowds and where every

charming smile was captured for posterity.

Once, Seve was the teenage phenomenon they all came to see and while the hugely respected Spaniard will have had his fair share of adulation from loyal supporters come the end of the Open, the contrast between himself and Woods could scarcely be drawn more vividly than it has been at Troon.

At 40, Seve is nearly twice Tiger's age. And as he stumbles around the world's fairways he is a poignant sight for those who have thrilled to his cavalier campaigning over the past two decades.

Hidden amid the avalanche of statistics issued each week by the PGA European Tour is one of the most genuinely sad sporting facts the year: Ballesteros currently endures a golf handicap of three.

It is the professional equivalent of a world class sprinter suddenly taking 13 seconds for the 100 metres.

Ballesteros's form is only just good enough for a man to enter the earliest pre-qualifying stages of the Open.

**Ballesteros:
"One thing
is for sure,
things can't
get any
worse"**

DAVID CANNON/ALLSPORT



The in crowd: Woods has been mobbed since his arrival in Britain. But fame has also brought death threats and hate mail which the American has no intention of allowing to put him off course

changing face of genius

Once, the way he played was a vibrant expression of his personality. His ability to overcome any obstacle by conjuring up the unlikeliest of shots made him easily the most popular golfer of his generation.

As he cut a swathe through the golfing jungle, he won three Opens, two US Masters and 51 European Tour titles. It is a sensational record but it is all that this proudest of men has to cling to right now.

Although the odd defiance still gleams in his eyes, he looks back on what he was, taking comfort from the brilliant flashes of his past.

"If everything ended now I would still be proud of what I have achieved," Ballesteros said as Tiger mania erupted around him.

"I have enjoyed so many wonderful moments."

He still stubbornly hopes that there is more to come but at the back of his mind is a notion that this may not be the case.

"I am not saying I am finished," he said. "I still believe in my future. But if I am not to play golf then so be it. There is much else for me to do. I must take it all step by step. I am a great competitor."

This no one doubts. Two years ago, his game already in tatters, Ballesteros strode out first for the European side

on the final day of the Ryder Cup at Oak Hill. His opponent was the Americans' best player, Tom Lehman, and such was the gulf in form that day that Ballesteros could have been forgiven for falling on his three-iron on the first tee.

Instead he produced a round of searing defiance, recovering time and again from apparently hopeless positions to halve holes before suffering a three and two defeat.

"To be honest I came close to being stunned by what he did that day," recalls Lehman. "If it had been

anyone else but Seve I doubt our game would have got much beyond the halfway turn. I'd hit my ball down the fairway, he'd thump his into trees. I'd knock my second on to the green and then out of nowhere his ball would appear beside mine. It was an extraordinary performance from an extraordinary man. "Sure, I won in the end but I had to be stronger than in any other match I've ever played. His force of will that day was tangible."

Seve's brave defeat sent a clarion call back through the European ranks and helped set up what

turned out to be a historic comeback by his side as they won back the Cup.

This same inspiration will be on tap when Ballesteros captains the Europeans at Valderrama in September. But by then the growing calls for him to retire as a player may be so deafening that he takes the hint.

Already this summer the world of sport has witnessed the exit from football of Frenchman Eric Cantona at 31, and Germany's Boris Becker playing in his last Wimbledon at 29.

Either of these men could have gone on for much longer but each chose to step away while the flame of their brilliance was still at its height.

Seve, however, shows no signs of walking away from the game he adores. "I admit that things are looking very bad right now but I have to try to settle my mind a little bit and to try to feel more stable," he said.

"Because of my back problems, instability and doubt are created but I am the one who has to believe that I can win again. One thing is for sure, things cannot be any worse."

His record for the year – only two cuts made going into the Open – is testimony to that.

On the two occasions he managed to play four rounds consecutively, he finished 25th and 29th.

Ballesteros's back problems should

not be underestimated. They go back 18 years and even as he was winning his first US Masters in 1980, he was rising early each morning to hang from a trapeze screwed into a garage doorway.

Too much golf too early in his life has damaged part of his back, so that when he returns to his hotel, he admits now that he sometimes feels "like a man of 60".

He said: "I don't remember what it is like to feel good any more. My difficulty has not only been a problem of swinging the club. It is difficult for me to sit in a car or an aeroplane for a long time. Difficult for me to sleep even. Because of this I have been scared to hit the ball hard."

"It is difficult to concentrate when you have so much pain, hard to be happy, optimistic or confident."

Manuel Ballesteros, the brother who first handed a toddling Seve a cut-down club in Santander, is deeply worried about what is happening to Seve.

"Sometimes I think it is driving him crazy," said Manuel. "I believe he will win in the end but right now it is very hard for him."

"Naturally I will always support him but I am concerned for how he is inside. I have tried to help him but when I knock on his door he does not always answer."

1997 RECORDS

Tiger Woods

Mercedes Championship: WON playoff
Phoenix Open: tied for 18th
AT&T Pebble Beach: tied for 2nd
Nissan Open: tied for 20th
Bay Hill Invitational: tied for 9th
Players' Championship: tied for 31st
US Masters: WON
GTE Byron Nelson Classic: WON
MasterCard Colonial: tied for 4th
Memorial Tournament: tied for 67th
US Open: tied for 19th
Buick Classic: tied for 43rd
Motorola Western Open: WON
Stroke Average: 68.74

Seve Ballesteros

Dimension Data: missed cut
Alfred Dunhill Cup: missed cut
Dubai Desert Classic: missed cut
Portuguese Open: missed cut
Turespaña Masters: missed cut
Peugeot Open de España: tied for 26th
Benson and Hedges International: tied for 29th
Volvo PGA championship: withdrew injured after one round
Deutsche Bank Open: missed cut
Murphy's Irish Open: missed cut
Loch Lomond international: missed cut
Stroke average: 74.88

SPORT

CHAMPIONS LEAGUE ■ A Croatian team returns to Belgrade for the first time since the conflict in Yugoslavia

Football to kick off postwar history

DOMINIC O'REILLY

WHEN Croatia Zagreb FC's plane touches down in Belgrade on 22 July it will be the first passenger flight between the two cities since both were part of a united Yugoslavia.

The following evening Zagreb will take on Partizan Belgrade in the first leg of a Champions League tie that brings together the football champions of Croatia and the rump Yugoslav state.

It will be the first sporting fixture between the former countrymen on either's home soil since the four-year war that tore apart Yugoslavia and left tens of thousands dead in Europe's worst conflict since the Second World War.

"Historic" has become a cliched term, so overused in sport that the truly important event becomes devalued.

If Boris Becker's triumph as a teenage Wimbledon winner or Damon Hill following his father in becoming Formula One champion were historic moments it was only within the individual sports.

While each was significant, none transcended its sporting context, something the Croatia-Partizan encounter seems certain to achieve.

Serbs and Croats have met at the Olympics and in various European competitions but only at neutral venues. When the basketball champions of the two countries clashed in last season's EuroLeague, the games were played in Italy and Greece.

With the two countries' governments moving towards some form of *rapprochement*, albeit under pressure from the international community, it seems the time has come to renew sporting contact.

Both sides are approaching the fixtures with such caution, however, that no away fans will be travelling to Belgrade or for the return leg in Zagreb one week later.

It is not just the supporters who are potentially at risk. When Yugoslavia was disintegrating in 1991, international midfielder Robert Prosinecki was apparently sent a bullet by Croat nationalists.

The son of a Serb mother and a Croatian father, Prosinecki was told that another bullet would be waiting for him when he next played for Yugoslavia.

As United Nations sanctions forced the Yugoslavs out of international sport, and Prosinecki opted to represent Croatia, we shall never know if the threat was genuine.

Now Prosinecki is back playing for



Croatia Zagreb



Partizan Belgrade

"It is about much more than football, it is a matter of national pride"

Croatia Zagreb and once again in the crossfire. He has made no public announcements on the tie but privately is understood to share the views of Davor Bukovina, a senior member of the Croatian club's management.

"Partizan are the worst team we could face," said Bukovina. "Every Croatian is hoping that we can win and every Serb thinks the same about Partizan."

"It is about much more than football, it is a matter of national pride, and so there are many problems over security and organisation. But we must make sure the matches go ahead. We hope it will be proof that we are seeking peace in this region."

In Belgrade, Partizan general secretary Zarko Zecevic admitted that he was "shocked and surprised" by the draw. However, he said he would try to keep the atmosphere as calm as possible.

"I will try to approach it as just a football match but others will see it differently," he said. "I will let them worry about that and get on with helping the team."

Croatia Zagreb are a prime example of the way that sport has been hijacked by politicians on either side.

When the club won the Inter-Cities Fairs Cup 30 years ago, they were known

as Dynamo Zagreb but Croatian President, Franjo Tudjman, ordered them to be renamed Croatia Zagreb when the country became independent.

It was not the first time Tudjman had imposed his will on a football club. In the 1950s, his position as a general in the Yugoslav National Army helped him become president of Partizan Belgrade and it was he who chose the black-and-white strip the team wear today.

Now he is firmly behind Croatia Zagreb and has persuaded local firms to donate \$5.7 million in sponsorship for buying players.

Prosinecki, once a Champions' Cup winner with Red Star Belgrade, has been brought back from Spain while Partizan have been weakened by years of sanctions that forced them to sell to survive.

It has made the Croats firm favourites and Zagreb newspapers are far more enthusiastic about the tie than those in Belgrade.

"If we have to play them, it is best that we do it now," said Anton Samovojska, editor of Zagreb's *Sportske Novosti*. "I don't know if it will show we can play sport once more or that we will always be apart."

The historians are pondering the same question.

THIS WEEK ON EUROSPORT

The Tour de France reaches the Alps and the giant climb of the L' Alpe d' Huez; who can overcome the pain to become, 'King of the Mountain'?

Cycling:

5 - 27 July, LIVE, The Tour de France
The tour passes through the Alps and starts the long journey back towards Paris

Football:

17 July, LIVE, Gothenburg v Liverpool
With the football season just around the corner Liverpool test their mettle against Swedish Champions Gothenburg

Motorcycling:

18 - 20 July, FIM World Championship,
The German Grand Prix
The ninth round of the World Championship comes from the famous Nurburgring circuit

Indy car:

20 July, LIVE, PPG CART World Series,
Toronto, Canada
Europe's Mark Blundell and Alex Zanardi have won the last two rounds of the Championship and they will be looking to win again in Canada

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.



PHIL COLE/ALLSPORT



Pain barrier: Richard Virenque (right) and Marco Pantini (left) sprint for the line in stage nine. Jan Ullrich (centre) grabbed the yellow jersey 24 hours later

CYCLING ■ Stress is building up in the mountains of the Tour de France

Favourites fall by the wayside

JEREMY WHITTLE

THE news crackling over the race radio linking the press cars at the Tour de France came as a shock to the whole convoy.

Luc Leblanc, fourth in 1994, former world champion and one of the home nation's leading hopes for victory, had stopped suddenly at the foot of the mammoth climb of the Col du Tourmalet, head bowed and in tears.

"I was in terrible pain," said the Frenchman later the same day after finishing in the very last group of riders. "It was as if I was paralysed. I wanted to stop but I only carried on because I didn't want to let down my team-mates."

Ahead of the stricken Leblanc, defending Tour champion Bjarne Riis of Denmark was taking the strain as his rivals hovered around him high on the slopes of the Tourmalet, waiting for the first signs of weakness.

"Sometimes the pressure is too much," said the Dane as the Tour approached the end of its second week and his chances of retaining the title grew slimmer.

"You don't realise how much pressure there is until it is over. It's relentless and takes more out of you than anyone can imagine."

For Leblanc, even in his moment of ultimate humiliation, there was no place to hide from the unrelenting eye of the French media. Even as his team

manager, Gianluigi Stanga, gently urged him to continue, a French television motorbike beaming live commentary from the back of the race stopped alongside in an effort to record his sobs of despair.

Such is the ruthless nature of this most gruelling of races. Careers can be made by an individual stage win, but elimination is never far away.

During the last hour of the sixth stage, several riders, including Russian star Evgeni Berzin, fell heavily as the battle for pole position became more and more heated. Berzin, who broke his collarbone, didn't start the next day's stage, adding his name to the long list of pre-race favourites – Swiss pair Tony Rominger and Alex Zülle, and Italian climber Ivan Gotti among them – lost from the Tour.

The lengths to which riders will go in order to touch Tour glory often has nothing to do with tactics.

Two sprinters, Tom Steels and Djanolidin Abdoujaparov, were disqualified from the race which ends on 27 July. The former for violent conduct, the latter after a positive dope test, the first since 1988.

"Some sprinters would kill their mother to win a stage in the Tour," a disconsolate Steels said after his first

Tour had come to a dramatic end. The pressure became too much for the 26-year-old Belgian when, after being jostled, pushed and elbowed, he angrily threw a water bottle at fellow sprinter Frederic Moncassin of France.

Steels struggled to find the words to justify his actions. "Terrible things happen on this race in the closing stages," he said. "Things I've never seen in any other race. This is my first Tour and I am used to respecting other riders, but here nobody seems to respect anybody else."

Fellow sprinter Erik Zabel of Germany, triumphant in three stages, was sympathetic. "I understand why Steels did it," he said. "It does not excuse it, but I know how he felt."

Abdoujaparov, who tested positive on two counts, left the race in disgrace with his team *directeur* Jean-Luc Vandembroucke saying: "One banned product would have been enough, but two is too much."

As if the route itself didn't create enough problems, the riders also have to deal with autocratic team bosses.

Zülle probably shouldn't have started the race at all, having broken his collarbone ten days beforehand.

Yet like so many top riders, it was his team manager, Manolo Saiz of ONCE, who took the decision to gam-

ble on the rider's fitness during what was always likely to be a nervous first week. "We felt that he had almost three weeks to recover before he was really tested in the mountains," said Saiz. "But the first flat stages were so dangerous, so tense, that for Alex, it was no longer sport – it was more like psychological torture."

While Zülle returned to hospital for further surgery on his battered shoulder, Patrick Lefevre, team manager and spin doctor to top Italian team Mapei-GB, was playing his usual hands-on role in dealing with the disqualification of Steels.

"Tom told me that Moncassin wanted to put him in hospital," Lefevre said, supporting his man. "He said he'd never been as scared in his life. I'm furious." Moncassin denied provoking Steels but the incident is another example of how passions run high, especially in the mountains.

These days, team managers on the Tour are far more than simply coaches. They check on everything from hotel kitchens to air schedules as well as deciding on tactics and personnel, equipment and salaries for their riders.

"The less the riders have to worry about, the better," said Saiz. "We pay them very well and we expect them to perform so you don't want any hitches in our organisation to be used as excuses."

Not even a broken shoulder held together by screws and steel plates.

Good sporting week...

Alison Nicholas held on under intense pressure to win the US Open, the most prestigious title in women's golf. The British player set a tournament record as she beat home favourite Nancy Lopez, willed on by the huge galleries, by one stroke.

Sargis Sargsian (pictured) became Armenia's first tennis champion when he won the ATP title at Newport, Rhode Island. The 24-year-old, ranked 68th in the world, is a former US collegiate champion.

He struggled to keep his tennis career alive when the Soviet Union disintegrated but now lives permanently in the States where his game is flourishing.



Damon Hill was greeted with euphoria following his sixth place at the British Grand Prix. The adulation was excessive, almost to the point of embarrassment, but at least the defending Formula One champion has finally secured one point for himself and Arrows. Whether and when he will get another one remains to be seen.

David Ginola is mesmerising when he wants to be, infuriating when he doesn't. The French winger and part-time model has finally been granted his wish to move on and has joined Tottenham Hotspur from Newcastle United. Whether it gets him back into the French squad is open to question.

Bad sporting week...

Tom Steels found the stress of the Tour de France just too much. While many riders retired through fatigue, the Belgian was thrown out of his first Tour for hurling his water bottle at a French rival in a fit of anger (see story left).

Henry Akinwande didn't do heavyweight boxing any favours at a time when the sport desperately needs a tonic to help erase the memory of Mike Tyson biting off part of Evander Holyfield's ear. Akinwande (pictured) was disqualified for holding after failing to put up even the faintest fight against fellow Briton Lennox Lewis.



Heinz-Harald Frentzen failed to complete a lap at the British Grand Prix. It was another wretched performance which fuelled rumours of an imminent departure from the Williams team, previous employers of Damon Hill.

Nicolas Kiefer, a Wimbledon quarterfinalist, hailed as one of the new generation of German tennis stars in succession to Boris Becker and Michael Stich, twisted his ankle in Stuttgart and will be out of action for several weeks.

PROPERTY RESIDENTIAL

South Africa

SOUTH AFRICA ESTATE IN VICINITY OF KRUGER PARK

Gentleman's Bush Retreat

45 km from Hoedspruit Airport/ 12 km from Orpen Gate Road £168 000

Set in 21 ha of unspoilt bush with Game, small Predators and rich Birdlife. 450 m² of Luxurious Residence with maximum security built around an inner courtyard (190 m²) with solar heated Swimming Pool and two Koi-Pools.

This haven of tranquillity and relaxation offers 100 m² Open Plan: Study - Lounge and Dining Room (7m high) with wooden ceilings - exceptional Kitchen with every modern comfort Cooking Island and Food Lift to Gallery upstairs.

From the Open Plan leads a wooden staircase to Minstrel Gallery, enclosed Verandah and open Terrace with spectacular views of Bush with illuminated Waterhole and Mountains.

An ideal spot to view indigenous Wildlife.

All rooms are very spacious and have direct access to Inner Courtyard with Swimming Pool and Fish Pools, e.g. Master Bedroom Suite with four poster bed and comfortable sitting area, Dressing Room and Bath with Sauna covers over 70 m².

Further are two Bedrooms, Bathroom, Playroom, Guest Toilet, - also a Scullery/Laundry, Cool Room/Larder, Storage/Pump Room, Porch, Hall, Double Garage with Service Pit.

The interior design is really impressive. This magnificent Investment is offered with all furniture, Fixtures and Fittings as a going concern.

(There is also a self contained Cottage - 50 m² - and a Car/Caravan Port.)

**Telephone/Fax Owner in South Africa + 27 15 7933451 or
Cellphone + 27 82 5767543 or write to PO Box 51,
Hoedspruit 1380, South Africa.**

USA



Golden Bay Club



Record Pre-Sale! Over 50% Sold.

New Luxury Condos from the \$180,000s

- Vacation • Year 'Round Living • Rental Investment •
- 2 Bedroom/ 2 Bath Condos • Boat Docks Available •
- 1-Year Signature Social Membership Turnberry Isle Resort Club •
- Summer, 1998 Occupancy • Brokers Welcome •

Exclusive Sales and Marketing by
Kirschner Realty International, Inc.

17044 Collins Avenue
Miami Beach, Florida, 33160, U.S.A.

Please Request Brochure
Phone: +1 (305) 944 5993

Fax: +1 (305) 944 6773

E-Mail: watervu@icanect.net

WWW: <http://fiera.net/goldenbay.htm>

France

Elegantly Renovated 16th Century Barn



Salon and dining area with oak beams, separated by colombage. Large, light and fully equipped kitchen leading to 25m² terrace with panoramic views. 3 double bedrooms, two bathrooms. Fully furnished, antiques of the region. Garage and cellar. Impeccable 1966 VW Beetle. Satellite TV. Mature Garden with fruit trees and ornamental shrubs. 2000m² land, tranquil surroundings, easy access Perigueux.

Price: £90,000
Contact Mr Pocock
Phone: +33 553 81 61 16



VAR PROVENCE
Charming restored French country house near Fayence, 100m², 2 bdrms, 3 baths, 10,000 m² landscaped, fenced, security system, large pool.

\$295,000 Ken Burling
Fax: 001 415 776 8845
Tel: 001 415 929 0543

Haute Vallée de Chevreuse
Large listed house in natural reserve park, 25km from Paris. 5km from Golf National. Thatched roof. Over 250 sqm living space. Fully equipped kitchen. 4 bedrooms with en-suite bathrooms. Large heated swimming pool. Outbuilding with 90sqm artist studio/bureau & 5-car garage. 2300 sqm landscaped garden. Satellite dish & Alarm system. 4 800 000 FF or long-term renting 30 000 FF/month.
Contact: Mr Georges Noël
Tel:+33 (0)1 3944 1260/3057 0872
Fax:+33 (0)1 3944 12 66

Spain

Spain - costa del sol from £8000



We have a list of bargain Village Houses to the East of Malaga at prices from £8,000. These are not ruins miles from amenities, but Village Houses with all main services readily available. Also brand new Villas from £25,000. If you are serious about a place in the sun at these prices you can't afford to miss out.

Talk to Philip Lockwood
**THE HEART OF ENGLAND
AGENTS WITH OVER 20 YEARS
EXPERIENCE OVERSEAS**

TEL: (01562) 745 082
FAX: (01562) 745 082

71 Coventry Street, Kidderminster.
Worcs DY10 2BS



Cyprus

CYPRUS Retirement,
Holiday, Investment Properties. Free List. Joint Ventures, Offshore Companies, Accommodation.
THEOMARIA Box 4282, 3722 Limassol, Cyprus.
Tel: (357 5) 372917
Fax: (357 5) 377740.

Belgium

BRUSSELS RENTAL-SALES, excellent selection. AIGG Immo Douwes. Tel. Belgium +32 2 2695456. Fax: +32 2 2696016.

MARBELLA LIVING
Beach & Golf Villas-Apts. Town Houses
OCEAN ESTATES
☎ + (345) 2811750
☎ + (345) 2814595

Greece

Beautiful Island of Kefalonia Svoronata Village.

Family house for sale. 3 bedrooms, including 1 self contained unit. Rewired, central heating, large open fireplace, exposed beams. Only 800m from beach. Direct flights to most European cities. Ferry links to Italy.

Tel: +44 (0)1727 825565/(0)1582 768151

Switzerland

SWITZERLAND

Luxurious fully furnished 2 bedroom apartment with garage for immediate sale. Beautifully situated at 1200m next to ski lifts. 35 min. from Montreux. Quiet location with glorious views.

Sfr 180,000.

Tel: USA 510 8202131
Fax: USA 510 8378989

Italy

T & T Immobiliare
Prestigious Properties in Chianti and Umbria Cortona - exceptional investment Beautiful Tuscan farmhouse, 450m² structurally sound, to restore internally. Excellent views. Region of: Lire 280,000 Full assistance with restoration projects, technical, legal and financial matters. For colour documentation and holiday rentals brochure, please phone or fax.
Tel: +39 574 574093
Fax: +39 574 575419
web pages:
<http://www.texnet.it/ttimobiliare/>
E-MAIL: t.lliimm@texnet.it

VAUD

Traditional 3 1/2 bedroom, 3 bath Chalet with panoramic views on 1300 sqm in unspoilt French speaking mountain village. Available to foreigners. Railway, all year skiing, tennis, golf nearby. 1 1/2 hrs Geneva.

Private sale.
SFR 995,000.
Tel:
+44 (0) 468 081 872

Italy

TUSCANY



For sale in Green Chianti area of Tuscany, 26 hectares (sqm) estate, main house (400 sqm) with a beautiful swimming pool. Two farm houses with all you need. 7 hectares of the land is under cultivation with a variety of fruit trees.

For more information call
Immobiliare Magenta
+39 2 86453180 +39 2 86653389 (fax)

LAKE GENEVA, owner sells

Elegant renovated secluded lake-front mansion built 1926. 15 min from Geneva, in France, 1 km from the Swiss border. 16,800 m² landscaped park, panoramic views. 1,700m² living space (incl. salon 130m², high ceilings: 7m), 6 fireplaces. Detached servants house. Fresh water sources in garden.

Tel. France 33 4.92.96.08.81
Mobile: 33 6.09.87.19.86
Fax: 33 4.92.96.08.48
Private: 33 4.92.99.22.92

PROVENCE VAR:

Large villa to finish, Super location and views, nice village, 1 1/2 acre gardens.

£85,000
Tel: +33 4942 84408

INTERNATIONAL PROPERTY

Readers are advised to seek appropriate professional advice before entering into any commitments.

NORTH CHARENTE

Deep in rural France, but only 2 1/2 hours from Paris direct TGV. Substantial Manor House fully renovated by an American to highest comfort standards. Standing on a hill top in 10 ha. flowered park. Spectacular views. Guest house also fully renovated. Total 7 bedrooms, 3 receptions. FF 3,750,000.

Tel. owner: +33(0)545318474 office or (0)545318473 home. Fax: (0)545318787. Brochure available on request.

LOT DORDOGNE

BEAUTIFUL RESTORED FARM near river Dordogne. Presently small Seminar Centre in 29 Acres Living Accommodation in Farmhouse, Barn, Pigeonnier (10 double bedrooms) 2nd Barn for restoration Price:- 2,250,000 FF

Tel: +33-565-37-36-17
Fax: +33-565-37-40-54

PROPERTY ■ Realistic prices are tempting high-flyers to buy houses in France

Rich buyers return to glamorous south

CLIVE BRANSON

HOUSES in the South of France are now selling at more realistic prices as homeowners try to tempt a new wave of foreign buyers. Hugo Skillington of estate agents Knight Frank says: "What I call the nostalgia barrier among sellers in holding out for late-1980s prices has gone."

According to Paddy Dring of KFR, there are signs that richer clients are again beginning to invest in property in the region, although buyers are still proving cautious. A strong pound means British buyers are leading the way, but clients also come from Switzerland, Germany, the Netherlands and, more recently, Hong Kong, Singapore and Malaysia.

Among the properties being

marketed by KFR and Skillington is Le Prieure de Tansonive in Fayence. The restored 19th-century priory has two reception rooms, a master bedroom suite, six further bedrooms and three bathrooms. There is also an unconverted barn with the potential for further accommodation and a staff cottage. Nice airport is 50 minutes away, and the ski resort of Greilorières is also close. The property is for sale at Ffr4.9 million (\$833,000).

KFR and Skillington are also handling Villa Tuscon, Grimaud, near St Tropez. The house, on the market for \$726,750, is part of the six-year-old Le Parc de St Antoine development. It has three bedrooms, two bathrooms, a garden and a swimming pool.

The improvement in the market has persuaded Antoine Lurot of Lurot Brand to expand his London-based agency into the South of France. He



Room with a view: a three-bedroom house overlooking Agay bay in the Var is being sold by Lurot Brand for \$680,000

is concentrating on desirable areas of the Cap d'Antibes, Cap Ferrat, Cannes and Nice. "I am amazed by how far prices have fallen," he says. "You can buy a property now for Ffr1.8 million which would have cost double that in 1987."

One of his properties, a three-bedroom, two-bathroom house in Agay in the Var region, is considered a bargain at \$306,000. It sits in the private estate of Domaine des Pays de France, and is near the sea. A larger house on the Domaine du

Rastel estate (pictured above) is for sale at \$680,000. It has three bedrooms, a galleried reception area, terrace, pool and garage.

Hugo Skillington, tel +33 4 94 43 2863; Knight Frank, tel +44 171 629 8171; Lurot Brand, tel +44 402 3275

Advertise your property NOW

SUMMER PRICES 1997

EXAMPLE

If you are selling or renting your house or holiday home,

let *The European* help you find a buyer/tenant with our special private advertiser offer. Complete with black and white or colour photograph, your house can be displayed in the style shown for a period of four weeks. All you have to do is: Send us a description of your house in not more than 35 words including photograph plus details of how you can be contacted. Include a clear black and white or colour photograph.



TUSCANY/UMBRIA BORDER
Beautifully restored home plus outbuilding (400m²)
25 acres land available.
50' swimming pool, stunning views.
Currently run as summer rental yielding 12% p.a.
Price.....
Telephone....

Complete the form below including all payment details and send it with your advertisement to the address below, or telephone +44 (0)171 418 7878 for further details.

COLOUR

4 WEEKS FOR £300 (*Plus VAT where applicable)

BLACK & WHITE

4 WEEKS FOR £250 (*Plus VAT where applicable)

I enclose a UK cheque/Eurocheque (sterling only) made payable to

The European

Please charge my credit card - Visa/MasterCard/American Express

Card Account No.

Expiry Date:

Name: Signature:

Address:

This offer is open to private advertisers only. *VAT must be added to all advertisements placed by residents of countries which are members of the EU. This is charged at the UK rate of 17.5%.

THE EUROPEAN, 200 Gray's Inn Road, London WC1X 8NE.

Telephone +44 (0)171 418 7878 Fax: +44 (0)171 713 1835 E-mail: 101512,3657@compuserve.com.

USA

NEW YORK: CENTRAL PARK SOUTH

Buy Your Own Luxury Hotel Apartment.

HAMPSHIRE HOUSE:

Best Location in NY.

Elegantly Appointed

w/Fine Furniture. Single \$175k.

Double w/2 entrances \$295k.

Anita Michaels

Tel: +1 (212) 769 -3322 x317 USA.

Fax: +1 (212) 769 3976 USA

Greece

"Mentioned in last week's Property Editorial" FOR SALE IN GREEK ISLANDS AND THE PELOPONNESE

* Luxury villas * Houses from 20 million GRD
* Exceptional sea front apartments from 14 million GRD

* Development land * Hotel units

HELLENIC REALTY



Tel: +33 4 50 42 71 98

Fax: +33 4 50 42 76 24

http://www.wegrew.com/hellenic.htm

TRAVEL & LEISURE

Books & Publishing

AUTHORS

Let Us Publish Your Book

Most subjects considered including Religion, Biography, Children's Stories, Poems, Fiction and First Books.

AVON BOOKS (EU),

1, Dovedale Studios, 465, Battersea Park Road, London SW11 4LR

NEW AUTHORS

PUBLISH YOUR WORK

ALL SUBJECTS CONSIDERED: Fiction, non-fiction, biography, religious, poetry, children.

AUTHORS WORLDWIDE INVITED.

WRITE OR SEND YOUR MANUSCRIPT TO: MINERVA PRESS 2 OLD BROMPTON RD, LONDON SW7 3DD

Car Hire

Car Hire

South West Ireland
Deasy Rent A Car
Cork
Tel +353 21 506744
Fax
+353 21 506624.

READERS' NOTICE

Before purchasing tickets, readers are advised to check that flight operators are members of ATOL or ABTA, or are licensed operators within country of sale.

PROPERTY

EDITORIAL CALENDAR SUMMER/AUTUMN 1997

24 July: South West France

11 Sept: UK COMMERCIAL

18 Sept: SPECIAL REPORT: French Property

25 Sept: SPECIAL REPORT:

Worldwide Golfing Property

2 Oct: Balearics Residential

9 Oct: Algarve Residential / Paris Commercial

16 Oct: Vienna Commercial / Biarritz & Pyrenees

For more information, or to advertise, contact:

ANDY DUKE, JENNIFER MULLEN

OR SARA BUCHET

+44 (0)171 418 7878 (tel)

+44 (0)171 713 1835 (fax)

E-mail: classified@the-european.com

The Continental

BALLET ■ Glamorous young catwalk ballerinas are giving the Russian dance company a sensual new image. Emma Manning reports

Kirov babes

If the dance world has a Scarlett O'Hara, Diana Vishneva is she. From the first soaring jeté, legs held in a perfect split mid-air, she takes the breath away. The 21-year-old Russian, who last week bewitched London audiences as the temptress in *Don Quixote*, is arguably the most captivating of a new breed of ballerinas responsible for restoring glamour and vitality to the ailing Kirov Ballet. With startlingly long legs, exquisite faces and potent sexual allure, they would look equally at home on a Paris catwalk as dancing Petipa's classics.

The Kirov's usurped director, Oleg Vinogradov, made no secret of his aim to create a seductive new image for the company which has only recently emerged from a bleak era of political infighting and mediocre choreography. "A dancer," he once declared, "is over the hill at 25 and dead at 30."

In just over two years as the Kirov's chief choreographer and artistic director he succeeded in bringing the average age of his dancers down from 38 to 24, but in artistic terms his output left much to be desired. Nor has his career been helped by his alleged involvement in financial scandals. The word from St Petersburg is that Valery Gergiev, director of the Maryinski Theatre, is desperate to get rid of him. So far, Vinogradov has resisted pressure to resign but he has been stripped of his powers and the young ballerinas he has nurtured have been passed on to the recently appointed director, Makharbek Vaziev.

One of them, 21-year-old, Anastasia Volochkova, has had her career advanced more quickly than any ballerina in the Kirov's history, although some Russian purists have complained that she is part of a new flashy and overconfident breed of dancers lacking the traditional Russian soul. With her striking height – 1.71 metres – one critic remarked that she came on stage like a supermodel on the catwalk. There is no question that this youthful line-up has given the Kirov a new lease of life; performances are invested with a spontaneity that has been absent in recent years. As the Kirov receives only a tenth of its revenue from the Russian state, the company must tour abroad to survive. Marketing the dancers is an essential part of the process. Sex appeal sells and dancers on the posters have to look stunning to entice a new generation of balletgoers who will be charged up to £65 (\$108) for a seat. Not surprisingly the

Exquisite:
Diana
Vishneva,
aged 21



ERIC RICHMOND



Youthful confidence: Svetlana Zakharova (above, standing) and Yelena Vassiyukovich dance *Don Quixote*. Anastasia Volochkova (right) typifies the new look

Kirov's reforms have caused bitter resentment among the older dancers who feel they are at their peak and are entitled to the plum roles. Yulia Makhalina, 28, was left out when the Kirov's last visited London in December. She told a St Petersburg newspaper: "These days I feel like a speck of dust." Her 30-year-old colleague, Janna Ayupova, complained that very young ballerinas are weak on technique and lack depth of expression. "Under the previous system you would wait until you were 30 for leading roles. By that time you may have injuries but you are mature and have a better understanding of the roles."

Anastasia is well aware of the ill-feeling her promotion has provoked. "On stage I can't help but see into their eyes. For the sake of the performance it is vital the company is united," she has said.

Despite the envy, real or implied, the talent of the youthful newcomers is not in question.

Diana Vishneva, a highly accomplished technician capable of extraordinarily high extensions, promises to become one of the greatest stars in the ballet world.

Another young beauty, 23-year-old Uliana Lopatkina, has been called "a cosmic phenomenon", but she is positively elderly compared with Svetlana Zakharova who, at 17, is one of the new soloists in this month's London season.

While the rejuvenation of the Kirov has caused controversy in Russia, there is nothing new in very young ballerinas playing leading roles. Irina Baronova, Tamara Toumanova and Tatiana Riabouchinska joined the Ballet Russe de Monte Carlo in 1932 aged 13, 14 and 15 respectively and became famous as the "baby ballerinas". Margot Fonteyn created her first major role in Ashton's *La baiser de la fée* aged 16, and Beryl Grey

danced her first ballerina role with London's Sadler's Wells at 15 in 1942. The promotion of very young dancers appeared to subside after the Second World War, but more recently Peter Schaufuss, when director of the English National Ballet, engaged Trinidad Sevilano and Katherine Healy to dance principal roles when they were 16 and 17 respectively, and Maina Gielgud during her leadership of the Australian Ballet cast many very young dancers as principals.

Ideally, a ballet company needs both youth and maturity if a healthy balance is to be maintained. Dispense with all the old stock and the young ones have no artistic role model to learn from. But if a genuine talent is kept in wraps in the corps de ballet for too long, a young dancer will become disillusioned and dispirited. A director has to acquire the skill to fine-tune his company and Makharbek Vaziev has made a promising start with the Kirov. There's the feeling that the company had hit the bottom and is now going through a period of rebirth. And if dancers like Vishneva are a glimpse of the future, it looks likely to be a glorious one.

Although Vishneva says she has danced "from birth", she was not initially keen to make ballet her career. "I was quite neutral," she admits. Like most of the dancers in the Kirov Ballet, she trained at the world famous Vaganova Academy in St Petersburg, and performed professionally as a child. Roles for children are prolific in Russian stagings and stage experience is integral to the ballet schooling. Incredibly, however, Vishneva was rejected by the school for two years. "They said I had drawbacks, blemishes and shortcomings, this and that, and then suddenly I thought, how come – why don't they take me? I will do anything." The rejection fuelled her personal ambition to succeed and after a punishing training programme she was finally accepted. Her most striking feature is her legs which appear to be made of elastic on stage. But she claims that when she first joined the academy her leg "didn't go higher than 15 degrees off the floor". Subsequently she won a Prix de Lausanne in 1994 and graduated into the Kirov Ballet at the age of 19.

The hierarchy in the old-style Kirov would have kept her hidden in the corps de ballet for at least three years before even a minor role would have come her way. Yet, barely out of her teens, she has already danced leading roles in *The Nutcracker*, *Don Quixote*, *Le Corsaire*, *Romeo and Juliet*, *Cinderella* and *The Sleeping Beauty*, and is regularly partnered by the Kirov's leading male dancers, including Igor Zelensky, and Farouk Ruzimatov, who is now the company's deputy artistic director.

However young they start, the working lives of dancers are still painfully short and few continue much beyond 35. It is also gruelling and insular. There are few opportunities to break the daily routine – class, rehearsal, performance, dinner, bed – and the pressures of touring and living out of a suitcase can become numbingly tedious. However, Vishneva has no regrets. "I do not miss out on life. Of course, my profession brings difficulties and sometimes it hurts, but when I see my friends, family and my parents after the performance and I see their happiness – my mother nearly cries every time – I realise that my efforts are not for nothing."

While she claims not to have a favourite role, Vishneva admits that Juliet is special to her. In fact, Shakespeare's heroine could be seen as a metaphor for the career of a ballerina. "I start as a little girl and finish, three hours later, as a tragic woman. It's like a kind of revelation for me when I try to cope with the part."

Emma Manning is editor of *Dance Europe*



FORMER STARS

When age is no bar to performance

OLEG Vinogradov's view that dancers are over the hill at 30 could have finished the careers of some of the world's greatest ballerinas. According to Beryl Grey (right), who joined London's Sadler's Wells at 14 and became one of the leading British names of the 1940s and 1950s, age has its own advantages on stage: "You're lovely and exciting when young but I think you become more interesting when you are older. Experience means you can toss off the technique and concentrate on putting expression into the role. I saw Galina Ulanova do her last Giselle when she was in her forties and it was so poignant." However, Grey herself retired at 40. "I wanted to be remembered for what I was in my prime," she says.



Anna Pavlova (1881-1931), legendary star of the Kirov, was still performing up until her death at the age of 50. She was noted for her lightness and spirituality, but remained strictly conservative and rejected Diaghilev's reforms.



Margot Fonteyn (1919-91, below) became prima ballerina with London's Royal Ballet when she was 16 and was still playing Juliette at 47. Although she had lost some of the elasticity of her earlier years she retained her beautiful physique and refined expression and she didn't hang up her ballet shoes until she was 60.

Galina Ulanova (born 1910), a leading ballerina of the Soviet Union, was noted for her warmth and radiance and could still move audiences to tears in her fifties. She was 35 when she made her debut in the West where she was hailed as one of the great personalities in ballet history. She played Giselle at 47 and retired at 52, before becoming ballet mistress at the Kirov.

Alicia Markova (born 1910, below) retired at the age of 52 and was still admired for her extraordinary lightness and her ability to glide through the air. She was prima ballerina with the Ballet Rambert and the Ballet Russe de Monte Carlo, among others.



HULTON GETTY

NEEL MORNINGTON

The Continental



Briefing: Diana, fresh from her maritime press conference

All hail Diana, queen of Europe

DIANA, Princess of Wales, in a press briefing conducted this week from a speedboat in the Mediterranean, disclosed that she has been advised by her sons, William and Harry, to leave Britain and take up residence abroad.

Wearing a leopard-print swimsuit, as one does when opening one's heart at an impromptu maritime media briefing, she advised British correspondents, lying off her starboard bow: "You will have a big surprise coming soon: the next thing I do."

What could she have in mind? Is Diana to take herself into exile? To abandon Kensington Palace, so convenient for Harrods and Sloane Street's boutiques, for a lonely expatriation? If so, is it merely a tactical move, to elude her tabloid pursuers, or is there a grand design? Could she be retreating abroad to forge a strategic alliance, perhaps to return to reclaim the throne she has so cruelly been denied?

A year ago, following her divorce from the Prince of Wales, there was intense but brief speculation that had Diana moving to Manhattan. Expatriate Britons swapped sightings as New York's richest laid plans to invite her out to the Hamptons in August.

It was, of course, all nonsense. Even with Concorde to get her back to England, New York could never be suitable for an English princess. It might do for Fergie, but never Diana.

So if the New World is unsuitable, where should Diana go? She confessed that she did not speak French, which puts Paris beyond the pale. She is known to enjoy Spain, where she has been entertained by King Juan Carlos, but actually moving there would probably not do: for exiled Britons, Spain is seen as a playground for the sex, sun and sangria set, or a retirement home for the middle classes.

Albania? They would doubtless anoint her their queen in a moment, but there are no shops. Scandinavia

or the Netherlands? Diana's humanitarianism is not the same as egalitarianism, and she is not the bicycle-riding type. Italy? Convenient for humanitarian missions to Bosnia, and the shops are good, but the food is so fattening. Moscow? Good clubs, lots of excitement, but a bit distant.

Perhaps the only logical destination is eastern Europe. Of more than passing interest must be the town of Gotha, north of Coburg. Not only is the region abundant in abandoned castles but it is set in the ancestral lands of the Saxe-Coburg dynasty, of which her sons are direct descendants.

But best of all would be Austria, which is charming, convenient for the nightlife of nearby Budapest, and also happily the home of Karl Von Habsburg-Lothringen, who is the right age, unmarried and heir presumptive to the admittedly quiescent throne of the Austro-Hungarian empire. What an alliance this could be! From the heart of the old empire, Diana and Karl could together rule Europe.

The Habsburg connection would give an entrée to a number of thrones: Bulgaria is one, Belgium another. Admittedly, as a Protestant divorcée, there may be some slight problems with Rome, but doubtless an appropriate waiver could be arranged, as the Catholic Church could be the big winner in such an alliance.

Ultimately, the opportunity is for Diana to get her revenge on that other adulterous English monarch, Henry VIII, by restoring England to Rome.

Even Diana will appreciate the irony that several hundred years after Philip, the last Habsburg to have a connection with the throne of England, and Mary Tudor failed to produce an heir, she could restore the Habsburgs, with herself at their head, to the throne of England, undo the Reformation, and send Charles packing.

JONATHAN MILLER

ART ■ Italy's greatest museum faces a legal challenge over its restoration of Leonardo's first known painting

The Uffizi is taken to the cleaners

ROSSELLA LORENZI

A SMALL printed notice in the east wing of the Uffizi gallery explains to visitors that Andrea del Verrocchio's painting *Baptism of Christ* has been removed for restoration.

This is the only clue to a drama that is about to play in Florence and which may see the reputation of the Uffizi as guardian of Italy's artistic treasures diminished. The consequences could affect leading galleries around the world.

The Uffizi is being challenged by an art historian over its decision to repair and restore the *Baptism*, a painting famous for contributions from two of Verrocchio's students. An angel with tumbling blond curls beneath its halo is the first known work by Leonardo da Vinci. And a second angel is thought to have been painted by Sandro Botticelli.

With names like these among the credits, it is hardly surprising that the wood panel, painted with oil and tempera in 1475, is one of the most scrutinised of all the gallery's works.

The challenge is unprecedented and the gallery is furious at what it considers to be an outsider meddling in its affairs. The director, Anna Maria Petrioli Tofani, was served with papers from court officials this week following a four-page deposition by Professor James Beck of Columbia University, New York.

He is a Renaissance specialist and president of ArtWatch International, the pressure group which is sceptical of the need to clean pictures and opposes the thoroughness of modern methods that leave ancient works of art shining and bright.

Beck wants work on the *Baptism* stopped until its condition can be assessed by a panel of experts. He took action through his lawyer Nino Filastò when he saw the results of the gallery's recent restoration of Titian's *Venus of Urbino*, which, Beck says, makes it look "more like a reproduction than an original".

His statement cites the Titian and claims that the techniques used by the Uffizi's laboratory puts the *Baptism* in "real danger of alteration and damage".

Petrioli Tofani will have none of it. "We have a clear conscience," she said, before Beck's challenge was delivered. "There are detachments of colour fragments; it is necessary to intervene. The restoration of the *Baptism* has begun and we do not intend to suspend it."

Beck is using a common Italian procedure called Atto di Notificazione Stragiudiziale, in which one party in a dispute sets out the substance of their complaint in a document which

"I will go to a judge and say the Uffizi is responsible for a potential crime. I see it as my duty"

is delivered to the other party by a court officer. It is often the preliminary to a trial. If Petrioli Tofani does not reconsider her position, Beck is threatening to escalate the action and will accuse the gallery of neglect.

"We will go to a judge and say they are responsible for a potential crime," he said. "That's a pretty radical step. I am sticking my neck out because I see it as my duty."

Beck, 67, is a veteran campaigner who denounced the ten-year cleaning of the Michelangelo frescoes in the Sistine Chapel for "severely damaging" the masterpiece. He claims he established "the freedom to criticise restorations" when he successfully defended a charge of criminal defamation after denouncing the restoration of Jacopo della Quercia's tomb of Ilaria del Carretto, a 15th-century marble sculpture in Lucca cathedral.

If he forces the Uffizi to stop work

on the *Baptism*, the impact will be felt by every gallery where the preservation of works of art is regarded as an internal matter, best left to their own experts.

Restorers are becoming nervous of scrutiny by ArtWatch. The National Gallery in London, for example, regularly cleans masterpieces but prefers to say nothing about it until the work is complete.

"What I and a small number of people are saying to restorers is, 'Wait, you are ruining these works.' To touch a Leonardo is irresponsible unless you really have to, and they won't tell anyone why they have to do it. This is a very important issue. These are the paintings we have to pass on to the next generation."

The restoration of a Leonardo is always likely to be a contentious issue. More than 70 years ago Degas was prominent in a campaign to prevent the cleaning of the *Mona Lisa*. In 1994 the Louvre halted work on Leonardo's *The Virgin and Child with St Anne* following protests led by Jacques Franck, the painter and art historian. After three years of tests on the picture, the museum agreed there would be "difficulties" with any restoration.

"There are very high risks when restoring a Leonardo," said Franck. "X-ray images of the master's painting often show something similar to smoke. This happens because of Leonardo's delicate technique, called *sfumato*."

Leonardo made flesh using fine layers of paint. In the flesh zones, less than a millimetre thick, X-rays simply go straight through. This is Leonardo's signature, but it is also a clear sign of how dangerous any attempt at restoration might be.

"I knew nothing about the restoration of the *Baptism*. I'm surprised, as I always thought the Uffizi was an example of moderation in its cleaning. In the past they claimed that under no circumstances would they restore their Leonardos, except in a case of real damage."

Petrioli Tofani denies that the gallery is working in secret. "The painting had



serious problems. It was necessary to intervene, and I do not see the need to call press conferences for this," she said. "Every great museum has restorations constantly in progress. We can't call journalists for every restoration. Moreover, restoring this painting does not present more problems than restoring a 14th-century altarpiece measuring four metres by three."

Petrioli Tofani's confidence is not shared by some critics, who believe that restoration of Leonardo's angel, gently modulated in light and shade with the most delicate brushwork, is a perilous task.

"Leonardo was already experimenting with *sfumato* in the *Baptism* painting," said Carlo Pedretti, director of the Armand Hammer Center for Leonardo Studies at the University of California.

"This makes cleaning very complex. Moreover, the *Baptism* features different techniques – there are at least three hands in this painting. I am sure that the Uffizi would do a good job: they are serious and well prepared. Yet I believe that in the case of Leonardo, the opinion of an international committee of experts is a must."

Another scholar, Alessandro Vezzosi, director of Leonardo's Museo Ideale in Vinci, Tuscany, says the restorers

should study the painting through computer enhancement. "This is what we try to do here. Everyone knows the complexities of his technique and how difficult it is to restore his paintings. A restoration should be done only in an emergency. Even detachments of colour fragments should be studied deeply before intervention – they could belong to a period after the painting was completed.

"Sometimes Beck is too impetuous, but he has undoubtedly saved many masterpieces. I am pleased he has raised a debate over this restoration."

Beck, who was named "Comendatore" of the Italian Republic in 1992 by then president, Francesco Cossiga, could be said to thrive on controversy. As well as his criticisms of the Sistine Chapel, he has spoken out against the unfinished restoration of Leonardo's *Last Supper* in Milan. He called the result a "cadaver".

His offensive against the Uffizi could be his most devastating yet if he succeeds in opening up its impenetrable restoration laboratories.

Petrioli Tofani is doing her best to keep the museum out of a scandal. "Beck is making all this fuss for nothing," she declared. "I will not allow him to involve us in a case such as that involving the Sistine Chapel in Rome.



Angels with dirty faces: Verrocchio's *Baptism of Christ* (left) contains two studies of angel's heads (detail, top). Leonardo da Vinci painted the one on the left and Sandro Botticelli is thought to have done the other

I suspect that he is in search of some publicity."

According to Petrioli Tofani, Beck's fears are groundless, as the *Baptism* is in the hands of their best restorer, Alfio Del Serra, who has worked on the museum's major restorations including the Titian which was unveiled to the EU heads of government last year.

But in his notification, Beck takes issue with the techniques of the Uffizi laboratory. "There is a unification and lowering of the tones, and an application on the entire painting of a varnish, all of which serve to unify the picture," he explains.

As he awaits a response, he denies that he is trying to create publicity for himself. "That's just a nefarious trick," he declared.

"The Uffizi should have the confidence to say I am wrong and then prove it. Why don't they say, 'we'll show him by having a debate, and we'll show how stupid he is' – that's what they should say."

The Continental

TRAVEL ■ Why battle your way out to the airport when you can fly down the tracks from a city-centre international terminus?

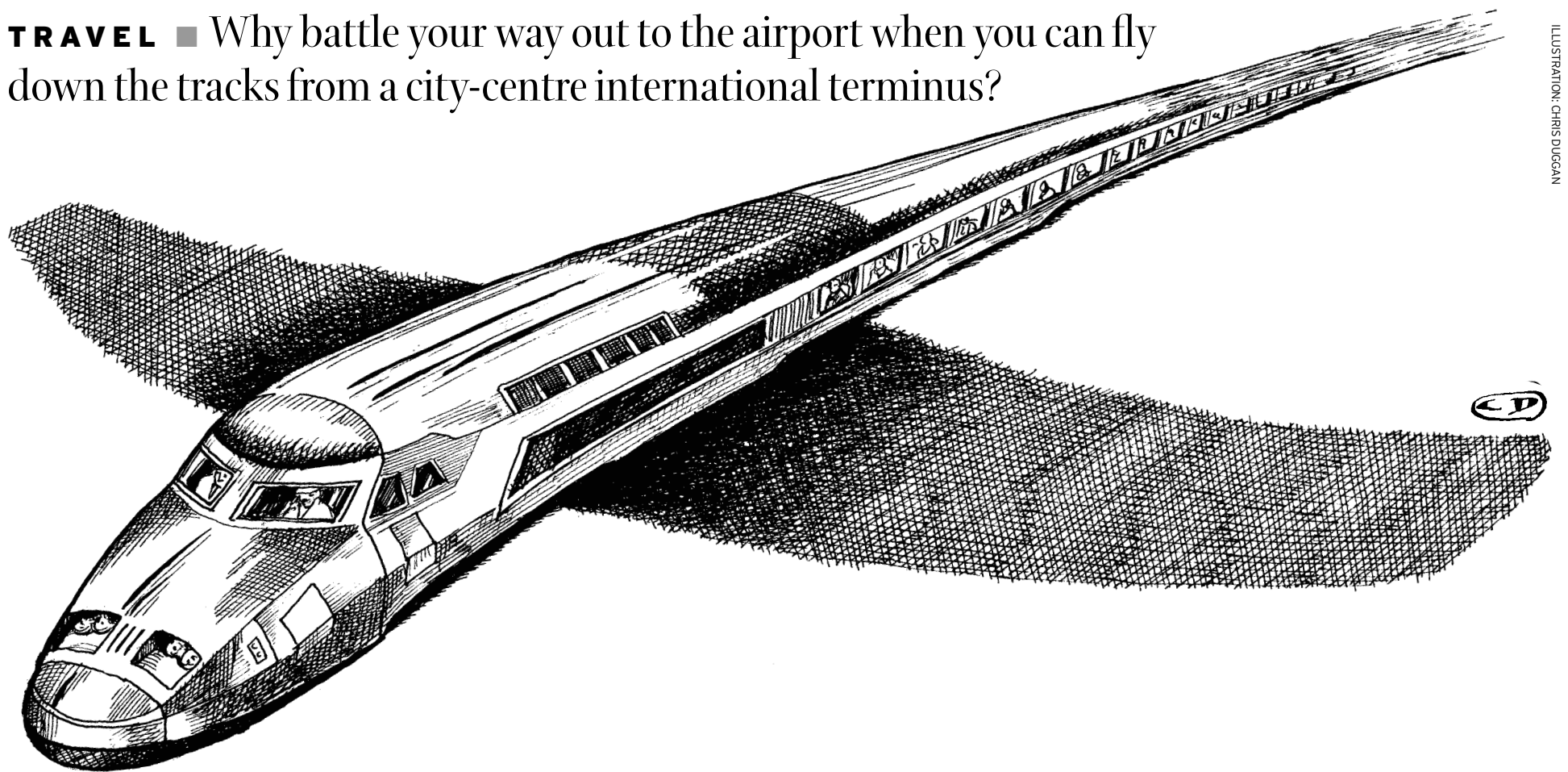
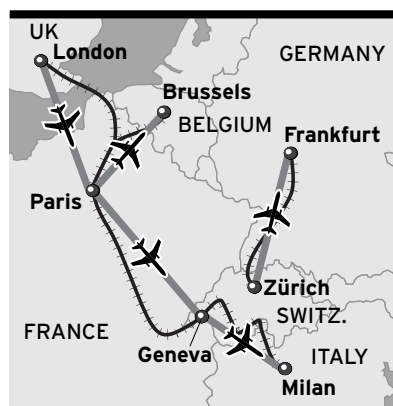


ILLUSTRATION: CHRIS DUGGAN

Take flight by train



ADRIAN WILLIAMS

YVES BLANC eases the power handle forward by a few degrees in the cab of his Eurostar train and 750 passengers feel the thrust of acceleration as they speed into the Channel tunnel on their way to Paris from London. The sensation of surging on to the high-speed track after the low-tech ride from Waterloo can feel like the rush of a jet on the take-off runway.

In less than 30 minutes the French countryside will be racing past the windows at 300kmh.

For the London-Paris regulars who choose the three-hour train ride into the city centre, take-off and landing have become a forgotten part of the travel experience. Eurostar is now carrying close to 20,000 people a day between the two capitals, and claims nearly 70 per cent of passenger traffic on this route.

Aircraft are losing their appeal on a number of cross-border European journeys as the tracks to carry high-speed trains are extended. Although actual flying time will always be shorter, the attendant problems of getting to and from airports and check-in procedures are making train travel a popular and less stressful option.

For example, the TGV Thalys service linking Paris with Brussels, Antwerp, Rotterdam and Amsterdam now runs hourly between Paris and Brussels throughout much of the day.

Even when high-speed trains run over slower conventional tracks, passengers gain from a smoother ride and upgraded comfort and service on board. They also travel more economically, because business-class flights usually cost significantly more than first-class rail tickets. The cost of flying within Europe can be stagger-

ingly high unless executives are prepared to meet booking restrictions or are prepared to stay over a Saturday night. A traveller who wants a flexible ticket may find that the only option is to buy at the expensive business-class rate.

The new trains are setting the pace in all directions. From Paris or Lyon the TGV runs to Milan and Turin; Germany's ICE trains link Frankfurt with Basel, Zürich, Bern and Interlaken and may soon continue to Vienna; by the end of this year French Railways (SNCF) will extend the TGV from Paris to Cologne; and by 2000 Frankfurt will have a high-speed link to Milan and Rome. ICE trains are due to run between Cologne and Amsterdam within a few years.

Tilting trains, which can take corners at speed, are also crossing borders. The Pendolino train made by Fiat was initially restricted to the Milan-Florence-Rome line, but new versions built for the joint Italian-Swiss Cisalpino service link Geneva, Basel and Milan. From October Cisalpino tilting trains will head into Germany on the Milan-Zürich-Stuttgart route.

High-speed trains have been slow to exploit their cross-frontier potential because, until recently, different countries used different electricity voltages, signalling systems and sometimes different gauges. The newest trains, such as Eurostar, Thalys and ICE, have multi-signalling and multi-voltage capacity, but even they cannot cope with a variation in track width.

Trains in Spain run on a broad gauge of 1,676mm, while the rest of Europe has adopted 1,435 as standard. The one AVE fast service between Madrid and Seville runs on a specially built 1,435 gauge line, but the Spanish are still a long way from a route to the French border.

Laying high-speed track is a hugely

NIGHT MOVES

Eurostar has scrapped plans to run a "nightstar" sleeper service from Britain's provinces into mainland Europe because of low revenue potential and operational problems. The special "hotel-on wheels" carriages, fitted with showers, air conditioning and computer points, have a huge thirst for power, and diesel engines coming from cities such as Cardiff, Birmingham and Glasgow might not have been able to support them. Fifty of the original order of 130 carriages have been built and are now mothballed. A sleeper service from London to Amsterdam and Frankfurt is still being considered, but the executive passenger may not be a frequent customer: business people who want to get their work done in a day can find airline schedules to suit them.

expensive commitment. "More people want a TGV service," says Peter Mills of SNCF. "But where the rate of return isn't high enough to make them viable we are looking at tilting TGVs." Train builders ABB, makers of the Swedish X200 tilting train, reckon it costs \$500,000 per kilometre to provide tilting train track, compared with \$18 million for one of the latest ICE trains in Germany and \$10m for the TGV in France. SNCF may decide to fit tilt technology to the TGV to enable it to run at extra speed on conventional tracks between, for example, Paris-Toulouse and Paris-Nice.

Rudolph Richter, a director of German Rail, says: "There will be a tremendous improvement in journey times between Germany, Belgium and the Netherlands when new sections of high-speed line are completed between Frankfurt, Cologne and Brussels. In the distant future, when the London-Folkestone high-speed line is completed, I can even see our ICE train in London."

The airlines, while losing passengers to fast trains, have not been knocked out of the skies. On some routes, such as London-Paris, the introduction of a high-speed rail service has increased the overall volume of business. Trains have also helped keep air fares down. For their part, airlines are fighting to retain the business customer with benefits such as extended flight schedules (earlier departures, later returns), valet parking, fast-lane check-in and better business lounges.

Some passengers flying between European airports are making only the first part of a longer journey. These are the carriers' most valuable customers, and on some routes – in and out of Frankfurt, Heathrow, Milan and Zürich – airlines are not unhappy to lose some traffic to the trains because the airports are too busy to take more flights.

AIR

Route	Journey time	Cost
London-Paris	3 hrs 5 mins	\$322
Paris-Geneva	3 hrs 5 mins	\$339
Paris-Brussels	2 hrs 55 mins	\$278
Frankfurt-Zürich	3 hrs	\$296
Geneva-Milan	3 hrs 15 mins	\$335

One hour added at arrival and departure points to cover the time taken to reach the city centre. Fares shown are the business-class single fare.

RAIL

Route	Journey time	Cost
London-Paris	3 hrs	\$322
Paris-Geneva	3 hrs 35 mins	\$99
Paris-Brussels	2 hrs	\$78
Frankfurt-Zürich	4 hrs	\$140
Geneva-Milan	3 hrs 40 mins	\$98

Fast-train travel across Europe first-class single fare. Fare shown includes supplements and allows travel with the best available trains.

HI-TECH TOYS ■ Click on, plug in, dive deep, shoot fast – and order your telephone to do the tedious job of dialling numbers

Tired of seeing remote controls littering your sofa? The versatile Cambridge Audio M1 Remote Control will work your VCR, TV, and hi-fi – price \$135. Tel: +44 (0)171 940 2200



The Sony MZ-E30 is the world's smallest MiniDisc Walkman, at a mere 76 grams and the size of a business-card holder. A good idea to invest your \$474 now, as Sony reckons the MiniDisc will replace the CD within five years. Tel +44 (0)1932 816417



Groovy gadgets



For the scuba diver with everything. The \$498 Citizen Hyper Aqualand watch records data with dive time, depth and temperatures. Results can be printed out on a PC. Tel: +44 (0)1189890333



The Hitachi MPEGIA is the world's first digital camera that can take still pictures and moving images, for a cool \$3,386. Featuring a pin-sharp LCD viewfinder, this digital demon can hold 2,888 pictures or 20 minutes of video footage, all for transfer on to a PC or the Internet. Tel: +49 211 529 1552

On trial Voice-activated telephone



The Philips Spark is a voice-activated telephone designed for people too tied up for manual dialling. A lithium battery allows up to ten hours of talk and 350 hours' standby time. Combined with a

Philips handheld PC Velo 1, the Spark can operate as a mobile computing and communications centre, providing e-mail, fax and Internet access. Price: \$45



Enrico Mattoli of UBS Private Banking

"I was surprised the Spark was so cheap because it feels expensive. I like its slick, curved design, which is why I referred to it as the 'boomerang' all weekend. It took only five minutes to work out how to use it, although some of my friends have long names and I found that I had to shout them slowly and loudly or the phone wouldn't pick up on them. Also, you can store only ten numbers and the volume keys don't make much difference. I got a lot of attention from people wondering why I was talking to my phone – making me feel like some undercover spy. It's the perfect toy."

VERDICT: Status ★★★ Simplicity ★★★ Satisfaction ★★★★★

Book of the week

The Question of Europe

Edited by Peter Gowan and Perry Anderson

Verso, London and New York, 1997. Price: £45 (hardback), £15 (pbk)

WHAT is puzzling – and depressing – about the European Union is the way it has been established. Europe is arguably one of the few places in the world where democracy and public debate make sense. Yet something as momentous as the Maastricht treaty was drafted and realised with the lowest possible level of serious discussion among citizens. There was no Continental Congress of Europe, no Constituent Assembly and no local caucuses for or against merging 12 or 15 nation-states into one superstate, nor was there a body to debate the single currency. Euro-elections, incredibly enough, have never been about European policies in any given European nation, only domestic politics.

Even in the few countries where a referendum was held, discussion focused on the Idea of Europe – nobody was found to be against it, in the long run – rather than on the treaty's provisions.

Now, a new book is going to make you even angrier. *The Question of Europe*, edited by Peter Gowan of the University of North London and Perry Anderson of UCLA, is a collection of excellent essays on the EU, perfectly balanced between right and left, Euroscepticism and Europhilia, theory and praxis, history and current affairs. While some were written recently, others go back to the early 1990s, when the Maastricht treaty was in the process of being set up, signed and ratified. In other terms, this is the closest approximation of what the debate on Europe's integration should have been and was not.

One of the most striking features is how much the EU has to do with the nationalism of its founding nations. It is worth quoting two contributors – a German conservative and a French socialist – who have been involved in politics and government over the past decades. Karl Lamers, a member of the German Bundestag, is the CDU-CSU spokesman on European affairs, and his 1994 essay, *Strengthening the Hard Core*, originally a working document for his party's annual congress, is regarded as the most straightforward presentation of Germany's views in these matters. United Europe, according to Lamers, achieves since "the military, political and moral catastrophe of 1945" – in that order – what "hegemony" did not: it enables Germany "to overcome its position at the centre of Europe's conflicts" through a "new system" combining "control over Germany by its partners with control over these partners by Germany". Post-Maastricht EU is more of the same, except that Germany is no longer divided and that "Germany's partners", as far as mutual control is concerned, have been reduced to only one, France.

Jacques Attali's essay, *A Continental Architecture*, also written in 1994, is no less revealing. The author was a special adviser to François Mitterrand from 1981 to 1991. With Gallic hauteur, he lists four

different scenarios for European integration: a Federal Union (the 12 original members, no enlargement), a Confederal European Space (everybody can join, Germany rules), a Euro-Atlantic Union (Uncle Sam rules) and a Continental Union (imperial EU under French-German direction extended to the former Soviet sphere and to former Mediterranean and African colonies). He settles for the fourth, although admits its creation "looks impossible".

But why hasn't German or French nationalism become diluted into true federalism? William Wallace of the London School of Economics blames it on Keynes. He stresses the fact that the formative years of united Europe, from the late 1940s to the early 1970s, were also the golden years of "the active state". Global prosperity gave the nation-state a new legitimacy as the main channel for social justice, either through the workings of the "mixed economy" or through "wealth redistribution".

Alan Milward, a leading historian of European integration, agrees: "National governments became giant insurance companies." Still, he warns that "political symbolism" should be taken into account too. Most European countries, including the United Kingdom, underwent cataclysmic change throughout the Second World War. They had to rebuild both physically and spiritually. Renewed national allegiance was a necessity, "even though there was a growth of secondary allegiance to Europe".

The interaction of European integration and nationalism has led to the single European currency as we know it today: a status token as much as an American scholar Edward Luttwak aptly remarks: "The euro will most certainly be managed like sterling in the 1920s rather than like the US dollar since 1974, as the very hardest of hard currencies, kept that way by the cruellest, most persistent deflation. What an outcome of all the hopes that European unity once evoked!"

John Keegan, the British historian, is not surprised. According to him, there are "two histories of Europe". The first runs as the noble endeavour of peace-loving, democratic-minded idealists, from José Ortega y Gasset to Jean Monnet and Robert Schuman. The second, quite differently, begins with the first practical attempt at all-European integration by Albert Speer, Hitler's chief economic planner, and Jean Bichelonne, the Vichy industry minister. The truth is, Keegan contends, that the histories overlap, and that Monnet and Schuman borrowed heavily from the Speer-Bichelonne experience "in the machinery of centralised economic organisation".

Whatever the views raised with insight and gusto in *The Question of Europe*, we should be thankful that someone is taking Europe seriously – for once.

MICHEL GURFINKIEL

It is striking how much the EU has to do with its founders' nationalism

Continental critique

A discriminating look at what's on and what's worth talking about in Europe this week

J VAN DER WELJ

Coming soon

POWER, dance, acrobatics, comedy - that's the mix from Les Ballets Africains who arrive at the Savoy Theatre, Helsinki next week after a successful tour of Britain. The company from Guinea, in west Africa, is performing its new show *Heritage*, a blend of traditional tribal dance, music and story-telling. 24, 25 July. Savoy Theatre (+358 9-403021)

The Hague's Gemeentemuseum lends its large collection of Mondrians to London's Tate Gallery this summer as it closes for renovation. *Mondrian: Nature to Abstraction* will comprise more than 60 significant works, including drawings and paintings, 26 July-30 Nov. Tate Gallery (+44 171-8878000).

Further north, the Edinburgh Festival, which celebrates its 50th birthday this year, opens on 10 August. During the first week there is a new production of Rameau's mythological comedy, *Platée*, sung in French, with tenor Jean-Paul Fouchécourt and English mezzo-soprano Diana Montague. It includes dance by the American avant-garde choreographer Mark Morris, 11 August. There is also the world premiere of *Fish* by the Bangarra Dance Theatre, one of Australia's most innovative companies, 12-14 August. Various venues (+44 131-4732003).



Back to their roots: Les Ballets Africains are performing a blend of traditional tribal dance, music and story-telling in Helsinki

Pick of the week

HANS Schavenoch has created spectacular scenery for his new interpretation of George Gershwin's *Porgy and Bess*, the epic tale of poverty and love surviving the greatest of odds.

A wide highway appears to head straight into the lakeside audience from the floating stage at Bregenz. But just before it does, it abruptly breaks in half. A few rusty car wrecks are submerged in the lake and on the shore there is more debris. It is here on the hopeless periphery of a highway to nowhere that *Porgy and Bess* fight for their love in *Catfish Row*.

Schavenoch has kept the Bregenz tradition alive, following earlier productions where *Nabucco* teetered on a lofty platform and *Fidelio* languished in a high-rise prison. Götz Friedrich, musical director of

CZECH REPUBLIC PRAGUE

Rudolf II and Prague The Habsburg Emperor (1552-1612) was a fanatical collector and this show incorporates art,

architecture, science and music. Included are bizarre portraits made up of fruit and vegetables by painter Giuseppe Arcimboldo, a Surrealist before his time. The most magnificent item on display is Rudolf's *Kunstkammer*, a magical curiosity cabinet, with allegorical paintings, occult books and scientific instruments, where he sought refuge in times of strife. Until 7 Sept. Various venues (+420 2-2110511)

BELGIUM ANTWERP

Rubens' Textiles As a painter Rubens is world famous. As a tapestry designer, few are aware he was a 16th-century trend-setter and pushed the borders of textile making to the limit. A selection of his finest designs are now on display: works full of delicate detail and some still richly coloured like *The Oracle of Decius Mus*, are shown alongside exquisite lace and embroidery, inspired by his engravings and graphics. Until 5 Oct. *Rubenshuis* (+32 3-2060350)

DENMARK HUMLEBAEK

Sunshine & Noir: Art in LA 1960-1997 A rare opportunity to investigate America's West Coast art scene. The Louisiana Museum has long been the standard-bearer for contemporary art and it got first showing of the exhibition, ahead of Germany's Wolfsburg Kunstmuseum and Turin's Castello di Rivoli, which will host the show later in the

year. David Hockney's *A Bigger Splash* hangs out with James Turrell's light installation *Afrum Proto*. Until 17 Aug. *Louisiana Museum* (+45 49190719)

FINLAND HELSINKI

Rock 'n' Roll Legends Is the Hartwall Areena big enough for three of the biggest egos in rock 'n' roll history? Little Richard, Chuck Berry and Jerry Lee Lewis play their greatest hits. 24 July. *Hartwall Areena* (+358 9-54021)

SAVONLINNA

Savonlinna Festival You must be Finnish, or extremely Finnophile, to fully appreciate *Aleksis Kivi*, Einojuhani Rautavaara's new opera (although surtitles would have helped). The idea for an opera about Finland's iconic 19th-century writer came from the great Finnish baritone Jorma Hynninen (who sings the title role) and the libretto contains large chunks of Kivi's writing set to music. Hynninen is superb as the tortured protagonist, whose rejection by the Swedish-led cultural establishment triggers alcoholism, schizophrenia and death at 38. But for all its dramatic power, musical beauty and sublime singing, Kivi is a wine which may not travel well. 24, 27 July. *Olavinlinna Castle* (+358 15-476750)

FRANCE LYON

Lyon Biennale The theme chosen for Lyon's fourth Biennale is "the other", with 86 different works in the 17,000m² Halle Tony Garnier. The most impressive works tend to be the larger ones, such as Chris Burden's *Flying Steamroller* and Katharina Fritsch's imposing circle of black

rats. There are also strong video installations and works by well-known artists like Beuys, Bourgeois and film director John Waters, who shows photos of Divine and a series of anuses hidden behind a red velvet curtain. Until 24 Sept. *Halle Tony Garnier* (+33 4-78 61 00 01)

PARIS

César If a retrospective of France's most prominent living sculptor was overdue, the *Jeu de Paume*'s show was certainly well worth the wait. This well-arranged exhibition highlights the main stages of his career, from his amusing early series of animals made out of soldered iron to his recent self-portraits made from plaster and bric-a-

brac. Throughout, he magically transforms crude materials into beguiling objects of beauty, be it his crushed cars, his series of huge thumbs made out of sugar, resin and nickel, his homages to Giorgio Morandi or the compositions of compressed cardboard boxes, crates, hessian and jeans. *Galerie National du Jeu de Paume* (+33 1-47 03 12 50)

SAINT PAUL DE VENCE

The Sculpture of Painters Picasso said that "sculpture is the best commentary that a painter can make about his painting", and this show takes him at his word. 200 sculptures by 20th-century artists (many from rarely-seen private collections), are featured along-

side a canvas. In the gardens there are monumental works, which range from Gauguin's dazzling Tahitian wood statues and Baselitz's towering boulder men to Matisse's "Jeannette" busts and the delicate ballerinas of Degas. Until 19 Oct. *Fondation Maeght* (+33 4-93 32 81 63)

GERMANY BERLIN

The Age of Modernism: Art of the 20th Century An enormous show with 400 items by 130 artists, but in their attempt to define Modernism the organisers may leave many visitors more confused than enlightened. Don't be put off by the scale of the show: there are some rare and

wonderful pieces. These include works by Kandinsky which have not been seen in Europe for 80 years. See them in Berlin because this show is not scheduled to travel. Until 27 July. *Martin-Gropius Bau* (+49 30-3245078)

KASSEL

Documenta X Another huge show, the self-proclaimed "Olympic Games of Art", which is so big it begins at the town's railway station. Curator Catherine David has chosen 120 artists to contribute works which "reflect the issues of the time we live in". Adjectives thrown at this show include grotesque, shocking and disastrous. Those thrown at David include arrogant and

secretive. Some German critics say it is the most boring documenta ever. Until 28 Sept. Various venues (+49 561-707270)

MUNICH

Opera Festival Until 31 July. Plácido Domingo celebrates the 25th anniversary of his debut at Munich with a performance as Don José in Bizet's *Carmen* with his guest Elena Zaremba as Carmen, 21 July; Rebecca Evans, a fast-rising soprano from Wales, is Ilya in Mozart's *Idomeneo* with English tenor John Mark Ainsley as *Idamante*, 20 July; American Frank Lopardo, emerging as one of the finest lyric tenors of the new generation, sings Alfredo in Verdi's *La traviata*, 24, 28 July. *Bayerische Staatsoper* (+49 89-21851920)

IRELAND DUBLIN

The Pursuit of Painting A lesson in how to cover a lot of territory in a manageable exhibition. Stephen McKenna, the British painter and curator, has chosen 20th century artists, living or dead, who have been his cultural mentors during his career, notably Giorgio De Chirico whom he describes as a "real revolutionary". Until 2 Nov. *Irish Museum of Modern Art* (+353 1-6718666)

ITALY MILAN

Tosca By Puccini. La Scala's 1997 season comes to a close with a roof-raising US-Russian soprano teaming of Aprile Millo and Galina Gorchakova. Margherita Palli's production is conducted by Semyon Bychkov. 18, 19 July. *Teatro alla Scala* (+39 2-72003744)

Exhibition

MARTIGNY, in the the Swiss Alps, is a crossroads for travellers. Hannibal passed through it with his elephants as did the armies of Julius Caesar and Napoleon. Now it has become a destination in its own right, thanks largely to its exceptional annual art exhibition - usually a retrospective. This year the Catalan artist Miró is the attraction, represented by more than 100 works.

His vision was dreamlike with a childlike innocence and the exhibits reflect his obsession with birds and women entwined with stars. The title of one of the tableaux - *This is the colour of my dreams* - symbolises the whole of Miró's work, clearly showing his fascination with the dream world and the poetic universe, full of moons and stars. Two of the most famous are *Women, Bird by Moonlight* where imaginary, frolicking figures play in a dream-like world, and *Birds and Insects* (left), where fantastical creatures hover in a brilliant blue sky. Miró's output embraced paintings, drawings, books, sculptures and ceramics - all unified by his unmistakable style. Unfortunately, this indefatigable painter, who always strove for depth, leaves us with an oeuvre which is charming but essentially superficial. Until 11 Nov. *Fondation Pierre Gianadda* (+41 27-7223978)

MAURICE HUELIN



TOP FILM IN EUROPE: Batman and Robin

George Clooney in rubber, Schwarzenegger in ice, Uma Thurman in sin.



BROOKER

Berlin's Deutsche Oper, has created some intensely intimate scenes between Porgy and Bess in the inner-city slums despite the huge proportions of the stage.

The all-American cast is led by soprano Cynthia Haymon (right), who sings Bess in alternating productions. Her Bess first won acclaim in the Royal Opera production in London in 1992. The role of her lover will be shared between baritones Donnie Ray Albert and Gordon Hawkins and Arthur Woodley. Andrew Litton, musical director of the Dallas Symphony Orchestra, conducts.

Bregenz's other production is the 19th century fantastical rarity, *Der Dämon*, by Anton Rubinstein. Both in repertory 17 July-21 Aug. *Festspielbühne* (+49 5574-4076)

REINHARD KAGER



Cinema

NEW

DOUBLE TEAM ★

Muscles-from-Brussels Jean-Claude Van Damme as a disgraced 007 teams up with Dennis Rodman as a hippy arms dealer to defeat terrorist Mickey Rourke: the usual violence, culminating in Rome's Colosseum, is directed with deft and smiling speed by experienced Hong Kong action man Tsui Hark - quite a lark. (France)

EL EFECTO MARIPOSA ★

First British screening for mainly South London-based culture-clash comedy by Spanish veteran Fernando Colomo, featuring two of his regulars, Maria Barranco and Rosa Maria Sarda as sisters - one in fraught thrall to a British TV actor, the other wed to a Spanish tycoon. (Spain, UK)

THE LOST WORLD: JURASSIC PARK ★★

New park (island Site B), old story: the monsters have thrived and are after the humans (Jeff Goldblum & Co, plus the villains of a rival zoo). But the special effects are even better than before, and Steven Spielberg knows how to pace his aces, this time including Pete Postlethwaite. (UK)

VERRÜCKT BLEIBEN, VERLIEBT BLEIBEN ★

Engaging and touching documentary about a mentally handicapped 30-year-old who for most of his childhood was confined to a darkened room, and then put in care. Crazy about underground trains, he is also a gifted actor and painter. (Germany)

★★★ Exceptional ★★ Try not to miss ★ Better than average

ON RELEASE

KOLYA ★★

Jan Sverak's foreign-language Oscar winner about a Russian boy unwillingly fostered by a Czech cellist just before the 1989 liberation: despite age, language, and national barriers they gradually acquire mutual trust and affection - far less sickly than that sounds. (Europe-wide)

SCREAM

Connoisseurs of horror movies will be surprised only at the very end of Wes Craven's tongue-in-cheek variation on the theme of a psychotic killer in a small town, involving Drew Barrymore and other teenage victims, most of them connoisseurs of horror movies themselves. (France, Ireland, Netherlands, Scandinavia, UK)

SHINE ★★★

In his concert performances, pianist David Helfgott is now said to be mimicking Geoffrey Rush, who plays him unforgettably in Australian Scott Hicks's film biography of a tormented artist, with Armin Müller-Stahl in a perhaps unfair portrait of his father, plus John Gielgud and great Rachmaninov. (Europe-wide)

TWIN TOWN ★

Raw, sardonic black comedy by actor Kevin Allen about a diabolical pair of Swansea twins (played by unrelated actors), creating havoc but finally getting away with it - in a hearse: Mr Big, a small-town public hero and private crook, bites the (nose) dust. (France, UK)

RICHARD MAYNE

ROME

La Festa a Roma Popes and patriarchs of Baroque Rome knew how to party. Even an artist of the calibre of Gianlorenzo Bernini was as celebrated in his own lifetime for his party organising skills as he was for his churches and sculptures. This exhibition revives the pomp, transforming the austere halls of Rome's Palazzo Venezia into a theatrical backdrop worthy of the subject. Until 15 Sept. *Palazzo Venezia* (+39 6-6798865)

VERONA

Arena di Verona Ukrainian diva Maria Guleghina makes a sensational Lady Macbeth at Verona, following her debut in the role at Monte Carlo last January. Pier Luigi Pizzi's new production of Verdi's *Macbeth* is conducted by György Györianyi-Rath, 20, 26 July. *Arena di Verona* (+39 45-8051811)

NETHERLANDS

AMSTERDAM

The Nude While nothing reveals our essential humanity more effectively than the naked body, the meaning of the nude form in art has changed dramatically through the centuries. The exhibition juxtaposes the Crucifixion and the torments of the damned in medieval depictions of Hell, with Renaissance nudes, emblems of power and godliness, and the charming eroticism of the Rococo period. François Boucher, Dürer, Picasso, Mantegna, Prud'hon and Canova tell the story. Until 3 Aug. *Rijksmuseum* (+31 20-6732121)

PORTUGAL

LISBON

The Robert Cray Band The popularity of guitar-based blues in the 1980s had much to do with the brilliance of Robert Cray, and following his 1995 album *Some Rainy Morning*, he received much acclaim for his "sweet voice". He performs with his band, Jim Pugh (piano), Karl Sevareid (bass) and Kevin Haynes (drums). 19 July. Also: **Paula Rego:** **Retrospective.** Rego is one of the world's most important living painters. She has always concentrated on women and their fantasies. Early in her career she focused on the contents of their minds, while today she explores their physical form as well. Pieces range from whimsical early works such as *Vivian Girls* to the jarring composition *Two Women Being Stoned*. Also included is her latest offering and first self-portrait, *The Blue Fairy Whispers to Pinocchio*. Until 10 Aug. *Centro Cultural de Belém* (+351 1-3612400)

RUSSIA

ST PETERSBURG

Red in Russian Art A sumptuous exhibition spanning 500 years of history. The changing mood of Mother Russia swings from the cosy "red corner" of a Russian cottage to the banners of the revolutionaries and the fearsome Red Army. The exhibits change from exquisite Novgorod school icons to *The Red Square*, a single crimson cube on a white background by the founder of Suprematism, Kasimir Malevich. Until 30 Aug. *State Russian Museum* (+7 812-3129196)

SWITZERLAND

BASEL

Dürer Holbein Grünewald: Old Master Drawings of the German Renaissance from Berlin and Basel This is the main show of three exhibitions to mark the 500th anniversary of Hans Holbein the Younger. It includes a stunning collection of 180 drawings by German and Swiss artists of the 15th and 16th centuries, ranging from German Renaissance to the rise of Mannerism. Until 24 Aug. In the second show there is a rare but exhausting chance to see all 340 Holbein prints owned by the city. Thirdly, a single work, *Aushängeschild eines Schulmeisters*, a wood panel created by Holbein in 1516 and possibly the first European genre painting, which shows the schoolmaster Oswald Geishüsler at a table with a student. Both shows until 7 Sept. *Kunstmuseum* (+41 61-2710828)

ZÜRICH
Zürich Festival. Until 20 July. Italy's best-known mezzo soprano Cecilia Bartoli salutes the 19th-century mezzo Pauline Viardot by recalling some of the now forgotten songs she wrote in her other persona as a composer of operetta. Bartoli, accompanied by pianist György Fischer, also sings Schubert, Rossini and Ravel, 19 July. *Various venues* (+41 1-2154035)

UNITED KINGDOM

EDINBURGH

The Face of Denmark What did Hans Christian Andersen, author of *The Ugly Duckling*, look like? A sour-faced dandy according to a

painting in this unusual show of Danish portraiture. The exhibition of 100 works includes many fine pieces such as busts by Thorvaldsen and paintings by Jens Juel, both of whom deserve greater international recognition. Until 21 Aug. *Scottish National Portrait Gallery* (+44 131-6246200)

GLYNDEBOURNE

Le Comte Ory French director Jérôme Savary, whose productions are often laden with Sixties overtones, makes his British operatic debut with Glyndebournes new production of *Le Comte Ory*. Savary's regular design and lighting team, who help provide his quirky details, have accompanied him across the Channel for this Crusades-era comedy which stars American tenor Tracey Welborn in the title role and Annick Massis as Adèle. 20, 24, 27 July. *Glyndebournes* (+44 1273-814686)

LONDON

Kirov Ballet Political in-fighting and corruption scandals have dogged the Kirov over the past year, but the crisis has not affected the dancers' onstage exuberance and extraordinary discipline. The London visit introduces a line-up of new, remarkably young faces although 36-year-old Altynai Asylmuratova remains the undisputed star. The prima ballerina launched the season by seducing Igor Zelensky (who manages to resist the laws of gravity) in *Don Quixote*. The company's financial problems show in the crude sets. But with spectacular feats on stage, who's going to notice. In repertory to 9 Aug. *London Coliseum* (+44 171-6328300)

Hiroshige, a solo show of Japanese artist Hiroshige (1797-1858), inspirational to Van Gogh who collected him and copied him, including two of his most famous copies - *Admiring the Plum Trees in Flower* and *People on a Bridge surprised by Rain*. Seeing the artist's famous print series in this concentrated way forces the realisation that they represent real places and people, not some imaginary land. Like a stylised guidebook, most depict scenes along the main roads of 19th-century Japan. Travellers, kimonos tucked into their belts, toil up hills and over moon bridges in these extraordinary landscapes, frequently battling against the elements. Until 28 Sept. *Royal Academy* (+44 171-4945615)



Bono of U2: seeking zest from a giant lemon backdrop

Opening this week

AUSTRIA

SALZBURG

Salzburg Festival The new generation of voices makes its operatic mark on Salzburg. Bryn Terfel sings *Wozzeck*, Americans Russell Braun and Dawn Upshaw are *Pelléas et Mélisande* and *Die Zauberflöte* has Sylvia McNair as Pamina and France's Natalie Dessay as the Queen of the Night. Jonathan Miller's new production of Mozart's *Mitridate*, *Re di Ponto* opens the festivities starring Bruce Ford. Prime interest will be on György Ligeti's only opera *Le Grand Macabre*, which he has extensively revised. 19 July-31 Aug. *Various venues* (+43 662-80450)

NETHERLANDS

ROTTERDAM

U2's colossal PopMart roadshow rolls into town after a US tour beset by problems and criticisms. The band tours Europe for the next three months although audiences may find that *Bloody Sunday* loses something when sung in the shadow of a giant lemon. 18, 19 July. *Feyenoord Stadium* (+31 9000490400)

SWITZERLAND

VERBIER

Verbier Festival & Academy Violinist Nigel Kennedy, founder-member of the "brat pack" school of young virtuosos whose London comeback after two years of self-imposed silence was acclaimed last month, introduces his re-invented persona as a cross-over artist with the programme *Béla Bartók-Jimi Hendrix: A Meeting of Two Worlds*, 19 July; soprano Barbara Hendricks sings Villa-Lobos's *Bachianas Brasileiras*, 20 July; Swedish baritone Håkan Hagegård sings Schubert, 25 July. Until 3 Aug. *Various venues* (+41 27-7718282)

UNITED KINGDOM

LONDON

BBC Proms The A-Z of opening week ranges from John Adams to Frank Zappa with Bach, Elgar, Bruckner, Django Bates and Xenakis jostling for attention, too. Highlights include world premieres of works by Adams, Xenakis and British composers Sir Peter Maxwell-Davis and Jonathan Harvey. *Royal Albert Hall* (+44 171-5898212)

Send details of cultural events, at least three weeks in advance, to: Fiona Adams, The European, 200 Gray's Inn Road, London WC1X 8NE, United Kingdom Tel: +44 171-418 7720 Fax: +44 171-713 1870 email: fadams@the-european.com



WE'VE CREATED A WORLD-CLASS CLIMATE (and we're making it even better)

Malta has created a world-class legislative and regulatory climate for the world's financial services industry. It's a package which is modern and designed to meet the needs of a fast-moving industry. On Malta your business is free to grow, in a climate which also delivers a high standard of investor protection.

We've a tax climate which will make you smile and double tax treaties with 27 countries. We have multi-lingual, highly educated and enthusiastic young people pouring out of our business school and university. We've got all the information technology you need and you'll be delighted by our property prices and people costs.

And on Malta you'll find great companies like Austrian Raiffeisen Bank, Deutsche Bank's DWS, First Austrian Bank, Giro Credit Bank, Investkredit International Bank, Midland Bank, Rothschild Asset Management, Turkiye Garanti Bankasi, Volksbank and the professional support of 24 accountancy and 30 legal practices.

Malta Financial Services Centre is dedicated to helping quality financial services businesses succeed in the Maltese climate.

Malta - Where Money Works Harder

Call Today

Joanne Cassar, Malta Financial Services Centre, Attard, Malta.

Tel: +356 44 11 55 Fax: +356 44 11 88

e-mail: bdu@business-line.com

MFSC

MALTA FINANCIAL SERVICES CENTRE