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Cover photograph: Nigel Parry / Katz

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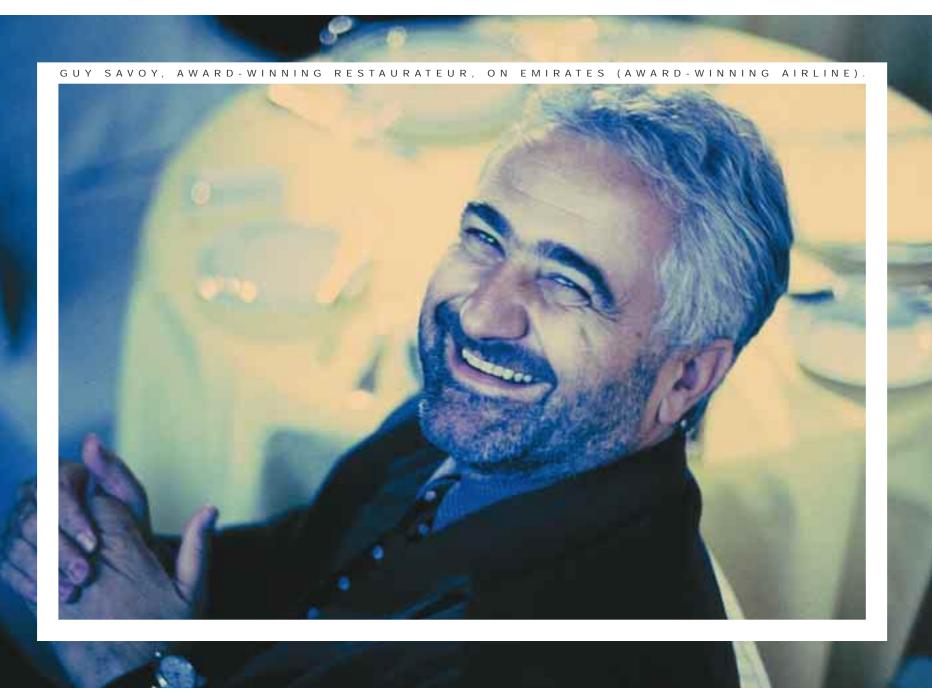
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# G"It's like being in a Heat Carestaurant that happens to fly."



A crisp Montagny Premier Cru accompanied a subtle saumon aux poireaux.

Then followed two goodies no restaurant offers: a movie on the personal video,

and a complimentary limousine on arrival. Five stars, Emirates.





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# **Dutch courage**

HREE CHEERS for the Dutch, who alone among the countries of the European Union (EU) have found the courage to state an obvious truth nobody else dares to utter: that even by resorting to the most liberal interpretation of the criteria laid down by the Maastricht Treaty, Italy fails to qualify for the single European currency. Our honest hero comes in the unlikely shape of Gerrit Zalm, the Dutch finance minister, who is insisting that entry to the euro must be in accordance with the letter and spirit of the treaty.

He will not get his way, of course - there is enough political momentum behind Italy's membership to force a fudge - and even his own ruling coalition in The Hague has not thanked him for his intervention. The suggestion that the Netherlands might stay outside the euro-zone if Italy is allowed in is not credible given the guilder's long and stable relationship with the D-mark. But Mr Zalm has nevertheless raised an issue which threatens to haunt the single currency during its troubled birth.

Maastricht lays down two crucial fiscal tests which countries must pass to join the single currency: their annual budget deficits must be no more than three per cent of gross national product; and their accumulated national debt must be no more than 60 per cent of GDP. The wording of the treaty allows some room for manoeuvre: substantial progress towards both these goals might be enough, provided countries are in spitting distance of the targets. Italy fails on both counts.

True, it is now claiming to have forced its budget deficit under the three per cent limit. But this has been achieved by various sleights of hand and one-off measures designed to massage the figures. There are real doubts that Italy can sustain a deficit this low for long. But France and even Germany have fiddled their own figures to meet the three per cent yardstick, so they are not likely to demand a stringent, independent audit of Italy's dubious budget calculations. Those of a generous disposition will allow Italy to slip past the first Maastricht test.

But even the most profligate-minded should surely baulk at Italy's astronomic overshooting of the second: at 122.5 per cent of GDP, its accumulated national debt is more than twice the Maastricht limit. This is what Mr Zalm had in mind when he raised the matter of Italy's euro-credentials last week. By no stretch of the imagination can it be massaged to fall within the letter or spirit of the Maastricht within the timetable the treaty lays down. Rome has rushed out figures to show that its debt is declining. It is even promising to hit the 60 per cent target - but not before 2009 at the earliest. Even that distant date depends on some heroic assumptions, such as an Asian-tiger annual average of 4.5 per cent economic growth for the next 12 years, low inflation and a steady and massive stream of income from privatisation. Those inclined to believe all that will also have faith in the tooth fairy.

The incredible fact is that, bar the Dutch, the rest of the EU is determined to believe it. The French want Italy in the single currency so that Italian exports do not flood into France propelled by a devalued lira. The German government, despite the reservations of its people about sharing the euro with Italy, is prepared to go along with Paris. Besides, Belgium's ratio of debt-to-GDP is even worse than Italy's but everybody takes it for granted that the Belgians will be among the first wave. Why pick on Italy? Political convenience rather than sound economics is to be the euro's guiding spirit.

Even Tony Blair, the British prime minister and current president of the EU, who prides himself in a rigorous approach to European matters, affected no concern about Italy when tackled by The European last week. "People will look at whether the ability to get there is clear," he told us vaguely "and at all the criteria in the round." Euro-fudge is now firmly on the Downing Street menu.

Yet almost in the same breath Mr Blair insisted that Britain would use its EU presidency to ensure a hard euro: "It's got to be a currency that has credibility ... I want to see a strong euro." The markets will soon disabuse him and the rest of the EU that you can launch a currency on a false prospectus and fudged figures and expect it to be valued by dealers as if it was the D-mark. Clearly, London has no intention of rocking the euro-boat. Indeed, it will have nothing of substance to say about the euro during its presidency: Germany and

Those who believe Italy can achieve 4.5% annual growth must also have faith in the tooth fairy

France will continue to call the shots that matter in this particular project.

There is another factor which threatens the credibility of the euro and it also involves the Dutch. The former long-serving governor of their central bank, Wim Duisenberg, a banker with impeccable antiinflation credentials, was supposed to be a shoo-in as the first governor of the European central bank (ECB). Then President Jacques Chirac unhelpfully nominated France's own central bank governor, Jean-Claude Trichet. In typical Brussels fashion, it is now being suggested that the first eight-year term should be divided between them.

But the Maastricht Treaty laid down a single, non-renewable eightyear term for a very good reason: it wanted to convince the markets that the head of the ECB would be free from political interference to pursue its sole monetary objective of price stability. Now the French want to make it a matter of political horse-trading and buggin's turn. No wonder the Dutch are angry. And no wonder those who promised that the euro would be as strong as the D-mark it is to replace are now looking daily more discredited.

# DISPATCHES

# BIRNA HELGADOTTIR'S

# Reykjavik



young, beautiful, very drunk and don't bother to change out of your swimsuit.

There comes a time in the life of every thirtysomething when they say the wretched phrase "when I was young". I reached that moment when I checked out the downtown Jr. are flocking to spend their holidays here Reykjavik nightlife in the early hours of an — and Icelanders make it a point of princiicy morning in January. We may not have ple not to rubber-neck. Scary Spice is a fregone in for anoraks and balaclavas in my quent visitor in her private jet, dropping off day but there was at least a passing nod to or collecting what the tabloids call her the elements in our choice of ensemble. Now it's micro-minis and bare feet in platform before Christmas, she was spotted (by my mules. I couldn't work out if the blue toe-five-year-old cousin, who has still not recovnails on view were fashion statements or ered from his excitement) in an exclusive

symptoms of hypothermia. Still, it is comforting to think that some things never change chiefly the effects of strong drink on the young. There were all the familiar sights. Girls shrieking wildly or sobbing inexplicably. Tangles of bellowing youths, attempting either to administer or prevent a good kicking to the



excess in doorways. Cars bumper to bumper, horns and music blaring.

The runtur, Iceland's answer to the Italian corso and the paseo of Spain, has been going strong for generations. However, the inflammable substance they can find, and crowds of today are wilder and bigger than spend more than half the nation's annual they used to be. On a Friday night, almost the entire population of Reykjavik aged between 11.30pm on 31 December and between 13 and 24 floods the streets – and 00.30am on 1 January, every father is outseveral thousand inebriated youngsters is a side his house, lighting the most expensive sight awesome to behold. The novices, aged and elaborate explosives money can buy. 13 and up, are, if you'll excuse the pun, the infantry, patrolling the streets on foot. At 17, you graduate to the cavalry – the long- This, I must confess, is one quirky side-effect awaited driving licence brings the added of living in a cold dark country on the edge cachet of doing the *runtur* by car.

but for under-agers, a fake ID, a friendly believe in elves, not to mention trolls, ghosts bouncer or sophisticated make-up can get and the power of second sight. And come vou into one of the hundreds of bars and February, we prove just how crazy months coffee-houses that have sprung up in the of darkness can make you. To celebrate the post-beer years. In 1987, the year before festival of *Thorrablot*, we bury shark underthey finally legalised alcoholic beer, there ground and dig it up again months later, were 52 licensed establishments in this city stinking of ammonia. We singe the heads of of 150,000 people. In 1996 there were 163. sheep, pickle the flippers of seals and the And by about one o'clock on a Saturday testicles of rams, devour the whole lot morning, the queues outside almost all of washed down with lashings of throatthem are phenomenal.

Kaffibaring the establishment best-known The wind is howling at the for being part-owned by Damon Albarn, windows, the snow falling front-man of Britpop band Blur, looked the in drifts. Fancy coming most promising. The clientele, many of whom were dancing on the tables, looked Sitting in a pool of geo- as if they might be the same age as my thermally-heated water friends, rather than my babysitters. But we with a snowstorm beating your face is one never got to sample the delights within. "I'm way of tackling winter blues. And after you not queueing up for hours in the freezing have shaken the icicles out of your hair, you cold just to have a bloody drink," snorted could head downtown to sample Reykjavik my husband, who, being of Anglo-Saxon nightlife. To blend in with the locals, be descent, lacks the hot blood of the Vikings.

Reykjavik may have a cold and dark climate but in terms of trendiness it is hot. Newsweek has nominated it one of the world's ten most exciting cities. The rich and famous, from Jarvis Cocker to John Kennedy "hunky Ice-man", Fjolnir Thorgeirsson. Just

menswear shop replenishing her lucky fiancé's wardrobe Christmas in Iceland provides a taste of what the pagan forerunners of the Christian celebration were all about: we spend the 12 days of the festival either lighting



shop windows and puddles of regurgitated bulbs, and fairylights hang from every stunted shrub or tree that has broken its way through the permafrost of the Arctic tundra.

On New Year's Eve, Icelanders make huge bonfires with every piece of discarded health budget on fireworks. In the hour

There is another pyrofest on Twelfth Night, with more fireworks and "elf-fires". of the world. The majority of Icelanders -The legal drinking age in Iceland is 20, proper, grown-up, sensible Icelanders – burning *brennivin*, and we call it a feast.



SNAPSHOTS

# **Slimline monarchy**

Crown Princess Victoria of Sweden, once buxom, now thin as a sceptre, has flown to an unknown destination in the United States to begin her university studies instead of attending the prestigious Uppsala University, where she was due to read political science. The 20-year-old future queen has an eating disorder and her parents, King Carl Gustaf and Princess Silvia, were concerned about the attentions of the Swedish press. No doubt the example of the late Princess of Wales - who once suffered from bulimia, and the press - was not far from their minds.

were told their results and

November, so that they could

Retailers say they will pull

abattoirs, but there is one big

patients vote with their feet

abattoir cuts up the beef that

lands in their butcher's shop.

Democracy, Balkan-style, has

been on parade in Podgorica,

capital of Montenegro, junior

Yugoslavia. After the election

victory of Milo Djukanovic,

champion of liberal reform

supporters of the defeated

streets to stone police and

erect burning barricades.

potential separatist who

with international pariah

federal defence minister

pro-Milosevic man took to the

Momir Bulatovic, upset at

losing his job, particularly to a

could break the crippling ties

a-mob". Allegations that the

supplied guns to rioters were

insisted, had merely broken

down. At his inauguration in

the old royal capital Cetinje,

'Without equal rights, there

Diukanovic had a different

message for Belgrade:

is no Yugoslavia."

also refuted. Negotiations, he

burly federal president,

Slobodan Milosevic.

and would-be nemesis of the

and then in their mouths?

The full Monte

partner in the rump

against dud schools and

tested again before last

contracts from below-par

problem. Parents and

hospitals: but how do

carnivores know which

boost their grade.

# **Veal squeal**

Scottish independence has arrived earlier than expected, at least according to one Cherbourg supermarket. Latest special offers advertised in La Presse de la Manche by Leader Price include veal escalope at Ffr69.90 per kilo, dutifully marked, for those who care where their meat comes from, origine Ecosse. So much for the ban on British beef!

The cut-price store denies any involvement in alleged illegal meat-smuggling and insists there was a "printing problem" on the ad. EU officials say the French veterinary service will look into it. Scotland expects they will do their duty.

# Top of the chops

Anxious to beef up its credentials among disillusioned consumers. Britain's ministry of agriculture, fisheries and food (MAFF) is following the lead of several other government departments and publishing a new league table. The Conservatives graded schools and hospitals: now Labour is

grading abattoirs. Whether this exercise will win public confidence is quite another question, MAFF's assiduous vets found that 46 slaughterhouses in England, Scotland and Wales - almost one in ten - scored less than 65 per cent and so were below acceptable hygiene standards. All 496 abattoirs

# **Brownie points**

**British Prime Minister Tony** Blair is getting tired of being told his honeymoon is over. Especially when the marriage of one of his cabinet ministers is very publicly breaking up. It is not just Foreign Secretary Robin Cook's pecadilloes that are causing tiffs in Downing Street. Now Chancellor Gordon Brown is having a fit of jealousy - in retrospect.

The first biography of Brown - written with his "full co-operation" - charges Blair with reneging on a pact to let the less charismatic Scotsman have an equal crack at the party leadership. Pundits doubt that the relatively taciturn Brown could ever have led Labour to such a landslide victory. "Privately, Brown's friends believe Blair let him down." author Paul Routledge writes. Mr Brown, of course, would

never let a colleague down.

# **Second sex**

The language of political intercourse in France has turned risqué. Premier Lionel Jospin's eight female cabinet members have rejected the straitjacket designed by the Académie Française. The word "ministre" may be masculine, but they are feminine and proud of it. "Madame le ministre" now prefers to be addressed as "Madame la ministre". The Académie is distraught; but the girls are unrepentant. Vive la différence.

# ASKOLD KRUSHELNYCKY'S

# Moscow



in Moscow passes like a Bacchanalian festival, soaked in drink and attended by strange delights and mysteries. In a winter that promises to

be one of the fiercest on record, the celebrations, accompanied by generous amounts of vodka, have helped ease the big chill.

Russians, never in much need of an excuse to hit the vodka bottle and celebrate something, have discovered even more reasons to drown their sorrows since the fall of communism. In the bad old days New Year was the big party. The presiding deity was D'yed Moroz, Father Frost, with white beard and red apparel who delivered presents to little children: an atheist symbol readily recognisable even to capitalist post-Christians.

But in the new Russia, old-style Orthodox Christianity has made a big comeback. Christmas is back, albeit still 13 days late, celebrated on 6 January. The communist revolution did not persuade the Church to abandon the old calendar; and the capitalist conversion did not even try.

The new enthusiasm for Christmas falls conveniently between 1 January. the New Year most of us recognise, and 13 January, when the Orthodox Church finally gets around to it. Russians can cope: the opportunity to mark the New Year twice is far too good to pass up. For many, much of the first half of January passes in a haze.

But all pleasures have their price, even that of oblivion. Vodka always entails a degree of peril in Russia these days - illegal moonshine distilleries using poisonous industrial alcohol have been blamed for the deaths of at least 35,000 Russians during the past year. But coupled with temperatures which in recent weeks have plunged to minus 34°C, and with worse to come, the oblivion can be terminal.

Every year in the Russian capital some 600 drunks fall asleep in the freezing snow never to wake up again. Hypothermia is the less dramatic killer. Another terror strikes like lightning bolts from some strange Slav deities still fuming at their rejections: the devilishly long icicles, often more than a metre in length, which form under the eaves and on other architectural features on the roofs of the country's tall buildings. When there is a thaw these shear off. Every year 1980s thriller. Those in search of genuine be merry for tomorrow ... we eat?

THE first half of January unfortunate Muscovites die, speared by icy

But seven decades of muddling through the incompetence of communism has made Russians nothing if not resourceful. The deadly icicle threat has led to the formation authorities to scale buildings and deactivate Father Frost's missiles. These usually consist of amateur mountaineers who regard the task as a heaven-sent opportunity to hone their hobby, hanging, horribly dangerously, suspended above the street, hacking with machetes at inverted pinnacles of ice.

Yet the Russian winter is not all a grim battle for survival. Thousands of other Muslevel and the parks brim with entire families to resurface.



DASHING IN RUSSIA: A LITTLE CRAZY AMID THE SNOW

on stubby skis performing cross country. The more daring skiers slalom down the hills set out for downhill skiing.

For children who prefer sledging, the best place is around the red, crenellated walls of the Kremlin itself. Mounds near the walls make a perfect run for lovingly fashioned elaborate sledges or just canteen trays. Unwary visitors paying their respects at the eternal flame to the unknown soldier find themselves targets for miniature bobsleighers with kamikaze instincts.

capital's favourite ice-rink, unspoiled by its

thrills take to skis or skates along the frozen Moskva river, willing to take the risk that the ice might not be quite as thick as it seems.

Others break it deliberately. Moscow's "walruses" are enough to deter anyone who thinks he can vanguish the Russian soul. of intrepid groups paid by the local Moscow Scores of hardy, ancient, blubber-upholstered winter swimmers smash the ice in lakes and rivers to take the plunge in the freezing water. They assure anyone who suggests the practice is eccentric that it is, in fact, bracing and their skills and even get paid for practising health-giving. The facts do not always bear them out. The swim provides an excellent excuse to take an aprés-plunge shot or two of vodka. Occasionally those who have taken pre-plunge shots of vodka, or indeed have decided to take the waters only because the covites enjoy their winter sports at ground entire idea has been fuelled by vodka. fail

More sedate river-users in winter are the fishermen who cut holes in the ice and sit for hours nibbling at smoked sausage, washed down with vodka, for their prev to bite. Some of these too invariably disappear down holes which enlarge to swallow them. But then the Russian winter is full of cruel jokes. In the gloom of a Moscow winter where the dirty snow and cloudy skies merge seamlessly in shades of grey, vodka becomes the inevitable accompaniment to every activity. Unlike those in other European cities, Moscow drunks are on the whole benign. Groups on the last metro home provoke mirth rather than intimidation as they proclaim undying love for whomever might be sitting next to them. An English male friend of mine was astonished that after communication in a series of grunts the giant, hairy, fur-hatted Russian sitting next to him on a late-night train grasped him in a bear hug and showered him with kisses.

Irrespective of outside temperatures most Moscow homes in winter are either freezing or boiling. Central heating is provided by plants, many kilometres away, and piped to buildings without thermostats. The harshest days produce the bizarre sight of wideopen windows to prevent the inhabitants of apartments being parboiled to death. The waste costs billions of dollars every year.

Meanwhile I have deconstructed imported disposable nappies found in my flat to pad Gorky Park with its iced paths remains the the gaps around the window and keep out Father Frost: another excuse for a shot of unsought notoriety in Martin Cruz Smith's vodka. *Na zdorovye*: cheers. Drink, live and

**FRANCE** ■ 100 years on Dreyfus claims a new victim

# J'accuse

LIONEL JOSPIN has become a victim of the Dreyfus Affair, 100 years after the event. France's socialist prime minister, a graduate of the Institut d'Études Politiques as well as the prestigious École Nationale d'Administration, projects himself as a man of learning and a historian of his country.

He had no excuse, therefore, for the greatest scholastic gaffe by a world leader since former American vice-president Dan Quayle revealed that he was unable to spell the word "potatoe".

The pain was compounded by the fact that Jospin had no one to blame but himself. Answering questions on France's role in the abolition of slavery at the Assemblée Nationale, the prime minister chose to make an unprovoked attack on the French political right for its alleged mistreatment of Dreyfus.

"It is a fact that the left was for the abolition of slavery," he began. "The same can hardly be said of the right. Equally, the left was Drevfusard and the right anti-Drevfusard."

Wrong. History tells us that the abolition of slavery in France, which had been expected to follow the Declaration of the Rights of Man. in 1789, was scuppered by a revolt in Haiti that horrified Republican France. Napoleon later went so far as to re-establish slavery in the colonies; it was not until 4 March 1848 that the practice was finally halted.

As for poor Dreyfus, France's most celebrated victim of anti-semitism, Jospin was on an immediate loser. It is 100 years since Zola issued his celebrated blast, J'Accuse, and time has done little to diminish its fury. But the left can lay little claim to glory in the affair.

Libération, the left-wing daily, was swift to remind its readers that Jules Guesde, generally credited with introducing Marxism into French politics, considered Dreyfus's conviction for treason a quarrel within the bourgeoisie which the labour movement would do well to steer clear of. Worse, the left was actually in power during the trial: four of its ministers were prominent among those demanding a guilty verdict.

Little wonder that deputies from the right had to be restrained from starting a brawl in the chamber. "Resign! Resign!" they shouted at a clearly embarrassed Jospin, who had to be protected by security men.

Most galling of all for the prime minister was his unguarded claim that Léon Gambetta, one of the founders of the Third Republic, had been a stalwart defender of Dreyfus.

Wrong. Gambetta was already 12 years dead when Dreyfus was first brought to trial. Jospin was confusing Gambetta with Georges Clemenceau, owner of the newspaper l'Auror and publisher of J'Accuse.

Few events in French history have as much resonance as the Dreyfus Affair. Jospin – whose belated expression of "regret" over what was a sorry catalogue of error did nothing to quell the furore - will never be allowed to forget his disgrace. President Jacques Chirac, languishing in the socialist leader's shadow for much of the past 12 months, must have been laughing all the way back to the Elysée.

**WALTER ELLIS** 

# **Fusocats** RipperWilliam WHATEVER SO WHAT'S THE LAWYERS ON THE AND PEOPLE'S AGENDA! People's Eur PEOPLE'S EUROPE BUREAUCRATS IMPLEMEN AND COME UP WITH,

**6** THE EUROPEAN ■ 19-25 JANUARY 1998 19-25 JANUARY 1998 ■ THE EUROPEAN 7

# COVER STORY

TONY BLAIR ■ Britain's 'euro-friendly' leader appears to have been rumbled

# Aprophet exiled to the widerness

**Julian Coman** 

T SEEMED a smart formulation back in June, in the Scandinahis own election triumph the month before, Britain's new prime minister, Tony Blair, directed a quickly dismissed as "puerile" (with gathering of European socialists in some justice, since it is pretty mean-Malmö towards new Labour's vision of a brave new world.

Europe which European citizens deserve." Above the deafening the financial paper Il Sole 24 Ore. applause which followed, excited talk helm, was at last talking positive. New Britain, New Europe.

Seven months later, as the same talk launches Britain's six-month presithe Year, no less. dency of the EU, the innocence of summer is already a memory. That demanding substance as well as style. The harsh verdict is: not much, according to the growing number of Blair-conducting a "rock 'n' roll" presidency sceptics in the rest of Europe.

Trojan Horse for Anglo-Saxon values, the musical analogy, nobody felt like have already judged the notion of the dancing.

translated as Europe populaire or Europe des peuples?" sniffed Le Monde, slyly re-posing the whole question of British attitudes to EU integration. vian sunshine. Still revelling in The new Labour list of "people's priorities" – "peace and prosperity, progress and partnership" - was

In Italy, scorn was poured on a new "We want to leave to future Labour pledge published across intoned grandly. "A Europe which is idency" from the British. "There seems and the individual nation-state is more secure, more optimistic. The to be a growing disparity between proclaimed intentions and reality," judged

This could be dismissed, of course, could be heard of a new dawn in as typical media cynicism. But it was crisis over European economic and relations between the European Union followed by a remarkable session in monetary union (EMU). In May of last (EU) and its most recalcitrant mem- the European Parliament in Strasber. Britain, with Tony Blair at the bourg on 14 January, when speaker after speaker stood up to dump on Europe's most fashionable politician - Newsweek magazine's European of

Gijs De Vries, leader of the Eurothan "a vast public relations exercise" an EU summit in Amsterdam to attack was incandescent. The Bundesbank all glitzy rhetoric and very little

The French, who instinctively substance. Another MEP said it was

linguistic pale: "Should the phrase be whether the bandwagon carrying new Labour "to the heart of Europe" (another Blairite mantra, echoing the words of his predecessor, the failed John Major), has lost its way. We may even know by then if the journey was ever genuinely undertaken. Like many British prime ministers before him, Blair's professed enthusiasm for the European Union is long on rhetoric

The past eight months suggest that Blair thrives when the fortunes of European integration are on the wane allowed to define its own relations with the global economy.

The high tide of Blair's European prestige coincided with a genuine year Lionel Jospin, a socialist of the old school, unexpectedly became French prime minister. His first move was to throw the Franco-German alliance, on which progress towards EMU was launched.

Jospin, true to his tax-and-spend roots, argued that Europe's unemsuspect Blairite rhetoric to be a verbal more like a "slow foxtrot". Whatever ployment crisis demanded a less a crisis of faith. rigorous approach. In the name of demand-led growth, he said, the fiscal

loosened, not tightened. A European the single currency is founded, into politicians (not bankers) should disarray. Swept into office on a wave decide just how strict or liberal the pean liberals, suggested that the Blair of anger at the inexorable rise in new monetary regime should be. originally indulgent audience is now EU presidency amounted to little more French unemployment, Jospin used Chancellor Helmut Kohl of Germany What, it asks, does a "People's Europe" which did not deserve the enormous the so-called "stability pact" – an aus-which insists that Europe's single mean in practice; what will a Blair goodwill it had attracted. Claudia terity plan devised by Germany's currency be as free from political interpresidency deliver, bar warm words? Roth, the German leader of the Euro-finance minister, Theo Waigel, to keep ference as the deutschmark, crossed pean Greens, accused Blair of government expenditure in line once itself and murmured a prayer. As the fabled Franco-German "motor" of European integration spluttered to a halt, EMU's true believers were having

This suited Blair down to the ground. The spat between the French "People's Europe" to be beyond the The next six months will determine corset which had been imposed to and the Germans gave him an

opportunity to point out that Britain Anglo-Saxon in inspiration, was in. did not suffer from the economic The new agenda had come to town. the German chancellor travails of its neighbours: UK unemmakes a point to new boy Tony Blair (top left) at last July's Nato summit

> of the pan-European economic gov- 1 January 1999. Delay was a distinct ernment favoured by the French. possibility. Perhaps Blair, at best Bureaucratic institution-building in ambivalent to the idea of a single cur-Brussels was out. The "People's rency, would not have to sell the euro Europe", deregulated, dynamic and to a sceptical British public after all – danger of falling into the kind of bad

Just as happily for new Labour,

Blair, would be created only through tions clear. The French and Germans the adoption of "flexible labour mar- could not stop arguing. Meanwhile, States and Britain. "Old-style state" and perhaps even Germany, appeared Maastricht Treaty criteria for joining So too, by implication, was the idea EMU on its agreed starting date of benefit.

at least not until he knew what he thought himself.

For a politician who had promised ployment stood at less than six per waning European enthusiasm for the to play "a leading role" in Europe, the cent, inflation was low and economic single currency appeared to let the summer could not have gone better. growth healthy. He felt able to preach British government off the hook when The British prime minister had been a little: the jobs Jospin wanted, said it came to making its own EMU intenhanded an easy propaganda victory over jobs and a good excuse to shelve the one difficult dilemma he faced on kets", as pioneered by the United several countries, including France the European stage. To cap a splendid summit for the British, Blair even won intervention and regulation" was a increasingly unlikely to meet the a prime-ministerial bike race organised in Amsterdam for the media's

This cosy confluence of events did not last. By the end of last year the EMU juggernaut had regained its momentum and Blair's team was in

enthusiasm for the EU is long on rhetoric

**Tony Blair's** and short on specifics

odour that was once reserved for a succession of Conservative governments. Jospin, like President Jacques Chirac before him, had come round to Kohl's way of thinking. The drive towards the single currency was to take precedence over all other matters. A token jobs summit in Noven ber nodded perfunctorily towards Jospin's domestic agenda. Angry occupations of French job centres by the unemployed in the New Year spoke eloquently of Jospin's real priorities: his government was battening down the hatches, cutting its deficits and preparing for the euro.

The new mood entailed a host of unpleasant consequences for Blair and continued on page 10



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# **COVER STORY**

# Yes, we are the people

HE started out selfconsciously as the "people's prime minister" walking from 10 Downing Street to the House of Commons immediately after his election, but in Tony Blair's Britain, "people" have become public relations.

The Blair government has been appending the "people's" possessive as a label which automatically confers public approval wishful thinking in the case of the "People's Europe" - or, better still, establishes a beneficial link with new Labour.

Britain's unprecedented public outpouring of grief over the death of Diana, Princess of Wales, had scarcely begun before Tony Blair, with much hand-wringing, retitled her the "People's Princess".

Now Foreign Secretary Robin Cook, who only narrowly escaped being labelled "the people's adulterer", has announced pseudo-populist plans to mark the six-month British presidency of the European Union with an alternative summit, entitled "the People's Summit".

The idea is to invite dozens of ordinary "people" - defined by Mr Cook as representatives of non-governmental organisations - to air their views in Cardiff in June on the eve of the other meeting attended by Very Important Persons.

"Old Labour" cynics accuse Blair of kidnapping socialist vocabulary to disguise the fact that he has abandoned the ideology. When it was run by left-wing extremists, the district of London in which Blair then lived was only half-jokingly dubbed the "People's Republic of Islington".

It is not part of Blair's policy to have Britain compared to forme "people's republics", Poland, Romania and Bulgaria. Nor would they be demanding EU membership if they thought a "people's Europe" was anything like the communist hell they fought so hard to escape. PETER MILLAR

### continued from page 9

new Labour, who were obliged to find a form of words allowing the UK to remain on the EMU fence while appearing to come off it.

Britain's finance minister, Gordon Brown, said that Britain would join the single currency if and when economic conditions were right, but only after a referendum, which would not take place in the current parliament. In other words, 2002 at the earliest.

New Labour was retaining John Major's opt out of EMU; but it also wanted to opt in to the informal Euro-X committee, constituted by those countries intending to join the single currency club in 1999 and set up to discuss arrangements for the transition. The French, with a good deal of relish, said no, adding that the British, who invented clubs, should understand better than most the rules that govern membership.

As the atmosphere soured, what was once taken as new Labour's youthful ambition and go-ahead thinking began to be re-interpreted. Blair's June vision of leading Europe's modernisation was fading fast. "The UK is in danger of throwing the word 'leadership' around too much," commented one EU diplomat. "Every country uses the word when it takes over the presidency, but we seem to be hearing it all the time from Blair." As a faintly comic conclusion to a rapid fall from grace, Alistair Campbell, Blair's formidable press secretary, was accused by the Brussels press corps of conducting aggressive, patronising and one-sided briefings. One Austrian iournalist wrote that the press are required to write "victory for Blair" or The timing of all this ill temper and

argument has been highly unfortunate for new Labour. Just as Blair takes formal charge of Europe's agenda for the next six months, the feelgood rhetoric has stopped working. The "People's Europe", when finally defined, turns out to mean little more than a desire to complete the single market; promote pragmatic co-operation on issues such as crime and the environment; and advance the case for dismantling Europe's over-regulated labour markets.

As for the enlargement negotiations which will take place in March, the and France are concerned, it is the Blair presidency will follow the traditional British line of using Europe's eastward expansion as an argument not flexible labour markets, which will closer" political union. for the reform of the Common Agricultural Policy. These are all laudable aims, but hardly new ones. Meanwhile, on EMU the government waits and sees, albeit with a positive smile

Marco Niada, who has followed closer to each other than Blair is to ness of the next six months. the euro-enthusiasts on the continent." appears to have been rumbled.

in the history of the EU. But its struction could be halted at the accountability". Last autumn's



Towards a 'People's Europe': Blair leads a prime-ministerial bike race organised in Amsterdam for the media's benefit

significance will have nothing to do with the "People's Europe" and everything to do with the grandiose project of a federal Europe, of which the euro is a crucial step. As far as Germany euro and the common institutions which are intended to flow from it, revive their ailing economies and fulfil their political ambitions.

On 2 May, as chairman of the Euroannounce the list of countries which will not be on that list, but it seems British politics for five years on behalf virtually certain that 11 countries will. between Europhiles and Eurosceptics have become EMU's "notary". This is la construction européenne." has proved deceptive. Apart from a the real reason Europe has stopped

As a result, it seems likely that the European integration. Even Major had

Eurosceptic Maginot line of the single market become clearer by the day. The single market is about to give birth to monetary union. The single currency will in turn lead to calls for a European economic government to match the future European central bank (ECB) - and ultimately to "ever

Jacques Delors, architect of European integration when he was president of the European Commission. pean Council, Blair will be obliged to recently restated the bald logic at work in an interview given to a British magon its face. Britain has been here will take part in the first wave of monazine to mark the beginning of the before (minus the smile), with Major. etary union in 1999. Britain, of course, Blair presidency. "As soon as there is a bad economic crisis [post-monetary union]." Delors predicted, "public of Il Sole 24 Ore, comments: "The including Italy. In the words of one opinion will treat the ECB in Frankapparent British confrontation Italian editorialist, Blair will in effect furt as a scapegoat and rebel against

few extreme exceptions, British Euro- taking new Labour's rhetoric seriously: the prospect of the engine of integra- model. But now that programme itself sceptics and Europhiles are much it is already irrelevant to the real busition going into reverse, will promptly seems likely to itself be bypassed and Blair's fall from economic grace was ECB. As time passes and public opin-The "euro-friendly" Blair government probably inevitable, given the hostilion grasps that the EU is now running Labour's well-rehearsed weakness for ity of British public opinion to further economic policy on the euro, the same spin-doctoring and slick but spurious public will "turn to the European policy presentation. Blair agenda will be a sideshow to the more room for manoeuvre. As EMU Council with greater urgency to will be among the most momentous who once thought that European con-

Münster agreement between France and Germany to co-ordinate economic policy is a taste of things to come.

Blair's mistake has been to believe that such grand strategies need not be confronted directly. In the interview published in *The European* this week, he argues that monetary union cannot be conceived of politically. But there has been precious little discussion in new Labour circles of how to confront the majority in Europe who do conceive of EMU as a significant stepping stone towards a political

Driven by a desperate desire to appear constructive, Blair's government has instead focused on a parallel programme which bypassed the whole debate and, with some justice, focused on the pressing need for an Europe's governments, horrified by alternative to the European socia create a Brussels counterweight to the even derided as a trick of the rhetorical light, lumped together with new

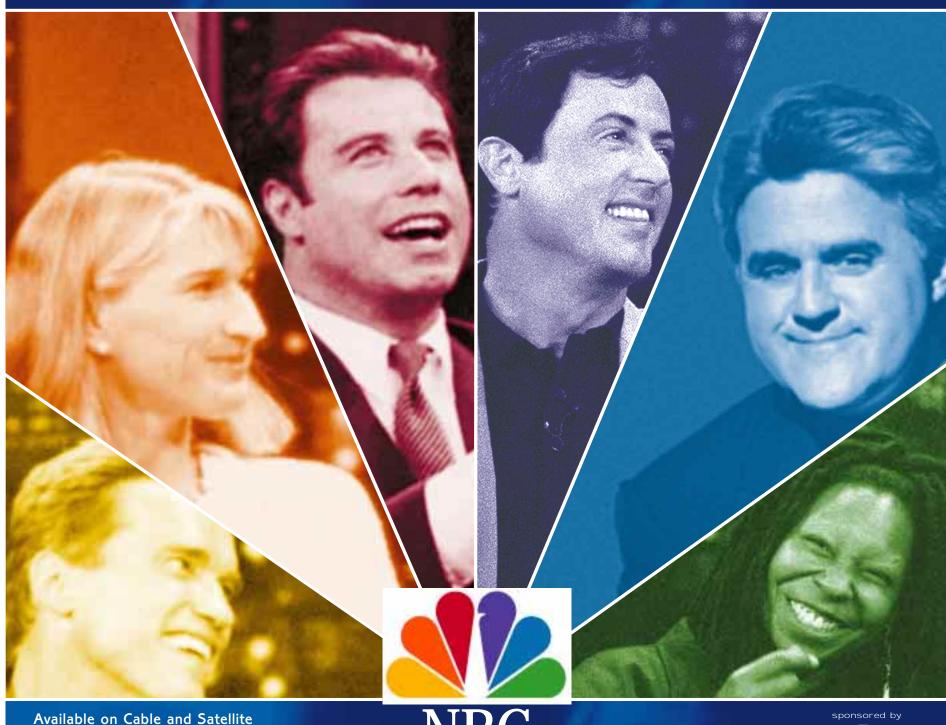
Let's make Europe work, said Blair main event. The British presidency approaches, the delusions of those demand that it consider the questions in the bright June sunshine, but

Interview: page 12

# Are the STARSout TONICHT?

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# **COVER STORY**

### ON THE RECORD:

Britain's prime minister speaks to The European as he takes over the EU presidency

# Blair admits that social democracy is failing

for a Labour prime minister, even one who revels in the prefix "new". The traditional European social democratic model no longer works, he says. It is time to study what is wrong with it and replace it with something better.

Europe has long realised that Tony Blair was not a socialist in the usual meaning of the word. Now it seems he even has doubts about its more moderate manifestation, social then we should democracy, which has dominated mainstream European thinking since the Second World War.

This distances Blair not just from the likes of Lionel Jospin, France's Wrong with it conventional socialist prime minister. It puts him to the right (to use outdated and inadequate terminology) of a Christian Democrat like Germany's Helmut Kohl.

Blair has been driven to acknowledge the inadequacies of modern European social democracy by its inability to create jobs. Contemplating the prospects of the current jobless recovery in France and Germany (in both countries ecodole queues are still horrendous), Blair had this to say: "If the objective is a more just and efficient society where as many people as possible are working, if that is the model of the social market economy] isn't working, if it isn't delivering, then we should look at what is wrong with it."

Blair was talking in a small anteroom off the cabinet room in 10 lot more self-employment and Downing Street, sipping mineral water and looking as young and returned from a gruelling trip to out of choice – because what's the Japan where he had stayed up half the night on the telephone to rescue the Ulster peace process.

the British voter is over and the adugovernment can do to assist people and failed for years to ditch the CAP lation of the rest of Europe is on the wane. His government, despite its at work today is to provide the right education and school system. It's in its present form. "I'm not saying it won't be a struggle" be admite short life, is already racked by splits not to tie their employers up in a short life, is already racked by splits not to tie their employers up in a The other major elements in the further political and scandal. But if he is feeling the mass of regulation .... [but] to Blair agenda – action on drugs, strain it isn't showing. Europe, how- encourage dynamism within the crime and the environment – fall ever, threatens further trouble.

time that European social democ- [all] people." racy is in crisis. He believes that his own party's long and successful internecine battle to marginalise its

TWAS a remarkable admission 'If the traditional European model of the social The left in Britain and the rest of market economy isn't delivering look at what is

> hard left masked the fact that the moderate European left was also bereft of fresh ideas and solutions. The Blairite agenda is designed to fill the vacuum.

He continues to hold to the idea that "governments still have a role - but it's a different role". This is the great burdens on employers," he than substantive. first time he has been so explicit, on the record, that not just socialism nomic growth has returned but the but social democracy as practised in most of Europe is past its sell-by

> centre-left government must now ferent. There aren't jobs for life. New technology is altering working patterns and the way people function within the labour market. We've a entrepreneurship, where a lot more women are working, where people way they want to work.

"In such a labour market you New Labour's honeymoon with ferent rules. The biggest thing that But British governments have tried Blair has said privately for some minimum standards that apply to category, while his hopes for a more

we are winning the argument ... organise a fact-finding mission to more than encourage closer ecoplans for a statutory 35-hour week would let a delegation in. without loss of pay, there is a long silence before saying: "Well, that's

shares this agenda in Europe he cites the recent Luxembourg summit any labour market regulation they introduced would be measured up employability and adaptability of the workforce.

pean social legislation in the pipeline that is going to impose insists. "I think there is a very different mood."

remains hostile in practice to Blair's labour market reforms and few renege on their long-standing love that the labour market is totally dif- Indeed, stripped of its warm words and populist rhetorical flourishes, his "People's Europe" proposals are little more than Britain's traditional policy position in Europe, which has been long ignored.

Like previous prime ministers, Blair sees enlargement of the EU as the Common Agricultural Policy (CAP). "There is no way we can enlarge Europe and keep the CAP need rules, but they've got to be difin its present form," he says firmly.

business sector whilst having basic into the motherhood and apple pie Integration coherent and co-ordinated Euro-Blair believes that a number of pean foreign policy fell at the first younger, new-left leaders in Europe hurdle: the efforts of his troubled share this vision – "I would say that foreign secretary, Robin Cook, to MONETARY UNION

Nobody expects the European

Union to do much more than gather states a question to put to him." When facts. At least, says Blair: "Insofar pressed, he admits: "I suppose there as anyone is responding to what's great goal that we and our Euromay be a different perspective on happening in Algeria, it is the EU. We're taking it more seriously than Blair has made labour market anybody else." Quite so. But given reform and greater job flexibility Algeria's strategic position on the key elements in his "People's other side of the Mediterranean, is a political project is simply a Europe" agenda for Britain's six- Europe has more to lose than month presidency of the European anybody else should Algeria be Union. When asked who else really destroyed by an Islamic bloodbath.

that as Blair waxes lyrical about his where "governments agreed that people's agenda the rest of Europe any time the idea of fiscal is getting on with business as usual, in particular the final stages of against how it increased the creating the European single it's not merely the British that stand currency in which Britain has only a bit part. Blair is keen on the cru-"There is no great raft of Euro-cial role he wants Britain to play in overseeing a successful launch but knows it will be technical rather

He has no stomach, for example, euro, given its massive accumulated national debt (twice the Maastricht direction in which a progressive towards them, much less ready to teria in the round," he says vaguely, in effect acknowledging that the 11 test, if it [the traditional European go: "Most people recognise today affair with social democracy. countries earmarked for entry is a common fiscal policy is essential."

As for Britain's own attitude towards the euro, Blair continues with the very British conceit that it is almost wholly a matter of economics. While the rest of Europe acknowledges that the single currelaxed as ever, despite having just will work part-time – and part-time a Trojan Horse for radical reform of rency is a significant step towards further political integration, Blair persists in believing it will do no

There's no consequent upon

most of Europe is coming round to investigate the atrocities in Algeria nomic co-operation: "If you speak it" – but when asked how that were rebuffed and had to be hur- to them [the leaders of Europe] they squares with, for example, Jospin's riedly upgraded before Algiers say they don't want some grand United States of Europe, they want to maintain independent nation-

In fact, Helmut Kohl says that "the pean friends have in common is a United States of Europe" and a senior French diplomat recently told The Economist that "to say that EMU truism, a tautology"

Blair denies that a single currency need even lead to the harmonisa-It is hard to avoid the conclusion tion of tax policies: "I don't think that's what most people want and harmonisation comes up in Europe in terms of basic tax rates and so on up and say 'we don't want that.

Yet last October the Germans and French met in Münster and agreed to co-ordinate their tax policies in preparation for the euro. "That doesn't mean to say they're going for tricky matters like questioning to start trying to set the same rates Maybe. But most of Europe Italy's qualifications for entry to the of tax," claims Blair. But no less a figure than Alexandre Lamfalussy. former head of the European Mon-He has a clear idea of the countries are making much progress limit). "We will look at all the crieatry Institute (the forerunner of the European central bank), has said: "If monetary union is to work, already a done deal between France Most American economists, drawing on the experience of their single continental currency, agree.

Britain's prime minister still insists that "there's no suggestion that there should be further political integration consequent upon monetary union. In discussions I've had with [Europe's leaders] they're not talking about further steps to political integration or harmonising tax

He is prepared to admit, however. that a single currency involves a "substantial pooling of sovereignty. You can't get away from that." Come the day if and when he decides sterling should be swapped for the euro, Blair will have to explain to the British people what the difference is between a "substantial pooling of sovereignty" and further major steps towards European political integration. They sound very much like the same thing.

**ANDREW NEIL** 



ALGERIA ■ The EU looks likely at last to get into the war-hit state. But can it make any real impact?

# Adrift in a Vale of tears

**Ian Mather and Robert Fox** 

HERE is a sense of *déjà vu* about the European Union's intervention massacres shows ominous signs of adding to the sorry string of failures that has marked the EU's common foreign and security policy its own security forces were partially respon-(CFSP) since it came into existence with the sible for the massacres by accusing EU govsigning of the Maastricht Treaty in 1991.

announces that a "troika" of foreign ministers works are active in several European capitals," will travel to the country that is the object of concern. The government of that country initially demurs, before agreeing to receive the EU mission on terms designed to massage its own amour propre. The mission then flies in. holds talks, extracts promises that things will improve and departs. Nothing changes.

single success has been chalked up by the EU. All attempts have failed because individual members of the EU cannot commit themselves minister of state, could discuss "all matters nected to the national interest, member governments prefer to do nothing. When they do act, the six-monthly rotation of the Union presto the EU's next foreign ministers' meeting in idency makes it almost impossible to follow a Brussels on 26 January. But whether it will It will not meet any members of the biggest consistent line because each country has its have anything new to say is already open to own priorities.

tious diplomatic toe into the cauldron of a crithe Algerians. sis, this time in Algeria, where in the worst

The most delicate problem the EU faces is

The first and still the most notorious examto force the warring Bosnian factions to sign

been inauspicious. When the British, who have just taken over the EU presidency, proposed to send a low-key delegation "to continue dialogue" with President Liamine Zéroual's milin Algeria. The diplomatic mission itary regime, the mission was given a which the EU is finally despatch- calculated snub by the Algerian government. ing this week to investigate the Algiers rejected it on the grounds that it was

Algeria also responded to accusations that The pattern is familiar. First the EU terrorist networks supporting the killers. "Netners know it. It is not only Britain. Other coun-

In the end the visit was settled on 15 January only after Robin Cook, the British foreign secretary, had agreed up upgrade it to In the seven-year history of the CFSP not a junior minister level after talks with Attaf. It was also agreed that the visiting team, headed by Derek Fatchett, a British Foreign Office

The team will return in time to report back

spate of killings since the Bosnian war more that elements of the regime may be part of the ple of the EU's failure in foreign policy came the 1995 Dayton accords that peace came to than 1,200 people have been massacred in crisis rather than its solution. But the EU is with the break-up of Yugoslavia in 1991. The Bosnia. under three weeks. Once again the start has disinclined to investigate government militia EU failed to stop appalling bloodshed even A similar pattern was repeated, albeit on a

"inappropriate"; that is, not senior enough.

ernments of not doing enough to close down Algeria's foreign minister, Ahmed Attaf, charged. "We know it, and our European part-

involvement. Cook was quick to dismiss it, perhaps as the price for getting the delegation into Algeria. "We have seen no evidence to support allegations of involvement by the Algerian security authorities," he told the European Parliament in Strasbourg on 14 January. Two days later the French foreign minister, to common decisive action. Confronted with relevant to ending the suffering of the Alger-Hubert Védrine, also played down the allethe harsh reality of risking the lives of their ian people", a bland catch-all phrase that gations – though a fortnight before he had troops for causes that are not directly conallows both sides to claim they have set the criticised the Algerian regime for failing to minister Neville Chamberlain after his meetenable its citizens to live in peace and safety"

Faces of grief: mothers mourning their

an everyday occurrence in the villages of

Algeria as the forgotten war rages on

The delegation will meet members of the Algerian government, EU diplomats and MPs. Islamic opposition party, the Islamic Salvation doubt, since the team's movements and con- Front, nor will it travel to any of the massacre itary monitors. They arrived in time to wit-Now once again the EU has dipped a cautacts have been shackled from the outset by sites. But this sort of half-baked action is parness the Serbs overrun a third of Croatia. It for the course.

though crimes against humanity were being committed within Europe.

The EU shares the blame for the disaster in the first place. It was a German diplomatic campaign, led by then foreign minister Hans-Dietrich Genscher, which led the EU to recognise the independence of Slovenia, Croatia and later Bosnia - even though it was clear that war would ensue.

The EU took an early lead in international efforts to restore peace. Foreign ministers from Italy, Luxembourg and the Netherlands set off on a dramatic late-night flight around Balkan capitals. The trio returned, like British prime ing with Hitler, with pieces of paper contain ing the signatures of Balkan leaders promising that they would settle their disputes peacefully.

Later the European Community (as it then was) agreed to send a large contingent of milwas only when the United States stepped in

minor scale, when Greece and Turkey almost went to war over the uninhabited Aegean islet of Imia in January 1996. The confrontation between their two navies was embarrassing as well as dangerous - one of the two wouldbe belligerents. Greece, was an EU member.

Dayton, after a day and a night of telephone security forces. diplomacy, summed up the Washington administration's feelings by openly accusing weeks since the beginning of Ramadan, the pipelines, and refineries processing the gas southern Europe as well as of north Africa. the Europeans of being "asleep" while the Islamic month of fasting, meant the EU could and petroleum which earns Algeria \$43 bil-Americans were rescuing them from war. "You—no longer look the other way. The rate at which—lion in annual export revenues. It is this goldhave to wonder why Europe does not seem events in Algeria have spiralled out of gov-mine which keeps the military regime afloat. 30 million inhabitants under 20, and nearly capable of taking decisive action in its own ernment control since the fundamentalists More than 90 per cent of the exports go to 70 per cent of its youth unemployed. They are theatre." he said.

Algeria deepen for six years while doing their repeating the same mistake. best to keep out, even though the accelerat-

since the violence began in 1992. The EU's excuse for not intervening has been that nothing could be done as long as the regime rejected all outside help in the name of protecting Algerian sovereignty.

France, as the former colonial power, has Once again it was the Americans who forced done little to encourage EU involvement in a east of Oran, are reported to be causing mass of excesses". Greece and Turkey to back down, while the country it still considers to be in its own back-EU sat on the sidelines and issued vacuous yard. France has also been more willing than and this could soon trigger a flood of refugees statements. Richard Holbrooke, the US spemost to give the Algerian government the into Italy, Spain and France. cial envoy to the region and architect of benefit of the doubt over the behaviour of its

ing murder of civilian innocents has been tak-primarily on account of its strategic situation security firms. They have already been sub-diplomacy towards a prickly regime such as ing place on Europe's Mediterranean doorstep. and its repeatedly rebuffed attempts to join jected to attacks by Islamist units, although that in Algiers could at best prove fruitless, Estimates, necessarily approximate, are that the EU, the spreading anarchy in Algeria strikes the government officially denies it. between 60,000 and 70,000 people have died at very different interests. The turmoil in North

France and Spain, countries with large committee of the Senate Foreign Relations Maghreb immigrant populations. It also is now Committee, Ronald Neumann, the US deputy beginning to strike at economic interests. For assistant secretary of state for near eastern the first time the massacres in remote upland villages, particularly in the Rélizane area just that Algerian security forces "had been guilty internal migration across northern Algeria –

The new terrorist offensive in the Rélizane The sheer scale of the killings in the three interest of Europe in Algeria – the network of lence in Algeria now threatens the stability of were banned has meanwhile led the govern- Europe, and Italy alone gets more than one- fodder for both the Islamic militants and the Algeria looks like being no different. The ment in Ankara to act against Turkey's Islamic third of its domestic gas requirement from mafia activities of many of the regime's European partners have watched the crisis in extremists (see panel), even at the risk of Algeria. Many of the oil and energy installations and their foreign crews are protected by But whereas Turkey is a European concern, specialist guards provided by international

TURKEY Islamic party

shut down

IN A DECISION with disturbing echoes of the banning of Algeria's Islamic Salvation Front in 1992, Turkey's pro-Islamic Welfare Party was closed by Ankara's constitutional court on 16 January for "actions against the

principles of the secular republic". The court upheld charges brought by a state prosecutor last May that Welfare was "undermining Turkey's secular regime and bringing the country to the brink of civil war". As president of the European Union, Britain pledged urgently to discuss the ban with its EU partners, saying: "We are concerned at the implications for democratic pluralism and freedom of expression."

The nine-to-two majority ruling to shut down Welfare, which won 21 per cent of the vote - more than any other party - in December 1995 elections, comes into effect later this week. It represents a major blow against the Islamic movement by Turkey's secularists, led by the powerful army generals.

Former prime minister Necmettin Erbakan, 71, who, under army pressure, resigned last June after a year in office, is barred from political leadership for five years and loses his status as an MP. The court also banned five other Welfare officials from participating in politics.

Erbakan responded to the move with restraint. He vowed to refer the decision to the European Court of Human Rights, saying it was "legally impossible". Most of his party's 158 MPs automatically become independent deputies, but are expected to try to regroup under another name. A grouping called the Virtue Party is already being formed.

This is the first time an Islamist party has been closed under a democratic government, but military-led regimes closed two parties founded by Erbakan in 1971 and 1980.

"This is a victory for the military, but the power struggle is not totally over," said Ankara-based political analyst Dogan Akin.

Africa creates potential security problems in Europe and the US. In testimony to the subaffairs and former ambassador to Algiers, said

Neumann told the Senate subcommittee: "Economic and social discontent, if not treated, leave the possibility that Algeria will become unstable." His mild words are understatements area could signal a threat to the most vital of the blindingly obvious, namely that the vio-

Algeria now has one of the world's fastest growing populations, with more than half its

It should also serve as the clearest warning that the EU's Bosnia-style of hand-wringing and at worst disastrous.

Inside the triangle of death: p21

Once again there are signs of a rift between

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# **NEWS**

# FRANCE

■ Police face night turmoil in suburbs

# **Battle** rages of fire'

**Darius Sanai** 

OLICE commando Christian Bergoud knows to be on his guard. "Last time we came in here they dropped a paving stone on us from the sixth floor," he says. He crunches through the remnants of a car windscreen on the ground. "My colleague Paul was in a coma for three weeks.'

Bergoud and three of his colleagues from the Brigade Anti-Criminalité (BAC), the elite violent-crime unit of the French police, are treading warily through the grounds of La Caravelle housing estate in Colombes, a violence-racked suburb north of Paris. The burned-out hulks of stolen cars litter the parking area enclosed by the U-shape. The officers, heavily armed and wearing bulletproof vests and helmets, are tense.

Around 100 residents of La Caravelle are currently "at war" with those of La Sabline, an equally deprived estate 500 metres away across the main road. "They set fire to dustbins and stolen cars, they smash windows, throw rocks, sometimes they shoot," says Bergoud, pointing the beam of his torch through the darkness at bullet holes in the



Stop and search in Nanterre: 'This isn't normal crime. This is war against the police'

concrete walls. They walk under a canopy, careful not to venture into the open unnecessarily. Back in the car, we accelerate to 100kmh down Chaussée Anapurna, a narrow alleyway. "They threw a chimney on the car last time, smashing the bonnet," explains the driver, pointing upwards at the high-rise blocks. "It's not exactly a no-go zone for us, but it's a no-stop zone."

Nowhere is France's crisis of urban violence more powerfully illustrated than in the network of vast housing estates surrounding Paris. Described by one of the BAC commanders as a "ring of fire", these concrete jungles, only 20 minutes' metro ride from the Champs Elysées, are wrapped in a miasma of chaos. Many, like those in Colombes and neighbouring Nanterre, have youth unemployment rates of around 80 per cent and are in thrall to the "parallel economy" of drugs and stolen goods, with rioting the major pastime.

The 200-strong BAC of the Hauts-de-Seine département covers around a third of the worst suburbs to the west and north of Paris. Its brief is to help out the regular police, often venturing where their colleagues fear to tread. Its members, veterans chosen for their toughness and weapons ability, are no community policemen. "Why should we try to talk to them?"

says Marc, an officer in charge of a large German shepherd dog. "This isn't normal crime. This is a war against the police."

The radio crackles, and a call for urgent assistance comes through. We slow down as we approach the estate. A crowd of youths is gathering at the entrance to the Pablo Picasso estate, a maze of high-rise blocks and concrete walkways just a paving stone's throw away from the spectacular La Défense office complex. Maybe 70 youths, most of them north African, dressed in baggy clothes and baseball caps, are gathered at one of the entrances.

Our unmarked Peugeot arrives first. The crowd looks up and stares, unable to make out the figures inside. But when the three marked cars follow, they take one look at the occupants - wearing helmets and bullet-proof vests, armed with truncheons, revolvers and plastic bullet guns - and decide that tonight is not their night.

In the time it takes for the 18 officers to run the 100 metres from the road to the entrance, every one of them has vanished – save for one. whose scooter won't start. He is around 17, wearing Nike sports clothes and a Rolex watch worth §2,000. They check his papers, and let him go. "He's unemployed, and he can afford a watch like that," smiles Captain Alain Dutrey,

the BAC commander. An hour later we are in Les Grandes Ensembles, one of the most notorious estates, in the suburb of Antony, overlooked by the Eiffel Tower. We are hunting a gang which attacked policemen earlier. Then the radio crackles again.

Ten minutes later we have crossed Paris from south to north and joined around 100 officers at the doors of the cinema in the shadow of La Caravelle, where the last show is just finishing. A gang of 50 youths has been taking drugs and harassing customers in one of the auditoriums.

In a stealthy operation worthy of the James Bond movie that is still flickering on the screen, the policemen file inside the hall silently and, when the lights come on, the gang looks up from its seats to find it is surrounded by riot police, truncheons and shotguns drawn. A few jump to their feet, but they are outnumbered and outgunned. Several dozen marijuana joints hit the carpet simultaneously.

They are rounded up and taken down to the police station. What, I ask one of the arresting officers on the way, can be done about the near-anarchy? "Unless the politicians pay proper attention instead of giving us lip service," he says, "Paris will soon become worse than the worst parts of Los Angeles.'

# JOBLESS ON THE MARCH

# Jospin swamped by desperate tide of the unemployed

IF THERE was ever a test of the famous "méthode Jospin" of reconciling the apparently irreconciliable, the current crisis is it. The thousands of unemployed demonstrators across the country last weekend illustrated the dire plight the government finds itself in.

So far, Jospin has pledged to hold to his strategic course. "It is necessary to take into account this or that emergency, but we must do so without forgetting the economic facts, without challenging the

coherence of our policy," he stressed unemployment, of exclusion, of the last week.

The French prime minister must take into account public opinion, which - as during last year's lorry drivers' strike - sides with the demonstrators: 70 per cent of the French population support the movement of the unemployed. according to the latest public opinion poll. "Since the beginning of the 1990s, public opinion has been sympathetic, identifying with social movements that express the fear of future ... I call this going on strike by proxy." savs Stéphane Rozès, a political analyst who heads the CSA opinion polling organisation.

Another recent poll shows that 52 per cent of respondents rate unemployment as their top preoccupation. Many people fear they could one day join the ranks of the three million unemployed.

After initial confusion within the coalition government, the prime minister has taken the reins and has

ordered his team to close ranks, preferring to place the emphasis on arowth.

Demands to extend unemployment benefits to more categories, particularly to those under 25, and to double the minimum monthly payment, currently set at Ffr2,300 (\$377), are likely to be rejected. Instead, Jospin has announced that he will hold fast to the three per cent budget deficit limit for entry into the single currency. He will also press

forward with controversial plans for a 35-hour working week.

The employers' organisation, the CNPF, is implacably opposed to this, rightly saying that it will destroy rather than create jobs. The real obstacles to job creation are blatant labour market rigidities and the high rate of social security contributions. Some employers are already talking about moving their operations out of France if the work week is reduced. Pure bluster, says the hard left.

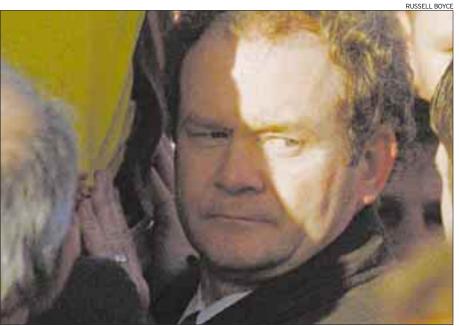
**EDITH CORON** 

**ULSTER** ■ New plans but the same old bricks

# No peace for the wicked

ONY BLAIR described it as the first step "from darkness into light." Pro-British politicians in Northern Ireland agreed. Dublin spoke of improved prospects for peace. Yet the latest Anglo-Irish "heads of agreement", announced last week, merely underscores the contradictions - constitutional and emotional - inherent in any attempt to resolve the Ulster crisis: the immovable object and the irresistible force have not yet decided their test of strength.

Under the two governments' proposals presented as a starting point for detailed negotiations - a devolved assembly would be elected in Belfast; delegates from it would meet representatives from Dublin in a separate consultative council; the two governments would institutionalise their meetings and a so-called Council of the Isles, linking the parliamentary bodies plus the new assemblies in Scotland and Wales, would debate the "totality of relationships": a series of talking shops with plenty of goods in the window but no obvious buyers. It remains impossible to please



Burden of responsibility: Sinn Fein's Martin McGuinness carries the coffin of Terry Enright

two sides dedicated to contradictory aims. David Trimble, leader of the Ulster Unionist Party, is upbeat, believing the proposals confirm Northern Ireland's British identity. Sinn Fein, the political wing of the IRA, is appaled by such a prospect. It has spoken of "grave disquiet and enormous anger": a warning as clear as any in terrorist code that the days of the ceasefire could be numbered. The guns are off the table, but still under it.

Last week a relative of Sinn Fein president Gerry Adams was shot dead – paradoxically while working at a bar owned by a hardline loyalist. Terry Enright, the husband of Adams's

niece, Deirdre, was a community worker, whose murder, by the outlawed Loyalist Volunteer Force, has been condemned by all sections of the community. Mourners included not only Martin McGuinness, Sinn Fein's chief negotiator, but the Lord Mayor of Belfast and representatives of Protestant youth groups the dead man had taken hiking and canoeing.

In an equally poignant classic case of friendly fire, a policeman was wounded in Belfast by a panicky undercover woman soldier of the British Army. This is the stock in trade of a tragedy that has by no means run its course.

### SPAIN

# Basque sharks

MARÍA Corcuera Urandurraga, a 32-yearold lawyer in the Spanish border town of Irún, is wary of young people in tracksuits or jeans, carrying sports bags and wearing tinted glasses. Such people, a new security handbook advises, are liable to kill her.

Corcuera belongs to Spain's most endangered species - town councillors of Prime Minister José María Aznar's conservative Popular Party in the Basque Country. The Basque separatist group, ETA, has made them their main target. Three of Corcuera's 165 colleagues in town halls have been assassinated in the past six months. The last, a 32-year-old fatherof-two, bled to death after his car was blown up.

Most of ETA's nearly 800 victims have until now been outsiders, killed in distant cities. Its new targets are no longer the "invaders" from Madrid but locals whose political duties rarely go beyond deciding on street cleaning and drains. The deaths and pro-ETA teenage street violence have now pitted ordinary Basques against the gunmen, but they are in no mood to listen.

Local councillors are an "easy kill". Corcuera's special security manual advises her to memorise the faces of ETA gunmen from "Wanted" posters and, should she come face-to-face with one of them, the advice is clear: "Try to flee."

**GILES TREMLETT, MADRID** 

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**POLAND** Boy's death and riots in the streets follow basketball showdown

# Match that lit the flame

**lan Mather** 

T WAS only a basketball match, albeit a keenly fought local showdown. But the fracas that followed the clash between the northern Polish towns of Slupsk and Koszalin - the former won 91-66 - has turned Slupsk into a dangerous flashpoint.

The incident is severely testing the nerves of the Solidarity-led government as well as raising acute questions about the behaviour of a police force still wedded to heavy-handed practices from the communist era.

Exactly what happened on the evening of 10 January is the subject of bitter dispute. It is agreed that a 13year-old boy, Przemek Czaja, one of some 200 fans walking from the sports hall to the railway station, was killed during a confrontation with police.

Witnesses say that Czaja was clubbed to death with a baton after doing no more than cross a street against a red light after two police cars tried to force the group to wait. Police say they were responding to reports of hooliganism, and that when they went to break up the crowd they were met by volleys of stones.

The protesters became enraged when local prosecutors suggested



Czaja had been killed by running into a trolleybus pylon. Although a 37-yearold police sergeant was then arrested, in four nights of street violence dozens of police and rioters were injured. On the day of the funeral several thousand young mourners from cities all

Only a game: but the death of a fan led to four nights of rioting in the town of Slupsk

over Poland wrapped in team colours gathered around the red brick Heart of Jesus church in the city centre. Police found dozens of Molotov cocktails and heaps of stones.

Alarmed at the turn of events, Prime Minister Jerzy Buzek announced a publishing the results.

fundamental review of the handling of sports events and sent a top-level investigative team to Slupsk.

The three-month-old government now finds itself in the uncomfortable position of threatening to meet force with force, an irony since the cabinet includes former Solidarity activists who suffered police brutality under pre-1989 communist rule.

Basketball is attracting a growing following among Polish teenagers through the screening of American matches on cable television. But it has never been besmirched by the hooliganism associated with soccer, and the attendance at the Slupsk match was only 500. The rage over Czaja's death had more to do with youth alienation and the state of police discipline. Decimation of the state farms surrounding the town of 100,000 since the changes of 1989 has produced 20 per cent unemployment, mostly among the young. The police, meanwhile, are expected to confront a rising tide of crime, vandalism and hooliganism while under extreme pressure and scrutiny.

If forensic tests prove that a baton blow was the cause of death there could be an explosion in Slupsk. The government may be wise to delay

GERMANY ■ Election accord in doubt as Social Democrats and Greens squabble

# Mine row puts Kohl rivals in a hole

**Tony Paterson** 

HE hole in the ground already has the dimensions of a massive grave. Now it could bury the German left's chances of building a so-called "red-green" coalition government of Social Democrats and Greens to replace Chancellor Helmut Kohl's conservatives after next September's general election.

The project – a massive extension of the noisome Garzweiler open-cast lignite mine in North Rhine-Westphalia that will provide 9,000 jobs in Germany's troubled coalmining industry - is threatening to tear apart what had hitherto been considered a model redgreen state coalition. It would gouge a hole 48 kilometres square and 210 metres deep in a tranquil suburban landscape and force the resettlement of 7,000 inhabitants.

While the state's social democrats have given their wholehearted support to Garzweiler, their Green coalition partners are predictably recalcitrant. They claim that it amounts to an ecological disaster that will commit the country as a whole to an outdated energy supply system heavily reliant on stinking, sulphurous

Whether they are right or not about that,

the Greens have suddenly woken up to the implications that the Garzweiler affair is likely to have for the party's chances of gaining power in Bonn. "If the coalition falls apart here, we can forget Bonn," observed Bärbel Höhn, North Rhine-Westphalia's Green environment minister. But leading Greens like national spokesman Jürgen Trittin see another side to the political equation. Opting to stay in the state coalition despite Garzweiler would wreck the party's credibility as an effective force for change, they fear.

Whatever the outcome, the lesson voters - currently much in favour of an alternative to vet more Kohl - could draw is that, when put to the test with serious dilemmas such as jobs versus environment, red-green governments don't work.

The Garzweiler controversy also suggests that the Greens would be incapable of forming an effective government with Gerhard Schröder, the popular prime minister of Lower Saxony and the man most German voters would like to see run as the SPD's candidate against Kohl. Most Greens have made it clear that they view Schröder's pro-business stance as a threat to the environmentalist cause, and would much prefer to join a coalition headed by the SPD leader Oskar Lafontaine, an electoral no-hoper who ran against Kohl in 1990



At court: four economists take on the euro

and was thrashed. Whatever voters might want, a growing majority within the SPD also appears to dislike the idea of backing Schröder for chancellor. The party has opted to wait until key elections in his home state in March before finally making its choice.

Kohl himself, meanwhile, has suffered new setbacks. This week he marked 16 years in power facing the worst unemployment problems since the Weimar era and an imminent clash between employers and unions over public service pay. To add insult to injury, he was sheepishly forced to admit that he would

not be able to stick by his promise to halve the jobless figures by the year 2000 after all.

If the latest opinion polls are anything to go by, 52 per cent of voters would like to see Kohl's coalition replaced by a red-green alliance. But against the backdrop of mismarriages like the one in North Rhine-Westphalia, Kohl's future could suddenly appear a lot brighter. It is still true that a majority of Germans are reluctant to accept his pet project, the euro. But by the time the election arrives it will already have become inevitable, a fact that Kohl will be able to use in his favour. But even this could yet be derailed if four economists - Karl Albrecht Schachtschneider, Wilhelm Hankel, Wilhelm Nölling and Joachim Starbatty - succeed with their constitutional court challenge to German participation, launched on 12 January.

It is also true that, apart from the euro, Kohl does not have any effective remedy for unemployment. But then the SPD hasn't got one either, and certainly cannot claim any credit for the new currency. If Germany's reds and Greens go on shooting themselves in the foot, the worst he can expect is to become chancellor of a grand coalition government with the SPD. At best the status quo may not even be ruffled. For Kohl, the Garzweiler mine "disaster" could yet be a breath of fresh air.

Germany's King Canute: p28-29



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# IMPRESSIONS A selection of European perspectives

# PRESSWATCH ON: **Ulster**

# Frankfurter Allgemeine

The biggest success of the Northern Ireland policy is hidden at the end of the new text for negotiation: the decommissioning of weapons.

The guestion of whether, when, how and to whom the IRA should hand over its weapons had paralysed to a considerable extent the peace process over the past 18 months. The question of whether or not the IRA would take part in the process was intimately linked with this question.

But whenever the Northern Ireland policy takes the form of typical April weather - moody and changeable - one should be on the alert. The dispute over weapons is child's play in comparison with other issues that need to be addressed. The end of the negotiations will not bring a reconciliation.

It will take a generation or two to overcome the split. Until then, it would be sufficient if both sides accepted rules ideally the same rules - for peaceful co-existence. The institutions which will be given form and power during the negotiations can only be crutches to help along this road into the future.

# El Mundo

**British Home Secretary Jack Straw told** justice and interior officials and senior MPs that he did not believe that the Northern Ireland peace process represented a model by which Spain could resolve its conflict with ETA.

At the meeting in Madrid, which covered co-operation in the fight against terrorism and organised crime, Straw explained the ways in which the government of Tony Blair hoped to put Northern Ireland on the road to peace.

# Le Figaro

Mo Mowlam seems to have won her bet of putting the Northern Ireland peace talks back on the rails after her visit to the representatives of Protestant paramilitary groups in the Maze prison.

Tirelessly, and with a pugnacity which suggested that no setback or insult could deter her, she repeated her credo that an agreement between all parties approved by the population of the province was the only route to a durable peace.

# Izvestiya

For the British government the current peace talks in Northern Ireland are of such importance that it is undertaking unprecedented steps.

Minister Mowlam visited the Maze prison where about 600 terrorists are held, where she met some very "colourful" characters.

The risky step undertaken by the minister seems to have been successful. The terrorists with political representatives within the parties who are involved in the peace talks gave their go-ahead for the continuation of the negotiations. The government suggested a multiparty forum.

It envisages the formation of an assembly to represent citizens from both sides of the border.

Not one group involved in the talks has rejected this project.



Heaven's fire: rescue workers examine the scene in Hamburg after the devastating storm of bombing which left the city in ruins in 1943

# **WORLD WAR II** ■ Author challenges his contemporaries

# Can Germans be victims?

Volker Hage **HAMBURG** 

ICTURES of an apocalyptic inferno: "The flaring flames soaring two thousand metres into the sky suck the oxygen in with such strength that the air currents attain hurricane force, groaning like great organs on which all the stops have been pulled at once." Human bodies are driven by the sea of fire "like living torches"; roofs are whisked from houses and the water in the canals boils.

The description is of Hamburg in July 1943, the night of the firestorm that raced through the German city after allied aircraft dropped a precisely calculated mixture of explosives and incendiary bombs to unleash a blaze unprecedented in its force and ferocity. The speaker is WG Sebald, a German writer living in England, delivering a three-part lecture to Zürich university on the theme "air war and literature", which packed in the Swiss.

The problem is obvious: is it permissible to deal with the German "victim" experience in a literary, even aesthetic way without diminishing the Holocaust? In the first instance, Sebald has made only an observation: that the air attacks and their consequences are scarcely present in the German consciousness and particularly absent from literature. The destruction of German cities in the Second World War, "an act of annihilation without precedent in history", seems to have left no scar on the German soul. But Sebald makes the obvious connection: "a nation which murdered millions in concentration camps" is in a poor position to demand information from the victors about the "military-political logic" of the bombing campaign.

Nonetheless it remains true that the events have made no significant impact on German literature: an astonishing fact given that they were a formative experience for millions and between 1940 and 1945 killed more than half

a million civilians. It is undoubtedly dramatic material. The Dresden bombing in February 1945 proved a rich vein for three noteworthy works: Slaughterhouse 5 by the American Kurt Vonnegut, *The Stone Bridal Bed* by Dutchman Harry Mulisch, and Dresden Died With You Johanna by Frenchman Henri Coulonges.

But apparently those soldiers returning from the lost war who became authors had too much to cope with personally to deal with the trauma of their wives and children - trauma for which they felt at least jointly responsible.

Literature repeated the scenario in many German families: the fathers told their version of the war. They didn't mention the war that fell from the heavens and landed on the cities, in the same way as they didn't mention the crimes of the Wehrmacht, and certainly not the Holocaust. As a result, they weren't really talking about war, not about this war.

Today, Germany is a leading importer of literature in translation by authors who are free from German inhibitions and taboos: North and South Americans, British, French, Czech, all of whom can talk to the Germans gracefully, directly and without embarrassment, of that more or less unbearable "lightness of being". They have told us also about the war and the Holocaust. It would be wrong to think the German public's fondness for foreign literature was based on a desire to escape from the burdening themes of the past. Quite the contrary.

The fact is that much of what we seldom or never find in our literature really could not be dealt with by Germans: first and foremost, Auschwitz. Christa Wolf has championed the view that it befits "only those affected by Auschwitz" to write about it. But if the persecution of the Jews is not to be a topic for German authors, how dare they then write about other, much lesser sufferings of our own, about horrors that have to be morally accepted, if painfully suffered, as consequences of German aggression? One taboo begets another.

Even present-day themes lose their meaning. The motives of German everyday life must, in comparison, seem unimportant and unreal. A love story, the collapse of a marriage, a summer by the sea – all of that was and is risible against the background of what is kept silent. The difficulty lies in portraying Germans as victims, even hiding in air-raid shelters. Is it possible to give them a voice, to feel sympathy for their suffering, without simultaneously, for the sake of political correctness, putting things in relative terms just at the point where art demands that a story be kept free from explanations?

Wolf Biermann, the prominent East German dissident expelled from the communist state in 1976, could be the man to tell such a tale. Born in Hamburg in 1936, Biermann only recently exercised his epic-writing talent in a postscript to a poetry collection.

As a child Biermann lived through the 1943 Hamburg firestorm which killed tens of thousands. In a few pages he describes his flight with his mother out of the inferno of the Hammerbrook district, in a surprisingly personal testimony. His "life's clock" stopped in the "furnace of that one night". "I was six and a half years old and I have never grown older. I am a grey-haired child, still amazed by everything." His flight ended at the Dammtor station, where "two years earlier Hamburg Jews had to line up for deportation to Minsk". Close relatives of Biermann had been among them.

Of course, the two stories are inseparable But that is no reason not to tell them. The great German novel about the Thirty Years' War only appeared in 1688, 20 years after its end: Simplicissimus by Grimmelshausen, who himself had been a young soldier. Christoph Hein has said it will take at least 50 years for the seemingly urgently-needed book on the events of 1989 to appear. So, perhaps, German postwar literature will only begin at the turn of the century, at the turn of the millennium.

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# **ALGERIA** ■ From a deceptively peaceful capital and prosperous orange groves to a family home turned into a charnel house and dismembered bodies

# A journey inside the triangle of death

Bernard-Henri Lévy ALGIERS

N THE autoroute between the airport and Algiers stands a huge painted sign. With perhaps unintentional humour, it says: "Welcome to Algeria!" It is followed by another: "Bosnian-Algerian friendship!" Then comes a deserted but apparently functioning amusement park, and the government sports centre, occupied by juvenile handball players. Then, on the horizon, the port, with its spiky cranes, which looks like a perfect target for terrorist attack. But still I see no police presence.

Soon, of course, I will be leaving Algiers. I will head for the "triangle of death" - the Mitidja - and the region around Oran, scene of the latest massacres. But this, for the moment, is the first impression. One expects to see a city in a state of siege, and the signs of daily horrors. Instead, it looks like "normal" life: women without veils, packed taxibuses, people going about their daily business as if nothing was wrong. There are only three checkpoints in the 20km which separates the airport from the city centre.

Eight days later, after a trip to central Algeria, we find ourselves at the home of Cherif Rahmani, the governor of Algiers, a neo-Moorish palace built at the beginning of the century. The man is open, typical, it seems to me, of the new breed who have ousted the old discredited FLN moguls. "Terrorism is on the way to being eliminated in the Casbah,"

I reply: "Let's go there. If the Casbah is so safe, why not come with us?" The governor hesitates, takes advice, finds the gendarmerie are otherwise engaged and we would have only his own bodyguards for protection. Still, he takes me at my word. Thus I find myself walking once again in the forbidden city, to the astonishment of the inhabitants, seeing him stop for a coffee at Hadj Moussa in the rue Barberousse. People complain about their dustbins not being emptied, and at a crossroads a small crowd gathers, mistrustful but not really hostile.

I am not completely stupid. I do not exclude the possibility that I have been subject to a charm operation as most politicians are. But nonetheless, the fact that it is possible for the local Chirac or Tibéri [Mayor of Paris] to move around like this in the most dangerous areas of the city, is this not a sign of something?

To be a journalist, real or approximate, makes it impossible to go anywhere unescorted. For "danger areas" like the Casbah you get a substantial squad of police. If you leave Algiers, you get two or three big Toyotas full of policemen accompanied by an unmarked squad car.

In any case, there are your permanent companions: a driver in your car, two bodyguards and another driver in a second car, constantly in walkie-talkie communication with a mysterious "central". Their job is to protect you - sometimes to over-protect you - but also to engage you in conversation on the lines of "the media makes too much of a few little terrorist attacks, it's all just gangsterism really, it's of no interest".

The route out to Larbâa was beautiful. It seemed to reek of prosperity - orange groves, vines, well-maintained fields of corn, a classic

Mitidja landscape. In Larbâa itself, without the forest of signs saying "Slow down" and "Stop, Police", the machine-gun set up in front of the sub-prefecture, and the sandbags on the roofs of two villas facing the hills, you would never suspect that two days previously this village had been the scene of a massacre.

There is a direct route from Larbâa to Bentalha, but the military tell me it is "impracticable", so we have to go another way. I enter Bentalha through the area to the west that was the target of the attack there. Three months later there is still a smell of cold ashes, sudden and sharp, which wraps itself around you like an invisible frontier of death.

When we hear in France of these massacres, we picture whole devastated areas, entire villages razed. But here, seven, perhaps eight houses were sufficient for the killing to attain the ultimate horror. For - it suddenly strikes me - what makes this ferocity all the more intolerable is that it was not blind. Families were exterminated, not villages.

I try to see what has happened to Bentalha. The bomb hole in the wall of the Zafar family's home: the terrace to which the family fled; the metallic ladder they had to climb to reach the higher terrace next door. The small shoes of the three children who could not make it and, caught from behind, had their throats cut. The bedroom of the asthmatic son who could not climb either. "I can't breathe," he screamed. "I can't breathe." He was killed where he lay, in bed, with blows from a shovel. The terrace of the other family - but no, they were all one big family, in two houses, gathered there to die on this concrete terrace - the broad pool of blood, now turned dark green, of the 36 dismembered bodies, thrown over the parapet. The dark patches in the stairway: that is the blood of the elderly man who faltered and was beaten with axeblows to join the rest of his tribe.

It was the most beautiful terrace in Bentalha, it had the best view; from there, when the air was clear, you could see Algiers. Now, for ever, it will be a scene of absolute nightmare. A home turned into a charnel house.

At Rais, still in the Mitidja, I heard the testimony of a man who escaped the massacre there. A restaurant owner, he carries a knife mark on his neck and below it that of the axe which almost decapitated him. He tells how his baby child was allowed to bleed to death; how his wife was dragged from under the bed with their other, four-year-old, child, He tells how he heard the leader say: "The adults are killed as a punishment. The children are killed to save them."

Then he recalls that the night before there had been a marriage celebration at a neighbour's house. Everyone was enjoying themselves. Among those people there were – mark this well - four of the men who, a few hours later, took part in the massacre. "Who is killing whom? I know that people are asking the question. But us, we know very well who is killing us. We saw them, the killers. They were from this area. They were at that party ... The question of who is killing whom is itself an obscenity, as if you needed to add doubt and confusion to the horror ...

In between times, I went to Arzew, on the other side of Oran, where six gas pipelines pour out their wealth into the methane tanks of Sonatrach [the state energy monopoly]. This is the other Algeria, the "useful" Algeria.

While isolated villages burn, here they know nothing about the war. This Algeria knows only about the war of figures, cubic metres, performance. It lives in a different world, that of international markets and barrels. There is only one question that interests me as they proudly recite their achievements: how do they view the terrorism? To listen to them, this zone has never suffered from Islam. Of course, in reality that is untrue. We know that this sort of information is embargoed, that there have been attacks on the gas pipelines in the past five years.

It is here, on the approach to Arzew, that I saw the first serious security checkpoints since my arrival in Algeria, huge walls topped with barbed wire, hermetically enclosing the industrial zone. The chief of security is proud. This giant target, this Islamist's dream, this national bankroll, has been protected from the violence - apart from a few skirmishes - for the past six

But here is the real question. I pose it, once back in Algiers, to a government party official. Why have they not deployed this mastery of military techniques to create security screens around the devastated villages of the Mitidja or those villages in the west awaiting their turn? It is the only question worth anything, the real challenge facing the state. Algeria will only be irrevocably launched on the path to democracy on the day when it can tell the world that there are no longer "useful" towns and "non-useful" towns; that there is no difference in matters of life or death; that the fate of a peasant in Rélizane is at least as important as that of a petrol installation.

A longer version of this article first appeared in

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# N E W S A walk on the inside of the EU corridors of power



## **Just coasting**

FRENCH Eurocrat and aristocrat Yves-Thibault de Silguy, he of the monogrammed shirts who insisted monetary union was dead in the water until he became commissioner in charge of the project, is stretching the boundaries of his office.

To be more precise, he is attempting to expand beyond it, challenging the authority of his boss, Commission President Jacques Santer, and even the Treaty of Rome itself. De Silguy, 49, a former adviser to ex-French premier Edouard Balladur and staunch supporter of Gaullist President Jacques Chirac, has announced his intention to run for the presidency of the regional assembly in Brittany next March. Chirac is keen to make sure the region is in safe hands before the 2002 presidential election.

The problem is that if De Silguy wins, he would appear to be in breach of the clause in the EU's founding treaty which decrees: "Members of the Commission may not, during their term of office, engage in any other occupation, whether gainful or not."

Santer called him into his office suite at the Council of Ministers building on Boulevard Charlemagne for a low-key chat, during which it was suggested that perhaps he might care to keep his eye on the euro at this crucial time instead of politicking in the northwestern extremities of France.

The proud De Silguy, however, refused to be browbeaten and is insisting on his right to bend the rules, arguing that the French version of Article 157 of the Maastricht Treaty merely stated that members of the Commission were not allowed to engage in any other activité professionelle, which he clearly does not consider to include politics. Santer fumed and called him into another meeting shortly afterwards, where he showed a rare glimpse of steel by insisting that the two jobs were completely incompatible.

De Silguy's ambitions are understandable, if theoretically reprehensible. He would like to step back onto the French political ladder before his term as commissioner ends in 2000. Being ditched from the party list in last June's parliamentary elections only

impressed upon him the urgency of the matter. He would not be the first politician for whom a highly paid job in Brussels turned into an upholstered graveyard for ambition.

Brittany would be the ideal solution. What better place than one's ancestral home (which houses a fine art collection), close to the fabulous Brittany coastline where one's latest luxury yacht is moored? And what better credentials for a future stab at the French presidency than having piloted through monetary union to establish, after the dollar and the yen, the world's third-strongest currency?

On the other hand, it is not too conspiratorial to imagine Santer's objections might have an ulterior motive. Ousting De Silguy on a technicality could be the ideal opportunity to get rid of a rightwinger who has a long history of improbable opinions – and who some regard as the single biggest liability facing the Commission's push to get the euro up and running on time. Watch this space.

# In the back of the Net

NICE to see the latest technology being used to keep the citizens of the people's Europe informed about what their overlords are up to. Very soon, all legislative proposals and drafts, not to mention the entire corpus of current legislation, will be available on the Internet. This will lead to an immediate flood of 800,000 documents, providing the largest Internet site in the world.

Under Article 191a of the Treaty of Amsterdam, the Commission is planning to ensure even wider access to community documents. Experts predict there will soon be enough EU material in cyberspace to keep a team of net-nerd speed-readers occupied 24 hours a day until well into the next-but-one millennium. What bliss!

Internet-users who find trawling the Net for anything more controversial too time-consuming will be pleased by a new initiative from Bonn. The German government is publishing its own list of pornographic and neo-Nazi material. Germany's new multimedia law requires the Federal Youth Protection Agency to compile a list of websites it believes can endanger young people. Queue

# Straight answer

SHAME on those who dismiss the quality of debate in the European Parliament of Brussels or who denigrate MEPs for failing to present a proper democratic challenge to the unelected bureaucrats in Brussels. Some of the exchanges are absolutely scintillating, such as the following gem between Green MEP Hiltrud Breyer and Farms Commissioner Franz Fischler on the subject of genetically engineered crops.

"In the event of authorisation being given for a genetically modified plant line pursuant to the varieties directive, following thorough testing of the change in its metabolites, are all plants resulting from crops-breeding from this line tested for metabolic change?" asked Breyer.

Unfazed by the brilliance of this question, the Austrian agricultural supremo replied: "Under the current community provisions on the common catalogue of varieties of agricultural plant species and on the marketing of vegetable seed 70/457/EEC and 70/458/EEC respectively, a plant variety is officially accepted for certification and marketing only if it is distinct, stable and sufficiently uniform."

So now you know: it really is the end of the line for bent cucumbers. Or is it?

# No hope without dope

THE process of completing the single market marches on, in ever more unpredictable directions.

Members of the European Parliament have been chewing over a report that alleges illicit drug-takers are unfairly discriminated against.

The idea is the baby of Dutch socialist MEP Hedy d'Ancona, who is proposing steps towards the harmonisation of drug laws across the member states. Possession of cannabis is still a criminal offence in the Netherlands, but not many people know it, owing to the fact that police have a standing order to prosecute serious traffickers only. Possession is considered not so much a misdemeanour as a lifestyle statement.

Things are very different, however, in Britain, France, Sweden and Italy, where law-enforcement Ousting
De Silguy
on a
technicality
would be
the ideal
opportunity
to be rid of a
right-winger

officers have old-fashioned ideas about enforcing the law.

D'Ancona's committee report is a timely poke in the ribs for Jack Straw, Britain's home secretary and currently president of the Union's interior ministers' council. Straw's son was cautioned by police after having been exposed by a tabloid newspaper for selling a tiny quantity of cannabis to a reporter.

Straw, who had made a name for himself as a strong opponent of legalisation, was embarrassed, not so much by his son's gaffe but by an initial court ruling that his son could not be identified, which made it look (wrongly) as if the minister was involved in a cover-up. D'Ancona must be forgiven for challenging Straw to take the bold step of reversing his previously-held views: in this case valour could be the better part of discretion.

# On the other foot

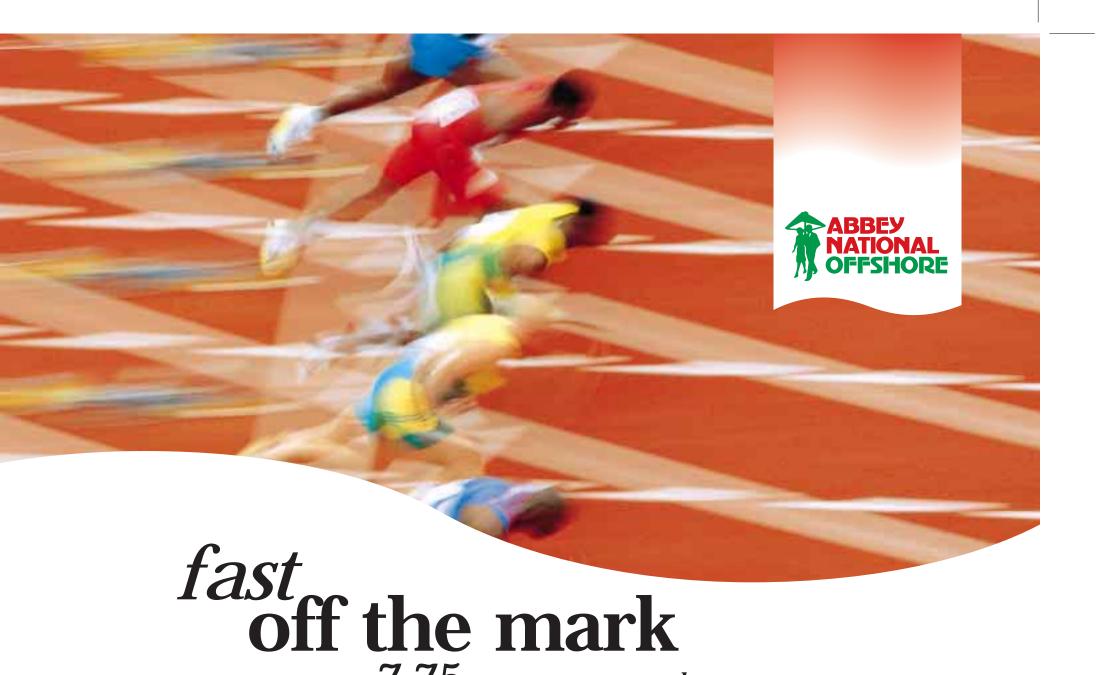
MORE bad news from Brussels for the Asian tigers, already lamed by the collapse of their markets and currencies. Specifically, Indonesia and Thailand, on their uppers after the events of the past few weeks, now look like being kicked in the pants by an EU imposition of punitive anti-dumping duties designed to stop a flood of cheap footwear imports.

The Commission is preparing to hand European trade ministers a draft proposal in the next few days. The plan has the backing of the Spanish and Portuguese, whose own cheap-labour shoe industries are worst affected. Rome has also submitted evidence purporting to show that its footwear industry has been damaged by undercutting, even though a recent Commission report suggested it was flourishing.

Critics of the plan, including the Austrians, Finns, Belgians and Luxembourgers, who import large quantities of shoes, say the move is unnecessary. They insist it will just push up prices of basic footwear, while Europe's own shoe producers – the Italians in particular – are far too upmarket to be hit by the sort of cheap stuff coming from Asia.

Unsurprisingly, the European Confederation of the Footwear Industry, which admits to a vested interest, says that's a load of old cobblers!

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# EUROPEAN ESSAY

**EUROCENTRISM** ■ Stop navel-gazing. It's world markets that

# Even continents can't buck trends

### **Martin Jacques**

SIA is the hope of the world. Europe has run out of energy. There is no dynamic. It's like a beautiful museum. But there's no hope. Lives don't change. There's no excitement, no adventure, no goal in life. Come back to Asia and you see the change every year. Asians are competitive and work hard."

Antonio Chiang, editor-in-chief of the Taiwan Daily, was speaking last summer, before East Asia's financial turmoil. Nevertheless, his words reveal a continuing Asian preoccupation with Europe.

We Europeans rarely look at ourselves from the outside. Discussion is overwhelmingly inward-looking.

After the Second World War, the world began to acquire a very different shape. Europe's global importance diminished. In response to the war, then decline, it turned inwards and embarked on the long road to

It was the right kind of response. For the United Kingdom, France, Belgium and the Netherlands, the 1950s and early 1960s meant a retreat from Empire. The European project served to direct energies and attention inwards. It was about preventing war on the continent, lowering tariff barriers, creating a single market and designing a new set of European

The biggest

dynamo of

growth on the

continent is

its increasing

internal trade

The events of 1989 reinforced this mind-set: how could eastern Europe be brought into the **European Union? How** could a newly unified Germany be anchored within it?

Europe's selfpreoccupation has borne fruit. With the exception of the Balkans, the continent has enjoyed a remarkable spell of peace. The bigges

single dynamo of economic growth has proved to be the rapid increase in intra-European trade. But it has been at a cost. Europe has become too little interested in the outside world.

At no previous time in European history has so much attention been paid to what Europe is, how its borders should be defined, what it means to be European. It is fundamental, less attractive, not difficult to explain the reasons for this self-absorption. With the decline of the

nation-state and the search for a new identity to complement a sense of national belonging, the idea of Europe has acquired a new importance. The previous concern for the nation-state has been partially replaced by the growing preoccupation with Europe. One kind of parochialism has, in effect, been replaced by another, continental rather than national. And insofar as this European identity is contrived, the subject of a political project rather than the object of genuine popular consent, then the new parochialism is more deliberate. The positive aspect of Europeanism has been the attempt to transcend the nation-state and traditional national enmities. More negatively, it has involved a new kind of exclusivity.

The nature of the European project has been heavily influenced by European decline – loss of empire, the Cold War, the rise of the United States and, more recently, the success of the Asian economies. So it is hardly surprising that the concept of Europe has partly been defined in terms of threats: the dangers of Americanisation, the vulnerability of a distinctive European culture, decline of the French language, the challenge of Japanese inward investment, the alien character of Islam, the tide of migration from the South.

Until Europe became a political project, no one needed to define what Europe was. Now they do. It is cultural and ethnic,

geographical and (in the context of EU membership) political. Eastern Europe is part of the family, Russia is not. Turkey remains a problem. There are no borders, Europe is a construct, a moveable feast, as Norman Davies shows in his monumental book, Europe: a History. Were the ancient Greeks really Europeans or did they more properly belong to the

Middle East? The Turks and the Moors, both now excluded from our notion of Europe, had a profound influence on the continent's evolution and formed an organic part of its history and culture.

One of the most negative effects of this search for the true Europe, and the archetypal European, is that it can serve to reinforce one of Europe's most characteristics: the relationship between territory and ethnicity. Europe's ethnic

groups often display a tenacious and proprietorial relationship with the land they have traditionally inhabited, as the Balkans and Ireland, cases in extremis,

The desire of nationalities to declare independence after 1989, the myriad disputes between different ethnic groups in eastern Europe, "ethnic cleansing" in the Balkans all testify to this powerful sense of difference. These attitudes and prejudices

underpin the continuing strength of ultra-right, antiethnic parties in so many west European countries, not least France and

**Europeanism represents** an attempt to replace narrow nationalism with a wider identity, but the preoccupation with what is a European can simply reproduce some of those ancient divisions on a wider stage. A Serbian may regard

a Bosnian as an alien, a Romanian may reject a gypsy, even though they have lived in close proximity for centuries.

In the new Europe, everyone within its boundaries can regard anyone from outside as a threat, as an intruder, be they Turks, north Africans, Chinese, Indians or Africans. The Other may be within, or from without, but he is still the Other.

The Schengen agreement illustrates the problem. The old internal borders between EU states that are party to the agreement have been scrapped, replaced by external borders with the outside world. And the overwhelming preoccupation of the Schengen members is how to keep out the Other – those from eastern Europe, Asia, Africa and the Middle East. Over the past vear or so, most EU states have sought to restrict immigration, by tightening their

The attempt to construct Europe in a closed fashion is misconceived. It is impossible to define Europe in isolation, just as it is impossible to define an individual outside the social context.

Europe's great periods of history are marked by an extraordinarily confident, expansive mentality based on a passionate belief in what Europe had to offer the world. From Columbus onwards, Europeans explored and opened up the world. Italian city-states dominated the Mediterranean and its hinterland. Colonial

empires were a product of Europe's selfconfidence and outward-going attitude. Europe will not prove successful if it consists of little more than reinventing itself from within. It also has to reach out to and interact with other continents, cultures and ethnicities. The meaning of being European will change in the process. It always has. This is something not to be feared but sayoured.

This is, above all, true in the era of

It's the potent

**New York and** 

ethnic mix

that gives

**Hong Kong** 

their charge

globalisation. For much of the past 40 years, western Europe has prospered as a result of regional integration. But there is a limit to how far integration can go, a limit not yet reached but to which we are now close. Meanwhile globalisation has become the most dynamic force of our time. Europeanisation should in some respects be considered as an aspect of globalisation. If no nation-

state can resist the global imperative, then neither can a continent, however old or

A classic instance is the attitude towards inward Japanese investment in the 1980s, welcomed by Margaret Thatcher's government. It would create jobs and enable British industry to learn about Japanese methods. Many on the continent regarded it as a poisoned chalice, an attempt to undermine European companies. Britain was described as Japan's aircraft-carrier moored off the continent. Yet it is now clear that those who embraced it were right. Over the past decade, every major manufacturer has had to introduce Japanese methods of lean production and total quality management.

Globalisation is changing the nature and shape of the world. Technology has become cheap and mobile, enabling poorer countries rapidly to acquire modern forms of production. By extending the division o labour to the global market, international firms have drawn whole new countries and regions into the modern economic era. Over the past 40 years, some 1.3 million people, mainly in East Asia, have closed the gap with the West.

The result is a world which is more interactive, more open, more porous, more hybrid, less hierarchical. Cultures and countries that prosper will be those that are open rather than closed, promiscuous

# hold the key to prosperity for the next generation of Europeans

rather than inert, oriented towards learning from outside

Europe and East Asia are at different stages of development. One of the lessons of the present turmoil in East Asia is that "catching up" is more complicated than notching up rapid growth rates year after year: institutions, culture and politics also have to be transformed. But we can still learn from them. There is

a striking contrast between the willingness of East Asia to learn from Europe and the resistance of Europe towards the countries of East Asia. The tigers have been brilliant learners. They are constantly on the lookout for new ideas. They made it their business to become familiar with happenings in the West. Many of their elite have been educated in the West and are culturally bilingual. The tigers are creatures eastern Europe, north Africa or Asia, and of globalisation. We are products of Europeanisation.

Yet there are plenty of European companies, big and small, that are global in mentality. The United Kingdom has become far more global in outlook. But too much of the European Union is still burdened with a "Little European"

mentality. European insularity springs partly from the European project but is also a function of history. For 500 years, Europe has been used to thinking of itself as best in the world. While acknowledging it has lessons to learn from the United States, it is not accustomed to the idea that it might have something to learn from others, least of all from former colonies.

One of the greatest obstacles to European success in the era of globalisation is a supremacist mentality born of half a millennium of history. The consequence? A lack of attention to trends and influences in other parts of the world.

Europe is also too restrictive and exclusivist about its view of what constitutes a European. There is a profound hostility to migration from outside, be it ample evidence of racist attitudes towards ethnic minorities.

This is not new. Europe was the home not just of the Enlightenment and the Renaissance but also Fascism and the Holocaust. The relationship between territory and ethnicity is among the causes of this ugly side of European tradition.

Europe has been the greatest exporter of people in the modern era, yet Europe does not extend the same generosity to those who now want to come and live on its

No government can ignore the fears of those who feel their livelihood is threatened by immigration; neither can any government simply open its borders to the outside world, a recipe for disaster. But, in the era of globalisation, there is no doubt that heterogeneity rather than homogeneity, the hybrid rather than the singular, multi-culturalism rather than mono-culturalism, are powerful assets. Much of the dynamism of the United States is because of its ethnic mix. The most exciting places in the world are those that live on the edge, on the boundaries between cultures, places of fusion rather than uniformity. It is the potent mix of diversity that gives New York and Hong Kong their charge.

London's renaissance has much to do with its multi-culturalism and rich ethnic mix. It has been a cosmopolitan city for well over 150 years, but mass immigration from the new Commonwealth has had a

qualitatively different effect. For much of the postwar period the new ethnic mix was uneasy, but now it is becoming a powerful advantage, a source of creativity and energy. It defines London as the most original and global city in Europe.

Europe's era of integration must now be complemented by an age of diversity and openness. If Europe looks inwards, it will slowly stagnate, becoming ever more insular and provincial. It will prosper only if it embraces influences from outside, reinventing and redefining itself in the process. Europe has one great asset - its imperial history - which lent a cosmopolitanism to the imperial powers, bringing them into contact with man different cultures and traditions. The ethnic minorities of countries such as Britain and France are one consequence of that legacy. They are part of the key to Europe's future in a globalised world; providing that we manage to forsake that other legacy of empire - an innate feeling of supremacy.

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# BUSINESS

MEDIA ■ Two powerful women lead the Financial Times and Wall Street Journal into battle

# Raren versus Mariorie Who's afraid of Microsoft?

### **Harriot Lane Fox**

ARJORIE Scardino, chief executive of Pearson, the British media group which owns the *Financial* Times, is in the third month of an ambitious, some would say reckless, campaign to challenge the mighty Wall Street Journal on home territory. Regularly visiting the paper's offices on New York's posh upper east side from London, her goal for the next five years is to triple the FT's circulation in America from a mere 32,000 to 100,000 plus.

Downtown, at the offices of Dow Jones, owner of the Journal, Scardino's foray has not passed unnoticed. The company is retaliating by hitting the FT on its home turf, creating an expanded UK-targeted edition of the Wall Street Journal Europe

Leading the effort is Karen Elliot House, president of Dow Jones International (who happens to be married to Dow Jones's chairman, Peter Kann). Starting on 2 February, UK readers will get two new pages, more coverage of European news. and closing prices an hour later

approach to the job, quoting Two formidable women are locked in a war - the prize is philosophy: "Have a good plan, execute it violently, and do it world domination as a **business** news also favours military allusions to describe his plans for Dow Jones,

Karen Elliott House, president of Dow

Jones's publishing interests overseas, is taking the fight to Europe, by strengthening the Wall Street Journal's London edition

Scardino has a lot of management problems to sort out: but if the *Vanity Fair* profile is to be believed, House creates more management problems than she solves. The profile, published in the magazine's August edition last year, suggested key Dow Jones shareholders were unhappy with Kann's management, and that House was his "biggest liability", citing a catalogue

On the surface, it's a classic

newspaper circulation war

the *Journal*, quintessential

between two venerated titles:

organ of American capitalism

and the "pink one", a paper that

is a pillar of the British financial

formidable women in the media

industry are locked in a much

domination as a business news

It's uncanny how much the two

brand, not just in print but on

television and in new media.

women have in common. Both

are 50 and speak with a half-

briefly with Associated Press,

her work as a *Journal* foreign

the executive "supermom".

stepdaughter through her

chief executive she used a

couple have adopted.

correspondent

House won a Pulitzer prize for

erased Texan drawl. Both started

out in journalism – Scardino was

Both are textbook examples of

Scardino has three children and

House has four - a grown-up

marriage to Kann and three the

When Scardino took over as

military analogy to describe her

neral Douglas MacArthur's

House's husband, Peter Kann,

Thunder", a reference to Vietnam

bombing campaigns. House has

unflattering military nickname,

according to a Vanity Fair profile,

which claimed Journal staff refer

been stuck with a decidedly

to her as "Genghis Khan".

dubbing his strategy "Rolling

But two of the most

bigger war than that. The

ultimate prize is world

of examples of poor manmanagement. Dow Jones responded to the profile by claiming it contained 21 errors; and a reply published in the Journal suggested that far from with its stately grey columns and line drawings in place of photos; being a liability, House was a "stellar business executive". turning an eight-figure loss in her division into an equivalent profit.

Scardino has not been subjected to public attacks, but she still has a lot to prove. While she targets America, the complaint in the FT newsroom back in London is that Scardino has not fully exploited its franchise in Europe. Pearson prints in Paris

Frankfurt, Stockholm and Madrid, as well as two UK sites, and is planning to start in Milan. A third of the newspaper's 328,000 circulation is now in Europe (excluding the UK), while House has built the Wall Street Journal's circulation in Europe to just 65,000.

In Britain the FT has managed only a three per cent increase in sales since the end of 1992. At 173,000, its circulation is still nearly 30,000 short of what the company says is the paper's potential sale.

The figures tell their own story: while the FTs American sales are less than three per cent of the Journal's, the American paper manages to sell a quarter as many copies as the FT in Europe (including the UK). In Asia, House is winning by a mile: the Journal beats the FT by 56,000 copies to 10,000. The Journal can iustly claim to be a global news brand: while the FT is not, yet.

On the big new battleground of the Internet, the *Journal* is also far ahead of the FT. The Journal's site is superior, and generates revenue: you pay for the Journal's online edition, you don't for the

Scardino is about to relaunch its website. FT.com, using IBM architecture to replace Pearson's DIY stuff. For the first time, there will be subscription packages. The Wall Street Journal, however, already has 150,000 paid-up Internet subscribers.

In television, Dow Jones pulled off a major coup against Pearson at the end of last year. NBC did not renew its contract with a Pearson-owned production

company, FTTV, to provide European business content for CNBC, opting instead for a joint venture with Dow Jones. Scardino can't let her rival win

too many more battles. Years after Pearson announced it would focus more sharply on media, the group still includes oddities such as Madame Tussaud's and incongruities like Lazards investment bank. The market has been calling for sell-offs, spinoffs, anything to streamline the business. Scardino has had to cope with tortuous internal politics, not least rumours that she and Greg Dyke, who heads Pearson TV, were at each other's throats.

But since Pearson acquired a US TV production company. All American Communications (AAC), things seem to have calmed down. She said in the staff newsletter that her New Year's resolution was to get into a Baywatch swimsuit (AAC makes the programme).

The group's lack of focus has been reflected in a lacklustre stock market performance. Pearson's stock stuck pretty closely to the FTSE All-share Index until early this year but it has consistently underperformed against other international media and broadcast companies. "Might be fine for some businesses," was Scardino's honest verdict. conveyed to London analysts at the beginning of last year, "but in the fast-paced media businesses, it's really not very exciting."

The widely publicised accounting cock-up at Penguin Books that put a \$160 million dent in last year's bottom line heightened the view of Pearson as a company in need of clearer management thinking and direction.

Scardino's vision for the US FT is not an all-new paper, rather a reworking of the international edition with more space devoted to American affairs and less to Britain. She is splashing out on a \$9m US marketing budget this

year. On the back of this, the FT has for the first time persuaded some newsstands to give it shelf space next to the Wall Street *Journal* and the main local paper, instead of racking it with the rest of the international press.

The early signs are promising. The FT's December circulation was 47,000, up 31 per cent yearon-year. Some encouraging trends back the FT's timing. In 1990 four per cent of US pension funds were invested outside the US. By 2000 this is forecast to grow to 14 per cent. The big debate is whether there is a real appetite in the US for what is still a British newspaper with an American/international flavour.

Scardino's main problem is the Journal's 1.8m US national circulation. Pearson can't take any pleasure from the fact that the figure hasn't risen recently. The Journal claims not to have even tried to budge it, focusing instead on increasing the cover price – by 26 per cent. The fact that its readers paid up - as they do for its online version – is the ultimate validation of its brand strength

Dow Jones is not failure-proof. Dow Jones Markets, the company's rival to Reuters and Bloomberg, is a disaster and its losses will next week push Dow Jones to announce its first net loss since the company went

The FT will doubtless cover the news with its customary authority.

On the big new battleground of the Internet, the Journal is far ahead of the FT. The Journal's site is superior: you pay for the Journal's online edition, you don't for the FT's **SOFTWARE** Brussels fiddles as

Netscape burns

Commission's competition commissioner, was in full voice last week, declaring that the business arrangements of Formula One motor racing comprise the single worst antitrust violation he has ever seen. Sport, Van Miert has concluded, is Topic A.

Van Miert may well be right that Formula One is a sport with plenty of questions to answer, but his outburst raises a more significant question. Is Van Miert really the man to be running Europe's most important competition authority?

Van Miert, a Belgian socialist, did not come to his job with a great reputation as a trustbuster but it does not take any sophisticated understanding of markets to recognise that Formula One's day-to-day economic importance to European consumers and businesses is close to zero. To invest his authority in his crusade against Formula One, no matter how personally satisfying this may be to Van Miert, is frankly bizarre.

Elsewhere in the world, antitrust regulators have found a more compelling target for their priority action docket: the software company, Microsoft. Currently on the verge of overwhelming Netscape, its main competitor in the Internet browser market, Microsoft has now reached a position in the market where every move it makes raises profound competitive issues.

Browsers matter because they are the crucial software interface between the Internet and computer users. Microsoft's boss, Bill Gates, considers the Internet to be the single biggest commercial development of the century. Taking him at his word, it might perhaps be useful if the competition regulators in Europe kept an eye on how the Internet is

developing.

But Brussels has snoozed, even as Microsoft stands on the verge of eliminating its only significant competitor in the browser market through a remarkable strategy. It is simply giving away its browser free with every copy of Windows 95, its market-leading operating system for personal computers. Some might call this strategy an abuse of dominant

If this has so far escaped Brussels, regulators elsewhere are in hot pursuit. Last week, as Netscape's shares crashed, Japanese competition regulators raided Microsoft's Tokyo office. In Washington, the justice department's antitrust division has already won an early round in its battle to fine Microsoft \$1 million a day until it "unbundles" its browser from

The battle to tame Microsoft might seem a worthy one for Europe's own competition authorities, since Microsoft enjoys a better than 90 per cent share of Europe's PC operating system market. If Microsoft continues to give away its browser, in a year from now it is likely to have complete dominance of the European market. This is a matter of more importance to European consumers than the fate of Formula One.

JONATHAN MILLER

**WHO'S WINNING** 

Operating profit

Operating profit

Worldwide circulation

Online edition paying subscribers

Hits on site (week)

\$3,497.6m

\$450.08m

Financial

\$45.76m

342,222

0

7-8m

\$2,481.6m

**Wall Street** 

\$334m

\$190m

150,000

1.9m

8.5m

Scardino, chief

executive of

Pearson,

intends to

triple the

Financial

five years

**American sales** 

over the next

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# BUSINESS

INDONESIA ■ After 32 years in power the ruling family is \$8bn richer but the party is over for Indonesian crony capitalism as the IMF calls time

# Suharto meltdown

Paula Hawkins and **Doug Cameron** 

UHARTO Inc is one of the most successful family chief executive is Indonesia's President, General Suharto. Its directors are his six children, along with their spouses and various cronies. Over three decades, Suharto Inc has developed a stranglehold on the Indonesian economy.

There are few sectors in which its presence is not felt. It has thrived on lucrative government contracts, monopolies, subsidies and beneficial tariff agreements. It has developed extensive contacts with some of Europe's and America's largest companies. But the chief executive has lost touch and some of his directors have little business

When Asian flu hit Indonesia, the first family and friends were the first to feel its effects. Indonesia's financial crisis, however, is more than just a family affair. It has already claimed its first foreign casualty: Hong Kong investment firm Peregrine had recklessly placed up to \$4 billion of investment in Indonesia, including a \$200 million loan to Steady Safe, an Indonesian taxi company with assets of \$4m. Last week, Peregrine went bust.

Fears of an Indonesian meltdown are rife in Washington and Europe. Some western companies have advised their employees not to return to the region following the Christmas break, fearing outbreaks of violence as opposition to the regime, which has been brutally suppressed for 32 years, finally makes itself felt.

Suharto has survived with the overt backing of America and European governments. The stability this support ensured has meant that western companies have poured firms in history. Its into this vast market of 204 million people. Now the 76year-old president's days are numbered. Without an obvious successor, Indonesia's political future is uncertain.

> The position of Suharto and his family is central to the bind in which European investors find themselves. A year ago, the best way to break into the Indonesian market was to visit one of Suharto's four most influential children: Tutut, Titiek, Tommy or Bambang. Suharto has used his grip on power to create a huge business dynasty among his family and friends. One of his offspring or "a business associate" is present in almost every sector under state control. The children have built up individual empires worth an estimated \$8.2bn. The power of patronage,

bribes and corruption has given Indonesia the most opaque business climate in the region, but one into which Europe's leading corporates have plunged in search of juicy contracts. With doubledigit economic growth until last year's market crash, the thirst for new infrastructure - in particular water, electricity and roads - has lured Siemens, ABB, GEC-Alsthom, National Power and Eléctricité de France, British Gas, Total and PowerGen International. All were forced to adopt the maxim of "When in Rome" and form joint ventures with Suharto associates. Western banks were eager to finance the projects, viewing nepotism plays less of a role. obviously going to damage companies connected to the credit to Suharto's relations Citra Marga Nushapala Perthose European companies family, no matter how badly as on a par with Indonesian national credit risk.



Cruising for a bruising: Suharto, family and friends face a rocky ride

is no longer viewed as a plus. arrived in January. "There is related firms have fallen further than those in which sada, a toll road operator run with links to the children," by Tutut, tumbled by 39 per says one banker in Jakarta.

could be a backlash against the Suharto family, which is

warning multinational com-Share prices in Suharto- a strong possibility that there panies against further dealings with the Suhartos. "We are telling firms not to touch they need government contracts," says one.

in the form of the IMF and Being close to the Suhartos cent before the IMF team Consultants in the capital are rigours of a \$43bn bailout. On

his family's empire. He is supposed to sweep away a host of monopolies, business privileges and cosy contracts that have made the Suharto family and its associates among the richest in Asia. In addition to the National

Car project, which gobbled up huge subsidised loans, son Tommy will supposedly lose his clove monopoly, which cheated thousands of farmers. Funding of the aerospace industry (run by a Suharto crony) is to be slashed; and the state monopolies of sugar and wheat (also in the hands of family friends), as well as various family-run trading cartels, are to be ended.

Suharto announced all this, grim-faced, on the steps of his official residence. It sounded impressive. But nobody was convinced that it brought to an end his family's vast patronage network.

The Suharto family has already closed, for example, some of its weakly capitalised banks, re-opening them weeks later under different names. It also sold stakes in some of its more troubled firms, using the proceeds to snap up bargains elsewhere.

European companies cannot resort to similar ruses. Their exposure to Indonesia is highlighted by support from national export credit agencies. The Hawk aircraft project made Indonesia the largest market for ECGD, the British agency. In 1996 and 1997, ECGD's total exposure to Indonesia was \$2.8bn. Coface and Hermes, the French and German credit agencies, back projects worth more than \$4bn.

British Aerospace has an outstanding contract for the delivery of 16 Hawks - some of which are due to be delivered later this year. Given the strength of the military, defence contracts are probably among the safest in Indonesia, regardless of Suharto's fate. This is good news for another British exporter, GKN, which sells water cannons and other security and surveillance equipment to the Indonesian government.

Siemens, the German engineering firm, insists that its investments will not be affected. Siemens won a contract to build a \$1.7bn power plant in September last year. Siemens insists the project is "going ahead at full speed". The plant is being developed with an Indonesian company, Bunipergiwi Tatapradipta, in which (no surprises) members of the Suharto family have a stake.

A few foreign investors have taken evasive action. General Motors, which entered into a joint venture, General Motors Buana Indonesia, with Suharto's

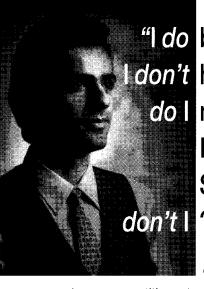
half-brother, Probustedjo, in Megawati Sukarnoputri, the with a corrupt and oppressive 1993, has bought his stake in an effort to distance itself from the discredited family.

Even if the Suharto regime falls, foreign investors can expect rough times ahead. Muslim nationalists are likely to take a dim view of their links to Suharto's kleptocracy. recent speech of colluding vide enormous gain" rather

Democratic Party and daugh-Sukarno, is also critical. Megawati, who announced dential elections in March, accused foreign investors in a

than solid investment plans. leader of the Indonesian regime. There had been "an For the first time since increasing flow of foreign Suharto took power in 1966, ter of the late President investors seeking Indonesian criticism of his regime has partners with political conbecome loud and widespread. nections", she said, adding "Some of the statements her candidacy for the presithat their strategies were made over the last couple of "based on the potential of weeks would have landed political connections to propeople in jail as recently as six months ago," says one politi-

cal consultant. The most pressing danger for Indonesia is that, with the help of the IMF, Suharto, who is running for his seventh term of office, will try to save face by promising economic reform he is unlikely to deliver. That could delay the political change Indonesia urgently needs.



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# CASHING IN ON CONNECTIONS



Fortune worth \$228m. Owns Maharani Group, involved in cancelled power project. Contracted to build bridge linking Sumatra to

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Senior figure in Golkar. Has \$2.4bn empire. Owns a toll roads firm, Citra Marga, 25 per cent of Lucent, a telecoms company, and a slice of Bank Central Asia.



Fortune estimated at \$3.3bn, Runs Biamantra Citra which has joint ventures with Siemens and Nestlé. Interests in banking and oil production.

Owns Humpuss Group and Sempati Air. Best known for BPPC clove-trading monopoly. Controls lossmaking Timor Putra Nasional, the car firm

In October last year, the

IMF launched its first rescue

plan for Indonesia, calling for

an end to the system of

patronage and demanding

that public projects be opened

to competitive bidding. It

ordered that the subsidies and

tariffs which have helped

boost the Suhartos' profits be scrapped. But Suharto, used

to getting his own way dur-

ing three decades of auto-

cratic rule, ignored IMF

warnings, and refused to

He did so at his peril. Amer-

ica and the IMF have had

enough. On 10 January, Pres-

ident Clinton telephoned

Suharto, threatening to

withdraw political support.

Almost immediately, Suharto

announced that 15 con-

troversial power projects,

many of which involve mem-

bers of his family, were to be

The decree put eight power

projects on hold. The largest

is Tanjung Jati A, a \$1.66bn

project involving Britain's

National Power and two

Indonesian firms, Bakrie and

the Maharani Group, owned

by Titiek Suharto. The presi-

dent has also thrown a few

more morsels to the IMF

negotiators, including the

scrapping of Tommy's

National Car project. "Suharto

and those around him have

had a wake-up call that they

need to comply with the

terms forced upon them," says

Two days after Suharto's

announcement, the cavalry,

America's deputy treasury sec-

retary, Larry Summers,

arrived. They forced the

regime to buckle down to the

15 January Suharto, acknowl-

edging "great challenges to be

faced", pledged to dismantle

one banker in Singapore.

cancelled.

carry out major reform.

# BUSINESS

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HEAVY INDUSTRY ■ Gerhard Schröder, Chancellor Helmut Kohl's most likely rival, nationalises targeted steel group in his bid for electoral success

# Germany's King Canute



IKE King Canute, famous for trying to defy the tide, Gerhard Schröder, Germany's leading opposition Social Democrat politician, has decided to take on the tide of history. For decades, European governments propped up nationalised steel companies, throwing billions at loss-makers to save jobs. It never worked. Vast amounts of cash and jobs were lost. Eventually, states withdrew from steel-making and free markets began to take hold around the globe.

But Schröder, the man who wants to replace Helmut Kohl as German chancellor, is nationalising a medium-sized, barely profitable German steel company, Preussag Steel. Facing a regional election on 1 March, the 54-year-old minister president of Lower Saxony has spent DM1 billion (\$549 million) wresting the local steel group from the grasp of Alpina Voest, the Austrian steel company

The plan is to protect local jobs. Schröder says he had to intervene because he did not want "to see decisions about steel-making in the region taken in overseas boardrooms. A sale to Voest was not in [the region's interests." It's the battle cry of 1970s Britain.

Voest was astonished to lose a deal, all but signed, which would have created Europe's sixth-largest steel maker. A spokesman for the group in Linz says: "It is like something from an earlier age.

Schröder intervened at the 11th hour, shuffling extremely stretched state funds. Lower Saxony will acquire 51 per cent of Preussag Steel, then buy the remainder in smaller tranches, using both the resources of NordLB, the Lower Saxony-controlled bank, and dividends from the region's 25 per cent stake in car manufacturer Volkswagen

The total purchase price is rumoured to be DM300m less than Voest's offer. Preussag, the Hannover-based parent of Preussag Steel, defended the decision to sell. "We have not lost any money. There was opposition

Rescuing

has been

lame ducks

given a new

lease of life

from politicians and unions to the Voest bid. This way we have a solution." Unfortunately for Schröder, international competition will not go away. Like all of Europe's other steel producers, Preussag faces overcapacity and a cyclical downturn. Waves of privatisations and takeovers continue to sweep through the industry, culminating in the recent merger of Krupp and Thyssen to form Europe's largest steel maker. Preussag, with sales of DM2.5bn, is dwarfed by the new Rhineland giant and cannot survive alone. Schröder knows this but won't admit it

during an election campaign "Preussag Steel must have the independence and stability to find a new partner of whatever nationality. Then the region could sell its holding. We are protecting jobs," he said unconvincingly.

The Austrians reject Schröder's worries, insisting plant closures were not in the equation. "Schröder's claims that jobs would be lost are just not true," said

During the past five years Preussag has invested DM1.5bn in sites in Salzgitter and Peine, both in Lower Saxony, and Ilsenburg in Saxony-Anhalt. Although the main works in Salzgitter were built under Hermann Goering, its facilities are modern and efficient. But the company has seen a pitiful return on its DM3bn capital and if the unit is to prosper it will have to cut costs and reduce its workforce of 9,000.

No politician in Lower Saxony dared criticise Schröder for his nationalisation of the Preussag plants. But his King Canute act attracted sharp criticism in Bonn. Günter Rexrodt, liberal economics minister, was unimpressed. "We are striving to make Germany more attractive for foreign investors to create jobs. Then, a potential candidate for the chancellorship comes and puts a spanner in the works," he said.

Public spending makes sense to provide infrastructure to support new technology and jobs. Europe's most modern microchip factory is being built in Dresden, Saxony. The DM1.5bn joint venture between

Schröder: the leader of Lower Saxony spent DM1bn of public money to wrest control of Preussag Steel from the grasp of Austria's Alpina Voest

Motorola and Siemens will receive a DM250m state subsidy agreed by Brussels.

This is different from propping up ailing behemoths - something happening throughout Germany. Hamburg recently bought St Pauli, the loss-making brewery near the Reeperbahn; Bavaria acquired Grundig, the consumer electronics group which racked up massive losses for Philips, the Dutch electronics giant. With unemployment remaining stubbornly high in Europe and pressure on politicians increasing, rescuing lame ducks has been given a new lease of life in Germany.

Nationalising Preussag Steel undermines Schröder's claims to be a social democratic moderniser. At last autumn's SPD conference, he unveiled 12 businessfriendly themes which, he declared, resembled "the demands of an enlightened conservative". They emphasised the need for new products, new markets, competitiveness and flexibility. It was a brave step in the SPD, which Schröder himself described as the party of "administered protection"

However, for a man who likes to style himself as the German Tony Blair, Schröder's record in office does not match the rhetoric. Last year he was instrumental in scuppering much-needed tax reforms; he has promised postal unions he will oppose the end of the Bundespost's monopoly; he aims to retain Lower Saxony's 25 per cent stake in Volkswagen; and his first term as Lower Saxony's minister president was notable for the profligacy of its "red-green" accord.

Even so, Schröder is seen as more pro-market than most German social democrats. And more populist. He has attacked "Polish car thieves" and adopted a hard line on immigrants. "Foreign criminals should go and now," he has said.

Tall, toothy and quick-witted, he is media-friendly but does not enjoy strong support among his comrades in the SPD. Given the chance, they would vote overwhelmingly for Oskar Lafontaine, the party chairman, as their contender for the German chancellorship. But Lafontaine has already been beaten by Kohl

and doesn't enjoy Schröder's public support. Last week, Infratest dimap, the polling institute, found Schröder should win re-election in March by the margin he has set to prove he deserves the party's nomination for chancellor in September's national elections. But without party support Schröder won't get a chance to take on Kohl. It's a stand-off.

Oskar and Gerhard perform a clasin Germany sic double act to the Hollywood routine of Abbott and Costello. Oskar is short and fat and turns red when he shouts, Gerhard is tall, thin and more laid-back. They

spend time in mutual admiration but share few jokes. An injection of farce has come from the breakdown of Schröder's marriage to Hiltrud, known more commonly as Hillu. The Schröders' relationship turned

into a media circus, even for the normally mute

German press. Hillu asked for a job in the Lower Saxony cabinet when Schröder won in 1994. Refused an official post, the attractive fortysomething still had an office and staff in Schröder's Hannover chancellery and became a media personality. A frequent guest on television chat shows, Hillu publicly castigated social democratic colleagues of her husband and espoused green poli-

cies and other social causes. But the marriage of strong wills and marked ambitions fell apart last year when it turned out that Gerhard had fallen for a journalist on *Focus* magazine. After revelations depicting Hillu as a high-earning, Armani-clad Lady Macbeth, the great political marriage was discovered to have long been on the rocks. Hillu swiftly ejected Schröder from the apparently idyllic timber-framed family home and will not now become Germany's First Lady.

Schröder's fate is less clear, his popularity FSK, Germany's video classification was from achieving its projected undiminished by marital strife. According to polls, a straight presidential run-off would yield Schröder 55 per cent of the votes, against Kohl's 39. But both men *till Dawn*, on an index of films banned depend on the arithmetic of coalition politics – which | from underage viewers. If Blockbuster may be turning in Schröder's favour. The Free | wanted to stock them it would have Democrats are in disarray and the Christian Democ- to adopt the blacked-out glass and Dallas-based parent company, any rats are openly considering a Grand Coalition. King ominous-looking shopfronts of about addition to the original DM24m invest-Canute may yet become German chancellor and a 95 per cent of the country's 6,000 ment was unwelcome. Blockbuster hit European statesman.



Hard times: bonking rather than Bambi is what Germans want

**VIDEO** ■ Blockbuster pulls out after finding there's no profit without porn

# What a flop! Rental group shuts up shop

LOCKBUSTER, the video rental chain, is withdrawing from Germany. It has realised that it can't run a profitable business without satisfying the country's craving for pornography. Its other major problem has been the restrictive business hours which meant it was unable to keep its shops open long enough.

The cost of exiting from its 17 German stores is undisclosed, though the greater sting comes from its iliation. Still, weary shareholders may also want to ask, why?

After a period of turmoil the subsidiary of American media giant Viacom has again been enjoying success in its 6,000 stores worldwide by stocking family-oriented titles and film

But in Germany nudity, violence and horror are standard fare in the video rental market, with adult movies making up at least a third of the German ndustry's DM740 million (\$400m) annual rental turnover.

John Rollo, the 50-year-old managing director for Blockbuster in Germany, says "stocking porn was never an option" and the company was willng to take a gamble on opening up other avenues to new audiences in what is Europe's second-largest rental market. However, it wasn't just the more sleazy movies which were absent from the shelves of its stores in Berlin and Munich.

board in Bonn, puts more mainstream titles, such as Rambo II and From Dusk video stores which prohibit teenagers the eject button.

Blockbuster faced the challenge of luring a family audience to establishments ingrained in the German psyche on a level with gambling dens and

Blockbuster's response in 1995, when it announced its ambitious plans to open 300 stores by the end of the decade with German publishing group Burda as a partner, was to choose prestigious but expensive locations.

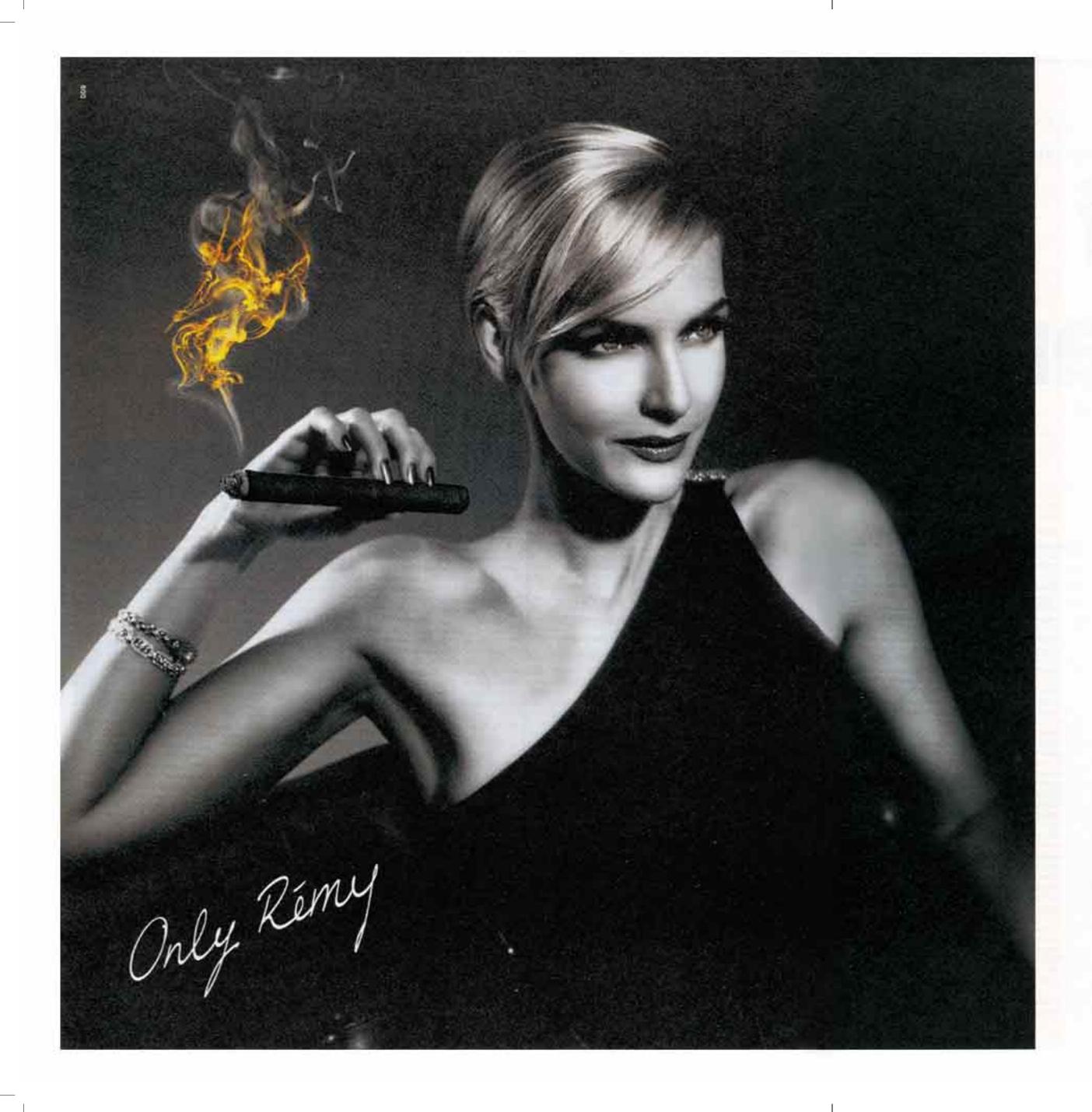
But it faced further problems. Despite reforms it had expected of the country's opening hours, German video stores must still close on Sundays and holidays, stymying potential customers who might decide on a whim to stay in and watch a video.

Blockbuster has made big inroads into the Spanish and Italian markets, where it also opened branches a couple of years ago. In Germany its experiences offer a demonstration of the problems that arise when a US marketing concept is imposed insensitively on a foreign market.

Its pricing structure did little to help. Peter Lackhoff, chairman of IVD, the German association of video and media stores, says DM9.50 for three days' hire was too much for a German audience used to paying DM3 for renting a video for an afternoon and spoilt for choice by alternatives on more than 30 terrestrial and pay-TV channels. The pricing structure was abandoned but Blockbuster's targets still remained a long way off.

Rollo, the former head of British Blockbuster also missed out on fast-food chain Burger King in central Europe before he took the job at Block lar area of the video rental business. buster, won't say how far the company DM1.2m annual revenues in each store. But he says staying in Germany would require additional funding.

Blockbuster's erstwhile partner, Burda, pulled out in 1996. For the







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# FINANCE

INTERVIEW ■ Goldman Sachs's chairman is poised to cap his career with a bid for the European presidency

# Master of a European universe

**Rupert Wright** 

billion in 1997, they have decided that policymaking is too important to be left to mere politicians. Like a medieval sect, they send their men to land. But Karel Van Miert, the competition comsort out the world's woes.

seeing the rescue of Asia, is a Goldman Sachs man. nock, European transport commissioner, is a non-concludes. Now he is beginning to make sense. Former Goldman adviser Romano Prodi has, as starter, as is the other British commissioner, Leon Italy's prime minister, presided over the transfor- Brittan. Kenneth Clarke, the former mation of the country's finances to make it fit for Tory chancellor of the exchequer joining the European single currency (provided you and Europhile, would love the job don't scrutinise the sums too closely). Now Peter (and the Brussels' food) and was Sutherland, chairman of Goldman Sachs Internatouted for it by *The Economist*. But tional, has his eye on becoming president of the nobody takes that seriously. European Commission when the ineffectual Jacques Santer goes in 1999.

Would Sutherland accept the job? "Oh, I am very happy here and very busy," he says, which is with the air of a prince, waiting and diplomat speak for "yes". A former EU competition watching events in Brussels. commissioner and chairman of the Gatt, he admits his one regret is that Albert Reynolds. Ireland's then Neither France nor Germany has a prime minister, did not put him forward for Europe's candidate but Sutherland is a fan top job in 1994. After a successful career as a lawyer of the Franco-German alliance in general and Helcurrencies. We discovered that with Italy in 1992. in Ireland, a politician in Brussels and now a banker mut Kohl in particular. "Kohl is the giant," he says. in London, Sutherland has scaled many peaks – but not the dizzy heights of Brussels. With Sutherideal is the noblest political venture this century, use devaluation as a substitute for policy change. I land in Europe and Rubin in America, all Goldman Sutherland admits there are problems. "There's a would love Britain to have been part of EMU and Sachs would need is a man in charge of Asia and clash facing Europe: there are huge difficulties with it will miss out by not being at the inner core. The the world would be its oyster.

of the most exclusive clubs in the world. They are and the growth rate will not be big enough to solve fervently against protectionism and committed to not paid bonuses but rewarded with equity in one them. In an increasingly competitive environment the global economy. "It is no good exporting of the world's best money-making machines. Instead there will be huge difficulties. Economic and mon-unemployment," he says. "One would prefer not to of a salary they receive an annual return on their etary union based on its criteria and the stability have high unemployment. But protectionism is not equity which is normally adequate for them to pact will eschew a Keynesian approach. Some of the answer. Globalisation of the world is a reality. ignore the cost of living while improving the lot of the state-owned reservoirs that used to soak up Problems in Asia will lead to a wholesale restructheir fellow man. They are an egalitarian bunch: partners don't have company cars, nor special washrooms. Like Alexandre Dumas's three musketeers,

their motto is "one for all and all for one", even though there is occasional fierce rivalry.

HERE does an investment banker tenure in Brussels has been lacklustre. The dull go when there are no new fields to former prime minister of Luxembourg does not conquer? At Goldman Sachs, the even have the ear of his officials, who rarely pay world's most formidable investment even lip service to his wishes. German and French bank, which made profits of \$3 ministers ignore him. (He has, of course, never and how it is creating 900,000 new companies every worked for Goldman Sachs.)

unemployment, which is running around ten per risks are bigger not going ahead than going ahead." labour have disappeared."

"Capital markets."

This rivalry now extends to politics: Santer's

There are strong inside alternatives to Suthermissioner, and Mario Monti, the single market Robert Rubin, the US Treasury Secretary over-commissioner, are hardly inspirational. Neil Kin-Europe invests in old industries, not new ones," he

'The risks

of not going

ahead with

bigger than

going ahead'

EMU are

Sutherland is the strong outside candidate. Sitting in his office in London's Fleet Street, he looks east "Europe needs leadership," he says.

So what's the answer?

The answer is reminiscent of the scene in *The Graduate*, when Benjamin is given some advice for the future. "Plastics," he is told. For Sutherland, the future is capital markets. Confused? So are we.

He reels off a list of statistics, comparing American levels of investment to European ones, why America has the lowest unemployment rate for 25 years, year, even though 800,000 go bust. "Over the past six years there have been 7,000 IPOs [initial public offerings] in America. In Europe the figure is 720. The private equity market has not evolved.

Europe's challenge is to create an environment

to attract private investment. Sutherland argues that this need has been ignored in the quest for competitiveness, flexibility, privatisation and meeting the Maastricht convergence criteria.

"There is an enormous challenge facing Europe. I am massively in favour of economic and monetary union. Not only because its failure would be potentially destructive but because it is highly desirable. You cannot sustain indefinitely a common market with fluctuating

"Compliance with the Maastricht criteria has A committed Europhile who thinks the European reduced these currency fluctuations. But you cannot

Goldman Sachs's partners are members of one cent. There are major social and economic problems While Sutherland is a good European, he is turing of European industry."

He can see fresh opportunities coming out of the economic turmoil in Asia. Goldman Sachs is already



that he is happy as a banker but friends say he would love the top job

cherry-picking amid the debris of the South Korean and Indonesian fall-out. "The situation is potentially very dangerous, but I do not think it will be a terminal blow," he says. "A shock like this will lead to real change.

Sutherland is a free trader. He helped set up the World Trade Organisation. As EU competition minister in 1986 he faced a legal threat when he tried to liberalise a small part of the telecommunications business – a modest step – but one he sees as integral to the change that has occurred. "Sitting in Brussels then, you would never have believed that Deutsche Telekom, France Telecom and Telecom Italia would ever be privatised."

He defends the European Commission as a promoter of the free market. This is not entirely credible when set against its feeble record, such as allowing the French to dole out money to Crédit Lyonnais, failing to discipline Europe's subsidygobbling state-owned airlines and flirting with protectionism. He admits that competing to give subsidies to keep jobs has been expensive and

"Europeans are apocalyptic: they either think they are facing disaster or they are trying to control the world. There is no middle ground. But in the past ten years Europe has moved a long way. We have learnt that doling out state aid for jobs is not viable. Germany has reunified. No other country in the world could have achieved that. We have a social fabric. What we need to do now is create an entrepreneurial culture, a more vibrant society. Once we have a single currency, capital will be more mobile,'

He is not disturbed by the Machiavellian events surrounding who will head the new European central bank. "I have never seen the head of any international organisation appointed without a political game. I do not see it as a catastrophe." Sutherland will not be drawn into who will lead it, although he has a high regard for Jean-Claude Trichet, governor of Banque de France, and President Chirac's late nomination for the post. "What is important is that there is balance," he says. "The European central bank cannot be too rigid in its approach to inflation." Maybe, but the sole legal remit of the bank is price stability.

On the troubled subject of the extension of the European Union, which has plagued Santer's reign, Sutherland insists that it cannot come quickly enough. Nor does he think that it should be limited to a handful of countries that border Europe.

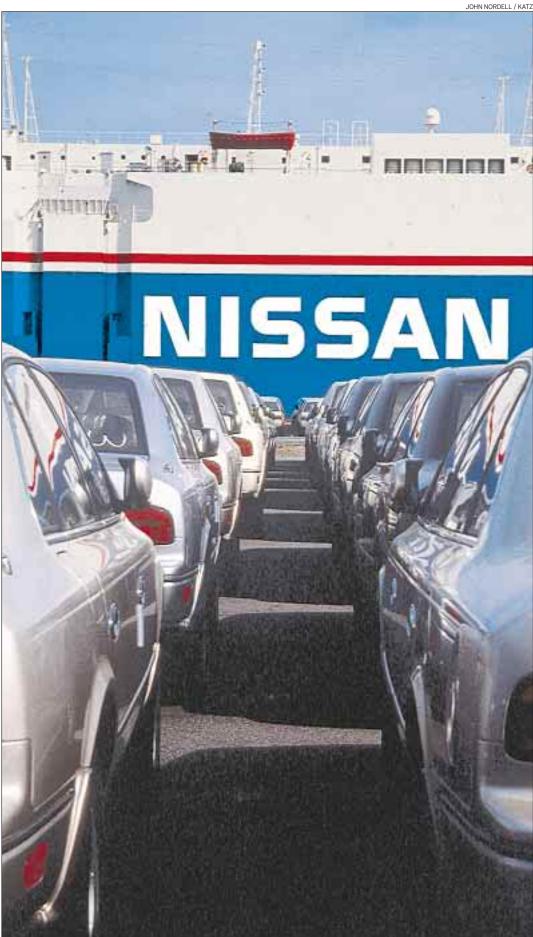
"I see Russia as a part of Europe," he says. [So did John Major, and look what happened to him.] "Our future energy demands make it essential that Russia remains stable. We should remain open to Russia and integrate it fully into Europe."

He regrets the fact that world leaders do not meet on a regular basis. He is planning to announce an initiative at the World Economic Forum in Dayos at the end of January which will bring them together on a regular basis. "Global leadership is no longer effective. G7 or G8 is no longer working, nor is the OECD. It is just another element in the same problem: developed countries getting together to discuss their problems. Instead, we need leaders from Europe, Brazil, Asean, North America and Africa to meet on a regular basis."

If Brussels does not beckon, and no country steps forward to back his nomination for the presidency Sutherland can continue to draw his vast remuneration from Goldman Sachs, and a healthy sum from British Petroleum, where he is non-executive chairman. Sutherland laughs. "It is hard to justify the amounts that some bankers earn, but we live in a market situation. The industry is constantly in a state of evolution and will find its own level, just like water does."

True enough. But it is hard to escape the conclusion that Sutherland sees his level to be the pinnacle of power rather than a fat bank account. **TURMOIL** ■ Europe has created a machine to tame inflation, but has it an answer to the renewed fear of recession?

# Beware the threat of global deflation



You can with a Nissan: Japanese manufacturers prepare to invade Europe with cheap cars

### **Christopher Smallwood**

S THE shockwaves from the Asian economic crisis continue to reverberate around the world. Yves-Thibault de Silguy, EU economics commissioner, is refusing to panic. He is more interested in winning the presidency of the council in his native region of Brittany. While the Asian economic miracle turns sour and threatens a global impact, de Silguy says he sees no reason to change the Commission's forecast of three per cent growth in Europe this year - the most rapid rate of advance this decade.

He is not alone in this view. Finance ministers meeting in Brussels under the chairmanship of Britain's finance minister, Gordon Brown, gave scant sign of concern that events 11,000km away were likely to be of any great consequence for Europe. They are blissfully ignorant of the potential that may blow apart the new currency zone which the ministers had come to discuss. This is a mistake. There is a dark cloud hanging over Asian countries, which produce a third of the world's output. Europe's prosperity cannot be unaffected. If the euro is launched just as Europe goes into an Asian-induced recession, its chances of success will be much less than if the recovery which began to emerge in 1997 rolls on.

Important questions need to be faced. How bad could the Asian crisis get? How well placed will the new single currency zone be to handle the economic consequences? Might the euro itself buckle under the strain?

The conventional view is that while the turmoil in Asia will have a depressing effect on western economies, there is little danger of recession spreading round the world. The Organisation for Economic Co-operation and Development (OECD) has lopped one percentage point off its world growth forecast. Last week the Berlin-based Institute of Economic Research calculated that the Asian crisis would knock 0.5 per cent off German growth this year, although if the crisis continued through 1998, the impact on Germany in 1999 would be "considerably greater".

It is in relation to next year and bad news. beyond - the early years of the single currency regime – that concerns are — far more serious than the one which intensifying. The possible ramifica- occurred in 1987. Fifty million Amertions of a recession in Asia go far icans now own shares. Consumers beyond the curtailment of trade which have been spending on the back of risunderlies the rather modest downturn suggested by the OECD.

even among emerging countries. Poor's 500 index has not risen since China is the real wild card. The dra- last August. The market's jumpiness matic devaluations of its east Asian since then may well indicate that the neighbours have set the stage for Chi-bull market is at an end: if so, connese exports to be undercut by com- sumer cutbacks could bring American

petitors desperate to produce their way out of their problems. Deutsche Bank has already cut its forecasts of Chinese growth to 6.5 per cent. If the economy started to slump, the crisis would develop another dimension.

Confidence is already starting to drain away from debtor economies outside east Asia. In Brazil, growth has stopped. The next domino is Argentina. It will go on. More worrying is the possibility of

a financial implosion in Japan, the world's second-biggest economy (see table 1). Japan is already in recession. The central expectation for growth this year is zero, hardly surprisingly since 40 per cent of its exports go to Asian markets. Prices are falling. A full-blown credit crunch is gathering momentum as banks' capital melts away in the face of falling share prices and a rising tide of bad debts, not least in the other Asian countries to which Japanese banks have lent money. Banks are cutting credit lines; bankruptcies are rising. The danger is that Japan will sink into a deflationary spiral. The Japanese government has failed to stimulate growth in the past: we have yet to see whether it can be more effective in more frightening circumstances.

Next, there is the probable impact of Asia's difficulties on the world's stock markets. All eyes are on Wall Street, and the knock-on effects if Asia triggers a long-awaited market correction. Even without Asia, the starting point is ominous enough, with price-to-earnings ratios at record highs. Alan Greenspan, chairman of the Federal Reserve, is already muttering about the dangers of deflation.

The American economy is expected to slow down anyway in 1998 as the Asian recession reduces US exports, and increases American imports – 40 per cent of which come from Asian companies boosted by devaluations and desperate to export - at the expense of US producers. The question is whether a stock market slide could turn this into a real recession. Asia could well be the trigger. Last week alone, the American market lost five per cent of its value in response to a drop in the Hong Kong market, and it could go on lurching downwards in response to further bouts of A 1998 Wall Street crash would be

ing asset prices and are more heavily in debt than they have been for a gen-The contagion has further to spread, eration (see table 2). The Standard &

be particularly marked if, as expected, it sends the dollar into reverse. The been export-led as the deutschmark and other EMU currencies have fallen against the dollar. Domestic demand has hardly picked up at all. Should the dollar weaken through 1998, the main impetus for Europe's encouraging growth rate could be removed. Forecasters are already starting to anticipate this as 1998 progresses.

Maybe China and other emerging economies will prove more robust than some forecasters anticipate. Maybe the Japanese authorities will finally succeed in warding off the danger of real deflation, despite their dismal record to date. Perhaps Wall Street will shrug off Asian worries, the American consumer will keep spending and the dollar will continue to ride high. What we do know is that if any or all of these possibilities become reality, growth in Europe will quickly fall back to the dismal levels of the early 1990s. Would the euro survive?

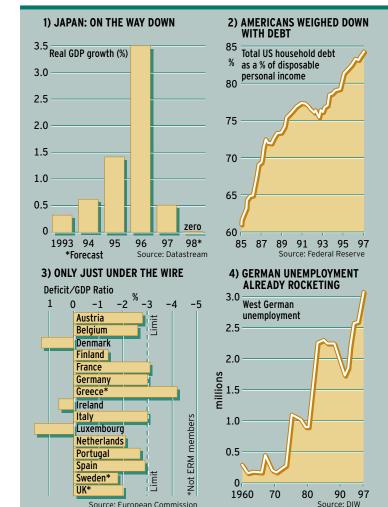
It is hard to be optimistic. The IMF has warned that should the Asian crisis deepen, there would need to be a "timely monetary easing to arrest an escalating downturn". With a single European currency, there will be a

growth to a halt. The impact of an single European interest rate. With American downturn on Europe would inflation so low, it is likely to be close to the German and French discount rate - perhaps 3.5 per cent. Starting pick-up in Germany and France has from this level, there will be little scope for significant interest rate cuts. And as Japan's experience has shown, when confidence is weak even a base rate of 0.5 per cent may not stimulate

If the scope for monetary action will be limited, the possibility of expansionary fiscal action will be virtually zero. Most of the countries qualifying for the single currency - and certainly the big ones - will have crept in under the Maastricht wire, their budget deficits right up against the allowed three per cent limit (see table 3).

European politicians and Eurocrats have devised a fair-weather system of economic management (see table 4). It can contain inflation, but it cannot counter recession. That is why the deflationary impulse from Asia, which may reach Europe through one of a number of the routes discussed, potentially threatens the entire single currency project.

How to deal with it is worth a little thought between now and 1 January 1999. Perhaps Yves-Thibault de Silguy could be persuaded to make a contribution, once he has finished campaigning in Brittany.



### ANALYSIS

ASIA will decide the fate of

Europe's economic and

# Will the euro catch Asian flu?

misallocation of capital to

speculation, unprofitable

investment and grandiose

infrastructure schemes.

The cronies were able to

borrow excessively and

were the ruling elite; they

supported their families,

The IMF was mad to

cronies to the wall, while

effectively guaranteed by

the governments because

of cronvism. But legally

private borrowers are

already defaulting. It is

There is little prospect

no need to borrow new

banks, was a step in the

a worsening crisis. The

The IMF's December

riaht direction.

partners and friends.

think it could send the

rescuina the foreign

lenders. Admittedly,

their loans were

unravel

cheaply because they

corporate over-

property and stockmarket

monetary union (EMU). Thanks to the Asian crisis. 1998 is shaping up to be an extremely interesting year. Last December the International Monetary Fund (IMF) estimated that the crisis (including spillover effects on Japan) would lop between a quarter and a half of one per cent off Europe's 1998 GDP growth. But this was based on three assumptions: that the crisis would get no worse; that bailed-out Asian economies would obediently swallow IMF medicine: and that confidence would rapidly be restored so that private capital flows to Asia were resumed. The IMF cut its 1998 Asian growth forecast from six to three and a half per cent, but expected activity to rebound in 1999.

of confidence being rapidly restored and capital inflows resumed. Asian The crisis has growth is more likely to be intensified. The IMF's negative rather than more interim assessment. than 3.5 per cent this year. published on 22 Imports will crash and December, was based on exports surge. Current information up to 17 account deficits will turn in December. It assumed real six months into surpluses. exchange rates - adjusted Indeed Thailand earned a for relative inflation -\$2.5 billion surplus in the would remain unchanged fourth quarter of 1997, at their average level while Korea was back in between 9 October and 5 surplus by December after November 1997. Since imports fell 22 per cent. then the Indonesian High saving Asian rupiah has fallen by half countries, with current against the dollar and the account surpluses, have

while the Malaysian ringgit foreign capital. They and Thai baht have fallen hardly need to fear that by a quarter. default on old loans will As Asian inflation is deny access to relatively low, real international markets. exchange rates have also Foreign lenders are being fallen significantly. Since 17 forced to choose between December share prices writing off Asian loans or have fallen a further 20 rolling them over. per cent in Kuala Lumpur. Meanwhile measures to 17 per cent in Bangkok and tackle Japan's crisis have failed to stop the rot. The around 10 per cent in ¥30,000hn package Manila and Jakarta. The yen is off eight per cent (\$22.8bn, or six per cent of GDP) announced in and the Nikkei has dived to close to its record low. January, intended to give Spoons full of dollars dead banks a decent burial and to recapitalise sick

have not made IMF medicine go down in a most delightful way. Much has been spat out. Korea, Thailand and Indonesia budget tightening. Even the IMF is now backtracking on prescribing ice-packs for hypothermia. Its demand that dud banks and companies be allowed to fail has partially been accepted. Crony-banking a major cause of Asia's problems - led to the

Korean won by nearly half,

growth at 2.6 per cent this year. It may be only 1.5 per cent. The OECD, whose latest forecast assumed three per cent growth, put the German budget deficit at 2.6 per cent of GDP in 1998. If growth is half what the OECD expects, the deficit will be 0.8 per cent higher

at 3.4 per cent. This gloomy forecast may be wrong. If not, these grave budgetary consequences will become clear, perhaps foreign bankers supposed not by May when the single currency gets the go-ahead, but before next September's Bundestag elections, Germany will they were not. Many of the have to raise taxes or cut public spending to meet the Maastricht criteria likely that IMF bail-outs will and the stability pact three per cent budget deficit limit. It will be forced into fiscal deflation in the teeth of fading growth and rising unemployment. The Bundesbank

would have to choose between substantial monetary easing, causing the deutschmark and other European currencies to weaken significantly, or maintaining a tight stance to ensure that the euro starts life as a strong currency. An economic and political crisis is inevitable if recovery aborts. Failure to tighten fiscal policy could lead the German constitutional court to declare membership of the single currency illegal. Fiscal tightening without monetary easing could lose Helmut Kohl the election. Easing of monetary policy by the Bundesbank, resulting in the prospect of a weak

membership. **BRIAN READING** The author is a director of Lombard Street Research

euro, could stop the

Bundestag ratifying

single currency

24 hours FOREX DESK Financial consultancy, daily market comment. Inter banking rates, no commission investment credit line and special conditions. Investment strategies without risk. 100% Capital return guarantee High return on investment. Confidentiality guaranteed according to Swiss Law. SOVEREIGN FINANCE GROUP Much more will be done. but reactively rather than effect of the Asian crisis on European growth is likely to be at least double the IMF's December estimate The Asian crisis could cut Bahnhofstrasse 64 8001 Zürich one per cent or more off German growth this year. Tel: 41 1 213 18 00 Fax: 41 1 222 08 30 forecast put German GDP

**36** THE EUROPEAN ■ 19-25 JANUARY 1998

# EUROPEAN

The European this week launches its new and exclusive index of Europe's top companies, ranked by market capitalisation

# COMMENT

# Bulls buy into Europe's shares

SHARE investors have found an unlikely refuge from the fall-out in Asia, the fear that the American market is heading for a crash and the concern that the strength of the dollar is making stocks expensive for European investors. Despite fears that European stocks are expensive relative to earnings, fund managers have woken up to better than expected corporate results from firms such as Volkswagen and Deutsche Telekom, which boasted profits up 87 per cent in 1997.

Investors are backing shares in continental Europe to continue this sparkling performance over the next three months. Good corporate earnings are expected to support this assessment. Fears of deflation have depressed the bond markets, with yields

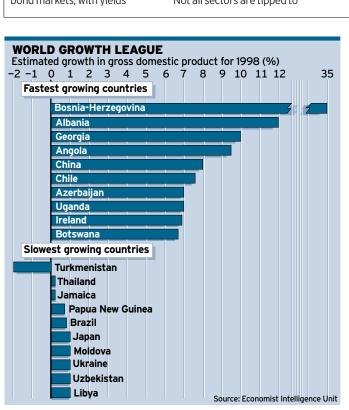
brave or foolhardy will go bottom-fishing in Asia for cheap stocks. While George Soros may have considered a \$1 billion investment in Korea, to date he has not handed over the money. In America the Standard & Poor's 500 Index has been becalmed since the middle of August 1997. The fear is that it has only one way to go - down. A survey by Gallup of 74

Merrill Lynch, an American investment bank, discovered that only five per cent were bullish on America. The figure was similar for Japan. Nobody was interested in other Asian markets. The fund managers revealed that they intend to transfer the bulk of their \$713bn portfolio of investment into

Not all sectors are tipped to

unlikely to rise. Only the very show good returns. There has been a clear shift in sentiment away from cyclical stocks at the start of January. Chemicals were disliked by 29 per cent of respondents, and 32 per cent have abandoned paper companies. Financial stocks are the clear favourite - favoured by 51 per cent compared with 31 per cent last December - though the swing from industrial companies belies the hit which banks may still have to fund managers on behalf of take from provisions for lending in Asia.

The popularity of the financial sector is driven by the intensive merger activity and by their adoption as a defensive growth stock similar to the role of the food and pharmaceuticals sectors in the late 1980s - during a time of stagnation and low



THE fastest growing economy in the world could be Bosnia-Herzegovina in 1998, possibly by up to 35 per cent, as international lendin helps boost the reconstruction of the war-torn country. Other transition economies in central and eastern Europe are also poised for growth of up to four per cent, according report from the Economist Intelligence Unit. Asia will be the worst performing region in the world, with growth of less than 2.5 per cent. Ireland is the only European Union country in the

top ten.

**DOUG CAMERON** 

Materials		US \$ 120 115 110 M		/ w T	
Company Cou	ıntry	Price (local)	Price (Ecu)	%change	Yield
Courtaulds	IIK	251.5	3.80	-9.369	6.581
Allied Colloids Group		168.5	2.55	-1.173	2.4
Johnson Matthey		500	7.56	-9.537	3.213
Arjo Wiggins Appleton		157	2.37	-2.786	5.51
Laporte		638.5	9.65	-7.127	4.493
British Steel		128.5	1.94	-3.371	9.69
Billiton		139	2.10	-6.711	_
Boc Group	.UK	887	13.40	-5.134	3.791
Imperial Chemical	.UK	938.5	14.18	-2.287	3.923
Rio Tinto	.UK	728	11.00	2.247	4.599
Ssab Svenskt Stal AS	Swe	128	1.93	3.226	3.125
Skw Trostberg		58.8	0.89	1.906	2.672
Koninklijke Knp		46.39	0.70	3.139	1.848
Mooch Domsjoe		196	2.96	-5.085	4.592
Enso		43.5	0.66	2.381	4.186
SGL Carbon		224	3.39	7.28	0.982
DSM		183.2	2.77	-0.438	5.137
FPB		318 194	4.81 2.93	0.952 -2	7.862 2.679
Assidoman		225.7	2.93 3.41	-2 -0.044	2.079
Usinor		79.75	1.21	1.848	5.632
AGA		94.5	1.43	-8.738	2.872
Minorco-Bearer		590	8.92	-	0.108
Stora Kopparbergs		94	1.42	-4.082	3.989
Preussag		545	8.24	1.869	3.145
Svenska Cellulosa		166.5	2.52	-4.571	3.144
Degussa	Ger	94.6	1.43	2.714	2.96
Solvay	Ger	2250	34.00	-0.659	3.245
Upm-Kymmene		110	1.66	1.581	-
Alusuisse Lonza		1495	22.59	2.675	1.253
Clariant		1265	19.12	1.44	0.789
Ciba Specialty Chems		170	2.57	-1.451	
Henkel Kgaa		101.5	1.53	-3.791	1.689
L'air Liquide		877	13.25	-0.114	2.403
Akzo NobelN		349.09	5.28	-0.343	2.436
Basf Hoechst		61.95 63.85	0.94 0.96	-3.052 -4.345	3.92 3.132
Bayer		64.15	0.96	-4.345 -4.751	3.132
Company of the state of the sta	OEI	ΔΙ ΙΤΔ		4.731	3.100

SGL - CARBON

<b>Bayer</b> Ge	64.	15 0.97	7 -4.751	3.786	Beiersdorf Bic Cadbury Schwe
Consumer Cyclical	9.0 US \$ 8.5 8.0 7.5	TALIA I T	W 1	T F	Carlsberg. Carrefour Super Casino Guicharc Christian Dior Cie Ffinanc Rich Cie Generale De Colruyt Comptoirs Mode Danisco Delhaize-Le Lio Diageo Elan Eridania Beghin
Company Countr	y <b>Price</b> (lo	al) Price (E	Ecu) <b>%change</b>	Yield	Essilor Internat Fresenius Medic
					ricacinus medic

Accor	Fr	1124	16.99	2.839	2.67
Adidas	Ger	263.8	3.99	10.377	0.596
Airtours	UK	1325	20.02	1.845	1.88
Alitalia	Ita	15720	237.57	20.006	
Argos	UK	444.5	6.72	-20.036	4.74
Audi ag	Ger	1470	-	-3.289	0.87
Audiofina	Lux	1390	21.01	-	1.583
Autoliv Inc-Swed DR	Swe	258	3.90	-3.918	1.32
BMW	Ger	1295	19.57	-2.448	1.65
Benetton	Ita	31300	473.02	3.044	1.53
Boots	UK	829	12.53	-8.571	3.15
British Airways	UK	539	8.15	-6.609	3.60
British Sky Broadcastir		410	6.20	-7.87	1.83
Burton		147.25	2.23	3.697	2.88
Canal Plus		1146	17.32	-1.203	2.60
Carlton Communication		443.75	6.71	-3.002	3.48
CCP		2605	39.37	9.684	2.49
Compass		813.5	12.29	4.005	1.52
Continental	Ger	39.99	0.60	-2.701	2.14
Castorama Dubuis Inv		790	11.94	2.597	2.08
Daily Mail&General		2127.5	32.15	5.062	1.35
Daimler-Benz		124.4	1.88	-1.309	1.26
Deutsche Lufthansa		34.05	0.51	-1.447	2.09
Dixons		504.5	7.62	-12.931	2.72
Electrolux		538	8.13	-2.178	2.09
Elsevier		34.39	0.52	2.388	2.47
Emap		967.5	14.62	1.468	1.76
Emi		473	7.15	-7.846	3.48
Fiat		5240	79.19	-0.096	1.91
GKN		1200	18.14	-7.573	2.64
Great Universal		734.5	11.10	-4.128	3.16
Greenalls		417.5	6.31	-2.907	5.10
Havas		423.5	6.40	-1.376	3.01
Hermes		403	6.09	-5.414	0.93
Jeronimo Martins		6055	91.51	0.331	0.69
Karstadt		584	8.83	1.742	2.44
Kingfisher		926	13.99	5.371	2.77
Klm-konin Luchtvaart		71.09	1.07	-3.919	1.40
Ladbroke		294	4.44	5.277	2.71
Lucasvarity		214	3.23	0.822	2.61
Marks & Spencer		589.5	8.91	-1.174	2.82
Mediaset		9025	136.39	1.089	2.16
Metro		64.4	0.97	-5.224	1.84
Michelin		302.5	4.57	7.148	1.63
Next		302.5 749	11.32	1.77	2.67
Pearson		749 791	11.32	0.445	2.94
Pilkington		1155	11.95	0.445	2.94

......UK 115.5 1.75 -9.055 5.032

Pinault-PrintempsFr	3480	52.59	2.294	1.38
PirelliIta	4725	71.41	-1.273	2.114
Pirelli spa-rnclta	3530	53.35	-0.142	3.424
Polygram	94.89	1.43	5	1.005
PSA Peugeot CitroënFr	806	12.18	0.124	0.559
RankUK	340	5.14	-0.872	6.323
Reed InternationalUK	621.5	9.39	1.721	2.795
RenaultFr	175.3	2.65	-0.284	-
ReutersUK	600.5	9.08	-8.561	2.506
SMH-BearerSwi	747	11.29	-4.359	1.206
SairgroupSwi	1881	28.43	-7.217	-
ScaniaSwe	174	2.63	-3.857	3.152
<b>Seb</b> Fr	740	11.18	-13.636	2.267
Sodexho AllianceFr	3222	48.69	-1.157	1.18
Springer (axel) VerlagGer	1280	-	4.918	2.232
T & NUK	254.5	3.85	-0.196	-
Télévision Française TF1Fr	675	10.20	4.651	3.556
United News & MediaUK	703	10.62	-1.816	4.321
ValeoFr	408.39	6.17	2.125	1.469
Vendex IntlNeth	107	1.62	-4.809	1.964
VNUNeth	55.09	0.83	4.571	1.075
VolkswagenGer	992	14.99	-0.8	1.296
VolvoSwe	202.5	3.06	-3.103	2.118
WolseleyUK	472.5	7.14	-5.173	3.019
Wolters KluwerNeth	277.2	4.19	3.937	0.895
WPPUK	251	3.79	-7.183	0.856

umer		SIO (	GRO	UP	
clical	150 US \$				
	145				
	140				
	135	1	T	W	T
Country	Price (lo	cal) <b>Pr</b> i	ice (Ecu)	%change	Yie

......UK 971 625.84 ......Fr 1095 705.76

.....Fr 968 623.91

......Ger 636.5 410.25 -1.852

.....Fr 2529 1630.03 4.132

.....UK 500.5 322.59 4.583 3.125

.....Ger 171.4 110.47 -2.057 2.084

UK 334.5 215.60 3.246 0.651

.....Fr 2475 1595.22 -3.213 2.672

 Rentokil Initial
 UK
 292
 188.20
 6.545
 1.143

 Rhone-Poulenc
 Fr
 292
 188.20
 3.947
 1.812

 Smith & Nephew
 UK
 176.25
 113.60
 0.142
 3.999

 Smithkline Beecham
 UK
 677.5
 436.67
 5.728
 1.552

.....Ger 855 551.08

Imperial Tobacco.....UK 421.75 271.83

Morrison Supermarkets.....UK 235.5 151.79

Northern Foods......UK 265.5 171.12

 Nutricia Verenigde Bed
 65.3
 42.09

 Nycomed Amersham
 UK
 2223
 1432.80

Pernod-Ricard.....Fr 382.39 246.47

Raisio. Fin 821 529.16
Randstad Neth 83 53.50
Reckitt & Colman UK 915 589.75

Scottish & Newcastle.....UK 742 478.24

Scherina....

Securicor.....

Sas Soc Gen....

Tabacalera.....

Roche Holding-bearer......Swi 21375 13776.90 -2.74

7.654 1.359 0.548 1.408

0.535 6.328

0.932 3.73

2.064

1.062 0.899

Company Country	Price (local)	) Price (Ecu)	% change	Yield
AdeccoSwi	443.5	285.85	5.854	1.129
Allied DomecqUK	540.5	348.37	3.544	4.522
AltanaGer	137	88.30	8.644	1.564
<b>Asda</b> UK	194.25	5 125.20	6.74	2.03
Associated British FoodsUK	599	386.08	6.389	3.18
AstraSwe	135	87.01	0	1.107
Autopistas ConSpa	2070	1334.18	3.234	3.53
BATUK	577	371.90	0.348	5.642
BassUK	910	586.53	-0.921	3.759
BeiersdorfGer	76.5	49.31	-0.649	1.867
BicFr	422.09	272.06	-5.139	2.148
Cadbury SchweppesUK	698	449.88	8.14	2.903
CarlsbergDen	396	255.24	6.739	0.909
Carrefour SupermarcheFr	2930	1888.48	-0.712	1.332
Casino Guichard PerFr	336.5	216.89	-0.238	2.011
Christian DiorFr	610	393.17	3.39	3.861
Cie Ffinanc RichemontSwi	1574	1014.50	-3.21	-
Cie Generale Des EauxFr	835	538.19	4.005	2.166
ColruytBel	19450 1	.2536.18	0.257	0.883
Comptoirs ModernesFr		1882.04	-4.005	1.241
DaniscoDen	437	281.66	2.844	1.152
Delhaize-Le LionBel		1318.07	3.817	1.765
DiageoUK	566	364.81	-1.48	3.42
ElanIre	35.43	3 22.84	-1.992	-
Eridania Beghin-SayFr		692.23	8.731	4.622
Essilor InternationalFr	1905	1227.84	8.433	1.143
Fresenius Medical CareGer	141.5	91.20	5.204	-
GallaherUK	355.75	229.29	-4.189	-

Financial		<b>BANC</b> 13.5	A DI R	OMA	
		US \$			
		12.5			
		11.5			
		10.5 <sub>M</sub>	T	W T	F
Company	Country	Price (local)	Price (Ecu)	%change	Yield
31	UK	534.5	8.08	3.188	2.247
Abbey National	UK	1173	17.73	7.706	2.939
Abn Amro	Neth	40.39	0.61	2.538	2.797
Aegon	Neth	195.7	2.96	3.791	1.548
AGF		318.59	4.81	0.157	2.355
Alleanza Assicurazioni	Ita	22350	337.76	9.008	0.671
Alliance & Leicester	UK	847	12.80	5.96	-
Alliance Trust	UK	2555	38.61	0.334	2.791
Allianz		491	7.42	-0.648	0.495
Allianz lebensversich		1710	-	0.588	0.919
Allied Irish		7.33	0.11	1.103	2.162
Almanij	Bel	1935	29.24	3.753	1.621
Alpha Credit Bank	ХХ	14490	218.98	-7.766	6.384
Amvescap		498	7.53	1.324	1.307
Asr Verzekeringsgroep		122.5	1.85	4.259	2.157
Assicurazioni Generali		48550	733.71	1.582	0.772
Axa-UAP	Fr	466.79	98 7.05	2.459	2.411
Axa Colonia Konzern	Ger	164.5	2.49	2.813	1.476
Baloise		2878	43.49	2.725	-
Banca Commerciale It.		7140	107.90	4.563	2.308
Banca Di Roma	Ita	2455	37.10	27.141	-
Banca Fideuram		8850	133.75	-0.379	0.672
Banco Bilbao Vizcaya		5340	80.70	4.305	1.92
Banco Central His		3785	57.20	1.337	1.583
Banco Com Portugues		4160	62.87	-2.717	2.527
Banco Esp Credito		3945	59.62	2.208	1.779
Banco Espiritonto		1620	24.48	4.531	-
Dance Denvilee Ference			0445	0.074	0 4 4 5

Banco Popular Espanol.....Spa 6250 94.45

 Banco santander
 Spa 11320
 171.07
 -3.419
 2.504

 Bank Austria
 Aus
 5530
 83.57
 2.793
 2.059

.....UK 234.75 151.30

.....UK 618.5 398.64

.....UK 490.25 315.98 -1.85 .....UK 913.5 588.78 2.128

**LAGARDERE** 

Country Price (local) Price (Ecu) %change .....Bel 7260 177.79

42.98

10.82 5.26 0.78

3.245 -2.444 7.789

-0.78

2.587

0.405

33.5

.....Bel 1755

....Fr 214.6

 Lagdrefe
 Fr
 214.6
 5.26
 7.78

 Metallgesellschaft
 Ger
 31.8
 0.78
 -0.78

 Montaigne Participat
 Fr
 1965
 48.12

 Ste Gen de Belgique
 Bel
 3540
 86.69
 -0.84

 Tomkins
 UK
 318.5
 7.80
 2.5

Diversified

....UK 121.9 78.57 -1.536 1.583 ....UK 490.25 315.98 -1.85 2.099 ....UK 913.5 588.78 2.128 3.34 ....UK 2219 1430.22 1.007 2.039

2.98 0.772 3.515 4.184

B F L. H. 7. L. L	04.45	100.00		2.062	Colon to to consider the constant	4076	20.25	4 404	
Bank Fuer Intl ZahlungsSwi		138.20	5.115	3.062	Schw lebensv & RentSwi	1876	28.35	-1.421	1.401
Bank Of IrelandIre	9310	140.70	-2	3.008	Schw rueckversichSwi	1202	18.17	1.421	0.577
Bank Of ScotlandUK	11.32	0.17	1.159	1.652	Schweizerischer bankSwi	2855	43.15	2.366	1.05
Bankgesellschaft Berlin Ger	557	8.42	-1.418	1.972	Scottish Mort &TtrustUK	447.5	6.76	-2.293	_
Bankinter - Banco IntercSpa	38.5	0.58	-2.532	4.082	Skandi Enskilda BankenSwe	327	4.94	-0.912	1.994
Banque Gen Du LuxLux	9340	141.15	1.522	2.969	Skandia ForsakringsSwe	94	1.42	-2.591	2.926
•									
Banque Nat de ParisFr		1031.43	-1.373	2.022	Slough EstatesUK	415	6.27	2.2	0.658
BarclaysUK	293	4.43	1.174	2.765	Societe GeneraleFr	376.5	5.69	4.438	3.038
Bayer Hypo-Und WechGer	1764	26.66	6.667	2.379	Standard CharteredUK	719	10.87	0.276	3.616
Bayerische VereinsbankGer	87.45	1.32	-1.686	2.369	Stillhalter VisionSwi	566.5	8.56	3.931	3.408
BBLBel	115	1.74	-1.033	1.962	StorebrandNor	802	12.12	-10.988	_
		163.97	3.58	2.335	Sun Life & ProvincialUK	53.5	0.81	0	_
BG BankDen									
BHF-BankGer	471	7.12	0.213	2.548	Svenska HandelsbankenSwe	514.5	7.78	8.985	2.565
BHWGer	52.8	0.80	3.529	3.923	Trygg-hansa	272.5	4.12	-1.449	1.838
BK VisionSwi	29.7	0.45	3.846	-	UBSSwi	237	3.58	-	1.055
Britannic AssuranceUK	1430	21.61	-4.027	_	UnidanmarkDen	2071	31.30	-2.08	1.545
British LandUK	1123.5	16.98	-1.013	3.672	United AssuranceUK	515			
							7.78	0	1.942
<b>CCF</b> Fr	710.5	10.74	5.502	2.04	VictoriaGe	539	8.15	0.093	4.545
CetelemFr	409	6.18	6.572	2.138	VolksfuersorgeGer	1998	30.19	1.939	1.001
Christiania BankNor	778	11.76	-5.949	2.019	Witan InvestmentUK	840	12.69	0	2.319
Cie Financiere De ParibasFr	29.7	0.45	3.846	4.04	WoolwichUK	320.5	4.84	0	2.598
CobepaBel	540	8.16	7.356	3.611	Worms et CompagnieFr	337.25	5.10	2.672	-
Commercial UnionUK	1700	25.69	0.592	5.02	Wuertt Versich-BeteilGer	381.5	5.77	-8.668	3.725
CommerzbankGer	885	13.37	0.91	4.037	Zuerich VersicherungsSwi	2650	40.05	-8.621	0.701
Compagnie BancaireFr	65.9	1.00	-5.52	2.887	-				
Corp Bancaria De EspSpa	880	13.30	-5.379	1.695					
	9450	142.81	-0.632	2.362					
Credit SuisseSwi					Inductrial	<b>BOUY</b>	GUES		
Credito ItalianoIta	223.5	3.38	-0.112	1.796	Industrial	135			
Den Danske BankDen	6080	91.88	1.228	0.984		133			
Den norske BankNor	925	13.98	-0.649	1.741		US \$			
Deutsche BankGer	35.29	0.53	1.146	3.824		130			
Deutsche PfandbriefGer	114.55		-0.823	2.245					
						125			
Dexia BelgiumBel	115.3	1.74	2.717	1.735					
Dexia FranceFr	5180	78.28	1.775	2.267		120			
Dresdner BankGer	708	10.70	-	-					
Ea-GeneraliAus	77.9	1.18	-5.461	2.632		115			
Edinburgh InvestmentUK	3200	48.36	-3.06	0.375		""			
						110			
EwartIre	425	6.42	0.236	3.221		110 <sub>M</sub>	T	W T	F
ExorLux	0.85	0.01	-	-		IVI		11	
FinaxaUK	93	1.41	0.758	3.118	Company Country	Price (local)	Price (Ecu)	%change	Yield
Foreign & ColonialUK	375	5.67	3.591	2.6	Company	r rice (local)	TTICE (LCU)	70 Citaliye	HEIU
ForeningsrbankenSwe	172.5	2.61	-1.714	1.73	ABB-BSwe	84	9.68	-4	2.083
FortisBel	197.5	2.98	-1.253	2.792	ABB-BearerSwi	1698	195.75	-2.308	2.245
Fortis AmevBel	8430	127.40	5.514	1.508	AlitaliaIta	14650	1688.86	38.571	-
Gan AssurancesFr	95.09	1.44	5.072	2.12	Asea Brown BoveriGer	570	-	-1.724	4.825
General Accident IIK	148.6	2 25		_			32 68	-2 744	
General AccidentUK	148.6	2.25	-0.662	- 3.836	Associated British PortsUK	283.5	32.68	-2.744 -2.619	3.638
Generale De BanqueBel	1151	17.39	-0.662 0.611	3.836	Associated British PortsUK Atlas CopcoSwe	283.5 205	23.63	-2.619	3.638 1.834
Generale De BanqueBel Groupe Brux. LambertBel	1151 15075	17.39 227.82	-0.662 0.611 -0.498	3.836 3.511	Associated British PortsUK Atlas CopcoSwe BAAUK	283.5 205 469	23.63 54.07	-2.619 -1.463	3.638 1.834 3.393
Generale De BanqueBel Groupe Brux. LambertBel Guardian RoyalUK	1151 15075 5300	17.39 227.82 80.10	-0.662 0.611 -0.498 -1.484	3.836 3.511 3.766	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK	283.5 205 469 356.5	23.63 54.07 41.10	-2.619 -1.463 -12.729	3.638 1.834 3.393 2.391
Generale De BanqueBel Groupe Brux. LambertBel	1151 15075	17.39 227.82	-0.662 0.611 -0.498	3.836 3.511	Associated British PortsUK Atlas CopcoSwe BAAUK	283.5 205 469	23.63 54.07	-2.619 -1.463	3.638 1.834 3.393
Generale De BanqueBel Groupe Brux. LambertBel Guardian RoyalUK	1151 15075 5300	17.39 227.82 80.10	-0.662 0.611 -0.498 -1.484	3.836 3.511 3.766	Associated British PortsUK Atlas CopcoSwe BAAUK BBAUK Blue CircleUK	283.5 205 469 356.5	23.63 54.07 41.10	-2.619 -1.463 -12.729	3.638 1.834 3.393 2.391
Generale De BanqueBel Groupe Brux. LambertBel Guardian RoyalUK HalifaxUK HammersonUK	1151 15075 5300 353 798	17.39 227.82 80.10 5.33 12.06	-0.662 0.611 -0.498 -1.484 1.657 3.576	3.836 3.511 3.766 3.444	Associated British PortsUK           Atlas Copco         Swe           BAA         UK           BBA         UK           Blue Circle         UK           Bouygues         Fr	283.5 205 469 356.5 329.75 816	23.63 54.07 41.10 38.01 94.07	-2.619 -1.463 -12.729 0.763 15.678	3.638 1.834 3.393 2.391 4.818 3.114
Generale De Banque Bel Groupe Brux. Lambert Bel Guardian Royal UK Halifax UK Hammerson UK HSBC UK	1151 15075 5300 353 798 491.5	17.39 227.82 80.10 5.33 12.06 7.43	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34	3.836 3.511 3.766 3.444 - 2.874	Associated British PortsUK           Atlas Copco         Swe           BAA         UK           BBA         UK           Blue Circle         UK           Bouygues         Fr           BPB         UK	283.5 205 469 356.5 329.75 816 313.5	23.63 54.07 41.10 38.01 94.07 36.14	-2.619 -1.463 -12.729 0.763 15.678 -6.835	3.638 1.834 3.393 2.391 4.818 3.114 3.904
Generale De Banque Bel Groupe Brux. Lambert Bel Guardian Royal UK Halifax UK Hammerson UK HSBC UK Ifil Ita	1151 15075 5300 353 798 491.5 1378	17.39 227.82 80.10 5.33 12.06 7.43 20.83	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733	3.836 3.511 3.766 3.444 - 2.874 4.191	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cgip-Gen d'ind & de ParFr	283.5 205 469 356.5 329.75 816 313.5 2100	23.63 54.07 41.10 38.01 94.07 36.14 242.09	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cqip-Gen d'ind & de Par Fr Cimenteries Cbr CementBel	283.5 205 469 356.5 329.75 816 313.5 2100 3390	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794
Generale De Banque	1151 15075 5300 353 798 491.5 1378	17.39 227.82 80.10 5.33 12.06 7.43 20.83	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733	3.836 3.511 3.766 3.444 - 2.874 4.191	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cgip-Gen d'ind & de ParFr	283.5 205 469 356.5 329.75 816 313.5 2100	23.63 54.07 41.10 38.01 94.07 36.14 242.09	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cqip-Gen d'ind & de Par Fr Cimenteries Cbr CementBel	283.5 205 469 356.5 329.75 816 313.5 2100 3390	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655 3945	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665	Associated British PortsUK Atlas Copco Swe BAA UK BBAUK BIUE CircleUK Bouygues	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567
Generale De Banque Bel Groupe Brux, Lambert Bel Guardian Royal UK Halifax UK Hammerson UK HSBC UK HIII Ita INA Ita INA Ita Incentive Swe ING groep Neth Insinger Lux	1151 15075 5300 353 798 491.5 1378 6655 3945 706 91.59	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67 1.38	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992 0.142	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665 1.416	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cgip-Gen d'ind & de Par Fr Cimenteries Cbr Cement Bel Cimpor Cim de Port Port Compagnie Deint-Gob Fr Cookson UK	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862 795 178.5	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65 20.58	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205 -3.167 -12.189	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567 3.208 5.652
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655 3945 706 91.59 66	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67 1.38 1.00	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992 0.142 3.624	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665 1.416 2.372	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cgip-Gen d'ind & de Par Fr Cimenteries Cbr CementBel Cimpor Cim de Port Port Compagnie Deint-Gob Fr Cookson UK D/S Svendborg Den	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862 795 178.5 467000 53	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65 20.58	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205 -3.167 -12.189 0.43	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567 3.208 5.652 0.246
Generale De Banque Bel Groupe Brux. Lambert Bel Guardian Royal UK Halifax UK Hammerson UK HSBC UK HIII Ita INA Ita Incentive Swe ING groep Neth Insinger Lux Investor South	1151 15075 5300 353 798 491.5 1378 6655 3945 706 91.59 66 375	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67 1.38 1.00 5.67	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992 0.142 3.624 -	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665 1.416 2.372 - 2.674	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouyques Fr BPB UK Cgip-Gen d'ind & de Par Fr Cimenteries Cbr CementBel Cimpor Cim de Port Port Compagnie Deint-Gob Fr Cookson UK D/S Svendborg Den ElectRocomponents UK	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862 795 178.5 467000 53	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65 20.58 3836 56.89	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205 -3.167 -12.189 0.43 2.492	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567 3.208 5.652 0.246 2.052
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655 3945 706 91.59 66 375 19035	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67 1.38 1.00 5.67 287.67	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992 0.142 3.624 - 0.809 2.626	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665 1.416 2.372 - 2.674 1.465	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BIUE Circle UK BOUYQUES FT BPB UK Cgip-Gen d'ind & de ParFr Cimenteries Cbr CementBel Cimpor Cim de Port Port Compagnie Deint-Gob Fr Cookson UK D/S Svendborg Den ElectRocomponents UK FKI UK	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862 795 178.5 467000 55 493.5 163	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65 20.58 3836 56.89 18.79	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205 -3.167 -12.189 0.43 2.492 -10.44	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567 3.208 5.652 0.246 2.052 4.11
Generale De Banque	1151 15075 5300 353 798 491.5 1378 6655 3945 706 91.59 66 375 19035 23000	17.39 227.82 80.10 5.33 12.06 7.43 20.83 100.57 59.62 10.67 1.38 1.00 5.67 287.67 347.59	-0.662 0.611 -0.498 -1.484 1.657 3.576 1.34 4.733 1.526 7.992 0.142 3.624 - 0.809 2.626 0.204	3.836 3.511 3.766 3.444 - 2.874 4.191 1.953 1.665 1.416 2.372 - 2.674 1.465 2.386	Associated British PortsUK Atlas Copco Swe BAA UK BBA UK BBA UK Blue Circle UK Bouygues Fr BPB UK Cgip-Gen d'ind & de Par Fr Cimenteries Cbr Cement Bel Cimpor Cim de Port Port Compagnie Deint-Gob Fr Cookson UK D/S Svendborg Den ElectRocomponents UK FKI UK Fomento de Con Contra Spa	283.5 205 469 356.5 329.75 816 313.5 2100 3390 4862 795 178.5 467000 55 493.5 163 6110	23.63 54.07 41.10 38.01 94.07 36.14 242.09 390.80 560.49 91.65 20.58 3836 56.89 18.79 704.37	-2.619 -1.463 -12.729 0.763 15.678 -6.835 1.928 0.295 -0.205 -3.167 -12.189 0.43 2.492 -10.44 2	3.638 1.834 3.393 2.391 4.818 3.114 3.904 2.837 2.794 2.567 3.208 5.652 0.246 2.052 4.11 0.662
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# THE EUROPEAN 5

The European 500 lists Europe's top companies, ranked by market capitalisation and divided by industry sector. It has several unique features. The index is priced in ecus as well as in local currencies (we will report prices converted into euros when the new currency is launched). In coming weeks. The European 500 index will be available in real time on Bloomberg screens. We will also be adding sectorby-sector movement graphs. The European 500 is edited Bank Fuer Intl Zah-Belg....Swi 690 10.43 -0.289 1.739 by Melanie Bien

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KEY	•		
Bel Den	Austria Belgium Denmark Finland France Germany Greece Ireland Italy	Neth Nor Port Spa Swe Swi	Luxembourg Netherlands Norway Portugal Spain Sweden Switzerland United Kingdom

**Source: Bloomberg** Care is taken to ensure that this information is correct but neither *The European* nor Bloomberg warrant, represent or guarantee the contents of the information nor do they respect any responsibility for errors, inaccuracies, omissions or any inconsistencies herein

# Big banks are no longer beautiful PAGE 42

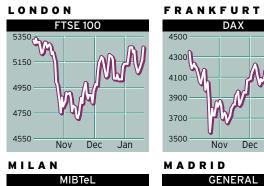
76	28.35	-1.421	1.401	Scancem		288	33.20	-1.874	2.257
02	18.17	1.421	0.577	Schneider		331	38.16	1.378	2.266
55	43.15	2.366	1.05	Sidel		412	47.50	0.976	1.63
47.5	6.76	-2.293	-	Siebe		1044	120.35	-6.991	1.446
27	4.94	-0.912	1.994	Siemens		104.5	12.05	-5.043	2.051
94	1.42	-2.591	2.926	Skanska		335.5	38.68	2.937	3.003
15	6.27	2.2	0.658	Smiths Industries		768.5	88.59	-5.793	2.888
76.5	5.69	4.438	3.038	Smurfit		1.98		-1	2.197
19	10.87	0.276	3.616	Stagecoach		804	92.69	-7.159	1.555
56.5	8.56	3.931	3.408	Suez Lyonnaise D		692	79.77	0.437	2.609
02	12.12	-10.988	-	Thyssen		356.1	41.05	-4.913	4.012
53.5	0.81	0	-	Ti		462	53.26	-9.363	3.74
14.5	7.78	8.985	2.565	Va Technologie		1805	208.08	-4.244	1.662
72.5	4.12	-1.449	1.838	Valenciana De Cei		2990	344.69	-0.333	-
37	3.58	-	1.055	Veba		122.7	14.14	1.112	2.212
71	31.30	-2.08	1.545	Viag		1011	116.55	0.198	1.696
15	7.78	0	1.942	Williams	UK	354.5	40.87	2.762	4.982
39	8.15	0.093	4.545						
98	30.19	1.939	1.001			THAN	ICON		
40	12.69	0	2.319	Techno	OUA	THOM	120M		
20.5	4.84	0	2.598	Icomino	ogy	59			
37.25	5.10	2.672	-			US \$			
31.5	5.77	-8.668	3.725			03 \$			
50	40.05	-8.621	0.701			57			
DUY	<b>GUES</b>	;				55			
5 \$ 0									
ň –						53	$\sim$		
•						53 <sub>M</sub>	T	W T	F
5				Company	Country	Price (local)	Price (Ecu)	%change	Yield
_						11100 (10001)	11100 (200)	, v v ii	
0				Alcatel Alsthom		779	117.63	-0.892	1.928
5		4		Ares-Serono		2300		-10.196	0.218
ر ا				Asm Lithography	Neth	143.8	21.71	8.483	-
				Daan	Noth	70.0	10.60	0.500	

		BaanNeth	70.8	10.69	9.598	-
W T	F	British AerospaceUK	1593	240.55	-10.856	1.349
		British TelecomUK	547.75	82.71	9.403	4.434
ı) %change	Yield	Cable & WirelessUK	504.5	76.18	2.227	2.649
-4	2.083	Cap GeminiFr	541	81.69	5.882	0.556
-2.308	2.245	Dassault AviationFr	1330	200.83	2.308	3.553
38.571		DassaultFr	175	26.43	2.004	0.737
-1.724	4.825	EricssonSwe	306	46.21	5.517	0.817
-2.744	3.638	GetronicsNeth	65.3	9.86	3.981	0.459
-2.619	1.834	MisysUK	1975	298.23	6.343	0.778
-1.463	3.393	NokiaFin	411.5	62.14	4.425	0.847
-12.729	2.391	Novo-NordiskDen	958	144.66	1.587	0.391
0.763	4.818	OceNeth	232	35.03	3.073	1.469
15.678	3.114	OrangeUK	274.5	41.45	10.12	-
-6.835	3.904	SapGer	545	82.30	-0.547	0.472
1.928	2.837	<b>Sema</b> Fr	1665	251.42	5.556	0.489
0.295	2.794	Sgs-ThomsonUK	358.39	54.12	11.772	-
-0.205	2.794	Telecel-Com PessoaiPort	22000	3322.05	5.352	-
-3.167	3.208	ThomsonFr	191.8	28.96	3.137	2.202
-12.189	5.652	TimGer	8400	1268.42	1.639	0.597
0.43	0.246	VodafoneUK	471	71.12	10.256	1.364
2.492	2.052					
-10.44	4.11					
10.44	4.11	Hilitias	<b>EDIS</b>	UN		

ies		SON			
	66 US \$ 64				1
	62				
	60				
	58				
	56	M T	ΓW	T	F
Coun	try <b>Price</b> (lo	ocal) <b>Pri</b>	ce (Ecu) %	change	Yield

-5.547	2.721		60			
0.978	1.496					
-2.937	3.458		58			
-7.059	3.899					
-8.528	2.377		56 <sub>M</sub>	Т	w T	F
-4.331	4.115		IYI		W I	г
6.718	1.942	Company Country	Price (local)	Price (Ecu)	%change	Yield
2.842	0.531					
-7.221	2.463	Aguas De BarcelonaSpa	6560	39.10	2.504	1.444
-9.051	2.921	Anglian WaterUK	923	5.50	6.322	4.838
1.76	0.938	Berliner Kraft Und LichtGer	52.9	0.32	1.731	2.70
3.058	2.077	<b>BG</b> UK	326.25	1.94	7.243	5.262
1.377	5.45	British EnergyUK	453	2.70	7.536	3.893
0.164	1.309	CentricaUK	106.5	0.63	10.733	-
-3.738	3.194	Deutsche TelekomGer	31.2	0.19	-4.118	2.74
-6.798	2.741	Edisonlt	11960	71.28	11.808	1.674
0	1.629	ElectrabelBel	8940	53.28	0.789	5.25
-5.344	3.917	Electricidade De PortPort	3712	22.12	0.679	3.35
10.668	3.317	ElektrowattSwi	560	3.34	9.552	1.42
2.28	2.285	EndesaSpa	2880	17.17	6.47	2.53
-6.27	3.512	EnergyUK	684.5	4.08	0.736	2.46
-0.73	3.186	France TelecomFr	240	1.43	-0.25	_
0.15	5.100	Gas NaturalSpa	7390	44.05	-1.729	0.93
		Hellenic TelGr	5575	33.23	-3.128	3.20
		HyderUK	998.5	5.95	0.251	5.69
		IberdrolaSpa	2130		7.323	
			7515	12.70 44.79	5.585	3.34 1.73
		ItalgasIta				
		Koninklijke ptt NedSwe		0.53	4.91	3.36
		National GridUK	289	1.72	-8.175	4.97
		National PowerUK	658.5	3.92	1.863	5.33
		Neckarwerke StuttgartGer	495	-	-1	2.23
		Oest ElektrizatswirtAus	1370	8.17	-7.992	1.16
		Portugal TelecomisterPort	9009	53.69	0.48	1.53
		PowerfinBel	5610	33.44	-2.435	2.87
		PowergenUK	837	4.99	2.645	3.95
		Scottish Hydro-ElectricUK	560.5	3.34	3.604	4.05
		Scottish PowerUK	526	3.14	-0.378	4.54
		Severn TrentUK	1075	6.41	5.941	4.54
		Sevillana De ElectricSpa	1440	8.58	1.767	3.47
		South West WaterUK	939	5.60	0.697	5.07
om		Southern ElectricUK	530.75	3.16	-0.841	5.21
		Sydkraft	216	1.29	0.465	1.85
		Tele DanmarkDen	462	2.75	3.348	3.67
		Telecom ItaliaIta	12375	73.76	2.106	1.05
		Telefonica De EspañaSpa	4785	28.52	2.682	1.96
t this		Thames WaterUK	920	5.48	3.197	4.85
Bloomb	era	Tractebel	3350	19.97	0.902	3.06
	,	Union Electrica Fenosa	1510	9.00	4.514	3.67
nforma	ition	United UtilitiesUK	864	5.15	4.23	5.55
curacie	es.					
		VewGer	555	3.31	1.835	2.44
		Yorkshire WaterUK	534	3.18	7.121	4.576

# MARKETS

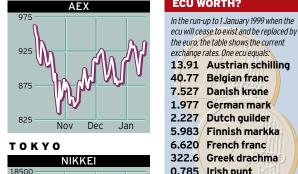














exchange rates. One ecu equals:

	Ν	ИΒΊ	eL		
19200 —					
18200 —					
17200 —					
16200	ZA.		سر ا	No.	
15200	V	W			
14200 —	U	~			

Bel-20

Stock Market

Ireland SE

FTSE 100

Madrid SE

Mibtel

OBX

CAC-40

WIG-20

Dow Jones

Hang Seng

MARKET ROUND-UP

Swiss exchanges suffering from

investors fleeing stocks exposed to

unexpected corners. The undisputed

star of January so far has been Milan,

in the Italian market has been buoy-

ant following the release of improved

enthusiasm for new issues has kept

prices rising, pushing the MIB30 index

a healthy dose of scepticism.

index pushed to an all-time high of

Stock Market

Affarsvariden

Credit Aktien

Market

Brussels

**Budapest** 

Frankfurt

Helsinki

London

Madrid

Oslo

Paris

Prague

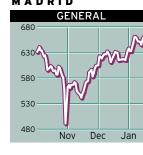
Stockho

Vienna

Warsaw

Zurich

New York



% change % change 12 month 12 month

40.1 1011

1794.1

2621.9

8483.8

708.1

4312.2

4438.9

3890.9

5330.8

674.1

751.1

3094.0

3315.8

474.4

1894.9

14.9 8259.3 6391.7

-11.6 20681.1 14664.4

-35.7 16673.3 8121.1

The poor performance of American

treasury bonds has left Europe's bond

markets without any clear direction.

watching developments in the Nether-

lands, where the increasingly hard line

So far, the downbeat sentiment on

Wall Street about banking shares has

cial sector continues to power ahead.

Among Europe's emerging markets

with Moody's, the American credit

Nouveau Marché in Paris, NMAX in

**PAULA HAWKINS** 

3973

629

18368.0 11551.0

1080.4

2006.8

4992.4

501.7

2976.7

2691.9

4194.0

2406.1

458.5

387.5

1312.9

458.2

Veek ago Year ago High

32.8

22.4

49.0

36.3

39.8

21.2

25.4

44.3

52.1

23.6

-5.3

17.2

13.5

-12.8

STOCK MARKETS

7639.0

692.2

4184.5

5263.1

18368.0

2976.1

469.1

2944.2

1382.8

7778.2

16046.5

8900.0 0.1

PERFORMANCE among Europe's 7,661 on 16 January, led by a strong

stockmarkets was sharply split last rally from the electricity giant,

week, with German, Belgian and Empresa Nacional de Electricidad.

The best performers came from Investors in Italy were nervously

which climbed seven per cent in the being taken on monetary union is seen

first two weeks of the year. Sentiment as jeopardising Italy's entry to EMU.

macroeconomic figures, while investor not spread to Europe, and the finan-

to a new all-time high of 26,683 on there was more bad news for Russia,

London also had a good week, rating agency, announcing that the

boosted by the recent strength of Wall outlook for Russia's sovereign credit

Street and by indications that the UK rating has deteriorated. The agency

government might be considering an cited a rise in short-term borrowing,

early referendum on entry into Euro- which could lead to a liquidity crisis.

pean monetary union. However, given EuroNM, the pan-European mar-

the Labour government's record on ket network for fast-growing compa-

the issue of EMU, with leaks and nies, plans to launch a series of new

counter-leaks confusing the markets, share indices based on its four mar-

analysts are taking the rumours with kets – Neuer Market in Frankfurt, the

Spain has also shone, with the Ibex Amsterdam and EuroNM in Brussels.

-4.7

0.1

-4.5

0.4

-0.1

-1.24

2.1

2.4

3.9

1.9

1.2

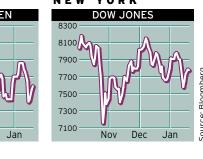
-2.9

-0.1

2.6

7.01





	NIKKEI
	18500
	17500
nberg	16500
Source: Bloomberg	15500
Source	Nov Dec Jan

A NEW SET OF WHEELS

AUTOS	
Tax breaks fuel car sales surge	

1.082 US dollar

YOU can have it in any colour, so long as it is larger, smarter, faster and brand new. European car buyers expressed a firm set of priorities in splashing out on 13.4 million new vehicles in 1997, a rise of 4.8 per cent on the previous year. Manufacturers are luring

customers with new models in a big to boost trade-ins. Buyers have also been enticed by special offers from producers anxious to use up overcapacity and clear away stocks ahead of major new launches this year by all of the main players.

However, 1997 also proved to be the year when government incentives proved to be as effective as showroom offers as states sought to flaunt environmental credentials and support their home-grown manufacturers.

An Italian government incentive pushed up new car sales by more than 39 per cent, to 2.4 million cars. In Spain, registration taxes were cut to boost sales, following the success of an earlier incentive programme. Sales rose by 11 per cent, as more than one million new cars were

The European Automobile **Manufacturers Association survey** provides encouraging news for auto strong as Italy's or Spain's. France suffered, with sales plummeting 19.7 per cent, with just 1.7 million cars sold. As well as fears for the French economy and a worry over jobs, consumers had already taken advantage of a government carbuving incentive scheme in 1996. months of that year led to the fall in

Germany and Britain, two of the largest car markets, saw increases in growth over the year, though not as large as the rise seen in Italy. British car sales increased by just over seven per cent, with more than two million cars sold. In Germany, sales were more muted, up 0.9 per cent to 3,528,200. **MELANIE BIEN** 

driven off the forecourt.

makers. But not all markets were as The end of the scheme in the closing

ew cars sold in westeri	i Europe Jan	1 - Dec 1997		
	Number of cars	Volume, change %	1996 share %	1997 share %
Total market	13,410,200	+4.8	100.0	100.0
Volkswagen group	2,301,822	+4.8	17.2	17.2
Volkswagen	1,392,718	-1.8	10.4	11.1
Audi	462,285	+12.4	3.4	3.2
Seat	331,953	+16.4	2.5	2.2
Skoda*	114,866	+41.1	0.9	0.6
General Motors**	1,623,566	+1.5	12.1	12.5
Opel/Vauxhall	1,558,469	+1.7	11.6	12.0
Saab ■	58,606	+3.6	0.4	0.4
Fiat group ■■	1,597,422	+11.6	11.9	11.2
Fiat	1,288,839	+11.9	9.6	9.0
Lancia	177,304	+11.3	1.3	1.2
Alfa Romeo	126,610	+9.4	1.0	0.9
PSA Peugeot Citroën	1,516,024	-0.8	11.3	11.9
Peugeot	889,395	-1.9	6.6	7.1
Citroën	626,629	+0.8	4.7	4.9
Ford group	1,507,958	+1.7	11.2	11.6
Ford	1,489,673	+1.5	11.1	11.5
Jaguar	18,285	+22.1	0.1	0.1
Renault	1,326,105	+2.8	9.9	10.1
BMW group	821,198	+1.9	6.1	6.3
BMW	432,220	+0.8	3.2	3.4
Rover	388,978	+3.1	2.9	2.9
Mercedes-Benz	495,148	+7.0	3.7	3.6
Volvo	231,540	+12.4	1.7	1.6
Nissan	400,872	+8.6	3.0	2.9
Toyota	372,575	+12.1	2.8	2.6
Honda	216,218	+12.0	1.6	1.5

\*VW holds 70% and management control of Skoda \*\*Includes cars imported from America and sold in western Europe ■GM holds 50% and management control of Saab Automobile ■Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati

184,834

176,289

285.847

1,552,032

Total Japanese

Total Korean

+7.3

+18.7

+12.4

1.4

1.3

11.6

1.3

1.2

# **NATIONAL CAR SALES** % change on previous year (Jan-Dec 96) -20 -15 -10 -5 0 5 10 15 20 25 30 35 40 1,012,100\* 2,170,200 Germany **3,528,200** \*Number of cars sold Source: ACEA (European Automobile Manufacturers Association

# Copper's crash takes shine off Polish privatisation

IT WAS billed as central Europe's deal of the Shares in KGHM, one of Europe's largest international copper market. Since July, the year. Last July KGHM Polska, the Polish cop-copper companies, have fallen by 44 per cent price of copper has collapsed, plunging 34 per the deal must lie with its global co-ordinators, per giant, was privatised. The government to around 13.10 zloty (\$3.70). One of the cent on the London Metal Exchange. It looks UBS and BZW. They must pay for their largest public offering ever in Warsaw.

leaving the company and investors – even the KGHM's listing, the WIG20 Index has dropped investment banks managing the sale - facing losses. The only winner is the Polish govern-

in emerging markets. But KGHM has suffered only 2.9 per cent.

ment, but it will find further privatisations a worse time for its listing. Its shares debuted affected by the decline in prices which is cent higher than the international average. on the brink of a worldwide decline in the squeezing its margins to breaking point.

plies from Chile flood the market. KGHM, a fees of around \$10m. high-cost copper producer with a relatively

Some of the blame for the poor timing of sold \$454 million worth of its shares, the reasons for the drop has been the depression set to fall further. According to a metals ana-mistake. As well as hitting their reputations, lyst at Merrill Lynch in London, copper prices the deal has hit their pockets. The banks have The copper-bottomed bet proved a dud, much more than other Polish companies: since will fall a further 23 per cent this year, as supbeen forced to pay a 22 per cent tax on their

KGHM management must also be blamed In retrospect, KGHM could not have chosen small annual output, will be particularly badly for failing to cut costs, estimated to be 34 per

ago ago

 $0.3^{1}$  1.4 1.0 Nov 1.1 1.1 n/a Dec 4.5 4.5 4.0 1.7<sup>2</sup> 1.9 0.7 Dec 1.15 1.4 2.5 Dec 13.2 13.1 13.6 3.7<sup>3</sup> 2.4 2.3 Nov 2.1 2.2 2.4 Nov 7.5 7.6 8.2

ECONOMIC DATA

month

Latest Previous Year

	INT	ERI	EST #	DNE	Y M	IARF	(ET	RA	T E S	5	
COUNTRY	0	FFICIAI	. INTEREST	RATES	3	3 month		Y MARK		ES hmark b	ond
	Rate	Previou rate	s 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	3.73	3.75	3.35	5.17	5.42	5.88	Oest Bund
Belgium	3.30	3.00	9.10.97	Central	3.56	3.64	3.06	5.23	5.52	6.02	0L0
Denmark	3.75	3.50	9.10.97	Repo	3.94	4.01	3.63	5.38	5.65	6.55	DGB
Finland	3.25	3.00	15.09.97	Tender	3.51	3.58	3.08	5.27	5.51	6.25	FGB
France	3.30	3.10	9.10.97	Intervention	3.63	3.69	3.32	5.10	5.34	5.83	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.59	3.63	3.14	5.09	5.35	5.85	Bund
Germany	3.30	3.00	9.10.97	Repo	n/a	n/a	n/a	n/a	n/a	n/a	
Germany	2.50	3.00	18.4.96	Discount	n/a	n/a	n/a	n/a	n/a	n/a	
Greece	14.50	15.50	13.5.97	Discount	n/a	n/a	n/a	n/a	n/a	n/a	Marathon
Ireland	6.75	6.25	2.05.97	Short Term	6.00	6.06	5.94	5.30	5.47	6.73	Gilt
Italy	5.50	6.25	23.12.97	Discount	5.97	5.95	7.31	5.44	5.66	7.54	BTP
Luxembourg	3.30	3.00	9.10.97	effective rate*	3.56	3.64	3.06	5.23	5.52	6.02	related to OLO
Netherlands	3.30	3.00	9.10.97	Special Adv.	3.51	3.60	3.06	5.04	5.28	5.75	DSL
Norway	5.50	5.25	16.7.97	Overnight	3.74	3.83	3.38	5.29	5.51	5.93	NGB
Portugal	4.90	5.20	18.11.97	Discount	4.97	5.07	6.27	5.41	5.62	6.86	OT
Spain	4.75	5.00	15.12.97	Repo	4.76	4.80	5.98	5.41	5.64	6.90	Bono
Sweden	4.35	4.10	16.12.97	Repo	4.76	4.88	3.91	5.56	5.98	6.75	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.25	1.47	1.81	3.11	3.29	3.85	Swap rate
UK	7.25	7.00	6.11.97	Base	7.50	7.55	6.38	6.01	6.28	7.64	Gilt
US	5.00	5.25	31.1.96	Discount	5.56	5.75	5.47	5.39	5.66	6.61	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	1.08	1.15	0.55	1.67	1.72	2.50	JGB
Canada	4.25	4.30	2.01.98	Call Loan	4.53	4.63	3.06	5.32	5.51	6.70	CGB

Belgium	3.30	3.00	9.10.97	Central	3.56	3.64	3.06	5.23	5.52	6.02	0L0	Denmark	$3.7^{3}$	2.4	2.3	Nov	2.1	2.2	2.4	Nov 7.	7.6	8.2
Denmark	3.75	3.50	9.10.97	Repo	3.94	4.01	3.63	5.38	5.65	6.55	DGB	Finland	6.0	6.2	3.8	Dec	1.9	1.7	0.8	Dec 12.	9 13.2	15.5
Finland	3.25	3.00	15.09.97	Tender	3.51	3.58	3.08	5.27	5.51	6.25	FGB	France	2.6	2.2	1.7	Nov	1.3	1.0	1.6	Nov 12.	4 12.5	12.7
France	3.30	3.10	9.10.97	Intervention	3.63	3.69	3.32	5.10	5.34	5.83	OAT	Germany	2.4	2.9	1.9	Dec	1.8	1.9	1.4	Dec 11.	9 11.8	10.9
Germany	4.50	5.00	18.4.96	Lombard	3.59	3.63	3.14	5.09	5.35	5.85	Bund	Greece	$2.0^{1}$	n/a	1.4	Dec	4.7	5.1	7.3	Nov 8.	4 7.5	8.1
Germany	3.30	3.00	9.10.97	Repo	n/a	n/a	n/a	n/a	n/a	n/a		Ireland	$7.8^{2}$	n/a	$10.1^{1}$	Nov	1.6	1.2	n/a	Dec 9.	9.9	10.8
Germany	2.50	3.00	18.4.96	Discount	n/a	n/a	n/a	n/a	n/a	n/a		Italy	2.1	1.9	0.7	Dec	1.5	1.6	2.6	11.	7 <sup>3</sup> 12.2 <sup>6</sup>	<sup>5</sup> 11.7
Greece	14.50	15.50	13.5.97	Discount	n/a	n/a	n/a	n/a	n/a	n/a	Marathon	Luxembourg	$5.5^{2}$	$3.8^{1}$	12.4	Nov	1.5	1.7	1.7	Aug 3.	4 3.4	3.0
Ireland	6.75	6.25	2.05.97	Short Term	6.00	6.06	5.94	5.30	5.47	6.73	Gilt	Netherlands	3.13	2.1	3.1	Nov	2.5	2.3	2.3	0ct 5.	3 5.6	6.6
Italy	5.50	6.25	23.12.97	Discount	5.97	5.95	7.31	5.44	5.66	7.54	BTP	Norway	2.3	4.6	3.2	Dec	2.3	2.3	1.8	Dec 2.	5 2.5	4.1
Luxembourg	3.30	3.00	9.10.97	effective rate*	3.56	3.64	3.06	5.23	5.52	6.02	related to OLO	Portugal	3.02	2.3	2.0	Dec	2.3	2.1	3.3	6.	5 <sup>2</sup> 6.5	7.1
Netherlands	3.30	3.00	9.10.97	Special Adv.	3.51	3.60	3.06	5.04	5.28	5.75	DSL	Spain	3.4	3.1	2.2	Dec	2.0	2.0	3.2	Dec 12.	3 12.9	13.8
Norway	5.50	5.25	16.7.97	Overnight	3.74	3.83	3.38	5.29	5.51	5.93	NGB	Sweden	2.7	2.5	0.8	Nov	1.8	1.8	-0.3	Nov 6.	5 6.8	7.9
Portugal	4.90	5.20	18.11.97	Discount	4.97	5.07	6.27	5.41	5.62	6.86	OT	Switzerland	0.8	0.2	-0.7	Dec	0.4	0.4	0.8	Dec 5.	3 4.9	5.3
Spain	4.75	5.00	15.12.97	Repo	4.76	4.80	5.98	5.41	5.64	6.90	Bono	Turkey	6.6 <sup>3</sup>	6.6	8.1	Dec 9	99.1	95.8	79.8	5.	3 <sup>5</sup> 6.3 <sup>6</sup>	6 6.6
Sweden	4.35	4.10	16.12.97	Repo	4.76	4.88	3.91	5.56	5.98	6.75	SGB	UK	3.9	3.5	2.3	Jun	2.9	2.6	2.1	Dec 5.	5.1	6.7
Switzerland	1.00	1.50	27.9.96	Discount	1.25	1.47	1.81	3.11	3.29	3.85	Swap rate	US	3.9	3.4	1.0	Dec	1.7	1.8	3.3	Dec 4.	7 4.6	5.3
UK	7.25	7.00	6.11.97	Base	7.50	7.55	6.38	6.01	6.28	7.64	Gilt	Japan	1.0	0.1	3.1	Nov	2.1	2.5	0.5	Nov 3.	5 3.5	3.3
US	5.00	5.25	31.1.96	Discount	5.56	5.75	5.47	5.39	5.66	6.61	Treasury	Canada	4.2	3.9	1.8	Nov	0.9	1.5	2.0	Dec 8.	5 9.0	9.7
US	5.50	5.25	25.3.97	Fed Funds	n/a	n/a	n/a	n/a	n/a	n/a		*Gross domestic µ	roduct vear	on vear. t	Annual ner	cent. +	t Per ce	nt of work	kforce.	SOURCE: STA	NDARD & PO	OOR'S MMS
Japan	0.50	1.00	9.7.95	Discount	1.08	1.15	0.55	1.67	1.72	2.50	JGB	q <sup>3</sup> 1997 except wh	ere stated: 1	=q <sup>4</sup> 95 2=	q <sup>4</sup> 96 3=q <sup>2</sup>	97 4=q	<sup>1</sup> 97 5=	Oct96 6:	Apr 96			
Canada	4.25	4.30	2.01.98	Call Loan	4.53	4.63	3.06	5.32	5.51	6.70	CGB											
Tied to Belgian Fra	пс								S	OURCE: STAI	NDARD & POOR'S MMS		ΕA	S T	EUI	R O	PΕ	AN	D.	ATA		
							COUNTRY	INDUST	RIAL O	UTPUT"		INFL	ATION	Г	UNEM	PLOYMI	ENTT					
EUROPEAN CROSS RATES											Latest	Mont	h Year	Late	est	Month	Year	Latest	Month	Year		

OOF	PRS MMS EAST EUROPEAN DATA												
		ı	COUNTRY	INDUSTI	RIAL OU	TPUT*		INF	LATION	ļ†	UNEMP	LOYME	NT <sup>††</sup>
				Latest month	Month ago	Year ago	Late mor		Month ago	Year ago	Latest month	Month ago	Year ago
n	Can		Bulgaria	Nov -5.0	-5.0	2.8	Jun	-0.8	5.7	484.2	May 14.8	15.3	10.4
n	\$		Croatia	Jun 8.4	5.2	-0.7	Jun	0.2	0.4	3.4	Apr 23.1	23.2	21.0
00	8.948		Czech Rep	May -1.0	6.3	4.3	Jun	1.2	0.1	6.8	May 4.0	3.8	2.8
93	26.24		Estonia	Apr 20.3	10.3	n/a	Jun	1.9	2.0	10.8	Apr 4.5	4.5	4.7
54	4.844		Hungary	May 1.7	11.4	-3.1	Jun	1.7	1.3	18.7	Jun 10.3	10.6	10.6
14	1.272		Latvia	Apr 9.5	1.1	9.2	Apr	0.7	0.4	8.8	Apr 7.6	7.5	7.1
16	1.433		Lithuania	Apr 7.6	-10.1	-1.4	Apr	0.3	0.1	7.3	Apr 5.9	6.2	8.0
43	3.850		Poland	Jun 19.9	6.6	2.4	Jun	1.5	0.6	15.3	Jun 11.6	11.7	14.3
48	4.260		Romania	May-10.0	-4.0	10.7	Jun	2.3	4.3	176.0	May 6.8	7.0	7.7
40	200.5		Slovakia	May 0.6	9.0	-0.3	Jun	0.3	0.1	6.2	May 12.3	13.0	11.9
06	0.505		Slovenia	Apr 4.3	-1.3	11.5	Jun	0.4	1.3	8.8	Mar 14.4	14.0	14.4
98	1251		Russia	May 0.2	0.6	-5.7	Jun	1.1	0.9	14.5	Apr 9.6	9.6	8.9
59	5.25		Ukraine	Jan −8.2	-5.3	n/a	Apr	0.8	0.1	17.7	Mar 2.1	2.0	0.9
53	130.0		*Change over same	e month of pre	evious vear	in per cei	nt. † Mor	nth-to-n	nonth cha	nae in pei	r cent.	SOURCE: P	LANECON
04	107.7		†† Rate in per cent		/	,				yp			
62	5.581												
12	1.039		E A	ST E	UR	0 P	E A	N	CU	RR	ENC	I E S	
<b>05</b>	0 427												

Russia May	1251	13.98	98			
<b>Ukraine</b> Jan	5.25	0.059	44			
*Change over same more	130.0	1.453	8.6			
†† Rate in per cent.	107.7	1.204	8.			
	5.581	0.062	18			
E A S 1	1.039	0.012	93			
	0.427	0.005	14			
COUNTRY	0.696	0.008				
Albania Lek	89.50	-	3.6			
Belarus Rouble	-	0.011	37			
Bulgaria Lev	CE: BZW	SOUR				
Croatia Kuna						
Czech Rep Koruna						
Estonia Kroon						

EAST	EURO	PEAN	CUR	RENCI	E S
COUNTRY	US\$	DM	UK£	Ffr	Ecu
Albania Lek	150.5	82.4	245.1	24.6	162.8
Belarus Rouble	42560.0	23287.9	69323.5	6953.6	46030.8
Bulgaria Lev	1825.5	998.9	2973.4	298.3	1974.4
Croatia Kuna	6.4	3.5	10.5	1.1	7.0
Czech Rep Koruna	35.4	19.4	57.6	5.8	38.3
Estonia Kroon	14.6	8.0	23.8	2.4	15.8
Hungary Forint	207.1	113.3	337.3	33.8	224.0
<b>Latvia</b> Lat	0.6	0.3	1.0	0.1	0.6
<b>Lithuania</b> Litas	4.0	2.2	6.5	0.7	4.3
Macedonia Denar	55.8	30.5	90.9	9.1	60.3
Moldova Leu	4.7	2.6	7.6	0.8	5.1
Poland Zloty	3.5	1.9	5.8	0.6	3.8
Russia Rouble	5999.0	3282.5	9771.4	980.1	6488.2
Romania Leu	8427.5	4611.3	13727.1	1376.9	9114.8
Slovakia Koruna	35.2	19.3	57.3	5.6	38.1
Slovenia Tolar	172.9	94.6	281.7	28.3	187.1
Ukraine Hryvna	1.9	1.0	3.1	0.3	2.1
Yugoslavia New Dinar	4.9	2.7	7.9	0.8	5.2
					SOURCE: BZW

16 January 1998 Aus Sci	h	<b>Belg</b> Fr	<b>Dan</b> Kr	<b>Ger</b> Dm	Neth FI	Fin	Fr	0											
	(				П	Markka		<b>Grec</b> Drach	<b>IR</b> Punt	<b>Ital</b> Lira*	Nor Kr	Port Esc	<b>Spain</b> Pts	Swe Kr	<b>Swi</b> Fr	UK £	US \$	<b>Jpn</b> Yen	Can \$
Austria Schilling -		0.341	1.847	7.035	6.245	2.324	2.101	0.045	17.71	7.149	1.704	0.069	0.083	1.603	8.609	20.94	12.86	0.100	8.948
Belgium Franc 2.93	32	-	5.416	20.63	18.31	6.814	6.159	0.131	51.92	20.96	4.997	0.202	0.243	4.701	25.24	61.40	37.70	0.293	26.2
Denmark Krone 0.54	41 (	0.185	-	3.808	3.381	1.258	1.137	0.024	9.586	3.870	0.923	0.037	0.045	0.868	4.660	11.34	6.960	0.054	4.84
Germany Deutschmark 0.14	42 (	0.048	0.263	-	0.888	0.330	0.299	0.006	2.517	1.016	0.242	0.010	0.012	0.228	1.224	2.977	1.828	0.014	1.27
Netherlands Guilder 0.16	60 (	0.055	0.296	1.126	-	0.372	0.336	0.007	2.836	1.145	0.273	0.011	0.013	0.257	1.379	3.353	2.059	0.016	1.43
Finland Markka 0.43	30 (	0.147	0.795	3.027	2.687	-	0.904	0.019	7.620	3.076	0.733	0.030	0.036	0.690	3.704	9.011	5.532	0.043	3.85
France Franc 0.47	76 (	0.162	0.879	3.349	2.973	1.106	-	0.021	8.431	3.403	0.811	0.033	0.040	0.763	4.099	9.970	6.121	0.048	4.26
Greece Drachma 22.4	41	7.643	41.40	157.6	139.9	52.08	47.07	-	396.8	160.2	38.19	1.542	1.861	35.93	192.9	469.3	288.1	2.240	200.
Ireland Punt 0.05	56 (	0.019	0.104	0.397	0.353	0.131	0.119	0.003	-	0.404	0.096	0.004	0.005	0.091	0.486	1.183	0.726	0.006	0.50
Italy Lira* 139	.9	47.71	258.4	984.0	873.6	325.1	293.8	6.242	2477	-	238.4	9.626	11.62	224.3	1204	2929	1798	13.98	1251
Norway Krone 0.58	87 (	0.200	1.084	4.128	3.665	1.364	1.233	0.026	10.39	4.195	-	0.040	0.049	0.941	5.052	12.29	7.544	0.059	5.25
Portugal Escudo 14.5	53 4	4.956	26.84	102.2	90.75	33.77	30.52	0.648	257.3	103.9	24.76	-	1.207	23.30	125.1	304.3	186.8	1.453	130.0
Spain Peseta 12.0	04	4.107	22.25	84.72	75.21	27.99	25.30	0.537	213.3	86.09	20.52	0.829	-	19.31	103.7	252.2	154.8	1.204	107.
Sweden Krona 0.62	24 (	0.213	1.152	4.387	3.895	1.449	1.310	0.028	11.04	4.459	1.063	0.043	0.052	-	5.369	13.06	8.018	0.062	5.58
Switzerland Franc 0.11	16 (	0.040	0.215	0.817	0.725	0.270	0.244	0.005	2.057	0.830	0.198	0.008	0.010	0.186	-	2.432	1.493	0.012	1.03
UK Pound 0.04	48 (	0.016	0.088	0.336	0.298	0.111	0.100	0.002	0.846	0.341	0.081	0.003	0.004	0.077	0.411	-	0.614	0.005	0.42

0.078 0.027 0.144 0.547 0.486 0.181 0.163 0.003 1.377 0.556 0.133 0.005 0.006 0.125 0.670 1.629

10.00 3.411 18.48 70.37 62.47 23.25 21.01 0.446 177.1 71.51 17.05 0.688 0.831 16.04 86.11 209.5 128

0.112 0.038 0.206 0.786 0.698 0.260 0.235 0.005 1.979 0.799 0.190 0.008 0.009 0.179 0.962 2.340 1.4

\* Italian lira rates in the vertical column have been multiplied by 1.000 for clarity. Divide by 1.000 for actual figures

**ECONOMIC INDICATORS** 

**US** Dollar

J. CA. CK.	
denominated industrial	increasing chances that
and energy commodity	the Bank of England will
prices act as a	soon raise interest rates,
counterweight," he said.	from 7.25 per cent.
The dollar has gained 3.6	Average earnings rose
per cent against the	4.75 per cent in the year
deutschmark over the	November. Unemployme
past three months.	fell to five per cent - the
	lowest since July 1980.
BRITISH unemployment	
plunged to a 17-year low,	GROSS domestic produ
	and energy commodity prices act as a counterweight," he said. The dollar has gained 3.6 per cent against the deutschmark over the past three months. BRITISH unemployment

nces that in the European Union grew by 0.5 per cent in gland will the third quarter of 1997. rest rates. nas rose the EU's Luxembourgthe year to **based statistical body.** 

employment This followed a strong q2 rise of 1.3 per cent and was caused by the stagnation of private and tic product public consumption.

according to Eurostat,

**40** THE EUROPEAN ■ 19-26 JANUARY 1998 19-26 JANUARY 1998 ■ **THE EUROPEAN 41** 

# **PRIVATISATION**

■ Italy's guru makes up for past mistakes

# Where every counts

**Michele Puccioni** 

ARIO DRAGHI has been the brains behind Europe's most unexpectedly successful privatisation programme. Fortunately for Italy, the country has discovered a genuine financial troubleshooter just when it needed one most. The 51-yearold privatisation commissioner will be listened to with respect as he sets off around Europe this week with a task force of Italian diplomats championing the country's financial credentials with a view to securing entry into the single currency, and persuading sceptics that "Spaghettiphobia" is misguided.

Two years ago the Italian entourage could not have agreed with each other, never mind members of the first wave of monetary union. Much has changed. The country has raised L67,000 billion (\$37.4bn) since Draghi's appointment in 1993, including L37,000bn last year alone, buoyed by the successful float of stakes in Telecom Italia and Banco di Roma. Moreover, the country's domestic investors have taken to equity like oldtimers, soaking up retail subscription through astute marketing of issues in the media and local post offices.

Draghi has the reputation to give Italy credibility on the international financial stage. Educated at Massachusetts Institute of Technology, he served as executive director of the World Bank from 1984 to 1990 before becoming director general at the Italian treasury. The privatisation programme is a central pillar of Italy's drive to join the first wave of monetary union. Draghi and Carlo Azeglio Ciampi, the treasury minister, aim to raise annual receipts equivalent to 0.5 per cent of GDP over the next 10 years. This is the only way Italy can meet its aim of reducing its public sector debt from 122 per cent of accumulated GDP to 60 per



Trust me, I'm Italian: Mario Draghi is selling the country to join the euro

**Banks** are

tricky to

privatise,

particularly

won't play ball

when they

cent by 2009. Even then it will be a tall order, requiring annual economic growth of over four per cent for a decade, which nobody believes possible.

Draghi is pressing on regardless. The next tranche of privatisations includes a majority stake in Alitalia, the national airline which has returned to profit and secured a vital alliance with KLM. ENEL, the national electricity company, is also on the block, as is the fourth tranche of ENI and Societa Autostrade, which controls the national road system.

Airlines and utilities are regarded as the easiest sells in a crowded privatisation marketplace. Banks can prove trickier, particularly when they themselves

are reluctant to be sold. Draghi will have to continue the diplomatic conjuring which last week rescued the planned merger of Banco di Napoli, Italy's ninthlargest bank, and stateowned Banca Nazionale del Lavoro (BNL), the sixth-largest.

Every lira counts as Italy seeks to maintain momentum in boosting

public finances. Any delay to the planned sale of the merged bank – scheduled for early 1999 - threatens to derail Italy's progress from EMU first-round contender to the second wave. Banco di Napoli is 51 per cent owned by INA, Italy's secondlargest insurer, which last year joined forces with BNL to rescue Banco di Napoli.

But relations between executives of both companies soured over how to manage the integration. Draghi used all his skills of persuasion to broker a deal, guiding Davide Croff, BNL's managing director, to lead the BNL-Banco di Napoli integration. There are still serious hurdles to cross. After the planned merger, INA would have only 10 per cent of the new company. To gain more control, INA looks forward to special privileges in the privatisation phase, such as emerging as the single largest shareholder.

The treasury remains vague about the timing of the sale and there are fears it could be delayed indefinitely. The timetable calls for Croff's plan to be ready by March for approval by early summer. INA is holding out until a formal privatisation date is named. "For us, Banco di Napoli turned out to be a far better deal then expected," says an INA shareholder. "As things stand," we are not sure that its merger with BNL is the best solution to increase further our investment.'

Draghi has been helped by the appointment of Croff to head up the merger. At the end of last week's meeting he pushed the joint executive board to pursue the merger with "attention, quickness, clarity and compactness".

"He was impressive," says a source from INA, "the perfect mixture of diplomacy and determi-

nation to sort out a confrontation which threatened to make a shambles of the whole project."

Draghi's ambition goes beyond privatisation: he is pressing for a reform of corporate governance rules which received approval from the cabinet in late December.

This establishes new limits for crossshareholdings, and removes some of the obstacles to takeover bids, in particular the use of anti-takeover pacts between shareholders' syndicates. Bad news for groups like Fiat. This should give the Italian equity market the impetus to continue its expanding role in the national economy.

MERGERS ■ Big is not always beautiful: customers are abandoning giant banks

# **Swiss bankers** held to account

**John Parry GENEVA** 

AD news for bankers trying to take over the world. Customers in Switzerland are starting to vote with their feet against the surge in European bank mergers over the past year. They don't like standing in long queues, which have been created in the cause of cost-cutting, and have been switching accounts in their thousands since Union Bank of Switzerland (UBS) announced its decision to merge with Swiss Bank Corporation (SBC) last December. A recent survey by the Sonntagsblick newspaper found that a quarter of the renamed United Bank of Switzerland's domestic clients planned to desert Europe's largest bank.

The global aspirations of the megabanks has started to distance them from the everyday demands of individual account holders and small companies, and Switzerland's cantonal (regional) banks are jumping in to poach the business. Marc Fues, chief executive of the Geneva Cantonal Bank, says it has opened 1,000 new accounts a day since the merger, 10 times the normal rate.

The regionals have two advantages over a UBS or Credit Suisse: a lower cost base and a willingness to extend the level of personal service which their larger rivals can no longer afford to provide. The regional banks have also used their closer community ties to secure higher borrowing rates from customers in return for enhanced service.

The potential cost savings which drove the UBS-SBC tieup lie in their domestic market where retail growth has been sluggish; the pair plan to axe 6,000 jobs and close up to half their branches. The media coverage given to the merger convinced many that their local branch is destined for the chop. "We [hear] from customers that they worry about the high street bank disappearing," says an official at

Banque Cantonale de Neuchatel. "We stress that we are not going to disappear."

This same fear has spread even to medium-sized companies. "Firms requiring loans of only a few million dollars may well find that UBS is no longer interested in them because it is concentrating on mega-lending," says Neil Carnegie, who looks after international lending at the Geneva Cantonal Bank. The bank is poised to pick up a slew of new accounts in a neat example of niche marketing.

While some banks are staying local, others are taking the opportunity to go international. Geneva Cantonal aims to provide one-stop banking, making a conscientious effort to beef up its services to provide a complete banking service for all clients in Switzerland - and eventually elsewhere as well.

"This isn't something we cobbled together when the news of the UBS merger broke," he says. "We have been working for the last two years on putting together a global network. It just happens that it's in place at a time when there's a buyers market for banks offering such things."

Geneva Bank's global network includes informal links with HSBC, which looks after its securities operations in **Asia and Standard Chartered** in Africa - where the Geneva Bank is building up its commodities business. They will eventually include an American partner. "We're looking for partners who don't have a retail business in Switzerland, something we can offer in exchange for their global know-how. This will enable the customers to do their retail and corporate business under one roof," says Carnegie.

By offering to do the same thing better than the megabanks, smaller banks risk diluting their main advantage - a lower cost base - as they become sucked into a spiral of paying higher salaries to hire professionals in new areas. And management risks being distracted from doing what they do best.

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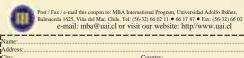
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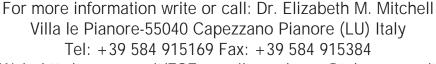
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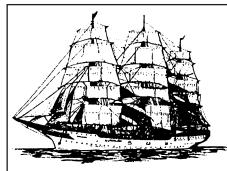
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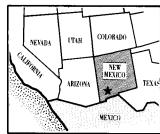
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price but in securing a fantastic location in an area that has all the cachet of a snowbound Saint Tropez or Monte Carlo.

Cortina d'Ampezzo is Italy's most revered the Agnellis, the Benetton family and the Barilla clan, Italy's biggest pasta dynasty. All those families bought their property in the 1960s of European estate agents.

Cortina. In 1991 prices reached a record \$11,650 per square metre. "Properties don't last long on the market," says Elisabetta Zardini of La Tofana agency. "In the nearby village of Pieve di Cadore, prices are much more interesting – about \$1,100 per square metre - but it is a different market." She adds that the two jewels of the Alps - Chamonix the majority of home-owners in Pieve di in France and Cortina d'Ampezzo in Italy - is Cadore are families of much more, shall we say, modest incomes. For that, read 'no famous The secret lies not in getting a knock-down people and an air of rural un-chic'.

This spring investors have been promised that a change in the law will bring new properties on to the market, which should mean more affordable prices. Ancient farmhouses ski resort. It contains the sumptuous villas of will be turned into residential homes on the condition that buyers restore the dwellings and do not sell them for at least 20 years.

For those with pretensions who have fallen when ski snobbery was just a gleam in the eye on hard times, another possibility is buying a able for sale in the residential complex of house in Cortina's busy high street, Via Bat-Now, speculators are pleased to tell you that tisti, which is currently devalued because of it is almost impossible to find a bargain in the heavy traffic. There is a plan for a ring for tourists. Of the 50 one-bedroom apart-



road, but no one knows when it will be ready. "When that happens, house prices in Via Battisti – about \$2,450 per square metre – will rise by about 50 per cent," says Zardini.

La Tofana agency also has apartments avail-Grignes. Once Cortina's main hospital, it has been finely restored and turned into flatlets

ments built, 20 are still for sale at the 'bargain' price of \$330,000. French builder MGM is offering a varied selection of apartments, chalets and restored ancient Savoy houses in Chamonix and the valley below. MGM, PAE Du Pays du Mont Blanc, Passy 74190 Le Fayet, tel + 33 4 50534250

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TENNIS The world's No1 doesn't let her sport get in the way of her fun

# Hingis the carefree champion

**Andrea Leand** 

ARTINA HINGIS began her domination of tennis by winning the Australian Open here. Twelve months on, she is also the Wimbledon and US Open champion but the fans failed to recognise her when she arrived in Melbourne. Only when Hingis donned a jacket with her name on the back did they flock for the autograph of the world's most famous sportswoman who begins her defence of the Australian Open on 19 January.

Her admirers had not expected last year's girlish 17-year-old to become so calm and self-assured. For as befits someone named after the most successful tennis player of all time, Martina Hingis is totally unflustered by being the world's No1.

Her self-confidence was shown by the way she shrugged off an early defeat in her last tournament with her fellow-teenagers Anna Kournikova and Iva Majoli, Williams is keen to speed Steffi Graf, Monica Seles and the rest of that generation into retirement. There are not many 18-year-old prodigies who find their main threat coming from an star Michael Jordan, the world's richest sportsman, even more precocious source but Hingis is unconcerned by the challenge.

pean. "I earned all my titles, they were not given to for today." She also has her own way of dealing she refuses to talk about it. me. Why shouldn't I do it again this year? It is true with newspaper articles and fan letters that call her that last year I was the one coming up and this time arrogant. everyone wants to beat me but I don't mind because I've improved my game."

to remind everyone that it did not come easily. The confidence to become No1." Czechoslovak-born Swiss angrily rebuffs any accusation that she took the top spot only because Graf was injured for most of last year.

"I don't like it when I hear that I am only winning because others are not here or not playing well," said Hingis. "There is much more depth and competition in women's tennis now, and I had to beat everyone to earn my ranking. Believe me, it was

Saying what she thinks is a Hingis trademark. Former world N°1 Tracy Austin could only laugh when Hingis's first words on being introduced to her were: "Hi Tracy, I'm breaking all your records."

Most of the time Hingis accepts her accolades with grace, and last year the tennis press voted her the most co-operative player on the tour. Unlike other top stars who isolate themselves from their peers, Hingis enjoys the locker room camaraderie and is regularly seen at player parties.

She is generally viewed as a welcome change to many of modern sport's moody millionaires who sulk in hotel rooms griping about their lives despite travelling the world and earning a fortune to do what many people pay to enjoy as a hobby.

Those sponsors who are constantly bemoaning the lack of personalities in sport find Hingis's ready to Venus Williams, an even younger prospect. Along smile and clear enjoyment in what she does hugely refreshing. She is being marketed as a normal teenager who just happens to be the world's best tennis player. However, she has also acted the diva.

She refused to sign an autograph for basketball "because I didn't know him personally". When an elderly tour official asked her to sign a few posters, "Why should I feel pressured?" she told *The Euro*-Hingis threw them back saying: "Tve done my work

"I don't read them," said Hingis. "I only read the the three-week break before the new season, Hingis good ones. I guess that I have the right to be [arro-practised in the small Czech town of Prostejov, her Even though success came early, Hingis is quick gant] since I am No 1. It probably takes that type of

But before anyone dismisses her as another overpaid spoilt brat, it should be remembered that she hung out with the local kids. is only 18 and from a broken home. Her parents divorced when she was four, and her mother, her-time in Prostejov and built a home there last year, self a former tennis professional, then married and although Zürich remains their main residence. divorced a Swiss businessman. Hingis's relation- Hingis clearly enjoys spending her spare time with

ship with the father she rarely sees is strained, and

She remains close to her maternal family and while most players ignored their racquets during mother's birthplace. There she shared Christmas with her mother, Melanie, who has reverted to her maiden name Moliter, and their family and also Hingis and her mother are spending ever more

**Open is my** biggest goal for 1998. That and not falling off my horse'

family and childhood friends, playing sports and All smiles: Hingis remains riding her beloved horse.

She has expressed an ambition to compete in the riding horses, seeing friends Olympics for Switzerland at both tennis and show and ignoring any bad press jumping. This is a risky aspiration: her only major setback last year came when she took a tumble from a horse and needed surgery on her left knee. Until the accident, Hingis was undefeated for the year. In her first tournament after the injury, she lost the French Open final in straight sets to her close friend

"That French Open final is still on my mind," said Hingis. "I was still recovering from my surgery when I went to Paris and wasn't playing my best. Winning cheerful on and off court by

REPUTATIONS

# Did Borg care if he won or lost?

BJORN BORG, once the golden boy of tennis, has been accused of deliberately losing matches and demanding money to appear for his country

The source for the allegations is a book by American journalist Peter Bodo. He claims that Bord was paid far more appearance money than anyone else per tournament - \$100,000 - and that, with this financial freedom. he was able to disregard the prize money on offer and became indifferent to whether he won or lost.

There are three matches which Borg is alleged to have lost in this way: against Jimmy Connors in 1978, Peter Fleming, also in 1978, and Jim Maver four years later. In this last match Borg was booed off court by the public. Borg has denied the allegations. "I have never thrown a match," he said, "I tried 100 per cent in every

In his heyday the Swede was the epitome of Scandinavian cool: controlled, concentrated and beyond reproach. The nature of the opposition only served to accentuate this. Connors cursed and spluttered while John McEnroe swore his way around the world's courts. On the other side of the net the ever-polite Borg was held up as a paragon of the professional



Borg: a hefty service charge?

sportsman

The mask slipped a long time ago with his failed business ventures, divorce and reported suicide attempt, but at least these failings had nothing to do with tennis. Now it is being suggested that maybe Borg the player was not perfect either.

If these accusations had come only from abroad, they might be seen as a brazen attempt to gain publicity for a book. But they have been backed by Biörn Hellberg, For 20 years he has been the voice of tennis on Swedish television and was at the Mayer match. "Borg gave up," says Hellberg. "It was

clear he didn't give a damn and it was done incredibly clumsily." While Borg made \$3.6 million in prize money during his career, he lost much of his wealth in failed business ventures. The amount should also be compared with the serious fortunes being made now: Austria's Thomas Muster, who has won one Grand Slam title to Borg's 11, has already made twice as much money as Borg. News that he was paid to play in the Davis Cup in 1978 and 1979 also rocked the Borg image. What galls the Scandinavian sense of fairness is that nobody else got a cent while he made \$220,000. Borg has made a robust defence of the Davis Cup criticism, based on economics. The fee, negotiated on his behalf by sports management firm IMG, was part of a package including the Swedish and

Stockholm Opens, and Borg's presence was vital to ticket sales, television income and sponsorship, "The federation made several million Swedish crowns out of me," he said. But he is now playing on the Seniors' Tour with talk of an event at Wimbledon, If the paving public start to believe their memories are tainted then the whole business could flop.

**MICHAEL BUTCHER** 

the tournament is my biggest goal for 1998. That and not falling off a horse.

This year Hingis hopes to maintain her top spot with help from her mother-coach and Chris Evert. The former world N°1 will advise Hingis through the tour's new mentoring programme, designed to prevent the burn-out that cut short the careers of Austin and Andrea Jaeger, and saw Jennifer Capriati cautioned for drugs and shoplifting offences.

Hingis requested Evert as her mentor after talking to her last year. Instead of discussing strategy or pressures, Hingis asked Evert about her children and family life. She wanted to see pictures of Evert's three young boys, and asked what it was like to be a mother.

"Martina's first comment to me was about my children," said Evert. "She felt that family is what is important in life. Her interest impressed me because usually at that age, most girls are tunnelvisioned about their tennis. But Martina sees the big picture. That helps her tennis and could be one reason why she clearly has so much fun on court."

Hingis agreed that there are similarities between her and Evert in their playing styles and perhaps most important, both exude a quiet sense of confilast summer's Wimbledon final Hingis smiled as an enough or find a boyfriend." inspired Jana Novotná raced away with the first set. She forced her way back to win, looking as year but as yet no steady boyfriend in her life. Con-

wanted her as my tour advisor is that we have been of each of the men's matches. Afterwards, she hangs through similar experiences at a young age," said Hingis. "She won her first titles at 17 – the same age that I did. Her relationship with her father is also similar to the relationship that I have with my mother. They are both coach and parent."

Many parents have fallen prey to the publicity

and pressures of grooming a star athlete. Peter Graf is serving a prison sentence for tax evasion while handling the business affairs of his daughter Steffi, and Jim Pierce was once banned from every tennis tournament in the world for the physical and verbal abuse that he inflicted on his daughter Mary.

Moliter's relationship with Hingis is helped by her having once been on the tour herself. She prefers to stay behind the scenes, whereas Hingis loves the limelight and playing the daredevil.

When Hingis injured her knee last year, Moliter panicked that her daughter's career was over, but the teenager simply dismissed the incident as "one of those things". Finally, after Hingis suffered a string of losses last autumn, Moliter put her foot down. She set a different pace so that her fearless daughter would not exhaust herself in only her fourth vear on the tennis circuit.

Hingis is currently happy to have her mother by her side but sees a time when she will tour alone. "It may happen in the next few years," she said. "But right now, I want my mother with me. My mother is my coach but she also looks after me and makes sure that I have my meals and laundry done so I can concentrate on my tennis. I'll start traveldence on court even during the toughest times. In ling on my own either when I feel experienced

There have been a few dinner dates in the pa though she was playing on a public court with a stant travel makes social opportunities rare but friend instead of contesting the sport's biggest prize. Hingis is clearly looking for someone. She "Chris and I have similar styles but the reason I rollerblades around tournaments to catch a glimpse out in the players' lounge to chat and flirt with the men she likes.

"Sure, I'd like a boyfriend," she said, "But though it would be great if it happens, I am concentrating on tennis now. It is my job and I will have enough time for the rest later."

# SPORT

# **FOOTBALL**

■ Italy's most famous team finally cash in on their name

**Chris Endean** 

HE icy, windswept playing fields of Broccostella football school in the shadow of Monte Cassino seem an unlikely venue for a football revolution. Children weave through a slalom course, footballs apparently tied to their feet. Physical education teacher Alessandro Caizza shouts instructions as older pupils play a seven-a-side match on a sandcovered pitch. Only the colours of the wouldbe champions' shirts give the game away - the black and white stripes of Italy's premier club,

Broccostella belongs to a nationwide network of schools known as Punto Juve, in which they are joint partners with Juventus in a commercial scheme setting new trends in the Italian football industry. Situated on the outskirts of Sora, about 100 kilometres south of Rome, few places better illustrate the principles of the Turin club's New Deal with its fans: Vendere e Vincere (Sell and Win).

The school guarantees its members the regular physical education that the Italian state fails to provide. "Of course, potential champions are quickly earmarked for Juve but the school's main purpose is to serve the community," said Caizza, who co-ordinates Punto Juve in north and central Italy.

In return, Punto Juve feeds off Juventus supporters in the local community by encouraging banks, garages, supermarkets, travel agencies and sports shops to sell club merchandise to help sponsor the schools.

For a club like Juventus, with the best support in the country, the strategy is a salesman's dream. Punto Juve offers confirmation that Juventus are leading the way, as Italian clubs slowly awaken to the rewards of marketing some of the best-known trademarks in sport. Soccer schools like Broccostella do not just cover the failings of the Italian education system: their commercial activities will fill a far bigger hole in the balance sheet of Juventus, in particular, and Italian football in general.

According to a study by Antonio Marchesi, Milan partner of the Deloitte & Touche accounting group, in 1996 players' wages accounted for nearly half Juventus's total turnover. At Milan, that figure rose to a massive 69 per cent. Compare that with the English Premiership and, in particular, the undisputed world leaders in football commerce, Manchester United, whose \$30 million income from merchandising last financial was accounted for by wages.

The contrast between the two leagues' business strategies was never more apparent than a side interest rather than having a distinct at the two legs of Juventus's recent Champi- business focus," says Robert Ellstone, author ago, Valle d'Aosta's regional government, ons League clash with United. The motley colof Deloitte & Touche's annual report on the shrewdly aware of the rewards of soccer that has forced Juventus to invent entirely new delle Alpi hardly bore comparision with the to make money out of it because they have (\$280,000) to train there. Megastore at Old Trafford that has led to the just realised that sport has got to compete mall with a football club attached.

elevated costs of players' wages but our fail- putting their financial house in order four years "We have done our homework," he said. the black-and-white kit. Instead merchandisure to develop more sophisticated sources of ago. A new management team was brought

ager, Romi Gay. "Right now, if we are elimithe Vendere e Vincere strategy when the club nated from the Champions League, we have started to sell off the prize assets: in the past no alternative sources of funding. We must bring stability to our earnings."

As the home of the world's most glamorous league, Italian football has long been considered the slumbering giant of soccer show business. Directors were content to bask in the limelight of success on the field and slow to vear meant that just 25 per cent of turnover realise that their clubs' famous brand names nosed approach was also behind the move to is unlikely to happen until Juventus take to offer a common currency around the world.

"So many of these people ran their club as "The problem with Italian football is not the was unveiled last autumn, Juventus started

three years, players of the calibre of Roberto Baggio, Gianluca Vialli, Fabrizio Ravanelli and clubs, Juventus do not own their stadium, Christian Vieri have all gone.

Juventus on the ball

In the Bosman era, when out-of-contract players can leave for another club without a transfer fee, players' value on paper counts for little on the balance sheet. The club's harddays where their beloved team train; two years least three to four years.

Now, as the Punto Juve scheme suggests, different faiths. Unlike the average Manchesball finance.

suggested it was not simply a question of following in the footsteps of the English Premiership sides. For a start, like most Serie A which deprives them of a natural supermarket for merchandising, corporate hospitality, entertainment and conferencing.

While Romi Gay says that moves are afoot for the club to build their own stadium, that exploit the summer training camps. Each year, the stock market to raise cash. And he predicts around 2,000 Juventus fans take their holithere will be no application for a listing for at

However, it is not just the lack of a stadiun

lection of souvenir stands outside the Stadio football industry. "Now they are being forced tourism, paid the Turin club L500 million revenue streams. Football may well be a global religion but English and Italian fans worship English champions being called a shopping against an entertainment industry in the wider the club are moving in on merchandising, ter United fan, Juve supporters do not consense." While their latest commercial strategy described by Romi Gay as the future of foot-sider replica shirts a fashion priority. It is simply not cool in Italy to stroll across the piazza in "We have identified our objectives, the social ers must cater to a local gusto. Last Decemincome than just gate receipts and television in, headed by Roberto Bettega, once a player status of our fans and what the trademark ber, the two Milanese clubs and Juventus rights," said the Juventus commercial man- and now club president. Fans first learnt about Juventus means to them." Market research financed a joint venture to sell panettone –

# financially

Italy's version of Christmas cake – in boxes One for the future: a would-be star decorated with club colours. Juventus sold practises his ball skills at one of

Athough Romi Gay admits that Juventus's merchandising is still in its "embryonic stage compared with Germany and England", the club have introduced a novel sponsorship deal from which clubs throughout Europe may ity of that nature," added Marchesi. learn. The Turin club will select a series of - Telefono Italia Mobile – are the first two such provinces by the end of the year. sponsors, signing contracts collectively worth

products through their partners' nationwide language of football.

entus's new football schools

outlets. "It is difficult for an organisation like Juventus to have a market penetration capac-

The same philosophy underlies Punto Juve. "institutional" sponsors whose name will It has taken less than five months to tap into | appealed to Uefa but got become a permanent fixture on the hoardings the nationwide enthusiasm for Juventus and nowhere. He began a legal around the Delle Alpi pitch and as a backdrop establish 50 schools. The club aims to set-up battle with Uefa that ended to television interviews. Punto Juve and TIM at least one school in each of Italy's 106 up in the European Court of

Punto Juve concept teeters precariously all sportsmen within the EU. facility and my wife got upset. career. "It is an ingenious move," said Marchesi. between market innovation and outright | More than two years on, It's no fun getting calls in the "Juventus have the brand, their sponsors have manipulation of their fans. They have even Johansson seems unable to middle of the night. People the funds and desire to modthe distribution capacity." The scheme counset up a special currency, offering fans a disaccept the judgment which seemed to think they could ernise itself. It is a huge pity teracts the outstanding weakness of club mer- count on Juventus products. Members of has revolutionised sport. chandising: a poor distribution network. Most Punto Juve can trade in their lire not for tick-Italian clubs' sales are limited to "when Sunest Su day comes". By joining forces with big brand buy even more club products. One Serie A out- | pean. "Sport should be an be worse simply because I'm rather than a rising star." names like TIM, Juventus are able to sell their fit, at least, is finally starting to talk the new exception to the open Europe going to make sure my pri-

**LEADERSHIP** ■ Football's most crucial few years may be masterminded by a pensioner

# Yesterday's man set to take charge

**Andrew Warshaw** 

S IT reaches an unprecedented level of both popularity and wealth, football looks certain to be led by a 67year-old Swede who has been accused of racism and hates being called in the evenings.

Lennart Johansson is the president-in-waiting of Fifa, football's world governing body, whose top job becomes vacant after this summer's World Cup. The deadline for nominations is 7 April: Johansson's is the sole name put forward, although Sepp Blatter, the Fifa general secretary whose last bid for power failed miserably, may stand.

This is despite his comments about "blackies" and "how dark it is when you're sitting among them". These were made after a visit to Africa during 1997, European Anti-Racism Year.

He made a grovelling apology after the remarks were widely reported, but the head of the African Football Federation said Johansson should still have been barred from running for the sport's top job.

In the seven years since he took over as head of Uefa, the European governing body, interest and investment in football has made the sport a multi-billion dollar business. Johansson's attitude, however, has been worryingly King Canute-like. Five years ago, Jean-Marc Bosman was a mediocre Belgian footballer who wanted to transfer to a French club. He would have remained unknown without the help of Johansson.

Frustrated by the refusal of his club to sell him, Bosman Justice and won freedom of and Switzerland," he said. in football, it would be a chall Juventus make no secret of the fact that the contract and movement for "People were misusing the lenging way to end my

"I didn't overreact to But no, it doesn't worry me brave new world, the sport philosophy." It is this type of vacy is never infringed again."



Sitting pretty: Johansson should soon be football's top man

wishful thinking and refusal With digital television immito move with the times that kept football from realising its potential for so long.

Johansson's entrenched stance may be a product of his age. Even he acknowledges this as a handicap and, in fact, said this month that the Fifa presidency is not a suitable

job for anyone over 65. His dislike of being called at home during the evenings is not age-related. In his native Sweden, phone calls after 10pm are almost always made only in an emergency, and it is Johansson's business if he wants his friends to continue that habit. But he, as the CEO, in effect, of a multinational corporation, must be on call 24 hours a day. Six months ago he changed his private number in a bid for

domestic peace and quiet. "No one seemed to respect that I had offices in Sweden

nent, football's global popularity leaves it perfectly placed to make billions of dollars. The sport needs a dynamic workaholic running the show not an old man reluctant to chat once he's left the office.

Perhaps, with the summit of world football just one step away, Johansson feels able to pick and choose his company. He has certainly been ambitious and dedicated in the past: he started his own sports club at the age of 12, and saw his first marriage fail because of the travelling his job entailed.

Despite this life spent in sport, he claims that he had to be talked into running for the Fifa presidency.

"I changed my mind only because the member associations said we must have a European candidate," he said. "I realised that after 35 years

Football has finally found call about anything, any time. that to lead itself into this

Additional reporting by

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**LOVE LIFE** ■ Europe's tradition of juggling wife and lover is disappearing as affairs of the heart command less time

# Last sighs ofthe mistress

**Stephanie Theobald** 

NLY in France could one of the country's most famous wronged wives lament the dying art of the mistress.

Madeleine Chapsal, who spent much of her life sharing her media magnate husband, Jean-Jacques Servan-Schreiber, with the former culjust completed her second love-My Husband's Mistress, was a thinly veiled autobiography of her life as the keeper of a famously straying husband. The new one, This Man is Married, is a sequel which underlines the author's firm belief that the art of philandering has gone to the dogs.

Chapsal considers this trend to be inevitable but a great shame. Although the giddy weekends in Deauville. Servan-Schreiber and his mistress her rival and herself: the mistress lent en famille. her clothes, gave her a car and pubShe says: "Your lover can call and tress game, many of them are taking tress game. soirées – arm in arm.

Chapsal has never believed in the accommodating it has."

sociological and cultural changes she was a terrible idea to marry your sees around her: women demanding mistress because it merely created a more from life and no longer being prepared to put up with what she calls "l'amour back-street".

"Being a mistress was an art," Chapsal says. "From the time of the Marquise de Pompadour through the 19th-century novel - Balzac and Maupassant – there is a tradition of the power-wielding mistress. Young to take on the entire upkeep of one ture minister, Françoise Giroud, has men came to Paris to make their way man? Far easier to share him. in the world and the way they triangle novel. The first in the series, progressed was through the hierarchical ladder of the courtesan-

If having an affair used to be like being in a novel, it is now more like performing in a tacky soap opera. The French mistress simply has no status any more. Gone are the plush, paidfor boudoirs, the candlelight dinners,

Chapsal blames the scourge of the flaunted their liaison while they were mobile phone, which has put paid to tress in league together, stomping setting up France's first news maga- the famous cinq à sept, or the forni- towards the Cape Town divorce court. zine, L'Express, Chapsal insists that cation prime time of 5pm to 7pm But what of French women there was great "complicity" between between leaving work and returning

lished her writing; the *ménage à trois* cancel at any time, even squeeze you matters into their own hands. There would often turn up together at in between morning meetings. Desire is a growing tide of married women hasn't changed but the way of rouées who are cheating on their men.

myth of all-encompassing love. But if something is rotten in the biggest increase in the philanderers' France's best-known romantic novel- state of French infidelity etiquette, market is coming from women, ist describes herself as "a realist". "My then the British version is digging its usually married, who decide they husband loved me utterly – just not grave deeper every year. Sir James want to play the field too. Affairs

exclusively." Her new book reflects the Goldsmith once famously said that it vacancy.

In Britain men seem intent on making honest women of their mistresses. Foreign secretary Robin Cook's recent announcement that he was to marry his mistress caused an eruption of titters at "the English disease" all over France. Why should any woman want

Well, at least, that's how it used to that British be. But even in chauvinist France, female emancipation is beginning to creep slowly through society. Mobile phones may have done their bit to damage the mistress culture, but Secretary offices full of career women armed with sexual harassment codes now threaten to obliterate the school of the "Other Woman".

French men shuddered at the recent Would marry sight of Earl Spencer's wife and mis-

Tired of gaining (limited) power titters erupted through affairs and by playing the mis-Pan-European statistics show that the

toreign Robin Cook

On hearing

his mistress,

past 30 years, whereas that figure has increased only by half for men. Greece is a glaring exception. Eight out of 10 married men claim to have mistresses, according to research at Athens University, and the figure has changed little in the last 20 years. But, interestingly, there is a large rise in the number of women who have extramarital partners: five out of every 10

> In Italy, women are taking charge. A survey published last month of Italian married women who had or were naving extramarital relations showed that 70 per cent considered their behaviour to be perfectly acceptable. Twenty-three per cent said they were simply dissatisfied with the service that their husbands were offering. Wily Pasini, the sexology professor who carried out the survey at Geneva University, declared: "The cliché of the

women, as opposed to two out of 10

initiated by married women have

increased threefold in Britain in the

Laurent Sublet, 33, is a corporate

frustrated housewife is destined to

1990s twist. Most of his lovers are married women because, he says, married women are more likely to be attracted to a no-strings-attached fling. Sublet considers himself a sexual pioneer rather than a male version of a mistress. He says that these days even the word "affair" has been downgraded to aventure, of which he has an average of two per month with women he meets in the course of his work at the office. In general, his aven-

trainee officer who lives in Lyon and

tures last anything from two weeks to for someone to spice up their lives. penchant for decorous infidelity. They you can hardly say that you are off on boîtes échangistes – partner-swapping debaucheries while laughing at the says. clubs – such as Chris et Manu on the rest of the world for being rue Saint Bon in the heart of the "puritanical". urbane shopping district, Les Halles.

commence with a discreet foie grashas the lifestyle of a Don Juan with a led dinner upstairs before couples are escorted to the playroom downstairs where they are free to indulge in consensual marital treason to their heart's content. "It's seen as a way of cheating without really cheating," says Sublet, who laughs if you bring up the word "morality"

"You know," he adds, "the film Fatal Attraction bombed at the French box a society that has tired of the laissezoffice because we saw it as too moralistic, too puritanical. We live for the moment; we are Latins."

Newllywood nightclub, a rendezyous (Editions Seuil), he claims that the frequent men of a higher socio-

The title of his book comes from an In typical French style, clubs such idea of Plato's. He believed that desire is not limited to class," she chuckles as these are the preserve of the adult- was an unexploded volcano which erous elite. Entry is strictly by mem- could cause untold harm to the bership and the evening's proceedings individual and to society. "This idea fascinating double life."

of sexuality as some sort of performance has devastated our society and has become a source of suffering, as any psychoanalyst will tell you, Guillebaud told Le Nouvel Observateur this month in a feature the magazine ran on the need to return to a rigid moral order in France.

Guillebaud's book sees a shrinkage in the mistress market as inevitable in faire permissiveness generated by the naive fervour of May 1968.

Back in Britain, Zelda West-Meades, In a controversial new book by a a prominent marriage counsellor, French philosopher, Jean-Claude claims that the mistress market in He points to the success of Lyon's Guillebaud, *The Tyranny of Pleasure* Britain has been left to women who for women of a certain age looking French have become victims of their economic group. "If you are a baker, Paris is filled with a rising number of are obsessed with hyping up their a conference every weekend," she

> But Madeleine Chapsal, still remarkably alluring at 72, insists that old habits die hard in France. "Desire wisely. "I can tell you that half the shopkeepers down my street lead a

THE CONCUBINE

# Fantasy and reality of life in the harem

created a worldwide scandal recently by claiming that the brother of the Sultan of Brunei had tempted her to the southeast Asian sultanate only to keep her prisoner in his palace of pleasure. Europe's tabloid press responded with excited headlines. Clearly the fascination of the harem has as much hold over today's man as predecessors.

In her book Secrets of the Harem, Carla Coco makes a brave effort to demystify the allure by claiming that far from being a centre of exotic promiscuity, the harem was an enlightened, unsullied place where women could create their own anti-society away from men and in some cases rise from obscure backgrounds as kidnapped slaves to become behind-the-scenes rulers of a vast empire.

The word harem designates "a closed, reserved place", the part of the Ottoman house set apart for women. For westerners this meant a mythical place of pleasure and lust. But in the real-life Muslim world it was more an institution with strict rules and regulations, governing even the behaviour of the master of the house. The subject of this fascinating book is the most famous harem of them all, that of the Ottoman sultans. The Imperial Harem of the Seraglio in Istanbul was the ultimate pleasure den on earth.

Coco documents every detail of daily life, from the food prepared to smoking tobacco and opium, from hours spent lazing and being massaged, to the search for magical creams

seduce their master. There are also the "fat and flabby black eunuchs" chosen to quard the ladies after the painfully described castration operation

Coco tries hard to persuade the reader that for girls taken hostage from their far-flung homelands, the harem "must have seemed a far more comfortable place than the villages they came from, where misery was all-pervading and where their fate would actually have been much worse". Installed in the harem, they now had the chance of a "career" to become First Lady of the Empire, "where no distinctions of birth, culture, ethnic origin or religion were made".

It is clear that European travellers created their own fantasy world of the harem. But the author has fallen under hei own seductive spell. Despite commendable research, hei prose resembles a historical romance rather than a work of

The chief strength of this book is the illustrations, ranging from wonderful, graphic, stylised images of harem life from the 15th and 16th centuries to voluptuous paintings by the 19th-century Romantics. It is these images of a mysterious, closed-off world that remain with the reader rather than the routine of daily life, perhaps because some illusions are too deeply entrenched for demystification Secrets of the Harem by Carla Coco, published in the UK by Philip Wilson. Price: \$48. Also published in Italy. Germany, France and the US

**JOHN BRUNTON** 



**56 THE EUROPEAN** ■ 19–25 JANUARY 1998



**HEALTH** ■ A card holding all tell doctors which drugs need to

# Bespoke

the mentality

that one

Zeitgeist

Cath Blackledge

T'S autumn 2020. You're feeling ill, under the weather, washed out. You go along to the doctor and he or she diagnoses high blood pressure. But instead of being prescribed first one drug, and then another, to find the one that works best for you, the doctor asks for your ID card. The card is swiped, the DNA chip is read and the medicine to suit your genetic make-up is prescribed. No sideeffects and no further trips to the doctor.

This is not science fantasy. It will soon be everyday reality. Most drugs do not work for everybody. Some work for two-thirds of the people who take them; the average is more like 50 per cent; in some cases it's

drugs work in some people and not in others is about to be solved. The key to the We are all mystery is human diversity.

We are all genetically genetically different – yet despite this, drugs are designed with a one-size-fits-all mentality. We don't all respond in the same way to germs, allergens or food, so why should drugs are still we to medicine? If we can identify and understand the designed with genetic variations that all humans carry, then we can begin to develop drugs that work in all of their target

This is the aim of pharmacogenomics - tailoring a drug to suit an indisciple fits all vidual's genetic make-up.

Pharmacogenomics is still in its infancy - so much so that the word the human genome - our complete genetic hasn't managed to find its way into any dictionaries yet. Drug companies have until now left it alone. It has always been easier and more profitable for them to develop a drug for everybody and push it to all: the end market is larger and the genetic information and technology necessary to tailor drugs individually have until now been

are potentially capable of determining which patients are likely to respond to be robust enough? which drugs based on genetic data. Pharbegins in earnest.

Variagenics is going after customised drugs a chip which holds their genetic backfor cancer. The more genetically complex ground. It will be nothing less than a social

(polygenic) a disease is, the less likely it is that a drug will have its desired effect across its target population. Such poly genic conditions present the greatest opportunities for pharmacogenomics. Other potential blockbuster therapeutic areas are expected to include cardiovascular drugs such as treatments for high blood pressure, or disorders of the central nervous system, such as schizophrenia. Variagenics is due to start testing an anticancer treatment this year. But most experts predict that it will be five years before a pharmacogenomics product is commercially available.

Others are more optimistic. One com pany, Genset, has already signed a deal in the field. Paris-based Genset linked up with fewer than one in three, with some irri- US drugs and diagnostics giant Abbott in tating side-effects thrown in. Why some July last year in an alliance valued at \$40

million and which was seen as a validation of the science.

The deal, which involves tailoring an unspecified Abbott drug to fit its target population, is expected to be completed by the end of the year. "The first drugs will be on the market in 2000," says Pascal Brandys, head of Genset. At the same time, Abbott is developing diagnostic kits, to predict a patient's response, which will be used in tandem with any drugs produced.

Genset is focusing on systematically analysing <mark>the asso</mark>ciation between all our genes and disease. To do this, it is constructing the world's largest map of

information. When completed, the map will be able to describe the major genetic variations in every one of us.

The next step is to find out what these markers mean in terms of the diseases they are linked with, and compact that mass of information on to a DNA gene chip, and put it on to an ID card. It is a complex task, with many potential pitfalls. Will the map However, the last couple of years have contain enough data to give meaningful seen the emergence of technologies which answers, and will the bioinformatics tools necessary to process all this information

Certainly in the not-so-distant future, macogenomics will be the buzzword of the genetic background of an individual 1998 as the race to sell bespoke drugs will be summarised by such markers. Scientists predict that in five to 10 years' The American pharmacogenomics firm time, people will carry a credit card with your genetic information will soon be prescribed individually for you

# medicine

carry a card

their genetic

holding

history. It

revolution

revolution. Variagenics' experts say that Beecham and the UK's Glaxo Wellcome are change will be easier. They forecast that the solution will be far simpler than a genome on a chip.

They believe the end product will be a medicine that is sold together with a test kit. Buy the kit first, see what type of responder you are for the particular therapeutic you require, and then buy the correct pill. Testing could be done in the home, in the doctor's surgery or in the hospital. Indeed, genetic testing in hospitals is likely to become as routine as having an X-ray done and may be only a couple of years away.

Pricing is one issue that all companies involved in pharmacogenomics are agreed on: the price of tailor-made drugs will carry a premium. Makers of tailor-made drugs will argue, of course, that the end price should reflect the technol-

ogy and time invested in such pills, and the reduced People Will market bespoke drugs would target. Typically, pharmaceutical companies prefer to go after diseases which affect a large set of With a Chip the population - the payback is a billion-dollar blockbuster drug. Focusing on giving medicines only to those people who will benefit from them will drastically reduce the market and their profits, hence the desire to crank up prices.

So will there be any 1S a SOCIAL losers in this brave new tailor-made world? The pharmacogenomics firms argue that we're all going to be winners. The compa

drugs and reduced costs of drug trials, while the payers of healthcare governments, insurance firms and health management organisations - won't lose out because they will feel the economic benefit of not prescribing and paying for drugs that don't work. The consumer

row, will all humanity be catered for, or just those with common genetic signa-haven't been planned for from a legal tures? What if you are the genetic mutant perspective. large pharmaceutical companies, intent disease, develop drugs for you?

all positioning themselves to catch the crest of the personalised medicines wave. Roche, which is now the world's largest diagnostics company, following its purchase of Germany's Boehringer Mannheim last year, believes that the downside of a reduced market will be offset by the greater market penetration that a truly effective drug will

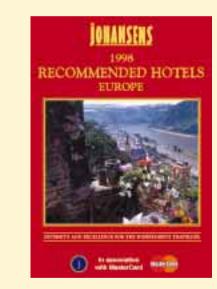
Who will and who can pay for expensive designer drugs is also at issue. Healthcare costs are rising, despite the efforts of **European governments and American** healthcare providers to curb spending. Already it is acknowledged across Europe that automatic access for patients to every new expensive drug on the market may not be possible. The response from pharmacogenomics firms is that buyers -

whether they are governments, insurance companies or US-style disease management companies will be prepared to pay more for personalised medicines, based on their improved cost-benefit profile. However, the emergence of personalised medicines could push the balance towards a two-tier healthcare system, with the one-size-fits-all prescription drugs of today becoming the cheaper generics of tomorrow. Britain has already announced plans to set up a National Institute for Clinical Excellence to police the expense of

The proposed drugs revnies will reap the benefits of higher priced olution raises other social and ethical issues. How well will our already sickly healthcare systems cope with the extra complexity that genetically targeted drugs will bring? These new drugs also raise ethical problems. Who will own all the genetic information collected by hospitals and companies? Who will have access to should also benefit because we will have the data? Most pharmacogenomics medicines that work, and with fewer side- companies are happy to state that all genetic information would remain an But in the tailor-made world of tomor-individual's property. But the risks of it

with a particularly quirky make-up: will New knowledge is taking us towards new boundaries of healthcare, now that on pursuing the more lucrative areas of we have begun to understand the full complexities of DNA. But we have yet to Companies such as Roche, the Swiss work out how to apply the knowledge giant, Anglo-American SmithKline responsibly to the treatment of patients.

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# The Annabelle

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BOOKS

INTERVIEW As the film business booms in Europe, Oscar-winner Juliette Binoche is wisely staying put | Salazar of Portugal,

Nothing grabs me

**Laine Goodman** DORDOGNE

HE woman for whom every agent in Hollywood would willingly renounce his table at Morton's is nibbling on a hunk of baguette in a dim café in deepest France. Luckily, all that hype about her luminous glow is absolutely true. Even without make-up, the 33-year-old actress brings the kind of radiance to any room that has American movie moguls straining at the leash.

André Techiné, whose new film she is filming just down the road in Cahors, summed up why Juliette Binoche works so well when he described her as having "her feet in the mud and her head in the stars".

Now that her US contemporaries such as Demi Moore are spinning around in some galaxy beyond the ken of many Americans, Binoche's forté in playing enigmatic vulnerability confers saleable potential on her, even in the Midwest.

But the Americans are slow to catch on. Or rather, they are slow to be convinced when it comes to the international box-office potential of French actresses, whom they tend to lump together in one scary "femme fatale" basket. Once they catch on, however, they won't let go.

This level of furore surrounding a French actress hasn't happened since Brigitte Bardot set America alight in the late 1950s with Roger Vadim's And God Created Woman. Here was the perfect package - sex appeal (but safe sex appeal) multiplied by a pair of fantastically trembling lips. Hollywood entreated Bardot to leave Saint Tropez for the United States until it was red in the face but Bardot made no secret of the fact that she would rather go to a nunnery than go to America.

Last year, when Juliette Binoche became the first French actress to win an Oscar for her performance as the nurse in Tuscany who cares for Ralph Fiennes in *The English Patient*, America decided it wanted in on her act. But if Binoche is being a bit more polite than Bardot in her response, she seems equally unkeen.

"Nothing has really grabbed me so far," she smiles, wiping her mouth with the back of her hand with typical Binoche panache. Only a few months ago she turned down Paul Auster when he asked her to play the lead in his directorial debut *Lulu on the Bridge*. The film a revamping of GW Pabst's silent movie clas sic Pandora's Box which starred Louise Brooks - promises to be a big hit. But Mira Sorvino is now playing the role of Lulu. "My head told me to accept it because I admire him," Binoche says. After reflection she adds: "I finally listened to my intuition and decided against it. You have to recognise your path."

Though Binoche claims to have little interest in Hollywood, the actress has indirectly dabbled very deep in that market. Her acclaimed 1987 movie The Unbearable Lightness of Being

was funded by American money, as was Oscarwinner *The English Patient*. It is difficult to tell whether her decision to stay physically in France is disingenuous or not. The fact remains that her strategy is a shrewd one. According to Charles Finch, head of movie production for Europe at US talent-brokers the William Morris Agency: "Hollywood will soon be coming to France and not vice versa."

The best recent case of Hollywood coming to France was Luc Besson's mega-budget \$70 | this century. He shared none million Fifth Element, starring Russian actress Milla Joyovich and Bruce Willis. The movie was largely funded by French cinema giant | thuggishness shown at Gaumont, its biggest pledge ever to an Englishlanguage French movie. But Binoche claims she is not money-minded, although she admits and Hitler. He even that her contract to be the face of Lancôme's Poême perfume allows her the freedom to presence, and he never work on the kind of films that please her.

She has been the subject of various requests by Elia Kazan to go to Hollywood, and she turned down Steven Spielberg three times for | to be his mistress or his wife starring roles in *Indiana Jones*, *Schindler's List* and Jurassic Park. She says though that her refusal for the last was only because of her commitments to Krzysztof Kieslowski's *Blue* and Léos Carax's epic Les Amants du Pont Neuf.

Her one US movie experience was a bad one. It came in 1996 when she played a ditsy psychiatrist in A Couch in New York alongside William Hurt. Although directed by respected | had lapsed into dementia Belgian film-maker Chantal Ackerman, the film flopped hugely. In this new one, called Alice and Martin, she plays a tormented violinist who falls in love with a troubled fashion model 11 years her junior.

European creativity excites Binoche, who to maintain the fiction that he was voted best European actress by the European Film Academy in Berlin last month. Next month she will star in a production of Pirandello's Naked at London's Almeida Theatre, after which she will head to Tuscany once more for another English-speaking role | like to forget the grinding as an artist's model in Chinese director Chen Kaige's The Assumption of the Virgin.

Charles Finch, who represents French stars including Sandrine Bonnaire and Emmanuelle Béart, understands Binoche's decision, "There is a growing infrastructure for the movies now | Louçã, and Fernando Dacosta, in Europe," he says. "It's a healthy time, like in the 1950s and 1950s. You are starting to the old man on assignment see up to 60 per cent, sometimes 90 per cent, for his Spanish newspaper in of movie funding coming from Europe."

Back in the café Binoche keeps asking bestsellers in Portugal. questions – some about my son. She has a fiveyear-old, Raphael, but won't answer anything | cracking the Salazar enigma as vulgar as to who his father is. She is has been the sensitivity of interrupted by the arrival of Alexis Loret, her | the authorities in Lisbon co-star in *Alice and Martin*. She excuses herself, links her arm in his and then she turns and archives on the inside story says: "My ambition is to have beautiful | of the dictator - particularly encounters, not to make money."

Binoche on the set of Alice and Martin: the French actress whose strong-willed fragility makes her sought-after in Hollywood the story revealed in these

# more a great accountant than a great dictator Negócios com books, particularly by Louçã,

os Nazis

by António Loucã Fim de Século \$11

# Máscaras de Salazar

by Fernando Dacosta Noticías Editorial \$15

ANTÓNIO de Oliveira Salazar,

single-minded and singlehanded ruler of Portugal for more than 30 years, was the most fastidious and private of the great dictators of Europe of the taste for public theatre and psychopathic different times by peers such as Franco, Stalin, Mussolini disapproved of smoking in his revealed whether he had taken his long-suffering housekeeper Maria Caetano

He died in a high state of delusion, believing he was still though in fact he had been replaced by Marcello Caetano two years before, in 1968. Confidents reported that he after suffering a stroke from falling out of a British-made deckchair. After losing power, his courtiers maintained the daily routines and ceremonies was still in charge.

Subsequent generations in Portugal have kept the fascination with the mystery of Salazar, though most would austerity and isolation his dictatorship brought to their

These two recent accounts, by the historian António a veteran reporter who met the 1960s, have both become

about opening the official on the delicate issue of his hoarding of sizeable quantities of Nazi gold. This is the most fascinating part of

one of the pioneers of investigations into Nazi gold.

Portugal's strong gold and currency reserves in the immediate aftermath of the Second World War won Salazar grudging recognition for sound financial management, if not a dash of wizardry, which is shown here to be largely bogus. The gold reserves were built on the squalid commerce in bullion looted by Nazi Germany, in which Portugal was the world's biggest trader, next to Switzerland.

The postwar reparations commission demanded that the Bank of Portugal should surrender some 44.8 tonnes





had been looted from French and Belgian treasuries, and many people have subsequently speculated that the real amount stolen was far higher than that demanded by the reparations authorities. It was here that Salazar's penchant for fiscal secrecy served him brilliantly For years he managed to

along with assurances and vague promises until 1958. when negotiations closed. In fact he authorised the repayment of just less than four tonnes of the gold. Louçã's persistent tracking of documentation of the transfer of Reichsbank gold through the then neutral Portugal has revealed some

accounts. One witness in his book describes seeing gold bars stamped with Reichsbank swastikas being shipped on to communist China in the 1950s, despite the US embargo.

By the late 1950s the allied authorities had begun calling the dogs off. By this time Salazar's Portugal, like Spain under Franco's new technocrats, had become a most valued ally in the new crusade, the Cold War.

The death of Salazar in 1970 was hardly marked by the world beyond - because by then Portugal was moving towards a new phase. dramatic decolonisation, and a steady climb to democracy particularly under Mario Soares, and eventual membership of the European

Unspectacular though much of his rule was - he appears in these pages as much the great accountant as the great dictator - he was prepared to be ruthless enough in using his security forces and licensed thugs when he had to.

Under his "economy of terror", communists and anarchists were sent to concentration camps in the colonies. Fascists didn't fare any better, and he drove them from the streets before they could mount a serious threat.

He established his authority by exerting ruthless fiscal control: from being a financial journalist he became finance minister, first in 1926, and again in 1928, when he demanded absolute control over all government budgets. In 1932 he became prime minister, a post he never relinguished and

thought he held to his death. Outwardly he could appear austerely plausible, persuading countries such as Britain to invest in the 1930s in the Portuguese electricity industry - despite the suspension of the constitution in 1933.

He was master of political duplicity and disguise, hence Dacosta's title "Masks of Salazar". These two books have done much to lift the mask and demolish the myth of Salazar the national saviour, so long cherished by the militaristic right of Portugal.

**ROBERT FOX** 

# Leutgeist

BOATS ■ This summer take the Manhattan and join the jetty set

# The latest Escort for the waterways

**Rupert Wright** 

HE Sunseeker Manhattan 80 battling its way across the North Sea to the Düsseldorf Boat Show, which opens this week, will be the star of the show. For a price tag of \$3 million, ownership brings its reward: membership of an exclusive club renowned for its bad taste. Dour, thick-browed Nigel Mansell has got one. So has Eddie Jordan, head of the Formula One Jordan-Peugeot racing team. Peter Stringfellow, owner of the tackiest nightclub in London, has just ordered one. Michael and Ralf Schumacher share one. Most of Europe's lottery winners want one.

To join them you will have to wait until 1999. The order book is full of customers desperate to splash out so much on the world's least stylish boat. Around one-quarter of the boat's owners are British, but you will not find them chugging up the Beaulieu river on they way to **Bucklers Hard in Hampshire for lunch. The sun** in England is not strong enough to turn their skin tough and leathery as it does in the Mediterranean or Caribbean. The Manhattan 80 is the yachting equivalent of a Ford Escort XR3i: there would be no surprise to see a nodding dog at the stern or tumbling furry dice above the helm.

with a cigar in his mouth and a bottle of beer in his hand – until you go on board. There is shining white leather everywhere: there is one large round sofa which serves no purpose except as a vantage point for leggy bimbos to watch the skipper. There are cold boxes dotted about the deck for those keen on a drink but unwilling to walk to the fridge.

This is admirable: most sensible people would want to avoid walking in the cabin – the shagpile carpets are thick and colourful. Spiral staircases lead to bedrooms last seen in porn films made during the 1970s. There is more white leather, fluffy beds and lots of mirrors. The Manhattan 80 sleeps six in opulent comfort. There is further room for three crew in two cabins.

There is nothing wrong with the performance of this boat: owners can choose either a V12 Caterpillar 1,350 brake horsepower or a MTU/DDC V12 1,350 brake horsepower engine which can send you skimming through the water at 36 knots. The boat has a range of up to 800 kilometres.

But nobody buys a Manhattan 80 to go places. The television sets will work only when they are plugged into a socket on shore. There is a garage at the stern for a "bandit", the Sunseeker's own inflatable dinghy,

you can listen to the hi-fi, phone your friends or use the washing machine.

It is hard to see how one could improve on this splendid example of kitsch. But one owner has come up with a flash of inspiration. He wants a Jacuzzi on the flybridge. Perhaps he thinks it would be amusing to watch one of his guests hook a large marlin, then get soaked with suds from the hot tub. Or perhaps he has no further ambition for his boat than to keep it in the harbour at Saint Tropez.

Beautiful girls everywhere should launch a boycott of this terrible vessel and insist that they will keep their clothes on while on board. One reason alone should be sufficient: the dreadful names these boats are given. The first Manhattan 80 launched was called *Distraction*. Worse names will follow. Owners are faced with the difficult task of deciding whether to name them after their wives, mistresses, boyfriends or favourite daughters. Whatever the outcome, they will be prefixed by the word "Lady". The Schumacher brothers alone are reported to have found a way round the dilemma by naming their Manhattan 80 after their mother.

# RIDING THE WAVE ... and for under \$3m



glamorous yacht in the world is A 60-footer (18m) can be picked up for around \$3m. Hand-built in are sailed in the most glamorous

places in the world. With a fibreglass hull but teak decks and interiors, they combine performance with class. These are not just for poseurs: renowned for their ocean-going ability, a Swan 65 won the first Whitbread Round the World Race. This year up to 80 Swans will gather in Porto Cervo in Sardinia at the end of August to contest the Rolex Swan World Cup.



CAN'T afford the boat? Sailing clothing is now seen in the coolest nightclubs in Escapiste makes

one of the best collections of fleeces, jackets made of sailcloth, canvas shirts and trousers, twill cotton shirts, sweatshirts, caps and woolly hats. A new collection coming out before Easter will include a full ladies' and children's range. Prices start at \$50 for a checked shirt, with fleeces from \$80. Contact : tel +44 181 741 <u>1141</u>

FROM around \$7,000, the Kawasaki leads the fleet in jetskiing. The 1100ZXI hull design gives high-speed cornering and a top speed of 80kmh. This is a craft with attitude: with its automatic trim-adjustment system, the nose can be raised or lowered to give the optimum position in the water to give either high-speed stability or manoeuvrability. It can seat two people, both of whom are kept relatively dry by anti-spray strips on the hull. Comes with a watertight glove box and storage compartment to house bottles of impress those left on the beach.





# Toe the party line on drugs – or else

LAST summer we heard that the British Labour Party had sent a circular to all its MPs telling them that if they spoke out or voted against the government they risked deselection.

We now hear that the Labour Party has instructed all 60 MEPs to vote against the report being presented by Hedy D'Ancona, the former Dutch welfare, health and culture minister who chaired the EU parliamentary commission on drugs. This report calls for EU harm-reduction policies, room for regional solutions and studies of alternatives. It concludes that the heavy-handed approach to solving the drugs "problem" has failed.

How many of our elected representatives think for themselves? Judging by both their reaction to the changes in welfare benefits and their recent silence over the cannabis issue, not many. Why don't we drop the pretence of democracy, get rid of all the Labour MPs and MEPs who so enthusiastically toe the party line without question, and invest the money saved in cloning Tony Blair? Whatever happened to democracy and the voice of the voters? **Alun Buffry** 

Norwich, England

ONE of the biggest challenges to overcome in the fight against drugs is the education of the general public as to what drugs are. For many well-intentioned people "drugs" are a small group of substances - cannabis, cocaine, heroin, LSD etc – which are sold in dodgy bars and consumed by criminals. Valium, morphine and antidepressants are, on the other hand, useful "medicines", whereas alcohol and tobacco are acceptable social pleasures.

This leads to a situation where valiumaddicted patients, alcoholism, alcohol-induced violence and the millions of smokers who die prematurely each year are considered to be a normal part of society, whereas millions of responsible, recreational cannabis users are categorised as criminals. The vast majority of

people who are against the legalisation of cannabis probably have no idea what it is or what it does. Its effects are generally no more dangerous than those of alcohol and, in some cases, are probably socially more acceptable. I cannot imagine brawling in the streets being a problem at closing time were people in bars to smoke a few joints instead of drinking five or more litres of beer.

Some drugs are too potent to be legalised since their effects leave the majority of users incapable of controlling their habit, but if we can live with alcohol being legal, then we can live with cannabis as well (and I speak as an impartial non-user).

All drugs, including tobacco, alcohol and prescription drugs, can be dangerous. What is important is the education of drug users and critics to try and set a common goal - namely fighting drug abuse instead of fighting drugs. Mark Hannah

who razed London to the ground.

"Proud queen" Boudicca may have

been, but of the Iceni, who lived in

Brigantes, whose territory extended

across south and west Yorkshire and

included Lancashire, Cumberland,

Westmorland and Country Durham.

Cartimandua, tribal queen of the

Brigantes, who is known for rather

friendlier relations with the Romans.

Boudicca was the widow of King

rebellion against Roman rule after she

was flogged and her daughters raped

by Roman officials after the death of

Prasutagus had left half his wealth to

Cartimandua, by contrast, betrayed

her husband, despite the fact that

the British rebel Caratacus to the

Romans, and sought and obtained

military help of Rome when, having

divorced her husband Venutius and

married his armour-bearer, Venutius

led a rebellion against her. Although

Roman help assisted her in defeating

this, it was able only to rescue her

when a later invasion by Venutius

resulted in his seizing power.

**Heather Field** 

Griffith University

Queensland, Australia

**Chinese puzzle** 

the Roman emperor.

Prasutagus of the Iceni. She led the

Millar is confusing her with

what is now East Anglia, not the

Bad Fischau-Brunn, Austria

# The Scots find a voice

THE petty and vindictive comments that C Dicken directs towards the Scots (Letters, issue 398) reek of sour grapes and bear all the hallmarks of an embittered person. What Dicken termed "Scottish aggression" is far more likely to be the surprising discovery that Scots aren't subservient, pliant vassals eternally grateful for distant and direct Westminster rule.

The Scots are beginning to assert themselves, and rightfully so, with regard to decisions which affect them. and will soon be taking a measure of responsibility for these through a devolved parliament, like many others throughout Europe.

Dicken's petulant tirade ended somewhat bleakly: "Nationalism, it would appear, does beget nationalism.' However, judging by his puerile and pointless boycotting of Scottish goods. I can only surmise that in this particular case it has gone one step beyond and begotten a banal and spiteful bigotry. David Wilson

Ellon, Scotland

IT WAS rather sad to read the comments made by an English reader in relation to the Scottish (Letters, issue 398). The manner in which his letter was written suggests he is ignorant of Scottish nationalism and the mature way it has manifested itself in Scotland.

Nationalism need not be racism. From a Scottish perspective, it does not stem from anti-English sentiment. The polity in Scotland reflects more than the frustrations of being a minority region of various integrated ethnic groups within the UK. It encompasses not only the much mooted historical considerations, but likewise economic and social factors. and contemporary ideals.

Scottish politics is forward-thinking, if at times slow, and racism is deplored by the majority. Indeed, our iournalism reflects this. unlike its English counterpart which is often found stirring racial hatred and tensions, be it through reports about the Germans at the poolside or the whingeing, scrounging Scots who are supposed to be of the same nation-state.

Your letter-writer kindles the worst sort of nationalism. that of hatred. We in Scotland should at least be glad he will never holiday up north. Wayne A Mathieson Stenton, Scotland

# **Sentenced to the euro**

WHAT is going on in Ireland? The economy is booming but its currency is plunging. While ordinary investors continue to have faith in the bullish Irish stock market, speculators have been unloading Irish pounds. This fiasco can be blamed on economic and monetary union (EMU). Ireland is already locked in, or so foreign exchange dealers seem to believe. We Irish are the first prisoners of the single currency life sentence.

The Irish pound has tumbled because the market has decided that we will lock into the euro at 2.41 deutschmarks. With a higher rate, who in their right minds would have held on to punts when they could still get more marks and pfennigs for them? Dealers just kept on selling in the sure and certain knowledge that DM2.41 is on the horizon.

The Irish government and the central bank are giving the go-ahead to the same slogan: EMU rules OK. Their impotence is a taste of the emasculation to come. Who will care for our exporters – or inflation?

The consequences of our fall against other currencies will be more expensive imports. In three weeks the Irish pound has dived from 89 pence sterling to 84 pence. Inflation will rise in the months ahead, just in time to herald our entry into the European prison. There is a floor for the punt. Is there one for the euro?

**Clement Mackay** 

Limerick, Ireland

# **Guidelines on beef**

WE know very little about the new variant of CJD, the human form of BSE "which has killed 23 Britons since 1996" (issue 397). There is no simple test for the infectious protein particles (prions) which lead to this killer disease or even agreement among scientists about modes of transmission. Given the slow progress of this nvCJD, we have no idea how many people are infected or what future mortality rates will be. We know only that it is new and that it is becoming more common.

To state that potentially infected beef is known to be safe or to be fairly

# DRAWN FROM EUROPE



safe is guesswork. We do not know the true risks. If you must eat beef, make certain that it has been expertly deboned, and eat only prime cuts. "Economy sausages", "steak" pies and cheap minced beef are best avoided.

**Professor John Birkett** 

Geneva, Switzerland

# **Baltic security**

FURTHER to "Russian coercion" (Letters, issue 397), it is easy for Mr AV Ozolins, chairman of the Latvian National Council in Great Britain, to use for propaganda purposes a phrase taken out of context and to apply labels to each and everyone. It is more difficult to search jointly for solutions to a problem.

I wonder whether Mr Ozolins is aware of the Russian proposals concerning security arrangements for the Baltic region made at the level of President Boris Yeltsin and aimed at facilitating the process of reconciliation between the Baltic States and the Russian Federation, where there should be an equal interest on all sides.

## **Boris N Malakhov**

Press-Counsellor, Embassy of the Russian Federation London, England

# Charismatic spokesman

IN AN otherwise excellent Dispatches article on London, reprinted from Süddeutsche Zeitung (issue 399), I was appalled that Gerd Kröncke refers to me as a "sect leader". In fact, I am probably regarded as one of the leading spokesmen for charismatic Pentecostal evangelism in Britain and speak on a wide range of platforms from Roman Catholic to Anglican, Baptists to Salvation Army.

Along with Sir Cliff Richard and Archbishop George Carey, I am a founder and patron of the largest Aids initiative in Britain. The Pioneer Trust charitable foundation, of which I am director, has just completed a major event at Wembley Stadium involving 45,000 people. We have been privileged to hand out £87,000 (\$141,725) to children in need.

# **Gerald E Coates**

Director, Pioneer Walton on Thames, England

# **Proud tribal queens**

PETER MILLAR ("London", issue 396) refers to Boudicca, the Roman or Latin version of whose name was "Boadicea", as "proud queen of the Brigantes rebelling against Rome"

IT IS reported that the 13 vials of human growth hormone (HGH) found in the luggage of the swimmer  $\,$ Yuan Yuan were enough to treat all 23 swimmers in the Chinese team for the duration of the Perth World Championships. Injectable HGH costs \$1.200 to \$3.500 a month, well out of reach of most athletes. Who has been funding this drugs programme? Robert Goldman

San Francisco, California, USA

# Kinnock appeal

I AM writing an authorised biography of Neil Kinnock and would be grateful if readers with anecdotes, eyewitness accounts, letters or other material of interest could write to me.

**Dr Martin Westlake** 81 rue Artan, B-1030 Brussels, Belgium

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