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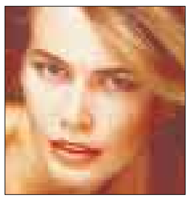

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THE EUROPEAN

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NET PROFITS

Football scores billions in the big business league

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★★

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.

Holbrooke breathes new life into Dayton

THE Dayton accord bound the governments of Bosnia, Croatia and Serbia to hand over their war crimes suspects. It also entrusted the peacekeeping force to apprehend those indicted by the war crimes tribunal in The Hague if they were encountered in the course of the soldiers' normal duties. But the reality has been very different, with Nato forces hamstrung. Indicted war criminals have been flaunting their liberty for the past four years, passing unhindered through Nato-manned checkpoints.

Things only started to move earlier this month when President Clinton sent Richard "Mr Nasty" Holbrooke, the architect of the 1995 Dayton accord, back to Bosnia to kick-start the moribund agreement. There has been little international pressure to get the parties to comply with the peace agreements, but public attitudes in the US have hardened. Leading senators have identified the arrest of indicted war criminals, especially the Bosnian Serbs' wartime leader, Radovan Karadzic, as a priority. Holbrooke has sidelined Carlos Westendorp, the UN high representative to Bosnia, and could finally achieve the long-awaited breakthrough.

Most of the fugitives are Bosnian Serbs. Their government, the Republika Srpska, refuses to co-operate with the war crimes tribunal. Slobodan Milosevic, former president of Serbia (and now of Yugoslavia), one of the Dayton signatories, has done nothing to bring to justice those wanted for the worst imaginable of crimes. Croatia has had to be bullied into grudging co-operation with the tribunal by threats of a US veto on loans from the International Monetary Fund and World Bank. The Sarajevo-based Bosnian government has co-operated with the tribunal, but has authority to deliver only Muslim indictees, of whom there are four.

Of the 78 indicted, only two have been tried and convicted. The European Union has again been humbled in its own backyard. Why is it that things get done only when the US decides to act?

Jon W Grischotty
Hydra, Greece

IT IS highly gratifying to learn that the 31,000 US soldiers in Bosnia "have been kept fairly well-protected" ("Mr Nasty to the rescue", issue 378). But what about the civilians that these troops and other Nato forces are allegedly protecting? Have they been protected from "ethnic cleansing", corrupt and criminal politicians and those forces fomenting strife and discord?

Instead of actively enforcing the implementation of the Dayton accord, the Nato-led Stabilisation Force (S-FOR) has been forced to become confused extras on a set dominated by those who would like to partition Bosnia into three separate entities.

I Landsman
Berlin, Germany

YOU fail to acknowledge that uncertainty bedevils the return of Bosnia's refugees ("Croats drive out Muslims for second time", issue 378). The Dayton accord is fundamentally flawed. It seeks to unify the Republika Srpska with a Muslim-Croat federative entity that exists only on paper.

Washington's train-and-equip programme is tilting the military balance in favour of the Muslims, who now openly threaten war once Nato troops depart former Yugoslavia. Whereas the Bosnian Serbs have merely to lift a finger to invite concerted Nato air strikes, the Muslims quite accurately discount the possibility that Nato would turn against them should they be the aggressors.

By way of contrast, neighbouring Croatia is now serenely secure. The return of the murderously cleared Krajina Serbs would no longer pose a threat to Croatia's sovereignty and yet Zagreb continues to hinder their return. Zagreb's intransigence has yielded only the mildest of diplomatic rebukes.

The member states of the European Union seem to have forgotten that they bear a special responsibility in this instance. They, after all, prematurely recognised Croatia, deeming it fit to look after the interests of all its peoples, including the Krajina Serbs.

Misa Simic
Bedford, England

Privatisation and monopoly

INTRODUCING competition should be the main concern of policy-makers in the privatisation of utilities ("New monopoly of merger monitors", issue 378). The assignment of many of these areas to the public sector in the past reflected concerns with their "natural monopoly" characteristics and the potential for private abuse of monopoly power.

Technological progress is contributing to a rapid lowering of entry barriers and is rendering several of these markets contestable. The role of the state should be to facilitate the entry of third parties that can compete on a level playing field with established, mostly state-owned or privatised, providers of services.

Competition and anti-trust law enforcement is therefore important in ensuring that no abuse of dominance takes place in the process of opening up the market to new entrants. In cases where direct competition cannot develop owing to persistent high economies of scale, benchmark competition, ie the comparison of prices/output/productivity with other similar operators, might be a useful tool to promote competitive behaviour in these industries.

Hans-Peter Reisse
Mississauga, Ontario, Canada

RECENT editorials have been loudly banging the drum for "privatisation, liberalisation and competition" ("Arriba España", issue 379), but privatisation does not necessarily lead to greater efficiency or savings on cost. In many cases, private monopolies have simply replaced public ones. Telephone calls, for example, are no cheaper in privatised Europe. In the fast-moving world of telecoms takeovers, the large beasts are swallowing up weaker rivals.

Liberalisation, too, can be a two-edged sword. In terms of freeing up the market, it is to be welcomed. But when liberalisation leads to weakened pollution controls and the abolition of health and safety regulations, for example, then it is a retrograde step.

Competition is like abolishing segregation in the Deep South. All claim to be in favour, but: "Please, not just yet." When it comes to the crunch, there are too many vested interests. Look at the price of CDs.

PJ Warren
Geneva, Switzerland

AS Tony Snape and Nicholas Moss write ("Operators play their final card", issue 379): "Telecoms interconnection fees are likely to remain far above true market levels and customers will be forced to pay the premium." We read: "Liberalisation should mean lower charges, but the process is meeting resistance in Germany, France and Spain." If national governments are not prepared to get involved, it falls to Karel Van Miert, the European commissioner responsible for competition, to act. Somebody must look after the consumer.

Gaby Alves
Cortona, Italy

Battle royal for photos

DO the antics of Diana, Princess of Wales, on a playboy's boat merit a battle royal for the rights to the photographs, let alone a two-page spread in *The European*?

The fact that Diana is cavorting with the son of Mohamed al-Fayed has no constitutional implications. She is legally separated from her husband and has no public role worth speaking of. Mark Porter's "Royal soap turns deadly serious" (issue 379) wrongly implies that this episode is of interest to continental as well as British readers.

Annelise Klein
Hamburg, Germany

DIANA and Charles are as bad as one another, using the world's press to get back at one another. There are no winners, apart from the paparazzi with their zoom lenses.

This tittle-tattle makes miserable holiday reading, not only for Queen Elizabeth. I feel sorry for the children. How must they feel?

RK Patel
Apeldoorn, the Netherlands

DRAWN FROM EUROPE

CARTOONISTS AND WRITERS SYNDICATE — AMMER – *WIENER ZEITUNG*, VIENNA, AUSTRIA

Stifling initiative in France

I URGE you to look at a different aspect of the French malaise ("The lost generation", issue 378). Relentless, intrusive and inflexible bureaucracy permeates every aspect of French life, stifling initiative and discouraging the setting up of small businesses. Companies in France are finding it more and more difficult to employ extra staff.

There are twice as many civil servants in France than in Britain. Endless forms have to be filled out in France for everything from installing a telephone to changing licence plates. Lionel Jospin, the French prime minister, wants to solve the problem of high unemployment by hiring an additional 300,000 civil servants and taxing business even harder. It is like saying to Madame Bovary: "You don't look too well, my dear. Have a little more arsenic."

Donatien Moisdon
Southend-on-Sea, England

I WRITE in support of your feature on France's betrayed youth (issue 378), which elicited a predictable reaction from middle-aged French people and foreign nationals.

My experience of French youth is exactly as you described – depressed, disillusioned and unfulfilled. Part of the problem is that the middle-aged in France will not listen to any complaints about their country. They continue to believe that it is Utopia.

Michaël Szymanski
Hayle, England

Plundering Scotland

WHY is it that English people such as Thomas Green ("Breaking up the UK", Letters, issue 377) assume that any money Scotland or Wales receives from the government is an English subsidy? Scotland contributes far more to the exchequer than it gets back. We Scots are tired of listening to the English complaining about having to subsidise us. Scotland is one of the richest countries in the world, or at least it would be, were it not for Westminster governments siphoning off our wealth to subsidise England.

John S Blyth
Edinburgh, Scotland

Spain outgrows the bulls

PEOPLE outside Spain have thankfully abandoned the idea that all Spaniards are either *toreros* (bullfighters) or *bailaoras* (flamenco dancers). However, we haven't yet got rid of the cliché that bullfighting and the *torero* are symbols representing Spain and its people.

I am 34 and, like millions of other Spaniards, have never seen a bullfight. I have no interest in watching such a barbaric spectacle.

Antonio Matarredona
E-mail: amatarre@itel.upv.es
Alcoy, Spain

No cover for jet skiers

PETER Moffat (Letters, issue 378) wants Jet Skis "ridden well away from possible harm to the 99.99 per cent of us who go to the beaches for sun, sand and peace". There is another element to be considered which will hopefully deter the more reckless enthusiasts, namely insurance cover.

While holiday insurance will generally cover jet skiers if they injure themselves on their wetbikes, most policies will not cover injuries to other people or collision damage. Without third-party liability cover, jet skiers could face bills of many hundreds of thousands of dollars in damages if they are responsible for a collision resulting in injury or death.

This applies to other popular holiday sports, including windsurfing and bungee jumping.

Andrew McCarthy
Caldwell, New Jersey, USA

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Mass devotion: thousands of young Catholics from all over Europe throng Paris for the Pope's blessing at the 12th World Youth Day near the Eiffel Tower Page 7

EPA

The Continental

Culture and lifestyle of Europe

COVER PICTURE: The golden game /MIKE HEWITT / ALLSPORT

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21-27 AUGUST 1997 No. 380

More than a game

FOOTBALL is one of the few businesses where Europe is ahead of the rest of the world. Indeed, in a most unEuropean way, football is thriving. It has transformed into an industry of the future, not the past, becoming awash with television cash in the process, to produce a quintessential information-economy enterprise. Its only product is, in the end, intangible and even inconsequential, except when you start to keep the score in profits, not goals.

Clubs like Manchester United, Bayern Munich, AC Milan, Ajax and Barcelona and the other hundred or so football clubs which dominate Europe's major leagues are suddenly businesses in their own right. They are not, of course, investments for widows and orphans. But for the hard-headed businessman, football now offers new opportunities.

Why this should be offers lessons for other businesses which have failed to keep up with football's scorching pace in key European markets. It was not always thus. Even ten years ago, the prospect of an international football fixture was enough to fill police officials in two dozen European countries with dread, especially if it involved the British. The horrors of Heysel and Hillsborough illustrated football's status as a slum sport. Football fans were skinheads. Black players expected that savage racist taunts were simply part of the job. All this kept the middle classes away in droves. The game was in danger of going the way of so many of Europe's declining industries.

Then along came commercial television. Rupert Murdoch in Britain and Silvio Berlusconi in Italy recognised that football stadiums were really TV studios. They pounced, chequebooks at the ready. The result, right across Europe, has been massive promotion. Goodbye skinheads, hello to Ford Galaxy families.

New stadiums are being built and existing grounds rebuilt. Managers have learned how to exploit lucrative back channels for extra revenue, opening shops for club-branded goods and negotiating lucrative sponsorship deals. The product matches. On the field, competitive standards have never been higher. Some lost souls, wallowing in fake nostalgia for its working-class roots, complain that the game has lost its raw intimacy. But for those few folk still hankering after this dubious pleasure it can still be found at the smaller grounds of the minor league teams. (Raith Rovers on a Saturday is an experience not to be missed, or so we are told.)

At its highest levels, the European game is currently in great form. Europe has the best players in the world because Europe imports them from everywhere in the world and pays them top salaries. This is known as free trade, which the European Establishment thwarts in most other spheres of business endeavour. More than US films or British rock music, football has become the common currency of popular European culture, the star players as iconic as movie stars – and they are pan-European. Newspapers and TV stations in Europe long ago gave up covering only their national leagues. In the new united states of European football, the players are from everywhere, the teams play all over, and fans travel and tune in from all points to see them.

Diehard fans have always asserted that football is more than a game and, as a new wall of money bears down on the industry, nobody can seriously argue the point. A number of clubs are public companies already and more will go this way. To play at the top in Europe now means that clubs have to be well capitalised and rigorously managed.

Where next for football? The outlook is for even more growth. Digital television, with its rich possibility of pay-per-game box offices and "virtual" season tickets, will make football even richer. In such an environment, football's only natural enemy could be its own greed. In the US, baseball clubs were punished by fans when players became too greedy, salaries rocketed out of control, and ticket prices soared to cover the bill. The fans eventually drifted back but the industry was chastened.

The outlook is that growth must continue. Digital television will make football even richer

Football cannot be immune, either, to the wider economy in which it must exist. France shows how, as punitive personal taxation has driven away the most talented players. The result has been that while everyone else in Europe has enjoyed a football boom, the economically challenged French have contrived to produce a football slump. It is kind of the French taxpayers to stump up for staging next year's World Cup; but France is unlikely to feature in the final.

There are other distortions. Clubs on Europe's rim, albeit talented and well managed, need a better deal. For teams like Glasgow Rangers, who must prosper in a television market where the entire Scottish game gets only £4 million ($6.3m) a year for its league matches, a third of the revenue earned by AC Milan alone, the answer is more Europe. Good teams from smaller countries that cannot support a top league of their own need a deeper, wider European superleague. The makings of such a platform are to be found in the European Cup, which already incorporates a league element in its early stages.

In a continent where industrial innovation is otherwise hedged with trade barriers, restrictive practices, too rigid labour markets and underperformance, football's free-booting capitalism and resolutely post-industrial, digital focus have made it a great European success story. What chance a European superleague before a single European currency?

Cover Story: Page 8

SEVEN DAYS

That was the week...

Wild preacher released
For no better reason than to liberate some space in an overcrowded prison, the Ukrainian authorities declared an amnesty and released Marina Tsvygun. She leads the White Brotherhood and earlier caused a lot of trouble with her predictions that the world was about to end. In February last year her wild preaching during prayers outside Kiev cathedral caused riots. Found guilty of incitement to public disorder, she was sentenced to four years in prison. Authorities now fear the doomsday cult will enjoy a revival.

Di and Dodi fly in
In Britain the continuing drama of the relationship between Diana, Princess of Wales, and Dodi, son of Fayed of Harrods, continued as the photographed pair took the unusual step of consulting a gipsy psychic. What she told them was classified as a state secret. If the seer predicted that Di would go on a cruise with friends, she would have scored extra points. That's exactly what the princess did.

Oil on troubled waters
Green parties of Europe want a boycott of BP service stations even after the oil company offered to drop a £1.4 million ($2.24m) claim for damages against Greenpeace, the environmental group. A court ordered Greenpeace to cease interfering with BP activities in the Foinaven oil field off the Shetlands. It also froze the group's bank account. BP later offered to drop its action provided Greenpeace abandoned its Foinaven campaign. Stand off!

Competing on air
The German federal cartel office has challenged media companies Bertelsmann, AG and the Kirsch Group to prove that their planned pay television alliance will not violate competition laws. Hans Noelkensmeier, a cartel office director, said that newcomers to the industry would "be pedalling behind on a bicycle". Because of the size of the deal it is likely to be examined by the European Union in Brussels rather than by German regulators.

PRESS WATCH

FRANCE
Le Monde

THOSE were the days when, in September 1993, American President Bill Clinton organised the historic Arafat-Rabin handshake on the White House lawn. But new Israeli premier Binyamin Netanyahu complicated things. When he should have condemned Israeli colonising, Clinton avoided confrontation. The Palestinians saw this as abandonment of the "honest mediator" position. America may come to know the Middle East as a major political failure.

GERMANY
Die Welt

THE chancellor's holiday spot on the Austrian Wolfgangsee, though cosmopolitan, is almost too perfect a picture-postcard place for a television interview. Cosy harmony surrounded the chancellor and his interviewer. Only sensitive ears were able to pick up a certain sharpness, but it was not bitter in tone. Kohl has become a media star in his latter days. He answered probing questions smoothly and with certainty.

ITALY
La Stampa

A NATO task force is said to be finally ready to strike against major war criminals in Bosnia, including the Bosnian Serbs' wartime leader, Radovan Karadzic. There is mounting pressure on Karadzic's protectors, including the former president of Serbia and now leader of Yugoslavia, Slobodan Milosevic. It will not be easy to take effective measures . The danger of a direct attack against Karadzic is that it could push radicals to restart hostilities and destroy the delicate Dayton agreements.

SPAIN
El Mundo

THE millions paid for footballers is as welcome as a hole in the head to most people. When sportsmen play for the towns or cities they come from it is a good thing. When they are bought in like expensive foreign monuments, it is laughable. Of course those who pay always win. And thus the sad but mighty "League of the Stars" is born. Mixing sport and business is never a good idea.

MARIO PROTO

Fountain runs out of luck

IT hasn't been a good year for Italian fountains. Earlier in the summer someone knocked the leg off one of the horses on the Neptune Fountain in Florence, then this week a group of swimming vandals twisted the tail off a monster on one of Rome's most famous landmarks.

The Fontana dei Fiumi (Fountain of Rivers) which dominates the central Piazza Navona was sculpted by Gian Lorenzo Bernini in 1651. It was young Irish tourist Ciaran Shevlin who went to the aid of the police and helped fish out the fragments.

Rome's mayor, Francesco Rutelli, immediately issued an order to raise the fine for bathing in historic fountains from L150,000 to L1 million ($83 to $550).

MEMORIAL ■ Attempts to name a street after the film star have hit a red light

Berlin residents unimpressed by a Marlene Dietrich Strasse

SANDRA SMITH

NEARLY 70 years after Marlene Dietrich left Germany for Hollywood, politicians in Berlin are still bickering over plans to grant her the modest honour of a street name near the historic Brandenburg Gate.

Some Berliners do not relish the thought of a Marlene Dietrich Strasse in the city centre. Nazi sympathisers are still bitter that she became an American citizen and cheered on the victorious Allied forces during the Second World War.

"Many Berliners who lived through the war can't forgive Dietrich when, wearing an American uniform, she flirted with US bomber pilots who reduced Berlin and many other German cities to rubble with their deadly cargo," wrote the *Berliner Morgenpost*.

The same newspaper recently conducted a survey in which two-thirds of those polled opposed the street-name plan. "She hasn't earned it, all she did was go off to America," said 72-year-old Ruth Köhring from Spandau.

Marlene moved to Hollywood in 1930 after a successful career in German films.

Until the American director Josef von Sternberg made her an international star in the film *The Blue Angel* she was a simple, husky-voiced singing starlet. *Destry Rides Again* made Marlene and her legs world famous.

While filming in England in 1937, Dietrich was approached by Nazi agents who tried to recruit her to the cause. After rejecting a personal offer from Hitler himself, her films were banned in Germany.

As an American citizen she was lionised after 1939 as one of the most active stars in the war effort. She attacked the Nazis in broadcasts and flew to forward positions to entertain Allied troops in the field. She was awarded the Medal of Freedom for her services.

After her death in 1992, politicians in the Schöneberg, the district where she was born and close to the graveyard where she is buried, decided that this area of Berlin was the most suitable for a tribute to the screen idol.

But a year of bickering ensued between local politicians over the best location: the SPD, Bündnis 90/Greens and the CDU each had different sites in mind. Local residents raised objections over the cost of changing street names. Progress has been slow on all fronts.

Meanwhile, local politicians in the Tiergarten district in central Berlin were busy compiling a rival list of streets worthy of the honour. Schöneberg finally conceded defeat to Tiergarten. The SPD chairman there, Hanns Leske, said he was giving in because further argument would lead only to the defamation of the name of Dietrich and of the "fair image of Schöneberg".

Local councils are not the only ones to get in on the act. Artur Brauner, a Berlin film producer, disillusioned by official efforts to honour Dietrich began his own private initiative to build a monument to her.

Brauner's dream is a memorial cinema showing Dietrich films that would also gather in movie buffs and tourists.

The cinema would serve as a "sign of justice" and help to silence Dietrich's politically motivated detractors. "Dietrich is the symbol of the good German. She does not deserve to be treated so badly," Brauner said.

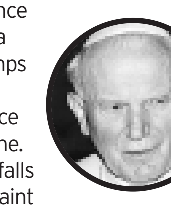
...what's to come

Back to business
After the lethargy of summer, the Bundesbank and the Banque de France become operational once more. French premier Lionel Jospin is due to hold his first cabinet meeting of the season before preparing for a meeting with Chancellor Kohl – and already the September budget is looming. As the Paris press traditionally announces anytime now: *La Rentrée s'annonce orageuse.*

Going Dutch
British drinkers of the fizzy stuff are amazed to find Dutch labels on their cans of Coca-Cola Light. What's all this, smugglers at work? No, it's not only legit, but a small triumph for the single market. The company does not reveal comparative figures, but smart retailers know it's cheaper to buy a lorry-load from a hypermarket in the Netherlands than to buy locally produced cans. It's more profitable too. A Coca-Cola spokeswoman says: "Cross-border trading is permitted under EU law and we cannot stop retailers from importing and selling Coke from the Netherlands."

Pontiff in Paris
The Pope was due to arrive in Paris on 21 August for a jamboree of young Roman Catholics attending the 12th World Youth Day, starting with Mass in the Champ de Mars by the Eiffel Tower. Around 220,000 young worshippers were expected. Organisers are hoping for an even bigger attendance when the Pope appears at a final Mass on the Longchamps race-track on 24 August.

The seventh visit to France is unlikely to please everyone. The Pontiff's Sunday Mass falls on the anniversary of the Saint Bartholomew's Day massacre of Protestants in the 16th century. The date was chosen by public officials for traffic and security reasons.



Drinking it in
Good news from the vineyards of Bordeaux. There are high hopes that 1997 will be a sought after date on the bottle labels. Growers joyfully predict fine white wines, and Château Haut-Brion may be one of the best vintages ever.

WINNERS

Demi Moore, the actress, revealed that her health and undoubted beauty owed more than a little to her special diet that involves drinking milk laced with her own urine. *Cosmopolitan* magazine took pleasure in announcing that she was not alone in choosing such an unusual beverage. Fondness for it is said to be shared by Michael Jackson and George Harrison. Gandhi was also a pioneer tippler, though not for weight-watching.

Boris Nemtsov, the good-looking deputy prime minister of Russia, held on to the coveted title of most popular Russian politician. One-third of those polled declaring they trusted him more than any of his colleagues. But last time round he enjoyed 45 per cent support.

Dr Jacques Talandier of the French atomic energy agency solved the mystery of the singing volcano. He had been puzzled by waves of sound captured by French seismic stations in Polynesia. Nothing sinister in these deep-water emanations, it turned out. The sound was made by a volcano's bubbles, the champagne of the depths.

LOSERS

Giacomo Casanova, the 18th-century Italian philosopher and voluptuary, was not the great lover he made himself out to be. Biographers marking the bicentenary of his death are placing him well down the Don Juan lovers' list. His real vocation, they say, was as a politician.

Umberto Bossi, the Italian separatist who inspires the Northern League, has gone too far this time. He has called the Pope a foreigner. "We cannot continue to accept a church centred on Rome," he declared. What particularly irritated the Romans was Bossi's final smear. He wants to leave Rome "with the Pope, the Colosseum and Miss Italy".

Hartmut Thumser and **Ernst Cran**, Protestant ministers in Nuremberg, have been condemned by church worthies. In a mistaken attempt to appeal to young worshippers they cavorted about the altar in clerical gear with a bottle of wine and a baguette to sing *Iss Brot, Trink Wein*. The Lutheran Church was not amused.

PETER MÜLLER

Neo-Nazis attack bystanders

DRESSED-to-kill Danish neo-Nazis strike a bold pose on the railway station at Koege, 35 kilometres from Copenhagen. They had assembled in numbers much smaller than expected for a march. This lot in their balaclava masks and fighting boots made a modestly offensive demonstration by throwing bottles and insults at journalists and passers-by. Then they took their suburban trains home, placing their swastika banners neatly on the luggage rack. The excuse for all this bother was that ten years ago Rudolf Hess, Hitler's deputy, died in Spandau prison, Berlin.

HOLIDAYS ■ It is an unusual European who travels north for pleasure

Seduced by Blackpool's rough charms

RONALD PAYNE

WHEN will a happy August day dawn on the *énarques* of the French government taking their holiday tea on the terrace of a Somerset manor house? Can you imagine such distinguished persons slipping out from there to dine, as a Gallic visitor once put it to me, *dans un petit pub quelconque*. It needs a forward thrust of the imagination to realise such dreams. As indeed it does to visualise Umberto Bossi in a fit of northern solidarity wandering the Yorkshire Dales.

The present policy of statesmen taking their vacations in neighbouring European Union countries seems to be a one-sided Anglo-continental drift. A prime example is provided by the British government, with Tony Blair and family setting a pattern of two-centre holidays in Tuscany and the Ariège.

So it may take a decade or two of global warming and a leisure revolution before we can enjoy pestering a Jacques Santer, exposed to gamma rays on a lonely Scottish beach. It is always a mistake though to underestimate the novelty effect of a strange country upon those bold enough to travel.

Beppe Severgnini, a notable Italian journalist and author, for example, allowed himself to be seduced by the rough charms of Blackpool. He found this strange northern watering place, created for the amusement of workers in heavy industries that no longer exist, a place of charm and delight. He was captivated by girls who took their stockings off in hot weather to reveal shapely, chalk-white legs.

That, of course, would not be enough to lure away dear Helmut Kohl from his traditional midsummer hideaway in Austria. On second thoughts though, he might be pulled to the island of the north by the prospect of giant fried breakfasts, Lancashire hotpot and Morecambe Bay shrimps.

Habits do change and politicians are easily led into following the example set by successful members of the caste from other regions. "How beastly the bourgeois is, especially the male of the species!" exclaimed DH Lawrence, the patron-in-chief of the Lady Chatterley classes. And we may take it for granted that regardless of party, all professional politicians are bourgeois.

What they do in their beastly way is to sneak off with the best bits of pleasure first enjoyed either by their social inferiors or superiors.

In Britain, the New Labour lot have spirited away old Labour, the political expression of the working classes. The middlings have already occupied pubs for their own delights and have made off with football that grew from the harmless obsession of young working-class kids for kicking a ball about in back streets. They have converted the game into a giant new industry, with teams quoted on the stock exchange.

How many agreeable little fishing ports along the European coast have been ruined by the bourgeois lust for discreet charm and beaches. Once upon a time the seaside was reserved for one-day outings to cheer the drab lives of hard-working folk. Having despoiled and abandoned beaches, exception made for private ones, they now head off to the country for peasant retro fun.

The Tony Blairs and the Lionel Jospins, and a flotilla of smaller craft following in their wake, have stolen from the aristocrats the pleasure of aestivating in rural chateaux in France or castles in Italy.

They had better watch out. They should remember that chateaux-dwellers were not always so safe. Remember the period that followed all those exciting events in France in the fateful year 1789.

COVER STORY

FOOTBALL ■ The continent's most popular sport has become big business. But the imminent explosion of digital television will promote soccer into the financial superleague

THE GAME THAT TURNED TO GOLD

PHIL O'BRIEN/EMPICS

JULIAN COMAN, DOMINIC O'REILLY AND NICHOLAS MOSS

TEN years ago $1.18 million would have bought a promising young footballer on the verge of international recognition. This week Eric Cantona claimed that the red shirt on his back was worth the same amount.

The French striker, who retired from football in the summer, was claiming a retrospective slice of the profits made – on his back – by his former club, Manchester United. For years the biggest club in Europe had cashed in on sales of vast numbers of team shirts bearing its iconic centre-forward's number, 7, and versions of his name, which ranged from Eric to Dieu. Cantona knew only too well the economic value of such devotion – estimates begin at £20 million ($31.6m) – and he wanted his cut.

The dispute, which is yet to be settled, sums up the footballing times. Across Europe, players, clubs, sponsors, television companies and, more recently, institutional investors have woken up to the fact that if you can't buy love, you can make a profit out of it. As the new season begins, European football is brimming with an optimism born of a boom that came from nowhere and which shows no signs of letting up. As the tale of Cantona's shirt illustrates, everything in the people's game now has a price, it's usually high – and an entranced public is only too willing to pay.

It was not always so. In 1989 Martin Edwards, the chief executive at the club where Cantona forged his legend, agreed to sell Manchester United to a businessman, Michael Knighton, for £10 million. But Knighton could not come up with the money and the deal ended in farce. While many questioned his choice of business partner, observers barely blinked at the chief executive's decision to sell. The City of London shrugged its shoulders loftily, indifferent to the grubby sums that could be made out of a working-class game. To the untutored, £10 million just looked like a lot of money.

Time changes perspective. Today, Manchester United enjoy the biggest turnover in the football world, and the company is the apple of the City's eye. Market capitalisation stands at nearly £500 million. Scouts from Italy's AC Milan and Spain's Barcelona now visit Manchester not to check out talent on the pitch but to learn tricks from the marketing geniuses at the club's megastore.

Investors have woken up to the fact that if you can't buy love, you can make a profit out of it

Across Europe, satellite television companies are pouring money into the game in the sure conviction that football's future will be even more lucrative. According to Tony Fraher, chief executive of investment funds at Singer & Frielander in London, which launched a football investment fund in January: "If you put together the game's markets in Europe, you're looking at a $10 billion industry." Quite simply, football is undergoing an economic revolution.

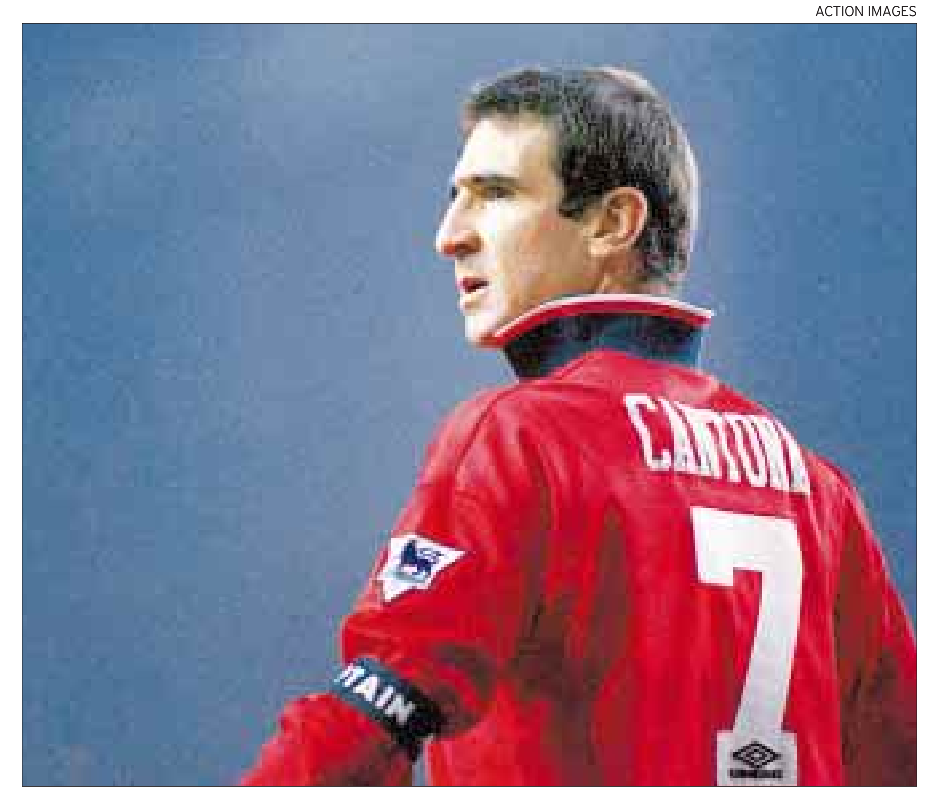
Revolutions require catalysts. Football's was technological. In 1989, as Martin Edwards negotiated fruitlessly with Michael Knighton, an Ariane rocket was launched from Kourou in French Guiana, carrying the first Astra satellite. The marriage between football and new media was, quite literally, made in heaven. Within three years, Rupert Murdoch's BSkyB satellite channel was making the English Football Association an offer it could hardly refuse, bidding £304 million for exclusive rights to transmit matches in the newly created top division known as the Premiership.

The idea – brilliantly successful – was to kick-start BSkyB subscriptions. It soon had imitators in Germany, through Leo Kirch's Première channel, in Italy through Silvio Berlusconi's Telepiù, and in Spain through Canal Plus.

The media moguls had trained their lenses on a market which turned out to have been comically neglected by the traditional broadcasters. But the effect on the game itself was to be as dramatic as it was on the respective satellite channels which were drawn to it. (BSkyB went on to become the most profitable television company in Europe.) Interest in the game exploded.

The traditional orthodoxy had held that more meant less when it came to media exposure of football. Too many live transmissions, argued the rather dim folk who until recently ran football, would kill interest in going to games; soon boredom would set in with the viewers themselves. That analysis could not have been more wrong. When it came to football clubs and football stars, excess caused the public appetite to grow, not decline. In Germany, and England in particular, match attendances boomed. Suddenly, a three-tier hierarchy of exclusivity emerged. If you couldn't get a ticket to the match, the second-best option was a satellite dish. If that was too expensive, there was the local bar or cafe. Yet the full potential of satellite football has barely been explored.

ACTION IMAGES



Cantona claims that the United shirt on his back was worth $1.18m

Good company: AC Milan supporters (above) at Sansiro with their signature 'You'll never walk alone' message

Digital television will ultimately offer the armchair fan the chance to pick any game from a league programme at the press of a button on a pay-per-view basis (*see page 10*). Alternatively, a season ticket of broadcasts could be purchased for one particular club. Club attendances would no longer be restricted by the size of their stadium. Instead "television tickets" would be sold.

At present, France has the most developed pay-per-view system, linked up to two competing digital platforms, TPS and CanalSatellite. Games can be bought individually for $8 or on a season ticket basis for $150. Although the country's domestic league has suffered a huge exodus of stars and does not compare with those of Germany, England, Italy or Spain, a healthy core of 450,000 subscribers has already been built up.

In Spain, José María Aznar's conservative government viewed digital television as important enough to merit two pieces of interventionist legislation designed to aid its battle to gain control of first division football rights from media magnate, Jesús Polanco.

The legislation laid the ground for a surprise $410 million buyout of Antena 3 television and its digital soccer rights by the government-friendly Telefónica company and its allies. Polanco, only too aware of the stakes, has taken his grievances to Brussels and the competition commissioner, Karel Van Miert.

Who knows what the European Commission makes of the breathless transformation of the continent's major sport. Everything to which Brussels aspires politically has been achieved at breakneck speed in the parallel universe of the round ball.

Mobility of labour, notoriously elusive when it comes to the majority of Europe's rooted citizenships, is a welcomed fact of life when it comes to the footballer of the 1990s. Since Jean-Marc Bosman, a run-of-the-mill Belgian midfielder, successfully challenged the existing transfer system in the European Court of Justice in 1995 (*see page 11*), players have enjoyed freedom of movement and contract. While clubs are still paying tens of millions of dollars for players, those who can afford to wait are snapping them up for free and lavishing huge wages on eager newcomers.

In each of the major European leagues, foreign stars play a starring role in leading clubs and form a majority of the team at clubs such as London's Chelsea, where three former celebrities of Italy's Serie A now earn a lucrative living.

Similarly, the growth of satellite and cable channels and the Internet has given unprecedented access to foreign leagues and produced a genuine common culture (*see page 12*); but not as Jean Monnet foresaw it. While the politics of Brussels remain opaque and distant to most of the populations affected by its decisions, the fortunes of Bayern Munich can be as attentively followed in Bergen as in Bavaria. Football has become a common European currency which may well outstrip the beleaguered euro in terms of stability and strength.

Uefa, European football's governing body, appears to have mastered the art of harnessing harmonisation to the cause of economic growth in a manner that the Commission can only dream of. The European Champions League, created in 1994 to a format in which kick-off times, sponsors and logos are common to every match, now guarantees an estimated minimum income of $12.6m to each team which makes the group stages. Since the competition has been expanded this year to include the runners-up as well as the champions of the most important leagues, this year's edition will break all previous financial records.

Technological advance, increased exposure and efficient sporting organisation designed to maximise profit have combined to turn football into a gold mine for clubs, investors and sponsors.

The top clubs of Europe, having realised that imaginative marketing strategies can generate as much income as paying spectators, are devoting almost as much attention to branding, brand

continued on page 10

Europe's superleague? Ten teams to watch

Manchester United

The club that can claim to be the world's biggest financially. Statements up to 31 January 1997 showed a turnover of £50m. But United are as glamorous as they are rich. In the 1960s George Best was called the Fifth Beatle. New star David Beckham dates a Spice Girl. Wearing one of the five designs of team shirt has become a fashion statement from Dublin to Tashkent.

AC Milan

Milan need to turn charisma into profits. With a turnover of £45m, Silvio Berlusconi's plaything is contemplating market flotation, but at the moment is dithering on the sidelines. Investors will not be warmed by a reported operating loss of £17.8m. The team itself is led by the dashing Paolo Maldini, who is married to a model and presents a hip rap show on Italian radio. He can play a bit, too.

Juventus

The club is owned by the Agnelli family of Fiat fame and its success has traditionally been bankrolled by the car giant although it has become a little meaner in recent years as part of a general austerity drive. Nevertheless Juventus, the Italian and world club champions, are way ahead of any other European team on the field. Off it, they are not doing too badly either, with the fourth highest turnover in Europe.

Ajax Amsterdam

Ajax may be the first famous victims of the expansionary mood. The team has slumped since moving into Europe's most futuristic stadium built at a cost of £93m. Fans reportedly tend to lift the blues by smoking dope during games. It was not always so gloomy. Ajax were one of the teams of the 1970s, winning the European Champions' Cup three times in a row.

Barcelona

Po-faced about their importance to the Catalan people, Barcelona are possibly the only club in the world where coming second in the league and winning cups at home and abroad can be considered a poor season, if hated rivals Real Madrid finish top domestically. The club is possibly the most widely supported side in the world. Expect an imminent marketing offensive abroad.

Real Madrid

A huge club, but a traditional one. Real's treasurer, Juan Onieva, has ruled out placing this institution in the hands of the market, saying: "This club does not belong to its managing board but to its members." Real were favoured by Franco and those who sought to impress him. They won the first five European Champions' Cups after poaching the best players from around the world before it became fashionable.

Bayern Munich

Bayern headed back into the top financial league after winning the Uefa Cup last year, a triumph which helped generate a turnover of £46.6m. But they conform to a stereotype of dull efficiency which saw club and national captain Jürgen Klinsmann leave in frustration. It's easy to tell when Bayern are playing at home – you can hear the horns and klaxons used by fans far and wide.

Glasgow Rangers

Once known for never signing Catholics, Rangers now have so many Catholics from overseas that they could double as a Vatican XI. The club mixes invincibility at home, where it has won the last nine league titles, with frailty in Europe. In profit terms (£7.1m), they are second only to Manchester United (£16.7m), but need to get out of the hidebound Scottish game to expand.

Atlético Madrid

Atlético are used to living in Real's shadow, but club president Jesús Gil y Gil, who owns 75 per cent of the shares, usually gets his club noticed. When they won the Spanish league last year, he brought the mounted police force of Marbella, where he is mayor, to Madrid to celebrate. The best bet for an early flotation in Spain, although investors can expect a rollercoaster ride.

Newcastle United

Recently floated in London's City, with a market capitalisation of £181.15m, Newcastle have had an uneasy introduction to stock-exchange life. Most fans believe striker Les Ferdinand was sold to Tottenham Hotspur this summer to please accountants. Another United Nations club, fielding players from Colombia, Georgia, Belgium and Trinidad.

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management and merchandising as Coca-Cola. Manchester United are the acknowledged market leaders in this particular game, generating £18.7m in merchandising income in the last financial year, more than the majority of English clubs' total turnover.

But European football's other brand giants are catching up. Frederico Barbaro, responsible for merchandising at AC Milan, admits that United are an "admired" role model. The merchandising revenue of Milan, who last won the European Champions' Cup in 1994, is just 20 per cent of Manchester United's, but Barbaro is quick to point out that Milanese are adapting quickly in what is a subtly different commercial environment: "In Italy the marketing reality for football clubs is completely different from the British one. The look is a major factor in the Italian way of life, and football shirts and scarves are not cool in the same way. It is a problem of mentality which is very difficult to overcome. I have seen people in England wearing football strips in a nightclub or disco. In Italy you would not even be allowed in."

Nevertheless, the Latin consumer is amenable to a different kind of approach, which applies the same commercial logic to a different cultural context.

Barbaro said: "Together with Icam, the second biggest Italian chocolate producer, we have produced a series of Easter eggs in our colours, while Battistero [a pastry manufacturer] has produced and distributed for us two traditional Italian cakes – Panettone and Colombe – suitably customised. We have done the same on bed linen with another manufacturer. The future in this field seems promising, although the problem is finding big companies willing to develop such projects, since our priority is to find leaders in the respective sectors."

Thoughts appear to be running along similar lines at the Mediterranean giant, Barcelona, where Easter eggs and cakes will also figure in future catalogues for the Barca-obsessed Catalan consumer, assuming he has any more money to spend after this September.

For four years now the club has held an annual fair – Barcamania – in its home city beginning on 20 September. More than 150 stands tempt the passionate fans to open their wallets, ranging from Barcelona champagne to souvenir photographs where fans can digitally incorporate their image into a team embrace after a goal, or picture themselves on the receiving end of a kiss from the sweaty Bulgarian striker, Hristo Stoichkov. At least 600,000 visitors are expected to visit the fair this autumn, spending more than $1.5 million. The

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BROADCASTING

From prix fixe to Digital à la carte

REX FEATURES

Big screen, big bucks: digital television is being talked up as the ultimate box office for pay-per-view events

THE first televised football match was recorded in August 1936 and featured Arsenal against Everton. The BBC did not get around to transmitting it, however, for three months.

Fortunately, things have changed. The new buzz in broadcasting is digital. For broadcasting, it represents the technology of the future. For football, it offers the prospect of revenues beyond imagination.

Digital television is so new that so far virtually nobody in Europe can actually watch it. But it is already being talked up as the ultimate box office for pay-per-view events. The technology could make football into one of the biggest entertainment industries in the world.

Football has already been transformed by the vast sums paid by broadcasters to transmit games over satellite channels and conventional terrestrial stations. The new money has brought tensions.

As new broadcasters have established themselves in Europe, long-standing arrangements between football clubs and traditional broadcasters have collapsed; the prices paid to broadcast national league matches have shot up. BSkyB, whose own fortunes were transformed with its original football deal five years ago, recently agreed to pay $1 billion to the English Premier League for the rights to transmit games for the next five years.

In Germany, Kirch Group has raised the stakes higher still with a deal to televise the 2002 and 2006 World Cups, paying an incredible $2.27 billion for the privilege.

These sums pale into insignificance when compared with the potential revenues waiting to be realised from digital television, the marriage of computer and broadcast technology that will transform home entertainment.

The key advantage of digital is that it makes it possible to transmit up to ten television signals in the frequency bandwidth that was once entirely used up by a single transmission. In football terms, this means that a single satellite can transmit hundreds of games simultaneously.

Also, because digital signals are encrypted, access to them can be denied to anyone who does not pay the price demanded. The consequences are startling.

Until digital television, broadcasting has offered viewers a *prix fixe* menu: the viewer gets only what the broadcaster chooses to transmit, either for no fee at all, when the programme is supported by advertising or a licence fee, or for a monthly subscription. Either way, the viewer gets only what the broadcaster chooses to televise. With digital television, everything is suddenly available *à la carte.*

Already in France, subscribers to the CanalSatellite digital service can view first division games exclusively on a pay-per-view basis and sign up to follow their favourite team through the season.

A "season ticket" giving unlimited access costs Ffr950 ($150); access to all games starts at Ffr50. No figures have yet been released on take-up. By European standards, French football is second-division stuff. In the football-fanatic countries of Germany, Italy, Spain and England, the potential looks much bigger. How much will these fans be willing to pay? Nobody is yet sure but it seems reasonable that many would readily pay out $15 or $20 to watch a crucial fixture. A million "tickets" sold to such a game adds up to real money.

Digital television's introduction is technically less of a worry than its economics. Because there is little experience so far in marketing digital pay-per-view games, it is hard to know exactly how to draw up the rights contracts. There are inevitably going to be major tensions between the clubs, the players and the broadcasters over how to divide the spoils.

A key question: what if the clubs decide to grab a bigger share of the revenue by launching their own dedicated channels? Already top clubs such as Bayern Munich and Amsterdam's Ajax have challenged their national leagues over broadcasting rights.

Also tempted by the mouthwatering sums possibly on offer, the national leagues plan to hold on to the rights and create their own stations. This might cut out the broadcasters. Players are also unlikely to be satisfied with their current compensation if they see vast revenues appearing.

FREE AGENTS ■ A Belgian footballer's victory in the courts gave top players the upper hand. With no transfer fees, it's big salaries all round

Bosman opens up the field

DOMINIC O'REILLY

EUROPE has a single market in footballers. As they drive their Ferraris to work, they might care to offer thanks to Jean-Marc Bosman, who has never appeared in a major league game but whose contribution to the European sport is no less significant.

Bosman's victory in the European Court of Justice in December 1995 won freedom of movement and contract for players, and ended restrictions on the number of non-nationals a team can play. His victory gave the players the status of free agents. This has made their bank managers happy and given a new impetus to the cross-border flow of talent.

Bosman, a journeyman player for a lowly Belgian team, took his case to law when his club tried to stop him working in France. Convinced the European single market should apply to him, he hired a lawyer. The judges agreed with him. Now, after a player's contract expires he can pick and choose where he goes, with no transfer fee required. The money that once went to the selling club can now go on wages and a signing-on fee.

This has created a new situation for the clubs, who have lost the shackles that bound their players. Ajax Amsterdam have forfeited four members of their 1995 Champions' Cup winning side to Italy, without receiving compensation for the years of training they had invested.

German captain Jürgen Klinsmann, frustrated by what he saw as a negative style of play by Bayern Munich, returned to Italy with Sampdoria when his contract expired this summer. Gianluca Vialli, captain of 1996 European champions Juventus, was able to indulge his whim to live in London by joining Chelsea last year. With the money the club saved by not paying a transfer fee, it could offer him a salary in excess of £1m ($1.58m).

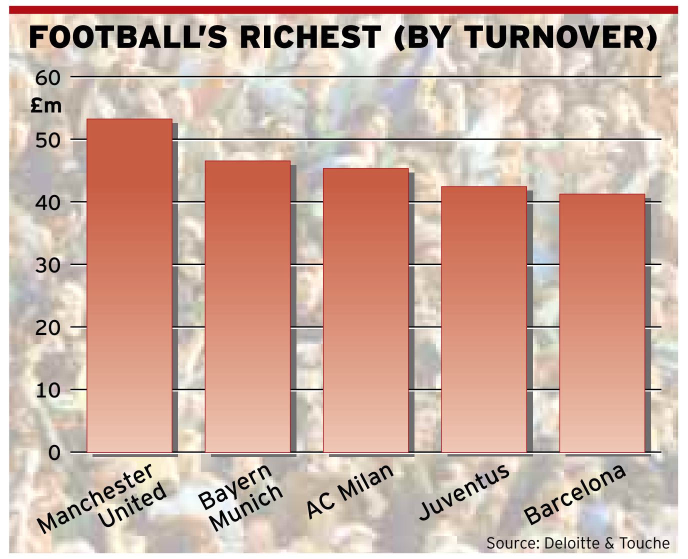
The simultaneous lifting of the limit on non-nationals, traditionally three per club, has further increased players' value. During the early 1990s, AC Milan regularly had four or five expensive imports sitting in the stands because the club had too many foreigners. They were able to rotate the players and swallow the huge cost in wasted wages, something many lesser clubs could not do. Ironically, it can now be easier to import a player from abroad than from a rival club in the home market. With no transfer fees for cross-border transactions involving free agents, non-nationals have suddenly become the cheapest source of talent. Bets are now being taken on which side becomes the first to field a team with no local players whatsoever. Current favourites are Glasgow Rangers and Chelsea. The inflation in wages at the top end has meant a dramatic income boost for those who sell them the fancy cars that players love to drive. In addition to the £7m they paid Juventus for Italian striker Fabrizio Ravanelli, former English Premiership side Middlesbrough lavished a country house on him and a contract said to be worth £2.2m a year.

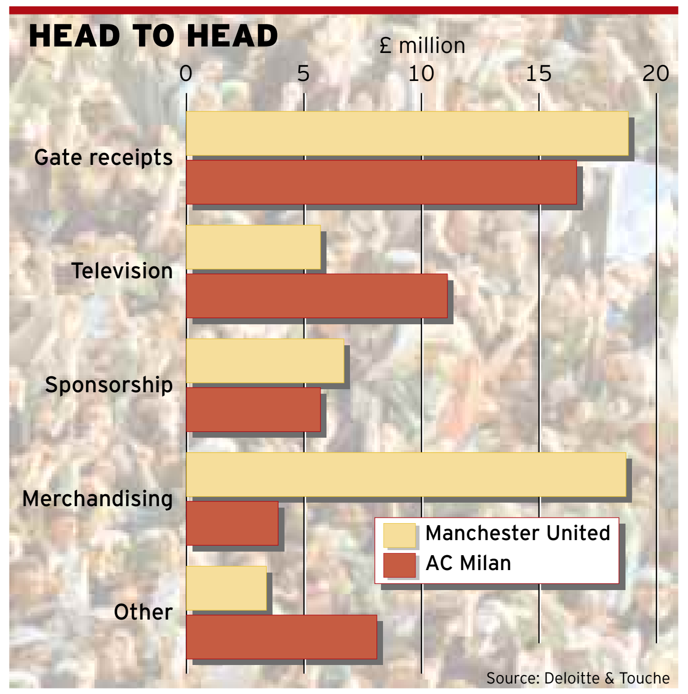
On the ball: Bosman's key victory was off the pitch

Barcelona offered their star striker Ronaldo a contract that would have been worth $34m over ten years but he preferred a move to Internazionale of Milan, who have promised him even more. If Italy was the place to play in the 1980s, the English clubs, rich from their deal with BSkyB, are the place where the stars are flocking now.

A favourable tax regime for imported players (the top rate is 40 per cent, the lowest in Europe) also helps.

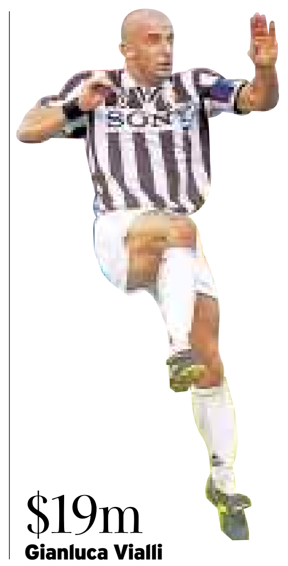
Ian Barton, a football expert for Deloitte Touche, points out that clubs are being forced to tie players down to long-term deals. "If a player leaves for free at the end of his contract, he will suffer a huge loss," he said. "In trying to prevent that, they are submitting themselves to a huge investment in wages. If the player or club lose form, then that money still has to come from somewhere."





$25m
Rivaldo

$24m
Alan Shearer



$19m
Gianluca Vialli

$19m
Juninho

COVER STORY

Continued from page 10

Catalan heart having long ago been captured by his club, the acquisitive gaze of Barcelona's commercial director, Roberto Tendero, is directed elsewhere.

The more competence clubs acquire at selling their wares off the pitch, the more the team's performances on it will function as a particularly dramatic form of advertising promotion.

Brand strength will be maintained through success on the pitch and, ideally, an economic circle will be achieved as club management uses increased income to build brand strength by increasing the quality of the team. Performance does matter: Manchester United's stunning commercial success was achieved on the back of winning four out of the past five Premiership titles, as well as two domestic cups. Tottenham Hotspur, on the other hand, also a listed company, sold only £4m of merchandise in the last financial year after mediocre results. Football's newest mantra comes from an advertising, not a coaching manual: "Improve the quality of your advertising to boost the strength of your brand." This means investing in the players and the facilities, if you want your brand to succeed.

"The matches are a loss leader," said Ian Barton, an economic analyst at Deloitte & Touche. "Clubs need the off-the-pitch income to balance their accounts."

The transformation has, of course, been noted by the stock markets, especially by the City of London. Guy Feld, an analyst at UBS in London, said: "There has been a re-rating by the market of football clubs on the back of what Manchester United showed it could do in terms of diversifying its revenue streams."

United and Tottenham are two of 18 English clubs to have gone public. A significant quoted football sub-sector has emerged, fuelling institutional demand and setting a favourable scene for new issues across Europe. Three Danish sides have already followed suit, while clubs in other European countries are warming up to float, the latest being Atlético de Madrid, whose directors revealed this week that discussions are to start with various investment banks.

In Italy, the process has been slower. Italy's stock exchange requires companies to have shown a profit for three years before listing. Despite the higher threshold of entry, cup holders Vicenza are expected to try to float in Milan. But Bologna, AC Milan, Internazionale, Lazio and Juventus are all looking at London.

Michael Goldman, managing director of London fund managers Momentum, argues that the football share has a unique appeal: "Part of the attraction is that investment can be easily understood. Last week, I saw an eight-year-old boy explain to his mother by how much and why Manchester United shares were going up."

When booms like this come along, it becomes hard to see how the irresistible economic march towards constantly higher ground could ever be halted. Yet there are warning signals, although as yet faint and easily ignored. There is the example of the US, where baseball clubs, believing themselves on a gravy train that led inexorably onwards and upwards, paid their players too much and turned the fans away. There is also the fear that the current hyperventilating condition of European football is the product of mere fashion, which will one day choose another product on which to lavish its fickle attention.

'Matches are a loss leader. Clubs need off-pitch income to balance their accounts'

Some warn that the game is alienating its true believers, the lower-income young males who stood by it in the dark days. The new richer enthusiasts, the ones who can afford to breathe in the more rarefied atmosphere of the new all-seater stadiums, have, it is argued, been brought up on a sickly diet of hard sell and media overkill.

Some say the game's lifeblood died with the terraces. But this is largely nostalgic drivel, the last gasp of those with a penchant for romanticising working-class culture as old attachments are trampled underfoot by the new order. The broader truth is that European football is on the crest of an unprecedented expansionary wave that has generated and will continue to generate wealth on an extraordinary scale. You can bet Eric Cantona's shirt on it.

SUPPORTERS

COLORSPORT

ACTION PLUS

Old and new: hooliganism, a macho atmosphere and grim terraces used to be an integral part of the game. Now matches have a carnival atmosphere that includes women and children

Middle classes bring new goals for the game

TRADITIONALISTS may shake their heads, recalling the days when football was an honest, working-class game, before it sold its soul to fashion. But few lament the grim, testosterone and beer-fuelled terraces, the violence and the racism. In the past decade football has shaken off its image and been reborn as the favourite sport of Europe's middle classes.

The extent to which football culture has permeated the mainstream was vividly illustrated when Eric Cantona, the French footballer-philosopher striker who recently left Manchester United, was featured on television commercials for the Eurostar train service between London, Paris and Brussels.

His obscure dialectical ruminations on the nature of travel both baffled and delighted his international legion of fans, contributing to the myth of Cantona and ultimately persuading him to leave football altogether and seek his further fortune as an actor.

The transformation in the public profile of football has been startling. Just ten years ago, to talk of football was to conjure up the horrifying images of Heysel and Hillsborough. Travelling bands of hooligans struck fear into decent citizens wherever a major international game was played. Racist taunts were commonplace when black players took the field.

What a difference a few hundred million dollars of television revenue can make. Fuelled by the high profile that broadcasting has given the game, football has taken off. Today, no smart dinner party in Bonn or Madrid is complete without a learned pontification from one guest or another on the finer points of the beautiful game.

Europe may still have some way to travel before all of its citizens feel themselves members of the ever closer union demanded by the Treaty of Rome, but the creation of a closer continent is certainly being promoted by the culture of football.

The sign held up by fans at AC Milan's stadium in Italy would be familiar to Liverpool fans. The Merseyside slogan, "You'll never walk alone", has been purloined by Italian fans. The slogan works just as well in Holland, where Ajax fans chant the words to their players. A single European game is spawning a single European culture. "Face it, football is the only thing in Europe that really works at a European level," said one French graduate, confessing she recently became a fan.

Among the more remarkable recent developments in football has been the extraordinary growth in its appeal to women. Moneyed, middle-class women – many of them avowed feminists – have discovered football to be the sport with everything, even if the sexy male players spend much of their time on the field hugging each other. "It is the best game in the world and men have been keeping it for themselves," said one die-hard fan. Belatedly, Europe's football associations and clubs have decided that women are good for business, installing improved facilities for families and marketing the game directly to women, emphasising the safety and comfort of stadiums like the new Amsterdam Arena, the salubrious $150 million home to Ajax. Playing to their new-found sex appeal, the latest trend among the players is to work off-season as fashion models.

Football is rehousing itself to accommodate the new image. The most spectacular new stadium is in Amsterdam, complete with shops, restaurants and cinemas. "It's all added to Ajax mania," said Rudolf van der Berg, a lifelong fan. "The Arena is unique. The type of people going to Ajax have changed. Last year and this year the season tickets have sold out." And when there's no football, the Arena is put to other uses. The latest idea is to stage opera there. Can Cantona sing?

Whether the new middle class love for football will survive over the long haul remains to be seen. The danger is that some other fashion will appear and these fans will desert football as rapidly as they embraced it. No wonder the British satirical magazine *Private Eye* recently ran a cartoon lampooning the middle-class fan. A braying investment banker, his girth the product of expense account lunches, boasts that unlike the *arrivistes*, his support for Chelsea is long-standing: "I've been going to Stamford Bridge for years. Two years actually."

For some more seasoned fans the joke is bittersweet. In his bestseller, *Fever Pitch*, which has been translated across Europe, the English author Nick Hornby laments the passing of the terrace era: "The sort of game that comes to represent the football experience in the memory: floodlights, driving rain and an enormous rolling roar ... football crowds may yet be able to create a new environment that electrifies, but they will never be able to recreate the old one which required a context in which vast numbers could form themselves into one huge reactive body."

But there is no turning back.

SASKIA SISSONS

AGENDA

FOOD SAFETY ■ Will the European Union stick to its guns over its latest mad cow disease precautions?

US to fight $17bn beef product ban

CATHY SAVAGE

THE European Union is in trouble again with its campaign to stem the spread of mad cow disease. This time it finds itself up against the might of the United States, intent on defending billions of dollars' worth of trade in beef-related products.

When the EU's committee of scientific experts meets on 8 September, it will find itself with the uncomfortable choice of whether to advise the Union to stick to its guns, which could unleash a wave of retaliatory measures from the US.

The EU policy to combat bovine spongiform encephalopathy (BSE) has stumbled from crisis to crisis in the 17 months since the original ban on British beef, which followed the revelation that BSE could be transmitted to humans in the form of Creutzfeldt-Jakob disease (CJD).

The most recent restrictions ban materials deemed capable of carrying BSE, mainly the brain and spinal cords, from being used for any purpose, including the production of tallow and gelatine.

As it stands, these regulations will apply to all imports into the EU regardless of the incidence of BSE in the exporting country from next 1 January. Not surprisingly, the US is furious at being tarred with the same brush as countries such as Britain where BSE is rife. This week German customs officials seized 60 tons of suspect beef believed to have originated in Britain.

Until July action against BSE had concentrated on food and the direct consumption of potentially infected animal parts. Consumers had been reassured that the process of manufacturing gelatine and tallow would kill any traces of the disease, and the products had been exempted from the ban. Tallow and gelatine are used to make a huge variety of consumer goods, from lipstick and candles to pills and drug capsules.

> **'It's unfair. We have never seen a case of BSE in the States'**

But the exemption foundered in the face of scientific opinion, and the new regulations were agreed by the EU on 30 July. In the meantime American firms have continued to buy the potentially banned material. If the ban is upheld and applied to tallow produced from cattle bought before the ban, they will be unable to sell the products in Europe. The US pharmaceuticals industry claims that $17 billion of trade in medicines and drugs is in question. Tallow exports worth a further $100 million could also be at risk.

Chuck Lambert, chief economist at the Washington-based National Cattlemen's Beef Association, said: "This could cost billions of dollars and it is totally unjustified. We have never seen a case of BSE in the US and we have taken extraordinary steps to ensure that we never do. There are three major scientific flaws. Firstly, we don't have the disease; secondly, a link has never been established between BSE and tallow; thirdly, the tallow used for pharmaceuticals and cosmetics is greatly refined. It is just not conceivable that there is a risk."

The European Commission disagrees. Carlo Corazza, of food safety commissioner Emma Bonino's cabinet, said: "An affirmation that a country is BSE-free is not sufficient guarantee for the consumer. Our main concern is to prevent any accidental transmission. This may be seen as an over-reaction but the precautions are in line with public demand." There has been speculation that cracking down on tallow and gelatine could lead to a shortage of medical products, but the Association of the British Pharmaceutical Industry says this is totally unfounded.

If no exemption is granted in September, the war will begin in earnest. The US industries are already talking about suing the EU at the European Court of Justice or complaining to the World Trade Organisation (WTO).

The US could easily justify a complaint. The WTO-backed agreement on food safety says that states may introduce measures "which result in a higher level of sanitary protection" but only "if there is a scientific justification". But there is also a get-out clause which allows members "in cases where relevant scientific evidence is insufficient" to "provisionally adopt sanitary measures on the basis of available pertinent information". Europe is currently losing another WTO case involving the US based on the same health risk argument. The US filed a complaint last year claiming that the EU ban on hormone-treated meat and meat products was not scientifically justifiable. The WTO panel of experts, in a report released on 18 August, recommended that the EU ban be declared illegal.

Both sides are pinning their hopes on the September meeting to avoid further disputes. The experts will consider whether to exempt US tallow producers specifically, but also discuss demands for several non-EU countries including the US, Canada and Australia to be declared free of the family of diseases which include BSE and scrapie in sheep. Either move would get the EU off the hook – for the moment.

But another issue looms: the scientists will also consider the export of cattle semen, so far the only British beef product exempt from the ban.

PETER MÜLLER

Taking action: a vet gives a lethal injection to a BSE-infected cow in Paderborn, Germany

AID CASH ■ Brussels and Rome threaten to get tough with southern Italy over bureaucratic paralysis

Slowcoach Sicily faces crunch on EU funding

CHRIS ENDEAN

FOR ALMOST a decade Gandolfo Conti had time to enjoy the architecture as he shuffled papers between Sicily's regional assembly at the Palazzo dei Normanni and his committee rooms.

Responsible for guiding European Union development funds through a bureaucratic maze, Conti was rarely in demand. Even when politicians did show interest in what Brussels had to offer, it was desultory at best. "The round trip is little more than two kilometres," he said. "But it takes an average of 685 days for each project to win approval."

Now Conti is going to have to pick up the pace. Under pressure from Brussels, and Monika Wulf-Mathies, the EU regional policy commissioner, Rome has warned that unless Sicily makes use of 38 per cent of the available cash by the end of the year, the national government will take over.

By the end of June the region had managed to spend just 14 per cent of the L2,500 billion ($1.4m) offered by the EU for the period 1994-99 for industrial redevelopment, roads, railways and tourism. That is slow going even for the lackadaisical Italian south, but even more so for an economy which had to borrow L1,700 billion from Credit Suisse First Boston to cover its debts last year. "It's a long story," said Conti wearily. "In the past, state aid managed to meet the needs of the region. Now Rome doesn't give us a single lira and Europe is our only source of support."

He omits to mention that much of that state aid went on grandiose building projects in the 1980s with more than a sniff of corruption about them.

Giuseppe Provenzano, the regional president, was elected only last year, but his solution to the EU funds crisis smacks of old-style Sicilian politics: blame central government. "Rome's involvement is just another waste of time," he said. "It would make much more sense for us to talk directly to Brussels." At least Provenzano has one scapegoat easily to hand: in five years, the former regional assembly failed to approve a single project to improve Sicily's infrastructure. Now the region is to apply for L200 billion to finance a methane gas pipeline. Provenzano has also brought in new rules to cut the delay in approving projects to "around 300 days".

Insiders familiar with Sicilian bureaucratic ways say that whatever target is set, the island is likely to fall short. "It took eight months and four committees to process my request for a new computer," said one. "By the time they delivered a verdict, the computer was obsolete." The regulatory Court of Accounts seems to agree. "Bureaucracy is paralysing Sicily," said Judge Mario Ribaldo, its representative in Palermo.

The Association for Sicilian Industry has another idea. Leave it all to us, it says. Brussels should bypass the bureaucrats and open its funds to the small industrialists who are supplanting the huge state-run steel and chemical monoliths which failed to relaunch the island's economy in the 1980s. "At present, the EU structural funds offer nothing to individual industrialists," said Patrizia Miceli, the association's president.

Free the market, their message runs. It may be a good motto for Sicily.

NEWS

MONETARY UNION ■ 500 days to a single currency and Europe is gripped by fatalism while banks dread the practical problems

Panic on flight to the euro

VICTOR SMART

IN GERMANY, Chancellor Helmut Kohl goes on television to try to hold the line against his critics. In Austria, a right-wing leader, Jörg Haider, calls for a referendum. In France, a former socialist minister of culture, Jack Lang, threatens to torpedo ratification of the entire Amsterdam treaty.

They and other European leaders are now aware of the looming reality of economic and monetary union (EMU), the vital first step to full integration. The psychological last lap to the irrevocable locking of national currencies has begun for the front-runners. On 18 August, the 500-day countdown to the 1 January 1999 starting date began.

But will it really happen? Has the EMU juggernaut now gathered unstoppable momentum? Is delay a realistic possibility? Are Europe's bankers and business people either ready or willing to embrace the euro?

For Europe, it remains a leap in the dark and the journey is becoming ever more hair-raising. The euro is a spectre cloaked in uncertainty and surrounded by understandable forebodings about its ultimate economic repercussions.

Even now there remains a significant question mark over the 1 January 1999 deadline – though the foreign exchange markets are confident that EMU is a "done deal". Beyond that there is the outstanding issue of just who will be invited to join the inner core and on what terms. Equally uncertain is the euro's status as a hard or soft currency; that will hinge on the extent of fudging of the supposedly strict Maastricht criteria – and on whether debt-laden Italy is admitted.

One mystery is justified. The rates at which the old-style national currencies will be linked are to be kept secret until the last minute as a precaution to thwart speculative attacks. But there are other more troubling fundamental doubts.

Monetary policy will be the competence of the Frankfurt-based European Central Bank. That much is clear. But what about the other side of the economic management, the fiscal dimension? To some, notably the French, the emergence of a highly politicised economic government of Europe is inevitable to prevent disparate national fiscal objectives conflicting and in order to give priority to jobs. To others, notably the Germans, that violates the very purpose of the system, which is to spread Bundesbank-style central banking to the whole continent. Consumers face their own concerns: how swiftly will vending machines be converted, how long will dual pricing continue, will banks charge for conversion, how will "rounding up" be outlawed?

EMU is a leap in the dark, a spectre cloaked in uncertainty

For the moment the transition to the euro is causing the international banking system the biggest nightmares. Mighty national central banks, glitzy international finance houses and the humblest regional bank are equally afflicted by a host of unforeseen practical, legal and technical problems. To prevent the changeover precipitating the collapse of the banking network, financial institutions have outside experts working around the clock to find solutions.

One Paris-based bank has identified 30 specific crisis points. Werner Becker, senior economist on monetary union at Deutsche Bank's Frankfurt headquarters, confirms: "There are dozens of difficulties. Our bank has now entered the 'hot phase' where every single program in electronic data processing has to be made euro-fit. Coming at much the same time as the millennium bomb, it's putting very severe pressure on our resources."

JAN NIENHEYSEN

On firmer ground: Helmut Kohl and his wife Hannelore on holiday near Salzburg, their 27th summer spent in Austria

It has already been decided that official national interest rate mechanisms for borrowing between banks will be thrown out in favour of a new European inter-bank rate, the haplessly named Eurobor. But there is confusion over other practical difficulties. Typical of the mind-numbing intricacies thrown up is the number of interest-bearing days in the euro's year. Will it be 360, as for the US dollar? Or will it be 365, as for some national currencies? And if the lesser figure, who makes up the difference, the bank or the customer? No one knows yet.

Especially fraught is the functioning of the multi-billion dollar futures market where traders gamble on the prospective parities between currencies months or even years ahead. If currencies are merged, Deutsche Bank foresees clients could demand compensation unless futures contracts are nullified ahead of monetary union.

The audacity of the single currency project marks it out as part of the grand sweep of history. Seventeen months before the advent of the euro, the mood across the continent should be expectant, exultant even. Instead it is sullen and fatalistic. Beset by setback after setback, the blind scramble for monetary union is demanding economic sacrifices that have made the ordinary man wary. In the face of bleak economic figures, the neat Maastricht blueprint has given way to a headlong flight without strategy.

Ominously, the European Commission marked the 500-day landmark with silence. Once upon a time it promised a public debate across Europe on the euro. Yves Thibault de Silguy, the other-worldly monetary union commissioner, said: "We will not impose the euro on the citizens of Europe." But ever since the Maastricht treaty was agreed six years ago, the unstated aim has been to railroad EMU through. De Silguy now bizarrely claims that it would be unlawful for a core of countries to balk at merging national currencies, whether or not they comply with the Maastricht criteria.

Across the Rhine, Chancellor Kohl also stresses the inevitability of the venture, while keeping his fingers crossed. In his holiday address to the nation on ZDF TV, Kohl stuck to the claim that the euro would be every bit as inflation-proof as the deutschmark. "We do not want a soft euro and I will not be party to this kind of policy," he said, somewhat unconvincingly. The beleaguered chancellor was fending off the latest challenge from Edmund Stoiber, the Bavarian state prime minister who is repeatedly calling for a two-year delay to the currency's launch if Germany overshoots the Maastricht treaty's budget deficit benchmark of three per cent of gross domestic product.

Maastricht-style monetary union is not a failsafe design. No contingency plans have been laid for failure, for postponement or for a country to withdraw. David Lascelles, co-director of the Centre for Financial Innovation in London, says: "Second thoughts are banished by the supposed inevitability of the process. We are being blackmailed into thinking no one can stop and think."

The ill-conceived Maastricht masterplan was a testament to the contempt for, and ignorance of, market economics displayed by both the French elite and by the German chancellor. Yet Anglo-Saxon Eurosceptics have been continually confounded by the survival powers of the monetary union process. Sustained by a collective act of political bravado, participating states are locked in to passing the point of no return before the public mood turns ugly. So far the ruse is working – just.

But when is the point of no return? Some observers see the German general election in October 1998 as the defining moment. Almost certainly, they are mistaken in thinking it could come so late. Even if Kohl is kicked out, with just weeks to go before euro-day turning back would not be practical.

By early next year it will be impossible to pull back from the brink. At that time the 15 EU members choose who is fit to enter the prestigious first wave of monetary union. This meeting will be chaired by the opted-out British, who hold the rotating EU presidency for the first six months of the year. Speculation that Tony Blair, Britain's prime minister, would like to see EMU falter, thereby getting Labour off the single currency hook, is wide of the mark. A British source says: "The last thing that the UK presidency wants next year is to have the Italians really upset over being excluded. Nor do we want some kind of chaotic postponement. The nightmare is that it they will go ahead, on some unsound basis, which will then do real damage to the whole European enterprise."

The last moment when the flight to the euro could have been grounded without chaos was in June when the French Socialists led by Lionel Jospin scored their surprise election victory. Jospin had made Eurosceptic noises during the campaign. His later decision to flout the strict Maastricht three per cent criteria on public debt may have robbed the euro of its hard currency status but ensured its survival.

The oddest twist is Kohl's lurch in a Eurosceptic direction to appease domestic German sentiment. He has begun to thunder against Germany's inordinate payments to the European Union budget. At the Amsterdam summit in June he vetoed further moves to majority voting. That has resulted in Jack Lang's threat to veto ratification of the Amsterdam treaty. But Lang is a has-been; in Kohl's eye the great project remains secure.

Even so there is no shortage of Cassandras. Economics specialist James Buchan said: "To look at eastern Germany is to see the catastrophe the euro could bring to Europe. Without their own currency to devalue and price their labour and products into world markets, the east Germans have been delivered up to mass unemployment. EMU in its present form risks similar consequences."

GERMANY

Kohl's postcard home

KLAUS ESPERMÜLLER

CHANCELLOR Helmut Kohl has a reputation for turning difficult situations to his political advantage. On 17 August he took a break from his holiday to outline forthcoming plans in a television interview from Austria's Wolfgangsee. Reviews were favourable. "He looked like a man ready for a fight and relishing it," said one observer.

He will need all his legendary energy and cunning. The failure of his government's crucial tax reform in July has placed the coming year under the long shadow of federal elections, scheduled for October 1998 – and that looks set to cripple progress.

The need for wholesale tax reform continues to be drummed home, most recently by the Organisation for Economic Co-operation and Development (OECD) whose 19 August report on Germany urged an overhaul of taxes and the welfare state to spur economic growth and cut the jobless rate, now more than four million.

"Major policy decisions will need to be taken in the current and coming year, particularly with respect to the tax and social security systems," it said.

Even though there's little chance of major reform in Bonn's current political climate, Kohl is not giving in yet. In his interview, the chancellor pushed the Christian Democrats' latest gambit, a mini-reform. "We are prepared to compromise. If we can't do the whole thing, let's at least do part of it," he said.

The mini lacks the scope of the earlier package, which would have reduced top income tax rates from 53 to 39 per cent and lowered the starting rate from 25.9 to 15 per cent. The new plan cuts the top rate to between 45 and 49 per cent and bottom rate to between 19 and 23 per cent.

Corporate taxes would fall from 47 to 40 per cent but could be offset by abolition of tax breaks given to companies selling off or liquidating assets. The mini could also mean a VAT increase.

The proposal was cautiously welcomed by the opposition. "It is good that the coalition is withdrawing its previous tax plans. Tax breaks for income millionaires were simply not justifiable," said the Social Democrat (SPD) party leader, Oskar Lafontaine.

Business leaders have also given it guarded approval. "Step-by-step reform makes sense," said the president of the German Chambers of Commerce, Hans-Peter Stihl.

The likelihood of the package becoming law is slight and economists predict its real effect would be minimal. "If it comes about – and there is still a big if – it will amount to little more than a slight redistribution of tax. It will certainly not bring about the great lifting of the tax burden needed to stimulate the economy that was promised earlier this year," commented Ralph Kugelstadt of UBS in Frankfurt.

The proposals will be considered when parliament resumes on 5 September. Kohl sees the plans as part of a game he can win either way: if the SPD blocks the changes, he can dub it impossibly obstructionist; if the bill passes, he will have made a significant gain.

Lafontaine has so far gained from blocking reform. He will accept new proposals only if the obstructionist charge becomes damaging or if the SPD can claim to have forced Kohl to implement its brand of tax reform. "The SPD has little interest in helping Kohl get re-elected," said one Social Democrat.

Yet Kohl remains under pressure to act. The plan for the mini was raised within days of a Bundesbank report with a special feature on the need for structural reform. Prepared several months ago, it was not a politically timed intervention but it did reinforce the same relentless theme.

Last week also yielded a taste of further problems from within Kohl's fractious coalition. Theo Waigel, the finance minister, of the Bavarian Christian Social Union, who has borne the brunt of tax reform's failure, twice called for a cabinet reshuffle.

This partly served to raise Waigel's profile within his party, which is set to lose one of its cabinet positions in December – leaving it with the same number as the junior coalition party, the Free Democrats.

In his interview, Kohl ruled out an imminent shake-up. The chancellor is wily and will make such decisions in the tough months ahead in Bonn. A year is a long time in politics. At the moment he is waving, not drowning, from the Wolfgangsee.

TONY PATERSON

NEWS

BALKANS ■ Peacekeepers pack their bags as new ministers start to rebuild civil society

Albania rises from ashes

ALEX STANDISH

GUNFIRE has become so commonplace in Albania that neither the driver nor the armed bodyguard seemed concerned by the shooting as our car passed along the narrow road from Rinas airport to Tirana.

"It's nothing. They're just firing for fun," said one of my Albanian companions, adding that the situation had improved considerably since the arrival in May of the Alba mission, the Italian-led multinational military force. Alba restored limited order in the run-up to the 29 June general election which saw victory for the Socialist Party and defeat for the ruling Democratic Party of President Sali Berisha.

Certainly, security at the airport itself was tight. Armoured cars and helicopters surrounded the runway, while foreign troops in sunglasses patrolled the - perimeter. However, the 7,000-strong Alba force completed its phased withdrawal by 12 August, leaving the fate of Albania in the hands of a deeply demoralised, underpaid police force and the remnants of a shattered army.

The coalition government of Fatos Nano, the new prime minister (who until March was occupying a prison cell on hotly contested corruption charges dating back to his previous brief period as premier in 1991), is under no illusion about the uphill task it faces in restoring law and order to Europe's poorest nation.

The civil conflict which erupted in March following the collapse of fraudulent pyramid investment schemes cost more than 2,000 lives, with many thousands injured. The killing goes on, particularly outside the capital.

Hope now rests with Nano's new cabinet, which some observers consider to be possibly the most able group of Albanian politicians ever to have been brought together in one administration. A number of key posts are held by academics who have been educated abroad, including the new president, Rexhep Mejdani, who holds a doctorate in physics from the University of Paris. "In the circumstances, this is probably the best government Albania could have hoped for. If they can't resolve the crisis, then probably no one can," remarked a European diplomat based in Tirana.

Albania's new interior minister, Neritan Ceka, has already begun rounding up some members of the most notorious criminal gangs who have terrorised travellers on the roads outside Tirana. Attempting to restore order in what has become one of the most heavily armed societies on earth – an estimated one million Kalashnikov rifles are missing from government depots – seems a far cry from Ceka's former job as an archaeologist excavating the beautiful classical ruins of Butrint. But he is already working out how much it will all cost and, more importantly, who will be paying the bill.

Ceka's is probably the most dangerous post in the new cabinet, and this is reflected in the tight security surrounding his elegant office in the faded pre-war grandeur of the interior ministry in the centre of Tirana. Armed guards line every hallway and staircase. In the sanctuary of his office, the tall, lean 52-year-old professor seems surprisingly youthful despite the shock of silver-grey hair.

PIER PAOLO CITO

In your hands: a soldier of the Italian-led international peacekeeping force says goodbye as the troops pull out of the port of Durres

As Ceka leans back in his chair and sips orange juice, he outlines his strategy for re-establishing order in the Balkan republic. "Our first priority is to reopen the country's principal roads, including the main route from Tirana south to the Greek border. Our second is to restore order in the cities and to stop the gangs terrorising people and fighting each other in the streets," Ceka said.

He claims that his first forays into the unstable south, dominated by rebel strongholds like Vlora and Saranda, have achieved results, with senior gang members captured in the wake of the international force's departure. But with six people killed in a shoot-out in one southern village this week, there is clearly a long way to go.

The general chaos has also provided a fine opportunity for settling old scores, a custom reinforced by strong Balkan traditions of tribal revenge. A lack of faith in the feeble Albanian legal system, where some judges appointed by the former regime were given little training and where corruption is legendary, has often encouraged the bereaved to take matters into their own hands.

In order to try to end the killing, Ceka's third objective is to disarm the population, although he concedes that this will take time. "I understand that some people took up arms to protect themselves and their property during the chaos . But now they must give back the state's property," he said. One recent piece of good news, both for Albania and for its neighbours, was the recovery of 16 high-tech Chinese-made surface-to-air missiles which had been looted from an army depot near the Greek border in July.

Ceka is also creating special armed units to deal with the criminals. All this will cost money, and the Albanian state treasury is believed to be nearly empty. Government sources of revenue are few at present. Exports of hard currency commodities such as chrome and electricity have been hit severely by the crisis, while the collection of taxes and customs dues has been impossible in many regions.

The ministry's shopping list, which includes communications equipment and vehicles for the police, is likely to amount to more than $30 million. But Ceka believes that it is in the interests of the international community to assist with the task of restoring law and order in Albania – since this includes putting a stop to the lucrative trade in drugs, arms and illegal immigrants (often from poor Asian countries) currently flooding across the Adriatic Sea to Italy.

Although there is widespread hope that the new government can succeed, some EU diplomats remain less than optimistic about the country's future, especially in view of the high expectations of many Albanian investors that the new

'Our first priority is to reopen roads; our second to restore order, to stop gangs terrorising people and fighting in the streets'

government will be able to enable them to recoup their losses from the pyramid schemes, which may have sucked in more than $1.5 billion.

"I am concerned that once the remaining companies are investigated and liquidated, and the people realise that this government cannot give them back all the money, there could be more violence – perhaps this time in Tirana," said one ambassador, who believes that urgent economic and technical assistance is required to ensure that the new security services remain in control of the country.

Conscious of the risk of continued instability in the Balkans, Albania's allies (some of whom, such as the United States, had cooled relations with Berisha's regime) have been keen to be seen offering support for the new administration. "The US and our partners in the international community are ready to assist your government in its pursuit of meaningful political and economic reform necessary to restore normal conditions in your country," wrote US President Bill Clinton in a letter – seen as an important endorsement – to Nano this month.

It remains to be seen how these good wishes will be translated into practical measures. The International Monetary Fund (IMF) is planning to send a mission to Albania to assess the situation prior to approving long-term loans. However, emergency assistance may be offered by October, provided order can be restored. Meanwhile, the World Bank, which has suspended programmes amounting to some $300 million, is also considering how it can assist the shattered economy which, even before the pyramid crisis, ran up a trade deficit of $691 million in 1996 – up from $475 million the previous year – while the European Bank for Reconstruction and Development estimates that at least $20 million will be needed to support the small business sector.

Nano is keen to stress that unlike during the last crisis in 1991 his country does not require further humanitarian aid. The days of emergency food imports have long passed. His government's priorities are to secure assistance with institutional reform and economic stabilisation.

There will be political problems too. Long-time president Berisha has resigned, but he and his Democratic Party retain a legacy of support, particularly in northern regions. They are still capable of causing the new government trouble, as a stormy recent session in parliament showed.

Speaking in the office he last occupied in June 1991, Nano – who grew a neat beard during his time in prison – points out that the country has lost in five months most of the gains it made during the previous five years.

"Our objectives are to build a modern, European state and we have taken the first steps to achieve this by creating a broad coalition government of professionals," he said. "We will reform institutions, integrate Albania into the international financial system and build an open, civil society."

He is also promising a "war" against corruption, although he stresses that his aim will be to depoliticise Albania's civil service. "The reform will be professional rather than party political," he said.

Improved relations with Albania's neighbours and allies are being put high on the agenda, particularly after the country's increasing isolation during the last year of Berisha's rule. Italy and Greece are seen as key foreign partners in the region, while the US is already active in re-establishing close links.

Longer term goals include Albania's integration into both the European Union and Nato. Offers of support and help have been coming in since the international donors' conference in Rome on 31 July, and the EU has opened an office in Gjirokaster in the troubled south.

The premier also believes that it is vital for citizens who have received training abroad to return to assist in the reconstruction. "Albanians must work together for the good of Albania. Of course we welcome international assistance, but it is up to us to rebuild this country and to construct a civil society based on democracy and the rule of law."

As he spoke, in the distance, the rattle of a Kalashnikov could be heard; a timely reminder of the continuing crisis his government faces – and of the grim consequences for the whole region if it should fail.

Gun law: Albanian armed gangs have moved into Italy in force

GANGS

Exodus brings new crime nightmare for Italians

BY 31 August some 17,000 Albanian citizens who fled to Italy at the height of the violence earlier this year are due to have been sent home. Many, notably women with children, do not want to go, and have refused the L300,000 ($165) on offer to agree to voluntary repatriation. Over 100, sequestered in a former barracks in Brindisi, are on hunger strike in protest.

But more dangerous by far are the Albanian gangsters who seized the opportunity of the exodus to enter Italy and consolidate their developing hold on organised crime in major Italian cities.

In Milan, the Forza Italia mayor Gabriele Albertini was moved to declare earlier this month that his city was becoming the Albanian gangsters' own capital.

In Puglia in the south, the Albanians are even believed to have come to an agreement with the local branch of the Mafia, the Sacra Corona Unita, as they have done in Naples with the Camorra, to operate side by side. The Mafia are believed to retain control over trade in cigarettes and arms, while the Albanians specialise in prostitution rackets, illegal immigration, and the importation of drugs.

In 1996 the Italian authorities seized three tonnes of Albanian-grown marijuana. They believe 1997 will be much worse.

MICHELE PUCCIONI

BOSNIA ■ Black market millionaire cannot buy security from a war crimes trial

Karadzic ‘like a hunted animal’ in his own town as Nato net closes

IAN MATHER

HE COULD pass for a successful businessman, as in a sense he is. For a long time the Bosnian Serb *éminence grise* Radovan Karadzic's regular routine has been to travel by smoked-glass limousine between his luxury villa set amid spectacular mountain scenery and his place of business.

Karadzic heads a local trading monopoly in petrol, cigarettes, liquor and coffee. Operating mostly in the black market, the business nets millions of dollars, more than enough to pay the 100-strong personal security force which has so far kept Karadzic beyond the reach of the international war crimes tribunal in The Hague.

Yet Karadzic's routine has been rudely interrupted, and for him the good life may soon be over. Visitors to Pale, his power base near Sarajevo, say he has become like a hunted animal. He rarely sleeps in the same bed two nights running, and moves mostly at night. The few people with access to him say he is highly nervous and that any mention of the Hague tribunal, where he is N° 1 on the wanted list of indicted Bosnian war criminals, sends him into a rage. His factory office is closed.

The cause of Karadzic's extreme discomfort is a concerted campaign by the international community to end the scandal of indicted Bosnian war criminals remaining at large despite pledges by all three ethnic groups that they would be handed over. Frustrated at Karadzic's refusal to leave the political scene, the West, led by the United States, is acting against him on several fronts.

EPA

Partners in crime: Bosnian Serb leader Radovan Karadzic (right) and military leader Ratko Mladic plot together in earlier days in their stronghold, Pale

Direct military action to seize Karadzic and transport him to The Hague has never been more likely. Since last December European Nato officials visiting Washington have noticed a growing obsession with the need to remove Karadzic, by force if necessary.

The Pentagon has denied American news reports that an international commando team is training in Europe for an operation to seize Karadzic. But rescuing individuals held by armed groups forms part of the training of US, British and French special forces. In one British exercise I witnessed, marines scaled Gibraltar from the sea to rescue two individuals playing the roles of the governor and his wife who had been kidnapped by an armed group. The difference between this type of operation and one in which the individual to be snatched is hostile would be small.

Yet it remains an option of last resort. The mountainous forested environment represents a major obstacle, especially for a night operation, which would be necessary since the Bosnian Serbs are equipped with wire-guided and heat-seeking missiles. The outcome would be unpredictable. An unacceptable level of casualties could result among the troops taking part. There would almost certainly be a violent backlash against troops of the Nato-led Stabilisation Force (S-FOR) based in the Republika Srpska, and the Bosnian Serbs could wreck what is left of the Dayton peace process by withdrawing from it altogether.

So the West is pinning its hopes on a wider campaign to destabilise Karadzic. On 8 August S-FOR commander Lieutenant General Eric Shineki ordered a ban on the special police units in Bosnia that have made a mockery of Dayton. He set a 31 August deadline for all such units to decide whether they are police, to be controlled by the UN International Police Task Force (IPTF), or military formations to be brought under Nato command.

The move is aimed particularly at Karadzic's police guards. By bringing them under international control Nato intends to restrict their weaponry, numbers and movements, and so significantly increase Karadzic's vulnerability.

A vicious power struggle is taking place between Bosnian Serb leaders. Now it has turned violent

The West also aims to widen the political divisions within the Republika Srpska and gradually erode Karadzic's power-base, making it easier for Nato-led troops to arrest him. It has thrown its weight behind Karadzic's rival, Biljana Plavsic, the elected Bosnian Serb president. Despite the fact that she was vice-president under Karadzic, international officials consider her more receptive to implementing the Dayton agreement.

Plavsic has promised foreign diplomats that she is ready to work within the provisons of the Dayton agreement to try to restore unity to the Bosnian state. She has also won praise for publicly accusing Karadzic of corruption, and has criticised Bosnian Serb authorities who refuse to give Republika Srpska identity documents to Muslims who want to return to the key town of Brcko.

The result is a vicious power struggle between Plavsic and Karadzic. When Plavsic dissolved the Bosnian Serb parliament and called for fresh elections in October, the parliament, packed with Karadzic supporters, appealed to the constitutional court, also dominated by Karadzic, which overruled Plavsic.

The struggle has already turned violent and could get worse. A constitutional court judge who opposed the overruling of Plavsic was badly beaten and ended up in hospital. A dangerous confrontation then flared when police loyal to Plavsic entered the main police station in Banja Luka and seized transcripts of what were reported to be Plavsic's telephone calls, apparently wiretapped by opponents. The pro-Plavsic police were surrounded by about 150 rival police with pistols.

Later Nato troops sealed off six police buildings in Banja Luka, and a Nato spokesman said evidence had been found of illegal phonetapping of conversations, including some between Plavsic and constitutional court judges.

Plavsic, who is based in Banja Luka, may have powerful international backing, but in a highly volatile situation it is not clear whether she can count on many units of the Serb police and army. It is also hard to see how Plavsic would be able to organise balloting in areas controlled by Karadzic since the Pale parliament has refused to countenance fresh elections.

Yet there are signs that the Republika Srpska may be beginning to crumble. Several senior officials have deserted the SDS, the latest being Svetozar Mihajlovic, the chief of the local government in Bijeljina, a town in northeast Bosnia, who accused the ruling party of engaging in “lies, cynicism, and empty promises”.

Even in Pale itself, where pictures of Karadzic with the words “Do Not Touch Him” are still widely displayed, power may be slipping away. Pale's plight is desperate. Unemployment stands at between 70 per cent and 90 per cent, and wages are $40 a month, if they are paid. “It's like going into East Berlin when the wall was up. It is the poorest of the poor,” said one regular visitor from Sarajevo. Power in Pale is already passing to Momcilo Krajisnik, the Serb representative on Bosnia's collective presidency.

But US hopes of applying pressure on an even wider front by trying to persuade Yugoslav President Slobodan Milosevic to have Karadzic handed over to The Hague stand little chance, even though this is Washington's favoured solution.

On a recent visit the former US special envoy to the region, Richard Holbrooke, who had been brought out of semi-retirement by President Bill Clinton to try to revitalise the Dayton peace process, achieved no more than a promise from Milosevic and Krajisnik of “a unilateral undertaking” that Karadzic would disappear from Bosnian Serb politics.

Some observers on the ground are critical of Holbrooke. “Milosevic and Krajisnik reaffirmed a promise they never kept last year, namely that Karadzic would be isolated,” said Chris Bennett of the International Crisis Group, which monitors events in Bosnia. “But Karadzic should be on trial. Moreover, we have a fundamental problem with the people Holbrooke meets. He always goes to see Milosevic. We consider this counter-productive since Milosevic himself is the problem. As long as Milosevic is there, Karadzic will never be handed over.”

For over a year the US and its European allies have been trying to pressure Milosevic to hand over Karadzic, but with no result. In any case, Milosevic, an adroit and ruthless player in peace diplomacy, is adept at wriggling out of promises.

Milosevic's choice is stark. The moribund Yugoslav economy desperately needs an infusion of fresh capital that can come only as the result of a clean bill of health from the international community. Yet surrendering Karadzic would involve immense risks for Milosevic. Karadzic is revered by the 600,000 Serb refugees now living in Yugoslavia. Even more alarming for Milosevic is the prospect that Karadzic might expose him as the godfather of the “ethnic cleansing” policy in Bosnia. If Karadzic does end up in The Hague he is likely to do just that.

As the net inexorably closes in on him Karadzic has convinced himself that like Samson he can bring down the temple if he goes on trial. “I would give them much more to worry about than they would give me,” he said in a recent rare interview. “I would not act as a defendant but as a prosecutor.” Prepare for the most sensational war crimes trial since Nuremberg.

Additional reporting by Laura Hubber in Pale

AFRICA

Take us back, Comoros islanders tell France

AFTER just 22 years of independence from France, separatists in Anjouan and the much smaller neighbouring island of Moheli in the Comoros islands off Madagascar are begging Paris to have them back.

But France, with its influence in Africa on the wane and intent on drastic cuts in the number of troops on the continent, is having none of it. In 1975 at the time of decolonisation, only Mayotte of the four palm-fringed islands chose to remain French and stay separate from the independent Islamic Republic of the Comoros.

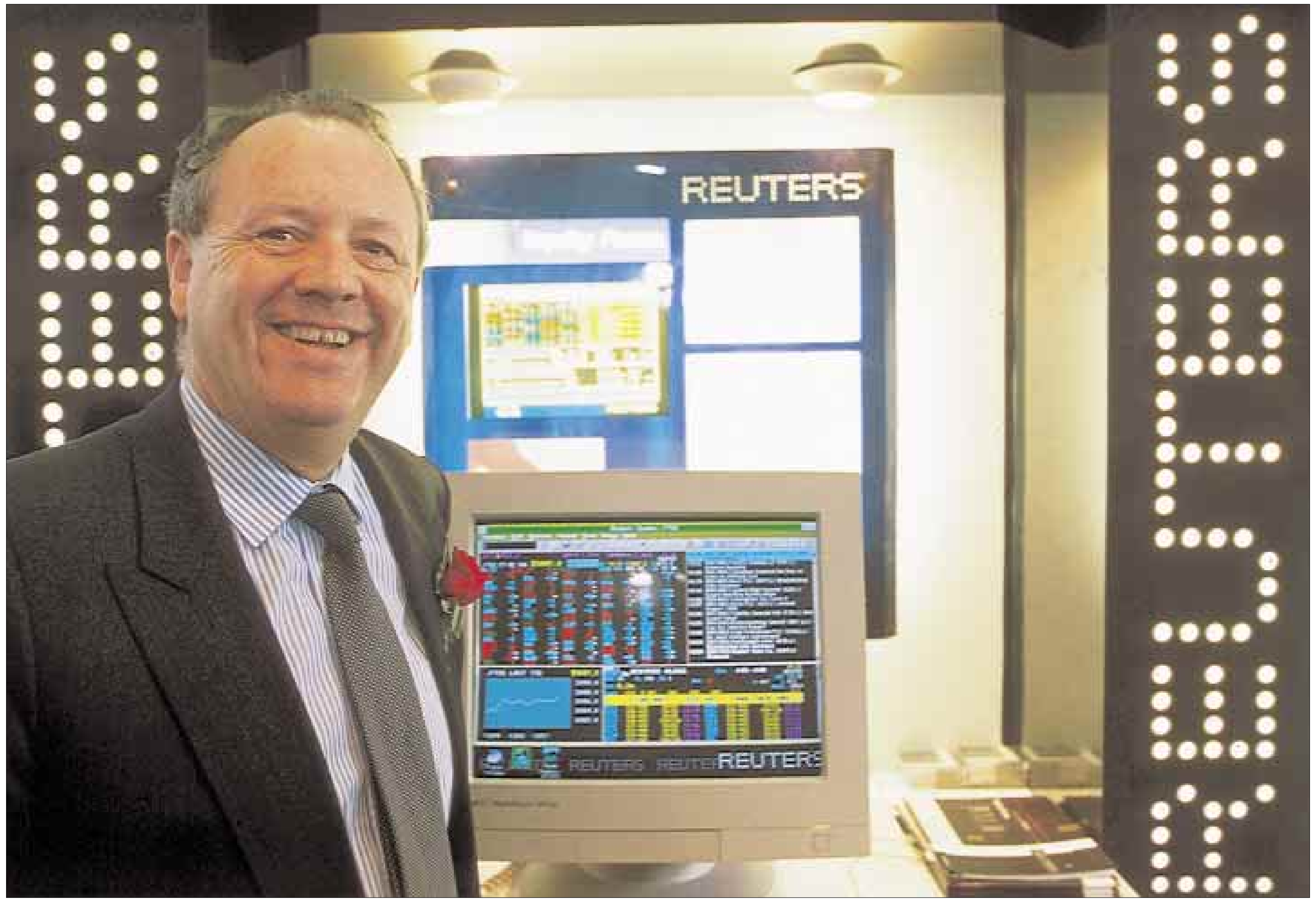
In the past month there have been sporadic demonstrations at which the French tricolour was unfurled and crowds shouted “Vive la France”. Paris left negotiations to an envoy of the Organisation of African Unity, who was despatched after two people were killed when islanders celebrating Bastille Day on 14 July clashed with police. Now they want France to come back with proper policing, aid and social security. In the past two decades 20,000 people have left the island for Mayotte, which under continued French rule has the highest standard of living in the archipelago.

The best Paris will promise so far is an increase in financial aid to the two islands.

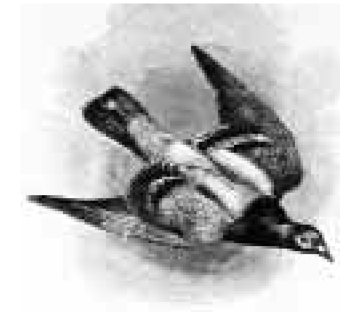
ROMAN ROLLNICK

BUSINESS

ANDRE CAMARA/REX

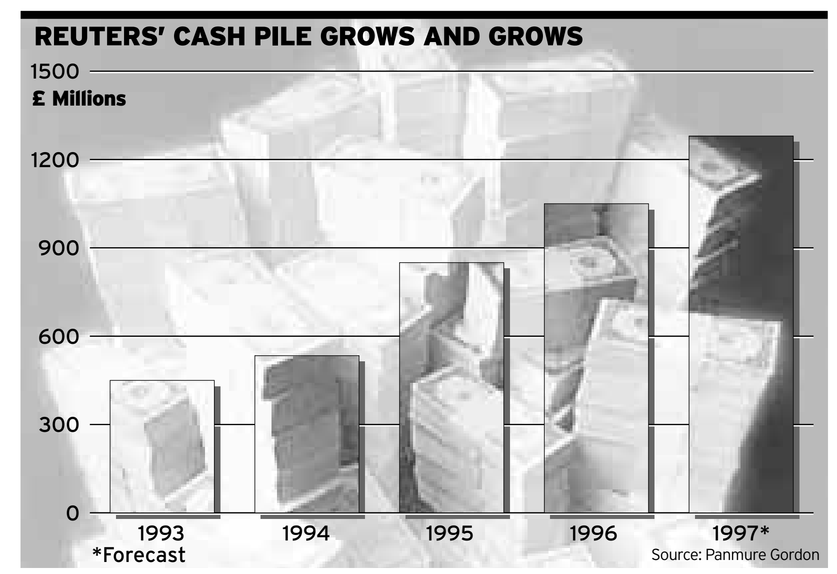


Job for the boys: Reuters chief executive Peter Job can deliver plenty of exec-speak, but can he deliver a better performance for the company's shareholders?



From birds to bytes

Paul Julius Reuter (right), who founded the company in 1851, relied on carrier pigeons to send news the 100km between Brussels and the German city of Aachen. It would take a lot of birds to relay the 30,000 computer screens of data that the company now churns out per second



Hot wire or terminal decline?

MEDIA

■ Reuters once looked as if it could do no wrong. Now it looks as if it does not know what to do next

CAMILLA PETRIE AND RUPERT WRIGHT

NOT many global market-leading companies publish an excerpt from their own obituary on the cover of an interim results statement. Yet that may be what Reuters has done.

The *Wunderkind* of the 1980s that reinvented itself from a tired old British news agency to a hot-wire of on-screen prices for the million-a-minute market-makers of the Yuppie years is floundering.

Threats from American competitor Bloomberg, as well as the erosion of information monopolies via the Internet, added to boardroom stagnation, back biting and the failure to dispose of a cash mountain, combine to suggest a lack of direction in a company that has failed to make the most of its advantages. For more than a decade, Reuters looked as if it could do no wrong. Now it looks as if it does not know what to do next. The 1997 interim results just published rely for their presentation on Internet motifs with the corporate web site's URL address on the cover. Yet the Internet in reality represents a risk rather than a benefit to Reuters. Already the infomedia giant is engrossed by how to prevent small companies – notably Display.IT – from including its information on their own web sites accessible to a much broader public for a fraction of the price.

None of these rival a Reuters terminal for real time access to currency and commodity market prices – that is the battle being fought with Bloomberg – but it reveals a key limitation in the mindset that runs Reuters: for all its expansion, at the dawn of an era in mass information technology the company remains stuck at the wholesale stage when a global retail market is going begging.

Reuters Television, built up rapidly from the company's share in the Visnews film agency, remains little more than that:

The Internet represents a risk rather than a benefit to Reuters

a supplier of newsreel footage to the big boys, rather than a player in its own right in the television news game. It contrasts starkly with BSkyB, which has built up a market capitalisation of £7.6bn in less than ten years. BSkyB is threatening to take Reuters to court in a dispute over an alleged failure to provide adequate services, a charge Reuters rejects.

But figures are indisputable. Reuters results for the first half-year of this year disappointed investors and analysts alike, with all profit figures down and the share price – which had provided an average 40 per cent annual rise since flotation in 1984 – well below the year's high.

In many ways Reuters is a victim of its own success. The international boom of the 1980s, the expansion in world trade and currency speculation all coincided with the company's rapid growth from a ticker-tape news service to a financial information provider. The economic services profited from the solid reputation of the news wire while the link was also seen as a boon by market makers ready to speculate on the economic effects of political events.

Internally, however, despite redundancies and restructuring at the lower levels, the company has never wholly overcome its split-personality. The senior board members today – most multi-millionaires on their share options – remain essentially the same gang who masterminded the company's transformation in the early 1980s.

Friction between the news and economics sides of the business has not been allayed by allowing the news journalists a higher profile, increasing the resentment among the "troglodytes'" who plug prices into the system that they make the money while their colleagues get the glamour. Mark Wood, a pushy, prickly newsman turned corporate executive, was rapidly promoted to editor of the news services with a seat on the board.

The news side of the operation is no longer as admired as it once was

However, he was shunted off the top table unceremoniously last autumn as the product placement team retrenched. Wood says the move released him from "commercial pressures". But company sources say he was "incandescent" at the time and remained on board only because of his share-remuneration package.

The news side of the operation, traditionally seen as a loss-leader despite being a prestigious flagship, is no longer as widely admired as it has been. Britain's largest selling serious newspaper, *The Sunday Times*, whose editor, John Witherow, is a former Reuters man, has decided to discontinue the service from the end of this year. "It's too slow and too expensive," said *Sunday Times* managing editor Tony Bambridge.

Reuters chief executive Peter Job is widely seen as a lacklustre British businessman who has fallen upwards into the top job. His pronouncements on the company's plans to deal with the challenges ahead resound with such sparkling pearls as: "A technical and resource challenge on the horizon is from the combined effect of the millennium and the planned monetary union in Europe. Our continuing preparation for these events will probably impact our margin slightly over the next two years."

This is the sort of exec-speak is hardly designed to inspire confidence in the crisp intellectual processes needed to steer a company which depends for its survival on being at the cutting edge of new technology.

The millennium software glitch does, however, pose a potentially costly problem as it will require thorough checking and adjustment of all Reuter terminals worldwide. The threat posed by potential European currency union is vastly more complicated. Apart from the likely high volume of speculative trading in advance of the deadline, definitive rate fixing would dramatically decrease the complexity of currency markets not only in Europe but worldwide. Removing the possibility of switching from the franc into deutschmarks before the morning fix in Frankfurt, then back via guilders into lira by bedtime – a maneouvre that could make sense for a high-volume trader in a volatile market – would also remove the need for a significant number of Reuters terminals. Put simply, Reuters could be sitting on a diminishing market.

What it is undeniably sitting on is a seriously undiminished mountain of cash: profits accumulated from the past but uninvested for the future, again hardly a recommendation to outside investors in the management's wisdom. To date ambitious plans to redistribute cash to shareholders have been thwarted, most recently by former British chancellor of the exchequer Kenneth Clarke closing a tax loophole in his last budget. The

continued on page 22

LOST CHANCE

Pursuer becomes the pursued

ANDY BAKER

Screen test: Michael Bloomberg has grabbed a $1bn-slice of the market

REUTERS' biggest strategical mistake to date is probably that it didn't attempt to buy its main competitor Bloomberg during its acquisition frenzy in the 1980s. There is an industry rumour that Reuters was offered the then fledgling company started by the former Salomon Brothers banker Michael Bloomberg for $500 million but turned it down. Bloomberg now has almost a $1 billion share of the $5.8bn financial information market, grabbing second place from Reuters' older rival Dow Jones Markets. Bloomberg, meanwhile, is busy spouting off about how it intends to kill Dow Jones.

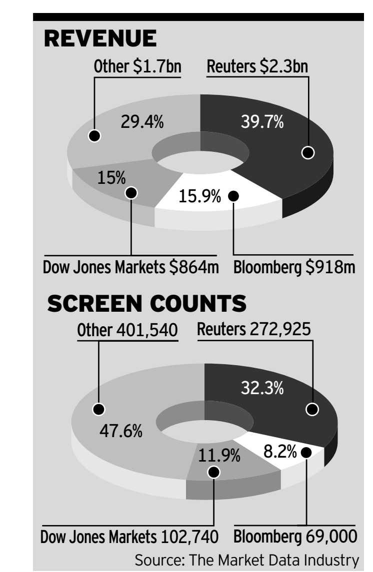
Reuters became seriously nervous about Bloomberg only when the company started supplying news in 1989. By 1991 it was so worried about Bloomberg's neat financial information computer that it introduced a new product called Decision 2000, supplying real-time and background data. The machine was quickly dubbed by the financial world as the "Bloomberg Killer".

However, it was Decision 2000 that died a quick death while Bloomberg continued to flourish, increasing its terminal sales from 20,000 then to 75,000 today.

The key to Bloomberg's success was that it had spotted a niche in the market. Before Bloomberg, fund managers and other buyers of fixed income securities had no choice but to take the advice of the seller, usually one of the big investment banks such as Salomon's. With the Bloomberg machine, they had the tool to check out the information themselves. This was a sharp strategy because it meant very quickly that the sellers of the securities also had to buy a Bloomberg computer to stay ahead of their clients.

As the product developed, Bloomberg gained other advantages over Reuters, including Japanese-style attention to after-sales service and its policy of providing news stories free to newspapers in return for a mention of the product; it was a cheap form of publicity.

Reuters' breadth of coverage remains unrivalled by any of its competitors. The company churns out data equivalent to nearly 30,000 computer screens per second. However, it has been unable to supply the combination of real-time information and historical analysis. Bloomberg, on the other hand, is a "one-stop" shop – a subscriber has access to all the information provided by Bloomberg, from analytics and bond yields to breaking news, golf scores and a messaging service all on one screen.



According to one industry insider, however, "the key problem that Reuters has, and that its competitors don't, is it has shareholders". Two years ago Bloomberg spent $250m on new database computers, increasing capacity five-fold, five years before it was needed. If the company was publicly listed it would not have been allowed to take such risks.

Both Reuters and Dow Jones have made renewed attempts at developing a "Bloomberg Killer". The Reuters 3000 is the latest attempt. It tries to combine all Reuters services into one product. By March Reuters had 18,000 orders for the new service but it was slow getting off the ground because of problems plugging Reuters' systems into those of its customers.

Customers threw up mixed reactions, ranging from "excellent" to "useless" depending on customers' needs.

Dow Jones is also developing its own version of the "Bloomberg Killer", part of a $650m company development plan designed, among other things, to fill the gaps in the kind of data offered.

BUSINESS

Terminal decline?

continued from page 21

company is planning to redistribute £200m in the coming year, but this will hardly dent its hoard of £1.1bn. Analysts argue that Reuters, while it has rewarded its investors handsomely over the past 15 years, has run out of steam. It has not made any significant acquisitions since 1993, when it bought Teknekron Software Systems – now called Tibco – for $125m.

Meanwhile, the company is looking at the costs of building a landmark headquarters building on New York's Times Square. Such a move would be in tune with the company's continuing – and largely successful – attempts to dissociate itself from the British background it once fell into. The founder, Paul Julius Reuter, a German with a shrewd eye to the City of London's growth as the world's prime stock market, moved his information agency there in 1851, but by the time of the First World War it had become little more than a mouthpiece for British government propaganda, a role it only really escaped from definitively after the Second World War. Why it is so ashamed of its British roots remains a mystery.

Crucially, despite holding around a 50 per cent share of the financial information distribution market in Europe, Reuters has never really cracked America. Competition from Bloomberg, Telerate and Bridge limits its market share to less than 18 per cent. "Bloomberg is the market leader in the United States," says David Forster, media analyst at Salomon Brothers in London. "To compete it will need a better and cheaper product."

That product is the new 3000 range terminal. Its aim is to provide real-time information on financial markets along with historical data and analysis on equity, debt and money markets. The jury is out on whether it will catch on. In Britain and Europe, as even Job admits, installation has been slow, although he says demand is picking up. In America, its introduction has been delayed to allow more data to be compiled. Launch is now expected in the first quarter of 1998.

But more important than the success of one particular product may be the overall attitude towards technological change, and the ability to keep pace with the Internet and the spin-off services that it is already generating. Reuters affects to be blasé about the risks posed by the Internet and to be able to cope with the "onward transmission" of its information, which it nonetheless regards as a form of piracy. Yet its fascination with a medium that may yet contribute to its downfall is fatally evident: the interim results booklet opens with a screenshot of the Reuters Internet home page. The company's art editors, however, have doctored it to remove the logo of the Netscape browser: rather like putting prices from a Reuter terminal up on screen without the Reuters logo. Hardly the attitude one might expect from a company whose future depends on protecting proprietary rights in the brave new world of information dissemination.

Fast track: the Jaguar XK8 has been a big success; now the firm is planning to rush out a smaller, cheaper car, made not in Britain but in Germany or the US

MOTORS ■ Many of its cars are exported. Now jobs may go too

The new Jaguar: made in America?

TONY LEWIN

THE news that Jaguar is planning to launch a smaller, cheaper car has stunned the marque's fans. Not because they feel that their prized car is being dragged down market, but because the luxury model, quintessentially identified with Britain, is considering starting production in another country, possibly Germany, but probably America.

The announcement of the new X400 compact model has rekindled arguments that Jaguars are British and should be built in the UK.

"I don't think where it is built is an important as where it is engineered," said Jaguar's sales and marketing director Roger Putnam of the new car. "All round the world, luxury customers are telling us it doesn't matter where the car is made – as long as it has Jaguar engineering, Jaguar core values and is economically priced and matches the competition," he said. Workers at the company's UK sites are bound to disagree.

Three years ago Ford, the US company which owns the marque, threatened to move production of its planned X200 model to the US unless the British government gave it £80 million ($126m) in aid to modernise its Castle Bromwich plant near Birmingham. The then Tory administration eventually succumbed to the company's demands.

The proposal to take the estimated £500m investment for the new X400 model, and up to 10,000 jobs, across the Atlantic could be an attempt to apply early pressure on the Blair government for more aid.

But that seems unlikely. The case against manufacturing in Britain has rarely been stronger: the high value of sterling puts severe pressure on a company such as Jaguar, which exports 80 per cent of its production, much of it to the US. Ford has spare capacity in America, whereas capacity at Jaguar's plants in Coventry and Castle Bromwich is full.

Germany seems an unlikely candidate for production of the cut-price Jaguar. Although the weaker deutschmark has increased Germany's attractiveness as a manufacturing base, the country is still plagued by crippling corporate taxes and high wages. Labour is cheaper in America, and unless the German government is planning to offer a massive sweetener to Ford to bring the jobs to Germany, America is the obvious place.

German offers of aid would moreover trigger a massive row between Britain and Germany over subsidies, a fight which both governments and the European Union would be keen to avoid.

Jaguar has given the green light to a full 90-day study of the viability of the X400 small-car project. The X200 is set for launch next year. The retail price of the X200 has yet to be announced, but it is expected to be low enough to make the company's biggest rival, Germany's BMW, sweat.

The X400 would not appear before 2000 and 2001, even if Jaguar were to be able to match the top industry standard of a 30-month development period between design finalisation and public sales.

Preliminary studies by Jaguar show a potential of at least 100,000 units – more than doubling Jaguar's annual production. Putnam is confident that the company's precious brand values can be upheld.

"Our core strengths are our ride comfort and our handling, fine power, styling, the level of creature comfort inside the car; all those are just as important, whatever the size of the car," he said.

CONSTRUCTION

Power firms generate victory over Chinese dam

DOUG CAMERON

EUROPE's leading power manufacturing companies have won contracts worth up to $1 billion to supply generating equipment for the controversial Three Gorges dam in China.

While details of the contracts are shrouded in secrecy, it has emerged that Anglo-French firm GEC-Alsthom, Germany's Siemens, the Swiss/Swedish ABB, and Norway's Kvaerner will be working on the project, pushing out stiff competition from Japan, Russia and Argentina. American firms did not bid on the deal, following the decision by the Export-Import Bank of the United States, which insures exports to developing countries, to refuse to support the project.

The Three Gorges scheme is the largest hydro-electric project ever attempted. It will flood an area more than 300km long. Critics claim it will be an environmental disaster and displace one million people. Supporters say it will revitalise China's inland economy, which has missed the boom on the coastal regions.

The World Bank, which has come under attack for supporting similar schemes in the past, has steered well clear of the deal. The only thing that can halt the contracts now is the support, or lack of it, of Europe's export credit agencies. French President Jacques Chirac lobbied hard on behalf of France's exporters. As a result, Coface, the French credit insurer, says that it will back the deal. Germany's Hermes and ECGD of the UK are yet to confirm their involvement.

Export credit agencies insure exports on behalf of national governments. They are likely to receive the support of their governments, who see the deal as providing much-needed jobs in Europe. However, a source at the environmental group Greenpeace in Hamburg says it will seek to lobby the German authorities not to support Siemens turbine sales.

China accounts for the largest share of Asia's infrastructure programme, which the World Bank estimates will see an investment of up to $3,000bn over the next 15 years. The cost of the project has more than tripled to $24.5bn. Zhu Rongji, China's finance chief, has put pressure on planners to wring better terms from bidding consortiums.

This led to a battle over cost and financial support from suppliers.

TELECOMS ■ British Telecom is not content with rising profits: it wants world domination

BT holds the line on MCI

EPA

In harmony at Concert? MCI chairman Bert Roberts (left) and his BT counterpart Sir Iain Vallance

NICHOLAS MOSS

BRITISH Telecom's troubled $28 billion merger with MCI is back on. But not everyone is happy, particularly BT's shareholders. The deal, announced with much fanfare last November, was thrown into doubt last month. Large losses relating to the American company's expansion in its domestic market emerged unexpectedly. Red-faced BT bosses tried to play down the damage, but sceptical shareholders called for a renegotiation, or cancellation, of the deal.

BT's share price has slumped from 500p in July to below 380p now, only slightly above the level of five years ago. BT may want to change the terms of the deal, but lawyers for MCI insist there can be no renegotiation. BT bosses face the charge that they agreed a deal without fully understanding the implications, and locked themselves into a price that could not be changed.

In a separate development, to appease regulators in America, MCI has had to offer concessions to its competitors to allow the merger to go ahead. BT looks like losing out twice.

> **Oftel berated BT for neglecting domestic customers**

This leaves BT's management, particularly chief executive Sir Peter Bonfield, accused of over reaching ambition. According to a source close to BT, top executives are obsessed by creating a global telecoms company. Despite milking bumper profits from their domestic market, persuading the British that "it is good to talk", this is not enough to satisfy Bonfield and BT's arrogant chairman Sir Iain Vallance. The pair have struggled to find a suitable international partner.

Talks with EDS, the American information technology outsourcing firm, broke down at the beginning of the 1990s. A mooted deal with Cable & Wireless, the UK's other leading telecoms company which has operations in 70 countries, collapsed in March last year.

Last month Oftel, the UK telecoms regulator, berated BT for neglecting domestic customers in its drive for global expansion.

Criticism from the regulator was not enough to deter BT's board from its global ambitions.

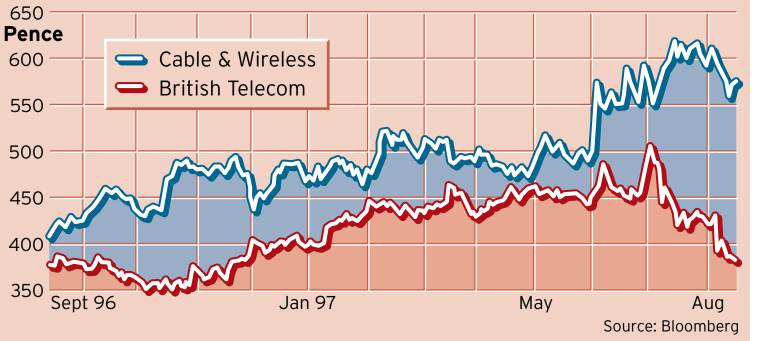
Bonfield and Vallance, together with MCI bosses Gerald Taylor and Bert Roberts, claim that the merger will create a "telecoms powerhouse to define global communications into the next century".

While merging with MCI will create some economies of scale, the new joint venture – which will be known as Concert – will form an even bigger bureacracy. The lumbering entity will also have to pay more to borrow money. BT's debt gearing grew substantially after the tie-up with MCI and its credit rating was lowered.

MCI, which was formed by a group of lawyers kicking against the cosy status quo of the country's incumbent operators, had wanted to reap the maximum benefits from the alliance. One analyst says MCI saw BT as "a bunch of limey suckers with lots of money in their pockets who were keen to spend it". MCI's ruthless and litigious reputation is well known. The company is often described as a legal firm with an antenna on top.

BT has been flirting with MCI since 1994. This should have given it enough time to make sure there were no unexpected shocks such as large hidden losses. BT insists that if it is to become an international player, it needs a partner in America. But the US market is the most competitive in the world. Analysts say that BT has been outmaneouvred. They argue that MCI is the wrong choice of partner altogether. "Instead of buying another phone company, BT should have cut a deal with an innovative and technology-driven partner," says a US-based analyst. Or it should have looked for a partner in an emerging market. While BT has been dodging the flak surrounding the MCI merger, C&W has sorted out the long-term future of its Hong Kong subsidiary, combined its Mercury operations in the UK with three cable operators, and increased its stake in companies in Asia. Its share price has soared.

WRONG NUMBER FOR MCI? BT's SHARE PERFORMANCE



Source: Bloomberg

MEDIA ■ Compagnie Générale des Eaux has yet to find a buyer for its two ailing weeklies

No news is bad news

PAUL COOPER

Bland: *L'Express* and *Le Point* are both shadows of their former selves

ALAN TILLIER

WHO will be brave enough to save *L'Express* and *Le Point*? The two news weeklies were once among the most prestigious and influential French journals. Today, they have been reduced to pale shadows of their former selves, and both are for sale.

L'Express has the larger circulation (430,000) and says it makes money but refuses to disclose how much; *Le Point* sells 300,000 copies and also claims to make a small profit. On any week, it is a toss-up as to which one is more bland. Sales of both have been eclipsed by their great rival, *Le Nouvel Observateur*.

Anywhere else in Europe, putting such renowned media titles on the market would be likely to attract a stampede of interest, but not in France, where everybody who might want to own the titles has probably already done so. Others will be put off by France's media ownership rules, which inhibit cross-holdings between the press and broadcasting. Foreign buyers face even higher hurdles. The French are deeply paranoid about foreign ownership of their media, and there are countless obstacles which could be put in the way of any Murdoch hoping to try his chances in Paris. The purchase by Pearson, owner of the *Financial Times*, of the French financial daily *Les Echos* still grates on Gallic nerves, even though it is the only French daily to make money, apart from the sports paper *L'Equipe*.

If there is a saviour for the two titles, it may be Jean-Marie Colombani, editor of *Le Monde*, France's leading newspaper. His reputation is high after he pulled *Le Monde* out of a deep financial trough, increased sales and brought new shareholders on board. He claims to see strong links between *Le Monde* and *L'Express*, although he doesn't want *Le Point*. But *Le Monde* will refuse to pay anything like the Ffr375 million ($60m) demanded for the title. Independent analysts think that the two magazines together are worth less than Ffr300m.

The uncertain future for *L'Express* and *Le Point* is further evidence of the decline in the French press. In a country that prides itself on high intellectual standards, the printed word is in deep trouble. Communist unions have repulsed feeble attempts to cut costs, and readers have switched to television. *L'Express* and *Le Point* appear to have been edited deliberately to be a bland as possible. *Le Point*'s once-noted investigative reporting has not been sustained; *L'Express*, founded as an agenda-setting title by Jean-Jacques Servan-Schrieber, has begun to look like one of those magazines given away free on aeroplanes.

Under the ownership of Compagnie Générale des Eaux, the advertising-to-sewers group, sales of both have slumped. Jean-Marie Messier, chairman of Générale des Eaux, is firm in his distaste for the businesses.

"They don't need us and we don't need them," he pronounced. Générale des Eaux has owned the magazines for just two years. Before that, they were owned by Alcatel Alsthom, the engineering and telecommunications group, which had bought them from the late Sir James Goldsmith. Goldsmith was hated by many of his staff, but at least he was a hands-on boss.

Now, the boss is a remote corporate owner that wants to wash its hands of the titles. It's the sort of story that *L'Express* and *Le Point* would once have covered with relish.

FINANCE

MARKETS ■ Analysts are divided over the real significance of the recent fall in share values

A blip, or the end of the bull run?

IT may not be the end, but it is the beginning of the end. When the Dow Jones Industrial Average index plunged 247 points on Friday 15 August, analysts feared that the two-and-a-half-year bull market had finally run out of steam. European markets tumbled, too, as well as emerging markets such as Russia, Turkey and Hungary.

Traders braced themselves for a busy Monday, but a further correction was avoided. A tense morning was followed with relief as Wall Street opened firmer.

European markets have clawed back most of their losses, with some, such as Oslo, even ending up higher. Although markets had regained some of their vigour, fund managers and analysts are warning investors to be wary. August trading sessions are not meant to be as exciting as this.

Many experts predict that choppy trading sessions will continue. Analysts agree that blue-chip shares are now expensive. Any surprises, such as profit warnings or a hint of inflation, could bring prices back sharply.

We asked a number of leading European and American analysts if the bull market is really over. Should investors cash in their chips and disappear to the beach? Or should they view the fall as a blip which isn't going to stand in the way of higher gains in the long term?

MELANIE BIEN

Tony Dye

Managing director, PDFM fund managers

"Prospective economic growth and profit expectations similar to the long-term historic average cannot justify current high valuations. Much faster long-term economic growth – something like double the current rate – would be needed to make shares fair value. Although at times such as these people find it almost impossible to imagine anything nastier than a small correction, the degree of overvaluation makes the market a very dangerous place. Unfortunately, economic history does not throw up any evidence of small corrections after bull markets of this size and the warning lights are flashing red.

Can the stock market continue its glorious upward path? The answer must be no. There are two reasons: the economic impact of high prices and high profits on future returns, and the psychological impact of booming markets. Fear and greed abound."

Richard Davidson

Director of European strategy, Morgan Stanley

"We have already seen the highs for the year. I have been surprised at how far the markets went up and I don't see any reason why they should have been so high. I am not surprised at the correction. I have been expecting it since the beginning of the year. What is more, I expect the weakness to continue in August, September and October, leading up to a bigger bear market sometime in the middle of next year.

The nifty 50 stocks are the ones that dominate for a long time, which is what is happening now in Europe, but they are also the ones that really crashed in the 1974 bear market. The situation is very similar to 1968-73. The markets hit highs in 1968 and 1969, then went up and down for a bit, before a major correction in 1973. I think the same will happen again."

Philip Isherwood

European equity strategist, Dresdner Kleinwort Benson

"For the moment, we are putting the emphasis on more defensive plays. We were never mega-bullish anyway and have been suspicious of the big moves seen in the markets this year. Share prices have been going up too quickly."

Jeremy Lang

Investment director, River and Mercantile investment management

"The valuation of the markets, particularly the UK, doesn't look abnormal but average. The Bank of England moved early by increasing interest rates to avoid inflation and this is unequivocally good for the stock market. I think this will prove to be successful and so far there are few signs of inflationary pressures.

The odds are that interest rates will actually be lower in 12 months' time, by 0.5 per cent to 0.75 per cent, which is encouraging. High rates are causing problems for the manufacturing sector, which should provide further impetus for cutting them. Stock markets inevitably go through periods of nervousness, making it difficult to predict what will happen. We have seen a big spurt and the market has shot up. We can't tell when it will stop, but the underlying factors which are helpful for investors are stable growth and low inflation. We have those now."

Christopher Bailey

Investment manager at hedge fund manager Argyll Investment

"European markets are still looking pretty good value as they have been good on restructuring, producing healthy earnings by reducing cost bases and improving efficiency. This has enhanced the development of an equity culture in many European countries, such as Germany, and many firms which previously haven't floated on the stock market are doing so now. This process is filtering down to mid-cap players, rather than focusing solely on big firms. This causes stock prices to rise. For two years European bourses should offer good scope for investors, due to the growth which is strengthening earnings. There is a lot of volatility and a lot of value to be gained. Continental Europe is much more attractive than America and Britain. These countries have had such good runs that they now need an economic miracle to sustain these highs.

But the markets will correct and investors should be careful of the strong currency effects we are seeing, maybe by operating a hedging strategy. I still see markets ending the year higher than they started. There are no huge clouds on the horizon, but maybe a few concerns."

Caroline Meroz

European equity strategist, JP Morgan

"I see the recent slide as a consolidation, which was expected and needed. The forecasters who have had to keep reviewing their targets upwards won't have to now because they look more reasonable. As a result, we won't be moving our targets.

It is more than a blip, though, and has shaken people a lot. But I would say it is not the beginning of the end. The Netherlands, for example, recovered very quickly in one day after suffering particularly badly on the day the Dow fell, because it was one of the few exchanges open during a public holiday across much of Europe. The great buying opportunities are in the big stocks, which lost five per cent in one day. But I don't know if people will rush back and buy at these levels. They might be persuaded if American stocks remain flat, and the dollar stays stable. If this continues, investors will think about buying again."

Lisa Cohen

Investment strategist, Merrill Lynch

"We're fairly cautious about Wall Street. Merrill Lynch has been under weight here for more than a year and what we have seen is an indication of what will continue to happen when earnings are disappointing. We expect continuing deflation in the US economy so companies won't be able to push through price increases. Couple that with a slowdown in demand and eventually that has to bite into earnings. This market is now on the point of unsustainability.

It is going to get worse before it gets better. We don't have price targets, but if you look at the price/earnings multiple today, it is 23.5 times trailing earnings; we would say that the market is more than fairly valued. Historically, trailing p/e on the US market is 17 or 18 times. As in life, things tend to revert to the mean. We see that happening here. Technology stocks have led the market in the past two years, but this same group may lead the S&P 500 down. There has been a slowdown of momentum on computer orders. Yet IBM, Intel and Compaq have continued to soar to new highs. Eventually the order slowdown has to have an effect on these companies' earnings. Financials should weather the downturn better because there will be strength in the bond markets.

Our biggest overweight position is Japan, which is at the beginning of the earnings cycle, while America is at the end. We like emerging markets and favour Latin America, particularly Mexico and Argentina."

Thomas McManus

American equities strategist, NatWest Markets

"The drop in the Dow was a simple correction and it may very well end up above 8,000 by year-end. We expect to see the occasional valuation correction; fund managers sometimes have to take profits.

The American bond market still remains attractively priced, given the low rate of inflation. There is room for a further contraction in the real rate of interest ,which will continue to form a base of support for stocks.

Leadership in the US stock market will continue to come from the new nifty 50. Two and a half years ago this index showed leadership potential and it still does today. We like the Canadian market a lot. It's a few steps behind America, so the market has some way up to go.

The American deficit as a percentage of gross domestic product is dropping fast, as is debt to gross domestic product, and the same thing is set to happen in Canada. This is a market for long-term performance."

INCOME ■ A 17th-century idea enabling people to grow old in increasing affluence could benefit both ends of the generation scale

How tontines could solve an age-old problem

BRIAN READING

AT Jeanne Calment's death on 4 August, aged 122, she was the world's oldest person. For the last 12 years of her life she lived in a nursing home in Arles, southern France. Old folks' homes are expensive. But Mrs Calment had an income to help support her.

It came from a deal she reputedly made in 1965 when she was 90. She made an agreement to give her flat to a local lawyer on her death, in exchange for $500 every month for the rest of her life. A good bargain. The only drawback for the lawyer is that he died first, leaving her with the flat, and an income over the past 30 years.

Many elderly people fear dying in penury, their life's savings exhausted by the cost of care as they linger on "forgotten by God", as Mrs Calment put it. But there is an alternative, although it has not been tried for more than 300 years. It is the tontine annuity.

Tontines were invented in the mid-17th century by an Italian banker, Lorenzo Tonti. His idea was that members of a tontine bequeathed their wealth to each other and whoever lived longest inherited the lot. The idea was adapted to form the origin of the British national debt. William of Orange, with his wife Mary, became England's first constitutional monarchs in the Glorious Revolution of 1688. Unlike his predecessors, William did not borrow in his own right as king. Parliament borrowed for him on behalf of the nation. The king's debts became the national debt.

William took England into a Dutch war against King Louis XIV of France. It was expensive and in 1692 Parliament borrowed £1 million to help finance it by selling tontine annuities. Like ordinary annuities, subscribers bought an income for life and could not transfer their rights to anyone else. When they died, their capital was lost. The tontine element came from the fact that surviving subscribers shared the total interest on the loan until the last of them died. Each time a subscriber died, the income of those left increased.

Unfortunately Parliament forgot to set an age threshold for subscribers. The last lived 77 years until 1769, ending up with an income of £70,000 a year, equivalent to more than £4m ($6.4m) today. The tontine element, it seemed, made loans expensive and the idea was dropped. But British governments continued to raise money by selling individual life annuities into the 19th century.


Jeanne Calment: 'forgotten by God'

Tontine annuities are a thing of the past, but they could become a thing of the future. They could answer a need for ageing societies. On retirement, some people buy individual annuities, which offer a secure income for life, but the capital is forfeited on death. They promise a higher income than ordinary investments, where capital passes on to beneficiaries at death. Those who die soonest lose out, but those who live longest get little benefit. Their incomes are fixed and many face growing old in penury.

Inflation takes a toll, but more to the point, living costs escalate when the aged can no longer care for themselves. As populations age, fears of impoverishment are increasing. More and more old people will exhaust their lives' savings by living too long.

Modern tontine annuities would offer the prospect of growing old in increasing affluence. They would have to be carefully structured. Membership of each tontine would be limited to people of the same sex and age, so that life expectations were similar (unhealthy people would be silly to subscribe). The number in each tontine would be set to allow actuarial estimates of the average time before the last subscriber died. For any one tontine there would still be considerable variation about this average, as Mrs Calment's single deal proved. But issuing a number of tontines would allow probabilities to be estimated for a portfolio of tontines as a whole.

Tontine annuities would initially pay a lower income to subscribers than ordinary annuities. The issuer would pay out for longer and in undiminished amount. It would not be worthwhile for anyone on retirement to put all their capital into a tontine. But it would be worth setting aside some of their capital as an insurance against really old age. The amount of each share would be set accordingly, say £20,000 for 1,000 subscribers, making a capital of £20m per tontine.

These parameters could be varied to different needs. The money could be invested in irredeemable 3.5 per cent war loans currently yielding seven per cent. Subtracting management expenses of say two per cent, the initial income for each subscriber would be £1,000 a year.

From British life tables it can be calculated that this income would, on average, double by the time surviving subscribers reached 78, increase four fold by 85, ten fold to £10,000 a year by 90 and 30-fold to £30,000 by 95. The last surviving subscriber would receive an annual income of £1m. The larger the number of subscribers to each tontine, the more predictable the growth in income, but the less likely that any individual would scoop the lot.

Tontines are illegal in some countries, and they are open to abuse. But in these days of globalisation and free capital flows, a benign regulatory regime could be found which tolerated their formation. Management would be simplified by initially re-apportioning income shares at infrequent intervals until numbers declined. Finally shares would also rest with subscribers, until it was practical to check up on each.

Launching and managing tontine annuities would initially be expensive, but the costs would decrease over time. The two per cent fees in the above example may be too high. Tontine annuities offer a new long-term form of investment. A portfolio of tontine annuity schemes could be securitised and sold. When a number were combined, the capital sums they would realise in future years would become predictable. Their present value would be calculable and their purchase could provide a vehicle for life assurance investment, enabling life companies to match their long-term future commitments.

This scheme could thus benefit both the young and the old.

FINANCE

RUSSIA ■ Maxim Boiko needs to restore credibility to the country's sell-off plans, but when the stakes are high things get nasty

Privatisation boss in the line of fire

HELENA FRITH-POWELL

ON Monday Mikhail Manevich, the head of the St Petersburg privatisation committee, was shot dead while driving down Nevsky Prospekt, the elegant thoroughfare in St Petersburg. He had not even had time to meet his new boss, Maxim Boiko, a 35-year-old Harvard-trained economist charged with restoring credibility to the sell-off programme after his appointment as head of the state property committee, which oversees privatisation.

Boiko replaces Alfred Kokh, who resigned last week after fierce criticism of his handling of the past two sell-offs, the Svyazinvest telecoms group and Norilsk Nickel, a producer of precious metals. These showpiece sales were the first since first deputy prime minister Boris Nemtsov announced a drive to make the privatisation process more transparent. The deals were praised as an improvement on previous transactions, but the presence of Oneximbank, which had close ties with Kokh in the winning consortiums in both deals, raised suspicions that the old ways had not died.

Russia's privatisation programme of large companies has been a messy affair which has benefited only a few key insiders. Among east European countries, Russia has the poorest record of raising funds from asset sales. The country's business and political heavyweights have operated a near-cartel to carve up assets, while foreign investors have been largely excluded. When the stakes are high, things are bound to get nasty.

Boiko arrives with one major privatisation to complete: the sale of the former state oil company Rosneft. A close ally of deputy prime minister Anatoly Chubais, he has been steeped in reformist politics since graduating with a PhD in applied mathematics. He used to run the Russian Privatisation Centre, which advised the government on its sell-off policy, before becoming deputy head of the presidential administration. "Whatever else, he is personally clear of the past privatisations and I think this marks a new era," says Christopher Granville, head of research at United City Bank in Moscow.

With Rosneft, Boiko will also have to referee the bitter rivalry between Oneximbank chairman Vladimir Potanin and Boris Berezovsky, the deputy chairman of the security council, whose own empire lost out in the bid for Svyazinvest. Oneximbank controls more than 40 state-owned enterprises, including Sidanco, an oil company. Berezovsky's oil interests come through Sibneft.

DMITRY LOVETSKI/AP

Death in Nevsky Prospekt: police officers inspect the car in which Manevich was shot dead

The two men clashed in April when Potanin sought to end the cartel arrangement. Under the loans-for-shares scheme (now disbanded), the lenders sold back to themselves the stakes they had been managing. "But when Berezovsky's turn came, Potanin broke the rules of the game and put in a bid for Sidanco which was higher," says Granville. Oneximbank was disqualified on a technicality but has since taken the matter to court.

Rosneft has shrunk since the days when it was the country's largest oil producer; its best asset, Purneftegaz, a mid-sized oil firm based in western Siberia, was transferred to Oneximbank's Sidanco in 1994. The award has been the subject of a three-year legal battle but last week Sidanco emerged with its control of Purneftegaz intact.

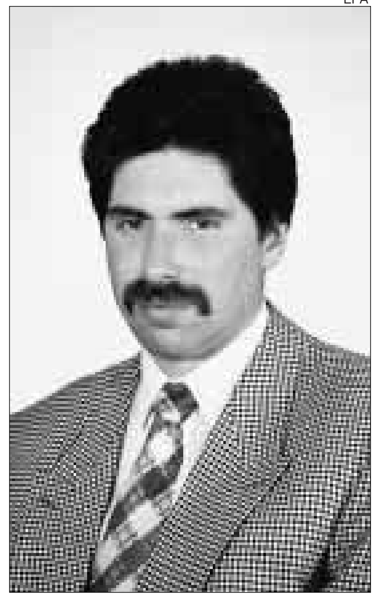
Boiko's immediate task is to try and put the sale of Rosneft back on track. The government has wavered about what exactly to sell amid a strategic rift between the company's senior management. Rosneft's chairman, Alexander Putilov, wants to sell 50 per cent through a cash auction, 47 per cent by tender, with three per cent retained for employees. Yuri Bespalov, Rosneft's president, aims to offer a strategic investor 40 per cent, with the state retaining control.

Putilov is looking for $1 billion for a 50 per cent stake, valuing the company at $2bn. "I think that's too optimistic," says Stephen O'Sullivan, oil and gas analyst at MC Securities. "You could just about justify $1bn on the back of its shareholdings and subsidiaries." Oil analysts say Rosneft has been starved of investment and a strategic partner makes sense. Shell and the US giant Amoco have already voiced an interest. Two other powerful groups are eyeing Rosneft: Menatep, and the Alfa Group.

DMITRY AZAROV/MOSCOOP

New era: Maxim Boiko

EPA



The victim: Mikhail Manevich

After a week in the job, Boiko has already received explicit support from President Boris Yeltsin, who claimed that Kokh favoured certain banks more than others. Boiko must maximise the value of Rosneft's sale and those of a number of smaller concerns slated for privatisation later this year. "The new policy doesn't mean that the same players won't win, it just means they will have to pay a fair price for it," says Granville. Boiko has another important task: he must try to stay alive.

IN-STORE BANKS ■ Supermarket outlets are taking over from traditional high-street branches

From check outs to chequebooks

CONAL GREGORY

THE end of high-street banking is nigh. Retail banking has suffered at the expense of glamorous investment banking by taking the full force of cost cuts which slashed branch networks. Telephone banking has eaten into market share and there is a new threat from supermarket banking.

Supermarket chains have been the driving force behind the development. Europe boasts fewer than 100 supermarket banks compared with more than 160,000 traditional branches, but the early signs are that customers like the convenience of one-stop shopping and banking. Banks are able to keep their costs down by moving out of expensive high-street properties.

Supermarket banking hails from America, where uneconomic branch networks have already been cut and replaced by automatic tellers and telephone banking. The number of supermarket outlets is forecast to grow from 3,200 to more than 5,000 over the next three years. California-based Wells Fargo estimates operating costs of retail outlets are just 60 per cent of a comparable high street location.

Portugal has the most developed European supermarket banking network. Banco Portugues do Atlantico has teamed up with the Jeronimo Martins retail group to open 40 branches called "expresso! Atlantico" in Pingo Doce supermarkets. The outlets rely on telephone facilities for personal banking services. The chief executive, Pedro Alvares Ribeiro, says its strength has been in the business market using video-conferencing.

American observers think Europe can leapfrog America by tying the advantages of supermarket facilities to its different cultural and geographical needs. "There is an opportunity for European banks to learn from the States, but to be more innovative in their approach," says Rebecca Marek, a senior director of Omega Performance, an American consultancy working with Atlantico.

Outside Portugal, supermarket outlets have focused on more traditional personal banking services. Deutsche Bank has piloted four in-store banks with the Allkuf and Weitkauf chains and plans to open another six by the end of the month. The bank has found its sites busiest at weekends (when normal banks are closed), with home loans and asset management the most frequent business.

British supermarkets have focused on debit and credit cards which reward customers with customer loyalty points. Sainsbury, the country's second largest supermarket, is the first to launch its own bank, a telephone-based network at 45 sites in partnership with Bank of Scotland. "It makes sense to offer our customers banking services which match their lifestyles," says Sainsbury Bank chief executive Rodger McArthur. Safeway and Abbey National offer a joint debit card and are piloting a single in-store branch. The country's largest supermarket, Tesco, is planning in-store branches with Bank of Scotland.

The supermarkets have yet to follow the example of the country's largest retailer, Marks & Spencer, whose own financial services arm is growing faster than its traditional food and clothing sales.

Banco Central Hispano in Spain has partnered the Alcampo hypermarket chain to launch ten in-store banks. Banco Santander is also piloting a branch. Allied Irish has a trial in two stores but French and Italian supermarkets remain bank free.

The spread of supermarket facilities throughout Europe is linked to the hesitant pace of banking deregulation. Three years after the European Union's second banking directive allowed banks to establish in any EU country, cross-border activity has been minimal.

In June the Commission issued a proposal aimed at ending remaining barriers – particularly in relation to telephone-based services and supermarket joint ventures.

INACIO ROSA/ LUSA

Ringing the changes: 'expresso! Atlantico' branches in Portugal's Pingo Doce supermarkets rely on telephone facilities

DEUTSCHMARK Vs DOLLAR TRANSACTION COSTS VARY

Foreign exchange rates for switching US$20,000 into Dm on 8 August, 1997

Bank/Account type	Rate
Bank of Scotland – Jersey Dm Money Market Cheque Account	Dm1.84
Cater Allen – Isle of Man Multi Currency Account	Dm1.84
Guinness Mahon – Guernsey Private Interest Cheque Account	Dm1.86
Robert Fleming – Isle of Man Offshore Reserve	Dm1.86
Singer & Friedlander – Isle of Man Money Market Currency Account	Dm1.83

The variance of Dm collected by account–holders would have been between Dm37,174 and Dm36,640, a difference of Dm534 ($295)

BANK CHARGES ■ A chequebook enabling you to pay international bills can make life easier – but there are hidden costs involved

Why multi-currency banking should be called to account

HANNAH BEECHAM

WHILE visiting a Californian winery on holiday, Herman Smit decides to buy a case of Merlot. This reminds him that before he left Europe he should have settled some bills. These are: £3,000 ($4,800) for his daughter's school fees; Ffr50,000 ($7,950) in payment for some repairs on his villa in France; and Dm7,500 ($4,027) which he owes an investment fund.

With a flourish he pulls a chequebook from his pocket, writes the cheques in their respective currencies, passes them to his secretary to post, and takes a big slug of red wine.

Multi-currency accounts are available from offshore banks based on the Isle of Man, Jersey and Guernsey. The range of currency options varies, with most covering the world's dominant currencies, such as sterling, US dollars, deutschmarks, yen and Swiss francs, as well as novelties like the Irish punt and the Australian dollar. Guinness Mahon has developed the range with the addition of the Czech crown bringing the total number of currencies in its account to 34.

Account holders using currencies other than dollars or sterling may find the service convenient, but it can be costly. "Sterling and dollar cheques can be cleared without costing the account holder a cent as there are clearing systems in place for this," says Dave Robbie, managing director with Cater Allen bank. But as he and other bank managers acknowledge, the costs can mount when clearing cheques in European currencies as there is no US-equivalent cheque-clearing network. Offshore bankers also accuse European banks of slow clearance of cheques, resulting in account holders being unable to tot up accurate balances at any one time.

Back to California. Smit has an offshore multi-currency account chequebook from a Jersey-based bank. He writes the cheque for the case of wine in dollars. The winery owner takes the cheque to his local bank, which in turn collects the cheque's sum from an American bank which has a clearing arrangement with the Jersey-based bank. The cheque clears in just a few days and no clearing charge is made to Smit's Jersey-based account.

His next cheque to a school based in England clears in the same way and on the same terms. The third cheque, Ffr50,000, is presented by the villa's roofer to a local French bank for payment. This bank sends that cheque back to the Jersey-based bank, or via a French correspondent established by the Jersey-based bank.

Invariably, the demand will be for the money to be telegraphically transferred. This will cost around $32 for each transmission. That transfer will either go through the Jersey-based bank's correspondent or direct to the recipient bank. Along the way, Smit's bank has no control over whether handling fees or administration charges will be made. So, there is an inevitable delay in the cheque being cleared, a certain cost of $32 and possible additional charges.

The Dm7,500 cheque presented to a local German bank would undergo a similar tortuous route as the cheque in French francs because the network for clearing European cheques is not in place. Another cost factor is the price of foreign exchange when topping up the deposit base of a particular currency. All banks will take a turn on the spread.

The table (*left*) reveals just how much this can vary. Apart from Bank of Scotland, all those listed in the table do not slap on an extra commission for currency conversion. Bank of Scotland charges 0.35 per cent of the transaction amount, with a minimum fee of £15 and a maximum of £40.

It is enough to make anyone turn to drink.

MARKETS EUROPEAN 500

Confidence creeps back after Dow scare

IT has been a shaky week for Europe's bourses after last week's scare when the Dow Jones Industrial Average dropped 247 points, or 3.1 per cent, on Friday. But it recovered almost half that loss in the following day of trading, rising 108.7 points, or 1.4 per cent, to 7803.36, its biggest gain in four weeks. Nearly every stock market recorded losses last week. Frankfurt was the biggest loser, where the DAX fell by 4.4 per cent on the previous week, down to 4169.6. It would have been worse but for car maker Volkswagen's solid set of first-half results.

Oslo produced the best performance of the week, up by 1.1 per cent, bringing the OBX up to 690.4. In London, the FTSE 100 Index was quick to follow Wall Street on the upward trend, after falling 4.7 per cent in the previous five trading sessions. In Paris, the CAC-40 also rose, with investors snapping up oil sector stocks after the Angolan oil find by Elf Aquitaine, France's biggest oil company. The market was helped by confidence that the US Federal Reserve would not raise interest rates, making it unlikely that investors will shift funds into bonds.

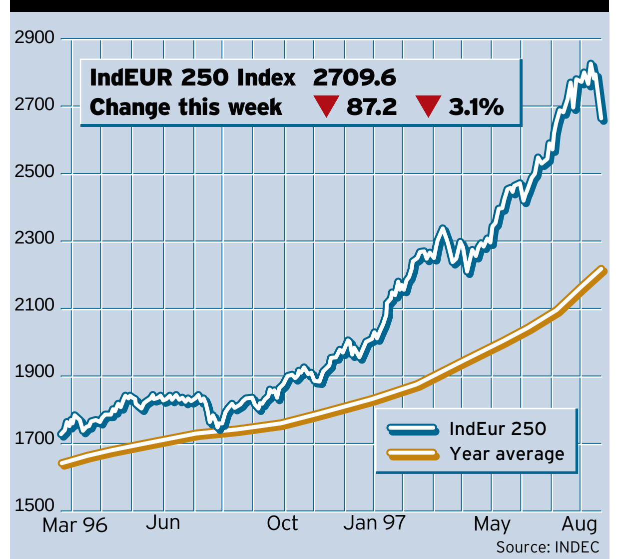
Rebounding US shares also lifted the Italian stock market this week. Led by oil company Eni and car manufacturer Fiat, the bourse nevertheless fell by 2.1 per cent, before investor confidence was restored.

MELANIE BIEN

SECTOR INDICES

Sector	Index	% change Week ago	% change Year ago	12 month High	12 month Low
Banks	2490.1	-3.7	+69.4	2610.9	1439.9
Chemicals	2703.5	-6.6	+33.4	2915.0	2011.1
Drinks & Tobacco	3400.9	-0.8	+28.2	3584.3	2571.8
Engineering	2485.4	-2.8	+61.8	2587.8	1430.5
Financial & Conglomerate	2307.4	-3.0	+36.7	2408.2	1489.1
Food	3805.0	-4.6	+42.3	4046.5	2650.6
Health & Pharmaceuticals	8963.4	-2.5	+50.7	9623.1	5321.5
Insurance	1822.3	-4.1	+48.8	1930.9	1167.7
Leisure	1874.8	-1.8	+2.4	1939.7	1580.0
Media & Information	3398.8	-5.3	+9.0	3700.7	2809.8
Metals	3441.0	-2.2	+34.8	3518.6	2536.7
Motors	1495.1	-3.6	+57.0	1563.6	924.8
Oil	4163.3	-3.0	+61.9	4419.1	2541.6
Paper & Packaging	1890.3	-3.4	+16.3	1974.8	1362.5
Property & Construction	1300.5	-3.5	+34.8	1347.8	951.6
Retail	3118.4	-0.6	+42.3	3257.9	2154.3
Transport	3488.5	-1.5	+58.4	3620.3	2130.3
Utilities & Telecoms	3242.0	-3.2	+50.9	3451.6	2119.1

INDEUR 250

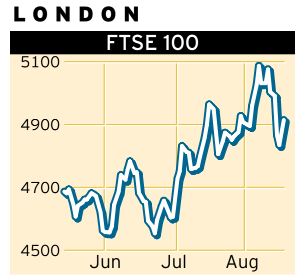


STOCK MARKETS

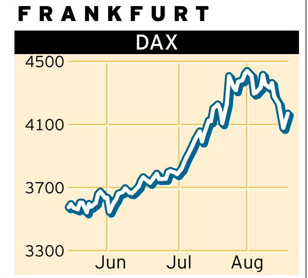
Market	Index	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	947.5	-3.2	68.9	1011.0	551.0
Athens	General	1613.0	-1.1	81.7	1733.1	878.0
Brussels	Bel-20	2370.3	-3.3	35.2	2621.9	1714.3
Budapest	BTI	7648.5	-3.9	141.2	8483.8	3171.4
Copenhagen	Stock Market	621.2	-1.6	47.2	656.3	421.4
Dublin	Ireland SE	3638.5	0.7	43.0	3726.0	2513.8
Frankfurt	Dax	4169.6	-4.4	62.7	4438.9	2510.8
Helsinki	Hex	3491.8	-3.8	67.4	3685.9	2090.9
London	FTSE 100	4914.2	-3.2	27.2	5086.8	3855.9
Madrid	Madrid SE	584.2	-2.3	65.4	628.2	348.4
Milan	Mibtel	14292.0	-2.1	49.7	15163.0	9284.0
Oslo	OBX	690.4	1.1	56.8	722.6	448.7
Paris	CAC-40	2936.2	-2.1	47.8	3075.7	1970.6
Prague	Stock Market	540.5	0.5	-5.2	629.0	476.7
Stockholm	Affarsvariden	3172.9	-4.0	61.7	3315.8	1977.5
Vienna	Credit Aktien	451.7	-1.4	27.4	468.9	349.2
Warsaw	WIG-20	1644.7	-3.5	20.9	1894.9	1320.5
Zurich	SPI	3585.0	-3.5	52.6	3768.8	2325.9
New York	Dow Jones	7803.4	-2.0	36.9	8259.3	5607.0
Tokyo	Nikkei	18961.0	-0.7	-10.2	21612.3	17303.7
Hong Kong	Hang Seng	15477.3	-5.5	38.0	16673.3	10957.2
Pan-Europe	IndEUR Blue	3024.6	-2.9	50.7	2952.4	2151.99
Pan-Europe	IndEUR 250	2709.6	-3.1	45.9	2832.23	2004.4

Source: Datastream, Bloomberg, Indec

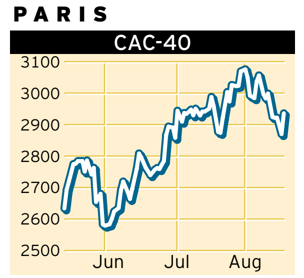
LONDON



FRANKFURT



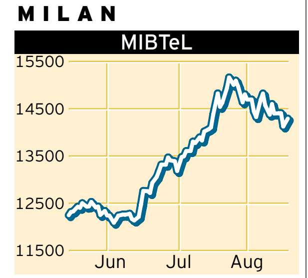
PARIS



ZURICH

AMSTERDAM

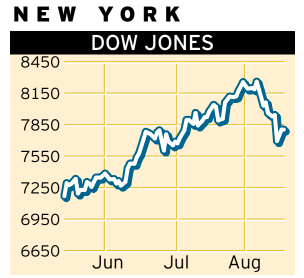
MILAN



MADRID

STOCKHOLM

NEW YORK



TOKYO

Source: Bloomberg

Company results

REPORTED RESULTS FOR THE SEVEN DAYS ENDING 18 AUGUST

Date	Company	Country	Sector	Period		Profits (m) Current	Previous
13 August	Airtours	UK	Travel	9 months	£	11.4	(3.6)
13 August	Ares Serono	Switzerland	Pharmaceuticals	6 months	$	41.1	20.5
13 August	BICC	UK	Construction	6 months	£	55	63
13 August	Energy Group	UK	Power	3 months	£	56	n/a
13 August	Enso	Finland	Forestry	6 months	Fm	928	1,100
13 August	Hoechst	Germany	Chemicals	6 months	Dm	2,000	4,545
13 August	Merita	Finland	banking	6 months	Fm	1,650	595
13 August	Novo Nordisk	Denmark	Pharmaceuticals	6 months	Dkr	1,340	1,229
13 August	Scand Airlines System	Den/Nor/Swe	Airline	3 months	Skr	1,380	867
13 August	Securitas	Sweden	Services	6 months	Skr	230	228
13 August	Swiss Bank Corp	Switzerland	Banking	6 months	Sfr	1,330	707
14 August	Aker RGI Holding	Norway	Congolmerate	6 months	Nkr	948	n/a
14 August	BASF	Germany	Chemicals	6 months	Dm	1,420	1,370
16 August	British Sky Broadcasting	UK	Media	12 months	£	314	257
16 August	SSAB	Sweden	Steel	6 months	Skr	1,090	1,490
18 August	Volkswagen	Germany	Autos	6 months	Dm	488	282

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 ▼ 3.7% Yield 2.44%

Company	Country	Price	Change	%change	Yield
Abbey National	UK	£ 8.19	-0.13	-1.6%	4.10
ABN-Amro Holdings	Netherlands	Nfl 49.20	+0.70	+1.4%	2.23
Alliance & Leicester	UK	£ 6.14	+0.05	+0.9%	
Allied Irish Banks	Ireland	Ir£ 5.32	-0.28	-5.0%	
Alpha Credit Bank	Greece	Dr 19600	-260	-1.3%	3.74
Argentaria	Spain	Pts 7940	-60	-0.8%	3.59
Banca Commerciale Italiana	Italy	L 4463	+185	+4.3%	3.76
Banca di Roma	Italy	L 1570	-20	-1.4%	2.76
Bancaire (Cie)	France	Fr 728	-20	-2.7%	1.39
Banco Bilbao Vizcaya	Spain	Pts 4090	-135	-3.2%	1.99
Banco Central Hispano	Spain	Pts 5670	-220	-3.7%	1.96
Banco Com Portugues	Portugal	Esc 3694	-16	-0.4%	1.92
Banco de Santander	Spain	Pts 4395	+70	+1.6%	2.54
Banco Espirito Santo	Portugal	Esc 4990	+0	+0.0%	2.65
Banco Popular Espanol	Spain	Pts 34000	-840	-2.4%	3.17
Banco Port Atlantico	Portugal	Esc 2820	-10	-0.4%	
Banesto	Spain	Pts 1400	-35	-2.4%	
Bank Austria	Austria	Sch 628	-17	-2.6%	
Bankinter	Spain	Pts 7810	+180	+2.4%	8.42
Bank of Ireland	Ireland	Ir£ 7.14	-0.42	-5.6%	
Bank of Scotland	UK	£ 4.24	-0.23	-5.3%	2.51
Bankgesellschaft Berlin	Germany	Dm 46.95	-4.95	-9.5%	0.21
Barclays Bank	UK	£ 13.92	-0.47	-3.3%	2.85
Bayerische Hypobank	Germany	Dm 68.80	-3.10	-4.3%	0.21
Bayerische Vereinsbank	Germany	Dm 96.20	+0.70	+0.7%	0.17
BBL	Belgium	Fr 8850	-330	-3.6%	2.18
BHF Bank	Germany	Dm 57.30	+0.10	+0.2%	0.27
BNP	France	Fr 281.80	-1.70	-0.6%	2
CCF	France	Fr 315.70	-18.90	-5.6%	1.84
Cetelem	France	Fr 676	+2	+0.3%	1.51
Christiania Bank	Norway	Kr 25.80	-1.20	-4.4%	6.01
CLF Dexia France	France	Fr 576	-15	-2.5%	2.69
Commerzbank	Germany	Dm 67.90	-0.45	-0.7%	0.21
Creditanstalt	Austria	Sch 599	+11	+1.9%	2.15
Credito Italiano	Italy	L 3595	+100	+2.9%	1.69
CS Holding	Switzerland	Fr 190	-13.50	-6.6%	2.11
Den Danske Bank	Denmark	Kr 700	-10	-1.4%	2.29
Den Norske Bank	Norway	Kr 30.40	-1.90	-5.9%	5.74
Deutsche Bank	Germany	Dm 114.40	-5.30	-4.4%	0.16
Deutsche Pfandbrief	Germany	Dm 106.50	-2.50	-2.3%	1.32
Dresdner Bank	Germany	Dm 80.30	-3.40	-4.1%	0.20
Generale Banque	Belgium	Fr 14400	-375	-2.5%	2.75
Halifax	UK	£ 7.29	+0	+0.0%	
HSBC	UK	£ 21.73	-1.79	-7.6%	2.44
IKB Industriebank	Germany	Dm 38.60	-1.75	-4.3%	0.32
IMI	Italy	L 28745	-205	-0.7%	2.13
Kredietbank	Belgium	Fr 14900	-75	-0.5%	1.80
Lloyds Bank	UK	£ 7.38	-0.21	-2.8%	3.20
Mediobanca	Italy	L 11191	-258	-2.3%	1.80
Merck	Germany	Dm 69.85	-5.15	-6.9%	1.81
Merita	Finland	Mk 23.10	+0.10	+0.4%	1.55
National Westminster	UK	£ 7.96	-0.35	-4.2%	4.64
Paribas	France	Fr 447.20	-9.50	-2.1%	2.98
Royal Bank of Scotland	UK	£ 6	-0.27	-4.3%	3.90
San Paolo Torino	Italy	L 13118	-256	-1.9%	2.10
SBC	Switzerland	Fr 393	-24	-5.8%	3.59
Schroders	UK	£ 18.70	-0.15	-0.8%	1.35
S-E Banken	Sweden	Kr 87	-9	-9.4%	3.23
Societe Generale	France	Fr 791	-28	-3.4%	2.22
Sparbanken Sverige	Sweden	Kr 182	-10	-5.2%	3.18
Standard Chartered	UK	£ 10.43	-0.17	-1.6%	1.82
Suez (Cie de)	France	Fr [illegible]	[illegible]	[illegible]	[illegible]
Svenska Handelsbank	Sweden	Kr 252	-16.50	-6.1%	2.02
UBS	Switzerland	Fr 1500	-130	-8.0%	2.17
Unidanmark	Denmark	Kr 420	-6	-1.4%	2.40
Worms & Cie	France	Fr 332	-16.20	-4.7%	2.86

Chemicals ▼ 6.6% Yield 2.43%

Company	Country	Price	Change	%change	Yield
AGA A	Sweden	Kr 111.50	-1	-0.9%	2.43
Air Liquide	France	Fr 940	-17	-1.8%	1.53
Akzo	Netherlands	Nfl 330	-16	-4.6%	2.36
BASF	Germany	Dm 68.58	-4.97	-6.8%	0.26
Bayer	Germany	Dm 71.45	-6.25	-8.0%	0.24
BOC	UK	£ 11.12	-0.32	-2.8%	3.30
Clariant	Switzerland	Fr 1065	+0	+0.0%	0.99
Cookson Group	UK	£ 2.62	+0.10	+3.8%	4.10
Courtaulds	UK	£ 3.36	-0.06	-1.6%	1.65
Degussa	Germany	Dm 99	-4	-3.9%	0.13
DSM	Netherlands	Nfl 205.20	-5.80	-2.7%	4.74
Ems-Chemie	Switzerland	Fr 6790	-20	-0.3%	2.21
Gevaert Photo-Prod Cap	Belgium	Fr 3370	-70	-2.0%	1.67
Henkel	Germany	Dm 101	-3.50	-3.3%	11.85
Hoechst	Germany	Dm 73.70	-8.80	-10.7%	0.19
ICI	UK	£ 10.10	-0.96	-8.7%	4
Kemira	Finland	Mk 48.20	-1.30	-2.6%	3.37
Laporte	France	Fr 6.98	-0.37	-5.0%	4.32
Montedison	Italy	L 1106	-29	-2.6%	1.83
Rhone-Poulenc	France	Fr 241.40	-9.80	-3.9%	1.47
Schering	Germany	Dm 199.30	-8.40	-4.0%	0.10
Sidel	France	Fr 447.90	-0.20	-0.0%	1
SKW Trostberg	Germany	Dm 60.70	-0.40	-0.7%	1.85
Solvay	Belgium	Fr 20475	-575	-2.7%	2.71

Changes since last week. Prices as at market close on Tuesday 19 August 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 IPCG IPCH. For individual RICs consult Reuters

Drinks and Tobacco ▼ 0.8% Yield 3.11%

Company	Country	Price	Change	%change	Yield
Allied Domecq	UK	£ 4.77	+0.13	+2.8%	6.29
Bass	UK	£ 8.39	-0.08	-0.9%	3.72
Carlsberg A	Denmark	Kr 339.67	+0.67	+0.2%	1
Grand Metropolitan	UK	£ 5.84	-0.07	-1.2%	3.39
Greenalls	UK	£ 4.91	+0.31	+6.7%	3.93
Guinness	UK	£ 5.75	-0.13	-2.2%	3.48
Heineken	Netherlands	Nfl 337	+6	+1.8%	1.08
Imperial Tobacco	UK	£ 3.95	-0.03	-0.8%	
LVMH Moet Hennessy	France	Fr 1469	-54	-3.5%	1.41
Pernod-Ricard	France	Fr 309.70	-4.30	-1.4%	2.80
Scottish & Newcastle	UK	£ 7.64	+0.18	+2.5%	3.54
Seita	France	Fr 173	-5	-2.8%	3.82
Tabacalera A	Spain	Pts 7860	+110	+1.4%	2.30
Whitbread A	UK	£ 8.28	-0.07	-0.8%	3.61

Engineering ▼ 2.8% Yield 1.86%

Electrical and Electronic

Company	Country	Price	Change	%change	Yield
Acerinorox	Spain	Pts 26550	-1150	-4.2%	1.52
ABB AB	Sweden	Kr 122.50	+3.50	+2.9%	1.50
ABB BBC	Switzerland	Fr 2355	+35	+1.5%	1.67
Asea Brown Boveri	Germany	Dm 620	-5	-0.8%	3.11
ASMC	Netherlands	Nfl 184.50	+13.60	+8.0%	
Atlas Copco	Sweden	Kr 259	+6	+2.4%	1.49
Barco	Belgium	Fr 7580	-10	-0.1%	0.63
BICC	UK	£ 1.68	+0	+0.3%	9.27
Cap Gemini Sogeti	France	Fr 390.90	+3.90	+1.0%	0.51
Dassault Systemes	France	Fr 386.50	-5.50	-1.4%	0.45
Electrocomponents	UK	£ 4.88	+0.03	+0.6%	1.96
Electrolux	Sweden	Kr 605	-4	-0.7%	2.08
Ericsson B	Sweden	Kr 356	-8	-2.2%	0.72
GEC	UK	£ 3.77	-0.18	-4.6%	4.38
Getronics	Netherlands	Nfl 69.80	-4	-5.4%	0.44
Incentive	Sweden	Kr 724	-31	-4.1%	1.37
Legrand	France	Fr 1147	-26	-2.2%	0.75
Nokia	Finland	Mk 453	-18	-3.8%	0.79
Oce-Van Der Grinten	Netherlands	Nfl 257.30	-3.70	-1.4%	1.21
Philips	Netherlands	Nfl 149.90	-12.70	-7.8%	1.06
Premier Farnell	UK	£ 5.48	-0.12	-2.1%	2.74
Sagem	France	Fr 3000	+0	+0.0%	0.87
Saipem	Italy	L 8692	-3	-0.0%	1.64
SAP	Germany	Dm 427	-10	-2.3%	0.05
Schneider	France	Fr 338.30	-8.70	-2.5%	1.49
Sema	UK	£ 13.70	+0.05	+0.4%	0.55
SGL Carbon	Germany	Dm 238	-14.50	-5.7%	0.92
Siemens	Germany	Dm 120.20	-5.55	-4.4%	0.13
Technip	France	Fr 719	+4	+0.6%	1.49
Thomson-CSF	France	Fr 152	-3.20	-2.1%	1.85

General

Company	Country	Price	Change	%change	Yield
Alcatel Alsthom	France	Fr 823	-18	-2.1%	1.24
British Aerospace	UK	£ 14.41	-0.90	-5.9%	1.35
BTR	UK	£ 2.27	+0.35	+17.9%	5.18
Dassault Aviation	France	Fr 1263	-43	-3.3%	2.52
FKI	UK	£ 1.98	+0.02	+1.0%	3.33
Linde	Germany	Dm 1333	-65	-4.6%	1.35
Mannesmann	Germany	Dm 817.50	-37.50	-4.4%	1.11
Morgan Crucible	UK	£ 4.90	-0.15	-2.9%	3.71
Orkla	Norway	Kr 545	-12	-2.2%	1.29
Rolls Royce	UK	£ 2.47	-0.11	-4.3%	2.71
Sandvik	Sweden	Kr 2340	-180	-7.1%	1.29
SEB	France	Fr 249	-9	-3.5%	2.63
Siebe	UK	£ 1.008	-1	-0.1%	1.10
SMH	Switzerland	Fr [illegible]	[illegible]	-4.4%	0.53
Smiths Industries	UK	£ [illegible]	[illegible]	-0.6%	0.87
TI Group	UK	£ [illegible]	[illegible]	-4.7%	2.41
VA Technologie	Austria	Sch [illegible]	[illegible]	-3.2%	3.05
Williams Holdings	UK	£ 3.62	+0.10	+2.7%	5.20

Financial and Conglomerate ▼ 3.0% Yield 2.98%

Company	Country	Price	Change	%change	Yield
3i Group	UK	£ 4.89	-0.06	-1.2%	2.38
Almanij	Belgium	Fr [illegible]	[illegible]	-1.5%	1.43
AXA	France	Fr 410	-7.90	-1.9%	1.85
BAT	UK	£ 5.08	+0.01	+0.2%	2.92
BIC	France	Fr 498.90	-4.10	-0.8%	2.25
Caradon	UK	£ 2.16	-0.05	-2.3%	5.32
CGIP	France	Fr 1730	-48	-2.7%	2.33
Cimpor	Portugal	Esc 4715	-55	-1.2%	2.70
Coats Viyella	UK	£ 1.20	-0.01	-0.8%	5.20
Colruyt	Belgium	Fr 18100	+100	+0.6%	0.73
Eurafrance	France	Fr 2452	-98	-3.8%	2.91
Finaxa	France	Fr 347	-11	-3.1%	1.88
GBL	Belgium	Fr 5550	-430	-7.2%	2.73
Hanson	UK	£ 3.11	+0	+0.0%	8.38
Harrisons & Crosfield	UK	£ 1.12	-0.05	-4.3%	10.09
Inchcape	UK	£ 2.84	-0.10	-3.4%	2.76
ING	Netherlands	Nfl 98.30	-1.20	-1.2%	2.12
Investor A	Sweden	Kr 411.50	-7	-1.7%	2.46
Lagardere Groupe	France	Fr 172	-2.10	-1.2%	2.20
Lonrho	UK	£ 1.23	-0.02	-2.0%	2.81
Mercury Asset Management	UK	£ 13.63	-0.29	-2.1%	4.20
Navigation Mixte	France	Fr [illegible]	[illegible]	+0.0%	5.04
Pargesa Holding	Switzerland	Fr 1925	-25	-1.3%	3.74
Provident Financial	UK	£ 6.49	+0.16	+2.6%	3.18
Rentokil	UK	£ 2.16	-0.13	-5.9%	1.49
Richemont	Switzerland	Fr 2119	-101	-4.5%	0.38
Tomkins	UK	£ 3.29	-0.03	-1.0%	1.17
Veba	Germany	Dm 102.80	-6.20	-5.7%	0.19
Viag	Germany	Dm 766.20	-22.80	-2.9%	1.59

Food ▼ 4.6% Yield 3.60%

Company	Country	Price	Change	%change	Yield
Associated British Foods	UK	£ 5.05	-0.44	-8.0%	2.40
Bolswessanen	Netherlands	Nfl 40.40	-1	-2.4%	2.29
Booker	UK	£ 3.13	-0.18	-5.6%	9.40
Cadbury Schweppes	UK	£ [illegible]	[illegible]	-2.9%	3.53
CSM	Netherlands	Nfl 103.90	-4.60	-4.2%	1.67
Dalgety	UK	£ 2.66	-0.05	-1.8%	10.28
Danisco	Denmark	Kr 370	-8	-2.1%	1.37
Danone	France	Fr 923	-29	-3.0%	1.87
Eridania Beghin-Say	France	Fr 832	+3	+0.4%	4.06
Hillsdown Holdings	UK	£ 1.64	-0.02	-1.5%	7.64
Kerry Group	Ireland	Ir£ 6.25	+0.13	+2.0%	
Nestlé	Switzerland	Fr 1853	-73	-3.8%	1.65
Nestlé Deutschland	Germany	Dm 520	+0	+0.0%	2.12
Northern Foods	UK	£ 2.24	-0.05	-2.2%	5.19
Nutricia	Netherlands	Nfl 357.50	-5	-1.4%	0.93
Parmalat	Italy	L 2621	+30	+1.2%	0.58
Saint Louis	France	Fr 1300	+0	+0.0%	2.92
Sudzucker	Germany	Dm 840	-5	-0.6%	1.86
Tate & Lyle	UK	£ 4.16	+0.01	+0.1%	5.11
Unigate	UK	£ 5.33	+0.03	+0.6%	4.73
Unilever	UK	£ 18.18	-0.99	-5.2%	2.25
Unilever NV	Netherlands	Nfl 450.90	-27	-5.6%	1.58
United Biscuits	UK	£ 2.16	+0.03	+1.4%	5.84

Health and Pharmaceuticals ▼ 2.5% Yield 1.16%

Company	Country	Price	Change	%change	Yield
Altana	Germany	Dm 147.90	-39.10	-20.9%	1.05
Ares-serono	Switzerland	Fr 2450	-230	-8.6%	0.20
Astra A	Sweden	Kr 133.50	-8.50	-6.0%	1.13
Beiersdorf	Germany	Dm 87.40	-2.60	-2.9%	0.06
British Biotech	UK	£ 1.85	+0.23	+14.2%	
Christian Dior	France	Fr 950	-18	-1.9%	1.65
Clarins	France	Fr 736	-8	-1.1%	0.99
Elf-Sanofi	France	Fr 602	-26	-4.1%	1.12
Essilor	France	Fr 1539	-58	-3.6%	0.94
Fresenius Midical Care	Germany	Dm 157.30	-4	-2.5%	
Gehe	Germany	Dm 111.50	-2.90	-2.5%	0.12
Glaxo Wellcome	UK	£ 11.89	-0.88	-6.9%	3.06
L'Oreal	France	Fr 2284	-118	-4.9%	0.63
Novartis	Switzerland	Fr 2255	-55	-2.4%	0.94
Novo Nordisk	Denmark	Kr 701	-3	-0.4%	0.54
Pharma Vision	Switzerland	Fr 910	-64	-6.6%	
Pharmacia	Sweden	Kr 277	-12	-4.2%	0.71
Reckitt & Colman	UK	£ 9.62	-0.16	-1.6%	2.22
Roche Holding	Switzerland	Fr 23200	+390	+1.7%	0.33
Schwarz Pharma	Germany	Dm 149.50	+7.40	+5.2%	1.03
Smith & Nephew	UK	£ 1.77	+0.02	+1.4%	4.21
Smithkline Beecham A	UK	£ 11.07	-0.43	-3.7%	0.91
Synthelabo	France	Fr 730	+10	+1.4%	0.75
UCB Cap	Belgium	Fr 124400	-2600	-2.0%	0.61
Zeneca	UK	£ 19.43	-0.05	-0.3%	2.32

Insurance ▼ 4.1% Yield 1.98%

Company	Country	Price	Change	%change	Yield
Aegon	Netherlands	Nfl 151	-3.20	-2.1%	1.93
AGP	France	Fr 224.90	+8.40	+3.9%	2.29
Alleanza	Italy	L 14494	-768	-5.0%	1.04
Allianz	Germany	Dm 416.50	-20.50	-4.7%	0.04
Allianz Leben	Germany	Dm 1450	-160	-9.9%	0.86
Aachener Munchener Bet	Germany	Dm 1794	-48	-2.6%	0.86
Anglo-Elmr. Versich	Austria	Sch 22000	+0	+0.0%	0.68
Baloise Holding	Switzerland	Fr 4015	-35	-0.9%	1.19
Britannic Assurance	UK	£ 8.29	-0.10	-1.2%	4.19
CKAG Colonia Konzern	Germany	Dm 165.50	-13.50	-7.5%	1.03
Commercial Union	UK	£ 7.27	-0.13	-1.8%	5.24
Deutsche Lloyd Versich	Germany	Dm 4100	+0	+0.0%	0.68
EA-Generali	Austria	Sch 3179	-30	-0.9%	0.55
Fortis	Belgium	Fr 7350	-310	-4.0%	1.31
Fortis Amev	Netherlands	Nfl 88.90	-1.90	-2.1%	2.21
General Accident	UK	£ 9.29	-0.18	-1.9%	4.66
Generali	Italy	L 36240	-227	-0.6%	1.05
Guardian Royal Exchange	UK	£ 2.85	-0.13	-4.5%	4.42
INA	Italy	L 2612	-31	-1.2%	2.49
Legal & General	UK	£ 4.43	-0.15	-3.3%	3.13
Munchener Ruckvers	Germany	Dm 601.50	-6048.50	-9.5%	0.23
Prudential	UK	£ 6.01	-0.24	-3.8%	3.64
RAS	Italy	L 14781	-16	-0.1%	2.34
Royal Sun Alliance Group	UK	£ 5.22	-0.27	-4.9%	4.50
Royale Belge	Belgium	Fr 10000	-550	-5.2%	2.68
Skandia	Denmark	Kr 285.52	-20.48	-6.7%	
Skandia Group	Sweden	Kr 332	-15	-4.3%	0.87
Sun Life and Provincial	UK	£ 3.85	-0.04	-1.0%	2.23
Swiss Re	Switzerland	Fr 2100	-135	-6.0%	1.46
UAP	France	Fr 165.90	-4.10	-2.4%	1.83
Uni Storebrand	Norway	Kr 51	+1	+2.0%	0.40
United Assurance GP	UK	£ 4.50	-0.21	-4.5%	4.95
Victoria Holdings	Germany	Dm 1615	-83	-4.9%	0.88
Winterthur	Switzerland	Fr 1385	-119	-7.9%	1.58
Wurtt AG Versich-Beteil	Germany	Dm 1840	-20	-1.1%	0.71
Zurich Insurance	Switzerland	Fr 596	-24	-3.9%	1.24

Leisure ▼ 1.8% Yield 2.61%

Company	Country	Price	Change	%change	Yield
Accor	France	Fr 977	-11	-1.1%	2.09
Adidas	Germany	Dm 225	-8.50	-3.6%	0.51
Airtours	UK	£ 11.67	-0.59	-4.8%	1.70
Compass Group	UK	£ 6.25	-0.12	-1.9%	1.71
EMI	UK	£ 5.60	-0.23	-3.9%	0.90
Granada	UK	£ 8.02	-0.13	-1.5%	2.03
Gucci Group	Netherlands	Nfl 126	-5.20	-4.0%	0.42
Ladbroke	UK	£ 2.50	-0.04	-1.8%	3.06
PolyGram	Netherlands	Nfl 116.40	-2.90	-2.4%	0.86
The Rank Group	UK	£ 3.35	-0.10	-2.9%	6.32
Thistle Hotels	UK	£ 1.43	-0.02	-1.4%	1.72
Thorn	UK	£ 1.70	+0.04	+2.4%	9.94

Media and Information ▼ 5.3% Yield 2.34%

Company	Country	Price	Change	%change	Yield
Audiofina	Luxembourg	Fr 1415	+10	+0.7%	1.13
BSkyB	UK	£ 4.36	-0.44	-9.3%	1.70
Canal Plus	France	Fr 1030	-88	-7.9%	1.93
Carlton Communications	UK	£ 4.98	+0.09	+1.8%	2.83
Daily Mail	UK	£ 17.81	+0.16	+0.9%	1.36
De la Rue	UK	£ 3.98	-0.17	-4.1%	7.58
Elsevier	Netherlands	Nfl 31.90	-2	-5.9%	2.72
Emap	UK	£ 8.32	+0.24	+3.0%	1.96
Havas	France	Fr 386.90	-10.40	-2.6%	2.23
Pathe	France	Fr 1148	-97	-7.8%	0.88
Pearson	UK	£ 7.46	-0.40	-5.1%	3.05
Reed International	UK	£ 5.60	-0.24	-4.1%	3.13
Reuters	UK	£ 6.44	-0.32	-4.7%	2.35
Springer	Germany	Dm 1590	-10	-0.6%	1.27
TF-1	France	Fr 502	-30	-5.6%	3.29
United Newspapers	UK	£ 7.11	+0.20	+2.9%	4.16
VNU	Netherlands	Nfl 44	-2.80	-6.0%	1.26
Wolters Kluwer	Netherlands	Nfl 264.20	-20.50	-7.2%	0.95
WPP Group	UK	£ 2.84	+0.03	+1.1%	0.77

Metals ▼ 2.2% Yield 2.08%

Company	Country	Price	Change	%change	Yield
Alusuisse Lonza	Switzerland	Fr 1341	-77	-5.4%	1.41
Avesta Sheffield	Sweden	Kr 80	-7	-8.0%	1.25
British Steel	UK	£ 1.77	+0.03	+2.0%	7.15
Cyprus Amax Minerals	Germany	Dm 45	-4	-8.2%	
Imetal	France	Fr 859	+17	+2.0%	1.90
Johnson Matthey	UK	£ 6.23	-0.17	-2.7%	0.94
Krupp	Germany	Dm 376.20	+32.70	+9.5%	1.34
Metallgesellschaft	Germany	Dm 40.95	-1.75	-4.1%	
Outukumpu	Finland	Mk 95	-11	-10.4%	1.04
Preussag	Germany	Dm 561	-4	-0.7%	2.22
RTZ	UK	£ 9.99	-0.68	-6.4%	0.99
Union Miniere	Belgium	Fr 438.50	+3.30	+0.8%	1.87
Thyssen	Germany	Dm 3180	-120	-3.6%	
Usinor	France	Fr 114	-0.40	-0.3%	2.73

Motors ▼ 3.6% Yield 1.75%

Company	Country	Price	Change	%change	Yield
Autoliv	Sweden	Kr 307.50	+18	+6.2%	1
BBA Group	UK	£ 3.97	-0.07	-1.9%	2.18
BMW	Germany	Dm 1338	-105	-7.3%	1.16
Continental	Germany	Dm 50.20	-0.30	-0.6%	0.12
Daimler-Benz	Germany	Dm 141.50	-7.60	-5.1%	0.08
Fiat	Italy	L 5537	-308	-5.3%	1.84
Ford-Werke	Germany	Dm 835	+10	+1.2%	4.61
GKN	UK	£ 12.36	-0.34	-2.7%	2.62
Lucas Varity	UK	£ 2	-0.15	-7.1%	1.39
MAN	Germany	Dm 529.50	-18.50	-3.4%	2.29
Michelin B	France	Fr 365	-7.20	-1.9%	0.93
Peugeot	France	Fr 703	-36	-4.9%	0.44
Pirelli Spa	Italy	L 4645	-182	-3.8%	2.16
Renault	France	Fr 164	-4	-2.4%	2.23
Scania	Sweden	Kr 226	+11	+5.1%	2.48
Valeo	France	Fr 372.50	-2.80	-0.7%	3.35
Volkswagen	Germany	Dm 1367	+16	+1.2%	0.70
Volvo B	Sweden	Kr 217.50	-12.50	-5.4%	1.97

Oil ▼ 3.0% Yield 2.18%

Company	Country	Price	Change	%change	Yield
British Petroleum	UK	£ 8.54	-0.58	-6.4%	2.91
Burmah Castrol	UK	£ 10.66	-0.63	-5.6%	2.62
Elf Aquitaine	France	Fr 685	+5	+0.7%	2.16
Enterprise Oil	UK	£ 6.94	-0.27	-3.7%	3.10
Lasmo	UK	£ 2.69	-0.08	-2.9%	0.45
Neste	Finland	Mk 139.50	-10.50	-7.0%	1.43
Norsk Hydro	Norway	Kr 408	-8	-1.9%	1.77
ÖMV	Austria	Sch 1761.10	-36.90	-2.1%	1.39
Petrofina	Belgium	Fr 13950	-325	-2.3%	2.16
Petroleos (Cia Esp)	Spain	Pts 4600	-140	-3.0%	2.58
Primagaz	France	Fr 500	-9	-1.8%	1.72
Repsol	Spain	Pts 6160	-100	-1.6%	3.01
Royal Dutch	Netherlands	Nfl 110.30	-4.50	-3.9%	2.51
RWE-DEA	Germany	Dm 425	-2	-0.5%	3.77
Saga Petroleum	Norway	Kr 147	-10	-6.4%	2.22
Shell Transp & Trading	UK	£ 4.31	-0.19	-4.2%	3.69
Total B	France	Fr 603	+3	+0.5%	1.79
Transocean Offshore	Norway	Kr 631	+8	+1.3%	0.06

Paper and Packaging ▼ 3.4% Yield 3.54%

Company	Country	Price	Change	%change	Yield
Arjo Wiggins Appleton	UK	£ 1.95	+0.03	+1.6%	4.77
Assi Döman	Sweden	Kr 250	+10	+4.2%	2.19
Bunzl	UK	£ 2.41	+0.21	+9.5%	3.31
FPB Holding	Germany	Dm 310	+0	+0.0%	5.64
KNP BT	Netherlands	Nfl 48.70	-1.60	-3.2%	1.79
MoDo	Sweden	Kr 290	-15	-4.9%	3.16
Pechiney International	France	Fr 126	-6.60	-5.0%	1.98
Rexam	UK	£ 2.86	-0.02	-0.7%	6.12
SCA	Sweden	Kr 188	-8	-4.1%	2.82
Smith (David S)	UK	£ 2.15	-0.02	-0.9%	4.63
Smurfit (Jefferson)	Ireland	Ir£ 2.08	+0.04	+2.0%	
Stora A	Sweden	Kr 139.50	-4	-2.8%	2.76
UPM-Kymmene	Finland	Mk 134.80	-4.70	-3.4%	3.37

Property and Construction ▼ 3.5% Yield 2.89%

Company	Country	Price	Change	%change	Yield
Blue Circle	UK	£ 4.29	-0.19	-4.2%	3.92
Bouygues	France	Fr 497.70	-15.30	-3.0%	3.48
BPB	UK	£ 3.50	-0.10	-2.7%	3.73
British Land	UK	£ 5.91	-0.22	-3.6%	1.90
Cimenteries CBR	Belgium	Fr 3270	-40	-1.2%	2.24
CRH	Ireland	Ir£ 6.63	-0.19	-2.8%	
Hammerson	UK	£ 4.75	-0.08	-1.7%	2.96
Heidelberg Zement	Germany	Dm 151.50	-3	-1.9%	0.11
Hochtief	Germany	Dm 90.50	+1.20	+1.3%	0.14
Holderbank	Switzerland	Fr 1273	-52	-3.9%	1.38
Lafarge Coppée	France	Fr 414.90	-22.50	-5.1%	2.43
Land Securities	UK	£ 9.28	-0.24	-2.5%	3.65
MEPC	UK	£ 4.76	-0.26	-5.2%	5.24
Pilkington	UK	£ 1.47	-0.05	-3.3%	4.22
Poliet	France	Fr 490.50	+3.30	+0.7%	2.04
Randstad Holdings	Netherlands	Nfl 86.50	-1	-1.1%	0.91
Redland	UK	£ 2.96	-0.09	-2.9%	7.12
RMC Group	UK	£ 10.73	-0.47	-4.2%	3.17
Rodamco	Netherlands	Nfl 62.70	-1.10	-1.7%	4.70
Skanska	Sweden	Kr 333	-7.50	-2.2%	3.02
Slough Estates	UK	£ 3.10	-0.03	-1.0%	3.65
St Gobain	France	Fr 871	-47	-5.1%	1.97
Wienerberger Baustoff	Austria	Sch 2594.95	-92.05	-3.4%	1.65
Wolseley	UK	£ 4.62	-0.38	-7.7%	2.90

Retail ▼ 0.6% Yield 2.15%

Company	Country	Price	Change	%change	Yield
Ahold	Netherlands	Nfl 58.80	+0.10	+0.2%	0.52
Argos	UK	£ 6.23	-0.16	-2.5%	3.22
Asda	UK	£ 1.49	-0	-0.3%	2.57
Benetton	Italy	L 26249	-147	-0.6%	1.91
Bon Marché	France	Fr 1611	-199	-11.0%	1.37
Boots	UK	£ 8.03	+0.17	+2.2%	3.24
Burton Group	UK	£ 1.28	+0	+0.4%	2.75
Capital Shopping	UK	£ 3.88	-0.04	-1.0%	2.65
Carrefour	France	Fr 4074	+74	+1.8%	0.66
Casino	France	Fr 280.50	+0	+0.0%	1.62
Castorama Dubois	France	Fr 700	-15	-2.1%	1.55
Comptoires Modernes	France	Fr 2833	+103	+3.8%	0.87
Continente	Spain	Pts 3315	-35	-1.0%	1.25
Delhaize	Belgium	Fr 1845	-45	-2.4%	1.46
Dixons	UK	£ 6.20	+0.04	+0.6%	2.15
Great Universal Stores	UK	£ 6.45	+0.04	+0.6%	3.55
Guilbert	France	Fr 855	-5	-0.6%	1.42
Hagemeyer	Netherlands	Nfl 107	-7.10	-6.2%	2.19
Hennes & Mauritz	Sweden	Kr 322	-5	-1.5%	0.73
Hermes International	France	Fr 554	+4	+0.7%	0.46
Karstadt	Germany	Dm 685	-26.50	-3.7%	1.50
Kingfisher	UK	£ 7.33	-0.16	-2.1%	3.31
Marks & Spencer	UK	£ 5.95	-0.02	-0.3%	2.77
Metro	Germany	Dm 95.40	-1.40	-1.4%	0.50
MFI	UK	£ 1.58	-0.01	-0.6%	3.87
Montaigne	France	Fr 3149	-101	-3.1%	0.17
Morrison Supermarkets	UK	£ 1.79	-0.06	-3.2%	1.18
Next	UK	£ 7.83	-0.30	-3.7%	2.48
Pinault Printemps	France	Fr 2615	-79	-2.9%	1.22
Promodes	France	Fr 2207	-48	-2.1%	0.66
Pryca	Spain	Pts 2895	-120	-4.0%	2.26
Safeway	UK	£ 3.80	-0.12	-3.1%	4.65
Sainsbury (J)	UK	£ 4.39	-0.14	-3.2%	3.49
Sears	UK	£ 0.63	+0.01	+1.6%	7.96
Smith (WH)	UK	£ 3.77	+0.10	+2.7%	5.45
Storehouse	UK	£ 2.29	+0.09	+4.1%	4.43
Tesco	UK	£ 4.18	-0.04	-0.9%	3.20
Vendex International	Netherlands	Nfl 110.30	-0.70	-0.6%	1.82
Vendome	UK	£ 4.93	-0.17	-3.3%	2.58

Services ▲ 1.1% Yield 8.11%

Company	Country	Price	Change	%change	Yield
Baan	Netherlands	Nfl 141.90	-1.20	-0.8%	
Berendson (Sophus)	Denmark	Kr 953	-37	-3.7%	0.58
Danka Business Systems	UK	£ 7.70	+0.09	+1.2%	0.43
Hays	UK	£ 5.88	-0.18	-3.0%	1.72
Mice Group	UK	£ 0.07	+0	+0.0%	2.68
Securicor	UK	£ 2.89	-0.13	-4.3%	0.66
Sodexho	France	Fr 2875	-64	-2.2%	0.91
Surveillance	Switzerland	Fr 3000	-70	-2.3%	2.19
Waste Management Intl	UK	£ 2.64	+0.01	+0.6%	

Transport ▼ 1.5% Yield 2.61%

Company	Country	Price	Change	%change	Yield
Associated British Ports	UK	£ 2.79	+0.09	+3.3%	3.54
Autopistas Cesa	Spain	Pts 1815	+5	+0.3%	4.22
BAA	UK	£ 5.77	-0.08	-1.4%	2.71
British Airways	UK	£ 6.25	-0.03	-0.5%	3.07
d/s 1912 A	Denmark	Kr 290000	-4000	-1.4%	0.26
d/s Svendborg A	Denmark	Kr 423000	-12000	-2.8%	0.28
KLM	Netherlands	Nfl 76	+2.50	+3.4%	1.36
Lufthansa	Germany	Dm 35.85	-0.35	-1.0%	0.15
NFC	UK	£ 1.34	+0	+0.0%	6.67
P & O	UK	£ 6.41	+0.14	+2.2%	6
Railtrack	UK	£ 7.81	-0.22	-2.7%	3.56
Stagecoach Holdings	UK	£ 7.03	+0.33	+5.0%	1.63
Swissair	Switzerland	Fr 1925	-69	-3.5%	0.53

Utilities and Telecoms ▼ 3.2% Yield 3.36%

Company	Country	Price	Change	%change	Yield
Aare Tessin	Switzerland	Fr 870	+0	+0.0%	2.07
Aguas de Barcelona	Spain	Pts 5620	-190	-3.3%	1.61
Anglian Water	UK	£ 7.66	-0.12	-1.5%	5.58
Badenwerk	Germany	Dm 540	-10	-1.8%	1.65
Berliner Kraft & Licht	Germany	Dm 39.80	-1.10	-2.7%	0.21
British Gas	UK	£ 2.53	-0.08	-2.9%	6.34
British Energy	UK	£ 1.54	-0.06	-3.7%	11.01
British Telecom	UK	£ 3.80	-0.19	-4.8%	6.50
Cable & Wireless	UK	£ 5.62	-0.32	-5.5%	2.48
Centrica	UK	£ 0.89	-0.04	-3.8%	
Deutsche Telekom	Germany	Dm 39.05	-3.40	-8.0%	1.52
Eaux (Cie Generale)	France	Fr 702	-38	-5.1%	1.69
Edison	Italy	L 8201	-212	-2.5%	2.44
Electrabel	Belgium	Fr 7580	-120	-1.6%	4.62
Electrafina	Belgium	Fr 3480	-105	-2.9%	3.09
Elektrowatt	Switzerland	Fr 538	+0	+0.0%	1.49
Endesa	Spain	Pts 3180	-95	-2.9%	2.24
Energy Group	UK	£ 6.28	+0.01	+0.2%	1.10
EVN	Austria	Sch 1593.60	-19.40	-1.2%	1.59
Fuerzas	Spain	Pts 1245	-45	-3.5%	4.51
Gas Natural	Spain	Pts 6690	-10	-0.1%	1
HEW	Germany	Dm 455	-5	-1.1%	2.20
Hyder	UK	£ 8.40	+0.05	+0.6%	6.49
Iberdrola	Spain	Pts 1780	-75	-4.0%	3.99
Isar Amperwerke	Germany	Dm 590	-29	-4.7%	1.67
Italgas	Italy	L 5330	-16	-0.3%	2.46
KPN	Netherlands	Nfl 79.20	-3.60	-4.3%	3.75
Lyonnais des Eaux	France	Fr 643	-1	-0.2%	1.92
National Grid	UK	£ 2.63	+0.15	+6.2%	5.37
National Power	UK	£ 5.16	-0.18	-3.4%	6.03
Orange	UK	£ 2.13	-0.02	-1.2%	
OTE-SA Telecom	Greece	Dr 6595	+95	+1.5%	2.72
Portugal Telecom	Portugal	Esc 7385	-100	-1.3%	
Powerfin	Belgium	Fr 4985	+65	+1.3%	2.47
Powergen	UK	£ 7.26	-0.02	-0.3%	4.37
Rexel	France	Fr 1680	+60	+3.7%	1.22
RWE	Germany	Dm 84.70	+1.35	+1.6%	0.18
Scottish Hydro	UK	£ 4.44	+0.08	+1.8%	4.98
Scottish Power	UK	£ 4.22	-0.23	-5.2%	5.57
Severn Trent	UK	£ 8.46	+0.06	+0.7%	5.38
Sevillana de Elec	Spain	Pts 1385	-40	-2.8%	3.65
Southern Electric	UK	£ 4.55	+0.09	+2.0%	5.99
Sydcraft	Sweden	Kr 165.50	+0	+0.0%	2.43
Tele Danmark	Denmark	Kr 381	-9	-2.3%	4.51
Telecom Italia	Italy	L 10657	-433	-3.9%	1.21
Telecom It Mobile	Italy	L 5803	-286	-4.7%	0.87
Telefonica de Espana	Spain	Pts 4060	-90	-2.2%	2.22
Telewest Comms	UK	£ 0.85	-0.06	-7.1%	
Thames Water	UK	£ 7.89	-0.04	-0.5%	5.43
Thuega	Germany	Dm 482	-3	-0.6%	2.49
Tractebel	Belgium	Fr 14900	+150	+1.0%	2.63
Union Elec Fenosa	Spain	Pts 1220	-20	-1.6%	4.48
United Utilities	UK	£ 7.07	-0.03	-0.4%	6.57
VEW	Germany	Dm 572	-2	-0.3%	1.64
Vodafone	UK	£ 3.16	-0.03	-0.9%	1.92
Yorkshire Water	UK	£ 4.28	-0.12	-2.7%	5.30

FINANCE

Ready-made meals freeze out fresh meat and veg

THE European family sitting down to dinner together round the table is a thing of the past. Research from market analyst Euromonitor found that dipping into the freezer for a ready-made meal, rather than cooking fresh produce and sitting down to eat with the family, is a growing trend across the world over the past five years, increasing 23 per cent by volume between 1992 and 1996.

In Europe, frozen, ready-made convenience snacks are the chosen bite, but consumers are also demanding meals from further afield. Staple foods, such as bread, potatoes and vegetables, are being rejected in favour of ready-made meals and snacks.

Euromonitor found that there is also a connection between the size of the household and the purchase of frozen food. Smaller households, for example those in Scandinavia, spend more per person on ready-made meals than larger families. The Danes eat more frozen food per person than any other country – 37kg per person per year. The British consume 29kg, while the Irish consume 28kg. In Britain, frozen food accounts for the highest proportion of total food consumption, at nine per cent, followed by Hungary at eight per cent.

Also helping the sale of frozen foods is declining prices. Western Europe is already the world's largest frozen food market, with 34 per cent of volume sales last year. But despite the maturity of this market, sales have been bolstered by a high level of new products.

But it is not all bad news. Vegetables top the frozen food league in volume terms, making up 37 per cent of frozen food sales by volume last year. But it is questionable how long this will continue. Meat and vegetables have both lost market share since 1992 in favour of ready-made meals and other frozen food sectors. Last year, convenience meals and snacks represented 28 per cent of the frozen food market, and researchers predict this will be the best performing sector in 2001.

MELANIE BIEN

Economic indicators

FINNISH consumer prices were unchanged in July from June, confirming expectations that a booming economy will not bring about higher rates until later this year. While Finland's gross domestic product is growing at a rate of five per cent, high unemployment is keeping inflation under control. Consumer prices rose 1.2 per cent from July last year, below the central bank's desired upper limit of two per cent. Producer prices climbed 0.4 per cent in July from the month before.

AUSTRIAN consumer prices fell 0.1 per cent in July from June, as falling prices in clothing and furniture offset higher vacation costs. Compared with July 1996, consumer prices rose 0.1 per cent. The Austrian Central Statistics said women's clothing fell 5.8 per cent from June, while men's clothing fell 4.7 per cent.

DANISH unemployment fell eight per cent in June, from 8.1 per cent in May, according to official statistics from Danmarks Statistik. The Danish ten-year benchmark bond fell, tracking German bunds, pushing the yield two basis points higher to 6.26 per cent.

DUTCH unemployment remained at 5.9 per cent in the three months to July, from the previous three-month period.

INTEREST AND MONEY MARKET RATES

COUNTRY	OFFICIAL INTEREST RATES				MONEY MARKET RATES						
					3 months			Benchmark bond			
	Rate	Previous rate	Date of change	Name	This week	Week ago	Year ago	This week	Week ago	Year ago	Name
Austria	2.50	3.00	18.4.96	Discount	3.45	3.45	3.48	5.73	5.73	6.36	Oest Bund
Belgium	3.00	3.20	23.8.96	Central	3.56	3.63	3.36	5.76	5.79	6.63	OLO
Denmark	3.50	3.70	29.8.96	Repo	3.66	3.66	3.93	6.25	6.27	7.20	DGB
Finland	3.00	3.10	9.10.96	Tender	3.14	3.11	3.58	5.88	5.89	6.83	FGB
France	3.10	3.15	30.01.97	Intervention	3.43	3.43	4.09	5.54	5.56	6.31	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.27	3.25	3.42	5.67	5.71	6.25	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	02.05.97	Short Term	6.19	6.25	5.78	6.34	6.36	7.37	Gilt
Italy	6.25	6.75	27.06.97	Discount	6.87	6.89	8.81	6.69	6.69	9.41	BTP
Luxembourg	3.00	3.20	23.8.96	effective rate*	3.56	3.63	3.36	5.76	5.79	6.63	related to OLO
Netherlands	3.00	2.90	10.07.97	Special Adv.	3.44	3.41	3.05	5.62	5.64	6.17	DSL
Norway	5.50	5.25	16.7.97	Overnight	4.04	3.98	4.99	6.11	6.03	6.95	NGB
Portugal	5.20	5.40	18.8.97	Discount	5.65	5.65	7.37	6.37	6.39	8.72	OT
Spain	5.25	5.50	16.5.97	Repo	5.38	5.32	7.33	6.35	6.36	8.88	Bono
Sweden	4.10	4.35	17.12.96	Repo	4.48	4.48	5.37	6.63	6.55	8.00	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.44	1.47	2.31	3.50	3.48	4.24	Swap rate
UK	7.00	6.75	7.8.97	Base	7.13	7.13	5.78	7.05	7.10	7.76	Gilt
US	5.00	5.25	31.1.96	Discount	5.63	5.64	5.34	6.30	6.39	6.54	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	0.60	0.62	0.68	2.15	2.15	3.13	JGB
Canada	3.30	3.35	15.8.97	Call Loan	3.50	3.72	4.28	5.97	6.05	7.25	CGB

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

EUROPEAN CROSS RATES

19 AUGUST 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	1.848	7.036	6.249	2.352	2.089	0.045	18.79	7.215	1.690	0.069	0.083	1.605	8.536	20.73	12.90	0.109	9.283	13.85
Belgium Franc	2.935	–	5.422	20.65	18.34	6.901	6.130	0.132	55.15	21.17	4.960	0.203	0.245	4.709	25.05	60.85	37.86	0.320	27.24	40.63
Denmark Krone	0.541	0.184	–	3.808	3.382	1.273	1.130	0.024	10.17	3.905	0.915	0.038	0.045	0.868	4.620	11.22	6.983	0.059	5.024	7.494
Germany Deutschmark	0.142	0.048	0.263	–	0.888	0.334	0.297	0.006	2.671	1.025	0.240	0.010	0.012	0.228	1.213	2.947	1.834	0.015	1.319	1.968
Netherlands Guilder	0.160	0.055	0.296	1.126	–	0.376	0.334	0.007	3.007	1.155	0.270	0.011	0.013	0.257	1.366	3.318	2.065	0.017	1.486	2.216
Finland Markka	0.425	0.145	0.786	2.992	2.657	–	0.888	0.019	7.991	3.068	0.719	0.029	0.035	0.682	3.630	8.817	5.487	0.046	3.947	5.888
France Franc	0.479	0.163	0.885	3.369	2.992	1.126	–	0.022	8.997	3.454	0.809	0.033	0.040	0.768	4.087	9.927	6.177	0.052	4.444	6.629
Greece Drachma	22.26	7.586	41.13	156.6	139.1	52.35	46.50	–	418.3	160.6	37.63	1.544	1.855	35.72	190.0	461.6	287.2	2.427	206.7	308.2
Ireland Punt	0.053	0.018	0.098	0.374	0.333	0.125	0.111	0.002	–	0.384	0.090	0.004	0.004	0.085	0.454	1.103	0.687	0.006	0.494	0.737
Italy Lira*	138.6	47.23	256.1	975.2	866.1	325.9	289.5	6.226	2605	–	234.3	9.611	11.55	222.4	1183	2874	1788	15.11	1286	1919
Norway Krone	0.592	0.202	1.093	4.163	3.697	1.391	1.236	0.027	11.12	4.269	–	0.041	0.049	0.949	5.050	12.27	7.634	0.065	5.492	8.192
Portugal Escudo	14.42	4.914	26.65	101.5	90.12	33.91	30.12	0.648	271.0	104.1	24.38	–	1.202	23.14	123.1	299.0	186.1	1.573	133.9	199.7
Spain Peseta	12.00	4.090	22.18	84.45	75.00	28.22	25.07	0.539	225.5	86.59	20.29	0.832	–	19.26	102.5	248.9	154.9	1.309	111.4	166.2
Sweden Krona	0.623	0.212	1.151	4.385	3.894	1.465	1.302	0.028	11.71	4.496	1.053	0.043	0.052	–	5.320	12.92	8.041	0.068	5.785	8.629
Switzerland Franc	0.117	0.040	0.216	0.824	0.732	0.275	0.245	0.005	2.201	0.845	0.198	0.008	0.010	0.188	–	2.429	1.511	0.013	1.087	1.622
UK Pound	0.048	0.016	0.089	0.339	0.301	0.113	0.101	0.002	0.906	0.348	0.082	0.003	0.004	0.077	0.412	–	0.622	0.005	0.448	0.668
US Dollar	0.078	0.026	0.143	0.545	0.484	0.182	0.162	0.003	1.457	0.559	0.131	0.005	0.006	0.124	0.662	1.607	–	0.008	0.719	1.073
Japan Yen	9.171	3.125	16.95	64.53	57.31	21.57	19.16	0.412	172.3	66.17	15.50	0.636	0.764	14.72	78.29	190.2	118.3	–	85.13	127.0
Canada Dollar	0.108	0.037	0.199	0.758	0.673	0.253	0.225	0.005	2.024	0.777	0.182	0.007	0.009	0.173	0.920	2.234	1.390	0.012	–	1.49
Europe Ecu	0.072	0.025	0.133	0.508	0.451	0.170	0.151	0.003	1.357	0.521	0.122	0.005	0.006	0.116	0.617	1.497	0.932	0.008	0.670	–

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

ECONOMIC DATA

COUNTRY	INDUSTRIAL OUTPUT*			INFLATION†			UNEMPLOYMENT††		
	Latest quarter	Previous quarter	Year ago	Latest month	Month ago	Year ago	Latest month	Month ago	Year ago
Austria	0.3[1]	1.4	1.0	Jul 1.0	1.2	1.8	Jul 4.5	4.5	4.1
Belgium	1.7[2]	1.9	0.7	Jul 1.9	1.7	1.9	Jul 13.7	12.6	14.0
Denmark	2.4	3.3	0.8	Jun 2.4	2.1	2.0	Jun 8.0	8.1	8.7
Finland	4.0	5.8	1.0	Jul 1.2	1.2	0.5	Jun 15.0	16.7	16.6
France	1.1	0.9	1.2	Jul 1.0	1.0	2.3	Jun 12.6	12.5	12.5
Germany	1.4[2]	1.9	0.4	Jul 1.9	1.7	1.3	Jun 11.5	11.4	10.3
Greece	2.0[3]	n/a	1.4	Jul 5.4	5.5	8.1	Jun 6.9	6.8	6.5
Ireland	7.8[4]	n/a	10.1[3]	Jul 1.6	1.8	n/a	Apr 10.9	1.1	11.9
Italy	−0.4	0.1	1.5	Jul 1.6	1.4	3.6	12.2[2]	12.2	12.2
Luxembourg	5.5[4]	3.8	12.4	Jun 1.1	1.1	1.3	Apr 3.7	3.7	3.2
Netherlands	2.1	3.0	1.8	Jul 2.4	2.2	2.1	Jul 5.7	5.6	6.3
Norway	4.8[2]	5.1	3.5	Jul 2.2	2.9	1.3	Jun 3.4	3.2	4.3
Portugal	3.0[2]	2.3	2.0	Jul 1.7	1.8	3.8	6.5[5]	7.3	7.2
Spain	2.9	2.6	1.9	Jul 1.6	1.9	3.7	Jul 12.5	13.1	13.7
Sweden	2.3	1.8	1.4	Jul 1.0	0.8	0.6	Jul 9.1	8.8	8.8
Switzerland	−1.0	−0.6	−0.7	Jul 0.5	−0.1	0.7	Jun 5.1	5.3	4.4
UK	3.4[5]	3.0	1.8	Jun 2.9	2.6	2.1	Jul 5.5	5.7	7.6
US	2.2[5]	4.1	2.7	Jul 2.2	2.3	3.0	Jul 4.8	5.0	5.3
Japan	2.5	2.9	2.0	Jun 2.2	1.9	0.0	Jun 3.5	3.5	3.3
Canada	3.4	2.9	1.0	Jun 1.8	1.5	1.4	Jul 9.0	9.1	9.9

*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 = q4 96 3 = year 95 4 = year 96 5 = 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	Mar 14.5	13.7	11.4
Croatia	Apr 6.5	5.5	2.3	May 0.4	0.1	1.1	Apr 23.1	23.2	21.0
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	May 1.7	11.4	−3.1	May 1.3	1.4	17.7	May 10.6	10.8	10.7
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	Jun 2.3	4.9	1.0	Apr 7.0	7.2	8.0
Slovakia	May 0.6	9.0	−0.3	May 0.1	0.5	0.5	May 12.3	13.0	12.1
Slovenia	Apr 4.3	−0.3	11.5	May 1.3	2.0	0.7	Mar 14.4	14.5	13.9
Russia	May 0.2	0.6	−5.7	May 0.9	1.0	14.5	Apr 9.6	9.6	8.9
Ukraine	Jan −8.2	−5.3	n/a	Apr 0.8	0.1	2.4	Mar 2.1	2.0	0.9

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

EAST EUROPEAN CURRENCIES

COUNTRY	US$	DM	UK£	Ffr	Ecu
Albania Lek	174.50	95.16	280.42	28.25	187.27
Belarus Rouble	35250.0	19222.8	56646.5	5706.4	37828.5
Bulgaria Lev	1824.50	994.95	2931.96	295.36	1957.96
Croatia Kuna	6.50	3.54	10.45	1.05	6.98
Czech Rep Koruna	34.16	18.63	54.89	5.53	36.66
Estonia Kroon	14.67	8.00	23.57	2.37	15.74
Hungary Forint	197.46	107.68	317.31	31.97	211.90
Latvia Lat	0.58	0.32	0.94	0.10	0.63
Lithuania Litas	4.00	2.18	6.43	0.65	4.29
Macedonia Denar	56.25	30.67	90.39	9.11	60.36
Moldova Leu	4.56	2.48	7.32	0.74	4.89
Poland Zloty	3.49	1.90	5.61	0.57	3.74
Russia Rouble	5817.0	3172.2	9347.9	941.7	6242.5
Romania Leu	7450.0	4062.7	11972.1	1206.0	7995.0
Slovakia Koruna	34.73	18.94	55.81	5.62	37.27
Slovenia Tolar	171.19	93.36	275.11	27.71	183.72
Ukraine Hryvna	1.85	1.01	2.98	0.30	1.99
Yugoslavia New Dinar	4.85	2.65	7.79	0.79	5.21

SOURCE: BZW

SPECIAL REPORT **PAKISTAN**

Reforms raise fresh hope

After the troubles of the first 50 years, the Sharif government is planning for a better future

ROBERT ADAMS

IT is just over six months since Mian Nawaz Sharif won an overwhelming majority in Pakistan's general election and, in spite of its continuing problems, his country is more stable and secure than at any time in its history. Sharif has tackled many of the most pressing needs head-on, launching a sweeping reform of the economy, government and establishment. Although it is as yet early days, there are clear signs that his efforts are bearing fruit.

Pakistan celebrated the 50th anniversary of its foundation this month, but it has had a rough first half-century. Born into the chaos and destruction of the partition of British India on 15 August 1947, the new state was undermined from the start. Most of the systems and structures of statehood were appropriated by India, leaving Pakistan's rulers desperately under-resourced. The foreign ministry, for example, had only two typewriters on the morning of independence.

The ensuing 50 years have been characterised as a collision between an enthusiastic, loyal, hardworking and optimistic populace and a leadership that has persistently undermined them with a mixture of avarice and incompetence.

Three wars with India have been bad enough. But interference in the democratic process by feudal landlords, military men and intelligence agencies, not to mention a top-down culture of corruption and favouritism, has held Pakistan back for too long.

It is this that the Sharif government has set out to change. Since the election on 4 February Sharif has, in addition to his economic reforms, extended the accountability process under which a quasi-independent committee can investigate accusations of corruption against politicians and bureaucrats. The government has also, in an attempt to depoliticise the accountability process, appointed a non-partisan chief commissioner in consultation with both the chief justice and the leader of the opposition.

At the same time Sharif has used his majority in parliament to pass a constitutional amendment ending the power of the Pakistani president, often used in the past, to remove the prime minister from office. He has also taken steps to stabilise the political culture, passing a law that bans the "horse-trading" and cross-party defection that in the past have given unwarranted power to individual politicians.

Misdaq Zaidi, secretary-general of the UK-Pakistan Chamber of Commerce, believes that there is a genuine realisation in Pakistan that the culture of corruption that has been so prevalent for the past half-century must be changed. "Corruption is being tackled very seriously by the new government," he says. "They realise that this was the issue that lost the previous government its mandate, and there is a very good chance that if the accountability process is continued the situation can be brought under control."

Sharif is a businessman and the owner of one of Pakistan's largest industrial groups, and so it is no surprise that he has taken steps to expand Pakistan's export markets and rationalise infrastructure development. A road-building programme, including a cross-country motorway project, has been revitalised, and management of the notoriously inefficient Pakistan Railways has been handed over to a board mostly appointed from the private sector.

The export drive is being combined with steps to encourage inward investment by foreign countries. With the UK, for instance, Pakistan has been running a trade surplus for some years now, which last year amounted to almost £50 million ($85m). But its objective now, according to the British department of trade and industry, is to do business with a wider range of companies, since most of the efforts made so far have been focused on expatriate Pakistani businessmen.

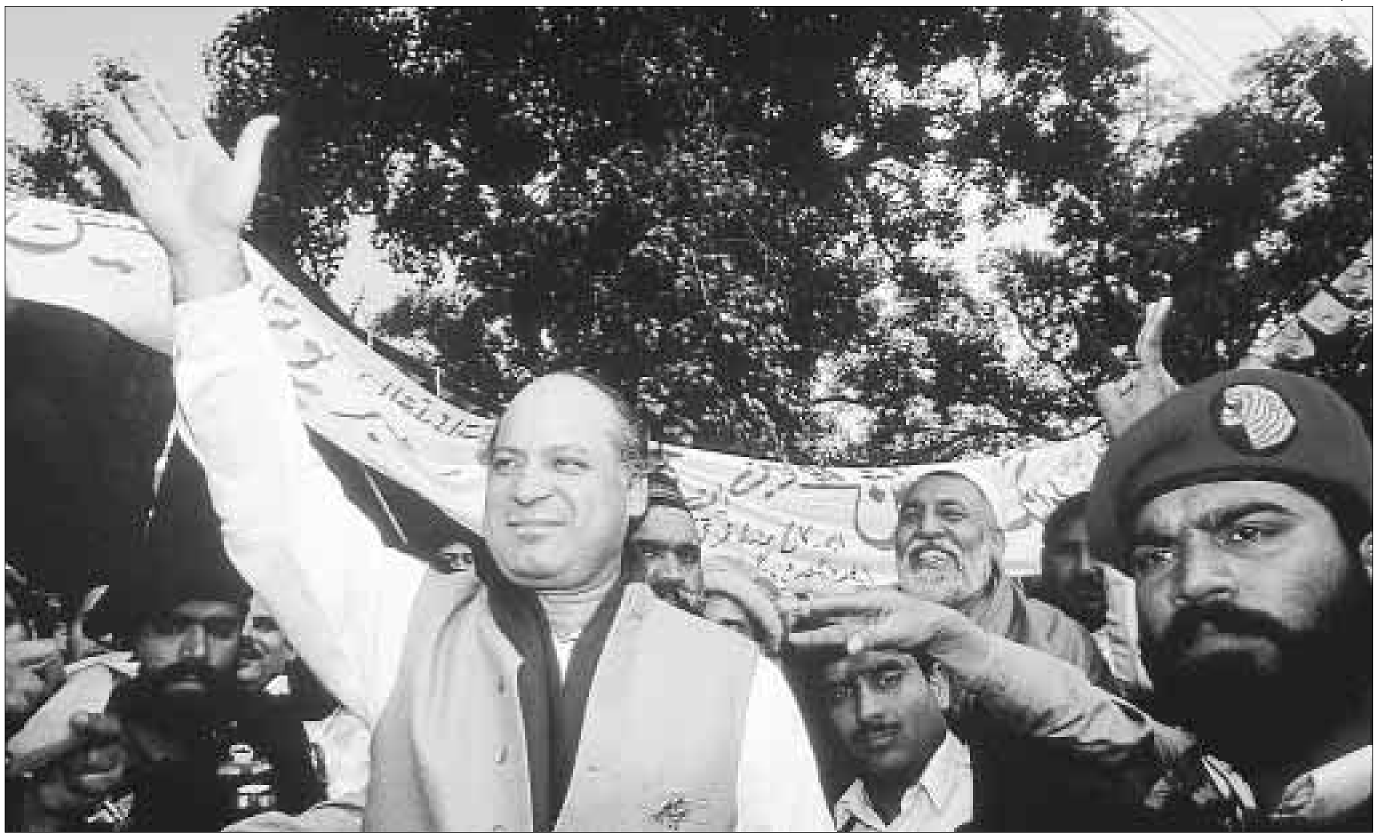
"Pakistan has not been properly presented to British companies in the UK," says Zaidi. "Among other reasons, the religious factor has become a handicap, with an image of fanaticism that is not representative of the true situation in Pakistan." The fact is that in the election which brought Sharif to power the radical religious parties did worse than they have ever done, polling less than three per cent of the vote.

Political tensions continue, however, and that figure belies the influence wielded by the radical religious parties in Pakistan. In recent months the province of Punjab has been racked by violence, mostly between radical Sunni and Shia groups. In Karachi, although the worst of the problems seem to have been resolved, there is still an undercurrent of violence that makes the city a tense place to work. Solutions will be hard to find as long as the gun-and-drug culture that spilled over from Afghanistan during the war continues to flourish.

All this notwithstanding, Pakistan now stands at the dawn of a new era in her troubled history. For the first time in half a century there is an optimism about the future that seems to be based on something more positive than wishful thinking.

'Business is handicapped by an image of fanaticism that does not reflect the true situation'

SIPA/REX



Herald of the new dawn: Nawaz Sharif campaigning for the February general election, in which he won a sweeping majority of the seats

Promise of dialogue opens door to closer links with India

ZAHID HUSSAIN

IN A BID to put behind them 50 years of hostility, the leaders of Pakistan and India have recently made a significant move towards easing tension in one of the world's most volatile regions. A joint declaration was issued in June after a meeting in Islamabad between the foreign secretaries of the two countries which provides the basis for a real dialogue on all the important issues between them – including Kashmir, the main cause of conflict.

The process has been under way for several months. Nawaz Sharif, the Pakistani prime minister, made a radical departure from past policy after he returned to power in February, when he offered to resume the long-stalled talks with New Delhi: Pakistan had cut off all official contacts in early 1994 when India refused to discuss Kashmir, arguing that it was an internal matter.

This move to break the ice received a positive response from Indian leaders, and the first sign of a thaw emerged when the two foreign secretaries met in New Delhi in March. Sharif then had a key meeting with Inder Kumar Gujral, the Indian prime minister, in the Maldives in May, and that paved the way for the further improvement in the political climate.

This meeting between the prime ministers was the first at that level for more than four years. It was followed by the talks between the foreign secretaries in Islamabad in June, which established a framework for discussion on other areas of conflict, such as Siachin, the Wuller dam and Sir Creek. The two armies have been locked in conflict on the Siachin glacier for the past 13 years, in a high-altitude battle which has caused a huge loss in human lives and a drain on the resources of both countries.

The positive outcome of the talks has helped to dispel the dark clouds that have long overshadowed relations between Pakistan and India. The two countries have now moved towards the expansion of trade, the easing of visa restrictions and cultural exchanges. They have also agreed to co-operate in countering terrorism and drug trafficking.

It is not to be expected that the long-standing differences over Kashmir and other areas will be resolved in the near future. But India and Pakistan are now engaged in dialogue, and that is the key. The World Trade Organisation, for instance, ruled that Pakistan and India should give each other the status of Most Favoured Nation, but this has not been implemented because of the political climate.

Trade has, in fact, continue to flourish through illegal channels throughout this period. According to one estimate, illegal trade accounts for more than $500 million a year. With the opening of legal channels these exchanges could increase many times over.

Most observers agree that an improvement in trade relations will ultimately lead to the easing of political tension. There has been a growing arms race between the two countries, the only two in south Asia with nuclear capability, and that has turned the region into one of the most dangerous flashpoints in the post-Cold-War period. Despite their economic backwardness, both countries put a major part of their scarce resources into defence expenditure.

In Pakistan, more than 45 per cent of national revenue goes into defence, and as a result it is among the countries with the lowest social indicators. The majority of the population is illiterate with little access to health and education services. Dialogue will help to improve the atmosphere, to the benefit of both countries.

SPECIAL REPORT **PAKISTAN**

Easing the way for foreign investors

Attracting funds from abroad is a prime objective of Sharif's recent reforms

NIGEL DUDLEY

ONE of the top priorities of Pakistan's new government has been to make the country more attractive for foreign investors. It has set out to attract the international capital and technology inflows that it needs to stimulate its floundering economy.

Ministers have introduced a series of tax and tariff reforms which should encourage new financial and direct investment and meet the complaints of companies already established in Pakistan. They also hope that a period of stable government will calm fears about the country's chronic political and economic instability.

International investors still remain nervous about Pakistan, however. Their concerns range from the level of duties and the extent of smuggling to corruption at all levels.

The government is trying to tackle some of these problems. Earlier this year it introduced an economic stimulus package which cut personal and corporate taxes and provided further industrial investment incentives. Other measures aimed at cutting business costs and raising profitability included a tariff reform, which set a 45 per cent maximum rate for finished goods, a reduced sales tax, and a reduction in import duty to ten per cent on machinery and raw materials. Some of the rules and regulations constraining business have also been removed.

Another government aim is to make the rupee-denominated Pakistan securities market more attractive to foreign investors; at present the domestic debt sector is virtually non-existent. Reforms announced in May have paved the way for the scrapping of the 60 per cent withholding tax on Pakistan bonds which is now paid by foreign investors. Foreign companies will also be able to trade Pakistani shares on the secondary market.

These reforms further enhance a structure which has steadily been made more attractive to foreign investors during the 1990s by Nawaz Sharif and his predecessor, Benazir Bhutto. International companies have been offered protection for their investments, lower tariffs, the end of foreign exchange restrictions and a reduction in bureaucratic licences and clearances, as ministers encourage them to take a stake in privatisations.

Until now, however, the policy has failed to generate the intended return. In crude terms, the figures do show a healthy growth, with direct investment rising from $442 million in 1994-95 to $1.1 billion in 1995-96. Last year British firms overtook those from the United States as the major investors, with investments of $386m, compared with a US input of $356m. That trend continued in the first half of 1996-97 with totals of $198m and $155m respectively.

But these figures are misleading. Most of the investments are in a small number of large projects, which can completely distort one year's figures. Small and medium-sized firms continue to be deterred by the perceived political instability and the economic risk from investing in a weak currency and fragile economy. The main complaints of businesses tend to focus on the failure to establish clean government. Despite the reforms, companies also continue to complain about tariffs which still result in locally produced goods costing more than imports. They also argue that labour laws need to be made less protective and that the tax system should be made more equitable so that it does not fall disproportionately on business and salaried staff.

The only companies able to overcome bureaucratic hurdles are the multinationals. Significantly, companies such as ICI, Lever Brothers, Proctor and Gamble and ANZ Bank have been in the country for nearly a century.

ICI Pakistan, a subsidiary of ICI, is establishing a joint venture with Du Pont, the US firm, to build and operate a $450m terephthalic acid plant in Karachi. Under the terms of the deal, Du Pont picked up a 50 per cent stake in ICI Pakistan as part of a global deal to buy half of ICI's bulk chemical business for $3bn.

The further growth of direct investment depends on the government, and if and when it goes ahead with more than 15 new power projects. Here the signs are less encouraging, since diplomats note that the new government has still to pronounce on power industry plans and the speed of privatisation.

J. HOLMES/PANOS

Material gains: bringing down the cost of capital goods will make exports such as cotton more competitive

Sharif aims to perform an economic miracle

The prime minister is cutting taxes, reducing tariffs, improving the performance of financial institutions and reviving industry and exports

ZAHID HUSSAIN

THE economic reforms introduced by the government of Nawaz Sharif have been far reaching. They have enabled Pakistan's economy to start to move towards a recovery after a long period of recession.

The government has moved boldly to make drastic cuts in taxes, reduce tariffs and bring down interest rates. It has also announced incentives to boost exports, which had remained stagnant, largely because of the uncompetitiveness of Pakistani goods in the international market.

These measures have helped revive industry and business. The Karachi stock market, the country's largest, has responded positively to the reforms and its index has risen 400 points in the past few weeks. The market's sentiments reflect the confidence of investors in the government's pro-business policies.

The reforms reflect the Sharif government's emphasis on supply-side economics: policy makers believe that a cut in taxes will improve the investment climate. Similarly, the reduction in tariffs from 65 per cent to 45 per cent is expected to bring down the cost of capital goods and make exports cheaper.

The government has set an export target of $10 billion for the current financial year, and it is optimistic that the latest incentives will help to achieve it. An increase in exports is crucial if the $3bn deficit in the balance of payments is to be reduced.

The cut in interest rates is also expected to have a positive effect on investment. A high interest rate, which rose to 22 per cent, contributed to the recession and sluggish economic development. The commercial banks have now cut their lending rates by between one and five per cent, and the government plans to bring rates down further through an improvement in the efficiency of state-controlled commercial banks and the development of financial institutions.

Meanwhile, the government has moved to recover around 136 billion rupees ($3.2bn) in non-performing loans advanced by the commercial banks. The outstanding loans account for 30 per cent of the total assets of Pakistan's commercial banks, and have pushed the banking sector to the verge of bankruptcy. Recovery of the loans is an essential factor in reviving the sector.

The government has already taken some important measures to improve the performance of the state-controlled financial institutions. Well-qualified and experienced bankers have been appointed to the top positions in the state-owned banks. There are plans to reduce jobs in the overstaffed banking sector to improve its profitability and efficiency.

Sharif's liberal economic policy, coupled with political stability in the country, has helped to attract foreign investment. Foreign direct investment has not picked up significantly, but there has been a substantial inflow of foreign portfolio investment. These foreign funds have been largely responsible for the bullish trend in the stock market, and economic experts believe that the rise in prices will be sustained. Government officials are optimistic that as the privatisation process is stepped up there will be an increased inflow of foreign direct investment in infrastructure and communications.

However, despite the improvement in the economy, there are some areas of concern. The current account deficit and the increasing burden of domestic and foreign debt are cause for serious worry. The figures are staggering. Pakistan has accumulated more than $72bn in domestic and foreign debt, and the situation has worsened because of the deterioration in the balance of payments.

Realising the gravity of the situation, Sharif has launched a debt retirement programme, by which he has sought support from the public in mobilising funds to ease the debt burden. The public has responded positively to his call for economic self-reliance by making huge donations to the Debt Retirement Fund. The scheme has given the government a breathing space, though it will not by itself solve the huge debt problem.

The government has also recently reached an agreement with the International Monetary Fund (IMF) on an extended structural adjustment fund, which will provide Pakistan with $1.6bn in soft loans over the next three years, and is described by officials as the mark of the IMF's approval for Sharif's new economic policies.

These loans will help the country overcome the immediate balance-of-payments problem, and at the same time provide the government with breathing space in which to carry out long-term structural reform. The agreement with the IMF is also likely to boost the inflow of foreign direct investment to Pakistan.

PRIVATISATION

Fast-forward for grand state sell-off scheme

PAKISTAN launched its privatisation programme in 1990 as part of the process of liberalising and deregulating the economy. The changes of government since then have not affected the programme's basic objectives, as there is consensus among the main political parties over the denationalisation of state-owned enterprises.

There have been some interruptions, but more than 90 large and medium-sized industries – including cement, fertiliser and vegetable-oil factories – and three commercial banks have been privatised over the past seven years. Ten per cent of the shares of Pakistan Telecommunications (PTCL), the biggest public-sector business, have been sold.

The privatisation process hit a snag last year because of political uncertainty. But with the return of stability after the parliamentary elections in February, which swept Nawaz Sharif back to power, the privatisation programme has started moving again. The new government has even accelerated the process so that it can repay its growing debts with the proceeds.

In June the government disposed of Habib Credit and Commerce Bank, a subsidiary of Habib Bank, the country's largest state-owned bank. Other state-owned enterprises and financial institutions are likely to be disinvested by the end of the year, and in the next phase the government plans to privatise such major institutions as Habib Bank and United Bank. But before offering them for sale it wants them to be restructured, with a cut in jobs, to raise their value.

Because of overstaffing and huge non-performing loans, these banks are in serious financial difficulties. The government has already taken measures to improve their efficiency, but job reduction may take longer because of resistance from trade unions.

If things go according to plan, at least two main banks will be privatised by next year, and other state-controlled institutions, such as National Bank and First Women's Bank, are next in line. The government also plans to move fast to dispose of more shares in PTCL, as well as shares in the railways, power plants and power supply.

The sale of a further 26 per cent of PTCL shares to a strategic investor has been delayed for a number of reasons, partly political and partly technical. One major factor was that many other countries were selling their telecommunications networks at the same time. However, officials of the privatisation commission are hopeful that an offer will be made to a strategic investor early next year.

Some multinational telecommunications operators have already shown interest in PTCL. Proceeds of more than $1.6 billion from this privatisation are crucial, as they are needed to help to repay part of Pakistan's high-interest commercial foreign debt.

Pakistan started the privatisation of electricity generating plants in 1995 when the government disposed of the 1,200-megawatt Guddu thermal power plant. National Power of Britain bought 25 per cent of the shares, and now controls the management of the plant. Other public-sector power plants may be offered for sale by next year.

There are also plans to privatise the electric grids of a number of cities. The initial work has already been done on the sale of Karachi Electric Supply Corporation, the country's biggest electric-supply corporation, which is expected to be ready for privatisation in a couple of years.

The privatisation commission is also working on selling off the electricity grid in Faisalabad and Lahore, in Punjab. This is likely to improve the distribution system, since it will bring in new investment.

The commission has already started work on the privatisation of Pakistan's railway system. The process will take some years to complete as the government plans to dispose of the railways in phases. It is also considering the disposal of part of Pakistan International Airlines, but the process is not likely to start until the airline has been completely restructured.

The Sharif government's target is to complete the privatisation of 50 per cent of the state sector within next few years. It is ambitious, but given the speed at which it is now moving, it does not seem impossible to achieve.

ZAHID HUSSAIN

SPECIAL REPORT **PAKISTAN**

SIMON WESTCOTT/ROBERT HARDING

Moghul masterpiece: the Badshahi mosque in Lahore, as impressive as the Taj Mahal

Road across the centuries

The Grand Trunk Road gives visitors a tour of the country's long history

ROBERT ADAMS

THERE can be few countries in which a single road encompasses so much history as Pakistan's Grand Trunk Road – from the Neolithic cities of the ancient Indus valley to the site of the biggest tank battle in Asia, fought during the 1965 Indo-Pakistan war, and from Gandaran Buddhist monasteries to obelisks commemorating British colonial victories.

Even the traffic spans the centuries. Beturbaned ancients sitting astride biblical donkeys compete for space with aged Bedford trucks and latest-model, air-conditioned Toyota Landcruisers.

The Grand Trunk Road was a creation of the Moghuls, linking the western and eastern extremities of their vast empire, from Kabul to Calcutta. Since partition in 1947 road traffic between India and Pakistan has been limited, and today's traveller is most likely to start in Lahore, capital of the Punjab, and head west.

In earlier times Lahore was dubbed the "Paris of the East", and it is a complex and charming city. The great Moghul masterpiece, the Badshahi mosque, is in its way as impressive a piece of architecture as the Taj Mahal, and dominates the Old City on the banks of the river Ravi.

At night in the old city, in Heera Mandi, one can find a different version of Pakistan, one in which the country's south Asian roots suddenly seem much closer than the austere desert culture of its religious identity. Late in the evening the streets of Heera Mandi fill with brightly dressed women, and small shops reverberate to the sound of tabla and accordion. The girls dance, the band plays, and the visitor showers both with banknotes and rose petals.

To travel out of Lahore across the plains of the Punjab at dawn is to enter a mythical land of rolling mist, hugely overloaded carts pulled by diminutive but sturdy donkeys, small mud villages, and children piled on the back of pony traps, smart in their school uniforms.

Some six hours north the road brings one to Rawalpindi, once a British garrison town, and now a thriving bazaar town and headquarters of the Pakistan army. Perhaps this last fact explains why the city still has an air of the Raj about it, with its cricket ground, Victorian neo-Perpendicular church, and green lawns around the verandah of the officers' club.

A few kilometres north of Rawalpindi is one of the most dramatic collisions of ancient Indus culture and the modern state of Pakistan. Two camouflaged tanks, on concrete plinths, mark the entrance to the Taxila Heavy Rebuild factory, where the army's tanks are maintained.

But 2,000 years ago Taxila was a centre of learning and art. In the fifth century BC it was famous as the best university in the subcontinent, and in 326 BC her scholars debated with Alexander the Great. The Buddhist king Ashoka interred a portion of the Buddha's ashes here, and the museum has one of the world's greatest collections of Gandaran Buddhist art, with dozens of intricately carved statues.

After Taxila, the road crosses the Indus at Attock, where a short way upstream one can see the confluence of two mighty rivers, the Indus and the Kabul.

The Indus marks the beginning of the North West Frontier Province (NWFP), and here the landscape and villages change. The Pathans are a warlike, quarrelsome lot, and their villages reflect this, with houses surrounded by high walls and topped by towers that command a clear rifle shot of the fields around.

Peshawar is the capital of the NWFP, and it retains a frontier feel. The Old City bazaar has barely changed since the days of the Silk Road, and the traveller who wanders through its dark alleys and twisting lanes sees faces and goods from all over Asia.

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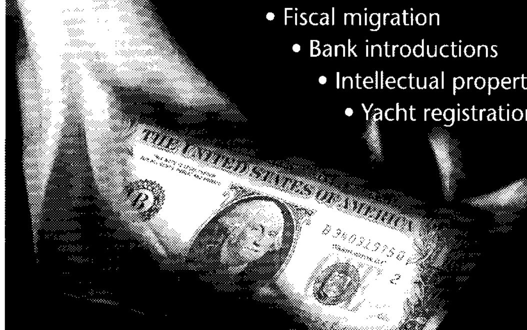

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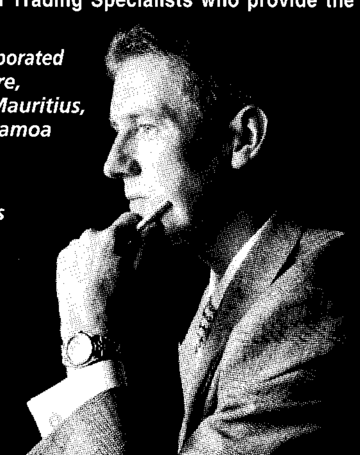

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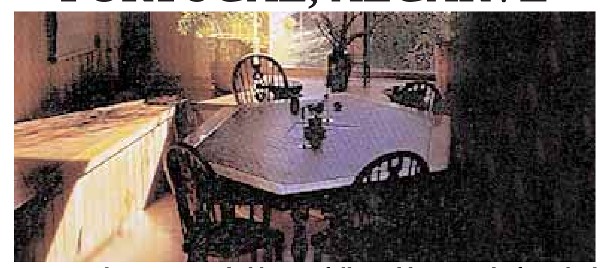

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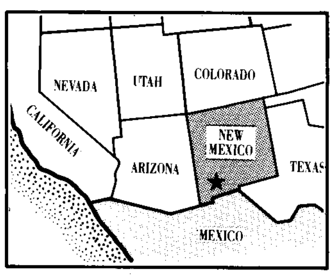

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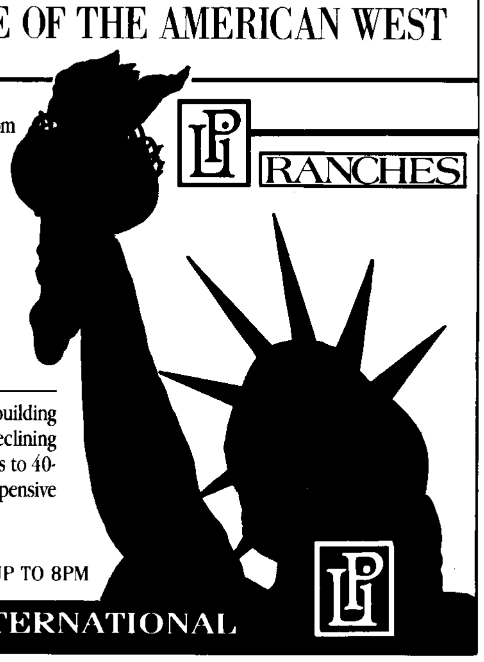

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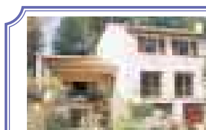

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PROPERTY ■ Wealthy Europeans who visit Ireland's summer festivals are finding they don't want to leave

Returning exiles add to party mood

CLIVE BRANSON

AUGUST is festival month in Ireland and this year the country has much to celebrate. Not only is the ceasefire holding in the troubled north but the economy is booming, thanks to European Union money and big investment by multinationals.

This happy scenario has helped reverse the flow of migrants to Britain and North America, creating a record-breaking property market. The recent increase in stamp duty on property to nine per cent failed to dent price rises, which this year averaged more than ten per cent throughout Ireland, and 15 per cent in Dublin.

Whereas formerly the market was dominated by American showbiz stars and business tycoons, wealthy Europeans are now showing an interest. Musicians, writers and artists still flock to Ireland because of its liberal tax regime (2,600 creative people were granted tax exemption in 1995).

Dutch and Germans are the keenest buyers, accounting for 80 per cent of the purchases in the early 1990s, but the decline of the Irish punt against sterling has brought the British back in force. The boom has caused a shortage of properties and pushed prices up in the Dublin area and along the coasts of Kerry, Cork and Galway, although there are still relative bargains to be had in the midlands.

Among the properties on the books of Michael Daniels, a County Cork-based agent, is Cloonaghlin Farm in Waterville, County Kerry. The area is noted for its mild climate, thanks to the Gulf Stream. The $700,000 house has four bedrooms, four reception rooms and 436 hectares of land, including a cottage, outbuildings and three stables, plus mountain and bog gardens.

Balmy: Cloonaghlin Farm is in County Kerry, a region noted for its mild climate. The estate is for sale at $700,000

Boolakeel House in Ballinskelligs, one of the finest properties in Kerry, has recently come on the market through Knight Frank, in association with Dominic J Daly. The $1.7 million, five-bedroom house includes a billiard room and library, a staff cottage, stables and outbuildings. It has a private beach and 20 hectares of sub-tropical gardens.

Hugh Hamilton of Hamilton Osborne King is handling the sale of Gerrardstown House and stud, 27 kilometres from Dublin. The $1.4 million four-bedroom house has 78-hectare grounds, including13 loose boxes, an indoor arena for horses, a steward's house and a groom's cottage. It will be auctioned, a favourite method of selling Irish property, on 16 September.

Contacts: Michael Daniels +353 25 39145; Knight Frank +44 629 8171; Dominic J Daly +353 21 277 399; Hamilton Osborne King +353 1 6760251

SPORT

World record sensation fails to win hearts in Denmark
Page 45

THE OVAL BALL ■ Record numbers of continental players are opting for lucrative exile in Britain. Can television make it worthwhile?

Rugby union faces the professional test

ROBERT KITSON

STEVE BARDENS/ACTION PLUS

Free-flowing: Saint-André's decision to move across *La Manche* to Gloucester is more bad news for the French game. It is losing players in droves despite having been the first European country to pay players before the era of open rugby

THE nightmare scenario for a first-class rugby player used to involve being trapped at the bottom of a scrum on a dark wet night in midweek when boots were rarely made just for walking.

But as European rugby becomes more professional, today's equivalent is to mislay your agent's mobile phone number.

As the new English league season kicks off, significantly earlier than ever, the old-fashioned world of meaningless friendlies and clubhouse drinking sessions is so out of date it could belong to the pages of PG Wodehouse.

Almost exactly two years after the International Board announced that rugby would become an open sport, a stream of clear-headed businessmen have slipped into the members' bar and discovered a sport laden with opportunities. The word has filtered around the world into every dressing-room from Dunedin to Dax.

Team lists for this weekend's first series of English games reveal that the initial trickle of imports is turning into a flood. Everyone has had time to digest the names of François Pienaar, Michael Lynagh and Philippe Sella at Saracens.

Now even French captain Philippe Saint-André, not to mention his brother Raphael, will be earning their salaries abroad, for Gloucester, while Italian international prop Massimo Cuttitta will wear the shirt of Harlequins.

They are not here because English wine lists suddenly have improved but because serious money is on offer.

Saint-André, the most successful captain in French history, plays his first competitive game for his new club against Bristol but reckons he and his brother made a shrewd decision in crossing the Channel, even before donning a Gloucester shirt.

"I wanted to play in the English championship because it is becoming the best in Europe," he said. "I would recommend it to other French players.

"We were only part-time in France and, in order to be ready for the 1999 World Cup, I felt I needed to play full-time rugby and spend less time on business."

Impressed by what he saw of the British Lions tour to South Africa, Saint-André was also attracted by the simple nature of the 12-team English first division structure, compared with France where split groups and subsequent play-offs can produce champions "who are not always the best".

Yet the great paradox of his move to England is that the French, who have been paying their rugby players for more than 70 years, are the losers.

While England has seen tycoons and investors pouring money into clubs and running them like businesses, France has retained its old formula, with clubs not yet organised as companies.

Not a single top French club has a full-time manager, let alone a marketing director.

French rugby still depends too much on public money, channelled mainly through the city councils. Moreover, television contracts signed in January 1995 for four years are well under the market price.

As a result, many of the most famous clubs – Toulouse, Bourgoin, Grenoble – were in the red at the end of last season despite the fact that French clubs have dominated the Heineken European Cup and that France holds the Five Nations championship.

Having been the first to embrace professionalism, the French are now lagging behind. No fewer than six French internationals play in Britain and the list is getting longer. Conversely, the only foreign internationals coming to play in France are Romanians or Italians.

French rugby still depends too much on public money

The flip side for Saint-André has been the extra reliance English clubs attach to physical fitness. "When he first arrived, he thought we would be playing touch rugby like in France. He soon realised we don't do that," said Gloucester's director of rugby, Richard Hill ,who managed to lure Saint-André thanks to the resources of Gloucester boss Tom Walkinshaw, who also runs the Arrows Formula One team.

Saint-André has, nevertheless, been keen to show there remain some things which Frenchmen do better than anyone.

"He gave us a 20-minute resumé of his general philosophy," said Hill. "Our backs left the room totally impressed because he gave us ideas which were completely revolutionary.

"We have tried them on the field and I can already see the benefit of having someone like him in the squad."

Yet, as with the effect the Bosman ruling has had on soccer and the resultant scramble for out-of-contract players, there is a significant downside to rugby's burgeoning professionalism. Five minutes with Europe's leading rugby agent, Mike Burton, the former England prop, underlines the concern of those like Lions manager Fran Cotton, who has gone on record as saying he fears the foreign invasion could rebound on young English players seeking top-quality rugby.

According to Burton, dozens of new imports will arrive in the coming months despite the ruling that no club can field more than two overseas players.

Article 48 of the Treaty of Rome, which permits no discrimination between European workers, has given agents like Burton licence to kill the spirit of the International Board's eligibility laws. He and others like him have swiftly exploited the gaps.

"You could conceivably have three Germans, six Frenchmen, three Irishmen, two South Africans and an Englishman playing for a first division team this season," said Burton.

"I share Fran Cotton's concern but I can only work in terms of demand. I've a Zimbabwe international who wants to come and play, I've also got an Argentine international and an American back-row forward arriving for trials."

The typical package on offer for an established international battling against old-style amateurism is not as lucrative as a footballer's wages but is still well-nigh irresistible: signing-on fee, health insurance, free car, £100,000 ($160,000) a year salary, relocation costs for six months and total disability insurance.

When Bath play Newcastle in the opening round of matches, only injuries will prevent either side fielding teams almost entirely made up of internationals.

"I just wish I was 19 again," said former England captain Rob Andrew, in charge of Newcastle's destiny. "When you analyse it, every single game is going to be fantastic."

Until last season, Newcastle as a sporting city was synonymous purely with the round-ball game. Then Sir John Hall, chairman of Newcastle United's soccer team, decided to integrate rugby into a multi-sports club and backed the idea with a pot of money for Andrew to spend on players.

To ensure that the product is as attractive as possible, any player found guilty of professional fouls this season can expect to be sin-binned for ten minutes, ice hockey style.

Another rule change sees half-time extended to ten minutes to allow spectators the opportunity to spend even more of their money on refreshments and club merchandise and, presumably, to give commercial television the chance to show more advertising.

In case anyone doubts the club game's widening profile, Sky is showing 31 live games before the end of the year, including 14 from the Heineken European Cup.

Sky's head of sport, Vic Wakeling, insists that "interest in rugby union has never been higher" and is anticipating record viewing figures.

Whether that interest is great enough to justify all the expense is what really matters.

For everyone concerned, players, fans and, in particular, benefactors, it's a make-or-break season.

Additional reporting by Henri Bru

THE FOREIGN LEGION

Harlequins top of the import charts

Bath
Dan Lyle (US Eagles), German Llanes, Federico Mendez (both Argentina), Brian Lima (Western Samoa; to be confirmed)

Bristol
David Tiueti (Tonga)

Gloucester
Terry Fanolua (Western Samoa), Andrew Gibbs (New Zealand), Philippe Saint-Andre, Raphael Saint-André (both France), Richard Tombs (Australia)

Harlequins
Tom Billups, Luke Gross (both US Eagles), Laurent Benezech, Laurent Cabannes, Thierry Lacroix, Laurent Belligoi (all France), Johnny Ngauamo (Tonga), Jamie Williams (New Zealand), Massimo Cuttitta (Italy)

Leicester
Joel Stransky, Fritz van Heerden, Michael Horack (all South Africa), Waisale Serevi, Marika Vunibaka (both Fiji)

London Irish
(none)

Newcastle
Pat Lam, Va'aiga Tuigamala (both Western Samoa)

Northampton
Shem Tatupu (Western Samoa)

Richmond
Steve Cottrell, Jason Wright (both New Zealand), Rolando Martin, Augustin Pichot (both Argentina), Matt Pini (Australia), Earl Va'a (Western Samoa)

EMPICS

Italian connection: Cuttitta's flair should make for a better spectacle

Sale
Shane Howarth, John Mitchell, Simon Mannix, Murray Driver (all New Zealand)

Saracens
Francois Pienaar (South Africa), Michael Lynagh, Brad Free, Ryan Constable (all Australia), Philippe Sella (France), Brendan Daniel (New Zealand)

Wasps
Trevor Leota (Western Samoa), Gareth Rees (Canada), Mark Weedon (New Zealand)

SPORTING WORLD

CYCLING

New race falls flat

THE sport's newest World Cup race, the Rochester Classic in southeast England, is already under threat following farcical scenes at its inuagural event. The course not only looped through thick countryside but was also marred by a stream of parked cars which caused countless accidents. The Classic, switched from Leeds in the north of the country, came under fierce critcism from riders and teams and may now have to give way to a German event next season. "It was outrageous," said Theo de Rooy of Dutch team Rabobank. "How can you have a World Cup race like this?"

FOOTBALL

Sex case splits club

FOUR Dutch footballers have appealed against their dismissal for having group sex with a 15-year-old girl in a car outside the team's hotel. The players, from first division club Telstar, were at a training camp when one of them met the girl in a disco and brought her back to meet the others. After the incident, the teenager complained to the club's manager, who immediately sacked the players. They have complained to their union and the case will go to an industrial tribunal. The Telstar manager has insisted he will leave the club if ordered to reinstate the players.

ATHLETICS

Student event fails

ACCOMMODATION problems, bad transport and communications and a lack of new facilities are among concerns facing organisers of the World University Games in Sicily which began on 19 August. "We had hoped to present an example of efficiency but the organisation has moved into emergency mode," said a spokesman. It was bad news for Rome's bid for the 2004 Olympics Games. The city had hoped Italy would win all-round praise from a smooth running event.

MOTOR RACING

Please stay Damon

FORMULA One supremo Bernie Ecclestone has moved to help world champion Damon Hill find a competitive drive in Formula One next season, and warned him not to be tempted by offers from Indycar racing in the United States. Hill, who almost brought the Arrows Yamaha team their first win in 20 years of racing when he finished second in the Hungarian Grand Prix, is out of contract at the end of this season. Ecclestone said he has always regarded Damon as one of the world's best three drivers and does not want him to leave for America.

SPORT

ANDREAS RENTZ/BONGARTS

Boris to Boris: Becker (right) gives advice to 16-year-old Bachert. The teenager is a key member of the youth development programme headed by the former world Nº1

TENNIS ■ An intensive drive is under way in Germany to nurture new stars

Becker serves a lasting legacy

ANDREJ ANTIC AND BILL SCOTT

BORIS BECKER was nervous, as nervous as at any time during his illustrious career. Yet here he was in a pin-stripe suit far from any court.

In front of him stood the future of German tennis, five players all aged 20 or under with whose development Becker has been entrusted. It is a mission he relishes, just as he has always relished pressure.

"I can show these guys how it looks at the very top," Becker said. "I was really lucky at the beginning of my career because I had support from people like Tiriac, Nastase and Vilas. Now I am in their position."

Rarely has German men's tennis needed such a fresh injection of talent. The timing is welcome: Becker's new role co-incides with the start of US Open, the year's last grand slam tournament, on 25 August. Becker will not be there because of the sudden death of his long-time adviser. He may now never play another Grand Slam tournament, since the US Open was due to be his last.

Another player absent from New York will be Michael Stich, having retired after reaching the semifinal at Wimbledon.The departures of Becker and Stich will leave a gaping hole in German tennis. Yet thanks to Becker and the foresight of his sponsor Mercedes-Benz, attempts are being made to find the next generation.

There is Nicolas Kiefer who has already displayed his potential by reaching the last eight at Wimbledon but recently tore his ankle and won't be able to play until after the US Open. "I think he will be the next to go to the very top," said Becker. "He has the character and his hand-eye co-ordination is unbelievable."

Then there is Alex Radulescu, a quarterfinalist at Wimbledon in 1996. Of the other three, one, in particular, stands out: not just because of his promise but because of his first name, reddish hair and home town. Just like Becker, Boris Bachert is from Lieman and, at 16 , is already having to endure comparisons with his mentor. Mercedes is trying to keep him as level-headed as possible while he learns the ropes.

'It will be tough for them. If they cannot do it they must leave'

"I tell them all how they have to live, how they have to practise," said Becker who has had 14 years of experience. "I will watch them permanently. It will be tough for them but if they cannot do it they must leave the team."

Just when Becker decides to play his final match and concentrate for good on German youth is still undecided, publicly at least. But most experts predict he will give up before the end of the year. For Mercedes, having him on board its tennis programme is a match made in marketing heaven. "If we want to continue with tennis success, we must look after the next generation of players," said Martin Geers, Sports director of the Stuttgart-based car giant. "We must invest in the sport if we want to keep tennis up with Formula One and soccer in Germany."

Each young player will be paid 25 per cent of his future ATP Tour prize money directly, with the balance being banked by Mercedes and returned to the players when they leave the development squad.

Becker's ten-year contract with the car giant is worth a reported Dm20 million ($10.74m) but Mercedes believe it will be money well spent to ensure the future health of the sport. Kiefer says that the door is opening wider already for himself and other young Germans such as Tommy Haas and Daniel Elsner, who have been brought through the ranks by the German tennis federation.

"Boris was a great player; he accomplished so much in his career. We young Germans now have a great motivation to try and do as well as Boris and Michael have done," Kiefer said.

While Stich will have no active role within the programme, his own accomplishments are impressive. He won Wimbledon, was a runner-up at the French Open and at the US Open and almost went to Nº 1 in November, 1993. So why have German officials allowed the gap behind Stich and Becker to widen so far?

"In the golden 1980s we all reacted too late. The consequence is a huge gap within the 18 to 22-year-old group," said Claus Stauder, president of the federation. "Maybe you should expect more from a federation with 2.3 million members and 600,000 young players. On the other hand, in 1985 we had one or two players in the top 100. Now we have ten."

Yet there is no star even though the German Federation spends Dm14m a year and employs 150 coaches. And the television contract that has so far netted Dm125m ends in two years. Time to find a successor to Becker is running out but Mercedes and the federation are realistic. "It was incredible that Becker, Stich and Steffi Graf all played at the same time. We were extremely lucky," said Sanders. "Now we have to go back to normal life."

Burghard Graf Vitzthum von Eckstadt, chief of Mercedes' marketing department, agrees. "We are looking for a player who is able to stay among the top 30. Anything more would be fantastic. We cannot produce a new Boris Becker. Someone like him is born."

DEFECTION

Golden girl to quit Russia ?

DESPITE being Russian, Anna Kournikova has long had the makings of an All-American tennis player. With her blonde ponytail, year-round Florida tan and dogged baseline play, she can easily be mistaken for a young Chris Evert.

Now Kournikova, who reached the last eight at this summer's Wimbledon aged just 16, is trying to make the switch for real. Having been based in the United States virtually full-time since her childhood, she has now applied for permanent residency there.

Although American immigration officials refused to honour the initial request, citing a mistake in the documents provided, it is almost certain that Kournikova will get her wish to follow in the footsteps of Martina Navratilova and Monica Seles.

The Russian Tennis Federation played down the probable loss of their most promising player by saying that it takes at least five years to become an American citizen, but privately they are understood to be worried.

In her brief time in senior tennis Kournikova has already shown she is a potential champion, and her looks make her the pin-up of every boy and the idol of every girl in Russia.

If she does receive American citizenship, it will be a huge blow to the hopes of the Russian Tennis Federation to promote the game in their country.

One Russian tennis coach who wanted to remain anonymous said the news was inevitable.

"From day one of Anna's tennis career, her mother's goal was to make the most of it in terms of financial success. Living and representing America will bring a lot more sponsors and endorsements."

The move did, however, come as a surprise to her coach Larisa Preobrazhenskaya.

"I don't know much about her decision," said Preobrazhenskaya, who has been coaching Kournikova for ten years. "You had better ask her mother," she added, indirectly supporting her colleague's view of where the decision to move most likely originated.

GENNADY FYODOROV

ATHLETICS ■ Denmark's adopted son keeps his distance from the public

An unloved champion

MICHAEL BUTCHER

IT was supposed to have been a celebration, but the guest of honour was missing.

One hundred people had gathered at the Danish headquarters in Athens to drink the health of Wilson Kipketer, who had just retained his 800-metre title at the world championships.

Eventually, the man who was to go on five days later to capture the 800-metre world record in Zürich showed up. But it was a disappointing entry.

Sitting quietly to one side with his Danish girlfriend, he smiled politely, took a few sips of a drink and then disappeared as stealthily as he had arrived.

It was a significant moment because it illustrated Kipketer's uneasy relationship with his adopted homeland. After seven years, Kipketer receives Danish citizenship on 1 December, but the Danish media are resigned to the fact that they will never break through the protective shield the Kenyan has constructed about himself.

By extension, there is an equal distance between Kipketer and the Danish public. "Athletics is not big in Denmark anyway and few people know about him because he is so reluctant to speak," said Paul Hansen of Danish Radio.

Communication has become a key element in Kipketer's strained relationship with Denmark. The man who seems so eager to cast off his Kenyan past seems equally reluctant to take a new identity.

Much to general consternation, Kipketer's Danish has actually worsened over the past two years, to the extent that Danish television now subtitles what he says. He also speaks English with his Polish coach, Slawomir Novak, and Estonian manager.

It would be easy to dismiss this as unimportant, but if you cannot make the effort to learn a new language, just how seriously do you expect people to take your claim to nationality?

It is all very reminiscent of another famous foreigner's quest some years ago. One of the constant reminders that South African Zola Budd was not that serious about taking British nationality was the fact that she mostly spoke Afrikaans.

"He is hopeless to interview," said Hansen of Kipketer. "He is very reserved, you get nothing out of him. You just can't construct a programme around him."

The written press find him just as difficult. He never agrees to interviews, yet promised to speak when he equalled Sebastian Coe's 16-year-old 800-metre world record in the Stockholm Grand Prix on the eve of the world championships. When the moment came, everyone was monumentally let down. "You all saw the race, you can write about it, what more can I say?" said Kipketer. And that was *all* he said.

His distant manner has a serious impact on his pocket. Sponsors find him so unattractive that he makes far less than he should. By contrast, Norway's Olympic champion Vebjørn Rodal earns almost double. Though figures are only approximate, Denmark's *Jyllandsposten* newspaper estimated that Kipketer makes only $400,000 a year compared with Rodal's $750,000.

The fact that the Norwegian cannot get near to Kipketer on the track only serves to highlight the contrast in earning power. At the world championships last month, the Norwegian was fifth; in Zürich he was sixth.

Denmark's east African connection goes back to 1990 when the president of KIF athletics club, Ove Bjørn Kraft, travelled to Kenya to bring back some runners to promote his club. Kipketer was not the only one to take up the offer of free board and lodging.

In contrast to his impregnable personality, another Kenyan who came to Denmark at the same time, formerly Robert Kiplagat, now Andersen, speaks perfect Danish and is accessible and outgoing.

Although they used to share a flat, the two are now at loggerheads. Andersen is so determined not to be confused with Kipketer that he even dyed his hair. He has some way to go to equal Kipketer on the track but is adamant he does not need the world record breaker to learn how to do it.

After finishing eighth in the Athens 1500 metres, Andersen was asked if he ever sought advice from Kipketer. "Me, ask him for advice? Never," he answered, barely able to conceal his scorn. His more illustrious compatriot may have erased the 800-metre mark but whether he gets over the bigger hurdle of living in peace with a new culture is another story.

MARK THOMPSON/ALLSPORT

Bouquets: but back in Denmark world record holder Wilson Kipketer has not allowed his personality to blossom

Good sporting week...

Morten Olsen could hardly contain his relief and joy after a stunning performance by Ajax on the opening day of the Dutch league season. Under severe pressure as he stepped into Louis van Gaal's shoes, the former Danish international saw Ajax trounce Vitesse Arnhem 5-0 in front of 50,000 fans with a display he described as the most dazzling by any side he had coached.

Davis Love III is the latest golfer to shrug of the tag of being called the greatest player never to win a major tournament. The American won the USPGA , the last major of the season, and sent an ominous warning to the Europeans ahead of next month's Ryder Cup.

Michael Johnson, long described as a superman, has now managed another feat of superhuman proportions by becoming possibly the highest paid also-ran in the history of athletics. At the Crystal Palace meet last weekend, Johnson was paid $100,000 just for finishing fifth against a field of anonymous home athletes in the 200 metres. The Olympic champion, Johnson's time of 20.87 would only just have qualified him for this year's European junior championships.

Bad sporting week...

Paris St Germain look certain to miss the European Champions League after fielding an ineligible player in the preliminary round against Steaua Bucharest. The club's 3-2 first leg defeat against the Romanians has been increased to a 3-0 loss because defender Laurent Fournier should have been suspended. PSG, who have targeted the Champions League after reaching the semifinals two years ago, now have an almost impossible task in the second leg. They face being dumped into the Uefa Cup along with all preliminary round losers.

Nick Faldo's hopes of making the European Ryder Cup team for the 11th time hang on a knife edge after he missed the cut at the US PGA. Faldo's poor form has fuelled speculation that he could miss out when non-playing captain Severiano Ballesteros chooses his two wild cards after the final two qualifying events. Ballesteros will probably have to choose two players from the Englishman and his closest rivals, José-Maria Olazabal and Jesper Parnevik.

Andrei Korneyev, Olympic bronze medallist, who was involved in a doping furore in Atlanta, was disqualified at the European swimming championships in Seville. The Russian dived ahead of the gun in the 100-metre breaststroke.

SPORT

MIKE COOPER/ALLSPORT

Mutual respect: Fisichella and the helmeted Schumacher exchange greetings after a recent race. The young Italian could soon be as much in demand as Germany's two-times world champion

MOTOR RACING ■ Six years on and the Belgian GP focuses on another tug-of-war

Young, gifted and on track

JONATHAN NOBLE

SIX years ago this weekend, a little-known German driver was about to make his debut for Jordan at the Belgian Grand Prix at Spa-Francorchamps.

Once there, he made such an impression that a tug-of-war ensued, culminating in his switching camps and signing for Benetton for the following race in Italy.

Three years later, that same driver, a certain Michael Schumacher, won his first world championship.

On 24 August, history will repeat itself at Spa, although the name of the driver concerned will be different. This time, Giancarlo Fisichella of Italy is the man in the Jordan hotseat, with Benetton waiting in the wings to pounce once the race is over.

Benetton's managing director, Flavio Briatore, oversees Fisichella's career and has taken up his option on the 24-year-old for 1998. But Jordan are understandably unhappy about losing one of the sport's brightest prospects in a season when a number of youngsters have come of age.

Although Fisichella has so far refused to talk about his future, Gary Anderson, Jordan's technical director , has his own views. "I believe if he goes to Benetton, he'll get buried because the politics are such that as he's not a politician, he's not going to be able to stand that," Anderson said.

"The minute he gets there he's going to have this 'you've got to win' attitude. I'm not sure if he's ready for that for another year."

> **'If he goes to Benetton, Fisichella will get buried by politics'**

Sour grapes? Possibly, yet irrespective of Fisichella's future, the fact that he is at the centre of such controversy is further proof of how young drivers have become such hot property in Formula One.

Ross Brawn, technical director of Ferrari, is the man who helped Schumacher to the world title in 1994 and 1995. He is convinced that Gerhard Berger's recent victory in Germany, coming after a three-race absence, was simply the result of his young, part-time replacement, Alexander Wurz, piling on the pressure.

"Wurz certainly made the difference," explained Brawn immediately after Berger's victory at Hockenheim. "For a young guy to go in like that and do so well, it must have made the two other drivers think very carefully. Wurz made them up their game a bit in a few areas."

It is certainly no surprise to hear such praise being heaped on the young drivers. Formula One is witnessing a major transition, with the older, more experienced stars being replaced by young, keen and, perhaps most importantly, cheaper talent. When Olivier Panis broke both his legs in the Canadian Grand Prix, team boss Alain Prost had no hesitation in opting for Jarno Trulli rather than an experienced driver such as Martin Brundle.

As the financial pressures in the sport increase, with top teams such as Williams and Benetton having to pay for their engines next season, money is no longer a bottomless commodity. When a team boss can pay £1 million ($1.6m) for a young driver as opposed to paying an experienced man six times that amount, it is not too difficult to see why the young men are flourishing.

"It's true," said Wurz, who finished third in the British Grand Prix as Berger's stand-in and is hotly tipped for the second Benetton seat, irrespective of where Fisichella ends up. "Young drivers are much cheaper, yet they have the same lap times."

Berger, aware that his place at Benetton is under threat, disagrees. "I don't think there is anything new about the young guys this year. Look at drivers like Stefano Modena and Ivan Capelli. Where are they now? For sure Alex did a good job because when you go into a test contract you don't usually expect to race, except if a regular driver drops out, which is what happened with me. Alex took his chance but I think we have yet to see his limit."

Andy Tilley, who has worked with Mika Hakkinen, Johnny Herbert, Berger and Brundle, is now Fisichella's race engineer at Jordan and believes today's young drivers are far better prepared than their counterparts five years ago.

"When Hakkinen came into the sport in 1991, he had only a very basic knowledge of what was expected of him," Tilley said. "Fisichella is a lot better prepared. He raced in the International Touring Car Championship last year and that gave him experience of working in a high-pressure environment, with big manufacturers and high technology. It certainly made a difference."

> **'There has been something of a vacuum behind Schumacher'**

Wurz, for one, is not fazed by the stars. "The law of physics are the same for Schumacher, the same for Jean Alesi, the same for me and the same for everybody," he said.

"You just have to take the car to the limit and that is true for everybody – including Michael. I am not saying I am better than him but neither am I saying I am worse."

Wurz recently had talks with Sauber but wants to wait for something better. "I did talk to them, but it is not an easy situation. There are so many things to think about in my position. Do I just go on testing? What happens if Gerhard becomes ill again? Would I be able to come back with Benetton? At the moment I have a contract with Benetton and I have a contract with Mercedes for the GT Championship. A few teams have put their cards down, but I still have some very good existing ones."

One of the most experienced men in the paddock, team owner and former world champion Jackie Stewart, has his own view on the matter.

Stewart believes that the sport is not necessarily awash with the best talent in years, rather that it is more a case of the established drivers, Michael Schumacher excepted, being nothing special.

"I have felt for some time that the current crop within Formula One has not been very stimulating," Stewart said. "There has been something of a vacuum behind Michael Schumacher.

"Think of Jacques Villeneuve spinning off at Montreal in what can only be described as a total mind-management drop-out. Frentzen is continually making unforced errors in the best car, and Alesi, who has won one grand prix out of 129 starts, is a peak-and-valley merchant.

"These guys don't tend to dominate."

FOOTBALL ■ After spending more than $90 million, Louis van Gaal has no time for failure

Iron man rebuilds Barcelona in secret

GILES TREMLETT

AS the Barcelona players sweat over the second leg of their Champions League qualifier on 27 August, the club's 90,000 members and its hundreds of thousands of supporters want to know what is going on. But both literally and figuratively, their view into the club has been blocked.

Louis van Gaal, the iron man of European football, has taken over. Up to 2,000 fans used to turn up daily at the club's Masia practice ground to watch training sessions. Van Gaal has told them all to go home.

Those who still make the journey have nothing to see. The new boss has had a tall wire fence, hung with heavy green canvas, built around the training pitch. A small hole has been cut, allowing press photographers and television cameras a single long-distance shot of proceedings.

Somewhere behind the wire, Dutchman Van Gaal, who gave Ajax a Champions' Cup, a Uefa Cup and three Dutch league titles, is building the Barcelona of the new century.

He has already imposed tight control over the club and its players. Talking during training sessions is banned. Indiscipline has been quashed with what local journalists have dubbed "the killer Van Gaal glance". Anybody whose mobile phone goes off in the team coach is fined $70. Fines are also handed for unpunctuality.

Van Gaal has even smartened up Bulgarian Hristo Stoichkov, a former European Footballer of the Year and the most senior member of squad. Stoichkov has been told he can longer play with his shirt untucked.

What Van Gaal is busy doing is reprogramming players who have grown used to individualistic play.

"He wants to be in control of the game throughout," explains captain Pepe Guardiola. "We need time to adapt."

The players are clearly in awe of their new boss. They had got used to the relaxed, jovial atmosphere under his predecessor Bobby Robson, or "Sir Bobby" as he is affectionately known throughout Barcelona.

Van Gaal's techniques have been described as pure torture by the local press for the way he demands absolute concentration and effort and alternately damns and praises the players.

Public rebukes are handed out to those who fail to concentrate. The players said they were exhausted at the end of a week's pre-season training at a Dutch country hotel.

But Ivan de la Peña, the 21-year-old midfielder most starstruck of them all, gets a kiss on his shaven head when he gets it right.

"I am the head of a large family," says Van Gaal.

Players are fined $70 if their mobile phones ring on the team coach

The media boycotted the new coach's first press conference in protest at his rules. Only four players a day are allowed to talk to them, and then for only half an hour. For Barcelona's two daily sports papers, which normally devote half their space to the club, life is hellish.

The squad members appear too scared to utter little more than platitudes about their new coach. Everybody else at the club is banned from talking. It is a shame, because there is much to discuss. Van Gaal, after trying out the Dutch 3-4-3 arrangement, has now employed the more old-fashioned 4-4-2 system employed by Robson. So far, neither has proved a success: Barcelona scraped a 3-2 home win over Latvia's Skonto Riga in the first leg of their Champions League qualifier after trailing for much of the match, and drew disappointingly with Sampdoria in a friendly which provoked whistles from the world's most demanding fans.

If Van Gaal needs a reminder of their influence, it is Robson. The Englishman won the Cup Winners' Cup, Spanish domestic cup and finished second in the league during his sole season in charge, but it was not enough. Real Madrid won the league and that was too much for the fans to bear.

Robson became the world's best-paid chief scout on a $500,000 salary, and Van Gaal was brought in from Amsterdam to overthrow Real.

He has the raw material. Barcelona used Ronaldo's $28.8 million world record transfer fee to sign his fellow Brazilians Sonny Anderson and Rivaldo, Dutchman Michael Reiziger, France's Christophe Dugarry and Serb Dragan Ciric.

A $19.2m bid to buy Steve McManaman from Liverpool collapsed because the England winger did not want to go and Van Gaal decided he wanted Rivaldo instead.

But Barcelona has still splashed out more than $90m this summer. The club is the top buyer in the world's biggest-spending league, so Van Gaal cannot say club president Josep Nuñez has not been generous.

Rivaldo's signing from Deportivo, coming after the dreadful game against Skonto, had a feel of panic about it. The striker joined on 15 August, the last day players could be registered for European competitions. At $25m, he cost Barcelona 40 per cent more than they paid for the man he will replace, Ronaldo. If his goals take Barcelona to Spanish league and Champions' Cup success, it will be judged a good deal. If not, then Van Gaal will be blamed.

Since his arrival at Barcelona, Van Gaal has become fond of saying that he is "in charge". Robson is the perfect proof that, at Barcelona, the phrase is never true of the coach.

Van Gaal has also said often that he needed six years to reorganise Ajax. He will be fortunate if he is allowed a third of that time at Barcelona.

The Continental

INTERVIEW ■ Claudia Schiffer, the world's richest model, has chosen to make her screen debut in a hardcore tale of sex and drugs. So why was it time to shed her good-girl image?

Acting dirty

CHRISTINA CARRILLO DE ALBORNOZ

MIDNIGHT on a Miami beach, and Claudia Schiffer is plunging fully-clothed into the sea to rescue her alcoholic, drug-addict boyfriend. As he heads obstinately for the horizon, the 1.7m supermodel lunges at him and tries to haul him ashore, her floral frock clinging becomingly to her body.

The scene is the finale to Abel Ferrara's latest film, *The Blackout*, and the director is, understandably, making full use of the famous Schiffer physique. Less comprehensible is Schiffer's choice of film for her screen debut. The girl-next-door of the fashion world who deplores drugs, promotes wholesome living and says she likes nothing better than curling up in front of a video with a bag of popcorn and freshly squeezed orange juice, turned down plenty of film scripts before signing up with Ferrara, a director who has made on-screen psychosis and drug addiction his speciality.

The Blackout is a graphic depiction of a Hollywood star Matty (played by Matthew Modine) and his slide into drugs and alcoholism, taking in video pornography and murder along the way. One critic described it as resembling an adult video in its bawdy sexuality; all agree it is Ferrara's most audacious film to date.

So what made Schiffer swap her fitness videos for a 90-minute trawl through the underworld? "It was exactly the kind of cinema I wanted to do," she says. "I was seduced by Ferrara's world. I did not want an action film with a massive budget; I wanted to make my debut with an unconventional director. Those are the kind of films that are respected by other artists."

The Blackout, alas, is a film that starts out as a serious psychodrama and degenerates into orgy of decadence. For Schiffer, however, it must have offered a safe, fascinating glimpse of a forbidden subculture which is entirely alien to her own squeaky-clean lifestyle.

Her on-screen character, who is sucked into a world of vice and violence, has similarities with her own personality. She plays a goody-goody gallery owner who attempts to salvage Matty's sanity while he tries to work out whether or not he's murdered his former lover Annie (Béatrice Dahl). Schiffer wafts through the film in a series of floral blouses and remains modestly covered even in the bed scenes with Matty. "She is," says Matty at one point, "like a health food store."

The epithet could be applied to Schiffer herself. She deplores models who look "anorexic, unhealthy, and tired in their photos as if they'd been on drugs or partying all night". She shuns drugs which she claims have infiltrated the fashion world again. "When I started in the late eighties the drug scene was virtually over. There are times now when everybody in the studio is stoned except me. I come from such a clean-living background I didn't even notice at first," she says.

> 'I wanted to make my debut in a film that is respected by artists'

She refuses to strip for the catwalk although would not rule it out on screen if the role demanded it. "But if it were just to excite the audience then my answer would be no." This virtuous image has recently become something of a liability. Karl Lagerfeld last year replaced her with the skinny, scowling English model Stella Tennant, claiming that his former muse "is part of another world, another time". Jean-Paul Gaultier went further, declaring that Schiffer "doesn't represent a breath of fresh air, she represents an old recycled generation. I don't want to be nasty, but she's got no personality."

In response, Schiffer last year announced her retirement from the catwalk at 26, because, reportedly, she felt she was not trendy enough. A month later she signed with the Elite agency but assignments have dwindled and she was not at the Paris fashion shows last month.

Despite her puritan views about nudity, one of her latest magazine covers features Schiffer posing in an S&M outfit complete with ripped fishnets and an explosion of blonde hair. And now she has made her starting film debut with one of Hollywood's most subversive directors. The signs point to a reinvention of the Schiffer image, something she implies when her screen role is mentioned. "In the fashion world everything revolves around beauty and physical perfection," she says. "The designers can transform you and create many different images of you, but they have nothing to do with what you really are. What I like about cinema is that you can live inside the skin of someone else who is totally different from you."

One gets the impression that Schiffer is vigilant about her reputation. She is reputedly an excellent businesswoman and obviously realises her image is a marketable commodity. She once sued three newspapers for printing pictures of her topless on holiday; more recently she issued writ against *Paris Match* for alleging her romance with the American illusionist David Copperfield is a publicity stunt; and last week police raided the offices of the German magazine *Bunte*, which she claims falsified documents about her and Copperfield. Not that this has stopped the gossip that Copperfield wanted to boost his ratings in Europe by courting one of its most famous faces. The couple are rarely seen together and their wedding date has frequently been postponed. "These rumours affect me a lot," says Schiffer. "The more famous you are the more you are criticised and slandered. People are always wanting to topple you and don't forgive you for the slightest mistake. David and I see each other as much as we can, every two or three weeks, but we both have so many other obligations. When you are madly in love with a man and are always there for him, like Susan in *The Blackout*, they take it for granted and don't appreciate you." Would she be as tolerant in love as Susan? She laughs: "I understand when you're in love you accept terrible things."

She does hope to marry and have children but, not yet. She is more focused on a holiday home in Mallorca because her previous retreat was vulnerable to the paparazzi. "I understand people are interested in knowing a celebrity, but I would like more privacy."

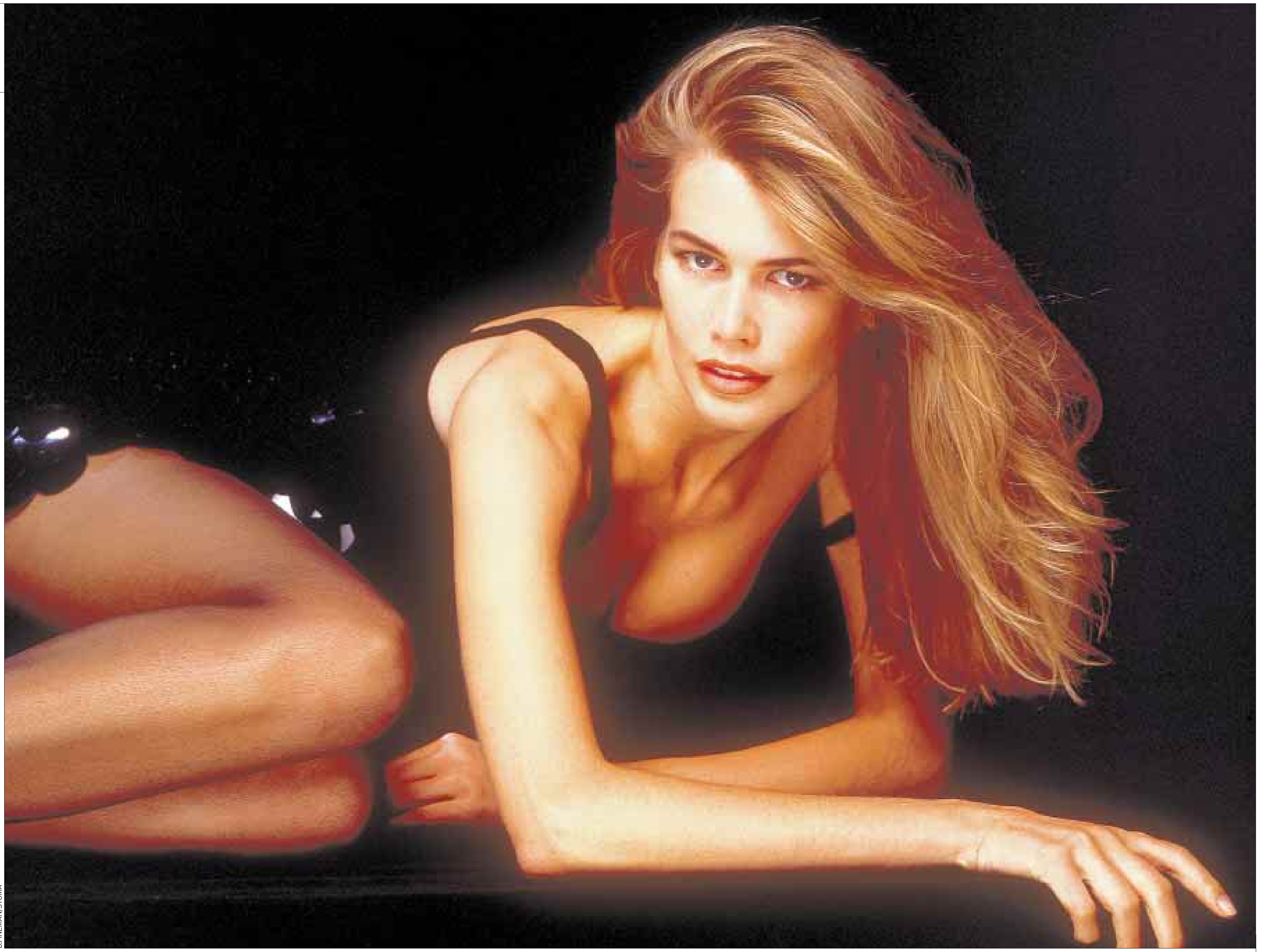
It comes as something as a surprise, then, to learn that her next project is her own website on the Internet. "Soon people will be able to buy books, videos, photos – to get everything about me," she explains. This venture is another offshoot of the Schiffer business. Reputedly the world's richest model with an annual income of up to $14 million, she has a three-year $8.2 million contract with Revlon, and in Japan promotes fizzy drinks. Together with Christy Turlington and Naomi Campbell she launched the Fashion Café chain which opens new outlets next year in Paris, Madrid, Manila, Singapore and Hong Kong. Her autobiography, *Memories*, and workout video, *Perfectly Fit*, were released recently. Her overall worth is estimated at $41 million.

When we meet, Schiffer is simply dressed in black trousers and a plain T-shirt: "I never wear big jewellery; I'm not that type. I don't even have my ears pierced," she says. She credits her parents for her business sense; her father is a lawyer and her mother helps manage her financial affairs. At school she remembers dressing down in jeans and T-shirts because her family wealth embarrassed her. "I never wanted to be the centre of attention but my parents would drive me to school in a Mercedes and I'd be wearing these great new outfits, so in the end I would only wear old clothes."

She was discovered ten years ago by a modelling scout in a Düsseldorf nightclub. Despite the fact her catwalk career seems to be on the wane, she insists modelling is still her principal career: "Models of 30 and 40 are still successful – like Lauren Hutton or Christie Brinkley. I want to continue for another ten years."

Whether she will be given the opportunity is another matter. To be on the safe side, she is planning a second film with Ferrara, *New Rose Hotel* starring Willem Dafoe. Ferrara is frank about his priorities when he cast her. "She devours the cameras," he says, "and that is the main asset for an actress."

The Blackout is released in Spain next month



D.FINEMAN/SYGMA

Models who have made a career move in the movies

ARTUR LLEO/EL PAIS

On camera: Vanessa Lorenzo (above), Cindy Crawford in *Fair Game*, and Monica Belucci in *Doberman* (far right)

THE film world has long been a popular stalking ground for models anxious to obtain recognition for something other than their superficial good looks.

Their ambition is understandable. Film stars are beginning to encroach on traditional model territory, commandeering fashion magazine covers and some of the most lucrative cosmetics and perfume deals.

Most models, like Claudia Schiffer, have sensibly tested the water with modest roles. Elle Macpherson has made several minor movie appearances (*Sirens, Jane Eyre*), the most recent being as George Clooney's girlfriend in *Batman and Robin*. She may have been beautiful, but boy was she dull!

Naomi Campbell has had a bit-part in Spike Lee's *Girl 6* and Tatjana Patitz joined Sean Connery and Harvey Keitel in Philip Kaufman's *Rising Sun*, but her character was, perhaps wisely, murdered in the opening scene.

Blind ambition got the better of American supermodel Cindy Crawford when she took the leading role opposite Alec Baldwin in *Fair Game*. Her performance was such that several scenes had to be reshot and the release date pushed back three months. The French cinema magazine *Studio* cited it as one of the worst performances of 1996.

Not all transitions from the catwalk to the cinema have been so ill-fated. The most shining example is Jane Fonda. The *Vogue* cover girl went on to win two Oscars for best actress (*Klute, Coming Home*) and was nominated for another six. The former Dutch model of *GoldenEye* fame, Famke Janssen, has recently starred opposite Harvey Keitel in *City of Industry*.

Leading a new breed of talented beauties is the 27- year-old Italian actress Monica Belluci. After working the London, Paris, New York circuit she landed a small part in Francis Ford Coppola's *Bram Stoker's Dracula*, but decided that the best place to learn the craft was in France.

In the last year she has starred in four films, the most recent of which, *Doberman*, has been hailed as France's answer to *Pulp Fiction*.

Hollywood, sensing powerful star quality, is now attempting to woo her back across the Atlantic.

Vanessa Lorenzo's first taste of stardom was when she starred in a TV commercial with Barbie when she was 11.

Now the 20-year-old Spaniard is the latest model to be discovered by Italy's top film director Leonardo Pieraccioni, whose film *Il Ciclone* was a box-office sensation. He has cast Lorenzo in his new project, *Fuochi d'artificio* (Fireworks). But Lorenzo is in no hurry to change her career. "I prefer to concentrate on my modelling," she says.

The most recent catwalk convert is rumoured to be the British model Kate Moss. The former girlfriend of Johnny Depp is reported to have a $500,000 deal to star in a futuristic drama *Wounded*.

She should take note of a new doctrine circulating among Hollywood's top casting executives: never work with children, animals *or* supermodels.

The Continental

ANDY BAKER

Another Disney, another doll: Hercules and friends are the latest to get the animation treatment

BIG SELL ■ Buying a ticket to a Disney film is just the start of the fun; no wonder they make more from toys than cartoons

Seen that, got the T-shirt

BIRNA HELGADOTTIR

DORA JULIA owns a lion cub costume so she can dress up like Simba. The five-year-old can also become a Dalmatian puppy, Aladdin's bride Princess Yasmin and the native American heroine Pocahontas, all thanks to Walt Disney's merchandising machine.

Next comes *Hercules*, and her parents are wondering whether to give the cinema a miss this time. "It's not that we don't want her to see it," says Dora's father, Agnar Hansson, a Reykjavik stockmarket analyst. "You know a Disney film will be entertaining, but you are committing yourself to the T-shirt, the video, and all the rest of it."

According to Hollywood trade magazine *Variety*, Hercules is set to be the studio's least successful animated film in eight years. It predicts that *Hercules* will make $95 million in the US – a resounding hit by the standard of most studios, but Disney tend to set its sights higher than most.

The great Disney animation renaissance, which began with the *The Little Mermaid* in 1989, reached a peak with the 1994 blockbuster *Lion King*, which took $770 million at the box office worldwide, and was the fifth-biggest grossing film of all time. Since then, each release has done less well than its predecessor – the most recent, *The Hunchback of Notre Dame*, cleared $100 million in the US. It did better in Europe, Disney's biggest market in terms of ticket sales.

Perhaps a backlash is developing against Disney's hard sell. Parents are being put off by the marketing blitz and the cost of the extras that follow each new release.

Anita Bush, a Disney specialist and senior editor at *Variety*, agrees that Disney may have gone too far with its latest release – there is actually a song in Hercules which extols the joys of merchandising the hero. According to Disney, "this song is an exercise in subtle irony. We are pulling our own leg." But Bush says: "It is meant to be ironic, but when you come out to the cinema foyer you are barraged with Disney products."

> 'We are trying to be careful, but we have to sell films'

Precise merchandising figures are not available, but it is estimated that a Disney film making $100 million at the European box office will pull in five times as much through spin-offs. Then there are the tie-in deals: a recent ten-year agreement with McDonald's could make the two companies up to $1 billion.

Sales in the shops do not always depend on a smash hit film. *The Little Mermaid* was a modest success by Disney standards but the doll is a best-selling girl's toy, next to Barbie. *Hunchback* knick-knacks, meanwhile, were left sitting on shop shelves. *101 Dalmatians* was a retailing bonanza, but not all the profits went to Disney: black-and-white spots are less easy to copyright.

Disney does acknowledge that merchandising is a difficult issue. The company studies public reaction to its products. "Is it getting too much for parents? We have this discussion all the time," says Daniel Frigo, of Buena Vista, Disney's film distribution company. "We are trying to be careful; we try not to make parents feel crammed but we have to market our films."

Disney tries to treat Europe gently: with the exception of the UK, it is held to be a more "innocent" market than the US. (It is also less lucrative in terms of merchandising: while Europe provides the biggest box office, it is only half the size of the US retail market.) One reason parents are overwhelmed is that Disney is not alone in the business. Gerald Levin of Time Warner said of their recent hit *Space Jam*: "It isn't a movie, it's a marketing event."

Next year could be worse. Fox's cartoon *Anastasia* will be backed by one of the most expensive marketing campaigns ever.

FOOTLOOSE ■ No one should be shocked if you go to the office in sport shoes, unless they're the wrong ones

The art of wearing trainers

STEPHANIE THEOBALD

SPORTS shop windows these days bear an uncanny resemblance to art galleries. People stand awe-struck, staring at the walls of shoes whose esoteric designs are fathomable only to those in the know. Fluorescent stripes, perspex blips, micromesh straps, high performance cushions and the perplexing minutiae of postmodern logos all vie for the attention of the new breed of design hound looking for something to suit his or her aesthetic sensibility.

Trainers now receive the sort of star treatment that once was reserved for diamond necklaces, Yves Saint Laurent cocktail dresses and, indeed, Jean-Michel Basquiat paintings. In the growing chains of specialised sneaker stores such as Nike Town and Cobra Frontier, shoes are displayed on illuminated plinths with backdrop images of water and trees and a prerecorded voice that informs you, like a Delphic oracle, why you should buy this particular model.

Walk tall: Buffalo shoe in suede and leather on a mighty 20cm stack sole

While big companies such as Nike and Adidas might insist that ergonomics are the only motivating factors in their designs, training shoes these days have gone the same way as cameras, watches and mobile phones: functionality is no use without the addition of high style.

Now that the training-shoe market has become so sophisticated, it is no longer even enough to say that you have a pair of Nikes. The famous tick logo is now more globally visible than the crucifix, so your footwear had better be a very rare variety and/or very expensive if you expect to seriously impress.

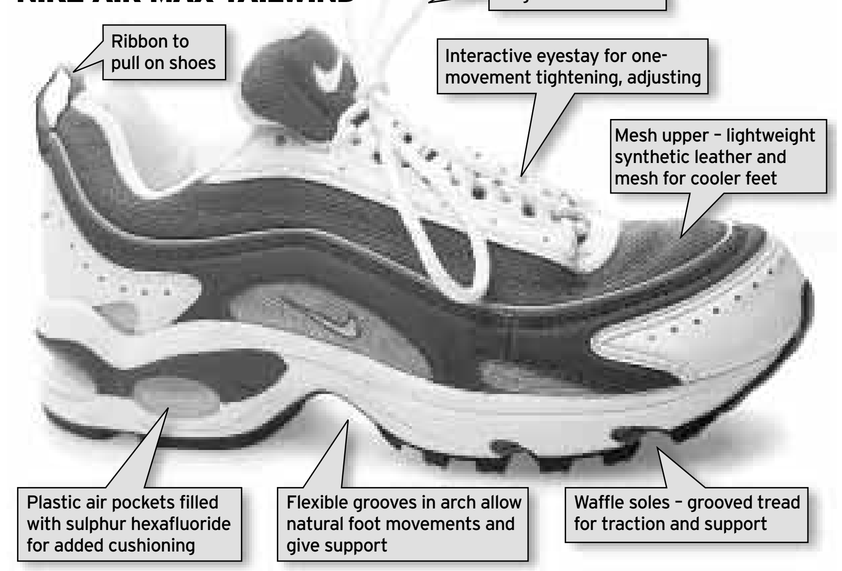
Just as jeans symbolised freedom when they were first introduced to Europe in the 1940s and 1950s, training shoes have become the image of western emancipation – a global village united by consummerism. According to Paul Ayre who co-wrote a meditation on the rise of trainer mania – *Size Isn't Everything* (Booth Clibborn), to be published early 1998 – sneaker snobbery mirrors social snobbery.

"You used to get the upper classes wearing bowler hats and the lower classes wearing polyester V-necks. Now their difference is measured by their sports shoes. The working-class person will wear a pair of classic white Reeboks, while the yuppie will wear limited edition Adidas or something slightly underground like DC skate shoes."

But even for more conservative men who are not into bragging about how technological their feet are, the current athletic footwear market offers wares for the most reactionary of tastes. From mustard suede Lacoste pumps to new outward-bound trainers in army green and chocolate brown, the businessman looking for something for the weekend to complement his Gap chinos and his Ralph Lauren T-shirt can appear modern without looking like he wants to crash the door policy of the world's trendiest club.

Laces-free shoes, reflective uppers and "learning soles" (soles that are programmed for different terrains: cobblestones, rough track) are developments which will emerge in the next two years. But too much techno fashion styling is increasingly seen as alienating; Dunlop Green Flash – the 1980s geeky white classics – are back for autumn to challenge the supremacy of the horribly hip Nike Air Max. In the crazy world of training-shoes-as-art it will be Watteau versus Warhol.

ANATOMY OF A TRAINER: NIKE AIR MAX TAILWIND



PHOTOGRAPHS: CAROLINE HUGHES/STYLING, HELEN TAYLER

STEPPING OUT

1 Fila: Dragstar, mesh and synthetic leather uppers; carbon rubber outsoles for traction. $111
+44 (0) 191 495 4903

2 Lacoste: Portobello II . With suede or full grain uppers and EVA midsole. Five colours. $71-$79
+ 331 5330 8670

3 Royal: Elastics, leather with in-built elastic panels. Also available in white. $103
+49 211 454 1813

4 Ellesse: Idaho in suede and leather; infant to adult sizes. From $43.
+ 39 755 0391

5 Diesel: Paveway in suede and nylon with retro plastic striping. $79
+44 (0)171 497 5543.

6 Nike: Air Max Tailwind for pose and performance. All-round reflective strip; air heel and toe for cushioning. $142
+ 44 0500 800040

7 Adidas - Equipment XTR, part of the Feet You Wear range. Upper with three-stripe webbing and 4D mesh inserts. Moulded EVA midsoles and carbon rubber outsoles. $126.
+ 49 913 2840

8 LA Gear: Customized, a women's shoe in various colours in leather and suede with exaggerated stack sole. $79.
+44 (0) 191 415 3004

TRACTION AVANT 1934 - 1957

Made famous by Maigret in the 1950s, the Traction Avant confirmed Citroën's reputation as a technical innovator. Though boxy in style, the Traction had swagger and style. Technical advances: front-wheel drive, hydraulic brakes and one-piece body and chassis construction were all pioneered on this car. The final sturdy "big six" version previewed the hydropneumatic suspension destined for the DS.

DS 1955 - 1975

No car has had the impact of the DS, which astonished the Paris Salon of 1955 and, overnight, made every other car appear crude, primitive and obsolete. Citroën had made a quantum leap to embrace aerodynamics, hydraulics and hydropneumatics when most makers were still struggling with leafsprings, cables and sit-up-and-beg body design: for the public, it was a thrilling glimpse of the future made real.

GS 1970 -1981

True to tradition, the GS was technically fascinating, but financially ruinous, and led ultimately to Citroën's takeover by arch-rival Peugeot. Citroën once again broke all the rules by installing an advanced air-cooled flat-four engine of just 1015cc to power what was a substantial family car. Inside, the controls were predictably eccentric. Recognised by enthusiasts the world over as the last of the true Citroëns.

MOTORING ■ Citroën was a byword for originality, now it is just a car

Where did genius go?

STEPHEN BAYLEY

CITROËN makes the most boring cars in Europe. If anyone had said this a generation ago it would have caused indignation and outrage among any European gathering of car enthusiasts, semiologists or leaders of fashion.

Citroën's credentials were based on a unique tradition of innovation in engineering and design. The new Citroën Xsara, which goes on sale next month, demonstrates with terrible sadness how a great tradition has been squandered. The Citroëns of the past had simple alpha-numeric determinants - the 7, the 2cv and DS19 – and hard-to-fathom technology. The new Xsara has simple design and technology and a hard-to-fathom name.

When a company like Citroën has to rely on daft nomenclature to suggest innovation, the consumer has a right to be sniffy.

The Xsara is technologically conservative and stylistically bland. While modern techniques of international component sourcing and market research do tend to impose a certain uniformity on the European car, these disciplines are rules that should inspire genius rather than inhibit it.

Technically, the Xsara is based on Peugeot components. While this is not a fault in itself, it does reveal the poverty of technology (or perhaps the lack of investment) in what used to be Europe's most radical car manufacturer. Aesthetically, the Xsara is politely bland. Never before has there been a Citroën so much of a me-too style: the interesting details of the car are all derivative. That pleasantly organic aspect with expressive light clusters is borrowed directly from the Fiats Bravo and Brava. These make the Xsara look conservative. And when the extraordinary "edge design" Escort appears next year it will make the Citroën appear positively antique.

André Citroën made the unique fusion of American production technology with European sensibility. Henry Ford became his mentor and his hero and he took a keen interest in the theory of "scientific management" proposed by Frederick W Taylor, whose battier followers became the very first technocrats. His Type A of the late 1920s has some claim to be Europe's first mass-produced car.

Soon Citroën began to commit his company to technical innovation, long before the market demanded it. This won Citroën friends and admirers wherever quality in design was appreciated but – equally – committed his company to an existence continuously trembling on the brink of heroic bankruptcy.

> 'Xsara is a product of timid product planning'

The first Series 7 of 1935, familiar as the Traction Avant, is one of anybody's top ten cars of all time. The unitary structure was inspired by American practice, but the front wheel drive was entirely European. Parallel with this ingenious luxury car, Citroën was also developing the marvellous *deux chevaux*, still the most endearing and practical of all the miniature cars.

The strain of it all killed André Citroën, a drinker and a gambler, aged 56. After Michelin bought the company, the founder's tradition of innovation was continued by his chief engineer, Pierre Boulanger, who was killed while testing a prototype of the greatest Citroën of all; the 1957 *voiture de grand diffusion*, known as the DS. With its high-pressure oleo-pneumatic suspension, front-wheel drive, plastic roof and other wordly styling (by Flaminio Bertoni) the Citroën DS was the inspiration of Roland Barthes' essay where he said that "cars today are our cathedrals" and represented perhaps the single greatest collection of automotive innovations ever seen. In the 1970s the GS and CX continued the tradition, but then the accountants of Michelin tired of Citroën's expensive convictions and sold to Peugeot, the most conservative of all manufacturers.

For more than 15 years Citroëns have become more and more like Peugeots, which is like Roquefort becoming more and more like Philadelphia. While in the past Citroën's rate of development was a giddy journey with waypoints of unanticipated technical ingenuity, today's Citroëns are Peugeots with a patronising token of quirkiness added late-in-the-day to satisfy any remaining eccentrics who can remember where the myth came from in the first place.

Of course, component sharing and economies of scale are necessary characteristics in the global motor industry, but the successors to Henry Ford demonstrate with embarrassing clarity how these economies need not inhibit imagination.

The Citroën Xsara is not a product of passionate convictions, it's a result of timid product planning. This is a pitiable circumstance for so proud a company.

There is nothing wrong with the Xsara – proportions are fine, equipment OK, goes and stops like any other car – except it disappoints. It underestimates the public and betrays a fine tradition. Why not buy a Peugeot in the first place? Indeed. Why not?

Citroën Xsara (pronounced K-zara): 'The car has a happy female face,' says chief designer Art Blakeslee. 'It stirs the imagination and has an element of surprise'

ROAD RIVALS

Golf's new driving range

VOLKSWAGEN unveiled the new version of its Golf this week to reveal a smart new face for its best-selling car.

The new fourth-generation edition is longer, roomier, safer and more economical than the model it replaces, yet thanks to its deceptively conservative styling there is no mistaking it for anything other than a Golf – the icon that has been at the top of Europe's sales charts for two decades.

The new Golf is vital to the health of Volkswagen, Europe's biggest car builder and world number-four producer: every 20th car sold in Europe is a Golf, and the model represents close on a third of VW's global sales.

Yet life at the top will no longer be easy for this habitual market-leader. The new car won't just have to face up to its traditional Ford and Opel rivals but the prestige of Mercedes-Benz, too, with its A-class compact. And in what looks like a deliberate spoiling tactic, Opel has just unveiled its new Astra which, like Citroën's new Xsara, is also a conservative design eager to make inroads into the Golf's broad territory.

New Golf: on the road next month

Volkswagen is relaxed at the prospect, confident in the belief that the new Golf has more beneath the surface than its cautious exterior suggests. The nine new Golf versions are not just faster and more powerful than their predecessors, says VW, but more economical, too. The most frugal, the 1.9 litre TDI, uses well under five litres of diesel per 100km on the EU economy test cycle.

But the most important improvement, according to VW, is in quality and comfort. The new Golf may be medium in size but the effect is like a luxury car, claims the company.

Extravagant corporate rhetoric or genuine promise of a new era of executive compacts? By this time next week, when I have put the new car to the test, I will give you the answer.

TONY LEWIN

NEW MODEL LAUNCHES

Citroën Xsara: September 1997
VW Golf: September 1997
Mercedes A-class: October 1997
Opel Astra: March 1998
Ford Escort: October 1998

NEXT WEEK

The Golf road test - has VW made a good car better?

Book of the week

SRDJAN ILIC/AP

Old-fashioned patriotism: Serbs in Bosnia protest against the arrest of war crime suspects, one of whom was shot

How to build a new identity

Nationalism By Ernest Gellner
(Weidenfeld & Nicolson, £11.99)

Reviewed by Alastair Bruton

THE political structure of western Europe today resembles an enormous construction site. Venerable old buildings unsuited to modern life are being torn down. Strange new constructions are rising in their place. And few of us are altogether sure what the city will look like when it is finished.

Within the past few decades, much of the political power previously concentrated in national capitals has been dispersed. Some of it has gone upwards to supra-national groupings such as the World Trade Organisation and the European Union. Still more has gone in the opposite direction, downwards to sub-national, regional assemblies. And strangest of all, a significant part of the state's power – most notably its control of the currency – is about to be surrendered by the state altogether.

None of this implies that the nation-state, around which Europe's old political structure was constructed, is finished. On the contrary, the nation-state's enduring appeal is one of the few constants amid the confusion. But the radical changes now under way do require us to rethink our understanding of the relationship between our nation and its state.

No one could be better qualified to meet this challenge than Ernest Gellner, who at the time of his death in 1995 was director of the Centre for the Study of Nationalism at the Central European University in Prague. In this brief but vital essay he has sketched out a theory of nationalism which does reassess its role in modern times.

Some of what he has to say will be familiar to readers of his 1983 book, *Nations and Nationalism*, which has become something of a classic. But this reconstruction of his ideas is especially timely.

Nationalists have long maintained that the ultimate aspiration of any nation is to have a state of its own controlling the territory with which the nation's history and cultural traditions are associated. That is why the Serbs cling to Kosovo, even though few of them still live there, and why peace in Northern Ireland is so elusive.

We are all of us, emotionally if not intellectually, in thrall to this version of nationalism. Yet recent political developments, particularly in western Europe, make a nonsense of such ideas.

Granted there are few of us who love the European Union as much as we love our country. But whatever old-fashioned nationalists may say, there can be no denying the near-universal acceptance of the new regional and European institutions.

Political change has raced ahead of most people's understanding, and if an outbreak of nationalist fundamentalism is to be avoided, some new way must be found to account for the importance of national loyalties in a Europe where the boundaries of nation and state are no longer identical.

Gellner's argument is that nationalism "is a necessary consequence of certain social conditions, [which] happen to be *our* conditions". Understood in this way, nationalism is not simply an unfortunate, primitive stage in man's political evolution, as so many writers appalled by the destruction of Bosnia have suggested. It is central to the way we live, and is likely to remain so for the foreseeable future.

Gellner links the development of national cultures to the demands of industrialisation rather than to a romantic attachment of people to their birthplace.

Now that most of us live and work in cities, the land has, in any case, lost much of its significance. Economic imperialism has replaced military imperialism, and the physical control of territory has become largely irrelevant to the exercise of power.

Old-style nationalists fear that if this decoupling is allowed to continue – if passport controls are abolished or foreign words are allowed to infiltrate the nation's language unchecked – discrete national cultures will soon be homogenised into one global post-modern blob. But Gellner rightly stamps on this misconception.

Not only are nations necessary to the social conditions in which we live, but there are also strong economic arguments favouring the retention of national differences.

Gellner gives no indication that it was his intention to reassure us about the future. But that is what this astonishing complete and concise account of nationalism achieves.

The cultural affinities of contemporary urban man may lie more with an imagined, literary high-culture than with the remnants of pre-modern folk-cultures, but we are not about to lose the shared national identities which are so fundamental to our sense of who we are.

When the scaffolding comes down, it now looks as though the new Europe will be a lot more like the old one than most of us have yet realised.

CAMPAIGN ■ Riccardo Muti fights to save scores by Italy's greatest composers

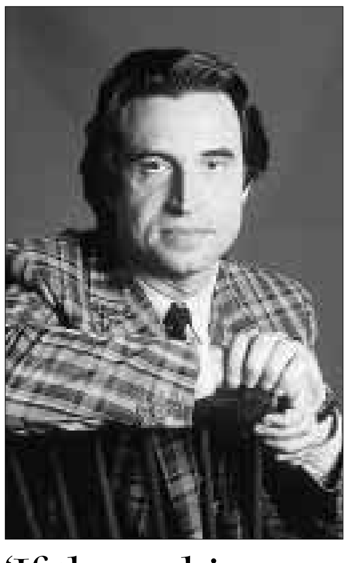
Europe's musical heritage in peril

Dalbert Hallenstein

ONE of Europe's greatest musical archives, containing almost one million musical manuscripts, is in danger of disintegrating into dust or literally going up in smoke unless urgent action is taken.

Riccardo Muti, musical director of La Scala in Milan (*pictured*), has recently launched an international appeal to safeguard the scores – including works by Mozart, Verdi and Haydn – which are stored in the library of the Naples conservatory without fire security system, air conditioning or even computer cataloguing.

"If the Naples archives go up in smoke, or rot away as is now happening, it will be equivalent to the Sistine Chapel being destroyed," he says. "This heritage of some of the greatest European music in existence, still largely unexplored, is a huge responsibility, not only for us Italians, but also for the world."



'If the archives rot away it will be equivalent to the Sistine Chapel being destroyed'

For centuries Naples was one of Europe's greatest centres of musical activity – the world's first four musical conservatories were founded here in the 16th century. In the 15th, 16th and 17th centuries Spain's vast kingdom of Naples spawned thousands of composers, including the great Gesualdo di Venosa.

During the same period a rare mixture of Spanish, Italian and Flemish influences inspired a school of Neapolitan music which has been left largely unexplored by scholars.

But it was in the 18th century that the musical life of Naples really took off through composers such as the father and son duo Alessandro and Domenico Scarlatti, Piccinini, the great rival of Gluck, Pergolesi, and opera composers such as Jomelli, Porpora, Paisiello and Cimarosa.

The fact that many of them are virtually forgotten today is by no means a reflection on the quality of their music. Until the 1930s, Vivaldi and Monteverdi were almost unknown outside musicological circles.

But in their case the archives where their music was preserved – in Venice, London, Amsterdam and other important music centres – were well-maintained and accessible to scholars. Consequently, both composers have been dusted down and re-interpreted are now part of the mainstream repertoire.

In Naples the library has never been freely open to musicians. "Incredibly, it is officially classified as a secondary school library," says Riccardo Muti who was born in Naples and trained at the conservatory. "It is pure madness. In this library are all the manuscripts by Paisiello, Pergolese, Piccini, together with Rossini, Verdi, Bellini and even Haydn and Mozart."

He points out that the building's status as a school library means that scholars are rarely permitted to consult the archives. "Even the conservatory students themselves have great difficulty in using it because of its uniquely precious quality. It is a grotesque situation." Muti is demanding that the building be equipped with facilities which are standard in most other institutions of similar importance, including security measures and a trained staff.

Roberto de Simone, director of the Naples conservatory, agrees. "The present state of the library is really disgraceful," he says. "All this material is in danger of disappearing. It should all be catalogued and analysed, above all on computer. The problem is that in summer the archive rooms become like a furnace, which is ruinous for paper. We have to install air conditioners, insulation and properly fitted windows – some of them don't even close. But we have absolutely no money from the state to do it."

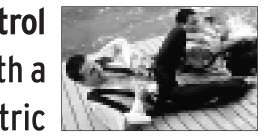
Muti is appealing to the international community to put pressure on the Italian government to step in and save the archives. "It must be granted all the funds necessary to make it function as one of the world's most important musical libraries," he says.

"But this must be done without waiting for all the decrees and laws which may or may not be passed in Rome.In the meantime we just hope and pray that an incident like the burning down of the Fenice theatre in Venice will not happen here."

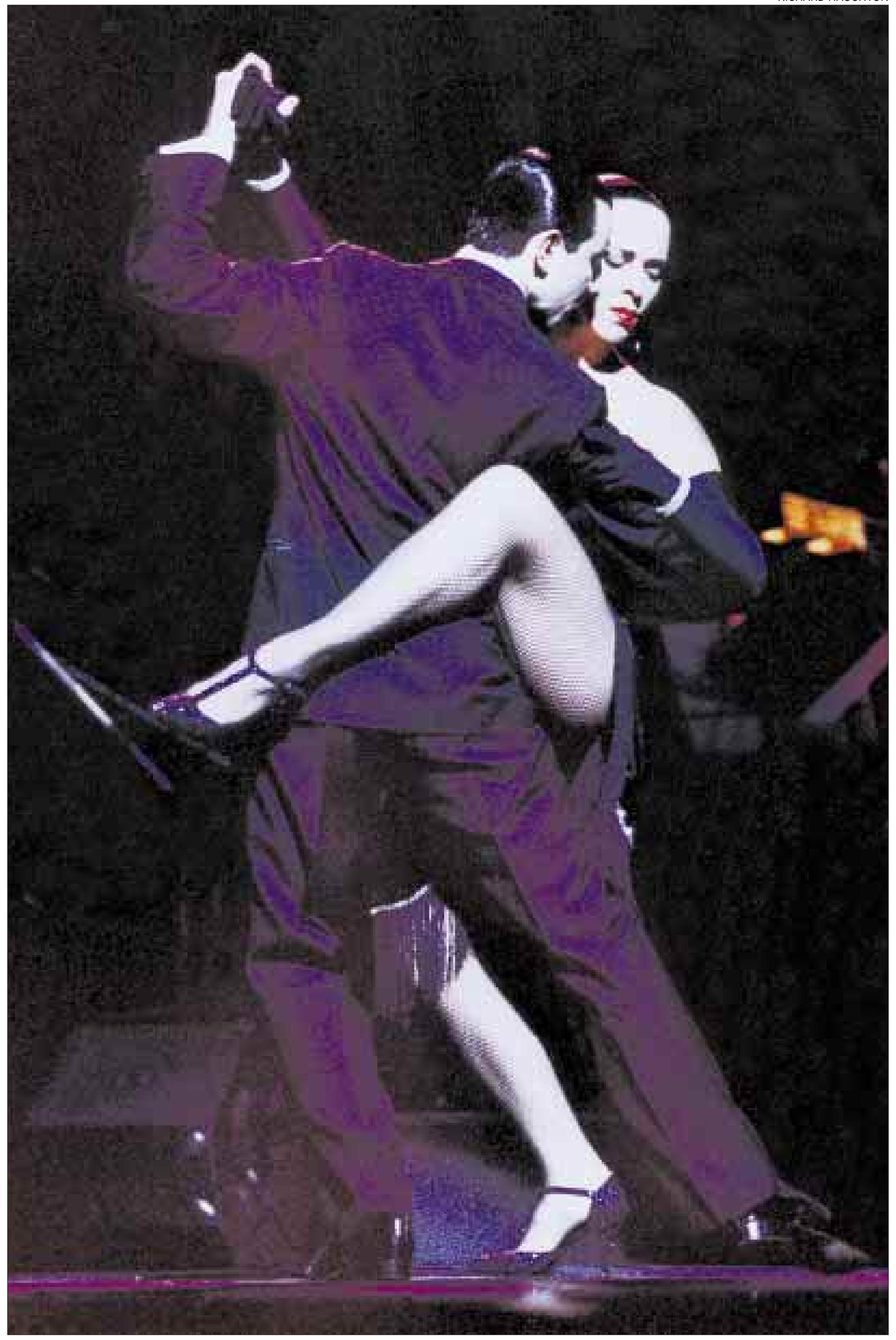
Continental critique

A discriminating look at what's on and what's worth talking about in Europe this week

TOP FILM IN EUROPE: Speed 2: Cruise Control
Sandra Bullock all at sea with a fast-moving Jason Patric



RICHARD HAUGHTON



It takes two: Argentina's Compañía Tango x 2 heats up the Helsinki Festival

Pick of the week

AS the Northern Lights dim and the white nights darken, Helsinki braces itself for winter with 17 days of festival. The programme startles with its mix of traditional and experimental music – and dance to match. The Tapiola Sinfonietta, for instance, playsJohann Strauss waltzes in arrangements by Schönberg, Webern and Berg, and the Finns' obsession with tango finds expression in the premiere of Numminen's *Nordic Tango Oratorio* by the country's leading chamber orchestra Avanti! The tango theme continues with three charged performances from Buenos Aires's Compañía Tango x 2 (*left*) who dance *Perfumes de tango*, choreographed by Miguel Angel Zotto and Milena Plebs.

Finland's top composer, Erik Bergman, riding high on the success of his last opera *The Singing Tree*, has a new work, *The Maestro and his Orchestra*, 26 Aug, and Magnus Lindberg's *Feria* has its Finnish debut, 23 Aug.

The big drama event is Peter Brook's production of Samuel Beckett's *Happy Days,* starring his wife Natasha Parry. Dance highlights include the Frankfurt Ballet and Belgium's Anna Teresa De Keersmaeker. 22 Aug-7 Sept. *Various venues (+358 9-61386246)*

HILTON TIMS

Edinburgh

OPERA Scottish Opera and Nottingham Playhouse combine for a rare performance of Molière's play *Le Bourgeois Gentilhomme* which contains the one-act Strauss opera *Ariadne auf Naxos.* Anne Evans is Ariadne and American tenor John Horton Murray is Bacchus. 22, 24 Aug. *Festival Theatre*
MUSIC Valery Gergiev conducts two performances of the Rotterdam Philharmonic. Yuri Bashmet is the soloist in Bartok's *Viola Concerto*; Anne Sofie von Otter sings Lieder by Schubert and Mahler. 22, 23 Aug. *Playhouse*
DANCE San Francisco Ballet, in Britain for the first time in 17 years, perform two works by Balanchine: *Stravinsky Violin Concerto* and Bizet's *Symphony In C*, with an impressive finale for 48 dancers. 23, 24 Aug. *Playhouse*
Festival Box Office: +44 131-4732000
FRINGE Alistair McGowan is a brilliant football comic. His best impressions are of Eric Cantona, but he mimics other celebrities, including British premier, Tony Blair. *Moving the Goalposts. Pleasance*

Rich Hall, a former street artist from Montana, is highly amusing and highly original. Women beware – avoid the front row unless want to be seduced in front of 200 people. *Rich Hall's Louisiana Hayride. Gilded Balloon*

PAL

Lieder concert: Anne Sofie von Otter

Patrick Driver performs Hamburg author Bodo Kirchhoff's tragi-comedy about a striptease artist who never shows up – every MC's nightmare. The act is late and *you* have to keep the audience entertained. *The MC of a striptease act doesn't give up. Gilded Balloon*

Don't waste time on *Silly Cow*, a play by comedian Ben Elton, taking on the media. Even when the play works, it is overacted at such speed that life is squeezed out of the production.

Silly Cow. Gilded Balloon Fringe events +44 131-2265138

Cinema

★★★ Exceptional ★★ Try not to miss ★ Better than average

NEW

CONSPIRACY THEORY★ Mel Gibson as an amnesiac, apparently paranoid New York cabbie in Richard Donner's beguiling, mystifying, rather far-fetched thriller, with Julia Roberts as the lawyer to whom Gibson sends data on the plots he suspects and the fears he has about his own past – until he's kidnapped. *(France)*

FIRE★ Deepa Mehta's study of two imperfect Indian marriages begins with an arranged one in front of the Taj Mahal, continues with one man having an affair while his brother's wife is both barren and neglected, and ends with the wives becoming lovers, and destroyers. *(Germany)*

JUMP THE GUN★★ "South Africa's getting very African" remarks a white toper in Les Blair's comic, untidy (part-improvised), truthful group portrait of Johannesburgers both black and white post-apartheid, with memorable performances by Baby Cole as a band singer and Michele Burgers as a hooker. *(UK)*

MARQUISE★ Sophie Marceau as Marquise-Thérèse du Paro, the Lyon dancer and actress who became Racine's mistress and allegedly inspired him to write *Andromaque*, dying at 35 in 1668: Véra Belmont's film has fine decor and costumes if a rather mannered performance by a starry cast. *(France)*

ON RELEASE

ALBINO ALLIGATOR First feature by actor Kevin Spacey with Matt Dillon, Gary Sunise and William Fichtner as New Orleans robbers holed up with hostages in a basement bar, unaware that cops have surrounded it to trap an arms dealer. Faye Dunaway and Joe Mantegna star: but claustrophobia doesn't excite much. *(France, UK)*

CLUBBED TO DEATH★ English punning title for French film by Yolande Zauberman in which young Elodie Bouchez falls asleep on her bus home and winds up in drugsville, where she's befriended by a former boxer, whose lover used to be Béatrice Dalle: a bit inconsequential. *(France, Germany)*

GROSSE POINTE BLANK★ Another pun, but Grosse Pointe is a Detroit suburb where government assassin Martin Blank (John Cusack) has a job and a school reunion; he meets the girl he once stood up (Minnie Driver), and heads for a solution to his life's woes. *(Germany, UK)*

SHE'S SO LOVELY★ Sean Penn won Cannes' Best Actor award in Nick Cassavetes's tale of a low-life returning after ten years in a mental hospital to win back his (now married) old flame (Robin Wright Penn) from chunky John Travolta: Gena Rowlands also stars. *(France)*

RICHARD MAYNE

Two-hour tour

National Gallery, London

THE best way to start this tour is through the spacious Sainsbury Wing, left of the old main entrance. The permanent collections are free, as are gallery guides, available at Information.

Up the stairs and left into the Sainsbury Wing (paintings 1260-1510). On your right you will see Leonardo's third most-famous painting, the dark and sombre *Madonna of the Rocks* (1508). His famous cartoon is kept in a darkened bay behind the painting.

Turn your back on Leonardo and pass through the early Italian

Francesca's *Baptism of Christ*

galleries, past Uccello's perspectively exaggerated *Rout of San Romano* (1450s) into a small room containing Jan Van Eyck's enigmatic and symbolic oil painting *The Arnolfini Marriage* (1434), the surface of which is so fine it is like enamel. Out of here and left into the almost surreal world of Cosimo Tura and Carlo Crivelli. Pause to admire the latter's *Annunciation* (1486), a brightly coloured and ornate street scene, full of eccentric images.

Pass into the gallery to the left of this painting, and left into the end gallery for Piero della Francesca's light-filled *Baptism of Christ* (1450). Turning your back on this work, walk through the galleries ahead, past many gems of early Renaissance art.

Turn right at the end, past Raphael's absurd *Crucifixion* (1503), where cheery cherubs with garlands form a bizarre contrast with the sad scene, back past Leonardo and the stairs into the West Wing (1510-1600). Glancing at works by Titian, Veronese and Tintoretto, turn right and through the Mannerists and the next gallery: Holbein's *Ambassadors* (1533), with its amorphic skull and other symbols of death, appears on your right.

Walking away from this, continue to the Veronese tondos. Turn right into the North Wing (1600-1700) and make for Rembrandt's theatrical and baroque *Belshazzar's Feast* (1636-8) ahead, a painting full of over-the-top gestures. Then enjoy his remarkable 1633 and 1669 self portraits.

Going back to the preceding large Rubens gallery, turn left past his landscapes. Hurry through the next two long galleries, pausing only to see Caravaggio's *Supper at Emaus* (1601), on the right, a work typical of Caravaggio – full of dark shadows and bright light – noteworthy for its rather effeminate portrayal of Christ. Then go through the end gallery and right.

Turner's atmospheric *Rain, Steam and Speed* (1844), with its black engine chimney emerging from the mist, is to your right. Pass to the right of Constable's golden *Salisbury Cathedral* (1831), through the next gallery into Impressionism.

In the next gallery

Renoir's *Umbrellas*

again Renoir's *Umbrellas* (1881-6) is on your left. Cezanne's small, quirky painting of the *Stove* (late 1860s) in his studio, is in the far right corner. Walk on, passing his *Large Bathers* (1900-6) into the end room to Rousseau's vivid jungle painting, *Tiger in a Tropical Storm* (1891).

National Gallery, Trafalgar Square, 10.00-18.00; Wed 20.00; Sun 12.00-18.00

CZECH REPUBLIC

PRAGUE
Verdi Season The Italian composer's seven best known operas – *Aida*, *Rigoletto*, *Un ballo in maschera*, *La traviata*, *Nabucco*, *Il trovatore* and *Otello* – play continuously until the end of the month. No big international names, but atmosphere and skill in abundance. Until 31 Aug. *State Opera (+420 2-24227693)*

DENMARK

COPENHAGEN
Aida Audrey Stottler's *Turandot* caused great excitement here last February, so the American soprano's role debut as *Aida* is tipped to be one of the highlights of Royal Danish Opera's new season. It's a Danish debut, too, for Romanian Christian Badea who conducts South African tenor Sidwill Hartmann as Radames and Sergei Leiferkus as Armonasro. 23, 25, 27 Aug. *Royal Theatre (+45 33696969)*

FINLAND

HELSINKI
Michael Jackson The self-styled King of Pop hits Helsinki's Olympic Stadium. 24, 26 Aug. *(+358 600-10800)*

FRANCE

LYON
Lyon Biennale This year's theme is "the other", with 86 different works. The most impressive tend to be the larger ones, such as Chris Burden's *Flying Steamroller* and Katharina Fritsch's circle of black rats. There are also strong video in-stallations and works by well-known artists like Beuys, Bourgeois and film director John Waters, who shows photographs 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 is 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 portraits made from plaster and bric-a-brac. Until 15 Sept. *Jeu de Paume (+33 1-42 60 69 69)*

GERMANY

BERLIN
Max Liebermann The last show at the museum before it closes for renovation is devoted to Max Liebermann (1847-1935), discriminated against by the Nazis and known as the *Gegenkaiser* for his critical comments. The 200 paintings and drawings start with his rather gloomy early works of Dutch rural life before brightening up with his *Wannseebilder*, which depict his subjects at leisure. Until 26 Oct. *Alte Nationalgalerie (+49 30-209050)*
HAMBURG
International Summer Theatre Festival Germany's premier forum for contemporary drama and dance, which this year takes *Dance and Migration* as its theme. Meryl Tankard, former soloist with the Pina Bausch company, gives the European premiere of her new choreography performed by the Australian Dance Theatre, 21-23 Aug. Until 30 Aug. *Various venues (+49 40-271131)*

GREECE

ATHENS
Ioannis Avramidis: The Classic of Modern Art The Greek sculptor has spent most of his life in Vienna, but returns to Athens in a retrospective of 200 sculptures and drawings. The former head of the Vienna Academy of Fine Arts takes his main inspirations from the human body, nature and Greek pillars. His use of soft materials such as aluminium and bronze lends a fluidity to his works which, according to artist Fritz Wotruba, "substantiate the harmonious beauty of the world." Until 14 Sept. *National Gallery (+30 1-7235930)*
EPIDAURUS
Ancient Epidaurus Theatre Festival The Greek National Theatre summer season takes place in the 2,500-year-old amphitheatre at Epidaurus, a two-hour drive south of Athens. There is space on the marble seating for 10,000 people. The programme of comedies and tragedies changes regularly. This week it includes Sophocles' tragedy *Oedipus Tyrannus*, 22, 23 Aug. *Epidaurus Amphitheatre (+30 7532206)*

ITALY

ROME
Maurice Utrillo had a colourful life. His mother was Suzanne Valadon, an acrobat, Impressionists' model and artist. At 15 he was an alcoholic, veering between suicide and drunken eu-phoria. Oddly, Utrillo's paintings emanate a sense of calm and balance. In this survey, 60 of his works chart his three main phases: the early Impressionist apprenticeship; the so-called "white period" (1908-14); and his pastel Montmartre townscapes from his last 40 years. Until 15 Sept. *Palazzo delle Esposizioni (+39 6-48903540)*
STRESA
Musical Weeks No festival can boast a more idyllic setting than the off-shore Borromean Islands in Lake Maggiore. Recitals feature the winners of four of last year's leading European piano competitions, including Cristiano Burato (Milan) and Ilya Itin (Leeds). Semyon Bychkov conducts the Gustav Mahler Jugend Orchestra in the opening concert, 22 Aug; Cristiano Burato plays Schumann's *Carnaval*, 24 Aug and conductor Mikhail Pletnev swaps his baton for the keyboard in a Beethoven/Chopin programme, 27 Aug. *Various venues (+39 323-31095)*
VERONA
Arena di Verona Nello Santi takes musical charge of *Aida* with the two Danielas – Dessi and Longhi – as the captive princess, 24, 28 Aug; *Madam Butterfly* marks a sentimental flutter for Bulgarian soprano Raina Kabaivanska celebrating the 20th anniversary of her Verona debut in the role, 21, 29 Aug. *Arena di Verona (+39 45-8051811)*

NETHERLANDS

AMSTERDAM
Vincent Van Gogh The Drawings, Nuenen 1883-1885 Van Gogh wrote to his brother Theo, "What I am trying to find is not to be able to draw a hand, but the gesture, not to render a head with mathematical correctness, but the wealth of expression." This show of rarely exhibited drawings reveals his learning process from the intensive, expressive use of line in his pen landscapes to his fascination with the human figure, shown by his masterpiece *The Potato Eaters*. Until 12 Oct. *Van Gogh Museum (+31 20-5200)*

SPAIN

BARCELONA
Tony Cragg's figurative works piece together like puzzles. They range from his early 1970s works, including the *Self-Portrait with Sack*, a silhouette of a man formed from coloured plastic refuse on a white wall, to his later compositions *Crowd* (1984) and *Laüfer* (1986), a single runner in profile. Waste is one of Cragg's favourite themes, but his colours and delicate arrangements make the subjects beautiful rather than depressing. Until 24 Sept. *Museu d'Art Contemporain de Barcelona (+34 3-4120810)*
MADRID
Kiev Opera Ballet rotates five works: *Giselle*, *Don Quixote*, *The Nutcracker*, *Swan Lake* and *Romeo and Juliet* in the new Teatre Lope de Vega, an old converted cinema. Until 31 Aug. *Teatro Lope de Vega (+34 1-5484000)*
Georg Grosz: Berlin Years has been on a grand tour of Europe and settles in Spain for the summer. These works – 20 oil paintings, 100 works on paper and varius sketch books and portfolios – centre around Grosz's life and work in Berlin (1893-1932). One of the most important works is his teeming urban landscape *Metropolis* from 1916-17. Until 14 Sept. *Thyssen-Bornemisza Foundation (+34 1-4203944)*

SWEDEN

STOCKHOLM
Carl Fabergé Maria Feodorovna, tsarina of Alexander III, first received a Fabergé easter egg from him in 1885. The gift set an exquisite precedent, as the Russian goldsmith and jeweller went on to create hundreds of dazzling objects for the Imperial family and Europe's nobility. This is a glittering display of 300 items of gold, silver, crystal and precious stones. They include enamelled caskets studded with jewels, picture frames, jewellery and more easter eggs. Until 19 Oct. *National Museum of Fine Arts (+46 8-6664250)*

SWITZERLAND

LUCERNE
Lucerne Festival Wolfgang Rihm moves into the spotlight as this year's featured composer. The prolific German is represented by 17 of his works ranging from last year's orchestral *Gejagte Form* performed by the London Sinfonietta, 21 Aug, to his 1978 chamber opera *Jakob Lenz* based on Georg Büchner's play, 23, 26 Aug. Visiting orchestras include the Warsaw Philharmonic, 22, 23 Aug, and the Royal Concertgebouw of Amsterdam under Riccardo Chailly, 25, 26 Aug. *Various venues (+41 41-2103562)*

UNITED KINGDOM

LONDON
Notting Hill Carnival Loud music, floats and elaborate costumes are a few of the elements of London's biggest street festival, which takes over Notting Hill in West London each year – an eclectic mix of colours, cultures and general merriment. 24-25 Aug. *Various venues (+44 171-7303450)*
BBC Proms What do Mendelssohn's *Violin Concerto* and *Scottish Symphony*, Schumann's *Piano Concerto*, Schubert's *Symphony No 9* and Henze's *Second Sonata for Strings* have in common? The Leipzig Gewandhaus Orchestra, which gave their first performances and will be performing them again, 27, 28 Aug. The Dallas Symphony Orchestra plays Roy Harris, Samuel Barber and Tchaikovsky, 24 Aug and Glyndebourne's *Le Comte Ory* with French soprano Annick Massis, 25 Aug. *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
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Fax: +44 171-713 1870
email: fadams@the-european.com

Gardens

ITALY La Mortella Forio, Ischia, Bay of Naples: Even local Italians are talking about this island garden with cool depths and towering tulip trees, rising through terraced walks to sunny rocky heights with pools, fountains and spectacular views. Lady Susana Walton turned stonebreaker to build the terraces. A cosmopolitan abundance of plants, including rare Argentinian strelizias, tree ferns from Australasia, native oaks and threatened local species. *(+ 39 81-986237)*
POLAND Lazienski park, Warsaw: Miraculously revived after civil insurrection and war devastation, this university garden is a small marvel. Five hillside hectares crammed with rare plants; beautifully kept old-fashioned systematic beds between paths of beaten earth, and glorious trees – a field maple larger than most European oaks, a huge 170-year-old ginkgo – and a hiding place where rebellious Poles met during the 19th century uprising. *(+ 48 22-628 7514)*

Coming soon

THE European Heritage Days, the annual opening of buildings and monuments usually closed to the public, takes place throughout September. The Days have proved so successful over past years that this time some 43 European countries are taking part, including Bosnia and Herzegovina and the Baltic States. The buildings include Sarajevo's National and University Library, Ljubljana's House of the Secession, Rome's Santangelo Castle, Dresden's Yenidze Tabacco factory and Paris's Élysée Palace. 3 Sept-4 Oct. Full information of dates and venues: Council of Europe (+32 2-5111840). Anne Sofie von Otter takes to the stage in Berlin following her appearance at Edinburgh (see above). The Swedish mezzo soprano will sing Lieder by Schubert at the city's own cultural festival, supported by the Chamber Orchestra of Europe, led by Claudio Abbado. 6-30 Sept. Various venues (+49 30-25489254).