01 21/3/98 3:13 pm Page 1

THE EUROPEAN

Nº 409 France Ffr15 Germany DM3.80 UK 75p USA $3

TROJAN HORSE

Is it safe to let the Greeks into EMU?

▶ Fat profit from anti-obesity pills
PAGE 20

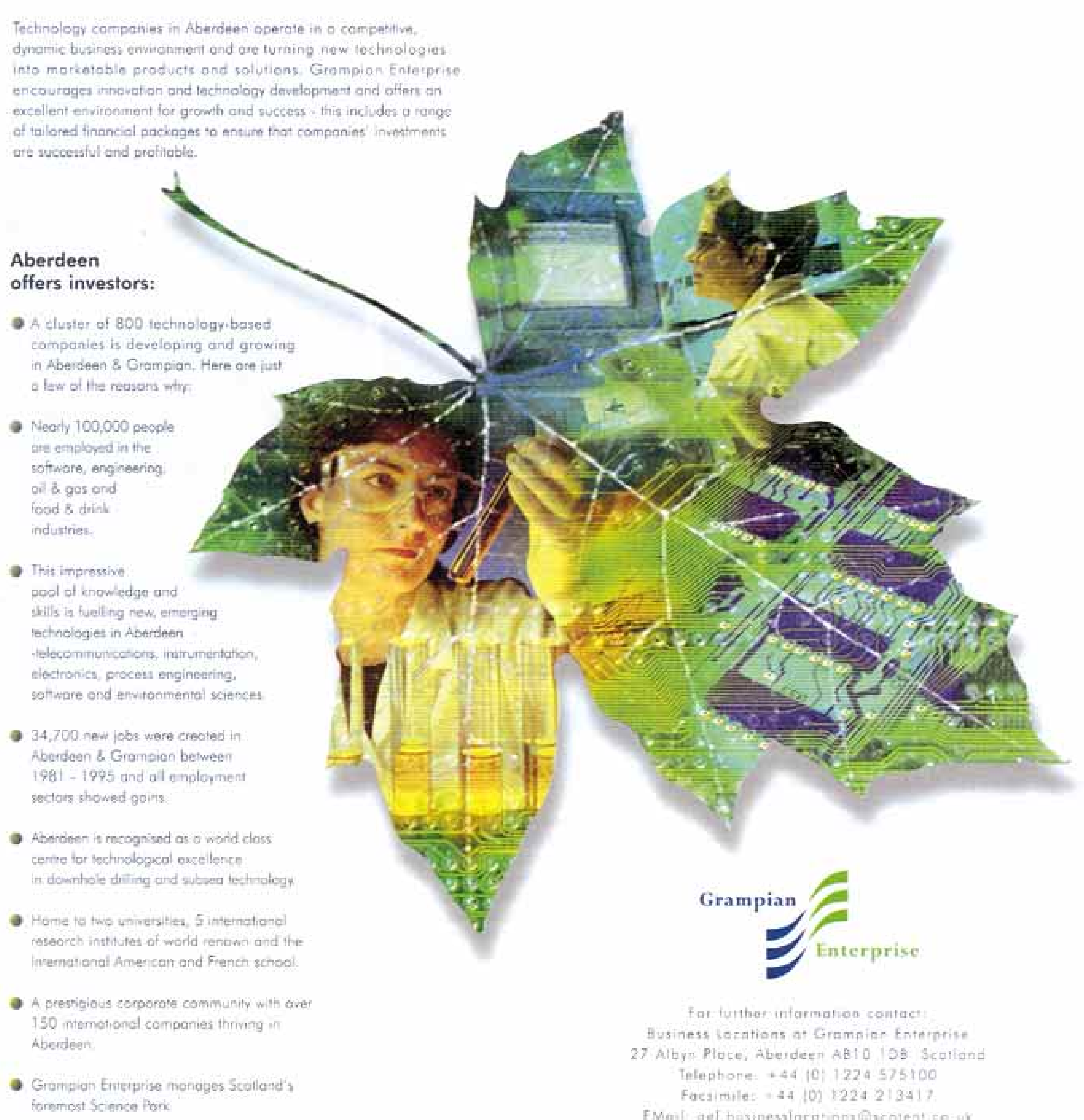
▶ VW drives a hard bargain
PAGE 23

▶ Are you worth $164,000 a day?
PAGE 55

INTERNATIONAL PRICES
Austria....................S35
Bahrain...........Din1.650
Belgium Bf75
Canada ....C$3.50
Canary Isles Ptas400
Croatia KN22.00
Cyprus...............C£1.20
Denmark Kr18.00
Finland............Mk15.00
France Ffr15.00
Germany DM3.80
Gibraltar..............£1.40
Greece................Dr500
Hungary HUF340
Ireland (Rep).......IR£1.00
Israel....................NS 12
Italy..................L4,000
Japan Y700
Luxembourg Lf75
Malaysia.................S$7
Malta Ml0.80
Netherlands ......Fl 4.00
Norway............Kr20.00
Poland ....Zl 7.9
Portugal (Cont.) Esc 430
Singapore...............S$7
Slovenia Sit450
Spain...............Ptas375
Sweden............Kr20.00
Switzerland.........F4.00
Turkey.........TL350,000
UK 75p
USA $3.00
USAFE $1.95

CyanMagYelloKey

ABERDEEN - WHAT THE TECHNOLOGY WORLD IS COMING TO



CONTENTS

COVER STORY

Greece on the tracks 8
Shuttle diplomacy and a timely devaluation have put the drachma on course for the euro, but can even radical reform rescue the Greek economy?

INSIDER

EMU's interest rate fault lines 6
Europe's economies are not clocks, all ticking to the same interest rates

NEWS

Dining with the enemy 14
France's regional elections leave the right in chaos as it splits over deals with the Front National

CAP that 16
Franz Fischler's long-awaited reforms mark the start of fractious squabbles over cash

Final frontier? 17
As the Kosovo kettle continues to simmer Albanians in Macedonia grow restless

Brown study 18
Britain produces a budget aimed at keeping both the poor and the affluent happy

BUSINESS

Fat profits 20
The race to capture a large slice of the $50bn anti-obesity market goes pear-shaped

Southern comfort 22
In Manfredonia, the entrepreneurial spirit of northern Italy is heading south

No siesta time 23
How Volkswagen divides and rules its pan-European workforce

Bridge too far? 24
Bridge Information Systems is bidding to be number one in the financial data market

Net losses 26
Electronic publications are the future. So why is nobody advertising on them?

PCs on the cheap 27
Falling computer prices take the low-paid online but hurt manufacturers' profits

EUROPEAN ESSAY

Radical recipe 28
Hans-Olaf Henkel, president of the Federation of German Industries, argues that only market-oriented policies can revive the economy

EPA

Can I buttonhole you? Tony Blair has news of a cautious first budget but Helmut Kohl worries as his foes marshal their forces Pages 18-19

Zeitgeist

Ocean racing 36
The race is on in Lisbon to complete preparations for this year's Expo. As Hugh Pearman discovers, the builders still have a way to go

Books of the week 38
Is this a manifesto for a red-green coalition government? *Keine Angst vor der Globalisierung* builds the framework for a future Social Democratic government in Germany

Ground control to CEO 39
Now you can join the jet set with your own personal plane, set to retail for less than an executive car

New wave sleep 40
Amplify the amount of sleep you get by tuning into the frequency especially made for insomniacs

SPORT

Hitler's Olympic ruin 48
Berlin's planners stall as the 1936 Olympic stadium fails to meet World Cup standards

Graf's comeback challenge 50
After seven years of medical problems, Steffi Graf hopes to rescale the peaks of tennis

FINANCE

Who's in charge? 52
The European Central Bank's chief economist will be the continent's second most powerful banker

Heading for the Markt 53
The German love affair with equities is leading them to high-risk markets

Poisoned Dart 54
American greenmailer is locked in dispute with Russia's oil barons. Who will win?

Cash rich 55
Guy Hands is Europe's most highly paid banker. His winning strategy is to stay ahead of the pack

European 500 56
Is it time for bottom-fishing of oil firms' shares?

Price sensitive 60
Index-linked bonds will be making a comeback if EMU leads to higher inflation

MBA education special report....30-35
Jobs, courses and business opportunities....43-47
Property special....41-43

Cover photograph: Ronald Grant Archive

Regulars ■ **Editorial comment 5** ■ **Seven Days 29** ■ **Markets 56-61** ■ **Indicators 62** ■ **Letters 63**

EDITORIAL OFFICES: 200 Gray's Inn Road, London WC1X 8NE UK. Tel: +44 (0)171-418 7777
Fax: +44 (0)171-713 1840 Home page: http://www.the-european.com
Editor's e-mail: editor@the-european.com
SUBSCRIPTIONS DEPARTMENT: The European, PO Box 7000, Leicester LE94 7ZU UK.
Tel: +44 (0)1858 439 601. Fax +44 (0)1858 468 969 e-mail: subscriptions@the-european.com

Denmark - importer and distributor: International Press Distribution Denmark ApS, PO Box 9006, 1022 Copenhagen K, Denmark. Basic annual subscription rate £52 - £150. The European is a registered trademark of The European Limited. 'The European' (USPS 008-803) is published weekly for $135.00 per year by The European Ltd., 200 Gray's Inn Rd., London WC1X 8NE, England and distributed by Speedimpex USA, Inc. Periodicals postage paid at IMS of NY. Postmaster: Send address changes to: The European, c/o IMS of NY, PO 1518, Champlain N.Y. 12919-1518.
Printed by BPC Watford Ltd. ©The European Limited 1998 All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Copyright owner. The European is registered as a newspaper at the Post Office and is a registered trademark of The European Limited ISSN - 0959 9061A

The only *REAL* alternative to BT...

FREE CALLS ON SUNDAYS

Primus has become one of the leading telecommunications companies in the world by offering its customers extremely competitive call rates backed with the highest level of service.

NOW GLOBE-TALK BRINGS THE QUALITY AND VALUE OF PRIMUS INTO YOUR HOME BY OFFERING YOU:

- UP TO 80%** saving on your national and international calls

USA	9p	Save 63%	against BT
Australia	21p	Save 57%	against BT
India	60p	Save 50%	against BT
Germany	21p	Save 25%	against BT

- FREE calls on Sundays*
- NO Monthly charges
- Use your existing telephone and number

" I've switched from BT to PRIMUS... and I'm not sorry!"

* Free calls relates to National and Local calls excluding premium rated and certain other numbers. This offer is subject to a minimum spend of £25 per month exclusive of VAT and ends 31st May 1998. **Comparison made against BT standard daytime call to Virgin Island USA excluding discounts.

Call free on
0800 036 0000

www.primustel.com/uk

THE ONLY ALTERNATIVE

EURO23/3

23-29 MARCH 1998

The rout of the right

EUROPE's centre-right is out of touch, out of power and out to lunch. The intellectual new-right colossus that strode the American and British political stages of the 1980s, winning the Cold War, rolling back the frontiers of state control, fighting for free markets and exporting privatisation across the globe, never had a firm footing on continental Europe. The failure to embrace it in the last decade has reduced Europe's mainstream right to a walk-on part in this one.

Last week's French regional elections resulted in further setbacks for the centre-right after last year's rout in parliamentary elections. Defeat has not brought clarity of purpose to a divided, rudderless right that has nothing original or distinctive to say. There is still a Gaullist president in the Elysée but Jacques Chirac is part of the problem, not the solution: a chameleon who will strike any pose to further his interests. That makes him unsuitable to rebuild the right.

The German centre-right is following in the footsteps of its French counterparts; perhaps not to quite the same oblivion but to defeat nevertheless. The Christian Democrats and their coalition allies face a drubbing in September's federal elections. The certainty of purpose that inspired Helmut Kohl to drive through unification after the collapse of communism and never deviate from his plans for a single European currency has deserted him when it comes to dragging Germany out of its economic malaise.

Like France's Gaullists, Mr Kohl's Christian Democrats are only half-hearted supporters of the market economy. Neither has been able to shake off an ingrained belief in the beneficent power of the state, which makes it hard to distinguish them from their opponents. Mr Kohl's main rival will be Gerhard Shröder, an SPD moderniser who believes in only modest reform of the social democratic model. So does Mr Kohl: in policy terms the incumbent will struggle to differentiate himself from his fresher, more dynamic challenger.

With the honourable exception of Spain, which has a centre-right government which knows what it is doing, the mainstream right is faced with a vista of unmitigated gloom. The Italian right is out of power and even more divided than the French Gaullists. The British Tories, who won by landslides when they had something distinctive to say, lost by a landslide under the weak, muddled and uncertain leadership of John Major. Almost a year after their humiliation they remain an irrelevance. (At least his Labour successor, Tony Blair, is building on Thatcherite reforms rather than reversing them.)

Even in Denmark, a country with a bloated welfare state, some of the steepest taxes in the world and high unemployment, the Conservatives lost 10 seats in the general election. Like France's Gaullists and Germany's Christian Democrats, Denmark's wishy-washy Conservatives had no convincing analysis for what ails their country, no radical strategy for putting it right. They promised merely to tinker here, fiddle there. No wonder voters ignored them.

Europe's right, of course, can take comfort from the fact that the centre-left now wears many of their clothes (though not in France). But centre-left governments that are forced to sound more friendly towards the market will not rescue Europe from its economic sclerosis; and the failure of the mainstream right to offer a credible alternative has opened the door to more unpleasant forces.

It is not the social democrats who have benefited most from the decline of the centre-right. It is the nasty, neo-fascist right which is filling the vacuum. The Front National won more than 15 per cent of the vote in France's regional elections – and up to 30 per cent in the country's Deep South. The mainstream right is splitting every which way as some seek to do seedy local deals with the Front while the leadership in Paris threatens expulsion for those who sup with the devil. The centre-right is in its worst state since the start of the Fifth Republic. It has only itself to blame: division and dither is what happens when you have no compass to guide you.

Even in moderate, socially content Denmark the anti-immigrant right made gains while the mainstream right collapsed. The worry in Germany this autumn is that similar forces will prosper, especially in former East Germany, from the inability of the Christian Democrats and their allies to say anything inspiring.

> **Centre-left leaders forced to sound more friendly towards the market will not save Europe from its ills**

The European right is not just out of power; it is intellectually bankrupt. For most of the postwar world it has gone along with the social market economy model (Margaret Thatcher was the first to jump ship when she realised it was not working in Britain). It differed from the centre-left only in that it placed a little more emphasis on the word "market", while the centre-left preferred to underline "social". It was a cosy consensus which served Europe well as long as it delivered growth, jobs and prosperity. Now that social democracy no longer delivers the goods, the European right does not know where it should stand.

Advocating marginal reform is not the answer, either politically (ask the Danish Conservatives) or in policy terms (Europe needs radical reform). The European right needs to take a long, hard look at what ails the continent, learn from what has reinvigorated America and Britain and draw the obvious pro-market conclusions. There is still a deep-seated tendency for the European right to agree with the left that a society with labour flexibility, privatisation, deregulation and a reduced state must inevitably be heartless and uncaring. But when the jobless rate among American blacks is lower than among French whites, it is time to wonder what sort of society is really the most socially inclusive – and begin to espouse the sort of policies that will eventually rescue our continent from its mess.

Night of the long spoons: page 14

CyanMagYelloKey *PLEASE NOTE THIS AD IS ONLY FOR UK*

SNAPSHOTS

Line goes dead as party callers forget art of conversation

GLOBAL ONE, the two-year-old joint venture between France Telecom, Deutsche Telekom and a US long-distance operator, Sprint, could be heading for trouble. Michel Bon, France Telecom's chairman, indicated last week that the venture, which cost his company $220 million last year, was wobbly. He said it was too complicated to estimate losses being racked up by the other two partners.

Will Global One survive or break up like BT and MCI last autumn? Start-up costs in 80 countries for the seamless world service are proving much higher than expected.

In a market where prices are falling, new partnerships are finding it hard to compete and attract new customers.

Austria's motoring putsch

THE future of the once-sleepy Austrian component manufacturer and engineering company, Steyer-Daimler-Puch, is being contested by three bidders: Canada's Magna International, Dana Corporation of Toledo, Ohio, and Borg-Warner, the US gearbox specialist.

The reason for the tussle is Steyer's success in a growing niche market, assembling specialist vehicles for big corporations. Chrysler's Jeeps and its popular people-mover, the Voyager, are put together by Steyer, as is Mercedes' off-road vehicle.

With worldwide overcapacity in volume manufacturing and a growing trend in low-volume specialist vehicles, global manufacturers are turning more and more to specialist engineers to avoid incurring capital investment in lucrative but high-risk market sectors. The battle for Steyer has seen the original $273m offer from Magna rise to $312m.

Could interest in the company have been fanned by Britain's prime minister, Tony Blair (pictured), who abandoned his Ford Galaxy and moved over to a Chrysler Voyager for personal transport? Probably not, but the publicity was not unhelpful.

Crédit where credit's due

WHEN Jean Peyrelevade, the Crédit Lyonnais chairman, unveiled sharply improved financial results last week, he must have expected his nemesis, the EU competition commissioner, Karel Van Miert, to spoil the party. He was not disappointed.

The results are "illegal", said the commissioner. At the heart of the controversy over a record net income of Ffr2.05bn ($171m), up from Ffr200m last year, is a Ffr3bn loss on a loan at below market rates made by the bank as part of its 1995 rescue package. Crédit Lyonnais removed the figure from its accounts because it expected the Commission to allow the French government to refund it as part of a revised rescue package under discussion. Not on. Van Miert says it's an illegal subsidy.

Rosneft's last stand

RUSSIA's last state-owned oil company, Rosneft, has been valued at $2.1 billion prior to a privatisation sale to take place on Wednesday by way of auction by tender which will end on 20 May. In a move that surprised potential bidders, Dresdner Kleinwort Benson investment bank recommended that the government sell 50 per cent of its shares plus one, rather than 75 per cent plus one as originally anticipated. Most investors would have preferred a larger stake, but Kleinwort Benson said the 50 per cent plus one formula would ultimately be more profitable, raising $1.3bn compared with $1.7bn for the 75 per cent stake. But the government announced on 20 March that it was sticking to its original plans, intending to dispose of 75 per cent plus one.

Investor groups interested in Rosneft include a consortium of Gazprom, Royal Dutch/Shell and Lukoil, another of British Petroleum and Sidanko, and a third, Yuksi, the oil giant created by a merger between Sibneft and Yukos.

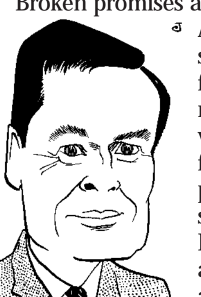
The government intentions were never in doubt, according to some industry specialists. "If you have a limited number of bidders and they're all agreeing on what the terms should be, that's what the government should do," said Steve Allen of Deutsche Morgan Grenfell.

Russia's robber barons: page 45

Hoechst's credibility

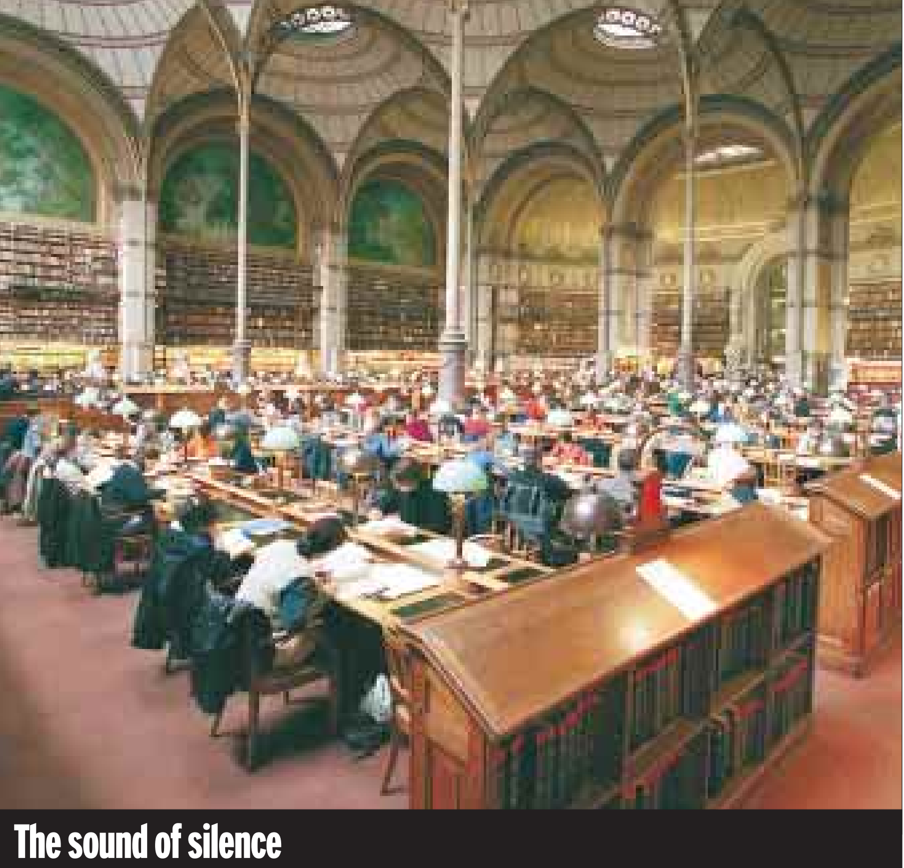
PERHAPS Jürgen Dormann (*pictured*), head of Germany's troubled pharmaceuticals and chemicals conglomerate, Hoechst, should take a leaf out of a competitor's book in his attempts to rebuild his firm's credibility. Veba, another chemicals conglomerate, has impressed fund managers by listing on the New York stock exchange and abandoning a traditional lofty approach to shareholders, a euphemism for keeping them in the dark. Now it plans to report quarterly. Veba is following a growing trend among European blue-chip companies and utilities in taking the New York route, but compared with their European counterparts US fund managers are less tolerant of those who promise much and deliver little.

Broken promises are Dormann's problem.



After initial successful sell-offs – SGL Carbon floated in 1995 – his modernisation stalled when he was unable to fulfil a pledge to float the pharmaceuticals division, Hoechst Marion Roussel, last spring. With a drooping share price and profits lagging badly behind those of German rivals BASF and Bayer, Dormann clearly needs to act quickly to reverse the view of sceptical German fund managers.

ERIC FEFERBERG



The sound of silence

Readers enjoy a final browse in the tranquillity of the National French Library, oblivious to work starting to move 10 million books across Paris. The new building, four L-shaped towers said to resemble open books, rivals the new British Library in London in ugliness. Like their counterparts who lost the circular Reading Room, French readers are mourning the rue de Richelieu building.

Arson in the tunnel?

FRENCH investigators are expected to report this week that arson was the cause of the November 1996 Channel Tunnel fire which disrupted travel for eight months and caused millions of dollars' worth of damage. The details, leaked by the French news agency, Agence France Press, do not indicate exactly how those investigating the fire believe it was started but bring yet more controversy to the tunnel operator, Eurotunnel.

The fire began in a freight wagon before the train entered the tunnel from the French side but it was not detected until the train was well inside the tunnel, where it was extinguished. Five wagons and 15 lorries were damaged. No one was killed but choking lorry drivers had to evacuate to an adjoining tunnel.

Eurotunnel, which currently reports turnover of £531 million ($880m) and an operating profit of £57m, was unable to resume normal services until June 1997 and so far has received £60m on an insurance claim that is still under negotiation.

Safety procedures were re-examined after the fire, which had exposed failures in detection and in evacuation procedures.

The Health and Safety Executive in Britain, which was also charged with investigating the incident, said it would not comment until after official publication of the report.

American know-all

THE tetchy relationship between the US treasury and the Japanese finance ministry has worsened following explicit advice from Lawrence Summers, the US deputy treasury secretary, to the Japanese about how they should shape their stimulus package due to be announced this week. With unprecedented exactness, Lawrence advised raised spending or lowered taxes amounting to $80bn, a stimulus of two per cent of GDP. But Lawrence seemed at odds with a White House economic adviser, Gene Sperling, who earlier advised an economic boost of $59bn.

After two years of pussyfooting around the issue and sticking to the traditional line that a stimulus would be welcome, but that the scale needed was a matter for Tokyo, frustration came to a head when Japan's trade surplus jumped last month by 88 per cent following a collapse of imports, because of the fragility of Japan's domestic economy. The trade surplus rose 32.9 per cent with the US and 75 per cent with the EU.

It remains to be seen whether this new-found US proclivity to dish out advice to trading partners will be extended to commenting on the robustness of central banks' reporting. The banks' assessments of the preparedness of hopefuls for EMU membership are published this week.

Rupert rejected

RUPERT MURDOCH's bid to take control of Italy's main private broadcaster, Mediaset, has been rejected by Silvio Berlusconi, the troubled former Italian prime minister, whose Fininvest investment fund holds 50.6 per cent of the company.

Berlusconi turned down an offer from the chairman of News Corporation, which valued Mediaset at $7 billion. News Corp is thought to have offered L10,000 ($5.55) per share, valuing the Fininvest stake at L5,900bn, while Berlusconi pressed for at least L12,000 per share. This is the second time News Corp has attempted to take control of Mediaset; it failed in its previous effort three years ago.

This is not necessarily the end, though it will not be easy to agree on a price, as Murdoch thinks Mediaset shares are overvalued. Since January, when discussions began, Mediaset's share price has risen from about L8,700, following leaks in the Italian press.

News Corp insists that L10,000 is its final offer but the Mediaset stake remains an important one for the company. The acquisition, if it does eventually come, would enable News Corp to break into television in continental Europe, enabling Murdoch to rival France's Canal Plus in satellite and cable television.

MONETARY UNION

Why a single rate hurts all

IRELAND's move to revalue the punt within the European Monetary System and Greece's decision to have the drachma join it, have been hailed as evidence of the magnetic force of impending monetary union. In reality they underline one of its most glaring structural faults.

For years monetary union has been discussed exclusively in terms of exchange rates. Its supporters say that stable exchange rates are necessary to perfect the single market, that unstable exchange rates distort trade and that Europe's businesses will save on transaction costs.

Opponents argue that exchange rate flexibility is an essential safety valve for any national economy and that, when it is abolished in Europe, huge intra-EU transfers will be necessary to offset the consequent internal shocks on employment.

Even the Maastricht Treaty encourages the view that economic and monetary union (EMU) is about exchange rate stability. It foresees the euro emerging out of the supposed exchange rate stability of the old Exchange Rate Mechanism (ERM). The euro, moreover, is the direct successor to the ecu, the basket currency around which the ERM is built.

All this is dangerously beside the point. It lends credence to the mistaken belief that EMU can work if exchange rates which are fixed between participating currencies are right. When Britain was ignominiously ejected from the ERM in 1992, people crowed with hindsight that Britain had joined "at the wrong time, for the wrong reasons and at the wrong rate". But there can never be a "right rate" at which to join monetary union.

This is because, unlike any single previous international monetary regime, EMU imposes a single interest rate across the entire currency area. In all previous monetary regimes, including all varieties of what is known inaccurately as "the Gold Standard", interest rates varied between countries according to the needs of their national economies.

Under the Classical Gold Standard (ie, before 1914), varying interest rates were the mechanism which kept the system in equilibrium. The Gold Standard did not collapse because it was untenable, as modern economic propaganda maintains. It was destroyed in August 1914 when Europe's states decided to raise money rapidly to fight the war and expropriate their citizens by declaring that the banknotes they had issued against gold would no longer be redeemable in it.

When there was a net inflow of goods and a net outflow of capital, the amount of money in the economy fell and so its price – the interest rate – rose. There was an exact symbiosis between the interest rate and the trade balance.

Interest rates were also different in different countries under the Gold Exchange standard created in 1922 and again after the Second World War at Bretton Woods. They were different within the European ERM, although it exerted pressure on them, sometimes in unwelcome directions. Even countries with currency boards have their own interest rates, such as Hong Kong, whose dollar is convertible at a fixed rate against the US dollar.

Like uni-sized sports kit, there is never a 'right rate' at which to join EMU

It is because, unlike these other regimes, EMU allows no divergence among the economic cycles of the different national economies that the Maastricht Treaty included the convergence criteria. They are called "convergence" criteria, instead of "criteria of financial soundness", for the reason that they are supposed to make one economy out of many and because EMU's architects know that it cannot withstand different national economic needs if they emerge.

But differences in national economies are stubbornly persistent. Not only are there vast variations in economic conditions between potential EMU members; per capita GDP varies from 219 per cent of the mean in Hamburg to 30 per cent of the mean in the Portuguese Azores, while the same figures for the United States vary between 141 per cent and 73 per cent for the richest and poorest states.

Even economies which seem closely linked diverge. The Netherlands is currently enjoying an economic boom while the rest of Europe, including Germany into whose economy it is otherwise heavily integrated, wallows in relative stagnation. Interest rates in the Netherlands are typically a few points below those in Germany, despite an absolute and long-standing link between the guilder and the deutschmark.

These differences persist even in the absence of specific shocks. Differences persist in the long term, even within national economies, such as in southern Italy or eastern Germany, where entrenched economic backwardness is regularly doused with subsidies.

But external shocks happen too and they affect different economies differently. Take the price of oil, which affects an oil-producing country such as Britain in the opposite way it affects an oil-consuming country such as Germany.

You would have to be self-deceiving not to see that the aims of the principal protagonists of EMU are not just different; they are diametrically opposed. France wants EMU to weaken the influence of Germany over European monetary policy, hence Paris's veto of Germany's candidate for the presidency of the European Central Bank, while the Germans want and are constitutionally obliged to accept EMU only if it extends German monetary practices to the rest of the European Union.

Or take the single most important domestic economic challenge for European states: unemployment. Joblessness is dangerously high in all potential EMU member states; the "hard core" is constituted of those countries whose jobless rates are among the highest.

The plans of the two principal protagonists, France and Germany, for tackling it are also diametrically opposed. German supporters of the single currency say that, by increasing transparency and intra-EU competition, the euro will accelerate the structural reform of Germany's bloated social security system. This is plain wrong. If unemployment rises, even temporarily, because jobs are lost to low-wage EMU competitors, then reform will be made politically much more difficult than if it were low.

French supporters of the single currency want it to forestall the need for a leaner social security system and to enable the labour market to be more highly regulated. This is why the French government is timing the introduction of the new dirigiste 35-hour week to coincide in 2002 with the introduction of euro coins and notes.

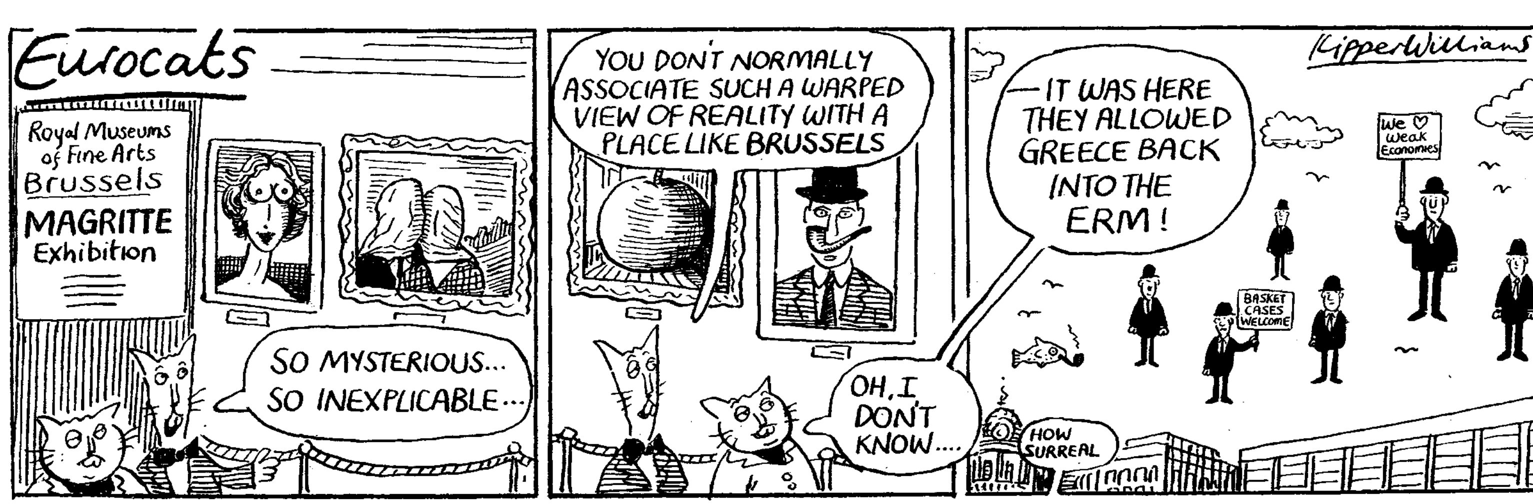
It is inconceivable that these opposed expectations can be resolved within a single interest rate straitjacket. Germany cannot liberalise and France simultaneously increase protectionism within the same economic system. And even if two EMU countries were pursuing the same aim of liberalising the labour market, reform would occur at different paces, according to the different national political pressures. The French riot while the Germans go on strike for a few hours.

These differences in implementation will result in different macroeconomic policy needs – which is just what the single interest rate cannot meet. That is why there can never be a "right" rate for EMU. Like an ugly single-sized sports garment, it will always be too tight for some countries and too loose for others.

When the British chancellor of the exchequer says that Britain is currently on a different stage of the cycle from the continent, he implies that there might one day be a Europe in which all the economies could be set to tick to the same rhythm, like so many synchronised clocks.

This betrays a dangerously mechanistic understanding of economics – the economy is far more like a living organism and not at all like a machine – and it leads to just the kind of economic engineering of planning which free market economics were supposed to have dispelled. ■

JOHN LAUGHLAND



GERMANY

Protest has fatal impact

GERMAN police used water cannons and dogs to hold back thousands of anti-nuclear demonstrators on Friday 20 March as a train loaded with nucclear waste neared a temporary storage site in the north of the country.

A border guard died after being hit by a passenger train while securing a railway line on the train's route near the Bavarian city of Würzburg.

Despite the efforts of 30,000 police to keep the tracks clear, protesters repeatedly managed to delay the train along the the length of its 400 kilometre journey from Walheim, in southwestern Germany, to Ahaus, chaining themselves to the rails only to be cut free by police.

About 450 activists were taken into custody; seven were injured, according to police.

The train, loaded with 60 tonnes of spent nuclear fuel from two power plants in southern Germany, was two hours late when it arrived at the outskirts of Ahaus, its final destination. It was forced to stop again by protesters chained to the line. The demonstrators were forcibly removed, but not before they had managed to undermine several sections of track.

Police kept more than 2,500 protesters at bay for an hour before issuing an all-clear to allow the train to cover the last five kilometres to its destination.

Energy officials moved up the annual waste shipment by a week to foil aggressive anti-nuclear activists who had been protesting for weeks and had planned mass demonstrations. Officials feared violence as well as damage to 12 massive containers holding waste.

Activists say the containers are not leakproof, so shipping the waste could lead to an environmental disaster. They also complain that the waste will sit indefinitely at the temporary site, because Germany has, as yet, no plans for permanent storage. Most also want Germany to shut down its nuclear power plants altogether.

The French right sups with the devil after regional elections PAGE 14

GREECE ■ Shock devaluation produced the deal that might get Athens into EMU, but is the drachma a Trojan Horse that would destroy the euro from within?

BEWARE THE GREEKS, EVEN BEARING GIFTS

Darius Sanai
ATHENS

AFTER Nikos Constantinos finished listening to the early morning radio last Saturday, the first thing he did was put up the prices at his hotel. "It's all great news," he said. The 10 rooms in his white stone mansion on the Aegean island of Mykonos are usually booked up for much of the summer; now he is confident of being full all the way from May to September.

"Most of my clients are German: Greece is going to be cheap for them this summer." The fact that the drachma in his pocket had just been devalued was a blessing, with no disguise.

The feelings of one of his guests, Yeorgos Belegris, were more mixed. "I'm not sure. It means extra costs to my business," says Belegris, whose Athens company imports dental equipment from Germany. "But if that's the price we have to pay for being a part of Europe, I'll do it."

Greece was caught up in a rare flush of national pride last week as the socialist government of Prime Minister Costas Simitis, in a dramatic move few Europeans had been expecting so soon, yanked the drachma into the European Union's Exchange Rate Mechanism (ERM).

The move, approved by all 15 national governments, involved a 14 per cent devaluation of the Greek currency against the ecu and sent the Athens stockmarket into a bullish frenzy. It was seen by many across the continent as a signal of the reforming premier's intention to keep a firm hand on the struggling Greek economy and guide the country into economic and monetary union (EMU) in 2001 – a goal that seemed distinctly unlikely just a few months ago.

Now Greece, which until very recently was considered Europe's basket-case economy, with a huge public debt, a fossilised labour market, an enormous bureaucracy and a state sector redolent of the old Soviet bloc in its inefficiency and corruption, is potentially on course to join hands with Germany, France and the rest of the EMU countries by throwing the drachma into the euro basket.

The man who pulled off what most analysts had considered to be "mission impossible" is Yannis Stournaras, chairman of the government's council of economic advisers. He spent three weeks shuttling between Athens, Brussels, Paris, Bonn and London as he masterminded the ERM deal and secured approval to join from the European Commission and the major European Union governments. All the negotiations were conducted amid the strictest secrecy. Stournaras knew that if the financial markets got wind of a plan to devalue the drachma, it would be subjected to a run that could test the government's already depleted foreign exchange reserves of just $13 billion.

Germany's approval was vital: Bonn is worried about the political fallout of weak currencies joining EMU and creating a "soft euro". Popular opinion, already wary of ditching the mighty deutschmark, has been shaken by the admission of Italy to the euro zone. Would even suggesting that the Greeks might do likewise be the final straw? In the end the Germans – swayed by the overriding commitment of the Kohl government to monetary union – came out with a statement of support, the strongest vote of confidence yet in the ability of Simitis to reform the economy. Almost as important was the nod of approval which came from the International Monetary Fund's president, Michel Camdessus.

The agreement was effectively sealed as EU heads of government, including Simitis, gathered in London on Thursday 12 March. But Stournaras and Simitis were desperate to keep the news a secret until the major European currency markets closed on Friday evening. Within minutes of that happening the economics ministry in Athens "officially leaked" to the Greek press, even though the formal announcement was not made until Saturday morning.

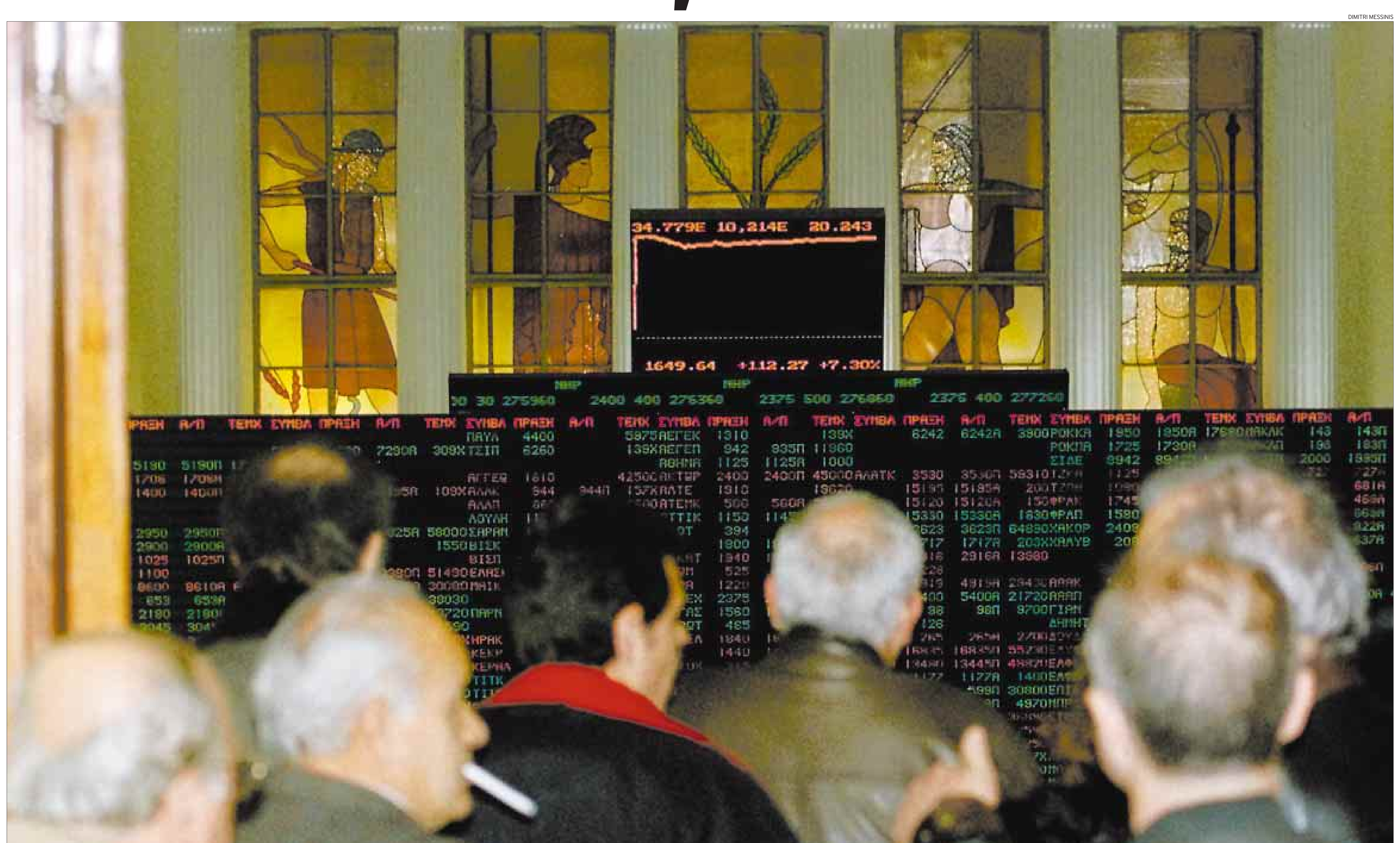
EU foreign ministers sat down to talks in Edinburgh with the drachma devaluation already a done deal. Some of Simitis's own cabinet ministers did not know about the deal until the last minute; more than a few of his backbenchers were livid, denouncing it with as much vehemence as the conservative opposition.

Simitis went live on national television on Saturday to announce the devaluation. It was a tense weekend; nobody could predict how the money markets would react. Some analysts said the devaluation should have been 20 per cent. A negative reaction could have sent it through the floor. One Goldman Sachs expert had even ventured, unhelpfully, that the drachma could be the "Thai baht of 1998".

On Monday morning a nervous Simitis flew to Prague for a prearranged trip to see President Vaclav Havel, effectively to catch up on the progress the Czechs have been making on their fast track to joining the EU. One of his greatest unspoken fears has been that several of the east

continued on page 10

DIMITRI MESSINIS



Bull's eye: investors watch values surge at Athens's stock exchange

continued from page 9

European aspirants could overtake Greece in economic terms, perhaps even joining EMU first and leaving Athens languishing at the bottom of the league, in danger of relegation. When he returned to Athens on Tuesday morning he was overjoyed to find the currency market stable and stocks still rising on the second day of an unexpected boom. The gamblers had backed his bet and taken a chance on Greek equities being a bargain.

BRUSSELS

OLIVIER POLET

Stournaras arrives for a session of the European Union monetary committee

In his office at the economics ministry overlooking Athens' Constitution Square last week, Stournaras brandished a copy of the *Wall Street Journal*. "Look," he said, pointing out a report on how the stockmarket had boomed since the devaluation, "it's amazing, isn't it?" He moved over to a computer monitor with the latest market information.

"Even I didn't expect the reaction to be this good," said the technocrat with a reputation as Athens's financial whizzkid as he scrolled down the screen, unable to conceal a broad grin. Stournaras, together with his chief economic adviser, Professor Tassos Giannitsis, has been the driving force behind the government's decision to make joining European economic and monetary union its main priority.

Initial market reaction to the move, which was welcomed by the EU countries, was ebullient: the Athens stock exchange ended the week at 1919.91, up 15 per cent since devaluation. Foreign investors saw tough talk by the government last week on further privatisations and labour market reform as encouraging signs that the poorest country in the EU really is getting its act together.

The reforms launched by Simitis are vital to Greece's hopes of participation in a single currency: with more than 50 per cent of the economy still in state hands, one of Europe's most rigid labour markets and an agricultural sector, comprising 27 per cent of the population, heavily dependent on EU subsidies, Greece is still a Third World away from Paris, Hamburg or London.

EDINBURGH

LOUISA BULLER

Van Mierlo, Dutch foreign minister, and Greek counterpart Theodoros Pangalos

If Simitis fails properly to modernise his economy, regardless of whether Greece satisfies the Maastricht criteria, the consequences could reverberate through Europe. Although Greece's return to the ERM is only a first tentative step towards potential EMU membership – and far from a guarantee – the principle of admitting weaker economies is already softening the embryonic euro. Even Kohl is worried.

In an election year it could be hard work explaining that the deutschmark in the booming BMW worker's pocket buys less because of the "necessity" of including a half-baked economy in monetary union. Already, the deutschmark has fallen two pfennigs in a week since the drachma's accession to the ERM was announced. Europe's leaders may be pulling a Trojan Horse into the euro stable. Once in EMU, the irreversible nature of monetary union would mean the door was bolted behind them.

Greece is the poorest EU country by a long way, its GDP per capita half that of Germany. In many ways it is closer to former communist countries such as Slovenia and the Czech Republic than it is to most of its EU partners. But it eats up a large proportion of European taxpayers' money: every year since 1991 the economy has been subsidised by Brussels to the tune of 4.2 per cent of GDP – meaning that $5.1bn flowed into various Greek projects and farmers' pockets through the Common Agricultural Policy (CAP).

ATHENS

YORGOS KARAHALIS

Simitis after a cabinet meeting on structural reform for ERM entry

The reforms have earned Simitis the nickname "Greece's Tony Blair" and have split both his own Pasok party and the centre-right New Democracy opposition. Simitis embarked on reform in 1996 when he succeeded Andreas Papandreou, the veteran socialist whose nepotism and corruption had discredited Greek democracy and prompted jibes that he was a Stalinist in shepherd's clothing. In stark contrast, Simitis has moved towards privatising some state-owned firms, trimming the huge bureaucracy, blunting the teeth of the all-powerful public-sector unions and cutting government spending to reduce the burgeoning budget deficit.

The changes look impressive on paper; but the reality is rather different. Simitis may have shown a willingness to reform certain sections of the economy but there is no evidence that he will embark on the wholesale structural reform – akin to a revolution – that is needed to bring Greece into the 21st century. In the words of Stefanos Manos, the former New Democracy finance minister, an avowed free-marketeer and one of the most respected voices in Greek politics: "The so-called reforms are just lip service; they're superficial. Greece cannot and should not get into EMU unless it tackles its endemic structural problems. People talk of Simitis as being Greece's Blair," says Manos, independent MP for Athens. "But you can't have Blair without a Thatcher. Greece has never had a Margaret Thatcher."

EPA

Greek fire: Costas Simitis, the reforming socialist premier, went on live television to announce devaluation to the nation after shuttle diplomacy across Europe (left)

Simitis is confident his government will do enough to meet the Maastricht criteria of low inflation and reduced government debt, a task that has already been eased by the creative accounting used by the Italians in particular, but also the Spanish, French and even the Germans. But behind the statistics and the admirable performance of certain sectors of the economy – the tourist industry, shipping, some financial services – is another picture, one of a country held hostage by the crippling Papandreou legacy of old-fashioned socialism, political patronage and corruption.

"The government talks of privatisation, but there is so little and it's taking place at such a slow pace," says Anthony Kefalas, associate editor of *Ekonomikos Tachdromos*, the country's main financial weekly. "For all the talk, until now we've had no structural reform."

Kefalas points out that, so far, the government has tried to reduce the deficit by increasing taxes. It has yet to deal in an emphatic way with the causes of the deficit on the expenditure side, a catalogue of problems including large subsidies and other transfers, the high number of civil servants, loans undertaken on behalf of public enterprises, the huge operational deficit sustained by the social security system and the large number of money-eating quangos.

The public sector, which employs 600,000 people, is at the root of the problem. Manos, who started to embark on reforms when he was finance minister in 1992, calls it "enormous, bloated, overstaffed, expensive, inefficient, unproductive and, most of all, corrupt".

Public sector employees cannot be sacked unless they break the law; the government introduced a policy of hiring only one worker for every five who retire, but this has not yet filtered down to most local government offices and state-owned corporations.

The bloated public sector, employing 600,000 people, is at the root of the problem

Most public sector employees are political appointees. While most western countries endure a degree of political appointment at the top of the civil service, appointments in Greece are made as a matter of patronage. For example, after each election, managers of a hotel chain belonging to a nationalised bank are shifted out and new managers appointed – as are managers in the bank itself. In effect there are two parallel civil services, each one swapping places with the other when their party wins.

"As an MP, the question you get asked most frequently by your constituents is: 'Have you found my son or daughter a job?'," a senior Pasok MP said. "It's not a question; it's something that's expected." Bureaucrats expect to be paid bribes for performing the simplest tasks and the system encourages this secondary economy because it means wages can be restrained. "It's very much like the Soviet system: 'They pretend to pay us, we pretend to work'," says one businessman.

While it has not yet moved to reform the bureaucracy or social security system, the Simitis government has at least launched a cautious privatisation programme. The state banks, which account for 80 per cent of the banking sector, are being shaped up, with three small banks and one medium-sized one, Ionian, facing rationalisation and at least partial privatisation and an expected injection of management expertise.

The state-owned banks are themselves an example of much that is rotten within the system: bankers have been known to give preferential-rate loans to local politicians, who in turn ensure the bankers' friends and family get plum jobs in the bank. Such loans are rarely repaid and the state has poured hundreds of millions of drachmas into the system to compensate. In the present reforms, some of Ionian's branches may have to close but there will be no real job losses; legally, the government will have to offer several thousand employees early retirement and generous packages costing as much as their salaries.

continued on page 12

AT A TANGENT

Punting up the Irish connection

Avinash Persaud

THE European Monetary Committee has had a busier fortnight than usual. Not only was Greece admitted to the Exchange Rate Mechanism (ERM) at a new devalued rate but the Irish punt was also revalued. Ireland's ERM central parity was revalued three per cent from Ir£2.411 against the deutschmark to 2.483.

The revaluation was designed to keep the punt's market rate fairly unchanged. Indeed, if the punt revaluation has wider implications, it is in the clear desire by European central bankers to preserve stability in the run-up to the EMU start-up date of 1 January 1999.

If Europe's central bankers were not so hung up on stability, we might have seen a revaluation in the punt in the order of 10 per cent. Ireland can boast strong economic growth, above six per cent, and a hearty current account surplus (above two per cent of the country's gross domestic product).

The decision to let Greece join the ERM at a sharply devalued rate indicates that Europe's bankers will do anything to head off a crisis. There are rumours that they are intervening in the market to keep the dollar in a tight range. The aim is to keep volatility to a minimum as EMU-day approaches. Further realignments of the Italian lira and Finnish markka appear unlikely, although not impossible.

In the interests of stability Europe's central bankers will also be keen to keep interest rates stable for as long as possible without jeopardising anti-inflation credibility. This means that German interest rates are not rising in the weeks ahead and the deutschmark will continue its general, gentle weakening trend in the near term. However, it does not necessarily mean that German rates are staying put until EMU-Day. Once the European Central Bank (ECB) is established in July, it will co-ordinate interest rate decisions euro-wide.

While German economic conditions may not warrant an interest rate rise, there is clear evidence that the euro area may soon require one. Rising interest rates on the fringes of the euro area in the Czech Republic, Finland and Norway herald higher rates in the core. Stability may be a key priority, but to the new ECB president the euro's anti-inflation credibility will be even more important.

The writer is head of currency research at JP Morgan

Are you the best in Europe?

Case United Kingdom Limited – 1997 Winners

'Entering the Perkins European Quality Awards was an excellent opportunity to have a "healthcheck" in our steps towards becoming a world class facility. Winning the award enabled us to benchmark ourselves against other leading companies but more importantly it has helped us remain focused on our quality initiatives.

The fact that we won reaffirmed that all the effort was worthwhile and we are heading in the right direction.'

XXXXX, Case United Kingdom Limited

Accept the challenge by returning the coupon today.

In association with

NSQT

National Society for Quality through Teamwork

Please contact me with further details of the Perkins Engines European Quality Award.

Name: __________

Title: __________

Company: __________

Address: __________

Country: __________

Tel: __________

Fax: __________

Post to:
Jo Allum
Perkins European Quality Award 1998
National Society for Quality through Teamwork
2 Castle Street
Salisbury
England
SP1 1BB

Or phone us on:
Telephone: +44 (0)1722 326667
Fax: +44 (0)1722 410983

SUBSCRIPTION OFFER

The European **is essential reading for business people in Europe. Don't miss a single issue. Subscribe today. Our basic annual subscription rates are:**

COUNTRY	1-YEAR RATE	
Austria	Sch	1300
Belgium	Bfr	3200
Czech Rep	Kč	3200
Denmark	Dkr	600
Eire	I£	52
Finland	M	570
France	Fr	570
Germany	DM	160
Greece	Dr	26000
Hungary	HUf	18000
Italy	Lira	150000
Luxembourg	Lfr	3400
Malta	M£	52
Netherlands	Nfl	190
Norway	Kr	650
Poland	Zl	325
Portugal	Esc	16100
Spain	Pts	13000
Sweden	Skr	680
Switzerland	Sfr	115
UK	£	52
Other Europe	£	56
Canada	C$	155
USA	US$	135
Rest of World	£	150

To subscribe, please write to:
***The European*, PO Box 7000, Leicester LE94 7ZU, UK**
fax: +44 (0)1858 468 969
tel: +44 (0)1858 439 601
e-mail: subscriptions@the-european.com

Please give your full address, including country. We will start your subscription immediately and send you an invoice.

CLAY PERRY

It was this big, honestly: most Greeks were pleased by the devaluation; some independent financial experts thought it should have been much more substantial

continued from page 11

In a more impressive move, four state-owned companies have also been targeted as showcases of privatisation, with Olympic Airways singled out for tough treatment. It is notoriously overstaffed and inefficient, with wage costs comprising almost 50 per cent of its expenditure, compared with a European industry standard of 28 per cent.

The government has vowed to restructure Olympic, threatening to close the airline down and reconstitute it as a slimmed-down company the next day, if necessary. Government ministers say privately they fear the power of the airline unions but Simitis has staked his pride on showing he can carry off the reform and is determined to do so before the summer.

Even if he breaks the unions, Greece's prime minister will have to deal with the hardline rump of Pasok, which, having spent 16 of the past 19 years in power, most of them under Papandreou, is not used to seeing its union comrades attacked. Many senior union officials are also party apparatchiks, including Christos Polyzogopoulos, the general secretary of the General Confederation of Labour: he has started to criticise Simitis and will see his party loyalties tugged much harder if the government ever turns its actions into words.

The main threat to Simitis is his hardline defence minister, Akis Tsohatzopoulos; but a more active critic is the education minister, Gerasimos Arsenis. Both were beaten by Simitis two years ago for the party leadership. A senior Pasok MP recently sent an invitation to all his colleagues who opposed the government's reforms, inviting them for a chat. "There were so many I couldn't fit them into the living room," he recalled. He is confident of rounding up a caucus of 40 rebels if the government goes "too far". Given that Pasok has 159 MPs, giving it a fairly modest majority in a 300-seat parliament, it is a threat to be taken seriously.

A source close to the prime minister said he was confident that the left-wingers would have no reason to rebel. Most of them, including the defence minister and the veteran left-winger and junior foreign minister, John Capsis, are foreign policy hawks.

Officials given EU money for cultural facilities have used it to open nightclubs

The government is giving them a sop through its tough stance on Turkey and commitment to high defence spending. But what if the workers really started to squeal?

"Greece is a socialist country by nature," said Capsis. "Any privatisation would mean huge job losses, so we would ask at the same time for additional social security measures."

The austerity programme, he said, "would have to be shared all over, by the rich as well as the poor".

The inward investment the government needs to generate sustainable economic growth may be impressed by the supposedly bureaucracy-slashing "one-stop investment shop", akin to Ireland's, that was recently set up by the socialists. But if the experiences of Canada's TVX Gold are anything to go by, there could be further problems along the way.

Two years ago TVX set up a Greek subsidiary with the intention of pumping $600m into a new gold mining and refining facility on the Halkidiki peninsula east of Thessaloniki. It was due to be one of the biggest foreign investments in Greece since the Second World War – until, last November, villagers angry at unwanted industrial development in their back yard blew up and set fire to the facility, with the full support of town mayors. (The mayors received suspended jail sentences.)

The investment is now suspended while a government agency compiles a report into the best sites for the mine, and TVX, if it pulls out, faces losses of $180m. "The government must understand that when a major corporation comes in and wants to invest, it shouldn't see it as an opportunity to say, 'Ha, let's get lots of money in taxes'," says Yiannis Drapaniotis, the TVX Greece chairman, adding: "If we stop now, will anyone else want to start something up here?"

The climate for new enterprises is more redolent of Brezhnev than Blair. An entrepreneur wanting to set up his own business needs no fewer than 16 permits; bribes usually need to be paid at every stage. The whole process usually takes a year. When they do get up and running, new businesses face the most rigid labour market in Europe. Although private sector unions are tame, workers are allowed to work only 15 hours' overtime every six months. Similarly, the working week is legally restricted to 45 hours in a maximum of six days. Firms are not allowed to sack more than two per cent of their workforce in any month.

The current government, more than any other before it, is willing to recognise that drastic changes need to be made, quickly. But if the government goes to the root of the problem and recognises the extent of the changes needed, it will be confronted with the realisation that its core constituency is the one that will suffer most. Manos, the former finance minister, is not exaggerating when he says the Greek public sector is more communist than in most ex-communist countries: it is larger now than that of Poland and the Czech Republic.

Privately, cabinet ministers admit they have little idea what to do about one of the country's most pressing long-term problems. A significant proportion of the $5bn received annually from the EU goes to tobacco, olive and other farmers as CAP handouts.

The multiplier effects of these essentially untenable businesses – most farmers would go bankrupt without the aid – mean more than a million Greeks are dependent on EU handouts that will inevitably decrease as the Union expands. Patience with impoverished Greek farmers, growing unsaleable low-grade tobacco on their one-hectare mountain strip farms, could soon wear thin. The government has no idea how to cope with the unemployment, flight to the cities and pressure on government coffers that the inevitable tapering of the subsidies will bring.

The Greeks' relationship with the EU has always been one-sided. Greece has until recently squandered its EU largesse. There are documented instances of local officials who received regional aid to develop tourism and used it to buy private yachts; funds donated to expand cultural facilities were used to set up nightclubs. That this was tolerated is a legacy of the geopolitical situation when Athens started accession talks in 1976: the country was emerging from the colonels' dictatorship, a politically fragile, poor, socialist-leaning nation in a strategic position on the southern end of the Iron Curtain at the gateway to Asia.

Allowing Greece to join was a way of helping the young democracy to stay in the western fold; the subsidies were seen as a small price to pay for retaining the allegiance of an important strategic partner. Now, with communism dead, this strategic incentive has vanished. In Athens, wiser commentators are starting to understand the *realpolitik*: the Czech Republic and Slovenia could soon be richer than Greece.

Meanwhile, Europe is paying billions of dollars a year to a country which has until very recently shown no sign of bothering to adapt itself to a modern global economy. In contrast, the former Soviet bloc nations, desperate to join, have transformed themselves from Marxist dictatorships into quasi-market economies in the time it has taken Athens to privatise half of its telephone company. Europe is still waiting for Simitis to make the right connection.

A walk on the inside of the EU corridors of power

Federal follies

ENTHUSIASTS for the cause of European federalism gathered last week in Brussels to get carried away with talk of constitutional reform.

The Union of European Federalists (UEF), together with its cadet branch, the Young European Federalists, launched a campaign for what it calls "a great democratic initiative". By the time of European Parliament elections in June next year, it hopes to have persuaded one million citizens to sign up to the cause of a federal constitution for the European Union.

At a conference in Brussels Joe Leinen, UEF's president, touted institutional reform as a cure-all and dismissed a suggestion that the public were not interested. "Even sceptics are not against Europe," he said. "They are against the way the institutions now work."

Mr Leinen should perhaps have obtained a copy of a Eurobarometer survey of public opinion in Europe, published by the Commission on the morning of the debate, in which institutional reform ranks 10th on a list of 12 policy priorities for the EU.

Fighting unemployment and poverty rank highest in public concern. Enlargement, the federalists' justification for institutional reform, is bottom of the priority list, with 61 per cent of those surveyed thinking that it should not be a priority.

More worrying for Mr Leinen, only 16 per cent think that institutional reform is a prerequisite to enlargement, while 54 per cent believe it is irrelevant.

The group's campaign to make Parliament more important is naturally popular with MEPs. But the parliamentarians should also be chastened by the survey, for it found that only 43 per cent of European citizens questioned were aware of the current assembly's activity. In the light of this finding, the suggestion by a French MEP, Jean-Louis Bourlanges, that the European Parliament should become a constitutional assembly, was verging on the fanciful.

Building blues

BARELY has Parliament's new building in Brussels opened its doors after months of controversy over its extravagant cost than the long-suffering MEPs must turn their attention to the new headquarters being built for them in Strasbourg at a cost of Ffr3 billion ($489 million) – and rising. The contract signed in 1994 between Parliament and Sers, the French company responsible for monitoring work on the site, originally planned that the circular iron-and-glass building would be completed by December last year. Three months after the expiry of the deadline, there are serious doubts about the building being ready for the first session in the autumn. Parliament is now considering fining Sers Ffr180,000 for each day it goes beyond the deadline.

Sers said last week that it would not meet the new deadline of 25 May (which does not include fitting the electronics, setting up maintenance teams, installing furniture and conducting a security review) unless it can hire extra workers.

There are already 1,200 people working on the 200,000 square metre site – including 20 working full-time on tiling the 626 MEPs' bathrooms.

A spokesman for Parliament had no objections to more staff being hired so that the deadline could be met. "We will have a session in the new building in the autumn," he said, but added, charily: "Sers can hire additional staff if it needs to, but we won't put more money into this."

Belgian own goal

PHILIPPE DE COENE, a Belgian MEP, has decided to wage an all-out war against the CFO, the French organiser of this summer's World Cup, which is accused of discrimination against non-French fans in its ticket-selling policy. "If we can't make it to the stadium, we can make it to the court," says Mr de Coene who, together with a handful of MEPs (lots of Britons, no French), is threatening to take legal action against the French organisers. The move follows a resolution adopted by Parliament two weeks ago in which MEPs criticised the Commission for entering late into the fray.

Since 20 February talks have been stalled between Karel Van Miert, the competition commissioner, who demands that the paltry 110,000 tickets which have still not been sold be distributed outside France, and the CFO, which does not want to exclude the French public.

The 110,000 tickets are not enough for Mr de Coene and his newly appointed lawyer. They are seeking to recover 2.5 million seats, most of which have already been sold in France. According to a spokesman for the Commission: "Mr Van Miert is rejecting this idea completely."

Mr de Coene has so far refused to disclose the shape of possible proceedings but insiders reckon that he might sue the Commission before the European Court of First Instance under an emergency procedure. However, another route for Mr de Coene, who still considers Van Miert "an ally", would be to take action against the CFO, since article 85 of the EU Treaty, which regulates competition, is directly applicable in national courts.

A judgment could be issued by national courts before the World Cup in June but few think that sold tickets could ever be recovered, even though they have not yet been printed.

The legal case could end up being more captivating than the football.

Delors unto himself

JACQUES DELORS, the former president of the European Commission, was in Brussels last week to speak about the prospects for enlargement of the Union.

But Brussels has changed a little since *frère* Jacques was in charge. The Delors-engineered Social Chapter to the Maastricht Treaty took a heavy blow last week when Unice, the EU's federation of employers' organisations, pulled out of negotiations with the trade unions over the issue of consultation in the workplace. Delors' successor, Jacques Santer, now hopes to knock heads at a summit on "the future of the social dialogue".

Even as Mr Delors was addressing Parliament, unfavourable comparisons were being made between the EU's spending plans for 2000-2006 and those in Delors' day. The EU has set a ceiling for the next spending round of 1.27 per cent of its GNP, compared with the 1.37 per cent Delors proposed in 1992.

Firing up trouble

TROUBLED industrial relations are a problem being faced by Manfred Dammeyer, the new president of the Committee of the Regions.

The committee – an advisory panel of representatives from the EU's regional and local governments – ran into trouble some time ago over the appointment of staff to its secretariat.

It was accused by the white-collar trade unions of infringing EU law, a charge supported by a ruling from the EU's Court of First Instance. The unions claimed that the committee did not follow EU procedures of open examination and interview, preferring instead the practice of cronyism.

Dammeyer has swept into office wielding the proverbial broom but may have succeeded only in putting out his own eye with the handle. He has appointed two previously rejected applicants, including the one who brought the case, but has sacked two other officials to make way for them. Firing is almost unheard of in Brussels, so now the two employees who were dispatched are expected to sue.

Dammeyer can, at least, cheer himself with the thought that he is not sharing the committee's rotating presidency with a French aristocrat. Earlier this year Valéry Giscard D'Estaing, the former French president, decided not to seek the conservative group's candidacy for president, fearing that he would be defeated in regional elections at Auvergne, which he represents on the committee. But last week D'Estaing was comfortably re-elected.

MEPs on the lookout for new trade ties heard someone say in a robotic voice that he had come from Mars

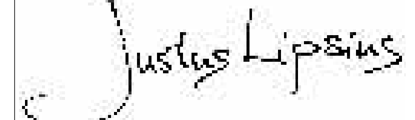
Ground control to MEPs

A GROUP of American and European businessmen mustered at Parliament were briefly led to believe that they had been summoned to an intergalactic encounter with delegates from outer space.

The EU Committee of the American Chamber of Commerce was holding talks to foster closer links between MEPs and "European companies of American parentage".

The visitors met Parliament's delegation for relations with the United States to discuss the Commission proposal for a new transatlantic marketplace and other EU-US trade issues. But the possibility of a transgalactic market place was raised by a member of the audience who took the floor and said, in a robotic voice: "I am speaking from Mars."

For a few seconds, the mere blinking of an interplanetary eye, the audience was baffled. Then reality dawned: the humanoid was not actually an ambassador from the red planet, merely the German representative of a large US confectionery maker. Amid the laughter, one could feel a touch of disappointment.



PHOTOGRAPHS JEAN-PAUL BAJARD / EDITING

FRANCE ■ Front National poll success offers conservatives power at a price

Night of the long spoons for French right

Edith Coron
BEAUNE

PIERRE JABOULET-VERCHERRE was in his element. Regional leader of the neo-fascist Front National (FN) and heir to an old and internationally respected wine merchant's house, he found himself after last week's French regional elections poised at the very heart of events in his beloved Burgundy.

Gazing across the multicoloured roof of Beaune's 15th-century hospice, the architectural jewel of the Duchy of Burgundy, he boasted with a grin: "I have the power to make the duke!"

He did not exaggerate. Without the FN's support, Auxerre's outspoken mayor, Jean-Pierre Soisson, of the centre-right Union pour la Démocratie Française (UDF), would not have been elected president of Burgundy's regional council.

The Front's 15 per cent vote meant that here, as in nearly half of France's 22 regions, FN power-brokers had a decisive say in the make-up of regional administration. The FN played kingmaker in five regional assemblies; the five elected presidents immediately lost their UDF party cards. Five further split assemblies postponed voting until Monday 23 March.

The parliamentary right in Burgundy, anxious to hold on to the kudos of power, had no alternative but to ally itself with the hard men of Jean-Marie Le Pen, the FN's ebullient leader. In Paris, the word had gone out from conservative leaders, starting with President Jacques Chirac, not to succumb to temptation. But such orders were not always easy to obey.

The newly acquired power of the FN, a party which, because of the complexities of the French electoral system, has no parliamentary representation, wrought havoc on the French regional scene. In spite of Chirac's insistence that "when one has republican convictions one must make no compromise", local deals have blurred the lines between the acceptable and the unacceptable. So many compromises were made that the former centre-right prime minister, Alain Juppé, warned that "the republican opposition is going through one of its most serious crises ever".

After last week's elections, the political landscape looked awkward for the traditional right-wing parties. They knew they would keep only a few of the 20 regions they had controlled since the previous elections in 1992. But if the leadership had prepared for defeat, they were not ready for mutiny

The results gave the UDF- RPR (Rassemblement pour la République) centre-right alliance a clear majority only in the Pays-de-la-Loire. The left won nowhere outright, save for Limousin, although it did record the largest block vote in six regions. Nine regions saw the right holding a lead, while in another four the left-right split was practically even.

Burgundy was one of the divided regions, and the scenario written by the FN was played out to the letter. From the forests of the Morvan to the vineyards of the Côte d'Or, the 22 councillors of Burgundy's established right-wing parties faced a painful dilemma: to allow the election to the regional assembly presidency of Eugène Tesseire – an old friend of François Mitterrand and one of the 24 *gauche plurielle* (pro-government union of Socialists, Communists and Greens) councillors – or to accept the backing of the FN to guarantee the election of one of their number.

Two councillors elected on the traditional "hunters and fishermen" ticket sided with the right. "Since for us the enemy are the Greens and since they are in coalition with the left, it is logical that we should back the right," explained the FN's Guy Obozil.

Wine of discontent: election posters still adorn hoardings in Meursault but the parties are coming to uncomfortable compromises

'I have the power to make the duke,' boasts the Front's local boss

1. Political colours of the French regions after municipal elections

Left: absolute majority
Left: marginal majority
Right: absolute majority
Right: marginal majority
Equal distribution

Map 2
Right: backed by FN
Split: vote 23 March

2. Political control after a week of negotiations in undecided areas

3. How it would look if the right accepted the Front National (FN) argument that they had common ground

Graphic: Ben Gilliland

LEFT MAJORITY

	Extreme left	Broad left	Other left	Others	Other right	RPR-UDF	FN	Abst
Region with absolute majority								
Limousin	-	22	2	2	-	14	3	35%
Regions with partial majority								
Aquitaine	-	40	-	8	-	28	9	39%
Centre	1	33	-	1	1	28	13	42%
Ile-de-France	3	86	-	1	15	68	36	46%
Languedoc-Roussillon	-	31	-	1	3	19	13	38%
Midi-Pyrénées	2	41	-	2	4	34	8	36%
Nord-Pas-de-Calais	7	50	1	2	10	25	18	40%
Haute-Normandie	2	23	-	1	5	14	10	41%
Picardie	3	23	-	1	-	19	11	38%
Provence-Alpes-Côte-d'Azur	-	45	3	1	2	35	37	42%

RIGHT MAJORITY

	Extreme left	Broad left	Other left	Others	Other right	RPR-UDF	FN	Abst
Region with absolute majority								
Pays-de-la-Loire	1	27	4	5	15	34	7	43%
Regions with partial majority								
Alsace	-	9	-	6	1	15	16	46%
Auvergne	-	20	1	1	4	17	4	38%
Bretagne	1	34	2	2	3	34	7	41%
Champagne-Ardenne	1	17	-	2	3	17	9	44%
Lorraine	1	24	1	1	11	22	13	44%
Basse-Normandie	-	17	-	2	4	18	6	42%

EQUAL DISTRIBUTION

	Extreme left	Broad left	Other left	Others	Other right	RPR-UDF	FN	Abst
Regions with absolute majority								
Bourgogne	-	23	1	2	3	19	9	43%
Franche-Comté	1	15	1	-	1	16	9	38%
Poitou-Charente	-	22	2	2	4	20	5	42%
Rhône-Alpes	-	54	6	2	5	55	35	46%

TOTAL PARTY PERFORMANCE

	Extreme left	Broad left	Other left	Others	Other right	RPR-UDF	FN	Abst
Total national results: %	4%	38%	2%	5%	8%	28%	15%	42%

From the start, it was clear that the FN was the referee. Jaboulet-Vercherre, slight, grey-haired and gracious, could not conceal his exultation. "The right has trapped itself between two suicidal choices: allowing the left-wing parties to win, it kills itself; forming an alliance with the FN, it kills itself as well. But at least we will give them a first-class burial."

Others agree. FN backing would be the kiss of death, the climax of a careful strategy by Bruno Mégret, Le Pen's suave, infinitely patient number two. He hoped that under the pressure of this impossible choice, the RPR and UDF would disintegrate.

Mégret, who embodies the new, seemingly pragmatic generation of FN leaders, is playing the cuckoo. On Monday 16 March he offered a deal many found irresistible. FN councillors would vote for the RPR-UDF candidates in exchange for public support of a "minimum plan of action".

This plan is essentially based on a commitment to reduce taxes, raise the priority given to personal security and guarantee the defence of regional and French cultural identities. Such themes are dear to the Front but have found clear echoes elsewhere. There is no mention of race; there does not have to be. Everyone in France knows the implications of FN involvement in government.

The Front's outstretched hand was grasped eagerly by many local officials still bruised by last year's humiliating defeat of the right in parliamentary elections to the National Assembly. They find little to inspire them in their Parisian leaders and fear they are sinking with the leaky boat that the French right has become.

Devil's advocate: Pierre Jaboulet-Vercherre (top) of the Front National and Jean-François Bazin, who was ousted as regional president

In Burgundy, the RPR's incumbent regional council president, Jean-François Bazin, who insists on his "impeccable Gaullist credentials", said he would have accepted FN votes but then refused to commit himself to the Front's minimum plan. Unpopular among his peers, his fate was already sealed. Jean-Pierre Soisson of the UDF had struck a separate deal with the FN almost from the start; he ended up expelled from his party and elected regional president of Burgundy.

The FN managed to make similar deals elsewhere. In Picardie, Charles Baur of the UDF took the bait and was expelled from the party. In Rhône-Alpes, Charles Millon – a personal friend of Jacques Chirac and Raymond Barre – broke ranks; in Languedoc-Roussillon, the UDF leader, Jacques Blanc, made a pact with the FN and won the assembly presidency but lost his UDF party card. The UDF's Bernard Harang in Centre also struck a deal and was expelled

Elsewhere, conservative candidates wriggled out of the Front's embrace. In Franche-Comté, for example, the UDF leader, Jean-François Humbert, resigned from the presidency as soon as he had been elected with FN assistance and went into negotiations with the Socialists over the creation of a "republican front" government.

More often than not, despite Philippe Séguin's warnings to RPR councillors not to turn into "a moral and political dead end" and François Léotard's admonitions to UDF representatives not to let themselves be "puppets" in the hands of the FN, Mégret's arrows found their mark.

Mégret attracted not only the rank-and-file but also heavyweights. Though he did not win outright, last week saw a giant leap in his effort to move the FN beyond the extremism epitomised by Le Pen's description of the Holocaust as "a detail of history" and into the respectable political mainstream.

The FN is already France's third-largest party behind the Socialists and the RPR. Mégret has his sights set higher still: to swallow the established conservative parties and become the leading right-wing force in the country. In his campaign, he is rallying a new generation.

Pierre Jaboulet-Vercherre, one of the rising leadership of the Front, looks a world apart from the swaggering Le Pen. Impeccably dressed, quietly spoken and with a metropolitan air, he cuts the reassuring figure of a Burgundian wine-maker. He is popular in his region and known as a generous host even to his political enemies. But in Paris, leaders on both the left and the right are urgently warning that appearances can be deceptive.

Lionel Jospin, the Socialist prime minister, went out of his way to make the point, interrupting his schedule on Thursday to denounce the "danger to democracy" posed by any accommodation between the FN and the centre-right.

He said nothing, of course, about his own extremists on the left. While attention has been focused this week on the success of the FN, a small group of Trotskyists has been quietly celebrating its own success. Workers' Struggle (Lutte Ouvrière) won nearly five per cent of the regional vote and for the first time won seats on regional councils.

The national arithmetic is simple: add the far left's five per cent to the FN's 15 per cent and to the 42 per cent of voters who didn't bother to go to the polls and you have more than 60 per cent of French men and women who no longer find themselves represented by the traditional establishment parties. Old values, it seems, no longer add up. ■

EUROPE ■ With enlargement and elections looming, member states face acrimonious debate

The budget is done; let battle begin

Tim King and Bertrand Benoit
BRUSSELS

THE package of budget reforms which the European Commission unveiled last week, and which is now to be put before the Council of Ministers and the European Parliament, is blighted by messy compromises.

The proposals to overhaul regional aid and the Common Agricultural Policy (CAP) from 2000 will be mauled further before next spring, the deadline Jacques Santer, the Commission president, has set for approval.

Santer's timetable is complicated by the electoral timetable. Nothing important can be decided until after the German general elections in September, which may not leave enough time before the European Parliament elections the following June. MEPs will anyway be reluctant, on the eve of their elections, to approve an aid package that removes support from many regions.

Budgetary wrangling will be further complicated this October when the Commission looks again at the issue of how much each national government should contribute to the common purse. Germany and the Netherlands are pressing for the kind of rebate that Britain currently enjoys, and there is bound to be acrimonious discussion over who puts more into the EU coffers than they get out. There is a real danger that the budget reforms could be held to ransom in the Council of Ministers.

For the moment, though, the financial framework for 2000-2006 leaves aside the issue of where the money will come from, although it is constrained by an overall ceiling on resources set by national governments at 1.27 per cent of GNP. Beneath that ceiling, spending on the current 15 EU member states will diminish as room has to be found for assistance from 2002 for new members.

The regional aid package and the CAP, which together make up more than 80 per cent of the budget, are overdue for reform; but the prospect of central and east European countries joining the EU has put pressure on the Commission to increase the speed and extent of change.

Many parts of the present Union which receive regional aid – intended for the poorest areas – must be weaned off it before enlargement dramatically alters the notion of what constitutes poverty. It is equally unthinkable to persist with the CAP's current levels of farm subsidy, which maintain the price EU farmers get for their produce well above what would be the market price.

Countries seeking admission to Europe have set prices below that notional market price. The gap between the two must be narrowed, if they are to co-exist in the Union.

Even without enlargement, the current support would be indefensible at next year's round of world trade talks. But the CAP reforms, which are provoking howls of protests from farmers across the Union, have already been toned down and will be further emasculated by national governments terrified of the farm lobby.

Similarly, regional aid reform will be weakened by the attempts of individual member states to retain their share of EU largesse. The Commission is devolving some of the nastier decisions – about which farmers will receive what subsidy and which regions will be denied aid – to national governments but that may not be enough to buy off every lobby.

Santer acknowledges that agreement will be difficult but believes that the budget can be approved by spring. He sounds confident: "If member states have to decide; they decide. They have never shirked their responsibilities." But Santer should know that elected politicians feel responsible first to national electorates and only second to the EU.

SANTIAGO / LYON

Oiling the wheels of power: Spanish olive producers are one of many national farming lobbies set to protest at the Union's budget plans

To persist with current levels of CAP subsidy is unthinkable

Farmers still hooked on subsidies

THE reforms to the Common Agricultural Policy (CAP) are intended to switch support away from price subsidies, which distort markets and encourage overproduction. Farmers will be compensated for withdrawal of price support by an increase in direct payments.

Lower prices ought to see EU farmers competing more effectively in world markets without such heavy reliance on export subsidies. Consumers should see cheaper food, although price reductions are unlikely to be of the same magnitude as the cuts in price support.

Franz Fischler, the EU farm commissioner, has set new intervention levels at below what he predicts will be the EU's internal market prices, presaging, he hopes, the end of butter mountains and wine lakes.

Cereal prices will be cut by 20 per cent in 2000 but direct payments will be increased to provide about 50 per cent compensation. Beef prices will be reduced by 30 per cent in three equal annual steps from 2000. The increase in direct payments should compensate for about 80 per cent but national governments must distribute part of the compensation.

Dairy prices will be cut by 15 per cent in four stages – a larger reduction than originally envisaged; the Commission argues that dairy farmers will benefit from cheaper cereal prices for animal feed. Milk quotas will be increased by two per cent: half to be allocated among farmers under 40 and half to farmers in mountainous areas and in Nordic states.

Fischler is making more money available for rural development, which will encompass incentives for early retirement, diversification, training, marketing and greener farming, but such measures are still dwarfed by payments to the arable, beef and dairy sectors which will still represent more than 80 per cent of CAP money.

At present, 80 per cent of CAP aid goes to 20 per cent of the farmers. The Commission has not dared to cap direct payments, but is proposing to lower the level of compensation to 80 per cent after the first Ecu100,000 ($108,000) and 75 per cent after Ecu200,000. Britain, France and Germany will want this overturned.

The greatest fury may come from the Spanish, Portuguese and Italians on olive oil. The Commission has only dared table a partial reform for 1999-2001. Overproduction of olive oil has reduced the aid to producers. The EU is increasing the maximum permitted quantity, but Spain is contesting the allocation of quotas.

A glaring flaw in this reform is that there is no time limit on compensation. Fischler's proposals will not wean farmers off their CAP dependency.

TIM KING AND BERTRAND BENOIT

Wulf-Mathies' changes have more bark than bite

MONIKA WULF-MATHIES, the regional affairs commissioner, wants to concentrate regional aid in areas of greatest need. The aspiration is laudable but fraught with problems. Regional aid has been spread too thinly because it is politically popular to distribute the EU's annual Ecu40 billion ($43bn) bounty that way. Wulf-Mathies was originally aiming to reduce the coverage of regional aid from the current absurd 51 per cent of the EU population to "35-40" per cent. Last week she referred to a 40 per cent target, saying that greater concentration was unattainable.

Two-thirds of the funds will be allocated to the so-called Objective 1 regions "whose development is lagging behind". These are defined as those where GDP is below 75 per cent of the EU average, calculated over a three-year period. In 1995, 46 regions in eight member states fell below that mark: all 13 regions of Greece, eight in Spain, seven in Germany, six in Portugal, five in Italy, two in Britain, one in Austria and all four French overseas *départements*. But the Netherlands, Ireland and Belgium look set to lose Objective 1 aid.

Those regions no longer considered poor enough in 2000 will still receive transitional aid for six years. The EU predicts that Objective 1 aid will cover 20 per cent of the population after 2000, compared with 25 per cent now. Regions in structural crisis can qualify for aid for economic and social conversion under Objective 2. This simplification means that several current categories of aid – for industrial, urban, rural and fisheries areas – are bundled into one category which covers 18 per cent of the population. Areas which lose the aid will have transitional support for four years. The timidity in withdrawing Objective 2 aid has been compounded by the introduction of a safety net: no state will have Objective 2 support reduced by more than a third.

The proposal followed intense lobbying, for this aid covers a third of Britain's population and more than 40 per cent of France's. Eligibility for Objective 2 aid will be decided by set criteria and negotiated by Brussels and member states.

Eligibility for Cohesion Funds, the Ecu3bn a year for infrastructure projects in the poorest countries, remains unchanged: per capita GDP must be less than 90 per cent of the average. But Wulf-Mathies has the power to decrease these payments if they threaten to push a state's public deficit above the maximum permitted under the rules of monetary union.

KOSOVO

Macedonia Albanians issue call to arms

Robert Fox
TETOVO, MACEDONIA

AT night old Tetovo, on Macedonia's border with strife-torn Kosovo, throbs to discos and the swirling strings and throaty horns of bands at gypsy weddings. But in the daytime the bars rumble to discussion about the crisis next door. There is a scent of defiance and rebellion in the acrid, lignite-polluted air.

Tetovo is the capital of the Albanian community in Macedonia, once the poorest and southernmost republic in the old Yugoslavia. "The situation in Kosovo is now very dangerous," says Arben Xhaferri, the leader of the radical Albanian Party of Prosperity, and now acknowledged as the most articulate voice of Albanian nationalism in the region.

Xhaferri, a hulking bearded figure, has something of Fidel Castro about him. A former television journalist in Pristina, the capital of the Serbian province of Kosovo, he has now graduated from the politics of street protest to become the organiser of a militant nationalist movement. He is in daily, sometimes hourly, contact with Pristina and also has strong links with the Democratic Party of Albania's former president, Sali Berisha, which now runs the northern Kosovo border region of Albania as a private fiefdom.

Xhaferri speaks in short, cogent sentences. The manner and the message speak of urgency. The game of words may soon be played out, he suggests, and it will be time for action. "The Albanians are being pushed to build military forces, because all peaceful policies have failed.

"Milosevic [the Serbian nationalist leader and president of rump Yugoslavia] now realises he has to fulfil the wishes of the international community. He appears to have little choice for his own survival. But this means he will ruin his internal politics, which have been based on an appeal to Serbian nationalism. So he faces frustration. Paranoia has set in, and so we get the violent and hysterical actions in Kosovo.

"The Albanians of Kosovo do not have the time to develop a new variation of moves in their game," he says, drawing parallels from his favourite game, chess. "They should have considered the armed option much earlier. With the break-up of the old Yugoslavia, the option of self-determination was achieved only by those who had enough military power to achieve their ends."

Xhaferri and his party are regarded by the Macedonian government in Skopje as the dangerous radical wing of the movement for Albanian minority rights. His colleague Rufi Osmani, 35, has been stripped of his position as mayor of neighbouring Gostivar for raising the double-headed eagle Albanian national flag and sentenced to 14 years in prison, now reduced to seven. In rioting that followed the announcement of his sentence seven people died and 56 were injured.

Even milder voices in the Albanian community are now turning to the military option. "The UCD [Kosovo Liberation Army] is not really an army," says Professor Fadil Suleijmanji, rector of the unrecognised Albanian university in Tetovo. "It is mainly groups of Albanians defending their families and children. But if Europe does not act, Albanians will be forced, really forced, to form such an army."

GEORGI LICOVSKI

Border patrol: Macedonian troops watch crossing points into strife-torn Kosovo

'If Europe does not act, Albanians will be forced, really forced, to form such an army'

International analysts and monitors emphasise the primitive nature of the UCD resistance as it now is. "They have little organisation and no capacity to handle sophisticated weaponry. So far we have no indication that they have training camps as the IRA and PLO established in their early years," said one monitor.

But evidence on the ground in Macedonia and Albania suggests that the UCD may be well on the way from a do-it-yourself rural guerrilla band to an organised underground resistance force. According to international monitors, weapons from Macedonia have already found their way in large numbers across the border into Kosovo. Two weeks ago it is believed that a consignment of 200 Kalashnikovs was transferred by mule over the mountains of northeast Albania.

The large Albanian community in Macedonia is a vital conduit for funds, war material and manpower to Kosovo. The Albanians of Macedonia are crucial to the stability and security of the southern Balkan region for another reason. If the violence in Kosovo accelerates and hundreds of thousands flee south, they could become the largest community in Macedonia. This would resurrect the dream of "Greater Albania", combining the present state with Kosovo and parts of Macedonia and Montenegro, the dream of the League of Prizren in 1912, the forebears of the UCD. But the break-up of Macedonia could lead to a wider war if Bulgaria and Greece execute ancient claims and grudges.

Officially the Albanians are a quarter of the Macedonian population. But they argue that they are really a third of the overall population of 2.2 million; 35 per cent of primary schoolchildren are Albanian and over half of the tiny Macedonian army of about 20,000 is Albanian. The true strength of Macedonia's Albanian minority will become clear in general elections due this autumn, which the authorities in Skopje contemplate with dread.

Xhaferri sees only one answer. "Kosovo is a muddy place, not a sane place. If war spreads in Kosovo, all hell will be let loose. The only possibility of stopping the hysterical over-reaction of the Serb forces is Nato. Its presence is needed here now." ■

DIPLOMACY

History repeating as guerrillas take to the mountains

AN American diplomatic campaign for "serious and biting" sanctions to force Belgrade to make concessions in Kosovo is running into mounting resistance in Europe, threatening a transatlantic split similar to the one which paralysed international action over Bosnia.

United States special envoy Robert Gelbard said the Serbs have shown "complete disregard" for a demand by the International Contact Group that security forces which have killed 80 ethnic Albanians be withdrawn and talks opened between the two sides. The US is pressing for trade sanctions against Serb dominated Yugoslavia.

The German foreign minister, Klaus Kinkel, and the French foreign minister, Hubert Védrine, who met Slobodan Milosevic, president of Yugoslavia together, have said Belgrade has met most of the conditions demanded by the international community. Italy is also taking a softer line.

Milosevic appears to have largely succeeded in splitting the Contact Group, with Russia siding with the mainland Europeans while the British appear happy sitting on the fence. The Serb leader has said he will agree to some troop withdrawals and that an envoy will be appointed to negotiate with the Albanians. The reality an the ground is different: the Serbs are reinforcing troops in a "ring of steel" around a pocket of six villages holding around 10,000 people in the Drenica region, scene of recent offensives.

The focus for this Serb build-up is on the hilltops overlooking a group of villages in what would in different circumstances be an ideal rural setting. Handsome cottages with white walls and red roofs are scattered in a fertile valley with steep wooded slopes on either side. The village of Llausa is at one end of the valley, Turiquec lies at the other, with more settlements in between. Serbs say the valley harbours terrorists, which the Albanian villagers deny.

About 1,000 civilians here are now engaged in a bizarre ritual: by day they cluster mostly in the east of the pocket, around a deserted school at Turiquec. At dusk the women and children and all but a handful of men climb into the forest for the night, leaving a few men on watch because they fear a Serb attack. Conditions are dire and food is short. Several babies have been born without medical help on the freezing hillsides.

To the east, one of the main roads into the pocket is guarded by a Serb checkpoint with piles of white sand bags and a blue tank leading to the interior ministry troops. About 50 metres in front is an abandoned white Volkswagen Golf car, riddled with bullets. Soldiers at the checkpoint wearing flak jackets over the purple and black tiger stripe uniforms of ministry of interior troops say they fired at the car more than a week ago when it tried to break out of the pocket and have left it there as a barrier. They are vague about casualties, but say they are regularly shot at by guerrillas in the surrounding hills.

Further north, in the town of Mitrovica, the Mother Teresa medical centre, named after Albanians' most famous daughter, is staffed by volunteer local doctors and has bed and blankets ready for casualties. Hundreds of refugees remain in the town having fled the two Serb offensives earlier this month.

The ethnic Albanians' moderate leader, Ibrahim Rugova, faces a tough choice between supporting the hard line of the guerrillas or continuing to press for passive resistance against the state in the quest for independence. Many Albanians are frustrated with passive resistance which has brought only repression, poverty and 70 per cent unemployment.

The Americans insist that only threats will convince Milosevic of the need to stop fighting and start talking. They complain that the Europeans, while offering mediation, fail to back it up. "It seems like Bosnia," said one UN official . "The Europeans are saying this is a European problem, we'll take care of it. We say, 'Sure, don't we wish you would.'"

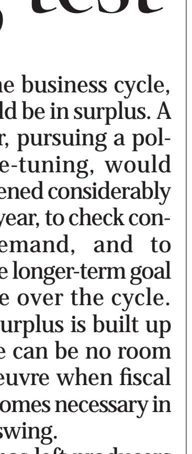
As for the guerrillas, it is unclear whether the Serbs did, as they claim, destroy their main units. Certainly the guerrillas that this correspondent met in the region last month seemed well-equipped and trained and able to escape attack. And this week came evidence: a rocket and gun attack on a police post that wounded one Serb policemen. They are still out there, somewhere.

CAMILLA PETRE, PRISTINA

CyanMagYelloKey
CyanMagYelloKey

COMMENTARY

Failing the driving test



WHO were the best and worst post-war British chancellors of the exchequer? Nigel Lawson and Nigel Lawson. He was the best reforming chancellor: a mechanic who fixed the economy to motor faster. But he was also one of the worst as a driver: he ran it off the road into high inflation.

Chancellors must be judged on both their microeconomic improvements to the supply-side of the economy and their macroeconomic management of the demand side. Like Lawson, Gordon Brown scores highly on the former and badly on the latter. But Brown is more likely to crash into recession than race into inflation. He and the Bank of England monetary policy committee err on the side of caution.

It would be churlish to criticise Brown's supply-side measures. He has dared to go where others have feared to tread: tackling welfare reform bristles with difficulties. But reform is much easier for a chancellor who believes that he has money to spend. Then there can be winners without losers. This is partly due to inheriting an economic miracle instead of a mess. But Brown's tight control over public spending helped, while in his first budget last July, he put some £3.36 billion ($5.5bn) of tax increases (excluding windfall taxes) into the pipeline for 1998-99.

The acid test of welfare to work will not be whether individuals find jobs but whether the non-accelerating inflation rate of unemployment, NAIRU, can be lowered. If not, those finding jobs will simply replace others losing them. Inflation is brought down and kept down by deliberately running the economy below its potential to increase unemployment to its NAIRU rate.

Brown's measures stand a good chance of success. They increase the supply of workers seeking jobs by raising their take-home pay and increase the demand for their services by reducing the cost to employers. Shrinking the number of unskilled unemployed is unlikely to push up wages. Wage inflation results from shortages of skilled workers. NAIRU could fall.

The chancellor's attitude to macroeconomic management is worrying. Since the war, budget speeches have always started with the budget judgment. Chancellors first told MPs how much they had decided to take out of or put into the economy. Then they announced the details. Brown never mentioned his fiscal stance in the budget speech, although details are available in the *Financial Statement and Budget Report* red book. He devoted his opening stanzas to new Labour's new ambitions. These included a call for prudence and "long-term stability" to break the stop-go cycle and false trade-off between inflation and unemployment.

In 1981, Margaret Thatcher's first chancellor, Sir Geoffrey Howe, demoted Keynesian demand management by tightening fiscal policy in the teeth of a recession. Brown has abolished fiscal fine-tuning altogether. Excluding indexation, his measures reduced the budget deficit by £165 million. But as indexation is not neutral, the overall change was a net giveaway of £430m. But given tax hikes in the pipeline, Brown maintained his overall tightening stance.

It is now conventional wisdom to reject fiscal fine-tuning and rely exclusively on monetary policy to manage the business cycle. Yet the active use of monetary policy is inherently more destabilising than fiscal policy. Tightening pushes up the exchange rate and, if pursued with vigour, causes equity and property markets to collapse.

Easy money produces a weak pound and asset price inflation. Demand and activity are leveraged up and down through large swings in net exports and investment. Greater stability in total demand is achieved at the expense of increased instability in the interest and exchange-rate sensitive sectors of the economy – exports, investment, homebuying and building and financial markets. All the adverse effects of the stop-go cycle continue and are exacerbated.

This is clearly the case at the moment. Despite net fiscal tightening, in 1998-99 the unadjusted and cyclically adjusted budgets remain in deficit by about half a per cent of GDP. As this is the peak of the business cycle, both should be in surplus. A chancellor, pursuing a policy of fine-tuning, would have tightened considerably more this year, to check consumer demand, and to achieve the longer-term goal of balance over the cycle. Unless a surplus is built up now, there can be no room for manoeuvre when fiscal easing becomes necessary in the downswing.

Brown has left producers to suffer while consumers prosper. This lopsided approach cannot be in the economy's longer-term interests. His search for stability is at the expense of flexibility. In the global economy, the business cycle cannot be abolished anywhere unless it is abolished everywhere, as Asia has shown. Shocks are inevitable. Brown has sacrificed future fiscal flexibility by failing to tighten today.

Few arguments against fiscal fine-tuning cannot equally be levelled against monetary policy. Both act with a lag, meaning that policy must be set on the basis of forecasts. The monetary lag is longer, but policy changes are easier and quicker. It takes longer to change taxes or public spending but their effect can be more immediate and precisely targeted.

The old regulator, allowing indirect taxes to be raised or lowered by 10 per cent during any year, was a valuable weapon. Some similar device is needed today. Politically, fiscal tightening makes a government unpopular by identifiably hitting individuals or interest groups. Monetary tightening has a more diffused effect and can be blamed on the Bank of England.

Despite Brown's 17-fold claim to prudence, this was an improvident budget. He has risked seeing a collapse in exports, investment and industrial activity drag the economy into recession. Had he tightened fiscal policy significantly, this risk could have been averted by monetary easing. As it is, while guarding against the upside risk of inflation accelerating, which would have ensued since unemployment remained low or went lower, he has exposed himself to the risk of rising unemployment and inflation.

BRIAN READING

The writer is a director of Lombard Street Research

REUTERS

Land of nod: the prime minister gives his approval to his chancellor's words

BRITAIN

Blair hug for Brown's balancing act budget

Walter Ellis
LONDON

EVER since he agreed to suppress his ambition to lead the Labour Party in favour of his friend and ally, Tony Blair, speculation has grown about the true loyalty and personal political agenda of Britain's chancellor of the exchequer, Gordon Brown. He has appeared out of sorts, remote, wounded, even embittered. A recent biography alleged that he regarded Blair as a usurper who had hijacked Labour for his own vain purposes.

Last week, however, Brown's budget – his first full one since Labour returned triumphantly to power – suggested that prime minister and chancellor have rediscovered some of the harmony that made them such a formidable force.

Blair, who had helped streamline – some might say sanitise – the budget during an unreported weekend meeting with Brown at the prime minister's country retreat, described the package as a "defining moment" of his administration and seemed genuinely delighted by the praise being heaped on his finance minister. Brown, for his part, resembled a chief executive presenting an upbeat company report, both in the Commons and afterwards on radio and television.

The chancellor had been expected to begin what was seen as his inevitable long-term alienation of the better-off by introducing a budget directed against middle-class privilege. Thus, mortgage tax relief would go, personal savings would be targeted, inheritance tax would be raised and a swingeing charge imposed on the users of company cars.

None of these forecasts came true. Instead, Brown made families and "welfare to work" the theme of his budget. What he wanted, he told MPs, was a culture in which hard work and enterprise were rewarded and living off the state was viewed as a last resort. Nearly every interest group, rich and poor, powerful and vulnerable, had reason to be grateful.

Business saw a slight fall in company tax; universal child benefit was increased; capital gains tax for long-term investors was almost halved; families with a total income of less than £220 per week ($364) were taken out of the tax net altogether.

True, motorists were hit by higher petrol tax, while smokers and drinkers will have to pay more to indulge their habits. Yet, overall, Brown managed to persuade even hard-bitten analysts that he had squared the circle – encouraging hard work and thrift while guaranteeing the least advantaged in society an acceptable standard of living.

The Tories were stymied. William Hague, the Conservative leader, spoke in the Commons of Britain's "golden legacy betrayed". Few (even those who acknowledged Brown's debt to the previous government) shared his scepticism. Such criticism as there has been centres on the Treasury's ability to make the trick work in practice. It is one thing to balance income and expenditure on paper, quite another to generate the cash needed for increased spending without – as a previous Labour chancellor apocryphally once put it – "squeezing the rich until the pips squeak".

City analysts point to the fact that Brown, having shown no obvious concern over the alarming strength of the pound in his budget speech, was forced within 36 hours to issue a plea for monetary calm – scarcely the sign of a man wholly in control of events. UK manufacturers and exporters had been screaming for relief for weeks without any sign that the chancellor was listening. Only as his own budget began to give sterling yet another boost did alarm bells start to ring.

But this government is nothing if not confident. Having stolen the Tories' clothes on defence, foreign policy and the enterprise society, it is now happy to do the same with budget strategy. Brown, reunited with his prime minister, has called on the nation to follow his example and stand firm behind New Labour. If he should come unstuck in the end, at least the end is a long way off.

GERMANY

Time and politics wait for no man

Vera Blei

IT WAS a humiliating way for a giant of German politics to quit. Johannes Rau, father figure of the Social Democratic Party (SPD) and premier of North Rhine-Westphalia (NRW), was shaken from power last week by the tremors still reverberating from the adoption on 2 March of Gerhard Schröder as the SPD's candidate for chancellor.

On 20 September the 67 year-old Rau would have held power in the *Land* for 20 years. Newspapers speculated that he might choose this time to announce his departure. In the end, he simply could not hold out that long and was unseated by two Schröder henchmen. It marks a symbolic shift in German politics.

Back in 1993 Rau had named Wolfgang Clement, the *Land*'s 57-year-old economics minister, as his heir apparent but he kept him waiting for the coveted job. Clement was dubbed "Prince Charles", because he seemed, like the son of the British monarch, perpetually waiting for the crown.

Schröder's victory became the impetus for a palace coup. Rau, a member of the left-wing group in the party, followed the political line of Schröder's rival, Oscar Lafontaine, the party leader. When Schröder's triumph in Lower Saxony assured him the SPD nomination for chancellor, Rau knew he was in the losing camp. In a studied slight, Rau was informed only by fax that Schröder would be officially announced as the party's chancellor candidate. Demands for Clement to take over grew within the NRW party. In the end, the father-figure became a liability. His resignation statement admitted as much. Rau said that by leaving he hoped "to help and improve his party's prospects for the general election in September".

Clement is known for his business-friendly politics. Franz Müntefering, the federal party manager who secured Schröder's candidature, has been rewarded with the state party chairmanship.

The SPD is clearly determined to overcome internal party differences and not to miss out on its most promising chance of gaining power in Bonn. With Rau's departure, "the political landscape in Germany underwent another decisive change", wrote the conservative *Frankfurter Allgemeine Zeitung.*

Rau's removal shows the growing influence of the younger generation with new ideas. Clement, like Schröder, disturbs his party's leftist diehards with his cosying-up to big business. But it has helped draw investment to NRW, particularly in the media and telecommunications. He has also initiated a series of programmes to encourage young entrepreneurs to start their own businesses.

The cigar-smoking Schröder last week sought to boost his business credentials by unveiling an economic programme that he boasted was "the most market-oriented" his party had ever produced. But it lacks a commitment to radical reforms that many in industry would like to see. It seeks to marry plans for modernisation of the economy with traditional SPD commitments to social justice and the welfare state. Schröder even declared that he would roll back some of Kohl's modest reforms, such as cuts in sick pay, a reduction in employees' protection against dismissal and minor pensions reform.

Kohl's government condemned the programme as "pseudo-modernity" and said it was bound to lead to more job losses. But days later the Christian Democrat-led coalition announced its own populist electioneering measure, detailing a DM1.6 billion ($875 million) make-work programme, designed to create up to 70,000 jobs.

Unemployment, pensions and economic reforms will be the main themes of the election campaign. Opinion polls show that the German public believes that, despite evidence to the contrary, the SPD is capable of handling these problems. But the same cannot be said of their most likely junior coalition partner, the Greens.

The prospect of a coalition between the SPD and Greens – a red-green coalition – leaves many voters uneasy. The change at the top of the NRW government tackles that concern, placing two Schröder men in control of the red-green coalition in the state that includes (for now) the capital, Bonn.

Clement is used to co-operating with the Greens, having worked in a red-green coalition government since 1995. He has shown himself able to compromise and hang tough at the same time, most notably in pushing through plans for the extension of the controversial Garzweiler opencast mine in the face of strong Green Party opposition. It signalled to the public that a red-green government can work and that the Social Democrats can moderate radical Green demands.

As the dispossessed Rau considers his chances in a possible bid for Germany's presidency, Chancellor Kohl may well be contemplating the departure of Wolfgang Rau: a man of exactly his age, a giant in German politics, who simply stayed too long.

Oskar's list: page 38

MICHAEL URBAN

Deadline for change: premier Johannes Rau (left) checks the hour under the eye of his heir, Wolfgang Clement

Gerhard Schröder's victory was the impetus for a coup

SPAIN

Every Andorran's duty is to get through 60 a day

Giles Tremlett
MADRID

THE Pyrenean state of Andorra, perched between Spain and France, is an unlikely threat to the European Union. But the small principality is blowing a $1 billion hole in EU member states' tax incomes.

Andorra's non-existent contraband laws, combined with the EU's new border-free trade, have made tobacco smuggling so easy and lucrative that organised crime is giving up drugs and turning back to the the cigarette carton. The EU, alarmed by total annual revenue losses on tobacco of up to $5bn, last week sent in fraud investigators after suspending talks on a bilateral co-operation agreement.

The extent of the fraud was signalled by a sudden surge in the export of British cigarettes to Andorra. Two British tobacco companies, Imperial Tobacco and Gallaher, have between them increased exports to the state from 6.6 million to 61m packets of brands such as Benson and Hedges and Player's in the past two years. Every man, woman and child in Andorra (population 63,000) would have to smoke three packets a day to consume that many.

A dozen officials from the Brussels-based anti-fraud unit, Uclaf, travelled to Andorra last week to discover where the excess tobacco was going. Spanish police, who started an anti-smuggling operation around the Andorran border last September, can tell them. Much of the tobacco is carted straight down the mountainside into Spain and sent back to where it came from, avoiding 80 per cent taxes along the way. Mountain tracks, four-wheel-drive vehicles and even underground water courses are used to ship the tobacco out of Andorra.

Special units from Spain's Civil Guard police force blocked off numerous routes out of Andorra when Operation Montaña got under way in September. So far they have arrested 420 smugglers from 17 countries and impounded more than 600 vehicles. Among those arrested were three Irishmen from a gang that allegedly smuggled six million packets of British brand cigarettes out of Andorra in just six months, netting an estimated $12m. A lorry belonging to a separate gang was stopped near the French border with Spain and found to be carrying 200,000 packets of British cigarettes, worth half a million dollars.

"The contraband is controlled by mafias and is of industrial proportions," explained Santiago López Valdivieso, the Civil Guard director-general "Half a million packets have been crossing the border a day. That makes 150 million packets a year." And that is just through the border with Spain.

The new smugglers are organised gangs from Ireland and Britain that buy the tobacco virtually tax free and then smuggle it across the border from Andorra into Spain or France. In Britain and Ireland it can be resold on the black market, avoiding the 70 to 80 per cent levies paid by legal distributors. One container load of tobacco can be worth up to $1m in taxes. "It would be extremely complacent for northern countries to consider cigarette fraud to be a southern problem," says Edward Kellet-Bowman, British MEP and author of a report on fraud.

Investigators are also trying to find out how much tobacco allegedly sent to Andorra actually reaches its destination. They suspect that cheating is easy with the paper-based Community Transit System for goods travelling through the EU to export markets such as Andorra. "Some English cigarettes are declared as destined for Andorra when in fact they don't even leave England," explains Javier Gozieta, director-general of Spanish customs.

Contraband, organised or otherwise, runs in Andorra's veins. The government has this month increased customs fines, raised retail taxes on tobacco and pledged to "co-operate with EU customs policies", but Andorra refuses to make smuggling a penal offence. Until it does, millions of dollars of tax revenue will go up in smoke every day.

CyanMagYelloKey CyanMagYelloKey CyanMagYelloKey CyanMagYelloKey

Ready or not? Lisbon is all at sea over Expo 98 PAGE 36

PHARMACEUTICALS ■ Which firm will make the first successful anti-obesity drug?

Fat of the land

Cath Blackledge

THE search for one of the holy grails of medicine – a pill that helps shift excess flesh the easy way, without patients having to work up a sweat or eat less – has taken another body blow; this time it is the turn of Swiss giant Roche to feel the pinch.

Roche's share price fell by five per cent on the news that its fatbuster pill, Xenical, had not cleared the penultimate hurdle to its launch in the gigantic and almost competitor-free American prescription market for anti-obesity drugs. Advisers to America's drugs approval agency, the Food and Drug Administration (FDA), said they could not reach a decision on whether to recommend that the pill is launched later this year because of concerns that Xenical increases the risk of developing breast cancer. Roche was betting that Xenical would be one of its star performers, enjoying peak sales of Sfr700 million ($470m) a year. Without the drug, it has forecast that its earnings stream will be reduced by approximately six per cent over the next five years.

It is estimated that more than 100 million people worldwide are obese – defined as having a body mass index (BMI) of more than 30kg/m². More than 30 per cent of Americans are obese, while Europeans are slightly slimmer, with up to 20 per cent of the adult population deemed to be officially fat.

Although an undefined proportion of obesity is believed to be of genetic origin, most is a direct result of consuming too much fat and not working hard enough to get rid of it. With so many overweight adults, the market for a prescription anti-obesity pill that has to be taken every day to keep the weight off could be worth as much as $50 billion – a tempting carrot for a drugs company hoping to boost its bottom line.

With so many overweight adults, the market could be worth $50bn

Since the late 1970s, when drugs firms realised that there could be a way to transform the developed world's expanses of excess flesh into a steady stream of cash, most companies have ploughed research money into the search for the perfect anti-fat pill. But 20 years later medical treatments that actually work in trimming off the fat are thin on the ground.

A year ago the fortunes of three companies – American Home Products (AHP), BASF (through its drugs arm, Knoll), and Roche – looked healthy as they each reached the final stages in developing new anti-obesity products. But unexpected side-effects with AHP and Roche's drugs have damaged their hopes. The worst hit so far is American Home Products. It faces lawsuits which could cost it $2bn because patients taking its anti-obesity medications, Redux and Pondimin, experienced some nasty, in some cases fatal, side-effects. The products were withdrawn in September last year after 32 per cent of patients developed heart valve abnormalities.

Ten companies, including Interneuron Pharmaceuticals, SmithKline Beecham (SB), Medeva and Teva, have been named in the lawsuits because of their involvement in manufacturing, marketing and distributing the drugs. Lawyers are predicting that the lawsuits will run for "years and years", along similar lines to the breast implant litigation which is still facing Dow Corning, which led it to seek refuge in Chapter 11 bankruptcy.

The fallout from the fat pill fiasco was not just a financial blow for AHP. It also led to the loss of its future pharmaceuticals life partner, SmithKline Beecham. Merger negotiations between the two companies at the start of the year are understood to have fallen through when they could not agree on the scale of the potential liability facing AHP and how it affected its merger value to SB.

Shockwaves from the worldwide withdrawal of Redux and Pondimin effectively flattened the burgeoning anti-obesity market. Prior to the problems, the market for obesity products – which consisted of Redux, Pondimin and an amphetamine-like drug, phentermine – was enjoying annual growth of 44 per cent. It is now showing negative growth of five per cent.

The only hope left for the world's fatties – at least for the next few years – is Knoll's anti-obesity pill Meridia (sibrutamine). Meridia was launched in America at the beginning of February. In contrast to the media and medical fanfare that heralded Redux's launch there nearly a year earlier, Meridia was rolled out in an atmosphere of extreme caution. BASF is stressing that it wants the pill to be used only by the medically obese and under strict guidelines, regulated by doctors and clinics. It is a far cry from 12 months ago when approximately 230,000 prescriptions for AHP's Redux were dispensed every week. In the 16 months it was on the market, sales from Redux totalled $500m.

Weighty problem: the discovery of obesity genes in mice is a landmark in the quest for an anti-fat pill

NATURE MAGAZINE

SEARCH FOR A 'FAT-BLOCKER'

Company	Product	How it works	Problems	How soon
American Home Products	Redux	Boosts the levels of the feelgood brain messenger serotonin, making patients feel full	Withdrawn worldwide in September 1997 because of an association with heart valve damage	Likely never to be available again
BASF (Knoll)	Meridia	Prolongs the action of the neurotransmitters serotonin and noradrenaline in the brain, making patients feel full for longer	Dry mouth, insomnia, constipation and headaches	Launched in America; European launch expected later this year.
Roche	Xenical	A lipase inhibitor which stops intestinal enzymes from chomping up large fat molecules into smaller pieces. The result is that 30 per cent of fat molecules remain too big to be absorbed by the gut and are excreted intact by the body	Soft stools and a question mark hangs over an increased risk of breast cancer	In America in May if the FDA says yes, Europe possibly later this year.
SuperGen	RF1051	May interfere with the efficiency of the body to use fat, and may have anti-ageing properties	Not yet known	2000?
Ergo Sciences	Bromocriptine	Appears to help the brain regulate bodily functions	Not yet known	2001?
American Home Products, Pfizer	AHP is developing BTA-243, Pfizer, the exercise pill	This class of chemicals, called beta-3-adrenergic agonists, appear to switch on brown adipose tissue, increasing energy consumption, and helping to burn stored fat	Not yet known	2003 at the earliest
Amgen	leptin	Dubbed "the fat controller", the hormone appears to signal to the brain how much fat is present in body fat stores. SmithKline Beecham and Ligand, and Roche and Millennium are looking for drugs that could mimick the action of leptin	Only expected to work in 20 per cent of the population	2003
Neurogen and Pfizer	NGD-951	Blocks the action of a brain chemical, neuropeptide Y (NPY), which appears to stimulate food intake. Bristol-Myers Squibb and Synaptic Pharmaceuticals are also developing NPY blockers	Not yet known	2003
Glaxo Wellcome	CCKa agonists	Mimics a natural hormone, cholecystokinin (CCK) which is released by the stomach wall and which seems to stop the urge to eat	Not yet known	2004 at the earliest
Alizyme, Glaxo Wellcome, Novo Nordisk, Amylin	glucagon-like peptide (GLP-1) products	Appears to tell the brain when a person is full	Not yet known	2005
Eli Lilly, Neurocrine Biosciences	urocortin mimicker	Mimics the effect of urocortin, a stress hormone that suppresses appetite	Not yet known	2006
Millennium Pharmaceuticals	uncoupling protein homologue (UCPH)	A heat-generating protein that raises metabolism and burns white adipose tissue	Not yet known	2007

Despite the concerns surrounding anti-obesity pills, companies are continuing to plough research funds into finding the perfect anti-fat pill – one that works, has no side-effects and needs to be taken chronically (ie, every day for a lifetime). With only one product to have made it to the market so far, the sector remains attractive. "The opportunity is big enough for any drugs company which wants to develop a product. You can put any number on this market," says Alexandra Hauber, an analyst at Salomon Smith Barney.

The increase in importance of the obesity market is a result of the pharmaceutical industry's search to find new markets to maintain double-digit profits growth. Obesity is a medical problem in many cases, because carrying around excess weight can lead to diabetes and heart problems; but the bulk of people being prescribed Redux did not face a life-threatening condition. However, before the problems encountered with Redux and Pondimin, nobody was shouting too loudly about the ethics of pushing pills to individuals who were otherwise healthy.

To the cynical it may look as though the obesity market was created with the appetites of the pharmaceutical companies in mind rather than those of the public. The pharmaceutical industry's answer is that two forces were driving the growth of the market: the desire of the western world to be slim without having to cut back on fat intake and take more exercise, and medical need – the fact that obesity leads to health problems such as diabetes and heart disease. But if gluttony wasn't a way of life for the western world, the market would not be quite so attractive.

The growth of the sector also underlines an important change in the way the pharmaceutical industry views healthcare in the 1990s. The last decade has seen a shift towards medicines which are designed to prevent disease rather than just responding to symptoms. Last year the two fastest-growing therapeutic categories for drugs were preventive treatments – obesity pills designed to prevent people from developing diabetes or cardiovascular problems – and cholesterol-lowering medicines which can ward off heart attacks.

At least 40 pharmaceutical firms are believed to be researching anti-obesity pills, including Glaxo Wellcome, SmithKline Beecham, Pfizer and Bristol-Myers Squibb, while Roche and AHP are trying to find more effective substitutes. The companies say that the woes of AHP, and possibly Roche, do not affect them because their products work in different ways.

If Roche's pill Xenical does not make it, the next contender for the obesity market is a medicine codenamed RF1051, from the American firm SuperGen. It is undergoing efficacy tests in patients and, if these are successful, it could be available in two years.

It is still unclear exactly how RF1051 works, although studies suggest that it may interfere with the efficiency with which the body uses fat and that it may even have anti-ageing properties. All the company will say is that it is not amphetamine-like and that it does not work on the feelgood brain chemical serotonin, which Redux and Meridia affect.

Nobody was shouting about the ethics of pushing pills to otherwise healthy individuals

The discovery of obesity genes in mice – known as the "ob", "fat" and "tubby" genes – is helping drugs firms to understand the genetic causes of obesity. Mice with mutations in the ob gene are obese and diabetic; those with defects in the tubby gene get fat after reaching sexual maturity. Companies, led by biotechnology firm Amgen, are looking at how such genes control the action of a hormone, leptin, which is produced by fat cells.

Named after the Greek word *leptos*, meaning slender, and dubbed "the fat controller", leptin appears to signal to the brain how much fat is present in body fat stores. If the message does not get through because of low or no levels of leptin, obesity can result.

Giving fat mice leptin makes them eat less but the situation may prove different in humans. While obese mice are deficient in leptin, obese humans can have high levels of the hormone. Scientists now think that a leptin drug may work in only 20 per cent of the population and is in any case at least five years away.

The idea of mimicking naturally-occurring hormones, which tell the brain when a person is full, or which quell the urge to eat, are also under investigation (*see table*), as is the theory that some cases of obesity could be caused by a virus.

Meanwhile, AHP's financial future in the face of the wave of lawsuits is uncertain, as is its ability to remain independent. For Roche, a decision in May from the FDA will determine the future of Xenical in America. It has until 14 May to persuade the FDA that the three cases of unexplained breast cancer seen in the Xenical treated group, as compared with two cases in the group receiving no treatment, were not due to the obesity drug. Roche's argument is that the Xenical group contained twice as many women in the breast cancer age risk group (aged 45 years and over).

The Swiss company says it is confident that it can explain its case to the FDA and that the drug will be approved. Investors are less bullish and are talking of downgrades of between five to seven per cent on the stock.

"We believe it's unlikely the FDA will grant unconditional approval. It's serious news; it is a major product," says analyst Karl Heinz Koch at SBC Dillon Reed. He believes, unlike many stock watchers, that Roche will be allowed to market the drug but that it will have to add warning labels to the packaging detailing the potential risk of breast cancer. Such a decision would clearly slim down the potential market for Xenical.

Roche's and AHP's problems leave Knoll with the only anti-obesity pill currently available (in America only, at the moment). This looks like an enviable position, but because the German group has only a small sales and marketing presence in America it would, paradoxically, be beneficial for it to have a competitor, which would help build the marketplace for obesity products. Without this extra help, and with the concerns surrounding obesity products, slower take-up of Knoll's product, Meridia, is expected.

Producing the perfect anti-obesity pill is proving to be problematic for the pharmaceutical firms involved in the chase. Perhaps this should have been obvious; in the fat business there are no quick fixes. ■

CyanMagYelloKey CyanMagYelloKey

Benchmark: Manfredonia, with 30 per cent unemployment, will be the laboratory for a new model of development in southern Italy as northern companies move in

ANTONELLA NUSCA

ITALY

Firms test bridge over north-south rift

Chris Endean
MANFREDONIA

SITUATED on the wrong side of Italy's north-south divide, the Adriatic port of Manfredonia has always struggled to touch the entrepreneurial heights of its northern neighbours.

Its fishing fleet is the second largest in Italy, its port the deepest natural harbour in the south, but no one ever thought of setting up a fish-processing plant.

For years, Manfredonia Enichem was Italy's most profitable petrochemicals plant; but after hundreds of dead dolphins were washed up on the beach, the plant, its image ruined, was closed down.

With unemployment in the area running at around 30 per cent, Annibale Nicastro, president of the local industrial union, has finally lost patience. In an unprecedented agreement, Nicastro has persuaded northern entrepreneurs from Treviso and Vicenza, including clothes manufacturing giant Benetton, to open factories in the southern town.

"Manfredonia is a laboratory to test a new model of southern development," says Nicastro. "Can southerners drop dependence on regional aid and put their faith in the kind of private enterprise that has flourished in the north?" Over the next three years more than 30 entrepreneurs will answer Nicastro's question and, therefore, the dilemma that has faced the south since the Second World War.

Benetton has pledged L30 billion ($1.68bn) to build a new factory out of the ruins of Enichem; glass-maker San Galli will shift south with investment totalling L200bn. "We want to export the secret of 'Made in Italy' to the south," says a spokesman for the Treviso clothes producer, Fashion Box.

Over the past two decades the Veneto region in northeast Italy has become Europe's richest economy due to its unique network of small and medium-sized businesses; companies such as Benetton are merely the shopwindow for a cluster of related firms which supply each other with services and provide a pool of skilled labour. "We believe the same multiplier effect will work in Manfredonia," says a Benetton spokesman, Paolo Sartor.

For once, rhetoric is born not of political necessity but economic logic. As an industrial development zone, however, Manfredonia is subject to a special social contract between government, trade unions and employers. To attract "foreign" firms from the north, the government is offering fiscal incentives that include tax breaks and two-thirds of start-up costs (covered by L300bn in European Union and state development funds).

Most significantly, trade unions have agreed to break with the national incomes policy; companies setting up in Manfredonia will save 30 per cent on labour costs through short-term contracts and lower wages.

For the companies based in the Veneto, where industrialists are seeking to move out to escape high taxes and a shortage of labour, it is the perfect deal. "Production costs are the same in Manfredonia as any east European country and we get to keep the 'Made in Italy' label," says the Fashion Box spokesman.

Local people, however, remain sceptical – and with good reason. Looking out of his seafront office on to the desolate promenade where Manfredonia's unemployed youth mingle with pensioners, Biagio Azzarone, secretary-general of the local branch of the Cgil trade union, finds little reason for optimism. "We had to give our membership some hope," he says. "We had our backs against the wall."

But the rank-and-file is convinced that the new project's strengths contain the seeds of its own demise. When special incentives are phased out after three years, there is nothing to stop entrepreneurs from shifting their horizons to eastern Europe. Take away the labour-cost advantages, critics argue, and the north's sudden enthusiasm for the south will wither and die.

There is a precedent. In the mid-1980s government hand-outs underwrote a citric acid factory in nearby Campania. The factory produced at a profit. But when state aid dried up, so did the factory.

One trade unionist openly suggests some local businessmen may take their incentives and run long before market forces intervene. Certainly, the list of projects which have won EU funds suggests local businessmen are still putting the short-term gains of public contracts ahead of long-term market rewards. Unlike Benetton and Fashion Box, few southern entrepreneurs appear in a great hurry to start production.

MGS, which has won L11.9bn in EU funds, will take two years to open a factory manufacturing plastic containers for blood samples. Tecin will take 36 months in setting up a plastic coatings factory that will cost the EU L9.9bn and offer just 30 new opportunities to Manfredonia's jobless.

But there is some evidence of budding entrepreneurship. A local resident has won L1.2bn in EU money to set up an ice-cream factory; his only previous experience is running the ice-cream shop at Villa Manfredonia.

Locals accept that state aid has failed but trade union leaders argue that the Enichem petrochemicals plant was not just another "cathedral in the desert" – one more of the many high-profile but doomed industrial and infrastructural projects that litter the south. When the plant fell victim to Rome's decision to cut back state investment in capital-intensive industries, Manfredonia was actually L70bn in the black.

Since its closure, however, three petrochemical related firms, suppliers to Enichem, have also closed down. Little wonder, then, that trade union leaders are deeply sceptical that any Manfredonians will be prepared to take the risks of a northern entrepreneur.

As if to confirm local pessimism, most of the new factories will set up shop on the grounds of the old Enichem plant, taking advantage of its excellent communications links and the 500 metre-long quay stretching out into the Adriatic.

"No one can understand," says Azzarone, "how a bright new world will somehow emerge from the ashes of our past." ■

LABOUR RELATIONS

No siesta for VW workers in Spain

Giles Tremlett
MADRID

VOLKSWAGEN, the giant German carmaker, likes to boast that its headquarters and factory at Wolfsburg, Lower Saxony, occupy more land than Monaco. The comparisons with a European mini-state are not out of place. Wolfsburg employs nearly twice as many people as live in Monaco and the $70 billion annual revenues it makes far outweigh those generated by a mere principality.

VW managers can boast even greater power than the country ruled over by Prince Rainier's Grimaldi dynasty, for VW also has a European empire: a string of a dozen factories that stretches from Poland to Portugal. Like all great European emperors, the company's chairman, Ferdinand Piech, knows how to keep the most unruly elements of his outer empire in line. He follows the old Roman tenet of divide and rule.

This tactic is being used to tame the company plant at Landaben, in the northern Spanish province of Navarre, where workers went on strike last week in an attempt to prevent the factory's working on some Saturdays.

A company of Volkswagen's size can create its own internal free market in labour. If the Landaben factory and its 4,500 workers did not want to produce extra cars, it reasoned, it would find a factory and a set of workers that did. Without an agreement, it said, production of the Polo, which was due to be transferred entirely to Landaben, would go to its plant at Bratislava in Slovakia.

Having threatened to withdraw work from Landaben, VW then set the trade unions in different countries against one another. Germany's IG Metall, it argued, had already embraced the company's "factories that breathe" concept and had agreed to keep Wolfsburg open for 272 days a year. Landaben, on the other hand, worked only 227 days. Perhaps, it suggested, IG Metall, the mother union which enjoys both a place on the VW supervisory board and special treatment for its own members, could explain to the Sp aniards why greater flexibility, to respond to fluctuations in demand, was important.

VW announced that IG Metall had called the Spanish union negotiators and even the personnel chief at Landaben to Wolfsburg in order to knock some sense into their heads: did they realise the factory was about to lose nearly $800 million of internal company investment as a result of their inflexibility? Did they know that more flexible factory hours, combined with the new investment that would accompany production of the Polo, would bring up to 1,200 new jobs to their region?

The Landaben personnel chief, Carlos Sucunza, and two union negotiators were duly dispatched to Wolfsburg. However, the meeting with IG Metall was cancelled and company management read the riot act instead.

Saturday jobs: workers at VW's Landaben plant will work weekends after pressure from the carmaker and its German trade union

> VW knows how to keep the unruly elements of its empire in line: divide and rule

It worked. The negotiators went home and recommended that the factory's 4,500-strong workforce embrace the factories-that-breathe concept and start Saturday working. Overtime payments or days off were guaranteed in exchange.

Although IG Metall's VW leaders failed to meet their counterparts from Navarre, their attitude to them was clear. "I don't just see employment problems in Spain, I see them all over the world and in Europe, especially in eastern Europe," said Hans-Jürgen Uhl, IG Metall's general secretary of the European committee of VW. "If people there don't get work, then they come to Germany. Eastern Europe has to be stabilised. We can't show solidarity with just one production site."

IG Metall, in other words, was backing the company. This was not surprising. IG Metall does not want to rock the boat. Its members have one of the cushiest labour deals in Europe, allowing them to work just 28.8 hours per week. They can increase their basic wage packet by up to 50 per cent through "overtime". Wolfsburg, the main VW factory in Europe which churns out 15,000 cars a day, is already guaranteed production of the Golf and the new compact model, the Lupo. There is no room there for the Polo.

Not only have the Spanish unions lost the fight against Saturday working, they have lost part of the Polo production originally marked down for Landaben. A fifth of the daily production of 1,500 cars has been passed over to Bratislava. "That is one wound that remains open," comments the company's Landaben spokesman, José Zubiyaga.

But what about IG Metall? One of the most spoilt trade unions in Europe should watch out. Landaben's workers may not be keen to work Saturdays but they work longer hours and cost less than their 45,000 Wolfsburg colleagues. The same can be said of VW workers in Portugal, Poland, Slovakia and Hungary. The next time VW plays divide and rule, it may turn the tables on mighty IG Metall. ■

PAYOUTS

Daimler-Benz offers its shareholders money for nothing

Eric Culp
FRANKFURT

THE Daimler-Benz chairman, Jürgen Schrempp, a man who constantly sounds the clarion call of shareholder value, is putting some more substance behind the air. The staid giant of German manufacturing will give its stockholders a shiny present this year: DM20 ($11) for every share held.

Not only do investors get cash in hand but German taxpayers also receive a tax credit of DM8.57 per share. Combined with the standard 1997 dividend and the corresponding credit, shareholders in Germany earn a total of DM30.86 a share. For non-Germans, the payout is DM21.60.

Daimler is expected to rubber-stamp the pay out/take back plan, which totals DM7.4 billion in cash and DM2.9bn in tax credits, at its supervisory board meeting in April, and then shareholders get a say in May. The cash, from retained earnings made during the 1980s, is to be replenished through a rights issue, probably in June or July. Deutsche Bank, which holds 22 per cent of Daimler shares, and Kuwait, which has 13 per cent, have both indicated that they will support the float.

Prospective Daimler investors can still buy in: the DM20 payout is set for between 27 May and 15 June, and analysts say shares should be bought a few days in advance of the early date, when the company will hand out its standard dividend of DM1.60 plus the tax credit.

"This is one of the most investor-friendly moves to take place in Germany in the past 10 years," said Klaus-Jürgen Melzner, an automobiles analyst at Deutsche Bank research. Melzner notes that it follows similar payouts by Allianz and others earlier in the decade and adds that appeasing shareholders has taken priority in Germany, where investor wishes in the past were often neglected by management dictators. So why is Daimler doing this now? The company will gain little financially from the move. It could have held the nearly DM3bn in tax credits in-house, or never even mentioned the idea of a payout. The former chairman, Edzard Reuter, and the rest of the management brushed off a similar plan in 1994 because they were unconvinced that investors would subscribe to the subsequent rights issue. Shareholders responded with a firestorm of criticism, catalysed by their disgust with Reuter's wide-ranging diversification scheme.

It seems clear that current chairman Schrempp is trying to improve the company's relationship with investors and further distance himself from the policies of his autocratic predecessor. Shareholder value is the current buzzword in German equities; Schrempp knows that investors are closely monitoring management.

According to analysts, two prime prospects for similar shareholder carrots are Volkswagen and BMW, but both have indicated that they are not interested. One of VW's main shareholders, Lower Saxony, probably does not want to forfeit the tax income; BMW may need its retained earnings for the Rolls-Royce purchase. Time is running out for any other company that wants to take advantage of the present tax levels. The tax rate for retained earnings is currently 50 per cent but it will drop to 45 per cent at the end of the year. This means the savings from a payout, taxed at 30 per cent, will shrink by five per cent.

The victim here is the ministry of finance. According to estimates, Bonn could lose up to DM700m once all shareholders file their tax returns, especially since between 35 and 40 per cent of Daimler's capital is held outside the country. While Germany is having problems bringing its numbers into line for currency convergence, some three-quarters of a billion marks are flying out the window. ■

CyanMagYelloKey CyanMagYelloKey

FINANCIAL DATA

Long view brings top spot into reach

Nicholas Moss

BRIDGE Information Systems wants to be number one. Its acquisition of Dow Jones Markets moves Bridge up from fourth place to second in the financial data provision sector. But overtaking Bloomberg isn't enough for Bridge; before the Dow Jones deal is even finalised, Bridge is already talking about challenging Reuters for market leadership.

Bridge, which began life as the data unit of an American institutional brokerage in St Louis, Missouri a quarter of a century ago, has agreed to pay Dow Jones $510 million in cash and stock for its unprofitable financial information unit, Dow Jones Markets. It is part of a strategy that is summed up bluntly by John Jessop, Bridge's managing director in Europe: "Our aim is to be the number one vendor." He says he has Reuters in his sights. But even with Bridge and Telerate's combined revenues of $1.1 billion he has a long way to go before catching up with Reuters, which last week reported 1997 revenues of $4.8bn.

Bridge's more immediate task is to absorb Dow Jones Markets and exploit the synergies of the two operations. Bridge has expanded through acquisition successfully before: it bought Knight Ridder Financial, the foreign exchange and news information unit, for $275m in 1996.

However, Dow Jones Markets is a very different proposition. Instead of combining both operations' data on a single database and offering it via a single network, Bridge will initially operate its purchase as a distinct unit with its own database and delivery system.

That appears to undermine the raison d'etre of the deal. But Jessop says there is a case for keeping the operations separate, at least in the short term. "We don't know what's going on inside, how it functions, who does what. We will take a few months to examine the situation," he says .

ANDY BAKER

No stopping: John Jessop, Bridge's European MD, says he has Reuters in his sights

Jessop claims that there are advantages to resurrecting the Telerate brand name (by which Dow Jones Markets was known until last year). However, one of the reasons Dow Jones dropped the Telerate name was that it had become synonymous with poor service.

Telerate was used by Dow Jones as a cash cow during the 1990s. But Dow Jones's failure to invest in new technology left the company lagging behind its rivals. A planned $650m cash injection for technological investment was too little, too late. Instead Dow Jones will shed its initial $1.6bn purchase with a $923m write-down charge in the fourth quarter.

Jessop is unfazed by Telerate's unspectacular recent history and dismisses the suggestion that Bridge has bought a useless asset. "It's still a company with $750m a year in revenues," he says. "If it's a dog it's a very large dog."

More convincing as an argument for keeping the two operations separate may be the existence of a contract with Cantor Fitzgerald, the American fixed income inter-dealer which feeds Telerate its US Treasury bond prices. The contract involves the payment of a royalty fee to Cantor Fitzgerald according to the number of terminals in use.

The 1990 deal with Cantor Fitzgerald was based more on past relationships than business acumen. Cantor Fitzgerald once owned the majority of the stock in Telerate. It sold the business in 1981 to Exco, a British money broking firm. In 1987 Dow Jones acquired an initial stake and over time bought the rest of the shares in Telerate.

The problem is that the contract survives the acquisition of Dow Jones' unit by another party. If Bridge were to combine its operations from the start it would be forced to pay Cantor Fitzgerald a royalty for its 75,000 terminals on top of Telerate's 85,000. The remaining eight years of the contract works out at $650 million, an expensive price to pay for data that most of Bridge's clients don't actually want.

Jessop, a 55-year-old executive who took the top role for Bridge in Europe last July ("I was plucked from the obscurity of semi-retirement otherwise known as consultancy"), is confident of seeing the benefits of the deal. He is also able to take the philosophical view, probably born of his consultancy work in disaster recovery and putting in back-up systems for trading rooms. "You don't pay half a billion dollars for a business and see the economies of scale and critical mass created in the first 90 days," he says.

Eventually, he says, the two services will be harmonised and offered from one terminal. When that happens, Bridge's strengths in covering equities will combine neatly with Telerate's competence in fixed income capital markets to rival Bloomberg's popular offering.

"It's a good fit," says Jessop. Geographically the marriage also makes sense. Bridge has a good market share in the US market, especially in equities, while Telerate has been strong in capital markets in Asia and Europe.

Jessop's CV includes a lengthy period working at Dow Jones as chief operating officer in the US. He left in 1990, five months after it had bought all of Telerate; he is seven months into his £150,000 ($247,000) a year (plus bonuses) post at Bridge. "After moving myself and family back from New York to London I find Bridge has acquired my alma mater," he says with the boyish smile that breaks frequently across his face.

He highlights what will be the eventual advantage of the company's offering. Whereas Bloomberg provides no options with its service – a case of pay your $1,200 a month for everything on the system, take it or leave it – Jessop says Bridge will provide whatever information a client wants and charge accordingly. "We will give the client greater choice," he says.

Jessop's challenge will be to expand the business. Jessop, who also worked at Reuters for 18 years, says catching Reuters will take much less time than in most industries, partly because of the rapid pace of technological change and the impact of the Internet.

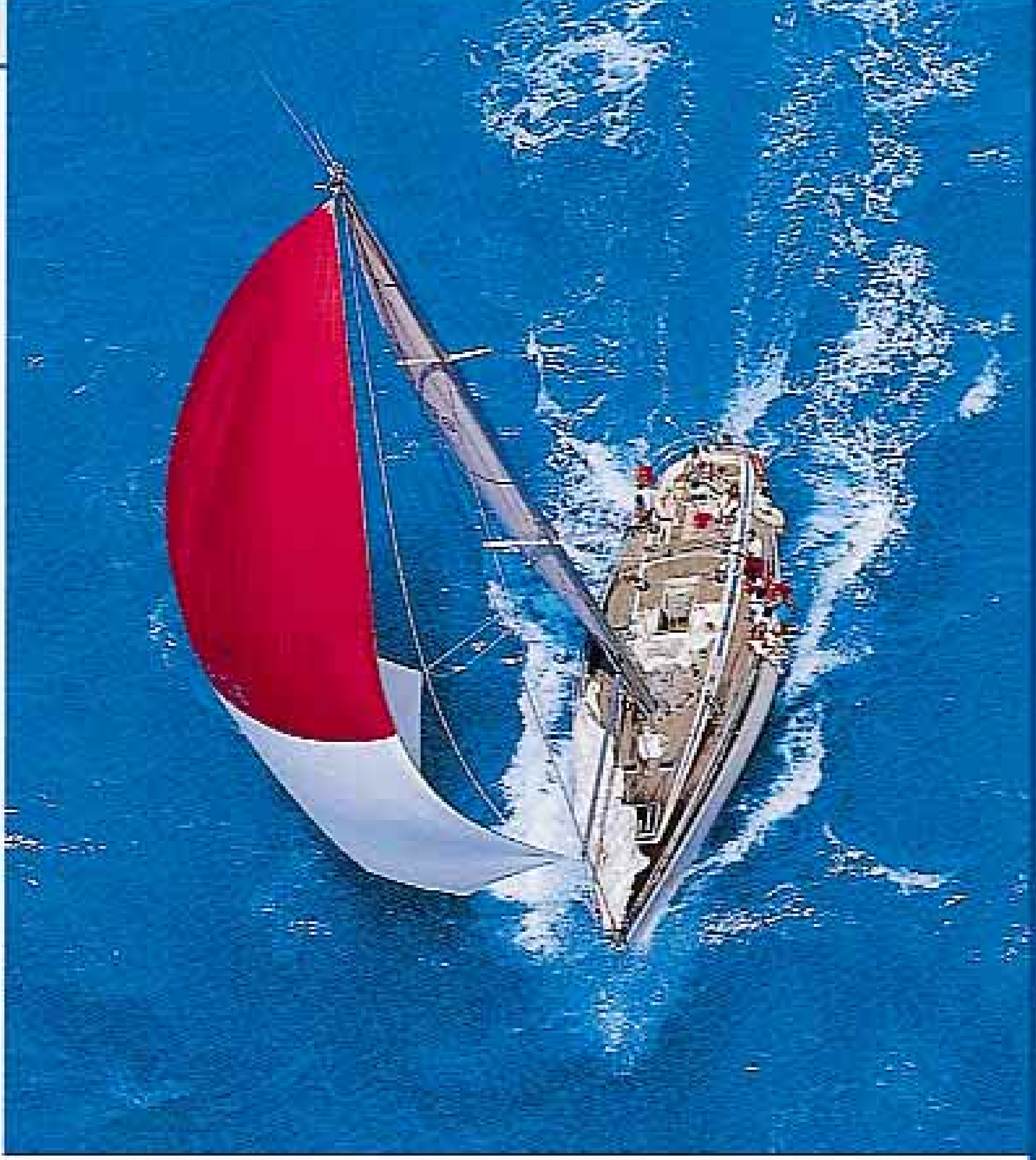
Reuters has its own problems at the moment. It is under criminal investigation in America for allegedly stealing data from Bloomberg, a charge the company denies. Earlier this month a Swiss plaintiff added to Reuters' woes by filing fraud and copyright infringement charges in an American court, claims which Reuters says have no basis.

Jessop says he wants to include corporate coverage in the news feeds to dealers and traders to support Bridge's equity price information. He will have to move fast. Dow Jones, freed of its exclusivity ties to Telerate, will be aggressively marketing its own news service and expects to triple the business in Europe this year.

Telerate has been in turmoil for a year amid rumours that it would be sold. Jessop concedes that there will be staff casualties but says it is in Bridge's interests to let things settle down. Then Jessop will turn his attention to putting Bridge in the number one spot. ■

GREECE:

VOTED MOST EXHILARATING SAILING in the World



By Mediterranean Winds!

Seas that captivated Ulysses on his 10 years voyage anxiously await you on an unforgettable sail. On your next vacation, experience the exciting challenges of the Greek seas. Open your sails and fill them with the friendly winds of the Aegean and Ionian Seas. Travel through dreamy destinations and discover the part of Greece that lives in you. Contact your travel agent and sail among the Greek Gods of Wind.

GREECE: The Authentic Choice

OLYMPIC AIRWAYS THE NATIONAL AIR CARRIER

GREEK NATIONAL TOURISM ORGANISATION: 4, CONDUIT STREET, LONDON W1R 0DJ. TEL.: 0171 - 7345997, FAX: 0171 - 2871369

WEB MEDIA

Online but off target

Simon Reeve

THE online media industry – newspapers and magazines which rushed to publish electronic editions on the Internet – is suffering redundancies, cutbacks and closures as firms realise that they are losing huge sums of money.

Lower than expected advertising revenues are causing serious problems for the industry, with advertisers remaining unconvinced of the benefits of the Internet. Revenue from advertising in the third quarter of 1997 was just $170 million, according to analysts Simba Information. Although this figure is a healthy increase on the previous year, Net advertising will need to rise dramatically if it is to reach the $6 billion which enthusiasts in 1996 predicted could be earned from Internet ads by 2000.

Publishers raced to set up sites on the Internet for fear of missing out on an exciting new medium. Early enthusiasts for online media gravely predicted the imminent death of print and assured their investors that money would soon flow in from advertising revenue and subscribers keen to receive their news through a computer terminal.

The reality has been less exciting and the early confidence of the online media industry is waning after a spate of closures and redundancies. The electronic magazines *Charged* and *Word* have closed, despite praise being heaped on the latter by the computer trade press for being original and innovative. Wired Ventures has cut 20 per cent of the staff on *Wired Digital*, while Microsoft has dismissed 40 staff at *Sidewalk*, the local information sites it established in competition with local newspapers – more than a quarter of its entire staff.

Salon, an online magazine, has decided to start syndicating its online copy to print newspapers and magazines through United Feature Syndicate, largely because of low ad revenue. Many believe that Microsoft has decided to start charging subscribers for its online publication, *Slate*, because Microsoft boss Bill Gates wants to see if the magazine can stand on its own feet rather than rely on the support of the parent company.

The biggest setback for the online industry comes with the closure of the New Century Network, an organisation established by a consortium including the *Washington Post*, *New York Times* and the Hearst Corporation to display the best stories from more than 140 newspapers on a single website. The closure left 60 workers without jobs and will cost the partners an estimated $30m.

Other big media groups are also losing money in cyberspace. According to a survey by the *Editor & Publisher* magazine, the *New York Times*, *Tribune* and Knight-Ridder all lost approximately $60 million on their online operations last year. Time Warner's Pathfinder site, which includes CNN, *Time* magazine and *Sports Illustrated*, is believed to be losing between $5m and $10m a year, according to a report in the *New York Times*.

The figures are moving in the right direction for some publishers: *USA Today*'s website saw its ad revenue increase 275 per cent in 1997, to $10.9 million – but costs are rising too. Forrester Research estimates that the price for a typical website has risen by more than 300 per cent in the past two years to more than $3m.

According to Bill Bass, an analyst with Forrester Research, only the larger media companies can afford to absorb the losses incurred by their online media divisions. "There is not enough advertising to support all these sites unless, like the *New York Times*, they have other sources of income," he said.

Most of the current online cutbacks are happening in American-based firms, but that is largely because the European online media industry is still in its infancy compared with the American market; few doubt that low advertising revenues will soon have an impact in Europe.

A handful of Internet sites dominate the market for advertising, with 18 sites, including Yahoo!, Excite and CNN, taking 55 per cent of the business. But even these sites are not necessarily earning huge sums of money; despite many claims to the contrary, many Net ads are the result of "contra deals", where two firms agree to advertise each other's products, with no money changing hands.

Pat McGovern, the chairman of International Data Group, one of the world's largest suppliers of data on information technology, has reservations about Net ads. "We think that advertising designed to create brand awareness or corporate image is not going to work on the web, because it is a channel where you want to do something that you've already decided to do," he says. "So print is the right way to promote brand image and awareness."

Winston Fletcher, the chairman of Delaney Fletcher Bozell, a British advertising agency, was one of the first to sound a note of caution about online advertising. Eighteen months ago he warned that the Internet does not provide the inherent qualities needed by advertisers and will never be a significant advertising medium for the great majority of consumer goods and services. Unfortunately for the online media industry, he may well have been right.

Net losses: Time Warner's Pathfinder.com (top) is thought to be losing at least $5m a year; *Slate* (above) has introduced subscriptions in an attempt to pay its way

And now, Internet 2

100 times faster (and slightly more expensive)

EVEN as Europe struggles to embrace the Internet revolution and realise the full benefits of online trading and commerce, American scientists are quietly working on a new project to speed up cyberspace: Internet 2.

The technology under development is designed to increase the speed of the Internet by a factor of at least 100 and is being led by Douglas Van Houweling, chief executive and president of the University Corporation for Advanced Internet Development (UCAID), who is one of the original creators of the current Internet. UCAID is an umbrella organisation for more than 120 American universities and 25 firms, including IBM, MCI and 3Com, all working to build Internet 2. Once again, America is leading the way and looks likely to harness the financial benefits while Europe misses out.

Executives in a video conference could 'pass' round papers

Van Houweling likens the Internet now to a "single-lane highway with unlimited access points and no traffic control". Internet 2 will use much of the existing Internet system but add "high-speed toll lanes", where users will be able to pay a premium to move data faster. Internet 2 users will be able to give priority to certain messages, separating them from, for example, normal e-mail messages, which often languish for hours in a recipient's e-mail basket.

There is clearly a need for more speed on the Net. The results of a survey by Ovum, a London-based research firm, are to be released this week. Of the 800 European corporate and residential Internet users surveyed, 68 per cent viewed the Internet's slow speeds as a "significant limitation" hindering the growth of online trading and of the network itself.

Initially the Internet 2 research will lead to the establishment of high-speed links between American universities involved in UCAID, each of which is paying at least $2.5 million to be involved in development and for an Internet 2 connection. According to James Duderstadt, president emeritus and university professor of science and engineering at the University of Michigan, Internet 2 will give rise to "entirely new kinds of education and research".

Scientists in different countries could, for instance, discuss an operation or a computer simulation and talk about on-screen changes as they happen. The technology has already been proved to work: scientists have transmitted a three-dimensional brain image from the University of Pittsburgh to Washington DC, while a physician in Chicago has sent a video model of the inner ear. Transmitting such huge amounts of data in real time is almost impossible on the current Internet.

Commercial benefits will be seen in approximately three years, by which time an Internet 2 connection should allow business executives in different locations to hold a sophisticated video-conference and use the Internet to talk and "pass" documents between the group.

Internet 2 will also pave the way for video on demand schemes, in which users will be able to watch movies in real time on their computer screens, and for Net television, which will enable someone in, say, Milan to watch Australian television through the Internet.

Ever since American ingenuity gave birth to the Internet, Europe has been struggling to catch up. It will be America which develops Internet 2 as the successor to the current network and reaps the rewards.

But within 10 years even Internet 2 will not be fast enough to handle business's data transfer needs; some scientists are already discussing the next stage of development.

If Europe really wants to take the lead on the development of the information superhighway, perhaps European academics and businesses should come together now to start work on Internet 3.

SIMON REEVE

COMPUTERS

Bulk buys and tax breaks boost PCs

Nicholas Moss

ANDERS RONN stands behind his wife, Hilda, as she taps at the keyboard of the new personal computer set up in their home in Berga, Sweden. They watch excitedly as the e-mail message Hilda is sending to her family in Greenland disappears from the screen.

Ronn, a foreman with Scania, the Swedish truck manufacturer, was able to buy the PC through a bulk purchase scheme organised by the country's largest labour union, Lands Organisationen (LO). He joins 50,000 LO blue-collar members, as well as a multitude of consumers in several European countries, who are benefiting from tax breaks which have made it possible for their employers to supply them with cheap PCs. Such deals have also raised the prospect that European consumers could finally catch up with Americans in the PC ownership stakes.

Just four months after its launch, the LO deal with American PC manufacturer Hewlett Packard had accounted for more than 30 per cent of all home PCs sold in Sweden last year.

Because of high sales taxes, home PCs in western Europe cost an average $2,500 – $1,000 more than in the US. The result: 40 per cent of households have PCs in America compared with 20 per cent in Europe.

In the Netherlands, Belgium, Norway and Denmark, as well as elsewhere in Sweden, tax breaks mean employers can provide their workforce with PCs up to 60 per cent cheaper. Dutch bank ING Barings, Danish bank Unibank and oil giant Statoil in Norway are among the companies involved. In Sweden, ABB and Volvo have plans under way.

But if Europe is to match the numbers in the US, consumers in the big three west European markets need to be on board. For that to happen, PC manufacturers will need to be successful in their lobbying efforts to alter those countries' tax environments. Governments in Britain, Germany and France should pay attention.

CyanMagYelloKey

CyanMagYelloKey

GERMANY

The radical recipe for Bonn

Hans-Olaf Henkel
President of the Federation of German Industries (BDI)

GERMANY's continuing high unemployment is a heavy burden for the country as a whole, as well as those primarily affected. The five million mark hangs over the labour market like the sword of Damocles. But with 18 million jobless people throughout Europe, unemployment is not just Germany's biggest economic and social problem. The recent protests in France and Germany prove that it is the biggest challenge facing Europe.

Although ever more businesses are taking a global perspective, politics and society are sticking to old patterns of thoughts and action. Yet businesses learn from the best practices of their competitors. They use benchmarks. It is a policy German politicians should learn from.

The Netherlands, Sweden and Britain have proved that this can have positive effects on the labour market. We can also learn from overseas partners, particularly the United States. Germany, too, sets benchmarks for other countries. Many strengths of *Standort Deutschland* (Germany as a manufacturing base) are of a qualitative nature. Political and social stability and a sound legal system make Germany attractive to investors.

Our enterprises lead the world in ensuring that environmental protection practices are integrated into industrial management and we are masters in the careful use of scarce resources. Our efficient use of energy is demonstrated in the dramatic decrease in CO_2 emissions. German enterprises are contributing significantly to global climate protection. However, the weaknesses of *Standort Deutschland* need to be rigorously examined. Courageous political and economic reforms can yield rich rewards.

LEARNING BY EXAMPLE

America sets the benchmark for the creation of jobs. It is impressive that the biggest economy in the world has hauled itself out of the decline of the 1970s and developed an employment policy without equal. The high number of skilled jobs in the service sector proves that a market-oriented economic policy, an extensively deregulated labour market and flexible wage expectations can turn the job market around. The main factors guaranteeing success are: decentralised wage negotiations tailored to individual enterprises; differentials in the wage structure; mobility between jobs and residence; simpler dismissal practices; and a benefits system that prevents abuse.

The Netherlands has shown how to convert fundamental flexibility in work relations into competitive advantage and job gains. Core elements of the new Dutch economic policy are wage restraint and significant tax breaks for employees and enterprises, as well as fundamental restructuring of labour relations. Today, the Netherlands is the champion in making working time more flexible. About one-third of employees work on part-time contracts; almost 10 per cent are temping. This clearly relieves the strain on the labour market. With an unemployment rate of six per cent, the Netherlands is in a much better position than Germany.

Sweden has proved that it is possible to reform a bloated welfare state fundamentally. It had been constantly expanded but this course was reversed in the early 1990s. Several core elements radically changed the system: introducing unpaid days of sick leave in health and job insurance, less paid leave, raising the age of retirement, relaxing protection against dismissal and reducing unemployment benefits. Consequently, Swedish labour costs – once the highest in Europe – dropped significantly. Inflation fell to the lowest level for decades and on the labour market there are the first signs of relief.

Britain, unlike most other European countries, has seen unemployment fall since 1985 from 11 per cent to five per cent. At the same time, the number of people in work has increased to twice the rate of the rest of Europe. The following measures have led to stronger economic growth and, together with moderate pay increases, to a successful employment policy: broad deregulation and privatisation, tax reforms and extensive changes in the labour market. The long-lasting restraint in wage demands would not have been possible without a change within the institutions in the labour market.

The power of the unions has been curbed and wage negotiations decentralised. Only one-quarter of contracts today involve more than one employer. Income tax reforms have made the tax system attractive and encouraged growth. Union rates and standard obligations in pay agreements are, in international terms, quite low.

ACTION PRESS

Hans-Olaf Henkel: 'Only market-oriented businesses can create lasting jobs'

AN EIGHT-POINT PLAN

Germany cannot avoid implementing lasting reforms. Only when the conditions for investment are right can enterprises create profitable jobs. Why are too few jobs being created? Because businesses are burdened with excessively high costs and taxes. At the beginning of 1997 the Bundesverband der Deutschen Industrie (BDI) suggested an extensive plan to kick-start the labour market and generate dynamic new growth in the medium term. In eight areas, we suggested concrete steps to improve the manufacturing base. These steps are crucial if Germany is to improve its competitiveness and secure and create jobs.

1 Flexibility. Enterprises need to develop the ability to be more innovative. The rapid change of the global market leaves no time to rest. To secure and extend international competitiveness remains a daily challenge. Not only do quality standards need to be at an international level but also new opportunities in the dynamic global market need to be explored more efficiently. Much needs to be improved in the areas of service and customer relations.

2 Qualifications. We need to improve qualifications at schools and universities. Germany is a country of high costs, high environmental and social standards and high income demands. Germany can maintain its position among international competitors only by exploiting to the full its potential in research and technology.

3 Tax. It is absolutely essential to lower the tax burden on German businesses to a level that bears comparison with other countries. *Standort Deutschland* needs to become more attractive to national and foreign investors. Germany needs a tax reform agreement that creates jobs and encourages domestic and foreign investment.

Tax reform is also good for the state, because it leads to more growth, more jobs and higher tax income. Tax burdens play an important role in the competition for global mobile investment capital. Examples are countries such as Britain, Austria and Sweden which have bravely cut tax burdens for business.

Britain, Austria and Sweden bravely cut the tax burden on business

4 Welfare. We must cut spending on a sector which currently swallows more than one-third of our gross national product. A major part of paying for this social burden is loaded on to the costs of jobs. Demographic trends also demand that changes be made. We urgently have to introduce market elements into our social security systems. It is the only way to lower the additional labour costs that destroy jobs. Real reform is needed, not just tinkering at the edges or merely shifting costs around.

5 The wage round. Negotiations should be based neither on past wage deals nor on desired aims but on international competition. Wage agreements should take into account the competitive situation of enterprises themselves and the labour market generally.

In principle, the system of regionally defined wage agreements should be maintained, but we need to regulate industrial relations and take into account the needs of individual enterprises. The German system of wage agreements has not been sufficiently flexible to deal with different economic situations in trades, regions and companies. We need innovative individual models.

6 The state. We must also rigorously reduce the responsibilities and expenses of the state. This can be achieved by privatising the responsibilities and wealth of the national exchequer, state and local governments and by liberalising the most important infrastructure markets, applying simpler planning and licensing procedures, reforming public administration and reducing the cost of bureaucracy, particularly for middle-class enterprises.

7 East Germany. Economic reconstruction in eastern Germany must be accelerated and the industrial base of the region strengthened. A fundamental change of wage policy is needed as well as continued support for investment and personal capital; and a generally more attractive tax policy. If the aim in the new east German states is to develop a self-supporting economy, then the existing entrepreneurial environment needs to be stabilised and developed further. That does not mean businesses should be artificially sustained nor that perpetual subsidies should be provided for unprofitable jobs. It means that a suitable framework should be created for business.

8 EMU. We need to move on with preparations for economic and monetary union. EMU and the introduction of a common currency are important if we are to catch up in the competitive global market for growth and jobs. An end to exchange-rate fluctuations and the cost of currency exchanges means that significant barriers to growth and employment are abolished. It is the competence and abilities of investors and workers that will be decisive in future.

SLIMMING THE STATE

We can move forward only if everybody accepts one basic condition: that only market-oriented businesses create profitable and lasting jobs. If we are to improve conditions for more investment, then this needs to be the focus of attention. First and foremost, taxes affecting businesses need to be cut and the economy freed from weighty social costs.

Everyone knows the recipe: a leaner state leads to lower costs and lower taxes. Privatisation leads to better performance and lower costs. Liberalisation encourages competition and less bureaucracy. Self-help relieves the burden of high social costs. Together, these measures create wealth and jobs.

Within the Amsterdam Treaty, European Union members commit themselves to fighting unemployment together. German industry never was a friend of the social chapter; the problem of unemployment needs to be seen within a broader framework. Successful labour market policies of some EU countries such as Britain and the Netherlands show that the answer is not a broadening of active labour market policy. Rather, institutional reforms, the breakdown of old labour market structures and a modest and rational wage policy bring success.

The only way to meet the challenges of growing worldwide competition for investment and for jobs is by concentrating on more realistic market practice and by a readiness to change the points on the tracks our economic train is following. ■

FROM THE ATLANTIC TO THE URALS

The curse of the Kremlin 'cold' descends on Boris

VIKTOR KOROTAYEV / REUTERS

Dance away the heartache: Boris Yeltsin does a turn on stage in better days

THE CONTINUING INCAPACITY of Boris Yeltsin – the least fit world leader since the latter days of François Mitterrand – once more highlights the key role illness has played in Russian/Soviet politics this century.

Lenin was dogged by ill-health for the last six years of his life and died before he could complete his revolutionary mayhem; Stalin was mentally unbalanced towards the end and succumbed, it is thought, to a brain haemorrhage. Nikita Khrushchev, a one-time shepherd boy, had the constitution of an ox, but his successor, Leonid Brezhnev, inhabited a kind of demi-monde from 1971 to 1982, sustained only by his doctors. Yuri Andropov lasted a mere 15 months in office and Konstantin Chernenko, crippled by emphysema, joined him on the funeral route not long after.

For a time, Mikhail Gorbachev seemed the epitome of rude good health, but he declined rapidly after the attempted coup in 1991 and lacked the strength to deal with the opposition provided by his long-time rival, Yeltsin.

Since then, the once-robust Yeltsin has gone steadily downhill. He has been unable to work for at least six of the past 20 months. Last week, having not been seen in public for six days, it was announced that he would not return to his desk until he had shaken off a mysterious respiratory infection.

The hard-drinking Russian leader seems determined to continue as a lame duck. The only issues are who runs the country in his absence and who will succeed him. Alexander Lebed, the charismatic former general sacked by Yeltsin as his security chief in 1996, is one obvious contender, but other hopefuls are lining up – assuming, that is, their health holds out.

◆◆◆

NO SIGN OF AN EARLY SPRING THAW in relations between Russia and Norway. Russia last week expelled two Norwegian diplomats in retaliation for Oslo's declaring five Russian diplomats *personae non gratae* for spying. Norway, the only Nato country that borders Russia, had hoped that the Russians would not respond, allowing Prime Minister Khell Magne Bondevik to proceed with a visit to Moscow. That visit has now been cancelled.

Norway said that the five Russians had tried to recruit Norwegian politicians to provide information on "bilateral issues". Relations between the countries had already deteriorated following the arrest, on treason charges, of Captain Alexander Nikitin. A retired Russian naval captain, he is alleged to have disclosed alarming details about radioactive contamination from decaying Russian submarines in the Murmansk area to a Norwegian environmental group, Bellona.

On 24 February Nikitin was charged for the sixth time by the Russian Federal Security Service (FSB), the successor to the KGB. Nikitin had already spent 10 months in prison before being released as the result of international pressure.

◆◆◆

PHILIPS CAME CLOSE but in the end it could not do it. Instead of moving its headquarters from Eindhoven to London, it settled for Amsterdam – still Dutch, but plausibly a front-rank city. Now the question is: will Ericsson, the Stockholm-based telecoms group, go the extra mile and set up shop in Britain?

In Ericsson's case, tax, not metropolitan envy, is the crux of the problem. Sweden levies one of the highest income tax rates in the world and, according to one senior executive, this has made it hard to recruit top-flight managers.

A study has come up with a beguiling alternative: London. Not only is the UK's top rate of income tax a mere 40 per cent; London is the centre of Europe's capital and equity markets and a global communications hub. It is being stressed in Stockholm that no decision has been taken.

Everyone in Ericsson is aware of the damage a relocation of this magnitude could do to Sweden's industrial self-confidence at a difficult time. Yet the UK is Ericsson's third-biggest market and the "home" market accounts for just six per cent of sales, so the unthinkable is being thought at the highest level.

PLANS TO INTRODUCE A 35-HOUR working week are causing even more problems in Italy than France. Romano Prodi, the Italian prime minister, refused last week to consider objections to the scheme – designed to reduce unemployment by spreading jobs thinner – raised by the employers' federation, Confindustria. He promised to introduce the necessary legislation in parliament before the end of the month, possibly this Thursday.

Giorgio Fossa, the head of Confindustria, was outraged. Earlier, he had walked out of talks with the centre-left government, claiming that a shorter working week could shatter the industrial peace Italy has enjoyed since signing a landmark wages policy deal in 1993.

The fact is, Prodi had little choice in the matter. Rifondazione Comunista, a balefully named collection of left-wing parliamentary extremists, exacted the premier's support for a 35-hour week in return for sustaining him in power last autumn. If the bill goes, they go; if they go, he goes. Such is economic dialogue in Italy today.

◆◆◆

ARMENIA, LIKE BOSNIA, sits astride one of the world's ethnic and religious fault lines. Its most enduring difficulty, Bosnian-style, is the integration of the national territory against violent objections from neighbouring states. Last month, President Levon Ter-Petrosyan was forced out of office when he tried to negotiate a deal that would have eased relations with Azerbaijan over the disputed Armenian enclave of Nagorno-Karabakh. The election, however, produced no clear winner. A second-round vote has been set for 30 March.

In last week's opening round, Robert Kocharyan, the outgoing prime minister, won 38.2 per cent of votes, compared with 30.62 per cent for his ex-communist main rival, Karen Demirchyan. Independent European observers witnessed many "significant violations" but vowed closer supervision of next week's run-off. Azerbaijan, which tried unsuccessfully to annex Nagorno-Karabakh in 1992, and Turkey, whose control of Armenian territory led to bloody wars in the 19th century, are among the interested parties.

◆◆◆

ONE OF EUROPE'S BEST KNOWN liberal politicians, Uffe Ellemann-Jensen, took defeat on the chin last week when he resigned as leader of Denmark's Liberal Party following defeat in the country's general election.

A keen football supporter and one-time president of the European Liberal Party, Ellemann-Jensen had expected to be swept to power but had to watch as Prime Minister Poul Nyrup Rasmussen's centre-left coalition hung on by one seat.

PRESSWATCH ON: THE MIDDLE EAST

La Repubblica

WITH a simple stroll in the rain in east Jerusalem, Europe has decided to challenge Israel. Britain's foreign secretary, Robin Cook, whose country holds the EU presidency, yesterday visited Har Homa, the Arab district of the holy city where one year ago the Jewish state started to build 6,000 homes destined for Israelis.

The mere idea that a European leader should want to see such a touchstone of discontent had already deeply irritated Benjamin Netanyahu; if that were not enough, Cook met a couple of Palestinian leaders at Har Homa, violating an explicit Israeli ban and implicitly recognising Yasser Arafat's authority over the contested quarter.

To understand the furious reaction of the Israeli government, which cancelled a dinner between Cook and Netanyahu and excluded any European role in the peace process, it is necessary to take a step back.

With the Six Day War in 1967 Israel conquered the eastern part of Jerusalem, but the international community has never recognised the annexation. Negotiations with the Palestinians started in 1993, but they postponed the question of Jerusalem to the final settlement: united and indivisible as capital of Israel, or divided more or less in half, becoming the capital of a future Palestinian state as well.

The homes built at Har Homa sum up the policy of Netanyahu, according to which Jerusalem is wholly Israeli and the 200,000 Palestinians who live there must choose between exile or the life of foreigners.

That's the reason Cook has started this war between Israel and the European Union.

Die Welt

The European Union finds itself in an insoluble dilemma. On the one hand, it pumped large sums of money into the occupied territories between 1994 and 1998; on the other, it is Israel's largest trading partner. But besides this ideal basis for political influence, Europe has not managed to mark a clear position for itself in the conflict. Not that its representatives are not capable. The problem is that its mediators are not accepted by both sides at the table. It is a known fact that the Netanyahu government takes advice – if at all – only from the United States.

Because the situation seems so muddled, it is even more important that the triangular negotiations between the US, Israel and Palestinians remain in progress. At least they are used to each other. Should the EU also get involved, the danger arises that the two parties in the dispute could play the two mediators off against each other. Europe should concentrate on only one aspect to help ensure the future of the region: the economic recovery of the occupied territories. To demand a place at the negotiating table or produce its own peace plan leads straight to yet another disaster.

STEVE BELL

MBA COURSES

High-flyers' route to high rewards

Paula Hawkins

KATZ

Connected: business school alumni can network with some powerful peers. The leader of Britain's Conservative Party, William Hague, seen in his school days, is a graduate of Insead

ALL MBAs are not created equal. There is a big difference between an MBA from Wharton at the University of Pennsylvannia and one from Leeds. Over the past 10 years business schools – once an American phenomenon – have sprung up all over Europe. There are more than 300 European business schools offering MBAs but only a handful are seen as top of the class: IMD in Lausanne, London Business School, Bocconi in Italy, Insead near Paris, Warwick and Rotterdam.

"There is a huge range of quality among business schools," says the head of a British MBA course. "They vary from the excellent to the appalling." A number of schools, he says, concentrate more on making money than on producing good graduates: they try to attract as many foreign students as possible, as they pay higher fees. Standards are not top priority.

Despite the rapid growth and higher profile of European business schools in recent years, they are still seen as inferior to their American counterparts. "We only recruit from one European school and that's Insead," says Sophie Walker, head of graduate recruitment for Europe at Credit Suisse First Boston. "The other schools we look at are Harvard, Wharton, Columbia and Chicago. The standard of teaching tends to be much higher at the top American MBA schools."

The market clearly values some MBAs: the starting salary of an IMD graduate is $106,000. Stanford graduates get an average of $105,000, while an MBA from London Business School will get you about $75,000. "An MBA can add about $15,000 to your starting salary," says Helena Frith Powell, research associate at NB Selection, a leading head-hunting firm.

There are more intangible benefits, such as a network of well-connected classmates and alumni organisations full of big names in banking, finance and business. William Hague, the UK Conservative Party leader, is an Insead graduate, as are the chief executives of the Economist Intelligence Unit, L'Oréal and Cartier. The CEO of Credito Italiano, Alessandro Profumo, is a *bocconiani,* an alumnus of Italy's Bocconi Business University.

'The right MBA can make you highly marketable'

A good undergraduate degree, even when coupled with a Masters or PhD, rarely promises such rapid career advancement or high salaries. "MBAs are well-rewarded," says the head of recruitment at a leading European investment bank. "The right MBA can make you highly marketable." It is not just the right school you have to choose, however: certain programmes – such as the Master in Finance, or MIF diploma – are seen as more valuable than others.

Yet despite the huge popularity of MBA programmes – there are four times as many applicants for European programmes as there are places – sceptics, who are often graduates of more traditional universities or self-made business people, question how much real value there is in the average MBA programme.

Recruitment heads at investment banks cite a better "general all-round business sense" as one important difference between an MBA graduate and an undergraduate. But they also point out that one of the main attractions of MBA holders is that they tend already to have some business experience. "Usually, they will have done a degree followed by a couple of years in investment banking or consultancy," says one headhunter. "That is what really makes them attractive." This suggests there is less intrinsic value in the MBA programme than may at first appear.

In some circles, MBAs carry little cachet. Traders in the City of London, most of whom are self-made men, are doubtful. "We're much more interested in hard skills, we want people who have engineering or maths degrees. Computation skills are the key thing," says a trader at one London investment bank.

While there will always be a place for MBA graduates at management consultancies and in most investment banks, there is still a reluctance on the part of European industrialists to treat the MBA graduate as something special. According to George Bickerstaffe, author of *Which MBA?*, more traditional managers are concerned that the theoretical knowledge of the MBA graduate is no substitute for practical knowledge of how to manage people.

Even investment banking recruiters are wary of encouraging people to do an MBA. They are very expensive: some schools charge more than $60,000 for the entire course, and many require two years' full-time study. Recruiters at investment banks are at pains to point out that many students are under the impression that an MBA is a ticket to the highly paid fast-track set. This, they say, is not true, and assuming it is could be an expensive mistake.

The head of recruitment at a European investment bank says: "Unless you possess a real determination to get into banking or consultancy, you are very bright and very determined, you should think very carefully about doing an MBA." But should young high-flyers of such star quality have to do an MBA at all?

It is a myth, recruiters say, that an MBA has become an absolute requirement in European investment banking, although it is an advantage. But MBAs are extremely important in America and at most American banks. Last year Chase Manhattan hired nine MBAs for their Europe, Middle East and Africa division. Three years' experience at a blue-chip company, coupled with an MBA, are prerequisites to join Chase's New York-based fast-track Corporate Finance Associates training programme.

In Europe, undergraduate recruitment levels remain high, although it takes people who come straight out of university a few years to catch up with MBA graduates. At Credit Suisse First Boston, MBA graduates enter the firm at associate rather than analyst level and are guaranteed a bonus in their first year. Analysts who work their way up through the firm take three years to reach associate level

There can be practical disadvantages in doing an MBA course. Many European undergraduate courses are longer than their British and US counterparts, so that people finish their first degree only in their mid-twenties. Two years' work experience and a two-year MBA course on top of that would mean starting their "real" career path very late.

To get around this some schools, such as Insead, offer shorter courses. But detractors say one year is not enough. "To cover the ground in just a year is not appropriate," says a senior vice-dean of Columbia Business School. "It would be a travesty to our students. Especially in a complex international environment."

GRANT SCHEMES

Executive class rises in the East on new business age

EAST EUROPEAN high-flyers can get special loans to help them with MBA fees. In March 1995 the European Bank for Reconstruction and Development and ABN-Amro introduced a scheme under which students from the region can get MBA fees paid at Insead (Fontainebleau), IESE (Barcelona) and the London Business School (LBS). Seventy-five young people have taken advantage of this loan scheme: to be eligible, students must be citizens of an east or central European country and must be prepared to work in eastern Europe for three consecutive years within three years of graduation.

In the late 1980s the LBS had the foresight to explore the possibilities of offering business education to eastern Europe and the then Soviet Union. Now the LBS has an energetic research team at the CIS and East European Centre which, under the auspices of Dr Saul Estrin, not only brings future managers from the East to study in the West but is also developing business education courses for use in Poland, Hungary and even Kazakhstan.

Indeed, Boris Yeltsin, the Russian president, recently announced that many thousands of Russian managers would be sent abroad to study business practice in the West, which is tangible recognition of the westernisation of business among a new generation of aspirant executives in the East.

These people will become a new force of globally aware and technically more proficient managers who will play a key role in Russia's integration into Europe.

In Hungary, the former Karl Marx University has teamed up with the LBS to offer a two-year, part-time MBA, while in Poland at the Warsaw School of Economics a one-year, full-time course is on offer with weekly modules developed with the Norwegian Business School at Bergen, the ISA at HEC School of Management and the LBS.

GALINA SLEPNEVA

MBA

An established Masters in Business Administration programme commencing in September 1998 which:

- Emphasises the Integration and Implementation of Managerial Action.
- Addresses an International Business Agenda with an International Participant Group.
- Includes a Study Visit to the European Mainland in the Course Fee.
- Places a High Emphasis on Interactive Small Group Work and Tutor Support.

Admission onto the programme requires no prior formal study of Business or Management subjects. Applicants not in possession of a recognised degree or professional qualification may be considered on the basis of extensive work experience.

Accommodation can usually be arranged in the University's halls of residence if desired.

Fees are £7,000 for non EU residents and £5,500 for EU residents.

For further information contact:
Irene Urquhart/John Penlington,
Department of Management,
Glasgow Caledonian University,
70 Cowcaddens Road,
Glasgow G4 0BA,
Scotland
Tel: +44 (0) 141 331 3173, Fax: +44 (0) 141 331 3269
E-mail: IUrquhart@gcal.ac.uk

GLASGOW CALEDONIAN UNIVERSITY

WHERE CAREERS COME FIRST

An MBA of real quality is recognised by those who matter, most importantly by employers.

WARWICK BUSINESS SCHOOL

"Yes, I think it's great to have a Warwick MBA. More importantly, so does everyone else."

Warwick is one of Europe's truly great Business Schools, which attracts high quality students from around the world, and offers the choice of full-time, distance learning, modular or evening study, all accredited by The Association of MBAs.

Outstanding MBA programme content and support are assured with Warwick's excellence in teaching as well as research.

Would you like to hear more? Then call the number below, quoting reference EU237.
Tel. +44 (0)1203 524306
Fax. +44 (0)1203 523719
E-mail: inquiries@wbs.warwick.ac.uk
http://www.wbs.warwick.ac.uk/mba
Warwick Business School, University of Warwick, Coventry CV4 7AL, England.

BOOK NOW one day Masterclass Seminars - 7th & 21st April, 5th May

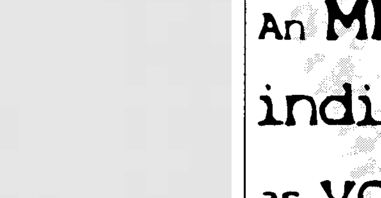
THE LEVERAGE FOR YOUR FUTURE

Intensive and dynamic courses leading to a

MBA

general management

full and part time programmes in Lausanne overlooking Lake Geneva



For more information
ECOLE DES HEC
UNIVERSITE DE LAUSANNE
BFSH1 - 1015 Lausanne - Switzerland
tel. (+41 21) 692 33 90 - fax (+41 21) 692 33 95

Roffey Park Management Institute provide something genuinely different to a conventional MBA programme. Our two year part-time MBA is delivered via Self Managed Learning which allows you to make your MBA experience as individual as you.

ROFFEY PARK MANAGEMENT INSTITUTE

Find out about:

- a unique opportunity to discover a powerful approach to learning
- an MBA which attracts executives from leading organisations
- a programme that effectively combines learning with making you a better manager
- an MBA accredited by the University of Sussex

An MBA as individual as you

For a brochure or details of open events, contact:
Sheila Dale
Tel: 01293 851644
Fax: 01293 851565
e-mail: info@roffey-park.co.uk
Roffey Park Management Institute, Forest Road, Horsham, West Sussex, RH12 4TD.

Roffey Park Institute Limited is a charity, registered number 254591

MBA LLM MSc

Part time, Full time, Open Access, Distance learning

by research

- In Management, for recent graduates
- In Human Resource Management
- In Financial Services
- In Marketing
- In Direct Marketing
- In Facilities Management
- In Operations & Logistics Management

Sems, UNIVERSITY OF SURREY
Guildford, Surrey GU2 5XH
Tel: 01483 259347
Fax: 01483 259511
E-Mail: sems@surrey.ac.uk
www://sems.surrey.ac.uk

INSTITUT MONTE ROSA - MONTREUX

INTERNATIONAL BOARDING SCHOOL FOR BOYS AND GIRLS

- American Junior and High School
- Postgraduate course (Grade 13)
- Business studies program
- Modern Language programs
- German Section program
- Summer Holiday Courses (June-July-August)

57, Av. de Chillon — CH - 1820 Montreux
Tel. 0041.21.963 53 41 — Fax. 0041.21.963 47 83

CyanMagYelloKey CyanMagYelloKey

STUDENT CHOICES

Getting down to business

Galina Slepneva

THE would-be MBA has the required Graduate Management Admission Test (GMAT) score, passed the relevant exams and sold his record collection to raise the money. He has filled in all the forms, has four years' business experience and has made it to business school. But what does an MBA do when selecting his course?

The first point is to check how long the course is expected to last. The shorter the course, the harder the student must work. For those looking for a less frenetic pace, IESE (Barcelona), Helsinki and London Business School (LBS) take two years, ISA at HEC near Paris and SDA Bocconi are 16 months each, and for those who are happy to gallop, Insead, also near Paris, is 10.5 months.

What else should weigh on the student's mind? The beer is free in the student bar at LBS and the school is well located near Regent's Park. The course begins with 15 first-year core subjects, starting with the basics: financial analysis, management accounting and developing effective organisations. Later, students will move on to managerial economics, information management, marketing, understanding international microeconomy and strategic management.

The first year culminates in LBS's *pièce de résistance*: a three-month "action-learning opportunity" during which students are paid and may find themselves being road-tested by a recruiting organisation, which will offer a job at the end of the summer.

Year two builds on the summer placement. Students choose 12 out of the 75 electives available, with options such as "Managing in the East". With a partner each student flies to Russia and other countries in the wild East to help a local company find an exportable item. He has a week in which to succeed.

For those who get their kicks from mergers and acquisitions there is a highly sophisticated course on management buyouts, mergers and other corporate reorganisations. There are also electives on "Small Business" and "New Venture Development" as well as on "The Global Manager".

SDA Bocconi in Milan encourages Italian culture. Founded in 1902, it has one of the largest business libraries in the world, boasting more than 500,000 volumes. The course is divided into five sections.

"Prelude" is a pre-programme home study designed to get ready for the course proper. There are exams on this on arrival.

"Pillars" is an introduction to basic management – it will cover business administration, instruments, techniques and markets.

Then there is another exam, after which each MBA student progresses to "Functional and General Management", which lasts five months. This is the core of the syllabus and includes all the staples: finance, accounting, marketing and strategy.

Emerging from this he tackles "Exploration Itineraries" or "Orientation Itineraries". In this period he can select workshops and projects, such as fashion and design.

Giorgio Armani or Franco Zeffirelli may appear in the classroom – the "Horizons – Management Testimonies" includes a series of meetings with distinguished people from outside finance and consultancy. It is necessary to be reasonably fluent in Italian, as some lectures are in Italian.

What if students need a dose of the Protestant work ethic to keep them at their spreadsheets? Welcome to 18 months at Nijenrode University: the Netherlands Business School. Located in the woods 20 minutes' drive from Utrecht, the school is certainly aesthetically pleasing, housed in a moated castle and various outbuildings. There are good on-campus sports facilities and a restaurant with reasonable food.

The programme consists of a mix of core courses, electives, "business policy and strategy modules" and "expert modules". The expert modules consist of week-long seminars, such as "Doing Business on the Internet". The programme also includes a three-month in-company project and a thesis.

IMD in Lausanne on the northern shore of Lake Geneva is a small but highly respected school of only 40 students. This is a place where students will not be able to snooze quietly at the back of the class – though why should they want to, after paying Sfr33,000 ($22,000)? At least seven hours a day are spent in group work. The Team Initiated Enterprise (TIE) consists of a self-selected group that can do anything – projects could include setting up an on-campus kindergarten.

There are eight modules: from an overview of general management to "Leading Self", which deals with personal values such as business ethics and management action. One of the most interesting modules is "management of a global business", which includes international accounting, crossborder strategies and the future of the international business environment.

If location is important, Insead is unrivalled. Situated on what was once a private hunting ground for French royalty, Insead is in the heart of the forest at Fontainebleau. Campus life resembles that of a top Oxbridge or Ivy League college on speed. This is a fast, some say tough, course. Fluent English is required, as well as working French (a S3,000 intensive French course is offered by the school prior to the start of the MBA), as well as a third language. One of Insead's selling points is its internationalism: a quarter of the students are European. Its teaching staff is similarly multicultural: the school employs 82 professors from 22 countries.

Insead takes 460 students a year, and combines the basics with more complex topics, such as Turbo Finance, an advanced finance elective, corporate strategy, economic analysis, international political analysis and competitiveness. According to the school, students work up to 16 hours a day in order to get through the workload in the 10.5 months.

Insead's critics say that 10 months is just not enough to do a full MBA. The truth is that even two-year courses may not be enough to get an in-depth understanding of the subjects on offer, but perhaps that's the best lesson of all. After they leave business school, graduates will never be in possession of all the facts, so learning how to cope with the frenetic pace of the MBA is a good starting point for a successful career.

MBAs can't snooze at the back of class, but after paying $22,000 who would want to?

WHAT THE COURSES HAVE TO OFFER

	IMD	Insead	London Business School	Nijenrode University	SDA Boconni
Country	Switzerland	France	United Kingdom	Netherlands	Italy
Address	MBA Office Chemin de Bellerive 23 PO Box 915 CH-1001 Lausanne	Boulevard de Constance 77305 Fontainebleau Cedex	Sussex Place Regent's Park London NW1 4SA	MBA office Straaweg 25 3621 BG Brekelen	Masters Division Via Balida 16-18 20136 Milano
Tel	+41 21 618 0111	+33 1 607 24273	+44 171 262 5050	+31 346 291 607	+39 2 583 53286/7
Fax	+41 21 618 0615	+33 1 607 45530	+44 171 724 7875	+31 346 250 595	+39 2 583 63274
E-mail	mbainfo@imd.ch	admissions@insead.fr	mba-info@lbs.lon.ac.uk	mba@nijenrode.n l	mba@sda.uni-bocconi.it
Website	http/www.imd.ch	http//www.insead.fr	http//wwwlbs.ac.uk	http/www.nijenrode.nl	http//www.sda.uni.bocconi.it
Name of programme	MBA	MBA	MBA	International MBA	Bilingual MBA (English/Italian)
Programme fees	Sfr 33,000	Ffr 155,000	£50,500	Nfl 37,000	L32 million
Programme duration	11 months	10½ months	21 months	1 year	16 months
Off-campus rent	Sfr11,000	Ffr100,000	£10,000	Nfl 7,500	L28.8 million
Student intake	83	251	228	60	130
Applicants to places	7 to 1	n/a	5 to 1	6 to 1	4 to 1
Women students	22%	20%	22%	29%	27%
Average age	30	28	28	29	28
Foreign students	96%	87%	75%	84%	45%
Graduate starting pay	$106,700	n/a	$74,724	$52,182	n/a

Source: Which MBA? *1997*

21st Century Business Leaders should be talking to us

At Sheffield Business School, more than 1,250 postgraduate and post-experience managers are already honing their skills and shaping their strategies to equip, qualify and inspire them to meet the challenges of the 21st Century.

Across a wide range of business disciplines from HR Management and Organisation Development through to International Marketing, International Business, Management Studies, Health Management, TQM or Strategic Information Systems Management.

What's more, whether it's on one of our impressive, flexible and innovative **MBAs, specialist MSc or MA programmes, fast-track learning or Executive courses,** they're really enjoying the experience.

For full details of our postgraduate and post-experience portfolio, come along to one of our **OPEN EVENINGS** on **Tuesday 21 April, Thursday 21 May or Monday 15 June 1998** at the Business and Information Technology Centre between 5.30 and 8.30pm.

Or contact Sheffield Business School
Sheffield Hallam University City Campus
Howard Street Sheffield S1 1WB England
Telephone 00 44 114 225 2820
Fax 00 44 114 225 5268
http://www.shu.ac.uk/

Please quote reference EUR01

Sheffield Business School
Education for business and the professions

Cranfield UNIVERSITY
School of Management

MORE THAN A QUALIFICATION: A LIFE CHANGING EXPERIENCE

THE CRANFIELD MBA

What do you look for in an MBA programme? Mature students from a wide cross-section of industries and professions? A teaching faculty that is rated 'excellent'? A school that is ranked amongst Europe's best? An alumni body of 4,000 working in more than 80 countries? A choice of 78 electives? A course that puts the emphasis on developing you as an individual and a team player? If the answer is yes, then the Cranfield MBA is for you.

If you have a degree or professional qualification and at least three years' work experience contact Maureen Williams for more information or a brochure: Cranfield School of Management, Cranfield, Bedford, England MK43 0AL. Tel: +44 (0) 1234 751122. Fax: +44 (0) 1234 752439. Email: m.williams@cranfield.ac.uk
Internet: http://www.cranfield.ac.uk/som

Cranfield University is an exempt charity offering a centre of excellence for research and education.

UNIVERSITY OF STIRLING
FACULTY OF MANAGEMENT

POSTGRADUATE MANAGEMENT PROGRAMMES

The one year full-time MBA programme is both intensive and challenging, combining essential business knowledge with in-depth specialist options. Elective courses include Entrepreneurship, International HRM, Finance, Marketing, International Business, Management Information Systems.

In association with the University of Groningen, Netherlands and CERAM School of Business, France, the university offers and Msc in International Business which gives students the oppurtunity to also study within different European countries, with a choice of management specialisation.

Both programmes offer an international perspective on key issues facing today's business and management community.

Stirling University is situated at the heart of Scotland and its campus is one of the most beautiful in Europe.

Applications are invited for September 1998 entry from suitably qualified graduates or holders of appropriate professional qualification.Contact:

The Postgraduate Office, Department of Management & Organisation, University of Stirling, Stirling, FK9 4LA.

Tel: 01786 467 415 or
e-mail manorg@stiir.ac.uk

What`s the difference between a 590 GMAT* score and a 670 GMAT score?

Simply 80 points?
Or acceptance to a great Business school rather than a good Business school?

According to the 1996 US News and World Report on Best Graduate Schools, the difference in starting salaries within the top 25 business schools is £15,000

And remember, the GMAT is now only available on computer - why take your chances with outdated books, and old released examinations

Kaplan is the World Leader in GMAT-CAT test preparation, with the resources, facilities, and proven results that can only come from 57 years of test prep expertise

We will teach you what to study, when to study, and how to study; so come test day, the GMAT-CAT will be second nature

......just 80 points really can make the difference, and 80 points is our GUARANTEED score improvement

Choose the course that means business....choose Kaplan

Call about our free, monthly GMAT CAT seminars...

KAPLAN®

3-5 Charing Cross Road, London, WC2 OHA
Tel: 0171 930 3130 Fax: 0171 930 8009
Email: gmat@kaplan.demon.co.uk

★ GMAT is a registered trademark of the Graduate Management Admissions Council which is not affiliated with this programme.

NIMBAS Bradford
NIMBAS
THE ASSOCIATE INSTITUTE OF THE UNIVERSITY OF BRADFORD

The NIMBAS-Bradford International MBA is a powerful boost for *your* business career

NIMBAS Graduate School of Management, the Associate Institute of the University of Bradford UK, enables University or HBO graduates to earn the prestigious University of Bradford MBA degree in the Netherlands or Germany.

ONE-YEAR FULL-TIME MBA
In Utrecht, the Netherlands

TWO-YEAR PART-TIME MBA
In Utrecht, the Netherlands and in Bonn and Mainz, Germany

TWO-YEAR EXECUTIVE MBA
Seven intensive study sessions in the Netherlands, UK, Germany and France

THREE-YEAR PART-TIME DOCTORAL DEGREE PROGRAMME

NIMBAS is AMBA (London) accredited

NIMBAS GRADUATE SCHOOL OF MANAGEMENT
Nieuwegracht 6, 3512 LP Utrecht, The Netherlands
Telephone: +31 (0)30 230 30 50 Fax: +31 (0)30 236 73 20
E-mail: NIMBAS@compuserve.com web site: http://www.NIMBAS.com

AGSB
THE AMERICAN GRADUATE SCHOOL OF BUSINESS
THE INSTITUTE OF UNDERGRADUATE BUSINESS STUDIES

offers
Master of International Business Administration, MIBA
Bachelor of Science in Business Administration, BSBA

Member of The College Board

Authorized by the Nonpublic Postsecondary Educational Istitutions Act, State of Georgia, USA

Place des Anciens-Fossés 1814 La Tour-de-Peilz (EU) SWITZERLAND

Tel. (+41)21-944 9501
Fax. (+41)21-944 9504
e-mail: agsb@vtx.ch

YOUR CAREER. Into the next century.

BBA MBA
UNDERGRADUATE & GRADUATE PROGRAMS IN:
• BUSINESS ADMINISTRATION
• BUSINESS & PUBLIC RELATIONS
• INFORMATION SYSTEMS
• EUROPEAN LANGUAGES
• INTERNATIONAL HOSPITALITY & TOURISM MANAGEMENT

European University
INTERNATIONAL CENTER FOR MANAGEMENT STUDIES

GENÈVE
C/Ganduxer 70 • 08021 Barcelona, Spain
Tel: 34.3.201.81.71 • Fax: 34.3.201.79.35
Email: eubcn@bcn.servicom.es
MONTREUX LAUSANNE ZUG

BBA Bachelor of Business Administration
MBA Master of Business Administration

BBA: four-year undergraduate degree (full-time) starting October or March.
MBA: one or two-year graduate degree (evening classes) starting October, January or April.
Strong academic course of study plus practical training, including yearly in-company internships arranged for undergraduates.

THE NUMBER ONE BUSINESS SCHOOL IN BRUSSELS
Global programs for ambitious students

Offical affiliation with: Mercer University, USA

UNITED BUSINESS INSTITUTES

Avenue Marnix 20
1000 Brussels - BELGIUM
Phone: 32 2/548 04 80
Fax: 32 2/548 04 89
http://www.ubi.edu

CyanMagYelloKey CyanMagYelloKey

AMBITION

Are you aiming for the top? It's hard to get there in any business – in a **career in hospitality management**, it's really tough. No other profession requires so many skills.

At the world's first hotel school in Lausanne, Switzerland, we only accept students with the drive to succeed. You'll spend four years combining theory with practice in all areas of hotel management. You'll study not only finance, marketing, law and human resources, but also kitchen, service and housekeeping. And you'll do two six-month paid internships.

No one will be better trained. No one will have a better chance to **go all the way**.

ECOLE HOTELIERE DE LAUSANNE

First in the World

For free information pack by contacting us at: EHL, Dept TE, CH-1000 Lausanne 25, Switzerland
Tel: ..41 21 785 11 11 E-mail: admission@ehl.ch
Fax: ..41 21 784 14 07 Website: http://www.ehl.ch

THE EUROPEAN

If would like to receive further information about any of the advertisers that appear in this week's **BUSINESS MANAGEMENT EDUCATION** Special focus, please complete the coupon below by placing a tick next to the establishments of your choice and post to:

DANIEL COHEN, THE EUROPEAN, CLASSIFIED ADVERTISING DEPT. 200 GRAY'S INN ROAD, LONDON WC1X 8NE, UK.

- ☐ Glasgow Business School
- ☐ HEC Lausanne
- ☐ Ecole Hoteliere de Lausanne
- ☐ SEMS University of Surrey
- ☐ Kaplan
- ☐ Cranfield MBA
- ☐ Strathclyde Graduate Business School
- ☐ Sheffield Hallam Business School
- ☐ Roffey Park Management Institute
- ☐ Faculty of Management, University of Stirling
- ☐ American Graduate School of Business, Switzerland
- ☐ MBA Career Guide
- ☐ Institut Monterosa, Switzerland
- ☐ Open University
- ☐ University of Southern Europe
- ☐ University of Salford Management School
- ☐ Nimbas
- ☐ Huron University
- ☐ Robert Kennedy University
- ☐ University of California, Irvine
- ☐ European University, Belgium
- ☐ United Business Institutes
- ☐ Caledonian University
- ☐ Warwick Business School
- ☐ Preston University

Name________________
Address________________

Tel________________

UNIVERSITY OF CALIFORNIA IRVINE

Discover the Magnificent Southern California Coast...
The Opportunities are Endless!

ENGLISH LANGUAGE PROGRAMS

10-Week Intensive ESL

4-Week Conversation & Culture

4-Week Business English

4-Week TEFL Seminar

CERTIFICATES FOR PROFESSIONALS

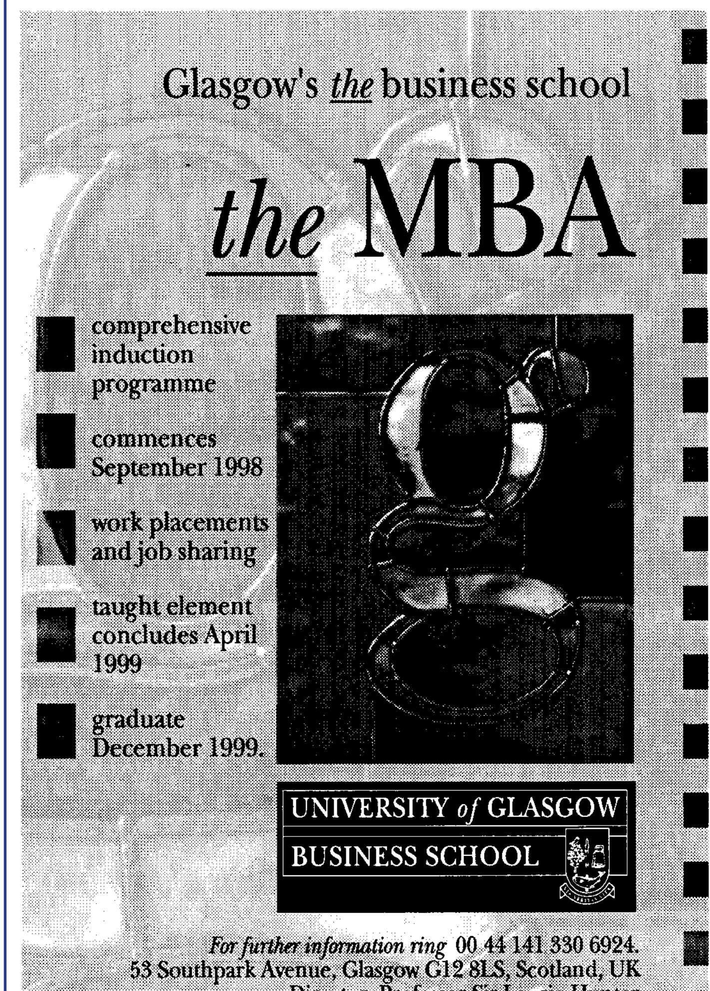
Teaching English as a Foreign Language (TEFL)
July 3 - December 11

International Business
July 6 - September 23

Marketing Communications
Sept 4 - December 15

Web Design & Management
January 8 - April 30 1999

Ms. Angelika Volkman, Director
English and Certificate Programs for Internationals
UCI Extension
P.O. Box 6050 - EU
Irvine, CA 92616-6050 U.S.A
Tel: (714) 824 5991 Fax: (714) 824 8065
E-mail: uciesl@uci.edu
Visit our Website: http://www.uci.edu/~unex/esl/



For further information ring 00 44 141 330 6924.
53 Southpark Avenue, Glasgow G12 8LS, Scotland, UK
Director: Professor Sir Laurie Hunter
Fax: 00 44 141 330 4939. email: s.dobbie@mgt.gla.ac.uk

WORLD Class Learning at Strathclyde Graduate Business School

Strathclyde Graduate Business School courses include:

Master of Business Administration
Full-time, Part-time, Open Learning, Mixed Mode
MSc in Business & Management
MSc in Business Information Technology Systems
MSc in Facilities Management
MSc in Procurement Management
Executive Development Programmes

If you would like further information and an application pack for any of these courses please contact the Graduate Admissions Office:

Freephone 0800 66 1966 (UK only)
Fax: +44(0)141 552 2501/8851 (2 lines)
Tel: +44(0)141 553 6118/6119/6049 (3 lines)

Internet http://www.strath.ac.uk/Departments/SGBS

The Open University BUSINESS SCHOOL

"Where will I find time for an MBA?"

Study for an AMBA approved MBA as you work - with the Open University Business School.

Our distance teaching methods draw on over 25 years' unrivalled expertise of the Open University. Britain's largest University. Our award-winning multimedia materials meet the learning needs of busy managers, and are supported by over 750 qualified tutors offering personal and group support as well as individual feedback on your assignments. Network with other managers at informal study groups, residential schools and on-line.

Over 20,000 managers a year choose OUBS - to find out why this is the most popular MBA programme in Europe call +322 644 3372 (European enquiries) +44 1908 653449 (UK enquiries), quoting code BCWE8B.

http://oubs.open.ac.uk

The Management School — Your success is our success

The University campus is located on a 34 acre park and riverside site at the heart of Greater Manchester.

The Salford Masters Programme

The Programme was launched in the early 1980s and has attracted students from more than 85 countries during that time. The programme has three main components - the Masters Degree, the Advanced Diploma and the Access Diploma courses.

The Masters Degrees

- MBA
- MSC INTERNATIONAL BANKING AND FINANCE
- MSC HUMAN RESOURCE MANAGEMENT
- MSC CORPORATE FINANCE • MSC MARKETING
- MSC PURCHASING AND LOGISTICS
- MSC INTERNATIONAL BUSINESS • MSC QUALITY MANAGEMENT

To find out more

Contact Director of Admissions, The Management School, University of Salford, Salford, England M5 4WT.
Fax +44 161 295 5022.
Tel +44 161 295 5530. E-Mail: d.c.lavender@man-sch.salford.ac.uk
Why not visit our web site: www.salford.ac.uk/man-sch

Discover the International MBA with a Difference

Make contact today for a prospectus and discover your real potential in a truly international study environment. See how your career can be enhanced. Huron University USA in London is situated in the heart of town and offers recent graduates work assessment and regular acceptance paths in its MBA. When you call our Admissions Office ask about our unique Ambassador Program.

- Concentrations in: Entrepreneurship, Marketing, MIS, and Global Financial Institutions & Markets
- High-level networking opportunities
- Many years of experience in business education
- Multi-cultural, international study environment
- Small classes for active learning and individual attention
- Extensive academic and employment counselling
- Starting dates in September, January & May

Huron University USA in London
Office of Admissions
58 Princes Gate - Exhibition Road
London SW7 2PG - UK

Telephone +44-171-584 9696/581 4899
Fax +44-171-589 9406
E-mail Admissions@huron.ac.uk
Web Site WWW.huron.ac.uk

The MBA Career Guide

Subscribe Now!

The leading review of top MBA schools & MBA recruiters

SUBSCRIBE NOW & OBTAIN FREE INFORMATION ON SCHOOLS

Euro-MBA Tour OCTOBER '98

THE SUNDAY TIMES OFFICIAL SPONSORS

No1 Worldwide

200+ Pages

Plus: Recruiters' Top 20 Schools

"...The MBA Career Guide is very useful for evaluating business schools and career paths..." *The Wharton School*

ORDER RETURN THIS FORM BY FAX OR MAIL Internet: http://www.career-guide.com

Published twice each year - Spring and Fall

UNIVERSITY OF SOUTHERN EUROPE MONACO

In a class of its own

Call Ms. Grisel Damgaard at
Tel: +377 92 057 057
Fax: +377 92 052 830
e-mail: use@monaco.mc
Campus address: Stade Louis II
2, av. Prince Héréditaire Albert
MC 98000 MONACO

U.S.E. is fully accredited in the United States and the Principality of Monaco

U.S.E., located in the heart of Monte-Carlo's bustling Fontvielle business district, offers a wide range of programs and enjoys a world-wide reputation for academic excellence.

UNDERGRADUATE

- BSBA - Bachelor of Science in **Business Administration** Degree in Monaco (4 years)
- Dual Bachelor Degree in **International Business or in Engineering** with the University of Southern Carolina (2 years in Monaco, 2 years in Columbia, USA)

GRADUATE

- **MBA** - Master of Business Administration (1year)
- **Executive MBA** (2 years)
- **International MBA** (1 year)
- Master in **Financial Management** with the S.A.A of the University of Torino, Italy and the Leonard Stern Business School, New York University, USA (1 year)
- **DEA/PhD** with the C.R.R.M of the University of Aix Marseilles III, France

eurolink

Train to teach English.
Distance courses leading to
CERTIFICATE
ADVANCED CERTIFICATE & DIPLOMA in TEFL/TESOL
accredited by ACTDEC
Qualifications awarded by
The College of Preceptors
incorporated by
Royal Charter in 1849
For prospectus write/tel/fax/e-mail
Tel: + 44 (0) 114 262 1522
Fax: + 44 (0) 114 236 0774
E-mail eurolink@vip.solis.co.uk

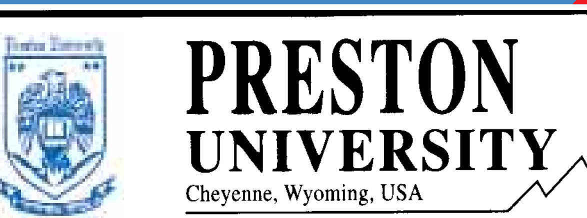
Eurolink Courses (Dep.E)
3 Abbeydale Road South
Sheffield S7 2QL. U.K.

SUMMER SCHOOLS
SPECIAL FOCUS
20th April

DISTANCE LEARNING
SPECIAL FOCUS
11th May

To Advertise contact:
Fleur Terrin or Jon Murphy

Tel: +44 171 418 7747
Fax: +44 171 713 1835



BBA • MBA • MS • PhD

Distance Learning

Business Administration • Computer Science • Education
Accredited • Licensed by State Dept. of Education
Also on-campus programs available at Cheyenne campus in USA and at 22 affiliated centers worldwide

Preston University, Dept. EU398
1204 Airport Parkway • Cheyenne, WY 82001 • USA
Tel: + 1 (307) 634 1440 • Fax: + 1 (307) 634 3091
Email: admissions@preston.edu • www.preston.edu

THE SWISS MBA and L.L.M - THE UNIVERSITY WITHOUT WALLS IN SWITZERLAND

"WE CARE ABOUT YOU"

Robert Kennedy University

Yes, its true, we care about you. You can see how:

- we have designed an intensive distance learning MBA and LLM for you
- Only ROBERT KENNEDY UNIVERSITY consider you experience in credits hour
- Our fees really care about you, no other university especially in Switzerland can do that.
- Tutors are 24 hours available to be contacted by students, by phone, by fax or internet
- SMALL FEES FOR A BIG MASTER PROGRAM

For more information or for enroll NOW, contact us:

ROBERT KENNEDY UNIVERSITY
WTC - Leutschenbachstrasse 95 - 8050 CH Zurich, Switzerland
Telephone: +41-1-308.3908
Telefax: +41-1-308.3500
INTERNET: www.webspawner.com./users/kennedyuniversity/
E-MAIL :Kennedyuniversity@yahoo.com

EXPO 98 ■ With only two months to go, mud and big ideas mark the site of the last world fair of the millennium

Showdown on the waterfront

SYGMA

Hugh Pearman
LISBON

OUTSIDE, it is a dustbowl as lorries roar to and fro and thousands of workmen and women desperately struggle to get Expo 98 in Lisbon, the last and biggest world fair of the century, finished on time for opening on 22 May. Newly planted trees are wilting, the waterside cable car ride still has no cables, the stick-on national flags are peeling off the pavilions, the roads are a nightmare and everywhere there are unprotected holes to fall down. But at least one building is completed.

Inside the Oceans Pavilion, architect Peter Chermayeff is making baby noises at the penguins and otters already settled in peaceful habitats high up under the glass-and-steel canopies of his great aquarium.

"Hey, little guys," says Chermayeff to the animals. "How are you today? Come here, come here …" The tone and delivery are unexpected. Chermayeff cuts a distinguished figure in a well-tailored double-breasted suit. His hair is swept back, he has a deep, rich New England voice and he wears the kind of thick-rimmed spectacles beloved of architects of a certain generation. But Chermayeff, besides being a very successful product of the American East Coast and son of the famous Russian-born modernist pioneer Serge Chermayeff, happens to be a world authority on aquariums. The theme of Expo 98 in Lisbon is the world's oceans. The Oceans Pavilion is thus the linchpin of the whole event. And Chermayeff, who has built all over the world, was the obvious choice to design it.

Set in a former dock where flying boats used to moor, it appears like – what? A moated fortress? No, the imagery is, of course, nautical. Floating on the water like a top-heavy galleon, it rises high to a mini-forest of white suspension masts. These hold up the dramatically projecting leaves of the glazed roof, under which otters and penguins splash and frolic in the sunlight, but their rigging deliberately evokes the sailing ships that used to sail past on their voyages of discovery. This May is the 500th anniversary of Vasco da Gama's epochal arrival in India. Hence the celebratory Expo with its aquatic theme.

The Oceans Pavilion is to be a permanent building once the Expo is over. So is the slightly sinister metal-clad grey hulk of the Utopia Pavilion – a giant auditorium a little farther along the waterfront that looks like an abstract sculptor's take on a shark's head. This, by the giant American architectural practice SOM, turns out to have an unexpected and inspiring all-timber interior like a huge ship's hull.

The Oceans Pavilion will remain as Lisbon's Oceanarium while the Utopia Pavilion, once its multimedia Expo show is over, will become a venue for concerts and stage spectaculars. Nearby is a new theatre. Office and apartment blocks are being built. The ambitious Portuguese Pavilion, by that nation's best architect, Alvaro Siza, incorporates a ceremonial square beneath a vast swooping U-shaped concrete canopy, hung from its edges as if it were a sheet pegged out to dry. Framing a view of the sea beyond, this will act as the gateway to this all-new part of Lisbon. The area used to be a standard rundown dockside industrial zone. Now it will become virtually a self-contained 60-hectare new town between the old city and the airport.

That is, if they ever finish it. With two and a half months to go before the opening, the Expo looks way behind to me and, believe me, I'm used to desperate last-minute dashes to get places finished.

The roads around the site are still hopelessly chaotic; some buildings seem scarcely half-built. As soon as paving and planting is put in, it is covered instantly with a thick layer of dust or simply dug up again.

"When it rains it's even worse," says one of Chermayeff's assistants. "With the brown mud and the stones, it's like working in chocolate ice-cream with chopped nuts in it." There was a lot of rain earlier this year. That is one reason why things were held up.

On the other hand, a graceful new $760 million bridge – one of the longest in the world – over the Tagus estuary is complete and acts as a backdrop to the whole show. It effortlessly upstages the ugly new Vasco da Gama observation tower on the waterfront, which is like an upturned truss from a railway bridge, topped with that 1960s cliché, a revolving restaurant (it is meant to look like a ship's mast, sail and crow's nest, but it doesn't). A new railway and metro line serve the Expo via a spectacular station by Santiago Calatrava, the Spanish architect-engineer. Imagine a modern Gothic cathedral where the arches are white steel and the vaults glass and you will get the idea behind Calatrava's architecture.

All this activity is throwing dust over Chermayeff's Ocean Pavilion, and he does not like it dulling the glitter of his glass-and-steel roof, settling in the crevices of his riven-limestone walls, coating the high-tech external staircases.

Once inside, however, the assertive architecture vanishes completely: Chermayeff's boyish love of wildlife means he wants nothing to distract from the main event. Everything inside seems to be painted black, so focusing attention on the huge clear acrylic walls of the aquarium – a third of a metre thick, though you would never know it. "It has four different habitats represented inside it, as well as in the outside corners," he explains. "Here's the Tropics, here's the North Atlantic, over there the Southern Ocean or Antarctic, and over there the Pacific. The four things come together inside and make the point that the world's oceans are really one great ocean. Even though, of course, it's a bit of poetic licence, because the animals are all in one temperature, in one place."

From here, visitors move up to the open areas in the corners under the glass roof. The pool where sea otters float lazily on their backs, for instance, goes right down to the aquarium beneath, so they can also be seen swimming underwater. The cleverness of Chermayeff's design is that the animals in each corner habitat do not mingle in the middle: huge invisible underwater windows separate diving penguins from predatory sharks, for instance. The experience is cleverly syncopated, moving from one panoramic window to a little one at a different angle, and so on. "The idea of all of this is that it is not revealing of itself all at once. You don't see everything exposed. You keep discovering new views and changing perspectives," Chermayeff says.

We re-emerge blinking into the sunlight, already strong here even in March. Visitors to the Ocean Pavilion will be streamed in and out on a double-decker bridge connecting across the dock. As they queue in the shade, they can gaze at the world's biggest tiled mural on the side of the landside building with its shops and restaurant.

Designed by Chermayeff's graphic designer brother, Ivan, a fellow partner in the Cambridge, Massachusetts practice, Cambridge Seven Associates, the mural merges computer-aided design with the ancient Portuguese craft of handmade blue-and-white tiles. Close up, it appears to be entirely abstract. Stand back, and the forms of fish – here a shark, there a seahorse – appear. Each tile represents one pixel on a computer screen. It is the kind of quiet design in-joke that Chermayeff enjoys.

But there is one thing he enjoys more. As we shake hands, he reveals that he is preparing for the treat he gives himself just before the opening of any of his great aquariums: to don a diver's aqualung and swim quietly among the sometimes fearsome marine animals he has gathered there. Just for a few minutes, a human will become a water creature on display. Only his family, however, will get to see the architect of the Oceans Pavilion testing it out on behalf of the users. ■

Point of departure: Calatrava's station goes up and (left) the fair's mascot. Portugal's explorers set sail from where Expo is rising

Expo 98 in Lisbon runs from 22 May to 30 Sept. Information: tel +351 (0)1 8680426, fax +351 (0)1 8681800. E-mail: ticketing@expo98.pt Website: http://www.expo98.pt

Hugh Pearman is architecture and design critic of The Sunday Times, *London. His book,* Contemporary World Architecture, *is published by the Phaidon Press in August*

CHRISTINA LAMB'S

Lisbon

EVERY night in Lisbon's main Rossio square, Marco, a pony-tailed Brazilian astronomer, sets up his telescope and offers passers-by the chance to look upon Venus for 100 escudos (54 cents). Marco claims it is the bargain of the century but there are few takers. "The Portuguese are more into navel-gazing than star-gazing," he grumbles as the water-jet for a council road-cleaning truck narrowly misses him. "They have lost their sense of adventure."

This is a damning charge for a people who were once the boldest explorers on Earth, "discovering" two-thirds of the world and mapping its seas, skies and continents as well as establishing the first of the modern empires. The Portuguese were the first Europeans to cross the Equator, sail round the Cape of Good Hope, set foot in Africa and South America, find a sea route to India, trade with Japan and China and see Australia, more than 200 years before Captain Cook.

But that was all a long time ago. These days the closest my Portuguese friends get to seafaring is to take the ferry across the river Tagus. Most never venture beyond neighbouring Spain (where they buy cheap cigars and asparagus), preferring to spend money on clothes and cars than exotic travel.

To the outside world, Portugal has faded into an insignificant strip at Europe's bottom left-hand corner. Portugal was one of the first countries to qualify for entry to the European single currency, yet European Union posters promoting the euro left the country off altogether by omitting the border with Spain. Mozambique, a former colony, turned its nose up at the Association of Lusophone Countries and joined the British Commonwealth. And, humiliatingly, Portugal has been suffering a kind of reverse colonisation, with Brazilians monopolising the country's television and advertising market and bringing Rio street slang into Lisbon parlance.

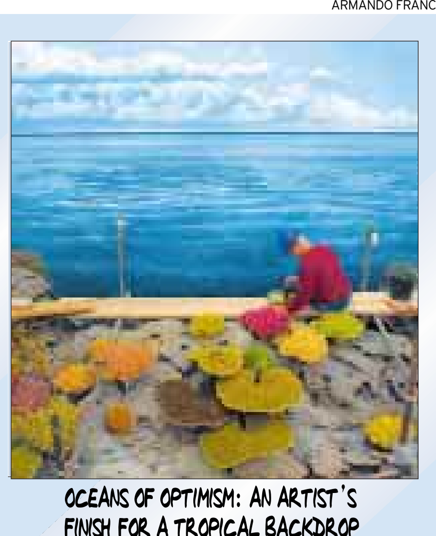
Were it not for the stunning palaces and abbeys, such as the Jéronimos monastery on Lisbon's riverfront, built with profits from the spice trade with the colonies, it would be hard to believe that in the 16th century Portugal was the richest, most powerful nation on Earth. Many of the younger generation simply do not.

Such is the threat of the country's glory days being forgotten that the government created a Commission for Commemorating the Discoveries. Charged with promoting Portugal's golden age, it is sponsoring an exhibition on the flora and fauna brought to Europe by the discoverers. The soon-to-be-opened bridge over the Tagus is to be named after Vasco da Gama, the greatest explorer of them all.

The government hopes to remedy the inferiority complex this summer with Expo 98 and its theme of "oceans". Its organisers hope to remind their countryfolk how great the Portuguese once were and to show the world a country once again looking outwards, only this time for cultural and commercial contacts rather than territory. Antonio Mega Ferreira, director of Expo, describes it as "a new attitude towards life, towards the world".

Expo will be the first real opening of Portugal to the world since the revolution in 1974, which ended more than 40 years of stifling fascist dictatorship. Joining the EU was the first step towards normality and the country has since seen rapid modernisation, benefiting as its poorest member from funding for a modern network of roads and communications and giving the other members a lesson in how to get the most from Brussels, while ignoring all its decrees. But the image clings of a country stopped in time. The national music, *fado*, is a sad mournful sound. While gleaming buildings such as the new Colombo shopping mall are springing up across the city, Lisbon's squares are still the preserve of old men in caps playing backgammon. In rural areas little has changed for centuries: women clad in black wash the cobbles every morning and the main mode of transport remains the donkey.

ARMANDO FRANCA



OCEANS OF OPTIMISM: AN ARTIST'S FINISH FOR A TROPICAL BACKDROP

Against such a backdrop Expo is causing great excitement. Hotels are being repainted, the metro system is being extended and the whole of Lisbon seems to be undergoing renovation. People talk of Expo in awed tones as a panacea for all the country's ills. Its riverfront site still resembles a sea of mud in the middle of which are emerging other-worldly glass tents with steel protuberances. They have grand names such as the Pavilion of the Future; each will have a replica caravel docked outside.

Some say it would have been better to let the ghosts rest. In India there have been protests against plans to commemorate Vasco da Gama as a hero, arguing that he opened the way to centuries of oppression. Within Portugal there is discomfort over the presentation of the empire as benign, ignoring the brutality of the slave trade.

But the Portuguese are laid-back people who enjoy nothing more than a long lunch. Their biggest complaint is that their favourite summer dish of sardines will not be available in Expo restaurants because Eurocrats have decreed that sardines cannot be grilled in closed spaces. But they will probably find a way around that.

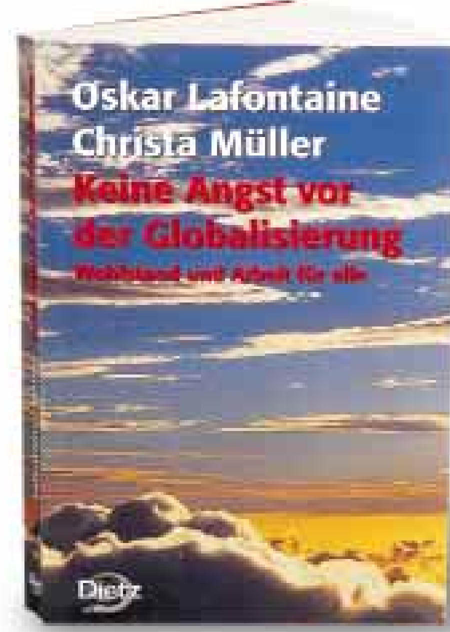
CyanMagYelloKey CyanMagYelloKey

Zeitgeist

BOOKS

Globalisation, our true friend

Keine Angst vor der Globalisierung
by Oskar Lafontaine and Christa Müller
Dietz, DM28



A N EXTRAORDINARY new book by Oskar Lafontaine, leader of Germany's Social Democratic Party (SPD), and his wife, Christa Müller, almost doubles as a manifesto for a red-green coalition government. *Keine Angst vor der Globalisierung* (No Worries about Globalisation) builds the framework for future SPD policies, awakening the party from its slumbers in the realm of theory.

This book is the first serious attempt to reconcile social democratic and ecological policies. The authors have coined the expression: "Reform and the capacity for reform." The term "reform" is used differently from the way it is in most German political discussion. For the authors, it means a fundamental process of rethinking. They associate progress and a competitive economy with social justice. If that sounds like pie in the sky then at least it is a brave idea which the current government has thus far neglected.

This is where the book's sober factual orientation proves its worth. The proposals are not idly non-committal; they are concrete. Lafontaine and Müller give "reform" back its original meaning. Reform, as opposed to revolution, means changing policy while observing the same fundamental framework. The text recalls the writings of Anthony Crosland, whose ideas paved the way for Britain's Labour government of the 1960s. It is also reminiscent of the Fabian Society pamphlets which prepared Tony Blair's path to power.

One of the most impressive feats of the book is to posit future social democratic policy which until now has been pure wishful thinking. An important example, the concept of *Bildung* ("education"), illustrates the point. Bill Clinton and Blair both consider the concept of education to be extremely wide ranging and have afforded it central significance in their political agendas. In the Anglo-Saxon tradition, both men take "education" to mean a fundamental, ethical frame of reference. "Education" refers less to practical training or university schooling (at least, that is only a small part of it) than to "orientation towards values".

Lafontaine and Müller are also drawn to this Anglo-Saxon view of education. They expose the insufficient degree to which conservative policies (or, if one so chooses, the market-oriented "neo-liberal" policies) reflect basic values. Here, they outline for the first time what factor must characterise Social Democratic policies: an orientation towards values.

In this sense, the book is utterly topical. Not even Chancellor Helmut Kohl is tired of proclaiming that the next parliamentary election will be decided "on values". Applied to the forthcoming election, this is certainly not true; but applied to the political discussions of the next several years, it most definitely is .

Neither Kohl nor his friends in the party – aside from a few unconvincing attempts by Wolfgang Schäuble – have imbued these values with meaning. The authors' remarks on this discussion might suggest the direction the Social Democrats wish to take but unfortunately they dwell too much on vague communitarian ideas. This kind of flirtation with communitarianism is no substitute for serious political theory.

If the authors' ideas compare with Blair's, there are elements that differ. The Germans do not share Blair's religious beliefs; nor do they have the socially oriented ideas of Britain's Liberal former prime ministers, William Gladstone and Anthony Asquith, the reform ideas of the Fabian Society or the tradition of the Labour Party. The references to John Maynard Keynes, whose works the authors say must be properly re-read, to the liberalism of the Freiburg School and to the social market economy of the Cologne economist Alfred Müller-Armack do not make up for this philosophical hole. The ideas of the writers are a start but more detail would be helpful.

The basis for the policy of reform which Lafontaine and Müller propose is constant long-term growth. To work, they stress that it should be linked to a framework of governmental order to allow the market some breathing space. At the same time, the state should have the task of maintaining justice. The United States sets an example from which others should learn, though they should adapt it to the European or German situation.

The authors demand not a simple adoption of Anglo-Saxon concepts but an intelligent adaptation of them. For this, as ever, a powerful state is required. The power of a government is the only force that can bring ecology and economy together. This is a clear rejection of a state that merely goes about its business.

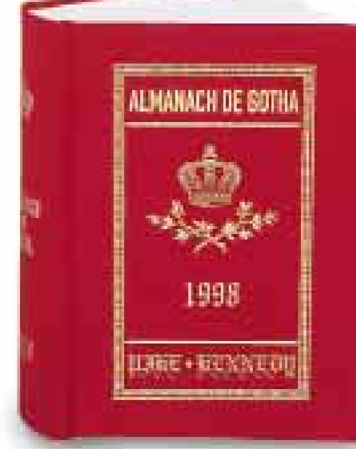
Within this context Lafontaine and Müller develop two concrete ideas: sustained growth through the consistent development of durable, high-quality, ecologically friendly products; and the creation of a new "corporate culture" involving increased competition in the area of productivity (even between the state and corporations).

The book is buoyed by a belief in the necessity and possibility of innovation. Globalisation (when properly understood) is then no longer a danger to but rather a prerequisite for such policies.

The pragmatism of Gerhard Schröder, the SPD's candidate for Chancellor, is thoroughly compatible with this agenda, as are the ideas of the Green Party's Joschka Fischer, who, like Lafontaine and Müller, is among those politicians who write their own books. It would be interesting to see how teamwork between Schröder, Lafontaine and Fischer would develop these ideas into government policy.

DIETMAR HERZ

Almanach de Gotha 1998
Almanach de Gotha Ltd, £60



F OR those who agree with Field-Marshal Prince Windisch-Graetz, who put down the 1848 rebellion against the Habsburgs, that *der Mensch beginnt beim Baron* (mankind begins with barons), the *Almanach de Gotha* is holy writ. The work is the ultimate authority on the royal, princely and noble families of Europe. Journalists love citing the *Gotha* but few have ever seen a copy. Now, after 54 years, it is back in print.

It was first issued in 1763 by the publishing house Justus Perthes in the Thuringian duchy of Saxe-Gotha. The *Gotha* appeared annually until its 181st edition in 1944 when Gotha became part of East Germany and it was suppressed. With the fall of communism, ownership returned to the Perthes heirs who sold it to the present publishers. The managing editor is a former *Burke's Peerage* researcher, Charlotte Pike.

The publication in London of the 182nd edition defies the Cool Britannia ethos: this is Uncool Europa. In one way it is revolutionary: it is in English instead of French. The official reason is that English is now the language of international diplomacy, but the decision is clearly commercial, reflecting the hegemony of English (or American) in information technology. The new *Gotha* has its own website.

The 670-page volume details the royal families of Europe and Brazil and the princes and counts of the Holy Roman Empire who lost their sovereignty in 1806 but rank as royal. A second volume will list the non-sovereign princely and ducal houses. The *Gotha* is a neutral record of descent and precedence; in listing the royal house of Bavaria, for example, it does not refer to the fact that, in the last century, the life of a Wittelsbach princess was ruined by her conviction that she had swallowed a grand piano made of glass.

The *Gotha* has never been free of controversy. The president of its Committee of Patrons is King Juan Carlos, and the publishers make much of the fact that Alfonso XIII formerly held the same position. In fact, Alfonso was so incensed by the *Gotha*'s refusal to recognise his status as rightful King of France as well as Spain (the *Almanach* gave precedence to the junior line of Orléans) that he asked Count Zeininger de Bora to produce an alternative volume, although it never appeared. Today the *Gotha* reiterates that false position. The Comte de Paris, head of the house of Orléans which usurped the throne from the senior Bourbons in 1830, is described as "Henri VI". The actual head of the House of France, Louis XX, Duc d'Anjou, features in a junior position among Spain's royal family – an absurdity, as he descends from Louis XIV while the Orléans line derives from the king's younger brother.

But the *Almanach* correctly interprets the dispute over the headship of the house of Bourbon-Two Sicilies, which has raged since 1960, by recognising the Infante Don Carlos, Duke of Calabria as head and Grand Master of the Sacred Military Constantinian Order of St George, disregarding a spurious "renunciation" in 1900 and following primogeniture.

On Monaco, the editors record that Prince Rainier's mother was the illegitimate daughter of Louis II, but do not mention the exclusion of the legitimate heir, Duke Wilhelm of Urach, under anti-German pressure from the French government in 1918.

The most astonishing omission is in the section on the Russian imperial family. The editors share the Romanov Family Association's view that the head of the house is Prince Nikolai of Russia, and they record the rival claim of the late Grand Duke Vladimir and the marriage of his daughter, Grand Duchess Maria, to Prince Franz Wilhelm of Prussia (now dissolved). Incredibly, no mention is made of their son, the 17-year-old Prince Georgi, whom Boris Yeltsin wished to have educated in Russia, possibly with a view to a tsarist restoration. This is a glaring and inexplicable oversight.

There is a similar lacuna in the section on Romania. On 30 December 1997 King Michael announced a new dynastic law allowing female succession which would make the next heir his eldest daughter, Princess Margarita, famous for her friendship at Edinburgh University with Gordon Brown, now Britain's Chancellor of the Exchequer.

The *Gotha* fails to mention Prince Paul of Hohenzollern-Romania, grandson of King Carol II by his runaway but valid marriage to Ioana Lambrino when he was Crown Prince. When it appeared in the *Gotha*, Carol's mother Queen Marie shouted: "It's another dirty Boche trick!"

In the latest *Gotha* it is possible to discern the changed royal lifestyles. The telltale "m diss by div" or divorce – formerly rare – peppers the pages. A creditable number of princes still become soldiers or priests, but a large contingent is in banking. Prince Paul of Russia has asserted his political instincts by becoming mayor of Palm Beach, Florida.

The *Gotha*'s revival will be welcomed by diplomats, academics and journalists – as well as restaurateurs and good old snobs. This is a gallant enterprise, splendidly defiant of egalitarian cant. An old friend has returned to our bookshelves and for that we can be grateful.

GERALD WARNER

TRAVEL

My other car's a plane

Simon Reeve

F ORGET a Jaguar or a Porsche – the vehicle you will be test-driving in just a few years' time could be a new personal plane. According to experts at the American space agency, Nasa, a new range of cheaper, simpler aircraft should be available in three years' time, costing about $40,000, roughly the same price as an executive car.

The planes could revitalise the aviation industry and encourage thousands of business travellers to pilot themselves to meetings along what Nasa describes as "highways in the sky". "We believe this could revolutionise air travel," said Keith Henry from Nasa's Langley Research Center in Virginia, the base for much of the research into the new aircraft.

The technology has been under development since 1994 when Nasa, the US Federal Aviation Authority (FAA) and a consortium of 75 American companies, including Cessna, Honeywell and Raytheon, launched the Advanced General Aviation Transport Experiment (Agate). Although Nasa's involvement in the project is set to finish at the end of this year, the research will continue in the private sector, with firms racing to release cheap aircraft.

Later this year two American aviation firms, Cirrus and Cessna, will launch planes with new cockpit electronics developed through the project. Two years after that a section of Agate which has been developing better engines, the General Aviation Propulsion project (GAP), run from the Nasa Lewis Research Center in Ohio, should bear fruit when Williams International demonstrates a new jet engine which can propel a small plane twice as fast as existing engines. Scientists working on the GAP project believe their research will also lead to the price of a small jet engine dropping by a factor of 10, from hundreds of thousands to tens of thousands of dollars. Cheaper traditional engines with rotary blades are also being improved. Teledyne Continental Motors is well on the way to finishing development of an advanced diesel engine with vastly increased reliability and passenger comfort. It should cost half as much as current engines.

You will not need a degree in rocket science to be able to fly an Agate plane. According to Bruce Holmes, the general aviation manager for Nasa, the aircraft will be almost as simple to fly as a car is to drive: to increase speed when airborne, for example, the pilot would push on the throttle just as a driver would press an accelerator on a car with an automatic gearbox. There would be no need for the bewildering array of devices needed in existing planes to control air flow, propeller pitch, ignition timing or fuel mixture.

Navigation will be as easy as pressing a button. A pilot planning to fly from Rome to London will touch the relevant departure and destination airports on a computer and the best route will be chosen and a flight-plan automatically filed with air traffic controllers. With computerisation of all the most complicated procedures and the addition of large airbags, the new personal plane will be as safe as other modes of transport. Even the actual body of the planes has not been spared from change: the use of composite materials will make the Agate aircraft lighter and stronger.

The Agate project has looked at every factor involved in owning and using a small plane, right down to bad weather, which often prevents small planes from taking to the skies. "With the aid of a GPS (global positioning system) and an advanced cockpit display you would be able to see the weather patterns and conditions all around you, so you can avoid bad weather and continue to fly," said Henry. Information about the weather and route would be projected on to the windscreen, as in a military plane.

Another factor discouraging many aspiring pilots is the expense and time it takes to earn a licence, so the scientists at Nasa have worked with a team from the American Embry-Riddle Aeronautical University to develop a "revolutionary" training programme. Classes for those wanting to fly the Agate planes could be taught with the aid of computer simulators, which would reduce the time needed to obtain a pilot's licence and the cost.

Although the project to develop the new technology has been exclusively American, the aircraft could be beneficial on this side of the Atlantic. With faster travel times and lower costs, Agate planes would allow travellers to fly themselves from Warsaw to Bologna and back, or Barcelona to Berlin and back, in one day.

Get high: still image from Agate animation of single aircraft at take-off from medium-sized airport, and (below) an interior showing computer-generated displays

In three years a personal plane will cost less than a luxury car

Commuting in the air would be even easier in Europe, if we were to follow the lead of America and build more "airparks", where homes built on a modern estate all come with a hangar for a small plane and a taxiway to a communal runway. In America there are more than 500 such estates, with thousands of homes. John Travolta, the actor, bought a house in the world's first airpark at Spruce Creek in Florida, where the 1,600 homes are worth between $300,000 and $3 million, but he moved out when neighbours complained about the noise of his Gulfstream G-2 jet.

Europe, by contrast, has just six airparks, in Belgium, France and Spain. Two innovative schemes for airparks in Britain were recently abandoned, despite the support of many local pressure groups, after planning permission was refused by the government. Europe will also need to build more small airports to catch up with America, where there are more than 17,000, because larger airports such as London's Heathrow or Amsterdam's Schiphol are reluctant to allow too many flights by smaller planes. However, the skies over Europe are already packed with large jets and there will need to be close co-ordination and revised air traffic control regulations to avoid chaos.

Scientists on the Agate project are working out solutions for this problem. The GPS systems which monitor the weather will be linked to air traffic control computers to keep planes at a safe distance. A variation of this technology, called Heli-Star, has proved itself in helicopters. When it is included in the Agate planes it will be possible for thousands of aircraft to be flying at once. The traffic queues in the sky will start shortly after. ■

CyanMagYelloKey CyanMagYelloKey

ILLUSTRATION CATHY FELSTEAD

HEALTH

The right wavelength for insomniacs

Cath Blackledge

CHRONIC insomnia sufferers may soon be able to stop counting sheep and popping sleeping pills, thanks to the discovery by a Swiss company, Symtonic, that a mixed frequency of radio waves beamed into the brain can soothe insomniacs to sleep.

Twenty per cent of Europeans and Americans have chronic insomnia – persistent problems with falling asleep or staying asleep. Natural biorhythms are disrupted in people who are frequent travellers. Lack of sufficient sleep has left Europeans in particular with the bad habit of popping a cocktail of sleeping pills and alcohol in an attempt to find relief. Europe is by far the largest consumer of benzodiazepine sleeping pills, swallowing almost twice America's intake in a world market worth $900 million a year. Belgium and France are the worst offenders.

But sleeping pills provide only temporary relief from insomnia, because patients become tolerant to their medication. Pills can also cause addiction. Low-energy emission therapy (LEET), Symtonic claims, is the first non-drug therapy for insomnia.

LEET technology, using radio frequency electromagnetic waves, is the brainchild of Dr Boris Pasche, who founded Symtonic in Renen, Switzerland, 16 years ago. The research company also has offices in New York.

Pasche believes that the right electromagnetic frequencies induce the brain to wind down. Studies suggest that the electromagnetic field produced by a combination of different radio frequencies may stimulate the production of neurotransmitters, such as GABA, which play a role in the natural sleep process. Another theory is that the electromagnetic field is prompting the release of hormones, such as melatonin and serotonin, which have been linked to sleep.

The LEET device consists of an aluminium antenna shaped like a spoon, which is attached to a signal generator. Dubbed the sleep lollipop, the inverted spoon is held in the patient's mouth between tongue and palate, generating an electromagnetic field in the brain. "The body becomes an antenna – more precisely, an extension of the spoon antenna," explains Pasche.

The signal generator is the size of a CD player and has a slot-in prescription card which determines the frequencies produced. Each card is programmed with a number of treatments, like a pharmacist putting the required number of pills in a bottle.

Three sessions of 20 minutes each a week are recommended and can be taken whenever convenient. Contrary to expectations, the insomnia spoon does not produce a feeling of sleepiness, because it is not a hypnotic; rather, it restores natural sleep patterns so that when the patient chooses to go to bed, sleep comes easily. Watching television or reading a book are allowed while receiving the treatment and, because drowsiness is not a side-effect, activities such as driving can be carried on afterwards.

In tests on more than 100 insomniacs, those using the LEET device gained an extra hour and a quarter of sleep and spent on average 22 minutes less tossing and turning before falling asleep. The pattern of sleep also changed: three times as much rapid eye movement (REM) sleep, the type believed to be most beneficial, was enjoyed after using the LEET device. Approximately eight treatments were necessary before an effect was seen but, says Symtonic, patients do not become tolerant or addicted to the treatment, unlike sleeping pills.

Pasche says concerns about safety are minimal. Studies following up more than 500 patients over five years showed no increased cancer and heart disease risks. The frequency of the electromagnetic waves used (between one and 100 hertz) is 100 to 1,000 times lower than those from cellular phones, which have been associated with an increased risk of cancer.

> Unlike pills, the 'sleep lollipop' is not addictive and patients continue to feel the benefit

The signal-generator device is expected to go on sale for around $100, with a separate charge for the programmed prescription cards. Pasche says that the LEET device's use may not be limited to insomnia: differing frequencies appear to have different effects on the brain. Symtonic is also testing its efficacy for relieving anxiety; first results looking at 30 patients are promising. A study has also shown that the device could be useful for the treatment of obsessive compulsive disorders.

The one step missing for the company is a partner to provide marketing and distribution. Symtonic has had the green light from the Food and Drug Administration, the American regulatory body, to file an application for approval. In Europe, where the only regulatory hurdle before the product could be marketed is acquiring a Conformité Européenne (CE) safety certification mark, the insomnia spoon could be launched by the end of the year – if a partner is found.

Discussions have been held with a number of large pharmaceuticals companies, including Pharmacia & Upjohn and fellow Swiss companies Novartis and Roche, but no deal has yet been struck. ■

STATE SELL-OFF

Everything must go in Italy's grand heritage sale

Michele Puccioni

THE Italian government has revealed its masterplan for raising enough money to repay its huge budget deficit and meet the Maastricht criteria for economic and monetary union. It has deemed the time ripe to sell off the country's myriad army barracks, farms, lighthouses, aircraft hangars and any other draughty old edifice that might constitute a saleable building.

Four million square metres of property is on the market, attracting private individuals and foreign companies in search of solid investments abroad.

The first lots to become available over the next few weeks will be 302 properties belonging to the ministry of defence. This initial sale includes historic sites such as the 16th-century Palazzo Prosperi Sacrati in the centre of the north Italian town of Ferrara, valued at some L3 billion ($1.7 million).

In Naples, three ancient buildings which have been used for decades as barracks are about to be sold for $11m each, while 50 others will go on sale at an average of $6m each throughout the rest of the country.

The jewel in the crown of Italy's sale of the century is Modena airport, with an asking price of L30bn. Slightly cheaper is the Palazzo Ducale in Sassuolo, for which just L20bn is asked.

For more modest budgets there are properties such as a rundown warehouse near Piacenza, whose 260sqm come with a price tag of just more than L6m.

A Rome-based public limited company, Consab, has been placed in charge of the sell-off of historic properties. It is still in talks with the ministry of defence to settle prices before it starts accepting offers.

But the government hopes to make its biggest killing from the sale of polluted and abandoned land near the coast, comprising some 2.4m sqm in all. The Italian treasury is banking on raising more than $1.7bn. It is in these derelict areas that the most interesting properties are to be had, with watchtowers, warehouses and lighthouses into the bargain. After a commission decides which buildings (if any) are of cultural interest, the rest will be sold on a first-come-first-served basis. Companies are now battling to win the prized contract to sell off the coastal land and buildings.

GRAZIA NERI

Spacious dwelling, some original features: the Palazzo Ducale at Sassuolo, on sale for $11m

Yet, this being Italy, money-grabbing opportunities are not as easy as they may at first seem. Most of the properties up for sale were originally state-owned and run. A mass of red tape will have to be cut through at local authorities before private buyers are allowed to do what they want with their purchases.

Local authorities in Ferrara have also shown an alarming tendency to flaunt their power by buying property from the ministry of defence before anybody else even knows that it is for sale. Luigi Scimia, Consab's president, refuses to discuss such dubious practices. He says simply: "We cannot offer any key-in-your-hands deal and every situation will have to be considered individually. However, we are prepared to support private buyers with technical support in all negotiations with local authorities. Inquiries from abroad are most welcome." ■

Consab, Via Paisiello 33, 00198 Roma tel +39 6 857961, fax +39 6 8418231

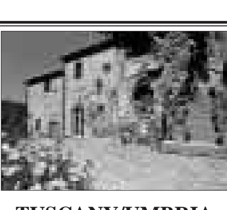
Advertise your property NOW

PRICES 1998

If you are selling or renting your house or holiday home,

let *The European* help you find a buyer/tenant with our special private advertiser offer. Complete with black and white or colour photograph, your house can be displayed in the style shown for a period of four weeks. All you have to do is: Send us a description of your house in not more than 35 words including photograph plus details of how you can be contacted. Include a clear black and white or colour photograph.

EXAMPLE



TUSCANY/UMBRIA BORDER
Beautifully restored home plus outbuilding (400m²)
25 acres land available.
50' swimming pool, stunning views.
Currently run as summer rental yielding 12% p.a.
Price.....
Telephone....

Complete the form below including all payment details and send it with your advertisement to the address below, or telephone +44 (0)171 418 7878 for further details.

COLOUR

4 WEEKS FOR £300 (*Plus VAT where applicable)

BLACK & WHITE

4 WEEKS FOR £250 (*Plus VAT where applicable)

☐ **I enclose a UK cheque/Eurocheque (sterling only) made payable to *The European***

☐ **Please charge my credit card - Visa/MasterCard/American Express**

Card Account No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Expiry Date:______________________

Name:______________ **Signature:**______________

Address:______________________

This offer is open to private advertisers only. *VAT must be added to all advertisements placed by residents of countries which are members of the EU. This is charged at the UK rate of 17.5%.
THE EUROPEAN, 200 Gray's Inn Road, London WC1X 8NE.
Telephone +44 (0)171 418 7889 Fax: +44 (0)171 713 1835 E-mail: classified@the-european.com

ITALY

SARDINIA - CAPO D'ORSO, PALAU
Luxury Mediterranean-style villas in "Borgo". Studio, 1,2,3 beds, spectacular views of La Maddalena Islands, high quality finish, patios, gardens, beamed ceilings etc. Sailing and windsurfing paradise. From around 290m Lire.
Tel: 00 39 335 800 1893 or 332 457 296 also fax.

CASA TRAVELLA
Linguria: 2 bed apartment, 2KM from the sea - £44,000
Detached House: 20mins from Med - £82,000
Lake Maggiore: 3 bed restored flour mill - £125,000 ONO
Lake Como: 3 bed house - £88,000
Phone for Brochure
Tel: + 44 (0) 1322 660 988
Fax: + 44 (0) 1322 667 206

THE MARCHE
14 Century Tower, 2 hectares of land, excellent condition.
230 million Lire.
Other properties, recommended follow up service.
Summer rentals.
Contact
Danny Beattie at
Tel/Fax:
+39 737 630545

TRAVEL & LEISURE

BOOKS & PUBLISHING

NEW AUTHORS
PUBLISH YOUR WORK
ALL SUBJECTS CONSIDERED:
Fiction, non-fiction, biography, religious, poetry, children.
AUTHORS WORLDWIDE INVITED.
WRITE OR SEND YOUR MANUSCRIPT TO:
MINERVA PRESS
2 OLD BROMPTON RD, LONDON SW7 3DQ

PERSONAL

NEW FRIENDS and partners worldwide. Write W.P.C. (E) PO Box 4, Goring, RG8 9DN, UK

PSYCHIC READINGS BY Natalie Star, 36 years experience Call USA anytime Tel: 1 817 6080424

WE ARE A few students seeking to travel with discerning gentlemen as guides. Please write with business card to: Nina, 217 E. 85th St., Ste. 203. N.Y., 10028, USA

PEN PALS

PEN-PALS, friendship or marriage. Write 190 Caro Mio 1, Sark, Channel Islands, GY9 OSE, U.K

COMMERCIAL

EAST AFRICA

Small exclusive Hotel property in peaceful country in Southern East Africa
FOR SALE.
External company Channel Islands.
Situated on the beach, remote, but not far from Int. Airport and close to small air strip.
Int Hotel guests. Small paradise:
Inquiries **J. Bouland**
Fax : +31 35 531 6760

UK

www.ideal-home.com
Bargain UK properties. Residential & Commercial
Auctions & Repossessions.
Details of addresses, descriptions, lot No, guide price,
Principle contact tel No, etc.
Pick up an investment bargain.
www.ideal-home.com

CyanMagYelloKey CyanMagYelloKey

PROPERTY – RESIDENTIAL

ITALY

Casa Antica

Agenzia Immobiliare

Western Liguria Property Specialist

Largest choice of property available from the only British agents based in the heart of this unspoilt corner of Italy.
Rural and village properties to renovate from less than £10,000!
Exiting choice of traditional character homes as well as seaside villas and apartments.
Full professional service and legal assistance in English.
Consult the experts directly. We live here!

For property listings, information and help contact:
Jenny Rona, Casa Antica Properties, Piazza dei Carri, 18010 Melini di Triora, (IM), Italy
TEL/FAX: 00 39 184 94633

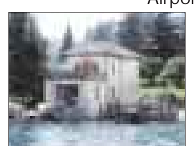
GREEN UMBRIA LTD

has an extensive selection of quality properties in Umbria and Tuscany ranging from cottages to castles, restored or to be restored.

For details call/fax:
+39 75 941 0113
E-mail: J.Powrie@Sinfor.it
www.pavilion.co.uk/valleverde

LAKE OF ORTA - Pearl of Northern Italy

The "Lago d'Orta" is one of the most beautiful Lakes in Northern Italy. Characteristic, enchanting Atmosphere, southern Flair. All kinds of Sports are possible. Approx. 1/2 hr from international Airport in Milan.



Boat-houses
Floor space approx. 60m²
Enlargement possible.
Wonderful Sight
Price: SFr. 850,000

Villa
Floor space approx. 300m²
Main and adjoining building. Perfectly restored
Price: Sfr. 400,000

Lothar Kahl Immob. CH-5032 Rohr / AG
TEL: 0041/62-824 28 65 Fax: 0041/62-824 87 37

ITALIA 94
Highest Investment Yield

NR LUCCA. Farmhouse, 5 rooms with 4 acres olive grove, vineyard, fruit orchard. ***£44,000.***
NR CAMAIORE. 25 mins from sea, half renovated small cottage and garden. ***£34,000.***
NR LUCCA. Fully ren. det. village house, 5 rooms and garden, wonderful pan. views. ***£49,000.***
ITALIA 94, Kingston House, 7 London Road, Old Stratford, Milton Keynes, MK19 6AE. Tel: +44 (0)1908 265008. Fax: +44 (0)1908 569190

ITALY, UMBRIA

Near Todi, hillside
40 acre farm.

The farmhouse has been beautifully converted into three separate but optionally interconnecting maisonettes.
Views over Tiber valley and Assisi from the house and the hill top swimming pool.
Present summer holiday rental income approx. 40K

For full description leaflet phone
(00) 39 6 807 8520 or fax (00) 39 6 807 8524

USA

Wilmington, Vermont U.S.A.,
Architecturally designed 7,000 sq. ft. Contemporary, on 19 wooded acres, 35-ft high rotunda introduces the three-level interior 5 bedrooms, 5 1/2 BAS (master suite), a reading room, marble floors, VT Granite countertops, bars, fireplaces, exercise and pool rooms and gourmet kit.
$975,000,
$1,095,000 *furnished.*
For information, Contact Owner: **(802) 464 0789**

FLORIDA Sarasota, Siesta Key. Private Luxury Villas Self catering or For rent. Telephone 01432 264100 Fax 354632

FOR SALE FLORIDA Sarasota, Siesta Key Lux holiday/investment property. High (guaranteed) return $268,850 01432 264100

FRANCE

SOUTH OF FRANCE

One hour from Montpellier. Beautifully restored Cevenol farmhouse, close to village. 1 hectare land including attractive garden, orchard and own river frontage. Large solar heated pool. Kitchen and living room leading onto South facing terrace with wonderful mountain views. 4 bedrooms. 4 bathrooms. Full central heating. Unusual galleried library/study. Cellars and outhouses.

£165,000

Tel: +33 4 67 81 25 91

UK

Hyde Park Residence
55 PARK LANE, LONDON

Coming to London for 1 week or more? Why stay in a hotel when you can stay in a luxury serviced apartment for the same price or less?

Hyde Park Residence offers you the opportunity to stay in your own apartment in London while enjoying the services available in a 5 star hotel.

Discounted rates available for longer stays.

CALL US ANYTIME on +44 171 409 9000/9240
Fax: +44 171 493 4041 or e-mail: lettings@hpapts.demon.co.uk

READERS' NOTICE
Readers are advised to seek appropriate professional advice before sending any money or entering into any commitments. *The European* cannot be held responsible for loss or damages incurred as a result of responding to advertisements.

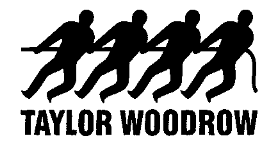
GIBRALTAR

CORMORANT WHARF
GIBRALTAR

TAYLOR WOODROW
G I B R A L T A R

LUXURY APARTMENTS IN A PRIVATE MARINA

PRICES FROM £230,000
Enjoy the Tax Advantages in a Mediterranean Climate



TAYLOR WOODROW

TEL: 0181 477 5505
FAX: 00 350 75529

FRANCE

Mistral Estate Services
FINE FRENCH PROPERTIES
www.polaris.net/mistral

To Advertise in the
International Property Section
please contact
Robert Jolliffe, Sophie Henry or Laura Hughes
on +44 (0)171 418 7844
or Fax +44 (0)171 713 1835
e-mail: classified@the-european.com

UK

ST IVES, CORNWALL. DREAM FOR SALE.

Artist/Sculptor wishes to change lifestyle. To be sold lock, stock and barrel. Exciting studio, gallery and sculpture garden development. A number of large sculptures by Max Barrett possibly available for Sculpture Park if required. (A sort of mini Tate of St Ives). To be sold completed. Overlooking Porthminster beach and harbour, probably the only site of it's kind in the Duchy. Valuation in place at £275,000 completed. Also available in St Ives opposite Pelemont Park. A newly built house, 5 bedrooms, 3 en-suites triple aspect lounge (25ft x 15ft). Kitchen 15ft x 17ft. Study, downstairs utility and toilet etc. 25ft x 15ft Cellar. To be completed to purchaser's specifications. Approximate valuation £120,000. Also available nearby, newly built industrial unit with secure yard 3 phase. Also piece of land at Carbis Bay, St Ives with magnificent views with detailed plans available for underground house, (no planning consent).

All offers, ideas and discussions welcomed. Please ring: 01736 798560

www.ideal-home.com

Bargain UK properties. Residential & Commercial
Auctions & repossessions.
Details of addresses, descriptions, lot No, guide price

Principal contact telephone No, Etc.
Pick up an investment bargain.
www.ideal-home.com

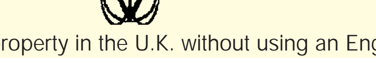
London Residence
estate agents

5, Beauchamps Place, Knightsbridge, London SW3
Tel: +44 (0)171 584 1333 Fax: +44 (0)171 589 4118
Mobile: +44 (0)370 523 777

SPECIALISTS
IN LONG AND SHORT TERM RENTALS

SPAIN

Vincente Tur Ortola
Abogados / Solicitors



Would you buy or sell a property in the U.K. without using an English solicitor?
Of course not!!!!

Therefore, when purchasing or selling a property in Spain, do as the Spanish do, use an INDEPENDENT SPANISH SOLICITOR.

Our office has a prominent reputation, built up over 15 years, in Foreign Investment and Commercial Law, on the Costa Blanca - from Valencia to Alicante, advising, assisting and protecting our clients in all aspects of their investment in Spain.

With our multi-lingual (English, Spanish, German and French) team of SOLICITORS and ACCOUNTANTS we offer a complete service to our clients, including:

Conveyancing; Fiscal Representation; Taxation; Finance and Mortgages; Wills; Inheritances; Litigation; Offshore Companies; Powers of Attorney; Business Feasibility Studies; Business Acquisition, etc.

If you need advice or assistance then please contact our Client Liason Manager, Barry Minett or Jane Kite on

00 34 (9) 6 573 1635 or 1688 or Fax them on 00 34 (9) 6 573 1964 or write to them at

Vicente Tur Ortolá - Abogados / Solicitors
C/SAN PEDRO No 5, 03720 BENISSA, (Alicante), ESPANA.

TIMESHARE FRAUD IN SPAIN?

You are not sure that your contract is legal and correct?
Please call us!
We will check your contract!
In case of any fraud we will help to cancel your contract!
(Only up to 6 month old contracts can be accepted)
Tel:0171 735 999

MARBELLA

La Mairena. Set in the beautiful hills of Elviria surrounded by forest. 3 miles from beaches.
Apartments of 116 m² from £65,000.
Plots from £30/m² available to build **villas**.
Breathtaking views. Try before you buy.

Freephone: 0800 279 3263

Tel: +345 283 6092
Fax: +345 292 8078
www.mairena.com
mairena@mairena.com

Beach & Golf
Villas-Apts.
OCEAN ESTATES MARBELLA
☎+ (345) 2811750
Fax: + (345) 2814595
www.ocean-estates.com

COSTA DEL SOL

SEAFRONT STUDIOS / APARMENTS
from £14,000
COUNTRY PROPERTIES WITH LAND
from £10,000
BUSINESS - OVER 100 AVAILABLE
inc 10 bars under £10,000

FREE 50 PAGE BROCHURE / BUYERS GUIDE
SIROCO ESTATES
+44 (0) 1253 402188/349831

COSTA DEL SOL / GOLF

Sotogrande to Mijas
Properties of all sizes, types and price range.
Call now for free colour Property Gazette.
Phone now : U.K. Tel : 01-672 511 135
Tel: (34) (9) 5 288 6699-Fax: (34) (9) 5 288 6667

INTEREALTY *Costa del Sol Premier Estate Agency*

BUSINESS DIRECTORY

BUSINESS TO BUSINESS

OFFSHORE COMPANIES

ALDERNEY INTERNATIONAL PROVIDE A FULL RANGE OF OFFSHORE SERVICES INCLUDING COMPANY AND TRUST FORMATION WORLDWIDE, SHIP AND YACHT REGISTRATION, ADMINISTRATION, ACCOUNTING SERVICES, BANK INTRODUCTION AND INSURANCE ARRANGEMENTS

ALDERNEY	£400
JERSEY	£480
B.V.I.	£320
IRELAND	£225
DELAWARE LLC	£200
S.DAKOTA	£175
TURKS & CAICOS	£450
I.O.M.	£250
CAYMAN	£470
ANGUILLA	£460

PLEASE CONTACT US FOR OUR FULL SERVICES BROCHURE OR DETAILS AND COSTS FOR A SPECIFIC JURISDICTION

St Anne's House, Victoria Street, Alderney, Channel Islands GY9 3UF

Tel: +44(0) 1481 824218 Fax: +44(0) 1481 824219
Email : 106055.1137@Compuserve.com
www.alderney-international.ay.gg

KAISER

OFFSHORE COMPANIES AND TRUSTS IN LIECHTENSTEIN AND WORLDWIDE

Ask for our free information about company forms in Liechtenstein and other offshore places.

Fiduciana Verwaltungsanstalt
Egon Kaiser, Egerta 53,
POB 2, FL-9496 Balzers
Principality of Liechtenstein
Tel: +41 – 75-388 02 02
Fax: +41 – 75-388 02 19
E-mail: fiducia@EKVWA.LOL.li

Offshore Companies & Trusts
2nd Passports

We offer a highly professional service for incorporation in Ireland and other offshore areas.
Offshore structures can cut taxes and offer confidentiality and asset protection.
In terms of personal planning we arrange tax free residence and alternative citizenship and passport in certain democratic countries.

For immediate service or information contact
Eilish Murphy, Director
INTERNATIONAL COMPANY SERVICES (IRELAND) LIMITED
109 Lower Baggot Street, Dublin 2, Ireland.
TEL: + 353 1 661 8490 FAX: + 353 1 661 8493
E-Mail: irl@icsl.com http: //www.ICSL.com

OFFSHORE
COMPANIES AND TRUSTS, UK LTD COMPANIES, BANK INTRODUCTIONS, INTERNET REGISTRATIONS, ACCOMMODATION ADDRESS, AND NOMINEE FACILITIES
St James's Management
88 KINGSWAY LONDON WC2B 6AW
TEL +44 (0) 171 209 5100 (7 DAYS)
FAX +44 (0) 171 209 5102
Email offshore@stjman.demon.co.uk
Credit cards accepted

OFFSHORE MANAGEMENT & INCORPORATION OF INSURANCE & REINSURANCE COMPANIES
BAHAMAS CAPTIVE MGT LTD.
West Bay Centre, West Bay Street
Nassau, The Bahamas
Tel: (242) 327-1481
Fax: (242) 327-1482
E-mail:captives@bahamas.net.bs

LIECHTENSTEIN & WORLDWIDE OFFSHORE COMPANIES

- *COMPANY FORMATION, READYMADE*
- *MANAGEMENT AND ACCOUNTANCY*
- *INTERNATIONAL TAX, LEGAL AND TRUST SERVICES*
- *BANK INTRODUCTIONS*
- *ASSET PROTECTION*
- *TRADE SUPPORT*
- *TELEPHONE AND MAIL FORWARDING*

Free Brochure available in English, German and Russian

Intercompany Management
P.O. Box 4431 · CH-6304 ZUG
Fax (41) 41-7105084
e-mail ic@intercompany.ch
http: //www.intercompany.ch

FUNDS AVAILABLE
BANCORPS - $2900
INSURANCE CO - $2,500
PRIME BANK ACC - $350
No references, Tax Free
CREDIT CARD - $299
USA Tax Free CO.
S&M INTERNATIONAL TRADE AND FINANCE LTD
TEL - 44 171 495 3395

OFFSHORE COMPANIES
By English Lawyers from £250
Tel: +44 (0)1398 331061
Fax: +44 (0)1398 331918

OFFSHORE COMPANIES
TAX PLANNING
BANK INTRODUCTIONS
OFFSHORE TRUST
ERIC LUND
PHONE/FAX
+41 27 323 7288

READERS' NOTICE
Readers are advised to seek appropriate professional advice before sending any money or entering into any commitments. *The European* cannot be held responsible for loss or damages incurred as a result of responding to advertisements.

BUSINESS SERVICES

Maximis Internet
WORLDWIDE INTERNET BUSINESS DEVELOPMENT

Exclusively designed and hosted business web sites quickly produced with customised graphics, animation, sound and email.
Free internet access and installation/training.
Packages to suit every budget, from a simple page to a multi-page interactive site.
International service.
Same day service available by phone, fax or email.
Top specification, internet-ready PCs supplied at best prices with free or discounted website.

Call for details
Maximis +44 (0)115 946 8948
Email info@maximisgroup.com
Web site: http://www.maximisgroup.com

TOP EXECUTIVES CAN ONLY APPLY

Exclusive training package allows you to be trained in the basics of portable computing. You will only be trained with other top executives at our training centre in Florida. We understand that your time is important, so our facility allows you to work in the morning and then be trained in the afternoon. Package includes First Class travel and accommodation, transportation, meals, entertainment, training and secretarial services. We will also supply you with the latest portable computer.

Call Jeff on +44 (0)171 736 9696

US TAXATION
BY CPA IN LONDON

US/UK tax return service and US/UK tax advice for US citizens and US "green-card" holders living/working abroad. Serving individuals and corporations. Full range of accounting services available.

L.N. MOKHTAR FCA CPA
Telephone (01273) 561195

Commercial Finance Available

Good quality business projects/business ideas required. Finance available. Business plan/details/summary etc. to
MHC Insurance & Mortgage Services
6 Cambridge Road, Hastings, TN34 1DJ
Tel:44(0)1424-439425
Fax:44(0)1424-200285

BUSINESS TO BUSINESS

THE WORLD'S LEADING OFFSHORE COMPANY AND TAX PLANNING SPECIALISTS

More and more businesses and high net worth individuals are using Offshore Corporations and Trusts for International Tax, Asset Protection and Estate Planning. Since 1975 Overseas Company Registration Agents worldwide team have specialised in providing confidential and cost effective company and trust formation in the world's major low tax areas. Clients are supported by a team of over 275 multi-disciplined staff including Lawyers, Qualified Accountants, Company Secretaries, Bankers and Trading Specialists who provide the following services:

- *A choice of over 750 ready-made companies incorporated in the Bahamas, BVI, Belize, Cayman, Delaware, Nevis, Panama, Isle of Man, Ireland, Liberia, Mauritius, Hong Kong, Seychelles, Turks, and Western Samoa*
- *Domiciliation and Registered Office Facilities*
- *Arrangements of Full Nominee Service*
- *Full Management and Administrative Services for International Trade and Investment*
- *Ship and Yacht Registration*
- *Accountancy and Audit Services*
- *Letter of Credit Services*
- *Value Added Tax Registration Services*
- *Bank Introductions*
- *Offshore Trusts and Licensed Trustee Services*
- *Banks and Insurance Companies available to qualified applicants*

ALL MAJOR CREDIT CARDS ACCEPTED

BAHAMAS	$500	ISLE OF MAN	£250
BELIZE	$500	JERSEY	£495
BV ISLANDS	$500	MADEIRA	$2250
CAYMAN	$1295	MAURITIUS	$500
DELAWARE LLC	$495	NEVIS	$575
GIBRALTAR	£250	PANAMA	$500
HONG KONG	$450	SEYCHELLES	$350
HUNGARY	$1995	TURKS/CAICOS	$700
IRELAND	£225	UK LTD	£95

ISLE OF MAN - HEAD OFFICE: COLIN FORSTER
OVERSEAS COMPANY REGISTRATION AGENTS LTD
PO BOX 54, RAMSEY, ISLE OF MAN, GREAT BRITAIN, IM99 4ED.
E-mail: european@ocra.com
For Immediate service and our 185 page colour brochure
TEL: +44 1624 815544 FAX: +44 1624 817082

LONDON - R E COOK,BSc (Hons) OR PETER SIDNEY
OVERSEAS COMPANY REGISTRATION AGENTS LTD, 72 NEW BOND ST. LONDON, W1Y 9DD
TEL: +44 (0171) 355 1096 FAX: +44 (0171) 495 3924

USE THE DEFINITIVE OFFSHORE COMPANIES INTERNET SITE
www.ocra.com

Certificate Number 91196
Isle of Man and London

LUXEMBOURG
EVELINE KARLS
OCRA (LUXEMBOURG) S.A.
19 RUE ALDRINGEN, L-1118 LUXEMBOURG
TEL: +352 224 286 FAX: +352 224 287

LIECHTENSTEIN
BARBARA BAUM
OCRA EST
PO BOX 70, STAEDTLE 7, FL-9490 VADUZ, LIECHTENSTEIN
TEL: +41 75 236 1440 FAX: +41 75 232 6393

FINLAND
TILL SAHLGREN BSc (Econ)
OCRA (SCANDINAVIA) LTD
WORLD TRADE CENTRE, ALEKSANTERINKATU 17
FIN-00100 HELSINKI, FINLAND
TEL: +358 9 6969 2569 FAX: +358 9 6969 2565

SWEDEN
BJARNE BORG
OCRA SWEDEN
BOX 23008 UPPLANDSGATAN 83, S-10435, STOCKHOLM, SWEDEN
TEL: +46 8 334 720 FAX: +46 8 322 370

LITHUANIA
RAMIGIUS KABECIUS BSc (Econ)
OCRA LITHUANIA
LIAUKSMINO ST 8/2, 2nd FLOOR, 2600 VILNIUS, LITHUANIA
TEL: +370 2 623 081 FAX: +370 2 623 081
E-mail: ocra.lithuania@taide.lt

HUNGARY
LASZLO KISS, BSc (Econ)
OCRA (EASTERN EUROPE) LTD
H-1143 BUDAPEST, ILKA STREET 61, HUNGARY
TEL: +36 1 351 9959 FAX: +36 1 351 9958

POLAND
KRZYSZTOF KUBALA, Attorney-at-Law
OCRA POLSKA
BAJONSKA 9, 03-963, WARSZAWA, POLAND
TEL: +48 22 6171173 FAX: +48 22 6160957

GREECE
DORA NAKOU, Attorney-at-Law
OCRA GREECE
2 PLOUTARCHOU STR, SOPHIAS AVENUE, ATHENS 11521, GREECE
TEL: +30 1 723 0766 FAX: +30 1 721 7376

CYPRUS
CHRISODOULOS VASSILIADES, Attorney-at-Law
OCRA CYPRUS
20 QUEEN FREDERICA STR, EL GRECO HOUSE, OFFICE 104, NICOSIA, CYPRUS
TEL: +357 2 473211 FAX: +357 2 463463

MADEIRA
DR DAVID FISKE DE GOUVEIA, BSc, MBA, MSI
MM CIA LDA
RUA DOS MURCAS NO. 68, 9000 FUNCHAL, MADEIRA, PORTUGAL
TEL: +351 91 200 1700 FAX: +351 91 227144

MAURITIUS
REZA JANGEERKHAN, LLB, MBA
OCRA MAURITIUS LTD
HAPPY WORLD HOUSE, SIR WILLIAM NEWTON STREET PORT LOUIS, MAURITIUS
TEL: +230 211 5100 FAX: +230 211 5400

SEYCHELLES
DEBRA AKATSA
IOCS LTD
303 AARTI CHAMBERS, MONT FLEURI, PO BOX 983, MAHE, SEYCHELLES
TEL: +248 225555 FAX: +248 225999

SINGAPORE
DIANA BEAN
OCRA (ASIA) PTE LTD
24 RAFFLES PLACE, 26-04 CLIFFORD CENTRE, SINGAPORE 048621
TEL: +65 5353382 FAX: +65 5353991

HONG KONG
RAYMOND CHOI, MBA, MLIA (DIP)
OCRA ASIA LTD
2402 BANK OF AMERICA TOWER, 12 HARCOURT RD, HONG KONG
TEL: +852 2522 0172 FAX: +852 2521 1190

P R CHINA
BART DEKKER, LLM
1905 SHANGHAI OVERSEAS CHINESE MANSION, 129 YAN AN ROAD WEST, SHANGHAI 200040, P R CHINA
TEL: +86 21 6248 4355 FAX: +86 21 6248 1421

USA WEST COAST
KEVIN MIRECKI, Attorney-at-Law
AICS LTD
3501 JAMBOREE ROAD, SUITE 2100, NEWPORT BEACH CA 92660, USA
TEL: +1 714 854 3344 FAX: +1 714 854 0938

Offices also in:
AUSTRALIA, SOUTH AFRICA, BAHAMAS, CZECH REPUBLIC

No. 1 OFFSHORE COMPANY SPECIALISTS

CyanMagYelloKey

CyanMagYelloKey

BUSINESSES FOR SALE

Newly formed
(UK) PLC Company
FOR SALE
£100,000,000
One Hundred Million
Share Capital
Company
High Credit Rating
unencumbered "clean"
company
perfect as vehicle
for acquisitions,
the package includes
US$ 100M Bearer Bonds
for discounting in the future
For further information

Phone: 01273 239240
Fax: 01273 239241
Quote Ref SB1

BUSINESS SERVICES

We offer to open for you a Florida Corporation Bank Acct., letter box correspondence services, personal or for businesses. We manage it from here.
Write or fax for more inf.
H.S ENTERPRISES GROUP
2800 N.W. 55 Ct
Ft. Lauderdale, Florida 33309
Fax (954) 731-3419
E-mail: HS1111@aol.com

USA-N.Y./ Wall St OFFICE
$99.00 per month
☆ Mail Receiving & Forwading
☆ Personalized Phone Services (answered in your/Co. Name)
☆ Patching-Connect you to caller
☆ When in NY rent office/conf. rm in beautiful corporate setting
Phone (212)943-1111
Fax (212)943-2300
E-Mail: sri@sri-ny.com

PASSPORTS
E.U. $15K & DIPLOMATIC
100% Legal & Secure
Escrow with Lawyer
www.2nd-passports.com
Tel. Int + 34-39042969
Fax: Int + 34-52883109

U.S AUTO & CARGO Exporters. Imports-Exports Services. Warehousing, Distribution, Shipping, Agency Services Ph.(954) 731-3137 Fax. (954) 731-3419

YOUR ADDRESS IN Paris Mail and Message service ITER INTERNATIONAL T 33144648905 F 43719360 e.mail:www.iter.com

COMMODITY DEALERS & STOCK FOR SALE

✓
STOCK PLC
GROUP OF WORLDWIDE COMPANIES
OFFER THE CHEAPEST STOCK ON THE WORLD MARKET.
WE ARE LOADING DAILY CONTAINERS FROM
INDONESIA
DUE TO THE CURRENCY SITUATION WE CAN OFFER VERY CHEAP STOCK NOW
BRANDED TOILETRIES
CONTAINERS OF ADULT CLOTHING
EVERYTHING IMAGINABLE 98p
CHILDREN'S CLOTHING 60p
FOOTWEAR
ELECTRICALS
CAN SHIP ANY COUNTRY WORLDWIDE ALSO
VAST STOCKS AVAILABLE UK FROM OUR WAREHOUSE
PLUS LOADS OF BANKRUPTCY & LIQUIDATION DISPOSALS
44-121-552-5522
FAX 44-121-544-0444
E-MAIL: stock@dial.pipex.com
http://www.stock.plc.uk

CIGARETTES, WHISKEY, WINE, Beer. Lowest prices. Fax: +44 (0) 1273 606924.

GENERIC CIGARETTES American blend tobacco, lowest prices, private labelling available. FAX USA: 1 (954) 474-3866

LEVI'S 501 AND other brand names on a regular basis Tel:514-845-2204 Fax:514-845-3834 Canada

LIQUIDATION OF CONSUMER goods made in Canada/USA on a regular basis. Canada T. 514-845-2204, F. 514-845-3834

ROBUSTA COFFEE BEANS, African origin, lowest prices, telefax USA+954-474-3866

SCRAP METAL #HMS-1, lowest prices volume only, Fax USA+954-474-3866

SUGAR, UREA, CEMENT & PETROLEUM PRODUCTS available. Large volumes. Fax: +46-31-263173

USA COMPANY seeks to purchase rough diamonds, african origin, gems quality, large volume only. Fax USA: (954) 474 3866

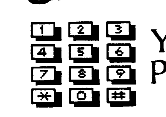
WANTED ARMANI, VERSACE CK, Helmut Lang and other designer labels; for further information please fax: + 44 1274 200061

BUSINESS OPPORTUNITIES

Best One Person Operation
Sculpture World™
A Goldmine Turning Photos and Posters into Acrylic Art.
Best New Product 1998
"This is 'The' Alternative to Framing" - Entrepreneur Magazine
With Millions of 'walls' in your region we easily teach you to produce our new (patented) Wall Decor Line from the comfort and Safety of Home.
You Are In Control. Not a Franchise. Low Overhead. Complete Equipment. Training and Support
Start From $14,990 USD
1-800-322-1405 (outside U.S. 716-691-1750) International fax: 716-691-1766

#1 Home Business In USA
Cash in with your phone and a computer!

AutoDialer VoiceMail



Fax On Demand
Matchmaker Chatline
Yellow Pages
Get started from $1998
Evaluation Demo - $50 (+ ship)
VOICEWORLD
The Choice For Voice
602.922.5500 VoiceWorld.com

"UNHAPPY NETWORKERS - GET HAPPY!" 1st Level 15%, 2nd Level 45%, 3rd Level to infinity. Consumable product. Low qualification. Tel/Fax; +44 (0)171 266 4707 (24 hrs)

AN INCREDIBLE INVENTION Proven to cut electricity costs by up to 40%. Manufacturer seeks UK and overseas distributors for this top quality high tech product with amazing customer demand.TEL: +44 (0) 1872 223000 (FAX: 264325) for info pack.

EARNINGS POTENTIAL £600 - £2,000 per month. F/P TIME. CALL: +44 (0)1737 507 695 (24 HRS INFO LINE)

USA COMPANY inventors of world's easiest "diet" seeks distributors. Unique lifetime opportunity. CRA-Dept 505, PO Box 720250, Miami, FL 33172-0005 USA fax (305) 591-9043

HOTEL EXPRESS
INTERNATIONAL
Sales Agents and Distributors
Hotel Express International, among the world's leading hotel discount programmes offering great discounts at more than 3,000 hotels worldwide, invites regional and national agents to join us on a franchise basis.
Call Tom on tel: *+47 38 07 01 77,*
or fax us on *+47 38 07 07 42.*
www.hotel-express-int.com

UNIQUE BUSINESS OPPORTUNITY
The new unique invention is now available for agents with prior experience in direct sales or import, with distribution to companies. Top MLM executives welcome.
- Over 50 million customers in Europe
- Huge Profits
- Low Investment
- Easy Sale
- Environmentally Friendly
- NO COMPETITION

To take part in this unique product launch contact manufacturer direct.
Sjoberg & Co International AB,
Att. Morgan Nyman
Tel+46-500-44 56 00
Fax+46-500-44 56 20
E-mail:mn@hq-lazer.com

WE ARE SEEKING AN AGENCY FOR ELECTRONIC COMPONENTS. ELECTRONICS BELGIUM
Fax:
+32-71-33-42-18

imago
INSITE PLC
An Opportunity To Invest In Digital Imaging
Offer for Subscription for New Ordinary Shares
Under the Enterprise Investment Scheme
Copies of the Prospectus available from
Company Registrars:
7 Granary Court, 9-19 High Rd
Chadwell Heath, Romford,
Essex RM6 6PY
Telephone 07000 860 860
www.Imagoinsite.co.uk

SELF-MADE MILLIONAIRE
...reveals streetwise money-making secrets others won't tell. Send for FREE details - you won't be disappointed - to:
JOHN SCOTT.
DEPT EUR. P.O. BOX 40,
Gateshead NE8 1PD
Or phone +44 (0)191 487 4087 anytime

Become an
OFFSHORE FINANCIAL ADVISOR
Six-figure potential
(702) 883-1944
Fax:(702) 883-0267

START YOUR OWN IMPORT/EXPORT AGENCY
No capital or experience req. No risk. Work from home. Part/Full time. Help desk incl. **Est. 1946.** Clients in 120 countries. FREE BOOKLET
WADE WORLD TRADE
Dept 2C34 50 Burnhill Road
Beckenham, Kent, BR3 3LA
Tel: +44 (0) 181 650 0180 (24hrs)
Fax: +44 (0) 181 663 3212
http://www.wadetrade.com

CONSULTANTS & MANAGERS
REQUIRED WORLDWIDE
ON A FULL/PART TIME BASIS PROMOTING INTERNATIONAL PROPERTIES & BUSINESSES FOR SALE. MANAGERS CAN BUILD UP THEIR OWN TEAMS AND EARN EXCELLENT OVERRIDE COMMISSIONS
Apply
The Nyrae Group
(Ref:TE). Old Bank House
1 High Street Arundel West Sussex
England BN18 9AD
Tel: UK +44 (0) 19 03 73 25 50
Fax: UK +44 (0) 19 03 73 25 54
E-mail: nyraegroup@mcmail.com
Over 25,000 properties for sale in 38 countries.
Price from US $50,000 to US $50,000,000
FEDERATION OF OVERSEAS PROPERTY DEVELOPERS AGENTS & CONSULTANTS

BUSINESS FINANCE & INVESTMENTS

INVESTMENT PROGRAM MANAGEMENT INC.
THE OBJECTIVE
over **30%** p.a
A PROGRAM DESIGNED SPECIALLY FOR THE PRIVATE INVESTOR
FUNDS DEPOSITED IN YOUR OWN ACCOUNT WITH A LEADING LONDON STOCKBROKER
MONTHLY PAYMENTS IF REQUIRED
INCOME PAID TAX-FREE
ALL MAJOR CURRENCIES
There is a strictly limited capital risk which is fully described in the Prospectus.
The minimum investment is $40,000 or the equivalent.
IPM Inc specialises in high-return limited-risk investment programs for the private investor.
Send for the Prospectus without cost or obligation.
Your name and mailing address in confidence to:
Tel:+34 5277 3500 Fax:+34 5282 5498
e.mail: york@arrakis.es

FREE ACCESS TO REAL TIME DATA?
If you are active client then we will provide free access to real time and historical futures, foreign exchange, some equities & live financial news data on the internet.
For details: Keith Johnson
+44 (0)171 892 3334
Email: trading@linncoeurope.com
www.linncoeurope.com
Linnco Europe Limited,
125 Finsbury Pavement, London EC2A 1LE
Regulated by the SFA
Warning: Futures, Options and foreign exchange transactions carry a high degree of risk and may not be suitable for you. If in doubt consult your financial advisor. Prices go down aswell as up and this can lead to losses in excess of monies deposited.

FRAUD PROTECTION
Protect against the loss of advance/up front fees and fraudulent contracts in High Yield or Non-Conventional Investment Programmes.
Have you entered into an Investment that you are unsure of and need help, advice, tracking and retrieving of funds
If you are a client, intermediary or provider & have engaged or are about to engage contracts
ELIMINATE RISK TODAY
CALL CITY(U.K.) LTD.NOW
Phone +44 (0) 990 133512 Fax: +44 (0) 990 133561

BUSINESS FINANCE AVAILABLE
- for any viable projects worldwide.
Fax brief synopsis in English to:
Corporate Advances UK on
+44 1273-621300

ANGLO AMERICAN GROUP
• PLC •
PROJECT FINANCE
VENTURE CAPITAL
GLOBAL COVERAGE
NO MAXIMUM
BROKERS WELCOME
For Corporate Brochure and information pack
Tel: +44 1924 201 365
Fax: +44 1924 201 377
You are welcome to visit us.

If you require venture capital, project finance, bank or insurance guarantees, offshore bank accounts or import/export leads, you need World Money Exchange.
Call +44(0)1494 483 728, (FAX 484039).
E-Mail:
WME@Estelle-Alan.Com
Web site
WWW.Estelle-Alan.Com

BUSINESS FINANCE & INVESTMENTS

Discover the worlds best kept
BANKING SECRETS
FREE REPORT
Reveals The Insider Secrets of
Confidential Accounts ● Offshore Credit Cards ● Banking Havens
Get your FREE 16 page Report NOW!:
Scope International Ltd, Box No 6985, Forestside House,
Rowlands Castle, Hants, PO9 6EE, England, UK.
Tel: +44 1705 631751 Fax: +44 1705 631322
E-Mail:scopemail@compuserve.com

No Investment is "Crash" proof
Let our professionals protect and enhance your portfolio utilizing futures on Stock Indexes, Bonds, Currency and Gold.
ASTOR FINANCIAL INC.
Private Client Services
is accepting limited qualified accounts.
ACCOUNT EXECUTIVES
- Former Federal Reserve Bank employee and intern to Federal Reserve Bank Chairman
- Former Paul Tudor Jones trader and developer of economic interest rate forecasting method
- Ex. Trade advisor to a subsidiary of Trout Trading and emerging market researcher

Call for your Free evaluation to see if you qualify for one of our limited number of broker assisted accounts. Ask for our free market outlook report and find out ***why interest rates are going to 4.9% and why the dollar is going up 20%.***
Ask for Steve or Rob
1-312-332-0888
Fax: 1-312-332-4880
For E-Mail See www.limitup.com
Astor Financial
208 South Lasalle Street
Chicago,IL 60604
U.S.A.
Trading futures involves risk.

IMMEDIATE & UNLIMITED
Capital available for ALL viable commercial projects! Minimum U.S. $1 million - NO maximum.
Tel: 717-397-7777
Fax: 717-397-7490
(USA)
INTERNET
http://www. intbuscon.com

INTERNATIONAL FINANCE
Capital Investment Agency
London Borough
of Bromley
BR1 1RY
Telephone:
+ 44 181 464 4442
+ 44 181 467 7282
Telefax:
+ 44 181 460 1364
+ 44 181 467 6744

The World's Leading
PRIVATE LENDER
Real Estate Sec'd Comm'l Loans
1 to 3 Week Closing
Up to 60% loan to value
$5,000,000-$300 Million (US)
● 1 to 5 Year Term ● Land Dev.
● Acquisitions ● Workouts
● Bankruptcies
● Brokers Welcome
Contact: Bob
KENNEDY FUNDING
Hackensack, NJ USA *
201-342-8500
www.kennedyfunding.com

Portfolio Management
Excellent
Brokerage & Research
Initial Public
Offering
Evropska 178
160 67 Prague 6, Czech Republic
Tel: (+420-2) 2436 4000
Fax: (+420-2) 2436 4039
http://www.pis.cz
E-mail: gabriela@pis.cz
Reuters Page: PISQ, PISR
PRAGUE SECURITIES

Global Project Funding
VENTURE CAPITAL – JOINT VENTURES – PROJECT FINANCING

INTERNATIONAL VENTURES
TEL: +44 113 2727 550
FAX: +44 113 2727 560

OFFSHORE COMPANIES FORMED WORLDWIDE

ALL INCLUSIVE FEES

BVI	£750
GIBRALTAR	£606
ISLE OF MAN	£875

Includes Incorporation and management services
PERSONAL, EFFICIENT & PROFESSIONAL SERVICE OF TRUSTS, OFFSHORE BANKING, YACHT REGISTRATION & VAT PROVIDED BY IN HOUSE LAWYERS & ACCOUNTANTS
FIDUCIARY MANAGEMENT SERVICES LTD
13 WIMPOLE STREET, LONDON W1M 7AB
TEL: +44 (0)171 436 8100 FAX: +44 (0)171 436 8188
E-MAIL: CoForm2@Fiduciary.Co.UK
http://www.FiduciaryGroup.Com
PLEASE SEND ME FURTHER DETAILS
NAME: ....
ADDRESS: ....
....
PHONE: ....FAX: ....

COMMERCIAL & JOINT VENTURE Funding. Projects over US$1,000,000 considered, we are also able to assist with Leasing and Private Placements. Tel +44 1222 397793 Fax: +44 1222 221128

INTERNATIONAL FINANCE AVAILABLE For all types of projects world-wide. Very competitive rates. Acceptance within 7 days. Initial enquiries by fax to +44 (0) 141-339 8298 or e-mail global.capital@virgin.net

Classified Advertisers
If you are based in the following areas, please contact YOUR LOCAL REPRESENTATIVE to place an advertisement
GERMANY Mognol & Carroll Tel: +49 2633 7187 Fax: +49 2633 95917
EASTERN EUROPE W Atzelsdorfer Tel: +43 7234 87881 Fax: +43 7234 87882
ITALY Milan & North: Tecnoinform Tel: +39 2 48 010643 Fax; +39 2 48 012333
ITALY Central & South: Tel: +39 761 485008 Fax: +39 761 485002 e-mail: macryan@tin.it
LIECHTENSTEIN: Harald Buhler Tel: +41 75 373 1183 Fax: +41 75 373 3247
SPAIN Cataluna, Aragona, Basque Country: Mike Mulvaney Telefax: +34 72 3020 84
Andalucia: Joan Davies Tel: +34 5 283 0831 Fax: +34 5 283 1501
REPUBLIC OF IRELAND: John Hendrick Telefax: +353 (0)21 885 608
SCOTLAND: Peter Bailey tel: +44 (0)131 343 2323 Fax: +44 (0)131 332 8822
FAR EAST: Hutton Media Ltd. Tel: +852 528 9135 Fax: +852 528 9257/9281
USA: Lee & Steel. Tel: +1 203 655 9585 Fax: + 1 203 655 7976. e-mail:medialee@aol.com

ARE "YOU" LOOKING FOR FUNDING?
- Property Finance
- Venture Capital
- Equity Participation
- Worldwide Project Finance

As a successful Lending House we provide funding on a status and semi-status basis worldwide without delay.
For a fast decision "In Principle"
Tel +44 (0)161 792 4444
Or Fax brief details to
+44(0)161 792 4400
ALLIANCE INTERNATIONAL VENTURES
International Finance and Equity Funders

FINANCIAL GUARANTEES
Insurance/Reinsurance guarantees as credit enhancement for international business projects.
Tel. +1 561 998 3222
Fax +1 561 998 3226
USA
http://www.northcorp@worldnett.att.net

NEED AN OFFSHORE COMPANY?
RULE NUMBER ONE.....
Do not use an offshore agent in your country as this will create a file on your offshore company identity in your own country.
This is not wise.
For offshore companies, bank accounts, nominee services, re-invoicing, worldwide
Contact us for a brochure
CHARTERED OFFSHORE SERVICES LTD
1 St. Andrews Terrace,
Waterford, Ireland
Tel: + 353 51 858855
Fax: + 353 51 858866
E-mail: info@offshore-services.ie
Web Site: www.iol.ie/offshore
A Member of The Geneva Group

Telstra

Global Account Managers

London * France * Holland * Italy * Germany
£80,000 Package

Telstra is globally recognised as a pioneer in the Globalisation of Telecommunication products and services. With an annual turnover of £7.5billion and 70,000 employees in over 30 countries they provide turnkey communications solutions, incorporating all aspects of Telephony, Data and Intelligent Network services to an international portfolio of high profile organisations. Utilising a consultative approach to business, they are able to offer innovative solutions to complex communication problems that not only add value to their client's businesses, but also reduces their costs.

Already established as one of the world's largest fully integrated telecommunications carriers, Telstra is now investing in the continuing growth of their Europe operation by recruiting a number of high calibre Global Account Managers.

The Role will be to lead virtual teams in

- identifying and securing as new customers, global corporate accounts.
- negotiating with multi-national organisations at Board level, across all their sites/offices on a world-wide basis.
- building and managing business relationships as necessary to meet the mutual business needs of both the customer and our client.
- controlling and co-ordinating the appropriate resources to maximise customer satisfaction and commitment/retention.

The Individual will ideally possess

- experience of either the Retail, Manufacturing, Finance, Travel, Industrial or Business Services sector.
- European and/or International experience to enable him/her to develop our Client's global portfolio.
- a high level of professional/technical competence within the telecommunications industry gained from at least three years experience as a Major Corporate Account Manager.
- the drive and commitment required to contribute to the Corporate goals and revenues of this major international service provider.

Anthony Benjamin International

To apply, in the strictest confidence, please write, enclosing your CV and current salary details, quoting reference 724 to Anthony Benjamin International, at Sun House, 31-35 Sun Street, London EC2M 2PY. Telephone: +44 (0)171 377 7510. Fax: +44 (0)171 377 7511. Video Conferencing: +44 (0)171 247 2458.

Opportunities in the Euro-Market

Stimulated by many EU programmes, Belgium and Luxembourg enjoy a favourable job climate for jobs and career advancement:

consultancy	accountancy	management	government
restructuring	training	construction	agribusiness
engineering	utilities	chemicals	petroleum
infrastructure	medicine	...social sciences	many more...

Job competition is high. The key to success is to communicate a clear image of competence, drive, creativity, problem-solving, versatility, achievement,...*poised for the next challenge with a new employer.*

YOU CAN TARGET POTENTIAL EMPLOYERS, BUT CAN THEY FIND YOU?

Job changes are rare events along the career path: few seekers have optimal skills in "self-marketing". Our professional input of advice and practical support will strengthen your own efforts and speed-up the search:

- writing a professional CV: European Phare/Tacis, US formats
- selecting career directions
- targeting opportunities
- fruitful networking
- handling other sensitive issues

To explore career options // discuss goals // call in confidence.

New Horizon Careers
Tel. (32 2) 280.01.48
Gordon Allen - Counsellor
Fax: (32 2) 230.29.27
E-mail: new_horizons@skynet.be

ADMINISTRATION SUPPORT ASSISTANT

Our client, the London Branch of a Japanese bank, is seeking applications for the above position. The suitable candidate will be educated to degree level, fluent in English and Japanese and have experience working for a Japanese Bank. They will be computer literate with at least two years experience working within an IT environment. Duties will include translation work from and into Japanese language (60+% of time) and liaison support for UK staff dealing with general administration, operational procedures and the installation of software and computer systems developed by the parent company in Japan.

Annual salary
£15,000

Send CV & indication of current salary package to:

Chris Hunter Associates
Suite G07, Grosvenor House, Central Park, Telford TF2 9TW, England.

Closing date 17th April.

Ken Clark International

is among the fastest growing, global executive search speciality firms in the world...

MANAGING DIRECTOR

French Speaking Markets
UK Base

Our focus is the Healthcare, Scientific, Consumer and Industrial Products and Services Industries. With offices in North America, Europe, Asia and Latin America, KCI serves multinational clients in the search and recruitment of senior level executives in all functions and disciplines. Our firm includes fifty (50) consultants and support personnel.

Our global clients have asked us to further grow our French Practice in the search and recruiting of leaders - typically Regional Presidents and Vice Presidents, Country Directors and Marketing, Sales and Finance Managers. This position is located in our European Headquarters at Windsor near London.

You will work with clients to plan organisation structures, write position descriptions, profile candidate specifications, identify and research recruiting targets, contact and develop preliminary candidates, evaluate potential candidates and recruit the finalist candidate. Extensive training will be provided.

Applicants should be graduates with 5-15 years experience in marketing, human resources or consulting experience in one of our focus industries. Fluency in English and French is essential, as well as firsthand experience of the French market.

Initial base salary and bonus potential is in the £55,000-£80,000 range depending on past experience and qualifications. Eventual cash compensation can easily exceed £100,000.

Please respond by writing or sending a fax with a cover letter, CV and compensation information. No telephone calls please.

Attn: Mr. Chris Seabourne
Vice President, Europe
Ken Clark International
11 High Street
Windsor, Berkshire SL4 1LD
United Kingdom
FAX: +44 (0) 1753 620906

Europe • Latin America • Middle East • North America • Northern Asia • Southern Asia

DIRECTOR

for UK company involved in exports of branded consumer products/consumer durables to African markets.

Applicant should be a graduate in economics/science/engineering, having postgraduation qualifications in management (MBA or equivalent) with marketing specialisation. Sales/marketing work experience of 5-7 years at middle to senior level, preferably in a multinational organisation with 2-3 years actual work experience in a major West African country like Nigeria important. Evidence of professional growth arising from excellence in performance essential. We are looking for a bottom-line oriented individual with initiative, leadership ability, salesman's skills and product management expertise who is demonstrably comfortable working the markets of the developing world in Africa and Asia and who can pioneer development of new markets and new products in the region. Extra-curricular achievements would not be overlooked. The job entails extensive travel while also focusing on board-related duties such as finance, budgeting and administration.

Salary commensurate with qualifications and experience:

Reply to Box No. P518

Australia, New Zealand, Canada & USA

If you have a skilled trade or profession you may be eligible to emigrate. For information and an eligibility assessment contact;

Four Corners Emigration

Registered Migration Agent: 85880

Four Corners Emigration
St. Maartenslaan 26-7, 6221 AX, Maastricht, Netherlands.
Tel:- +31 (0) 43 325 8080
Fax:+31 (0) 43 326 0060
E-Mail: 4corners@nea-us.com

Petroleum marketing associate

Salary: £28,500

Itochu Petroleum Co (UK) Limited is a leading international crude oil and oil products trading company who require a marketing expert for their London office.

Applicants must possess a relevant post-graduate qualification and should be able to demonstrate their knowledge of the marketing role within the industry.

The company conducts a large proportion of its business in the CIS and therefore fluency in English and Russian is essential together with an understanding of one other language within CIS countries.

***Please forward CV's to:* Mr T Kikuyama at Itochu Petroleum Co (UK) Limited, Austin Friars House, 2-6 Austin Friars, London EC2N 2HE.**

Experienced Universal Stainless Steel Exhaust Fitter required,

with proven training skills. Must be able to bespoke fit systems on any vehicle, TIG weld in position, and be fully conversant with Huth Bending methods.

Fluent English is an essential requirement for this post.

Apply, in writing to
Mr Robin Abrey,
Managing Director,
Longlife Exhausts Ltd.,
Goldcroft, Yeovil,
Somerset, RA21 4DH, UK.

Research Associate

Executive Search & Selection

Negotiable Remuneration **City of London**

Anthony Benjamin International is an established and well respected consultancy, providing Executive Search and Selection services on a retained basis to Information Technology and Telecommunications companies. The convergence between IT and Telecomms, along with the European deregulation of Telecommunications have presented us with an unprecedented opportunity to expand our current operation. Your brief will be to use your excellent telephone manner and strong communication skills to target, source and approach individuals to meet the recruitment requirements of our Clients. This is not a back office role, our Research Associates are closely involved in the total recruitment process, including Client presentations, telephone screening of potential candidates and attendance at selected trade exhibitions and other marketing events. You should possess a minimum of two years research or telesales experience with a genuine interest in developing a career in Executive recruitment. Success in this role could lead to an Account Development position if desired. Experience is not essential, however a positive, proactive attitude is required, and a knowledge of our specialist industries would be an advantage.

Please apply, in the strictest confidence, to our Managing Partner J Layton-McIntosh, Anthony Benjamin International, Sun House, 31-35 Sun Street, London EC2M 2PY.
Tel: +44 (0)171 377 7510. Fax: +44 (0)171 377 7511. Video Conferencing: +44 (0)171 247 2458.

Anthony Benjamin International

CRUISESHIP JOBS & WORKING HOLIDAYS

Visit USA, Australia, The Caribbean, Mediterranean, Far East...and get paid for it while meeting people, having fun & adventure of a lifetime. Earn up to $6,000 pm tax-free. All nationalities welcome.

For details send 2x26p stamps or 2 Int'l Reply Coupons to:

Transitions Overseas (N1), 197 North End Road, London W14 9NL.

FLUENT JAPANESE speaking p/time & temp. staff required for admin, JWP op, clerk, mkt research & other positions with Int'l Co's. Ashford Associates Tel +44 (0)171 6264592

BOX NUMBERS

All box number replies prefixed by the letter "P" should be sent to:
Classified Sales Department
THE EUROPEAN, 200 Gray's Inn Road, London WC1X 8NE
Please mark clearly the box number you are replying to.

JAPANESE INSURANCE BROKER REQUIRE

An insurance account executive / internet operator who has experience of working in Japanese and Far Eastern cultures, especially in the insurance industry. Applicants must be fluent in English and Japanese (written and spoken) and must also be computer literate.

Salary circa £20,000.

Applications in writing to Mr P Shah, JEIB Ltd, 64-66 Mark Lane, London, EC3R 7HS, UK.

Mary Kay Cosmetics (UK) Ltd.

Sales Manager

To provide training, development and motivation of Mary Kay Beauty Consultants at all levels.

Applicant must have substantial experience (five to ten years) in working with independent Beauty Consultants and be able to demonstrate credibility as a role model through a proven background of success in this field. Based in London.

Write with details to: **EA Cameron**
39 Park Street, London W1Y 3HG.

TELECOMMUNICATIONS ENGINEERS

Nokia DX200 & Ericsson AXE10 Commission, Test & Software Engineers.

6 Month Contracts throughout Europe and The Far East.

For further details, please contact John Smith on
tel: +44 (0) 1342 304020

CHIEF BAKER REQUIRED

SPECIALIST IN ARABIC BREAD, MIN 5 YEARS EXPERIENCE

CONTACT: **ELI - (London, England)**
+44 (0)181 493 9933

origin

International Business Consultants
USA, Singapore, Germany, Italy, Netherlands & UK

£65,000 - £85,000 Package

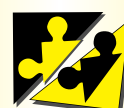
An exciting and dynamic organisation, Origin is a principal player in the provision of leading edge technology and solutions. Employing 15,000 people world wide, with an annual turnover in excess of $1.5 billion, Origin is one of the biggest global professional service providers in the field of Business and IT Solutions. We offer a comprehensive package of consultancy, systems design, implementation and systems management across a wide range of technology.

Origin is seeking to develop it's business concepts and create a dynamic international force within the field of Business Consultancy by recruiting 'Business Gurus' with expert knowledge within the target markets of Oil and Gas (Down-stream Clients), Retail, Pharmaceutical, Finance or Supply Chain Distribution.

Based either in the UK, USA, Netherlands, Italy, Germany or Singapore, focusing into a home or global market, these roles are an unique opportunity for Senior Business Consultants who are looking for ultimate career development. The key skills required to deliver the Business Change within your target markets are Business Process Improvement, Strategic Consultancy and Programme Management.

You can be a Business Consultant based either in our target market sectors or in a Consultancy. If you are looking to shape the future and seek an unique business opportunity, Origin will be interested in talking to you.

Call Ruth Alway quoting ref: RA/5609.



JIGSAW INTERNATIONAL

MEMBER OF GLOBAL RESOURCING NETWORK WITH OFFICES IN UK, FRANCE AND BELGIUM
A Cousins Group Company
60 Albert Court, Prince Consort Road, London SW7 2BH
Tel: 0171 584 5433 Fax: 0171 581 2901 Email: jigsaw@jigsawintl.com

www.jigsawintl.com

Bilinguagroup

THE INTERNATIONAL LANGUAGE RECRUITMENT SPECIALISTS

Marketing and promotions in Germany — £25K + Com
German speaker needed for Munich based publishing co. Lots of involvement in an exciting environment.

Frankfurt secretaries! — £20K
Various positions for secretaries with German to work for top law firms/banks. Young teams of English/German nationals.

Customer services team leader — £19K
Italian speaker needed for int'l high tech. co. in Surrey. Make your mark in a rapidly expanding division.

Media/travel — £18K + Com
Are you a good sales exec with French and the ability to develop business? This is your chance to prove yourself with a co. which thrives on success.

Bookeeper in Paris — £18K
Some exp. needed to join small int'l co. Good French required.

Recruitment Consultant German or Italian — £18K
Are you a people's person? Looking for a career dealing with high level int'l clientele? Join this company in Hants which gives excellent training and great prospects.

Int'l Private banking — £15K + Bens
Some banking exp. required to work as an assistant using your French, Spanish or Italian. Excellent training. Dynamic int'l environment.

URGENT! CALLING ALL LINGUISTS — £14K
We have numerous expanding international companies seeking enthusiastic personnel looking for a career in customer services or sales, with either German, French, Dutch, Spanish, Italian, Japanese, Asian. Companies based in Central London, Middx, Warwick, Surrey & Hants. If you have the will to succeed and want a new challenge, call us now!!

Bilinguagroup Rec. Cons.
49 Maddox Street, W1R 9LA
Tel: +44 (0)171 493 6446 Fax: +44 (0)171 493 0168

To advertise in the **APPOINTMENTS SECTION** please contact Charlie Attenborough, Sam Harvey or Peter Aplin on:
Tel: +44 (0)171 418 7883
Fax: +44 (0)171 713 1835
E-mail: classified@the-european.com

The EUROPEAN PARLIAMENT secretariat

is holding three open competitions for (m/f)

English-language

ADMINISTRATORS with legal training
(competition EUR/A/132, jointly organized with the COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES)

ADMINISTRATORS (competition PE/85/A)

ASSISTANT ADMINISTRATORS (competition PE/86/A)

responsible for:
☐ managerial, planning and research duties on the basis of general guidelines **(competitions PE/85/A and PE/86/A)**
☐ similar duties and, where required, assisting the institution and preparing its defence in legal cases **(competition EUR/A/132)**.

Location: Luxembourg, Brussels or any other place of work of the organizing institutions.

Main entry requirements:
Qualifications:

Administrators and assistant administrators (PE/85/A and PE/86/A respectively)
☐ University degree. Admission to competition PE/86/A is reserved for applicants who obtained their degree after 24 April 1995.

Administrators with legal training (EUR/A/132)
☐ University degree in English, Scottish or Irish law.

Professional experience:

Administrators with legal training and administrators (EUR/A/132 and PE/85/A respectively)
☐ At least two years' professional experience.

Assistant administrators (PE/86/A)
☐ No professional experience is required.

Requirements for all three competitions:
☐ A thorough knowledge of English and a very good knowledge of another official language of the European Communities (Danish, Dutch, Finnish, French, German, Greek, Italian, Portuguese, Spanish or Swedish). A good knowledge of French is required for competition EUR/A/132. Knowledge of other official languages of the European Communities will be taken into account. ☐ Nationality of one of the Member States of the European Communities. ☐ Applicants must have been born after 24 April 1952. Exemptions from the age limit may be allowed in certain cases.

THE EUROPEAN PARLIAMENT APPLIES A POLICY OF EQUAL OPPORTUNITIES FOR MEN AND WOMEN IN ALL POSTS. IT STRONGLY ENCOURAGES APPLICATIONS FROM WOMEN.

Closing date for applications: 24 April 1998.

For copies of the Official Journal containing the official application form and further details send a **postcard by 15 April 1998** to one of the following addresses, **quoting reference EUR/A/132, PE/85/A or PE/86/A**:

☐ European Parliament information offices:
- Ireland, Molesworth Street 43, IRL - DUBLIN 2
- United Kingdom, 2 Queen Anne's Gate, GB - LONDON SW1H 9 AA

☐ European Parliament, Competitions Department, BAK 1031, L-2929 LUXEMBOURG

Please write your name in BLOCK CAPITALS.

EP PE

EQUITY RESEARCH

A top tier global investment bank with an extensive European office network undertakes research, trading and sales for equity and equity related securities in Central and Eastern Europe, Middle East, North Africa and Turkey. They are now seeking to hire Economists and Analysts for these markets.

Each role will require the candidate to provide high quality and detailed company and sector research and monthly notes, to produce written evaluations and forecasts and to develop external relations at senior level.

The candidate should be a graduate and an experienced equity research professional; possess excellent understanding of his equity market. Competitive banking packages can be expected

Please reply to: Box No. P510

SALES/MARKETING EXECUTIVE

A UK based small company is seeking an ambitious Sales and Marketing Executive aged between 30 to 35 years old. Fluency in Albanian, Greek and English language is required. Knowledge of the Albanian market industry is essential. This is an influential role, reporting directly to the Managing Director, in which the successful applicant will develop and expand a new market.

Please apply in writing to:

PLUSGRADE LTD
RAILWAY ARCHES, MOOREFIELD ROAD
LONDON N17 6PY, UK.

Scientific Games International Limited is the International subsidiary of Scientific Games Incorporated, the leading North American, world wide manufacturer of instant lottery tickets and promotional games, and provider of support services which has a fast - growing turnover currently approaching £200 million per annum for the group.

To meet the future market requirements the UK Operation is now looking for two experts in the field of

Attached Card Systems

Applicants should possess proven skills in the following:

- Extensive working knowledge of rotary web press production of business forms and Direct Mail
- An understanding of the insertion capabilities of high speed Rotogravure and Heatset in-line presses. It is essential that applicants have a complete working knowledge of quality assurance requirements for inserting a secondary substrate of paper in an inline high speed press operation in large quantities.
- Experience and creative ability to assist print manufacturers in adapting equipment to meet new product requirements.
- Extensive developmental, design and marketing of direct marketing advertising and promotional tools with special emphasis on attached card products
- Extensive business contacts within the Direct Marketing and Product Promotion field.

Applications in writing, enclosing full CV, should be forwarded to Mr W Christie, Managing Director, Scientific Games International Limited, 81 Kirkstall Road, Leeds LS3 1LH.

CyanMagYelloKey
CyanMagYelloKey

SPORT

GERMANY ■ Indecision may ruin Berlin's Olympic Stadium

Hitler's arena falls apart

Clive Freeman
BERLIN

THE cranes helping Berlin resume its role as the home of the German federal government next year are a nagging reminder of how little has been done to preserve one of the city's greatest landmarks. Last autumn the Berlin city government hired a Munich consultancy firm at a cost of $550,000 to draw up a plan for the development of the crumbling Olympic complex. Its report is due this spring.

Immortalised by *Olympia*, Leni Riefenstahl's documentary of the 1936 Games, the Olympic Stadium is the most famous sporting arena in Europe. It was there that Adolf Hitler tried to promote his twisted theories of Aryan superiority through the Olympic movement; black American Jesse Owens provided the perfect riposte with four gold medals.

Thanks to Riefenstahl's film, the Nazis' racial propaganda remained imprinted on the popular consciousness and was a factor in Berlin's failure to win its bid to stage the 2000 Olympics. But, stripped of its historical associations, the stadium is one of the world's great sporting arenas.

When it was being built, Hitler demanded: "If Germany is to host the world, the preparations must be complete and magnificent." He got his way.

Built for the 1936 Games, it was constructed on the colossal scale that the Nazis loved. Much of the work was done by hand by a 2,400-strong workforce. Natural stone from all over Germany was used and from a distance it still looks magnificent, with huge pillars, National Socialist statues of strapping nudes and a 77-metre bell tower.

Inside is a different matter. Built for a thousand-year empire, the stadium is falling apart. The athletics track where Owens won his medals remains as a reminder of the stadium's glory days, but last year parts of the brittle outer ring had to be shored up for months by scaffolding. A net was suspended beneath its Plexiglas roof awning to protect visitors from falling masonry and the stadium's lower ring seats have rotten foundations. The place is falling down and the town council and the government are arguing over whether to renovate or demolish it.

Either way it will be a hugely expensive operation. The bill for repairs has been estimated at $366 million; a new stadium would cost between $550m and $600m.

The German Football Association (DFB), which is keen to host the 2006 World Cup, has been urging the Berlin senate and the Bonn government to modernise the stadium so that it can be used as a venue for the tournament. Two matches in the 1974 World Cup were played there after minor renovation work was carried out. But because of the huge cost the authorities have delayed renovating the stadium complex which, as well as the arena, incorporates field hockey, horse riding and water polo facilities. Hopes that a business consortium might be found to take over responsibility for its future development have been dashed.

After Berlin flopped in its bid to host the 2000 Olympics four years ago, the government reneged on promises that the stadium would undergo renovation and modernisation, including the construction of a roof.

Nothing has been done since, but Peter Strieder, Berlin's urban development minister, says the stadium is far too important a historical venue to be demolished and should continue to be used for major sporting events. But Strieder does favour the proposal to build a new football-only stadium on the nearby Olympic hockey grounds, provided it does not look out of place with the rest of the 130-hectare complex.

In Berlin, football is booming. Hertha Berlin's home gates in the Olympic Stadium this season have averaged 53,000, second only to world and European champions Borussia Dortmund at the top of the Bundesliga's attendance table. Backed by big companies, Hertha has the potential to become one of the most powerful clubs in Europe in the next five years.

Manager Dieter Hoeness hopes to sign several international players for next season; the thrill of playing in the Olympic Stadium is clearly a big draw. Thomas Hässler, a German international, is one of the players Hertha would like to buy. A Berliner, he has said that he could happily wind up his playing career in the Olympic Stadium.

But not everyone shares his views, even within Hertha. Manfred von Richthofen, the president of the German Sports Federation, said he saw little sense in investing money in restoring the Olympic Stadium. Richthofen, a nephew of the "Red Baron", the German First World War flying ace, argues that even if the Olympic Stadium is renovated it might still fail to meet the standards of the world football authorities.

Otto Hoehne, president of the Berlin Football Association, and Manfred Zemaitat, the boss of Hertha, share Richthofen's doubts.

Hoehne says that building a new stadium in Berlin is realistic and sensible. "The Olympic Stadium would play a multifunctional role during the time the new arena was under construction," he said.

Klaus Löhe, Berlin's state secretary for sport, rejects this idea of two stadiums in close proximity. He believes the money would be better spent restoring the old arena. Rudi Thiel, the septuagenarian organiser of Berlin's Grand Prix athletics event, staged each summer at the Olympic Stadium, agrees.

He says that the idea of his event moving to the Jahnsportpark, a 22,000-capacity stadium in east Berlin, is nonsensical. Thiel is calling for restoration and modernisation of the Olympic Stadium, as much for the prestige it brings as for its value as a sporting venue.

"If it is pulled down, Berlin's chances of ever staging European or world athletics championships, or of attracting the Olympic Games again would disappear," he warns. While they argue, the stadium is decaying; by the time a consensus is reached, it may be too late.

"With the German Football Association eager to secure the 2006 World Cup, a decision about the Olympic Stadium's future has to be reached soon," says Ingrid Stahmer, Berlin sports minister. The DFB hopes to use the stadium for the opening match of the World Cup, and also for a semifinal and the final. "But in its present condition, there is no chance of that," Stahmer warns.

Twenty-four German cities are offering grounds for the World Cup; the DFB will pick 15 in February 1999 and will not put Berlin on the list without confirmation that a plan of action has been put in place.

Hitler's orders, issued during the construction of the Olympic Stadium, echo down the years. Sadly, it looks increasingly unlikely that, on the latest occasion when Germany hosts the world, the arena will be either prepared or magnificent. ■

Crucible of history: the dramatic setting for the Nazis' 1936 Berlin Olympic Games

KOBAL

Time for a change: 'We want a new stadium,' say the supporters

ANTONELLO NUSCA

ITALY

Venezia's ambitions may leave fans high and dry

Chris Endean
VENICE

FOR two decades, groundsman Umberto Mellara has fished footballs out of the canals that surround Venezia's stadium on the island of Sant'Elena. Apart from the day Pele graced the stadium for an exhibition match in the 1960s, most of the stray shots have come from the clumsy feet of little-known players.

Next season there may be bigger fish in the lagoon. Managed by Walter Novellino, Venezia are currently second in Serie B, and the world's top players could soon be boarding a *vaporetto* down the Grand Canal and through a small flotilla of supporters' boats to the 85-year-old stadium.

Since 1987, when supermarket tycoon Maurizio Zamperini twinned Venezia football club with Mestre, the rival on its northwestern shore, the side has been preparing to join the Italian football elite.

With just one trophy in 91 years and no first division appearance since 1967, Venezia's football pedigree bears no comparison with the city's cultural heritage. But it is a highly marketable commodity.

"Most teams must win something to become a commercial success, but Venice already has an international trademark," says Giuseppe Marotta, the club's managing director.

Venezia unashamedly exploits the image of La Serenissima, the republic of Venice that ruled the Adriatic for centuries. Most football clubs fill their Internet sites with club colours and insignia; Internet surfers who visit www.veneziacalcio.it are taken on a multimedia trip into the heart of the lagoon. There, football plays a secondary role to history.

The tide turned at Venezia with the arrival of Gianni Di Marzio, acknowledged as perhaps the shrewdest sports manager in Italy. Under his guidance and Novellino's management, Venezia has blended together a team of exciting new talent and battle-hardened veterans.

There is also space for some of the lagoon's own. Stefano Polesel lives on Burano, a five-minute boat trip from the stadium; the midfielder turned down the chance to move to a bigger club to help his beloved Venezia into the top flight.

If Venezia is promoted to Serie A this season, the descendants of the Doges are unlikely to celebrate with the traditional regatta. This is not simply because of an aversion to football, although the city's rulers have banned kickabouts in the Campi, the Venetian equivalent of the piazza. This successful season would coincide with the centenary of the official demise of La Serenissima.

In 1941 the club's cup victory was overshadowed by Italy's entry into the Second World War, while the team's last appearance in Serie A coincided with the disastrous flood in November 1966 that made Byron's vision of Venice sinking "like a seaweed into whence she rose" look frighteningly real.

The other problem Zamperini faces is that while he has united the football teams of Mestre and Venezia, he has never bridged the gulf dividing the city and the town. On and off the pitch, the two communities keep up the appearance of being Venetian. The club is officially known as Venezia FC. The governing unit, the council of Venice, embraces the two places. In reality, though, Venice and Mestre are two different entities. The former is an island city of art, tourism and a shrinking population; the latter is a fast-growing blue-collar community. Each week this confrontation is seen on the lagoon's playing fields.

At Sant'Elena their fans refuse to sit in the same stands. At the northern end fans shout "Venezia", believing their club has absorbed its neighbour; at the southern end, former Mestre supporters prefer "Unione", viewing the two clubs' amalgamation as a merger.

It is a battle that native Venetians are destined to lose. As more and more Venetians desert the sinking city to pursue their ambitions on the mainland, so the football club will soon abandon Sant'Elena for a new, purpose-built stadium on terra firma.

Like the damp and dreary housing that drives young Venetians to the mainland in search of modern apartments, Venezia FC has outgrown its historic home. The stadium's rickety terraces can hold just 15,000 fans; new rules propose a minimum capacity of 35,000 for first division clubs.

"It's outrageous," says Renato Serena, head of the supporters' club. "The team will no longer have the right to call itself Venezia."

Reverence for the past, however, has long since yielded to progress. Marotta says the new stadium will increase support from towns in the Venetian hinterland and Zamperini has planning permission for land near Venice's airport.

The new stadium will include apartments, a cinema and a shopping centre. And the groundsman will not need a boat licence. ■

ENGLAND

Newcastle directors dogged by controversy

THE backlash suffered by Newcastle United over insulting remarks made by its directors could cost the club dearly. It may also discourage the continental European clubs who are flocking to follow the Magpies in floating on the stockmarket.

Douglas Hall, vice-chairman of the English Premiership side and owner of 57 per cent of its holding company, and Freddie Shepherd, the chairman, who owns seven per cent, were reported as having boasted about selling replica shirts to fans at 10 times cost and selling striker Andy Cole for a then British record of £7 million ($11.4m) without revealing that he might have a serious injury; they were also said to have called local women "dogs". The two men have apologised for the remarks but do not deny them.

While it will be virtually impossible to sack them, their comments are likely to have a serious effect on club finances. Wearing the team's shirt is almost obligatory in Newcastle; of the club's £41.1m sales in the year to July 1997, £9m came from branded products. Fans who are derided for buying these goods may decide not to bother. They may also decide the team, currently in the relegation zone, is not worthy of their support.

The boom in football is based on the exploitation of fans' devotion, but even the most loyal followers can reach breaking point. When that happens, the share price is sure to tumble.

DOMINIC O'REILLY

CyanMagYelloKey

CyanMagYelloKey

SPORT

TENNIS

Graf's return looks a long shot

Andrea Leand

FOR the past 15 years Steffi Graf has overcome personal and physical problems to dominate tennis, but she now faces her toughest challenge in the twilight of her career. Having returned after major knee surgery Graf, who has won seven Wimbledon titles, must beat the teenage stars who have usurped her pre-eminence and will be determined to hasten her retirement. But while her rivals are wasting little sentiment on her, Graf has discovered she holds a new place in the fans' affections: the one reserved for an underdog.

In her first tournament after nine months of injury, the once-invincible Graf succumbed in straight sets to a humble Belgian. But Graf's gallant efforts in defeat drew unprecedented affection from the Hannover crowd.

"I have never had a reaction like that before," the 28-year-old German said. "It was incredible. I started to cry when they clapped as I walked on court. I've never done that before. But I was just so happy to be back."

Only a year ago Graf was the undisputed world champion, with unparalleled athleticism, speed and power. Her reign came crashing to an end 10 months ago when she tore the patella tendon and ligaments in her left knee during the French Open. It was the latest and most serious setback in a seemingly endless string of injuries.

"When I came round after the surgery I heard the doctors say that I would eventually be able to exercise without pain," Graf said. "But I did not hear them say that I would be able to compete again."

The persistence and passion that drove Graf to the top propelled her through months of rehabilitation. She also had to cope with the stress of seeing Peter Graf, her father and manager, jailed for tax evasion.

"There were days that I was down but I never let myself get into a slump," she said. "I kept going because I wanted to know that I had done everything possible to compete again."

Graf had planned to return last autumn but had problems with the three 6.35 centimetre metal screws holding her knee together. Doctors removed them last November and Graf has had them framed.

Once she returned to practice, she compensated for the weaker limb and suffered minor calf sprains. When Graf finally did reappear in Hannover last month, her performances raised question marks about her future.

She looked fit and trim but still moved gingerly on the leg. Her strokes remained strong but she was a stride slow in getting to shots.

Two weeks later, Graf showed noticeable improvement at the State Farm Event Cup in California. The timing on her ground strokes and consistency on her serve had improved, but she was forced to retire against Lindsay Davenport in the semifinals after straining her left hamstring.

Even if Graf continues to regain her form, questions will remain about whether she can make it back to Nº1. During her convalescence, a new generation of young stars has emerged; they idolised Graf years ago but have long since shed any deference.

Graf knows that the game may have passed her by during her absence and her intolerance for nothing but the best makes it difficult to predict how she would deal with the possibility of playing second fiddle.

But as she stared at her atrophied leg and ran her fingers over the various lumps, bumps and red marks on her battered knee, Graf was clearly not thinking about that.

"I've already succeeded in my first goal, which was to be back on court," she said. "I'm not worried about whether I win or lose now but that might change. As long as I love to play I'm not going to give up hope of reaching the top again. I know that I am still competitive and will not give up.

"I would not try to come back if I did not feel I could go all the way."

INJURY LIST

FEBRUARY 1990
Broken right thumb
OCTOBER 1993
Surgery to remove bone fragments in right foot
JUNE 1995
Treatment to ease sinus troubles
DECEMBER 1995
Surgery to remove bone fragments in left foot
1996
Chronic lower back pain caused by a bone spur
JULY 1996
Inflammation of patella tendon in left knee
OCTOBER 1996
Aggravated left knee
NOVEMBER 1996
More back pain forces retirement in tournament final
MARCH 1997
Arthroscopic surgery on left knee
JUNE 1997
Surgery to reconstruct partially torn patella tendon and ligaments in left knee
NOVEMBER 1997
Further surgery on left knee to remove screws

COURT VIEW

CHRIS EVERT
'She needs a few more tournaments to get back that match toughness but it's all there. In her last tournament she tired but she will get that strength back. The forehand, serve and intensity are all there. She impressed me and, if anyone can come back and challenge Martina Hingis, it's Steffi.'

TRACY AUSTIN
'She is hesitating on big points and guiding the ball on her ground strokes but that is understandable; it will improve. She still has a big heart and, in the past, whenever she has set her mind to something she has achieved it.'

ANDRE AGASSI
'We're in the same position. We've both been Nº1 and are now ranked in the 40s after a while off. We both love the game and have got into pretty good shape. But getting back to where we were is not going to be easy for either of us.'

MARTINA HINGIS
'Women's tennis has improved a lot since Steffi has been out. She can't just try and keep the ball in play on her backhand. It won't be as easy for her because players like me, Venus Williams and Lindsay Davenport don't have weaknesses. But it was exciting to see her playing well again.'

OLYMPICS BOOM

No joke as curling fever sweeps Swiss away

Michael Butcher

OF the many ridiculous sports at the Nagano Olympics, none was quite as absurb as curling. The sight of a gaggle of podgy men pushing oversized doorstops along an ice rink while two assistants swept furiously in front of them made a mockery of this pastime being called a sport.

Nobody is laughing in Switzerland, however. The excitement of an Olympic gold is such that the men's curling final enjoyed the country's highest television viewing figures of the Games. Patrick Hürliman's success has led to an upsurge of interest in a sport that, while totally irrelevant to most of the world, had been dying a lingering death in Switzerland.

"We've been swamped," says outgoing Swiss federation president Hanspeter Glarner. "We haven't been able to organise enough beginners' classes to meet demand."

With the springboard of Olympic gold, Glarner's team is looking at growth. "We will shortly be presenting our plans to the International Olympic Committee so that we can get some of the $4 million that the international curling federation earned from the Games," says Glarner.

The sport was introduced to the country by British tourists in 1867 and the first tournament was held at the Hotel Kulm, St Moritz, 13 years later. The Jackson Cup, an outdoor event at St Moritz, took place for the 100th time this year, with 100 teams participating.

Along with Canada, Scotland, the United States and Sweden, Switzerland is one of the main curling nations. In the heady days of the Attinger brothers in the 1970s, legendary figures to the Swiss, more than 13,000 watched a world championship match in Bern. The sport had been in what seemed to be an irreversible slump since those glory days – until Nagano.

'We haven't been able to meet the demand for classes'

The membership of the Swiss curling federation was about 7,000 at the start of the year but is now rising rapidly. Glarner's successor, Beat Rickli, who takes over in June, thinks there is the potential to more than double the current membership to 20,000.

They have the capacity to cater for the demand: the country has 187 clubs and 44 curling halls. Clearly, the future for Switzerland is curling.

PHOTOGRAPHS RICHARD O'ROURKE

CZECH REPUBLIC

Dirty old town puts steel in hockey hopefuls

Dominic O'Reilly
PRAGUE

DEVASTATED by what has been called the biggest blunder in Czech privatisation, Kladno is fighting back through its ice hockey club. The town, about 20 kilometres northwest of Prague, has always been known for two institutions: the Poldi steel mill, which once employed 20,000 people; and its ice hockey. Five of the Czech squad that won gold at last month's Olympics learnt the sport in Kladno.

Nicknamed *Cerny* (Black), for the smog from the steel mill that constantly hung over the town, Kladno was never a picturesque place to live, but there was plenty of civic pride.

In June 1993 the Poldi Steel company was sold to Vladimir Stehlik, a Czech architect, for Kc1.75 billion ($50.87 million), more than twice the next highest offer. The other bidders, from America, Germany and Sweden, had proposed extensive restructuring, but Stehlik promised to increase both production and employment.

He paid the first instalment to the National Property Fund (NPF) by transferring money from Poldi. An abortive attempt by Coopers & Lybrand the following year to carry out an audit ended when they declared that the near total absence of documentation made it impossible. They had seen enough, though, to doubt Stehlik's boasts that it was a growing concern.

Three years later, after running up losses of more than Kc800m, Poldi closed down. Stehlik's parent company, Bohemia Glass, is bankrupt and he is being prosecuted for non-payment of social insurance, the illegal transfer of Poldi assets and fraud involving his first payment for the company.

The NPF accepts that it will never see the rest of the money it was owed by Stehlik. "It was one of the worst cases of privatisation," said the NPF's Milos Ruzicka. "Stehlik played for time and was able to do that because the contract had been badly formulated."

Such incompetence and naivety are typical reasons why the Czech economy is struggling. But while the Poldi fiasco was an expensive lesson for the country in general, it was a disaster for the people of Kladno and their ice hockey club.

The loss of the mill, which dominates the town's skyline, shattered morale. Unemployment in the town is 13 per cent and rising and many are now leaving to seek work in Prague.

The ice hockey team suffered, too. It was previously called Poldi after its main sponsor but found itself struggling for funds; forced to rely upon youth players and other teams' cast-offs, it plummeted to the bottom of the league. The club has found another backer, Velveda, a car polish and wax company, which should allow it to avoid relegation, but it is unlikely to regain the levels of excellence.

That it is in existence at all is testament to the devotion of the staff who work for a monthly salary of just Kc2,000. This pittance of a wage means that they must all have a second job, but it is hard to see where they find the time.

Frantisek Postpusil, the general manager, says the staff work "from seven to late", coaching or scouting. Having devoted almost 20 years of his life to the club, he is saddened by its plight. But there is hope: a combination of a post-Olympic ice hockey boom and the local youth's realisation that sport might be the only route out of town, has sparked off huge interest.

The club now runs 22 junior or children's teams and the ice is almost always packed with lads practising furiously. Unusually for teenagers, they listen earnestly to the coaches, knowing these are the men who made Jaromir Jagr into a star paid $8m a year by the Pittsburgh Penguins.

"I come here whenever I can," said 13-year-old Tomas Sedlak. "If I am not skating, then I watch the older players and try to learn from them. All of my family worked in the steel mill and I had always thought I would join them. Now that cannot happen I must look for something else."

Like all of his schoolfriends, Sedlak dreams of playing alongside Jagr in North America's National Hockey League, but he would settle for less.

"I would be happy to play anywhere, even here in Kladno," he said. "At least it would be a job."

Tough times: like the town, Kladno's ice hockey team has struggled since the steel mill closed

LIVE - Tennis - Key Biscayne Semi Final
tune in Friday
19.00 (CET) and throughout the week
LIVE - NASCAR - World Series from Bristol
tune in Sunday
20.00 (CET)
EUROSPORT
Eurosport, Europe's No.1 Sports TV Channel, available on cable and satellite

Is Europe's best-paid banker really worth $60 million a year? PAGE 55

CENTRAL BANKING ■ The ECB needs a chief economist – quickly

THE BRAINS BEHIND THE EURO

Doug Cameron

THE financial markets remain obsessed with the identity of the president of the fledgling European Central Bank (ECB). It is just two months before the bank's launch. It loses credibility with each day it remains rudderless. But the bank lacks a head as well as a heart; just as uncertain is the identity of the ECB's intellectual driving force, the chief economist. Whoever is chosen will be the true guardian of the euro-zone's economic stability.

The chief economist will set the tone for the ECB's stance on monetary policy through control of research and information flows within the bank's economics department. Wim Duisenberg, the Dutch head of the European Monetary Institute and frontrunner for the ECB presidency, has already said he prefers hitting golfballs to crunching numbers.

"The position of the chief economist will be the most important job at the ECB after the president and may even rival his influence," says Julian Callow, European economist at Dresdner Kleinwort Benson. Interest rate policy, the ECB's primary policy tool, will be dictated by the interpretation of inflation and money supply data, the sole preserve of the chief economist.

> **'The chief economist will be the most important job after the president and may even rival his influence'**

The dream ticket for the two top jobs at the ECB – except in France – would be Duisenberg and Otmar Issing, the Bundesbank's chief economist. Issing is the best qualified candidate – the Bundesbank's economic research is only rivalled by the Bank of England's and the UK is not joining the euro in the first wave – but his support is limited to Germany.

There are three other likely candidates in the race: the governor of the Banque de France, Jean-Claude Trichet; his opposite number in Spain, Luis Ángel Rojo; and Italy's bank governor Antonio Fazio. Trichet's nomination for the presidency has thrown politicians into a lather. The French government persists in pushing him forward as a presidential rival to Duisenberg, first as an exclusive candidate and then suggesting a split four-year term. It is possible that he might accept the role of chief economist, though market-watchers claim that he would be happier with the grander sounding but less important position of vice-president.

Rojo also has an outside chance as a compromise candidate. He would upset neither France nor Germany and give southern Europe a potentially powerful voice in the running of the ECB. However, the 63-year-old Rojo has a low profile in the financial markets despite being the intellectual driving force of the Spanish bank during his 20-year tenure. He was appointed for a six-year term as governor in 1994 having climbed the ranks after an outstanding academic career. Bookish and private, he was Spain's first truly independent central banker whose profile has risen only with his insistence that Spain join the first wave of EMU and his doomsday warnings of punishment from investors should it fail.

The final candidate, but a rank outsider, is Antonio Fazio. His appointment to such a powerful position would strike terror into the hearts of Germans already worried that the euro is going to turn soft.

Along with this problem is the question of how to please 11 countries when there will be just six members on the executive board. This will consist of the president and a vice-president, the chief economist and directors covering international affairs, regulatory supervision and personnel and administration. There are various permutations.

Will the French tolerate a hawkish German chief economist alongside a Dutch president with the same history? Will the Germans accept anything else? With Germany's size and its championing of the euro, without which the currency would be doomed, the country must have a seat on the executive board. But there is a feeling among south European countries that Germany will have to make concessions to establish that the Frankfurt-based ECB is more than just an extension of the Bundesbank, although that is probably what the financial markets would prefer.

The simplest option would be to accept that Germany can have a board member only in a more junior role than that of president or chief economist. Hence, Issing's chances may not be as strong as the markets believe.

ILLUSTRATION BILL BUTCHER

Boffins bidding to be brains (clockwise, from top left): France's Jean-Claude Trichet, Otmar Issing of Germany, Spain's Luis Ángel Rojo and Italy's Antonio Fazio

Trichet has tried to distance himself from the presidential fray and appears almost embarrassed at the attention he has received. The Frenchman, who started his career as an engineer but later trained as an economist, would be acceptable to the financial markets as chief economist. Rita Schumacher, European economist at Nikko Securities, believes that the French will have to back down on Trichet's presidential candidacy and will have to accept a lesser role; but insiders insist that he would turn down the chief economist slot.

If Issing and Trichet fall by the wayside, the EMU 11 will have to cast further afield for their head number-cruncher. Rojo and Fazio are at least viewed as suitably hawkish on monetary policy, which bodes well for a hard euro as far as the markets are concerned. Philippe Maystadt, the Belgian finance minister, was briefly in the fray but has opted to seek the vacant presidency of the European Bank for Reconstruction and Development. Maystadt would be the second representative from the Low Countries, if Duisenberg gets the presidency, and would be seen as providing too much sway to that region.

Rojo's appointment would leave the way open for Germany or Italy to provide the directors of international policy and banking supervision. The final executive board slot – personnel – will probably go to Finland to give the board balance with someone representing a Nordic country and one of the euro zone's smaller economies.

Issing's candidacy still makes the most sense. The ECB has been modelled on the Bundesbank and Issing is as influential on its ruling council as its high-profile chairman, Hans Tietmeyer. The Bundesbank takes the collegiate approach common in German industry. Other council members have the chance to commission reports from the economics team but Issing retains overall control for the compilation and release of money supply and inflation data. This contrasts with the American Federal Reserve, which lacks a formal chief economist. Its chairman, Alan Greenspan, has maintained an iron grip on the country's economic policy and the rapt attention of the markets through his mastery of economic data, backed by the best staff in the business.

The quality of research generated by Europe's 65,000 central bank staff varies enormously, as does their ability to manage the flow of information to the financial markets. The Bank of England, for example, locks a couple of journalists in a room for 30 minutes with its monthly inflation figures. It knows exactly how the data will be disseminated. Other banks have only just started to manage the release of statistics, which remains more akin to throwing papers from the rooftops and seeing which way the wind blows.

The ECB chief economist will have ultimate control over co-ordinating inflation and money supply data from the 11 member states and compiling EMU-wide information. Greenspan's reputation was built on his ability to interpret data and, crucially, spot flaws in the information generated by his team. This intellectual clout has given him control of the Federal Reserve, whose other members know they are on a hiding to nothing if they try to argue against policy on the basis of economic data.

The ECB chief economist will have an even harder task. First, the available research staff will be far smaller than that of the Federal Reserve, at least in its first 12 months. It is inevitable that the ECB will expand at the expense of national central bank staff and the chief economist will also be able to hand-pick his own executive, but this will take time.

Second, the collection of data on inflation – the central driver of ECB policy-making – remains fragmented among the 11 member states. All employ different methodologies – themselves fluid – to generate their own national statistics; the chief economist will be at the heart of creating a common platform.

The candidates for the six seats on the supervisory board are due to be named in Brussels when European leaders thrash out the final details of EMU membership and the composition of the ECB executive board before its formation on 1 July.

The timetable has been squeezed even more by the battle between Brussels and Strasbourg to host the European Parliament during its ECB hearings. Parliament has the right to interview and scrutinise candidates for all six executive board places. Parliament sits in Brussels during the first half of the month and Strasbourg in the second. Brussels is bidding to host all of the ECB hearings, requiring all candidates to be proposed and heard before the middle of the month.

Releasing national financial statistics is a dangerous game in today's globalised financial markets. Speculators are ready to attack currencies and economies in an instant on the back of adverse numbers and central banks need to be ready to defend themselves. If financial markets have to accept a golfing ECB president, they will be looking for a high degree of intellectual rigour from the chief economist. A political fudge that leaves the ECB with a compromise candidate as chief economist will be worse than having a president stuck at the 19th hole. ■

EQUITIES

Germany goes to Markt

Eric Culp
FRANKFURT

FORGET the dusty old DAX. While Frankfurt's leading stock index has reached record highs since the start of the year, investors looking for a thrill have woken up to the gains to be made on the Neuer Markt, Frankfurt's first foray into small cap stocks. "The exchange is changing the way Germans look at investment," says a Swiss banker. "If you wanted to encourage them to drop their too conservative mentality towards equities, it has succeeded with a bang."

Frankfurt's latest blossom is a rare example of the increasing European appetite for risk. It has left its older cousin, London's Alternative Investment Market (AIM), trailing in its wake. The AIM has been overtaken by Frankfurt, and its growth has stalled. Its market capitalisation has barely moved over the past year, remaining around $9.7 billion. It is a similar story at other continental small cap indices in France, Belgium and the Netherlands.

After a difficult birth – it was launched with just two stocks and little fanfare in March 1997 – the Neuer Markt has grown to 18 listings with market capitalisation climbing from DM722 million ($390m) to DM21bn. The Neuer Markt has attracted the type of media and technology stocks which have been the staple of America's Nasdaq market. The downside is that despite spectacular returns, the market remains tiny. Its volatility could prove to be its undoing.

Returns have been spectacular. Mobilcom, a telecoms company, has seen its share price soar 1,844 per cent over the past year. In early March the share price leapt 35 per cent in one trading session alone. Other stocks have experienced similar dizzy climbs. EMTV+Merchandising, a media company, has risen 785 per cent, and SCM Microsystems, an American software house, rose by 622 per cent.

However, with such wild swings in share prices, the market is not for the faint-hearted. SCM and Mobilcom have been all over the place, though most of the movement has been upwards. All 18 stocks now trade above their initial offer price, a claim which AIM and Easdaq, another pan-European index, cannot make. There are a few anomalies: Sachsenring was formed from the ruins of the firm which produced the former East Germany's legendary Trabant automobile; it now makes auto components. Overwhelmingly, though, it is filled with biotechnology and media firms.

Despite the volatility, institutional investors have started to make edgy advances towards what they used to see as potentially dangerous plays. A Swiss bank, Warburg Dillon Read, has appointed an analyst to follow the market. Some German banks remain reluctant, hoping that the exchange will go away; Deutsche Girozentrale says that it has no plans to copy its Swiss competitor.

Traders complain that the liquidity in many shares is far too low, in some cases with only one million shares, representing 30 per cent of the paid-in capital, on the open market. A 50,000 share trade can drastically shift a share's price. The boom could also be heading for a bust: one trader said the average price-to-earnings ratio of the Neuer Markt runs between 60 and 65, eight times the level of the DAX. These are ambitious multiples which could prove difficult to sustain after the next reporting season.

The exchange says that it wants to add another 20 listings over the next year. The next share to enter the market will be 1&1, a computer services and sales firm, and trading is set to begin on 23 March.

There are still punters keen to join in the bonanza: many private investors glean their tips from snappy TV programmes and stock-market game publications, so when a new share appears they pounce.

For example, Technotrans, first issued earlier this month at DM67, opened at DM210, bolted to DM290, fell back to DM161 and closed last week at DM230.

Because of the increased interest in the market, the exchange has decided to extend trading hours on 1 April. The Neuer Markt will also be linked to similar bourses – the Nouveau Marché in Paris, the Euro.NM in Brussels and the NMAX in Amsterdam – once rules and regulations have been harmonised. This may not be a complete answer to the Nasdaq, but it's a start.

REX

Investment vehicle: Sachsenring, formed from the Trabant car firm, is a Neuer Markt stock

CyanMagYelloKey

CyanMagYelloKey

RUSSIAN OIL

Greenmailer takes on the robber barons

Charles Piggott
Moscow

STILL PICTURES

Something rotten in the state of Russia: shareholders can still be taken for a ride

WHEN bankers at Goldman Sachs were arranging a $500 million loan last month for Yukos, a Russian oil company, they were surprised to receive a letter from an American businessman. "Do not proceed with this loan," it warned. "Yukos does not own the assets [to secure the loan]".

Goldman Sachs ignored the warning and completed the deal. But this was just one in a series of attacks by Kenneth Dart, the billionaire owner of an American plastics empire, designed to bring Yukos to heel and increase his wealth by forcing the oil company to buy his stake in some of its own subsidiaries at an inflated price. Dart has spent the past few years building stakes in several Yukos satellites, buying up privatisation vouchers through a network of offshore companies.

At the heart of the matter is shareholder rights in Russian companies. Business in Russia has never been for the faint-hearted. Two years ago an American investor, Paul Tatum, was gunned down outside a flagship Moscow hotel in which he had a significant stake. Tatum's mistake was not to sell out to his partners. Dart is not venturing to Moscow. He avoids publicity, bans photographs of himself and lives in tax exile and considerable luxury in the Cayman Islands.

It will be a tough battle: Russia's robber barons are used to getting their own way. Yukos is merging with another oil firm, Sibneft, to form Yuksi. It is controlled by Mikhail Khodorkovsky, who also heads the Menatep Group, a large industrial and financial holding company. Boris Berezovsky, head of the Logovaz industrial conglomerate and reputedly Russia's richest man, is also said to be in the consortium. He is rumoured to have had a large stake in Sibneft. They are two of the most powerful men in Moscow, with the support of President Boris Yeltsin and Viktor Chenomyrdin, the prime minister.

They should not underestimate Dart. He is one of the world's most aggressive proprietary traders in emerging markets, willing to take big positions and risks. "He held up the Brazilian debt restructuring when he took on the government and won," said an American investment banker.

The risks don't come much bigger than the combination of Russia and oil. The collapsing oil price is threatening to drag down the Russian economy. Urals, the main Russian export grade, is down to $11 per barrel from an average of of $18 in 1997. The government raises much of its revenue from export sales. It is these sales which are disputed by Dart and Yuksi.

Dart alleges that Yukos is selling off assets from its subsidiaries and taking hefty commissions on the sales – quite legal and foolproof in Russia, where oilmen are used to dictating their own terms to a government dependent on their tax receipts. In 1996 Yukos reported a net profit of $95m, while subsidiaries made net losses of $353m. In Russia's neophyte financial markets nobody was too concerned. The only drawback for Yuksi's owners is that Dart has emerged as a major shareholder in the subsidiaries and he wants his money back.

Last week Dart's lawyers upped the stakes in the battle to regain profits which Dart claims were illegally siphoned off by Khodorkovsky. Dart is demanding compensation for the loss of value in Yukos subsidiaries which could reach $200m.

Dart was tipped off by an auditor's footnote, buried at the back of the 1996 Yukos annual report. In the small print Price Waterhouse added a note that Yukos may have to repay its ill-gotten gains. Dart saw an opportunity to bring Russia's oil barons to heel. Last week, lawyers acting on his behalf staked their claim to the missing millions. "Court action has not been ruled out," said a Dart aide.

Analysts say that it was obvious that Russian oil companies would seek overall control of their subsidiaries. Some say that Dart may have been waiting for that to happen in the hope of holding the oil companies to ransom. Even Yuksi says it has no idea how much Dart owns, although stakes in two subsidiaries, Yuganskneftegaz and Samaraneftegaz, are thought to be over the level needed to demand an independent audit.

Earlier this year Dart hired a financial investigator, Graham Houston, from an American economic consultancy, Nera, to pursue his claim. "There are several ways crony managers rip off subsidiaries," said Houston. "In one case, we discovered that a subsidiary company had handed over the entire ownership rights to its oil – lock, stock and barrel."

Last month Houston, acting on Dart's behalf, handed a complaint in writing to Russia's Federal Securities Commission (FSC). At the end of February the FSC chairman, Dmitry Vasiliev, requested that Yuksi review its decision to give company directors the power to transfer assets from the subsidiaries to the holding company. In a statement from the FSC, Vasiliev made it clear that decisions concerning the management of Samaraneftegaz and Yuganskneftegaz were not made by sufficient majorities and were therefore in breach of Russian company law.

Although admired in financial markets, the FSC still lacks real power to punish errant Russian companies. It has resolved issues of shareholder abuse in the past – most recently by cancelling a convertible bond issue by another oil company, Sidanco – but the FSC has limited resources to enforce its decisions. It can cancel prospective bond and equity issues, but has little power to interfere in corporate governance matters. Unable to decide whether Yukos had been asset stripping, Vasiliev passed the documents to the federal prosecutor's office and the prime minister.

Yukos is adamant that it has done nothing wrong. "It's greenmail, pure and simple," said Yuksi's head of corporate finance, Eugene Tenenbaum. "He's written to everyone – bankers, investors, lawyers. They want special treatment, but we are not going to be held to ransom." Tenenbaum said Yukos is under no obligation to return profits to its subsidiaries, despite the small print in the 1996 annual report which said Yukos "may have a liability" to subsidiaries.

Unless Russia gets this right there will be no more foreign investment

Foreign investors such as Dart risk losing everything in what has been described as the test case of the year. "Unless Russia gets this right, there won't be any more foreign investment, full stop," said one Moscow economist. "The government needs to prove that it can protect shareholders." The Russian legal system still offers little comfort. Investors tend to think of the law as a panacea. In practice, it is still almost impossible to bring criminal charges for commercial crimes.

At the Davos World Economic Forum in February, George Soros lambasted Russian government officials, including the former finance minister, Anatoly Chubais. "Russia was on the verge of the transition from insider dealing and robber capitalism to legitimate capitalism and respect for shareholder rights. But there have been retrograde events and a change of direction in government," said Soros.

Houston alleges that Russian oil companies are manipulating their share prices in order to buy up subsidiaries at knock-down prices. In most developed countries this would be criminal. "They are saying: agree to our terms or we will strip every last asset," said Houston. The markets have already offered their conclusion: during the past three years the conversion rate between shares in a subsidiary company, Yuganskneftegaz, and Yukos has fallen from 60 to four.

Dart has been joined by an unlikely ally. One week ago Russia's state property committee said that it would take Yukos to court. The ministry said it was blocked from a shareholders' meeting in which a Yukos subsidiary, Eastern Oil, ceded management control to Yukos, severely deflating the value of the government's holding. Lawyers said that Yukos may be in breach of Russian law for transferring management and assets without the approval of other shareholders.

If Yukos is charged with breaking the law, it will be by the chief prosecutor's office and not the FSC. But the betting is that neither will act. A report by the Moscow investment bank, United Financial Group, claims that "actions [adverse] to minority shareholders are not always illegal – either because loopholes exist or because there is little in the law to stop majority shareholders from doing what they want with a company's assets".

Whether Yukos is the corporate villain or a victim of greenmail, the company has little sympathy from analysts. "The fact that Dart is an aggressive investor, like Soros, does not change the fact that what Yuksi is doing is wrong," said Alexei Kokin, an oil analyst at MFK Renaissance. "Nor does it compensate investors for the loss in value of their shares."

Russian companies are still loath to admit that minority investors have any rights at all. More investors like Dart will be needed before the markets of the wild east are tamed.

PROFILE

Hands in Nomura's deep pockets

Louise Bowman

ILLUSTRATION: MICHAEL FRITH

GUY HANDS may earn $164,000 a day but he's cheap at the price. Since joining Japanese securities house Nomura in December 1994, he has pioneered the concept of principal finance in Europe, winning his employers $13 billion worth of deals. One deal, the sale of rolling stock operator Angel Trains in 1996, made a profit of $640 million. Another, involving AT&T Capital, the leasing arm of the American telecoms firm, netted $700m. His group is responsible for the lion's share of Nomura's profits. In this context, his $60m-a-year salary looks a pittance.

A former Goldman Sachs bond trader, 38-year-old Hands shot to prominence on the back of a straightforward idea. His group buys a business for cash, installs its own management, reorganises and refinances through a securitisation issue (the issue of paper backed by future cash flow as collateral) and then sells it a couple of years later for a huge profit. Not exactly rocket science.

It has been applied to a handful of deals over the past few years with impressive results. It is a successful partnership. Nomura has the necessary funds to finance the business, Hands has an uncannily accurate eye for a deal. He takes an intellectual approach to principal finance: his staff of 80 includes a "cyber room" filled with a team of academics whose sole purpose is to crunch numbers and devise models.

Hands says that the key to the process is focus. For the deals to work, the business must have strong cash flows which can be securitised. "Ensuring that the management of the company is high quality is very important, but it is not the glamorous side of the business," he adds, warning against approaching such deals with a trading mentality. Hands looks for arbitrage assets which are undervalued because of illiquidity. He looks for the deals the markets missed. "The more boring, unglamorous, messy and out of fashion it looks, the more attractive it tends to be," he says.

To date, Hands has bought and sold a chain of 1,800 pubs (Phoenix Inns), a rolling stock leasing company (Angel Trains), an equipment leasing company (AT&T Capital) and 57,000 British ministry of defence houses. The group has also bought two more pub groups (Inntrepreneur and Spring Inns) and the London-based betting chain, William Hill. Last week Nomura launched a bid for the UK motorway service station group, Road Chef. The cost of launching each bid is large – estimated by one official at between £3m ($4.9m) and £4m. For the Angel Trains deal, which involved buying rolling stock from the UK government for £696m, the legal fees alone amounted to £1m.

Hands is obviously very clever. He is seen – even by his competitors – as a visionary. But should not someone be snapping at his heels by now? London is not short of competition. There are more than 35 principal finance teams battling it out in the square mile, including such names as Deutsche Morgan Grenfell, Credit Suisse First Boston, Lehman Brothers and Goldman Sachs. The principal finance market in Britain is seen by many as "ridiculously competitive". Even Hands is not invincible. "If everyone started to do it our way, I'd switch to doing it another way," he says. "People catch up and you have to move on."

Despite his team of well-paid boffins, Hands's greatest advantage is Nomura. In this business you need to have deep pockets. He has a seemingly inexhaustible supply of low-cost funds which Nomura London's new chairman and chief executive, Max Chapman, is unlikely to limit. But there is a growing sentiment in the market that Hands pays too much. When Nomura bid for William Hill, the management team at the betting chain backed an alternative offer from CVC Capital Partners. Nomura simply blew the competition out of the water with its £700m bid.

Hands's group makes its money in high-risk paper. You cannot make the kind of returns he does without throwing everything you have at a deal. The unpredictable nature of William Hill's cash flows (which affect the prospects for a securitisation) was simply too acute for several other principal finance team's tastes.

But simply throwing money at businesses you like the look of does not always work. Nomura withdrew its bid for the Energy Group on 10 February, making way for Pacificorp. While Hands could easily have topped Pacificorp's 765p-per-share bid, it was hampered by the threat of an investigation by the monopolies and merger commission. Nomura's emphasis on securitisation was a handicap, as it would have necessitated the sale of Energy Group's regulated UK-based Eastern Group business. With Nomura's bid costs, this was an expensive mistake.

It is surprising Hands has not yet ventured into continental Europe: there are dozens of large conglomerates and family businesses which would be ideal targets for Hands's methods. He says he will not be drawn on potential deals but is looking at possibilities. Expect the lights in the cyber room to burn long into the night before deals are clinched.

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
SWITZERLAND

Bahnhofstrasse 64 8001 Zürich
Tel: 41 1 213 18 00 Fax: 41 1 222 08 30

THE EUROPEAN 500

The European's exclusive index of Europe's top companies ranked by market capitalisation, priced in ecus

STOCK PICKS

Oil prices scrape the barrel

IF ANY industry in Europe is being hurt by the aftershocks from last year's Asian crisis, it is oil. The spot price has been falling since evidence gathered last year suggested that the Asian economies were going to contract. With demand clearly set to fall, the rising supplies from the creaking quota agreements of the Opec member states meant prices could head only one way. Warm weather in Europe and America helped depress the spot price further. Any movement in the spot price has been accompanied by volatility in oil producers' share prices.

The benchmark Brent crude price has fallen 39 per cent since its peak of $21.61 a barrel in 1997. Global surpluses forced this down to $12 a barrel, its lowest level since the 1973 Opec crisis. Investors are anxious to see prices rise to around $15 to $16 a barrel over the next four months to restore equilibrium. However, most market participants have realised that several oil stocks should not be viewed as having a one-for-one exposure to the price of crude. They derive a sufficient portion of their earnings from downstream activities, such as refining, or have cut costs recently to bolster their margins.

The equity markets will follow closely a gathering of Opec members on 30 March, which has been called to discuss overproduction. The event could turn into an emergency meeting. Opec members openly flout their quotas: an increase by Iraq last month took crude oil production to 28.77 million barrels a day. Opec is now producing 1.27m barrels a day more than its production quota.

If Opec can manage to restore some credibility to its more unruly members – Venezuela has agreed to attend the 30 March meeting but Saudi Arabia has yet to confirm its presence – and achieve a reduction in demand then the sector offers good long-term potential.

ENI

ENI, the Italian oil and gas concern, picked one of the worst weeks of the year for oil stocks to announce some of its best ever results. Net profits climbed 14.6 per cent to L5,100bn ($2.83bn) on a 5.2 per cent rise in sales to L60,700bn. Operating costs fell sharply and the company's shares bounced up two per cent on the news.

The markets liked Eni's story because of its lower exposure to price fluctuations. "For every dollar fall in the price of a barrel of oil, Eni's net income will fall three to four per cent," estimates one analyst. "The average for integrated oil firms is seven to eight per cent." That reflects the importance of its pipeline earnings rather than oil sales. Reserves increased from 13.1 to 13.6 years compared with 1997 while output rose 3.8 per cent to exceed one million barrels a day for the first time.

Lukoil

THE share price of Lukoil, one of Russia's largest oil companies, fell on the Opec news, by less than its domestic rivals. Lukoil is one of the few Russian firms with a well-diversified business. It derives a substantial portion of its earnings from downstream activities and it has just taken a controlling stake in a Romanian oil refinery while building a chain of petrol stations in America.

Lukoil's main attraction is that it exports only about 30 per cent of its production. This used to be a sign of weakness because local customers were prone to default on their bills. It has become a major asset since domestic oil prices have barely moved despite the global drop and Lukoil is getting better at recovering payments.

Elf Aquitaine

ELF Aquitaine is almost universally rated as a straight buy, described by one analyst as "ludicrously cheap". The company has a price/cashflow ratio of 5.7 compared with 7.5 for Eni and 7.4 for Spain's Repsol. It has also cut costs and improved the profitability of its downstream operations.

It has also made a series of deep offshore discoveries off Angola and in the Congo where production costs are just $3 a barrel. It has diversified unprofitable assets in Tunisia, Equador and Italy and established new fields in the Gulf of Guinea and the Gulf of Mexico.

Elf's downstream operations broke even last year after five loss-making years. It has also opened new capacity in Leuna in east Germany where there is little competition.

Elf owns half of the French pharmaceuticals company, Sanofi, which has a PCF ratio of 20; if this is stripped out of the Elf numbers, the parent company's PCF falls to four. Over the last month Elf's share price has risen from Ffr660 ($107.60) to Ffr760 and target prices are now ranging from Ffr840 to Ffr900.

Total

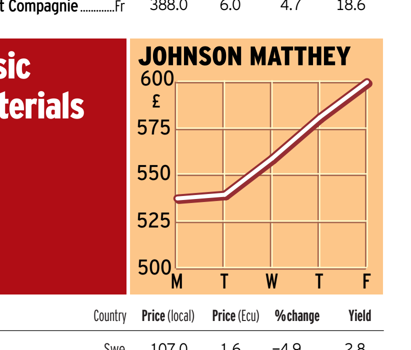
TOTAL is seen as a good buy. The company has production growth of nine per cent that will be maintained until the end of the decade. It now produces 800,000 barrels a day and has a target of one million per day in 2000 and 1.25 million in 2005. It has a PCF of 8.5 compared with 10.7 for Shell and 9.7 times for BP. The stock is seen as undervalued rather than a straight buy as the market has already discounted strong demand.

Banks

ALPHA CREDIT BANK
25000
Dr
20000
15000
M T W T F

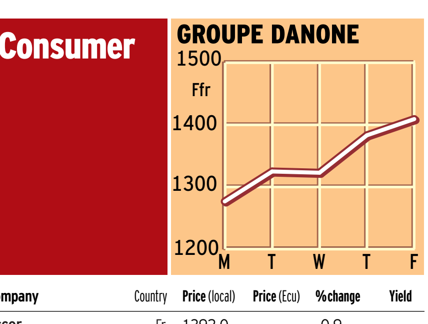
Company	Country	Price (local)	Price (Ecu)	%change	Yield
Abbey National	UK	1180.0	18.1	1.1	3.3
ABN Amro	Neth	47.5	0.7	2.6	2.5
Alliance & Leicester	UK	920.0	14.1	0.5	2.8
Allied Irish	Ire	9.5	0.1	2.2	1.9
Alpha Credit Bank	Gre	23455.0	360.2	37.9	3.9
Banca Commerciale It	Ita	8628.0	132.5	4.2	1.9
Banca di Roma	Ita	2791.0	42.9	1.3	–
Banca Fideuram	Ita	12931.0	198.6	-2.2	0.9
Banco Bilbao Vizcaya	Spa	7120.0	109.3	2.9	1.2
Banco Central His	Spa	4910.0	75.4	1.1	1.3
Banca Intesa	Ita	4918.0	75.5	4.7	1.5
Banco Com Portugues	Port	6593.0	101.2	9.3	1.2
Banco Esp Credito	Spa	2350.0	36.1	5.6	–
Banco Espirito Santo	Port	8000.0	122.8	5.7	1.7
Banco Popular Español	Spa	13890.0	213.3	4.4	2.0
Banco Santander	Spa	7580.0	116.4	5.0	1.6
Bank Austria	Aus	883.0	13.6	-3.4	1.4
Bank Fuer Intl Zah-Beig	Swi	8825.0	135.5	-0.3	3.2
Bank Fuer Intl Zahlungs	Swi	9375.0	144.0	0.8	3.0
Bank Of Ireland	Ire	15.5	0.2	9.1	1.2
Bank Of Scotland	UK	726.0	11.1	10.5	1.5
Bankgesellschaft Berlin	Ger	40.0	0.6	-0.1	3.9
Bankinter	Spa	10710.0	164.5	8.1	2.7
Banque Gen Du Lux	Lux	71800.0	–	–	1.9
Banque Nat de Paris	Fr	448.9	6.9	2.3	1.8
Barclays	UK	1839.0	28.2	5.0	2.5
Bayerische Vereinsbank	Ger	117.5	1.8	3.6	1.9
BBL	Bel	9400.0	144.3	2.2	2.7
BG Bank	Den	422.0	6.5	0.5	4.7
BHF-Bank	Ger	53.8	0.8	1.4	3.9
Christiania Bank	Nor	33.1	0.5	-1.8	3.6
Cie Financiere De Paribas	Fr	587.0	9.0	3.9	3.3
Commerzbank	Ger	66.1	1.0	-2.7	3.2
Compagnie Bancaire	Fr	1025.0	15.7	3.5	1.4
Corp Bancaria De Esp	Spa	11680.0	179.4	1.7	2.5
Den Danske Bank	Den	917.0	14.1	5.4	2.0
Den Norske Bank	Nor	41.3	0.6	-1.7	3.3
Deutsche Bank	Ger	135.1	2.1	1.9	1.9
Deutsche Pfandbrief	Ger	141.5	2.2	1.1	1.5
Dexia Belgium	Bel	5550.0	85.2	4.1	2.1
Dexia France	Fr	708.0	–	–	–
Dresdner Bank	Ger	84.9	1.3	-5.0	2.6
Generale De Banque	Bel	19050.0	292.5	0.4	2.9
Halifax	UK	941.0	14.4	3.7	–
HSBC	UK	1827.0	28.1	3.8	3.4
Istituto Banc San Paolo	Ita	22354.0	343.3	8.7	1.3
Kredietbank	Bel	19700.0	302.5	11.6	1.8
Lloyds TSB	UK	970.0	14.9	5.2	2.2
Mediobanca	Ita	22215.0	341.1	10.2	0.9
Merita	Fin	30.5	0.5	-1.0	3.0
National Bank of Greece	Gre	32786.0	503.5	44.0	–
National Westminster	UK	1100.0	16.9	5.4	3.6
Rolo Banca	Ita	37573.0	577.0	1.3	1.5
Royal Bank of Scotland	UK	958.5	14.7	3.4	2.8
Schroders	UK	2416.0	37.1	7.4	1.2
Schweizerischer Bank	Swi	493.0	7.6	-1.6	2.4
Skandi Enskilda Banken	Swe	105.0	1.6	1.0	2.9
Societe Generale	Fr	1130.0	17.4	4.6	2.3
Standard Chartered	UK	903.0	13.9	0.1	2.6
Svenska Handelsbanken	Swe	336.0	5.2	4.3	1.9
UBS	Swi	2284.0	35.1	-1.7	2.2
Unidanmark	Den	555.0	8.5	1.8	2.7
Woolwich	UK	376.5	5.8	1.7	3.2
Worms et Compagnie	Fr	388.0	6.0	4.7	18.6

Basic Materials



Company	Country	Price (local)	Price (Ecu)	%change	Yield
AGA	Swe	107.0	1.6	-4.9	2.8
Akzo Nobel	Neth	427.3	6.6	-1.2	2.0
Allied Colloids	UK	202.5	3.1	0.0	2.0
Alusuisse Lonza	Swi	1799.0	27.6	0.2	1.0
Arjo Wiggins Appleton	UK	190.0	2.9	-1.3	4.2
Assidoman	Swe	222.0	3.4	1.1	2.5
Basf	Ger	74.0	1.1	2.2	3.9
Bayer	Ger	82.2	1.3	3.3	3.3
Billiton	UK	160.3	2.5	-5.4	–
Boc	UK	1032.0	15.8	6.5	3.3
British Steel	UK	149.5	2.3	7.2	8.4
Ciba Specialty Chems	Swi	189.0	2.9	-1.0	1.1
Clariant	Swi	1553.0	23.8	1.0	0.6
Courtaulds	UK	371.5	5.7	2.2	4.5
Degussa	Ger	105.5	1.6	0.0	1.4
DSM	Neth	214.9	3.3	-0.5	4.4
Enso	Fin	55.5	0.9	2.8	4.0
FPB	Ger	325.0	4.9	1.9	7.7
Henkel Kgaa	Ger	122.0	1.9	8.0	1.6
Hoechst	Ger	71.2	1.1	3.3	3.0
Imperial Chemical	UK	1083.5	16.6	-3.2	3.0
Johnson Matthey	UK	600.5	9.2	11.8	2.7
Koninklijke Knp	Neth	54.1	0.8	-0.9	2.0
L'air Liquide	Fr	1090.0	16.7	-0.9	1.9
Laporte	UK	755.0	11.6	0.3	3.4
Minorco-Bearer	Lux	590.0	–	–	0.1
Mo Och Domsjoe	Swe	250.0	3.8	-0.8	3.6
Pechiney	Fr	278.2	4.3	1.2	1.8
Preussag	Ger	648.8	10.0	-0.2	2.6
Rio Tinto	UK	796.0	12.2	-3.6	4.0
SGL Carbon	Ger	214.3	3.3	-6.8	1.6
Skw Trostberg	Ger	67.8	1.0	7.6	2.5
Solvay	Bel	2740.0	42.1	-3.5	2.7
Ssab Svenskt Stal	Swe	156.0	2.4	4.7	2.9
Stora Kopparbergs	Swe	128.0	2.0	4.5	2.9
Svenska Cellulosa	Swe	214.5	3.3	2.1	2.7
Upm-Kymmene	Fin	152.0	2.3	-2.9	3.6
Usinor	Fr	103.2	1.6	4.4	4.4

Consumer



Company	Country	Price (local)	Price (Ecu)	%change	Yield
Accor	Fr	1392.0	–	–	–
Adidas	Ger	313.8	4.8	4.5	–
Airtours	UK	500.0	7.7	0.3	–
Alitalia	Ita	22597.0	347.0	8.2	–
Allied Domecq	UK	581.0	8.7	0.9	4.2
Altana	Ger	153.8	99.9	0.7	1.4
Associated British Foods	UK	625.0	9.4	-1.9	2.0
Astra	Swe	165.5	107.5	1.5	1.1
Audi	Ger	1600.0	–	-3.0	–
Autopistas Con	Spa	2405.0	1562.9	0.8	0.0
BAT	UK	642.5	9.6	0.9	4.5
Bass	UK	1100.0	16.5	2.1	3.5
BMW	Ger	2132.0	–	–	–
Beiersdorf	Ger	91.1	59.2	-1.2	1.6
Bic	Fr	457.8	297.5	1.2	2.0
British Airways	UK	594.5	9.1	3.5	3.3
Cadbury Schweppes	UK	825.0	12.4	0.2	2.2
Carlsberg	Den	438.0	284.6	-1.4	0.8
Castorama Dubois Inv	Fr	1000.0	15.4	-3.4	1.7
CCP	Spa	2775.0	42.6	8.0	2.3
Christian Dior	Fr	796.0	517.3	9.3	3.0
Cie Ffinanc Richemont	Swi	1979.0	1286.0	1.7	–
Cie Generale Des Eaux	Fr	990.0	643.3	0.6	1.8
Colruyt	Bel	25450	16538.3	5.8	0.7
Compass	UK	988.0	15.2	1.3	1.3
Continental	Ger	45.9	0.7	-3.2	1.9
Daimler-Benz	Ger	169.1	2.6	4.9	1.4
Danisco	Den	452.0	293.7	0.5	1.1
Deutsche Lufthansa	Ger	39.3	0.6	-0.8	3.3
Diageo	UK	697.5	10.5	3.0	2.6
Elan	Ire	45.7	29.7	4.3	–
Electrolux	Fr	648.0	10.0	2.0	1.9
EMI	UK	526.0	8.1	-1.2	3.2
Eridania Beghin-Say	Fr	1165.0	757.1	3.5	4.2
Essilor International	Fr	2107.0	1369.2	-1.4	1.2
Fiat	Ita	7525.0	115.6	6.4	–
Fresenius Medical Care	Ger	135.0	87.7	0.0	–
Gallaher	UK	345.0	5.2	-1.8	6.9
Gehe	Ger	104.0	67.6	-2.7	1.8
GKN	UK	1630.0	25.0	5.2	2.8
Glaxo Wellcome	UK	1625.0	24.4	-1.0	2.4
Granada	UK	1039.0	15.6	6.1	1.8
Groupe Danone	Fr	1405.0	913.0	11.5	1.8
Hays	UK	1087.5	16.3	11.2	1.1
Heineken	Neth	465.5	302.5	2.4	0.8
Imperial Tobacco	UK	413.0	6.2	0.1	6.5
Jeronimo Martins	Port	7050.0	108.3	4.9	0.6
Klm-Konin Luchtvaart	Neth	87.2	1.3	4.3	1.1
Koninklijke Ahold	Neth	65.9	42.8	-1.1	1.1
La Rinascente	Ita	18201	11827.7	0.9	1.1
Ladbroke	UK	334.0	5.1	3.8	2.7
L'Oreal	Fr	2770.0	1800.0	1.5	0.8
LucasVarity	UK	239.0	3.7	0.3	2.4
LVMH	Fr	1331.0	864.9	9.2	2.5
Michelin	Fr	358.9	5.5	-8.4	1.4
Montedison	Ita	2442.0	1586.9	7.6	0.8
Nestle	Swi	2705.0	1757.8	4.2	1.1
Northern Foods	UK	314.5	4.7	8.2	3.9
Novartis-Bearer	Swi	2645.0	1718.8	-2.6	0.9
Nutricia Verenigde Bed	Neth	72.5	47.1	5.8	1.0
Nycomed Amersham	UK	2250.0	33.4	–	–
Orkla	Nor	753.0	489.3	-2.3	1.1
Parmalat Finanziaria	Ita	3727.0	2421.9	6.4	0.4
Pernod-Ricard	Fr	445.2	289.3	10.2	2.9
Pharmacia & Upjohn	Swe	343.5	223.2	0.6	2.5
Pilkington	UK	126.0	1.9	5.0	4.6
Pirelli	Ita	5865.0	90.1	7.9	1.7
Pirelli Spa-rnc	Ita	4331.0	66.5	0.0	2.8
Promodes	Fr	2769.0	1799.4	5.4	0.8
PSA Peugeot Citroën	Fr	981.0	15.1	9.9	0.5
Raisio	Fin	890.0	578.4	1.1	0.3
Randstad	Neth	96.0	62.4	4.7	1.0
Reckitt & Colman	UK	1132.0	16.9	4.2	2.1
Renault	Fr	253.7	3.9	2.1	–
Rentokil Initial	UK	343.3	5.2	7.5	1.1
Rhone-Poulenc	Fr	283.9	184.5	-0.8	1.9
Roche Holding-bearer	Swi	26150	16993.2	-3.1	0.3
SMH-Bearer	Swi	1010.0	15.5	1.6	1.0
Sairgroup	Swi	2110.0	32.4	1.9	–
Sanofi	Fr	692.0	449.7	1.3	1.4
Scania	Swe	204.0	3.1	4.6	2.7
Schering	Ger	213.3	138.6	-0.8	1.7
Scottish & Newcastle	UK	880.0	13.2	1.6	3.1
Seb	Fr	975.0	15.0	2.2	1.7
Securicor	UK	413.0	6.2	6.2	0.5
Seita	Fr	248.3	161.4	-6.5	4.0
Sgs Soc Gen de Surv	Swi	2675.0	1738.3	-0.9	2.5
Smith & Nephew	UK	183.0	2.7	-0.3	3.4
Smithkline Beecham	UK	751.5	11.3	0.1	1.9
Sodexho Alliance	Fr	3840.0	59.0	0.0	1.4
Sophus Berendsen	Den	1225.0	–	–	–
Springer (axel) Verlag	Ger			5.3	1.8
Suedzucker	Ger	920.0	597.8	2.2	2.6
Synthelabo	Fr	860.0	558.9	0.4	0.9
T & N	UK	257.5	4.0	0.0	–
Tabacalera	Sp	17700	11502.1	10.1	1.2
Tate & Lyle	UK	517.0	7.8	0.6	3.5
UCB	Bel	158950	103291	1.2	0.6
Unigate	UK	714.5	10.7	5.3	3.6
Unilever-CVA	Neth	140.7	91.4	0.1	1.6
Unilever	UK	545.0	8.2	1.8	1.9
United Biscuits	UK	266.5	3.9	3.5	4.9
Valeo	Fr	534.0	8.2	2.7	1.1
Volkswagen	Ger	1406.0	21.6	8.2	1.2
Volvo	Swe	256.0	3.9	2.6	2.0
Whitbread	UK	1114.0	16.7	2.9	2.8
Wolseley	UK	423.3	6.5	-20.4	3.4
Zeneca	UK	2519.0	37.8	-6.8	1.9

Diversified

BARCO
10000
Bfr
9000
8000
M T W T F

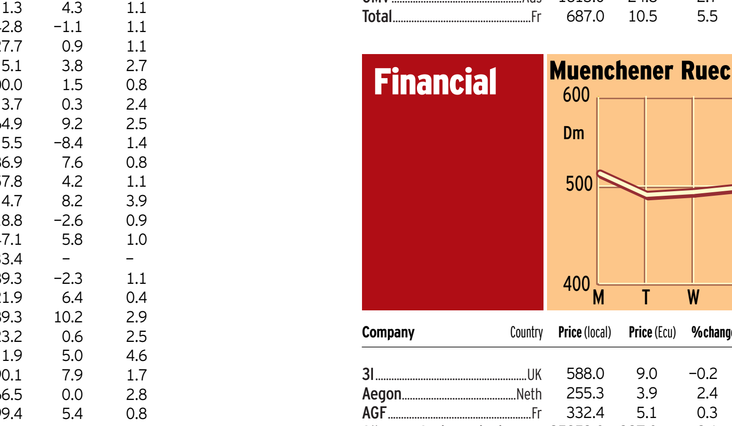
Company	Country	Price (local)	Price (Ecu)	%change	Yield
Barco	Bel	9370.0	228.3	11.3	0.7
BTR	UK	189.8	4.6	1.5	4.8
Gevaert	Bel	2170.0	52.9	3.3	–
Industrivarden	Swe	542.0	13.2	2.1	2.8
Lagardere	Fr	236.1	5.8	2.2	2.4
Metallgesellschaft	Ger	38.7	0.9	-5.4	0.7
Montaigne Participat	Fr	1996.0	–	–	0.4
Ste Gen de Belgique	Bel	4920.0	119.9	9.9	2.4
Tomkins	UK	356.5	8.7	-3.4	3.4

Energy

ELF AQUITAINE
800
Ffr
750
700
650
600
M T W T F

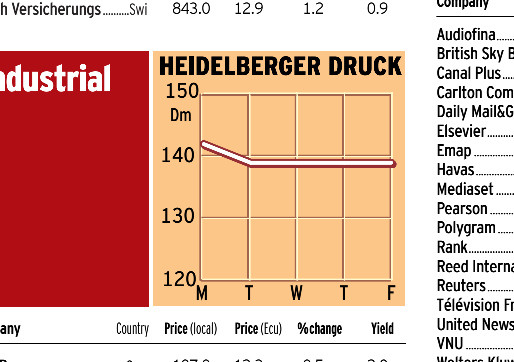
Company	Country	Price (local)	Price (Ecu)	%change	Yield
British Petroleum	UK	869.0	13.3	6.2	3.3
Burmah Castrol	UK	1098.0	16.9	1.4	5.3
Cia Espanola de Pet	Spa	5600.0	86.0	12.0	2.1
Electrafina	Bel	4200.0	64.5	2.7	3.4
Elf Aquitaine	Fr	740.0	11.4	8.8	2.2
Eni	Ita	12245.0	188.0	8.5	2.0
Enterprise Oil	UK	553.0	8.5	0.0	4.0
Lasmo	UK	273.5	4.2	-0.3	0.8
Neste	Fin	149.0	2.3	0.3	2.0
Petrofina	Bel	13550.0	208.1	3.2	3.4
Petroleum Geo-Services	Nor	437.0	6.7	-4.9	–
Repsol	Spa	7650.0	117.5	9.0	2.5
Royal Dutch Petroleum	Neth	116.1	1.8	3.3	2.7
RWE-DEA	Ger	445.0	–	1.7	5.1
Saga Petroleum	Nor	115.0	1.8	-0.9	3.0
Saipem	Ita	11004.0	169.0	7.1	1.4
Shell Transprt&tradng	UK	432.3	6.6	2.2	3.3
OMV	Aus	1613.0	24.8	2.7	1.6
Total	Fr	687.0	10.5	5.5	2.8

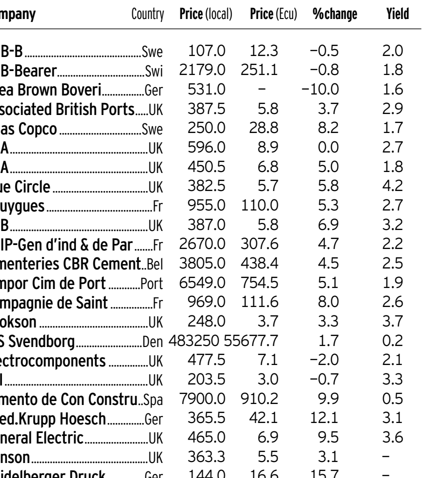
Financial



Company	Country	Price (local)	Price (Ecu)	%change	Yield
3i	UK	588.0	9.0	-0.2	2.0
Aegon	Neth	255.3	3.9	2.4	1.2
AGF	Fr	332.4	5.1	0.3	2.3
Alleanza Assicurazioni	Ita	25853.0	397.0	9.1	0.6
Alliance Trust	UK	2985.0	45.8	5.4	2.5
Allianz	Ger	560.5	8.6	1.0	0.5
Allianz Lebensversich	Ger	1877.7	–	0.0	0.9
Almanij	Bel	2525.0	38.8	1.6	1.2
Assicurazioni Generali	Ita	53972.0	828.8	3.2	0.6
Asr Verzekeringsgroep	Neth	151.8	2.3	4.0	1.7
Axa-UAP	Fr	640.0	9.8	5.6	1.8
Axa Colonia Konzern	Ger	237.0	3.6	5.3	1.2
Baloise	Swi	3170.0	48.7	-2.1	–
Bayer Hypo-Und Wech	Ger	89.3	1.4	4.4	2.3
BHW	Ger	32.5	0.5	5.5	4.0
BK Vision	Swi	1748.0	26.8	2.6	–
Britannic Assurance	UK	1292.5	19.8	1.6	3.2
British Land	UK	788.5	12.1	3.8	1.4
CCF	Fr	494.7	7.6	7.3	2.0
Cetelem	Fr	730.0	11.2	1.2	2.1
Cobepa	Bel	2100.0	32.2	-1.2	5.5
Commercial Union	UK	1178.0	18.1	7.5	2.7
Credit Suisse	Swi	294.5	4.5	9.1	1.7
Credito Italiano	Ita	7283.0	111.8	2.1	0.8
Ea-Generali	Aus	4240.0	65.1	2.2	0.3
Edinburgh Investment	UK	513.0	7.9	4.5	2.7
Ewart	Ire	1.0	0.0	–	–
Exor	Lux	92.7	–	-0.9	3.2
Finaxa	Fr	514.0	7.9	3.0	1.9
Foreign & Colonial	UK	201.0	3.1	3.1	1.5
Forenings Sparbanken	Swe	247.0	3.8	-1.2	2.4
Fortis	Bel	11175.0	171.6	6.9	1.1
Fortis Amev	Neth	126.9	1.9	6.0	1.6
Gan Assurances	Fr	169.0	2.6	-0.5	–
General Accident	UK	1480.0	22.7	8.1	3.2
Groupe Brux. Lambert	Bel	6380.0	98.0	2.9	3.1
Guardian Royal	UK	442.5	6.8	-1.8	2.6
Hammerson	UK	517.0	7.9	2.8	2.9
IFI	Ita	9177.0	140.9	3.3	1.4
INA	Ita	5587.0	85.8	2.0	1.2
Incentive	Swe	758.0	11.6	-3.4	1.3
ING Groep	Neth	117.8	1.8	3.2	1.8
Insinger	Lux	113.5	–	15.8	–
Investor	Swe	427.0	6.6	0.5	2.3
Istituto Mobiliare It	Ita	26657.0	409.3	4.6	2.1
La Fondiaria Ass.	Ita	12125.0	186.2	1.4	1.1
La Gaiana	Ita	7000.0	107.5	-4.8	1.7
Land Securities	UK	1098.5	16.9	0.6	3.1
Legal & General	UK	735.5	11.3	9.2	2.2
Liberty Int	UK	613.5	9.4	1.8	3.6
Liechtenstein Global	Swi	1343.0	20.6	3.0	1.9
Mediolanum	Ita	51923.0	797.3	12.9	0.7
Mepc	UK	596.0	9.2	4.1	3.6
MAM	UK	1691.0	26.0	–	3.5
Muenchener Rueckver	Ger	500.0	–	-1.9	0.5
Norwich Union	UK	468.0	7.2	1.2	–
Pharma Vision 2000	Swi	1039.0	16.0	-2.9	–
Provident Financial	UK	984.5	15.1	-0.8	2.5
Prudential	UK	898.0	13.8	2.6	2.1
Ras	Ita	25186.0	386.8	14.1	1.4
Royal & Sun Alliance	UK	789.0	12.1	3.2	2.9
Royale Belge	Bel	13250.0	203.5	3.7	3.4
Safra Republic	Lux	134.0	2.1	–	1.7
Sampo Insurance	Fin	224.3	3.4	6.3	1.3
Schw Lebensv & Rent	Swi	1243.0	19.1	-3.9	0.6
Schw Rueckversich	Swi	3253.0	50.0	1.7	0.9
Scottish Mort &Trust	UK	382.5	5.9	4.2	1.7
Skandia Forsakrings	Swe	555.0	8.5	4.7	0.7
Slough Estates	UK	415.5	6.4	4.0	2.0
Stillhalter Vision	Swi	930.0	14.3	2.2	–
Storebrand	Nor	63.5	1.0	-3.8	–
Sun Life & Provincial	UK	606.0	9.3	6.7	2.4
Trygg-Hansa	Swe	240.0	–	–	–
United Assurance	UK	595.0	9.1	0.7	4.1
Victoria	Ger	2175.0	–	–	–
Volksfuersorge	Ger	837.0	12.9	-1.5	2.3
Witan Investment	UK	380.5	5.8	4.7	2.3
Wuertt Versich-Beteil	Ger	2770.0	–	0.7	0.7
Zürich Versicherungs	Swi	843.0	12.9	1.2	0.9

Industrial





Company	Country	Price (local)	Price (Ecu)	%change	Yield
ABB-B	Swe	107.0	12.3	-0.5	2.0
ABB-Bearer	Swi	2179.0	251.1	-0.8	1.8
Asea Brown Boveri	Swe	531.0	–	-10.0	1.6
Associated British Ports	UK	387.5	5.8	3.7	2.9
Atlas Copco	Swe	250.0	28.8	8.2	1.7
BAA	UK	596.0	8.9	0.0	2.7
BBA	UK	450.5	6.8	5.0	1.8
Blue Circle	UK	382.5	5.7	5.8	4.2
Bouygues	Fr	955.0	110.0	5.3	2.7
BPB	UK	387.0	5.8	6.9	3.2
CGIP-Gen d'ind & de Par	Fr	2670.0	307.6	4.7	1.6
Cimenteries CBR Cement	Bel	3805.0	438.4	4.5	2.5
Cimpor Cim de Port	Port	6549.0	754.5	5.1	1.9
Compagnie de Saint	Fr	969.0	111.6	8.0	2.6
Cookson	UK	248.0	3.7	3.3	3.7
D/S Svendborg	Den	483250	55677.7	1.7	0.2
Electrocomponents	UK	477.5	7.1	-2.0	2.1
FKI	UK	203.5	3.0	-0.7	3.3
Fomento de Con Constru	Spa	7900.0	910.2	9.9	0.5
Fried.Krupp Hoesch	Ger	365.5	42.1	12.1	3.1
General Electric	UK	465.0	6.9	9.5	3.6
Hanson	UK	363.3	5.5	3.1	–
Heidelberger Druck	Ger	144.0	16.6	15.7	–
Heidelberger Zement	Ger	135.0	15.6	-6.6	1.8
Hochtief	Ger	77.9	9.0	2.5	2.2
Holderbank Fin Glarus	Swi	1464.0	168.7	0.6	1.2
Imetal	Fr	841.0	96.9	2.4	2.9
Imi	UK	458.0	6.9	0.9	3.1
Kvaerner	Nor	310.0	35.7	1.6	2.3
Lafarge	Fr	526.0	60.6	6.5	2.8
Lahmeyer aktiengesell	Ger	90.0	10.4	5.9	1.5
Legrand	Fr	1625.0	187.2	6.8	0.4
Linde	Ger	1249.0	143.9	-2.8	2.2
Man	Ger	593.0	68.3	2.3	2.4
Mannesmann	Ger	1306.0	150.5	0.1	1.1
Norsk Hydro	Nor	370.5	42.7	2.2	2.0
Peninsular & Orient	UK	842.5	12.6	1.5	4.3
Philips Electronics	Neth	149.0	17.2	-3.8	1.3
Railtrack	UK	999.5	14.9	2.6	2.8
Rexam	UK	289.5	4.3	-0.5	–
Rexel	Fr	2300.0	265.0	1.3	1.3
RMC	UK	985.0	14.8	2.5	3.2
Rolls-Royce	UK	285.0	4.3	3.1	2.6
Rwe	Ger	99.1	11.4	1.2	2.3
SKF	Swe	188.5	21.7	5.6	2.8
Sandvik	Swe	240.5	27.7	6.4	2.9
Scancem	Swe	343.5	39.6	1.0	2.2
Schneider	Fr	415.0	47.8	6.1	1.8
Sidel	Fr	449.5	51.8	3.3	1.5
Siebe	UK	1312.0	19.7	5.7	1.2
Siemens	Ger	116.3	13.4	2.0	1.8
Skanska	Swe	366.5	42.2	-3.0	3.0
Smiths Industries	UK	911.5	13.6	1.2	2.6
Smurfit	Ire	2.1	0.2	-2.3	2.1
Stagecoach	UK	987.0	14.8	14.1	1.3
Suez Lyonnaise Des E	Fr	901.0	103.8	7.4	2.0
Thyssen	Ger	430.0	49.5	4.2	3.3
Ti	UK	540.0	8.1	6.1	3.0
Va Technologie	Aus	1817.0	209.3	0.8	1.7
Valenciana De Cem Port	Spa	2950.0	339.9	0.2	–
Veba	Ger	124.0	14.3	-1.6	2.2
Viag	Ger	1015.0	116.9	4.6	2.0
Williams	UK	426.0	6.3	6.3	3.5

Media

RANK
400
£
375
350
M T W T F

Company	Country	Price (local)	Price (Ecu)	%change	Yield
Audiofina	Lux	1570.0	24.1	6.4	1570.0
British Sky Broadcasting	UK	457.5	7.0	5.0	1.6
Canal Plus	Fr	1108.0	17.0	-9.9	2.6
Carlton Communications	UK	494.5	7.6	6.0	3.2
Daily Mail&General	UK	2420.0	37.2	-0.6	1.2
Elsevier	Neth	34.1	0.5	-0.3	2.8
Emap	UK	1102.0	16.9	2.2	1.6
Havas	Fr	509.0	7.8	0.4	2.5
Mediaset	Ita	12137.0	186.4	-1.4	1.6
Pearson	UK	1015.0	15.6	2.7	2.5
Polygram	Neth	113.8	1.7	4.6	0.9
Rank	UK	388.8	6.0	12.8	5.8
Reed International	UK	630.0	9.7	1.0	3.0
Reuters	UK	632.5	9.7	-0.8	2.7
Télévision Française 1	Fr	760.0	11.7	2.0	3.2
United News & Media	UK	816.0	12.5	4.9	2.9
VNU	Neth	67.7	1.0	-1.9	0.9
Wolters Kluwer	Neth	294.6	4.5	-3.4	1.0
WPP	UK	334.0	5.1	2.6	0.6

Retail

VENDEX
150
Nfl
140
130
120
M T W T F

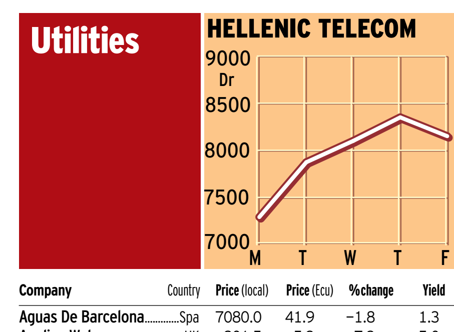
Company	Country	Price (local)	Price (Ecu)	%change	Yield
Adecco	Swi	570.0	370.4	6.3	0.9
Argos	UK	605.0	9.3	-0.6	103.2
Asda	UK	209.5	3.1	7.9	1.9
Benetton	Ita	37363.0	573.7	7.5	1.3
Boots	UK	910.5	14.0	-0.1	2.9
Burton	UK	–	–	–	–
Carrefour	Fr	3610.0	2345.9	-0.1	1.1
Casino Guichard Per	Fr	415.9	270.3	4.0	1.6
Comptoirs	Fr	3165.0	2056.7	-2.6	1.3
Delhaize-le lion	Bel	2510.0	1631.1	-1.4	1.4
Dixons	UK	497.5	7.6	5.4	2.7
Great Universal	UK	786.0	12.1	0.8	3.0
Greenalls	UK	463.5	7.1	-1.3	4.5
Hagemeyer	Neth	97.5	63.4	3.7	1.4
Hermes	Fr	519.0	8.0	8.1	0.7
Karstadt	Ger	747.0	11.5	5.7	1.9
Kingfisher	UK	1149.0	17.6	9.8	2.5
Marks & Spencer	UK	575.0	8.8	1.8	2.9
Metro	Ger	83.0	–	–	–
Morrison	UK	261.5	3.9	8.1	1.0
Next	UK	716.0	11.0	-4.0	2.8
Pinault-Printemps	Fr	4254.0	65.3	-1.9	1.1
Safeway	UK	385.0	5.8	2.1	4.7
Sainsbury	UK	508.0	7.6	1.4	3.2
Tesco	UK	570.0	8.6	7.3	2.3
Vendex Intl	Neth	134.2	2.1	-2.3	1.6

Technology

ALCATEL
1200
Ffr
1100
1000
900
800
M T W T F

Company	Country	Price (local)	Price (Ecu)	%change	Yield
Alcatel Alsthom	Fr	1087.0	163.3	23.2	1.4
Ares-Serono	Swi	2410.0	362.0	-1.2	0.3
ASM Lithography	Neth	192.8	29.0	-2.4	–
Baan	Neth	103.0	15.5	10.4	–
British Aerospace	UK	1903.0	28.5	-0.7	1.3
British Telecom	UK	667.5	10.0	10.7	3.6
Cable & Wireless	UK	750.5	11.2	7.2	1.8
Cap Gemini	Fr	749.0	112.5	13.5	0.4
Dassault Aviation	Fr	1770.0	265.9	10.6	2.7
Dassault	Fr	241.5	36.3	1.8	0.5
Ericsson	Swe	380.0	57.1	2.6	0.9
Getronics	Neth	90.0	13.5	6.9	0.5
Misys	UK	2722.5	40.9	-1.3	0.6
Nokia	Fin	598.5	89.9	6.3	1.3
Novo-Nordisk	Den	1060.0	159.2	-4.1	0.5
Oce	Neth	303.2	45.5	-0.8	1.2
Orange	UK	426.0	6.4	11.3	–
Premier Farnell	UK	405.0	0.8	-1.1	3.9
Sap	Ger	753.5	113.2	6.9	0.5
Sema	UK	2295.0	34.5	6.7	0.4
Sgs-Thomson	Fr	433.8	65.2	1.3	–
Telecel-Com Pessoal	Port	29111.0	4373.2	4.8	–
Thomson	Fr	254.3	38.2	12.5	1.7
TIM	Ita	9007.0	1353.1	5.1	0.9
Vodafone	UK	618.8	9.3	10.6	1.1

Utilities



Company	Country	Price (local)	Price (Ecu)	%change	Yield
Aguas De Barcelona	Spa	7080.0	41.9	-1.8	1.3
Anglian Water	UK	901.5	5.3	7.3	5.0
Berliner Kraft Und Licht	Ger	79.0	0.5	6.8	1.8
BG	UK	303.3	1.8	-0.4	3.6
British Energy	UK	508.0	3.0	1.5	3.5
Centrica	UK	113.0	0.7	5.6	–
Deutsche Telekom	Ger	40.2	0.2	3.5	4.3
Edison	It	14563.0	86.3	6.0	1.4
Electrabel	Bel	9770.0	57.9	3.1	4.8
Electricidade De Port	Port	4320.0	25.6	0.3	2.9
Elektrowatt	Swi	560.0	3.3	0.0	1.4
Endesa	Spa	3780.0	22.4	0.1	1.9
Energy	UK	840.0	5.0	0.4	2.0
France Telecom	Fr	309.1	1.8	-2.8	–
Gas Natural	Spa	9050.0	53.6	19.1	0.8
Hellenic Tel	Gr	8150.0	48.3	20.7	2.0
Hyder	UK	987.0	5.8	5.2	5.8
Iberdrola	Spa	2420.0	14.3	0.6	2.9
Italgas	Ita	7678.0	45.5	2.4	1.7
Koninklijke PTT Ned	Neth	107.3	0.6	-1.6	2.7
National Grid	UK	351.0	2.1	4.1	4.8
National Power	UK	580.0	3.4	1.0	6.0
Neckarwerke Stuttgart	Ger	515.0	–	–	–
Oest Elektrizatswirt	Aus	1409.0	8.3	5.0	1.1
Portugal Telecomister	Port	10425.0	61.8	-5.6	1.3
Powerfin	Bel	6400.0	37.9	-1.5	2.5
Powergen	UK	818.0	4.8	-2.5	4.0
Scottish Hydro-Electric	UK	578.0	3.4	4.5	3.9
Scottish Power	UK	586.0	3.5	20.1	4.1
Severn Trent	UK	998.0	5.9	6.7	4.9
Sevillana De Electric	Spa	1750.0	10.4	3.2	2.9
South West Water	UK	949.0	5.6	6.5	5.0
Southern Electric	UK	537.5	3.2	0.3	5.1
Sydkraft	Swe	213.0	1.3	3.9	2.0
Tele Danmark	Den	615.0	3.6	18.7	2.9
Telecom Italia	Ita	13320.0	78.9	3.0	1.0
Telefonica De España	Spa	6480.0	38.4	1.3	1.6
Thames Water	UK	948.5	5.6	6.7	4.7
Tractebel	Bel	4000.0	23.7	2.2	2.6
Union Electrica Fenosa	Spa	2090.0	12.4	3.7	2.6
United Utilities	UK	836.0	5.0	2.8	5.8
Vew	Ger	633.0	3.8	3.4	2.3
Yorkshire Water	UK	529.00	3.13	4.74	4.61

THE EUROPEAN 500

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 sector-by-sector movement graphs.

The European 500 is edited by Melanie Bien

KEY

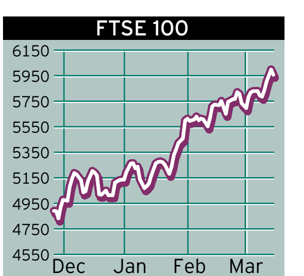
Aus	Austria	Gr	Greece	Port	Portugal
Bel	Belgium	Ire	Ireland	Spa	Spain
Den	Denmark	Ita	Italy	Swe	Sweden
Fin	Finland	Lux	Luxembourg	Swi	Switzerland
Fr	France	Neth	Netherlands	UK	United Kingdom
Ger	Germany	Nor	Norway		

SOURCE: Bloomberg The information is derived from sources believed to be accurate but neither *The European* nor Bloomberg warrant that the information is accurate or complete and it should not be relied upon as such; nor do they accept any responsibility for errors, inaccuracies, omissions or any inconsistencies therein

CyanMagYelloKey

CyanMagYelloKey

London



THE question on market-watchers' minds this week will be: can the FTSE hold the 6,000 level? Following last week's budget statement, the FTSE is expected to be bombarded with inflows from tax-exempt private equity portfolios. Investors will be anxious to beat the year-end deadline. In 1997 £2.6 billion ($4.3bn) of personal equity plan (PEP) money was created in March and April. This is expected to rise to £3.5bn in 1998.

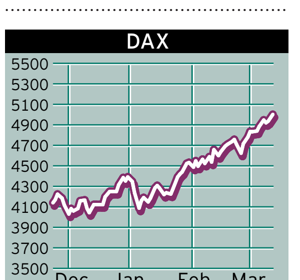
The chancellor of the exchequer, Gordon Brown, announced that PEP money can now be rolled over with no tax penalty. If this volume materialises, it will represent an increase of about 0.75 per cent on institutional cash piles, which now stand at 8.25 per cent of total portfolios. Fund managers will be looking to reduce cash holdings quickly; the ideal level is somewhere between six and 6.5 per cent.

The end of the corporate reporting season is drawing near, and the majority of the 30 stocks expected to report this week are from the FTSE-250 or smaller cap companies. P&O Ferries and Amersham, the drugs firm, are two of the bigger names due. But annual results are unlikely to shift the market much: there have been few shocks so far this year, and most results have been in line with, or slightly lower than, analysts' expectations.

This week also sees the expiry of quarter-end futures and options positions, so investors will either be closing short positions or staying long.

It is a light week for economic data, with just the money supply figures expected. Unless there is an adverse effect from economic data in America, the market is expected to hold on to its gains.

Frankfurt



FRANKFURT traders spent 20 March indulging in cake and champagne, courtesy of the German bourse. The occasion: the DAX 30 closed above 5,000 for the first time in floor trading.

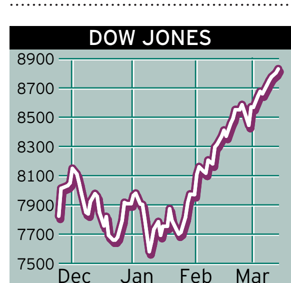
With the German market setting record upon record, many investors are beginning to wonder when profit-taking will begin. "Institutions have a lot of money in the market – they are not going anywhere," says one Frankfurt analyst. Most market pundits see the shares climbing higher on promising fundamentals and excellent company reports.

The telecommunications sector has come to the forefront at the CeBIT show in Hannover after a number of German providers announced price cuts for the coming months. This has focused eyes on Deutsche Telekom, Mannesmann and Viag, and investors will be watching the sector this week as competition intensifies in Germany's liberalised telephone market.

A slew of companies are presenting more details about their annual numbers: chemical makers BASF and Bayer, both of which set records for 1997, are expected to break down last year's business. In automobiles, Volkswagen and Audi will reveal their annual figures. The tyre maker, Continental, will also provide more facts about its record year. In financials, Dresdner bank and the life and car insurance divisions of Allianz are due to report, and further information about last year's business and possible predictions for the current term are also expected from Linde, Varta and Veba.

Macroeconomic influences on the German market this week include the release of February production, import and export prices. Initial CPI figures for March are also due this week.

New York



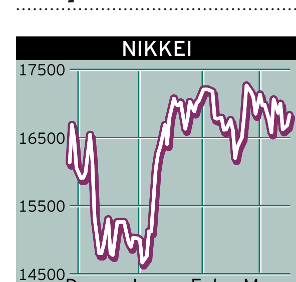
THE Dow Jones Industrial Average broke through the 8,900 barrier after a climb of over three per cent last week. Despite the historic high, analysts are still talking the market up. "We expect the Dow Jones to keep on rising until April when the first-quarter reporting season starts," says one trader. At this point anxiety about first-quarter results could set in, derailing New York's upward climb. Until then the exuberant mood, irrational though it may be, looks set to endure.

Tobacco stocks such as Philip Morris, Loews and Nabisco Holdings could be the hot picks of the week after the rejection by an Indiana jury of a $6.4bn lawsuit claiming that passive smoking causes lung cancer. "It's a sign that the anti-tobacco lobby declared victory too early," says one analyst.

Among last week's best performers was Merrill Lynch, the investment bank, which saw its share price leap six per cent on speculation that it is being targeted by Chase Manhattan as a possible acquisition. The news is likely to drive financial stocks higher this week. Oil stocks have made a comeback, too, rebounding on news that the Organisation of Petroleum Exporting Countries (Opec) may cut oil production.

More surprisingly, technology stocks bounced back from the turmoil caused by Intel's profits warning, despite similar bad tidings from Compaq and the electronics and semiconductors group Rockwell. However, news that Hewlett-Packard intends to compete against Sun Microsystems with its own version of Java software meant that Sun did not join in the rally. As the 1997 reporting season is all but over, this week will see a mixture of profit-taking and window-dressing by institutional investors.

Tokyo



PUBLIC funds will support the Nikkei stock index for the rest of March as the government strives to lift the index above the crucial 18,000 level. That was the trading level of the index at the end of March last year; a decline would force Japanese investors into the unpalatable position of recognising their losses when the financial year ends. But analysts say the government will have to intervene heavily to achieve its goal, given that the index was trading below 17,000 for all of last week.

Apart from its direct intervention in the secondary market, the Japanese government has disappointed investors. Last week it failed to introduce a package of income tax cuts that investors had been hoping would stimulate the market.

Equity analysts say that the yen/dollar exchange rate will have a significant influence on the short-term performance of the market. Foreign investors are sellers of stock if the yen depreciates below ¥130 to the dollar. The central bank was forced to intervene last week to defend the currency at that level.

However, the exchange rate will also influence the performance of Japanese exporters in the opposite direction.

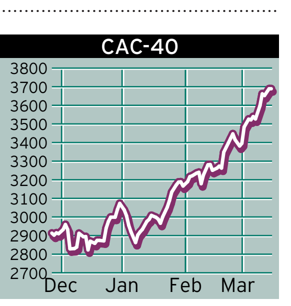
Looking further ahead, Japan's depressed economic situation and the effects of the Asian crisis will be the biggest influences on the market. "Investors have lost confidence after the failure of so many securities houses and poor yields," says one strategist. With interest rates at a historic low, most Japanese investors prefer to buy foreign currency bonds to boost their yields rather than risk going into the equity market.

STOCKMARKETS

MARKET	INDEX	Latest	% change Week ago	% change Year ago	12 month High	12 month Low
Amsterdam	AEX	1121.0	1.1	57.8	1121.0	702.1
Athens	General	1919.9	24.9	51.3	1919.9	1268.9
Brussels	Bel-20	2924.9	2.3	40.8	2924.9	2079.3
Budapest	BUX	8786.6	4.3	73.3	8786.6	5084.8
Copenhagen	Stock Market	737.8	1.8	37.1	737.8	520.5
Dublin	Ireland SE	5293.9	3.8	30.6	5293.9	2923.6
Frankfurt	Dax	5001.6	2.3	53.2	5001.6	3215.2
Helsinki	Hex	4356.8	1.9	55.7	4378.1	2734.4
London	FTSE 100	5956.3	3.0	39.9	5997.9	4214.6
Madrid	General	827.1	0.8	76.9	828.4	461.7
Milan	Mibtel	22792.0	4.7	94.3	22792.0	11609.0
Oslo	OBX	728.2	−0.1	7.7	758.5	566.0
Paris	CAC-40	3688.9	4.2	44.5	3688.9	2514.5
Prague	Stock Market	515.5	6.5	4.1	561.3	452.4
Stockholm	Affarsvarlden	3525.9	0.9	32.3	3545.9	2610.5
Vienna	Credit Aktien	521.3	2.8	27.5	521.3	392.8
Warsaw	WIG-20	1859.6	−3.5	16.5	1928.0	1312.9
Zürich	SPI	4561.8	−0.1	61.3	4566.9	2833.9
New York	Dow Jones	8906.4	3.5	30.5	8906.4	6391.7
Tokyo	Nikkei	16830.5	−1.4	−9.0	20681.1	14664.4
Hong Kong	Hang Seng	11564.2	4.6	−7.3	16673.3	8121.1

SOURCE: DATASTREAM, BLOOMBERG

Paris



THE stock to watch this week is Castorama, France's largest DIY firm, which is rumoured to be the target of a takeover bid by Kingfisher, the UK retail group. Kingfisher has been building up its Castorama holding, buying 10 per cent of the stock two weeks ago.

Meanwhile, the Paris stock exchange CAC-40 index continues its record-breaking run. History was made on 20 March as the index pushed through the 3,700 barrier for the first time before falling back at the close.

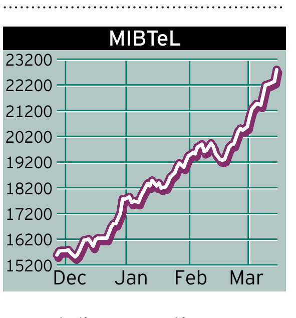
"It's a raging bull market," says one stock-watcher. Even a poor performance by France Telecom, which accounts for 10 per cent of the CAC-40's capitalisation, could not drag the market down. France Telecom shares lost Ffr60 ($9.80) after the announcement of record results but flat growth prospects.

This week is unlikely to be any different, with healthy net profits of Ffr525m expected for luxury goods producer Hermès, and a significant rise in income anticipated for electrical engineering firm, Schneider. Peugeot Citroen, the car manufacturer, which reports this week, is expected to announce net profits of Ffr260m.

One reason for the glowing health of the French market is an increase in American and British money flowing into French equities. "French stocks are now seen as something of a safe haven," says one analyst in Paris. Another market driver has been the push by French insurance houses to move funds from bonds into equities.

Last week's main beneficiaries of this flow of funds were the oil stocks, which also benefited from a slight recovery in crude oil prices. The good news drove Total's share price up by around eight per cent, while Elf Aquitaine's stock grew more than six per cent.

Milan



THE Italian reporting season gets going in earnest this week when most of the top banks formally announce their consolidated results for 1997. There will be few surprises: earlier announcements of parent bank figures combined with a couple of profits warnings mean that investors already know what most of the figures will be.

On 23 March Istituto Bancario San Paolo di Torino, Italy's largest private bank, will announce net income at the consolidated group level. The figure will be around L165bn ($91.6m), based on the parent's results earlier this year and a profits warning last December. The corresponding figure for 1996 was L603bn.

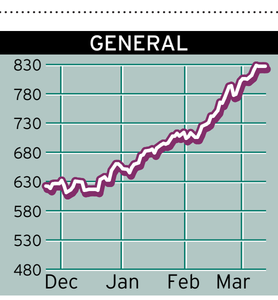
Earnings have been eroded by a sharp rise in bad debts on property lending and a fall in trading profits. The compression in interest margins that accompanied convergence in 1997 has also depressed earnings figures.

IMI, with which San Paolo has announced plans to merge, will announce its results on 25 March. Net income is expected to be around L740bn. Also reporting next week is Banca di Roma, which recorded a L2,900bn loss in the first half of last year, but whose full-year loss will be around L3,000bn.

The only uncertainty surrounds Credito Italiano, which reports on 26 March. It has invested less in property and the consensus is that net income will be around L500bn.

With the results adding little new information, traders will pay more attention to the news that Rupert Murdoch's News Corp failed to reach an agreement on acquiring a 50.6 per cent stake in Mediaset. That could deflate a market driven for most of the year by bid rumours.

Madrid



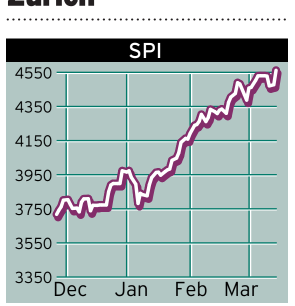
MADRID's stockmarket has entered a period of relative calm, following the frenetic activity of the past two months. A long weekend holiday helped pour cold water on the *bolsa* last week as the Madrid General index floated between 820 and 830. But new money from domestic investors fleeing falling bond yields and low interest rates is still entering the market and surges could easily be triggered by movements among the major traded companies.

Telefónica's announcement that it will reorganise its business into separate units, some of which may be floated, was seen as the final boost for a company that, along with the banks, has led this year's bull market. The company's shares are expected to settle in the short term. Future surges will depend on its success in bidding for parts of the soon-to-be-privatised Brazilian phone companies.

The energy sector, especially undervalued Repsol, looks to benefit short-term from lower oil prices and will also respond to an expected announcement on liberalisation of the gas industry. The signs are that Gas Natural has won its battle to have a long transition period to the open market. Expectations of a decision in its favour boosted its price last week, although electricity shares such as Endesa and Iberdrola can be expected to suffer if Gas Natural wins.

Insurance company Mapfre, has followed Telefónica's example and said it may float its Latin American business separately. Other companies, seeing market values rise on the back of such decisions, may follow suit. All the big banks, construction companies and utilities now have large Latin American operations and can be expected to restudy their share structure.

Zürich



SWISS stocks are expected to decline this week amid investor concern that near-record share price highs are not justified by growth in companies' earnings.

Food giant Nestlé is expected to release its results, as is Suedelektra, the mining extraction group with promising interests in Vanadium. Tag Heuer will disclose more about the effects of the Asian currency crisis on its business.

But the litmus test will come on 25 March when Basel-based pharmaceuticals giant Roche Holding announces its results for 1997. Any bad news will reinstall a mood of gloominess which hung over the market for much of last week. It was Roche which almost single-handedly pulled the market down on 16 March. A Food and Drug Administration panel in America was deadlocked over whether to recommend approval of Roche's Xenical anti-obesity drug because of worries about a possible increased risk of contracting breast cancer. The negative outlook, which saw Roche shares plunge, spread to Novartis, the world's largest healthcare company, and the rest of the market.

However, the SMI index managed to shrug off most of the losses with small daily gains and a strong rally on 20 March – its biggest one-day gain since mid-January – to end the week down just 0.4 per cent.

Companies in the building materials sector put on an excellent show with some stocks gaining as much as eight per cent, although the jump was seen as a blip rather than a trend.

Attention will focus on smaller stocks this week as even the market's bulls turn cautious and become selective, rather than relying on a general upward trend.

Moscow

TOP picks in Moscow this week are in the oil sector. Speculation that Opec may agree to cut oil output led to surge in crude oil prices, with Lukoil and Surgutneftegaz expected to benefit most. Both stocks have seen good runs recently: Lukoil's share price gained nearly six per cent last week.

The other hot tip for the week is Tatneft, another oil firm, which announced that it will begin a roadshow for its American depositary receipt listing on the New York Stock Exchange on 21 March. The listing will take place on 30 March: domestic shares are bound to soar once the stock starts trading in New York.

Meanwhile the Russian government has announced a starting price for the privatisation of Rosneft, the last major Russian oil firm which remains in state hands. Bids for the 75 per cent-plus-one-share stake in Rosneft will start at $2.1bn; the firm was valued by Dresdner Kleinwort Benson at between $2.3bn and $2.4bn.

The sale of Rosneft will be a crucial test of the Russian government's commitment to good corporate governance, analysts say. "It is vital that this sale is seen to be conducted openly and fairly," says the head of a Moscow investment fund. "We have had too many dubious privatisations." Most potential bidders are other Russian firms: Lukoil, Gazprom, Yuksi and Sidanco are thought to be considering bids. The only major foreign firm in the running, analysts say, is Royal/Dutch Shell, the Anglo-Dutch oil company.

President Boris Yeltsin's return to the Kremlin after a week's absence due to a respiratory infection will give the market an extra boost, since Moscow stocks tend to weaken in sympathy whenever Yeltsin falls ill.

Amsterdam

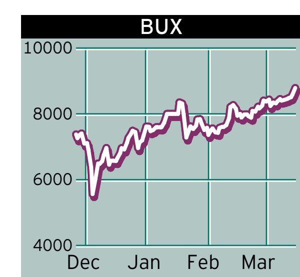
THE Amsterdam market should extend gains made earlier in March, despite a patchy performance last week as traders awaited the expiration of futures and options contracts on 20 March.

As in many markets, the strongest gains were made in the oil sector. Royal Dutch/Shell's stock looks particularly attractive. Not only are oil prices starting to recover, but news that the company will spend $1bn developing three Gulf of Mexico oil and natural gas fields, adding 300 million barrels of oil to its reserve base, gave the stock an extra boost. Royal Dutch/Shell's share price gained nearly three per cent last week. The company is also a front-runner in the privatisation of Rosneft, the Russian oil firm, so this should provide the basis for further upside over the next few weeks.

The outlook is not so positive for KLM, the Dutch national airline. KLM is being sued for more than $1.3bn by a group of American employees. The former and current employees allege sexual and racial discrimination by a KLM supervisor.

Looking ahead, DSM, the chemicals and plastics manufacturer, is one stock analysts are tipping for growth. On 24 March DSM begins a public offering of shares and convertible bonds in Royal Gist-Brocades, a pharmaceuticals firm DSM offered to buy last month. DSM will pay Nfl 2.9bn ($1.4bn) for Gist-Broacades, and has also agreed to assume several hundred million guilders of the company's debt as part of the deal. Other stock picks include Akzo Nobel, the chemicals and plastics maker which has bought a majority stake in a Turkish paint producer, and NPMC, the investment company.

Budapest



THE Hungarian market has had a bullish run triggered by strong international demand, but analysts expect a slowdown over the next few months. "Some of the blue chips have had very good runs," says Gergely Varkonyi, analyst at ING Barings in Budapest.

ATP has risen 20 per cent and Matav by 25 per cent over the past month. Market fundamentals remain strong, but valuations are becoming too high. The average price-earnings ratio is 14.1, which is expensive relative to other central European markets.

The electricity utility Demasz has a $40m secondary issue coming up on 1 April. The $30 offer price for MOL's $300m float was announced on 20 March and was aggressively bid up throughout the day.

At the end of trading it had topped HUF6,500 ($30.80). Analysts expect MOL to reach HUF7,000 by early April.

Warsaw

POLISH stocks should recover from poor trading this week, ahead of European Union discussions on enlargement at the end of the month. But the central bank's decision to hold interest rates to curb inflation after consumer prices rose more than expected early in the year could hold shares back. The WIG-20 fell 3.5 per cent last week.

Construction company Budimex is poised for gains after rising 6.5 per cent to Zl 16.5 ($4.71) on a monthly report showing that February profit rose more to Zl 707.3m. Construction stocks – which comprise 15 per cent of the WIG-20's capitalisation – generally look healthy. Impexmetal may also extend gains. Its shares rose 2.8 per cent to Zl 37 per share after management approved a Zl 120m restructuring plan.

Cath Blackledge, Melanie Bien, Louise Bowman, Eric Culp, Gavin Gray, Paula Hawkins, Nicholas Moss, Giles Tremlett

FUTURES

Now Chicago moves in on Liffe

Melanie Bien

NEWS that the world's largest derivatives exchange, the Chicago Board of Trade (CBOT), is joining forces with Eurex, the alliance of the German and Swiss futures exchanges – the DTB and Soffex – is another nail in the coffin of the London International Financial Futures and Options Exchange (Liffe).

CBOT is linking its electronic trading network with Eurex to provide global access for the trading of both exchanges' contracts via a single terminal from next spring. Eurex will enable traders around the world to buy and sell futures contracts via a single computer link and without an outcry across a trading floor from January 1999. The new partnership will expand access to benchmark interest-rate contracts on CBOT and lower costs.

"The objective is to enable the members of CBOT and Eurex to trade the world's benchmark contracts directly," said CBOT chairman Patrick Arbor. "We are trying to standardise the trading networks because that's what the industry wants. It represents an outstanding opportunity for us to link up with a leading overseas exchange."

The link-up will heap even more pressure on Liffe, especially as Eurex is also involved in a planned alliance with France's Matif, known as the Euro-Alliance. Liffe has already been forced to back down on its total commitment to open outcry trading, announcing last week that it will list its products on an electronic platform by the end of the year, creating more of a hybrid exchange – combining electronic trading alongside its traditional pits.

"We will have our new electronic trading system ready by the end of 1999, so we will be able to compete on a global basis," said a Liffe spokeswoman. "Their timetable seems to be fairly ambitious, especially as we have first-hand knowledge of the difficulties involved. These alliances will not really be necessary anyway. Our new system will put personal computers on traders' desks, which will be sufficient. They are looking to build a network."

With the onset of EMU, Europe's exchanges are under pressure to emerge as global leaders, setting the benchmark for euro-traded products after 4 January 1999. Monetary union will shrink the European derivatives markets by reducing fluctuations in currencies and interest rates. Winning liquidity in the ecu, the basket of European currencies, is considered vital to the battle for products denominated in euros. Liffe has its own plan, aiming to become the first exchange to list futures contracts on a pan-European stockmarket index, the Euro-top 100.

But in the face of this latest threat, Liffe is once again maintaining a laid-back attitude to the threat from its European competitors. At Liffe, Eurex has long been viewed "as an alliance which is trying to get to where Liffe already is", rather than as a serious contender for Liffe's dominant European position.

But this time CBOT is involved, making it much more of a threat to London. CBOT will combine its electronic after-hours system, Project A, for which terminals have been installed, with plans to extend to other European cities shortly, with the computer network for Eurex, initially allowing side-by-side trading of each exchange's contracts on a computer screen. Next year the software will be integrated, allowing traders to better monitor prices. The system will include all CBOT contracts and is likely to be very profitable for the exchange.

The arrangement will not cut into CBOT's open outcry, floor-based trading system during regular trading hours in Chicago.

For European traders, the agreement will offer greater access to American markets, while increasing American access to European markets.

"This alliance is more progress in our internationalisation strategy," said Jorg Franke, chief executive officer of Eurex. "It adds liquidity to our market and allows our members easy and cost-efficient access to a wide range of new products."

CBOT and Eurex are hunting for a strategic partner in the Asia-Pacific region. Potential contenders include the Tokyo Futures Exchange and Simex which is based in Singapore. Meanwhile, Liffe prepares on its own for its Euro roadshow next month, intending to make up some lost ground.

CyanMagYelloKey

CyanMagYelloKey

BONDS

DEREGULATION

Can index-linked bonds rise from the dead?

Doug Cameron

THE index-linked bond market promises to provide EMU member states with a hedge against inflationary pressures and promote long-term investment among savers if planned reforms of the sovereign bond sector go ahead as expected.

The expansion of the index-linked market remains theoretical in the current low inflation climate. However, should monetary union prove disastrous and the European Central Bank fail to quell inflationary pressures, the structure could prove to be an invaluable tool. "This market will only take off when an inflation mentality returns to Europe," says Klaus Holschuh, global head of bond research at Commerzbank.

Index-linked bonds started life in the UK during its high-inflation era of the early 1980s and spread to America, Canada and Australia. In Europe they have also gained a small foothold in the sovereign markets of France and Sweden. The bonds incorporate indexation of the principal or interest payments during the life of the bond against standard inflation indices such as the consumer price index.

There is around $160 billion outstanding in index-linked bonds, with the UK accounting for more than half the market, followed by America and Sweden (*see chart, above*). Indexed paper accounts for around 15 per cent of total government bonds outstanding in the UK and Sweden. The attraction to investors has been to provide income flows matched with their own long-term liabilities. The issues have long maturities, typically 25 years, and provide a useful match for pension companies seeking to hedge their own long-term exposures against the possibility of a return to a higher inflation environment.

INFLATION-PROOF SECURITY

Volume of index-linked bonds outstanding ($bn)

Canada 6.7
Sweden 13.1
Australia 3.5
America 32.7
UK 89.5

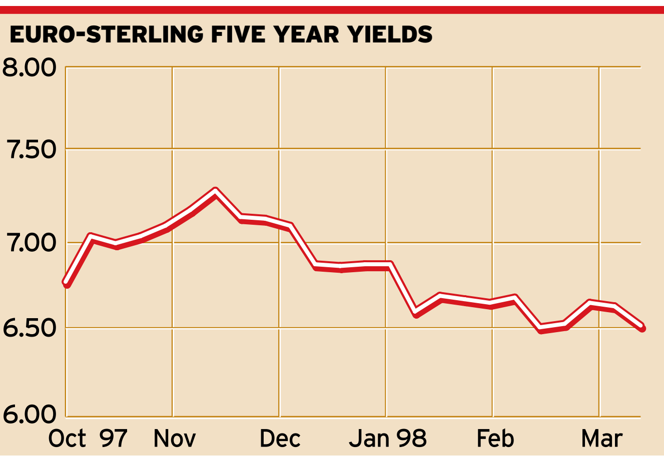
Source: Commerzbank

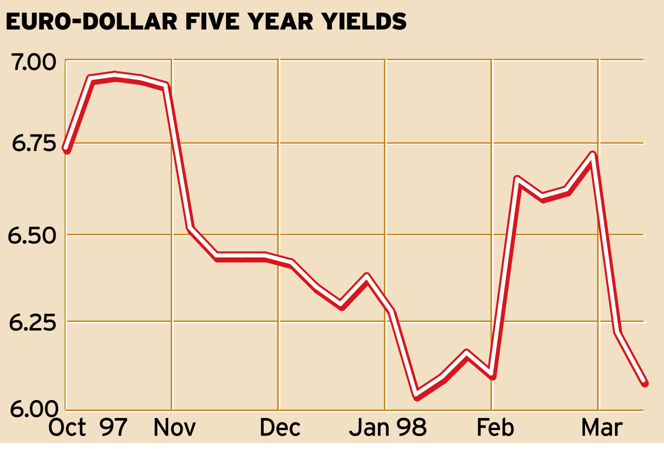
The downside is that the premium for the index-linkage is sharply lower yields than from plain vanilla bonds.

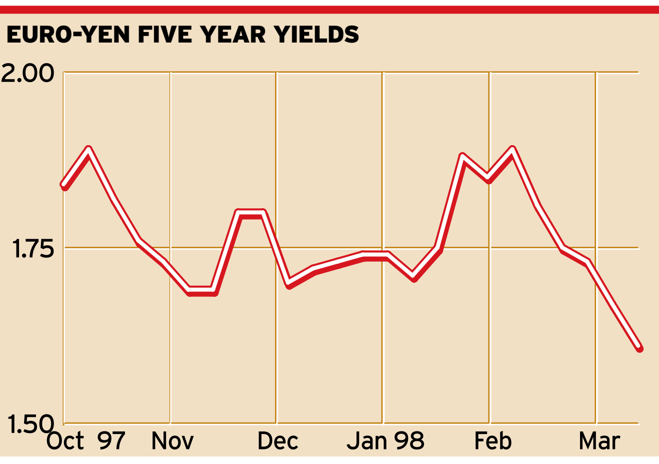
The gap is particularly sharp when inflation is low – between two and three per cent – offering real yields of around 4.5 per cent on five-year paper and 5.5 per cent on 10-year bonds. German pension funds, for example, have a nominal interest rate target of 7.2 per cent, and they have tended to steer clear of overseas index-linked issues.

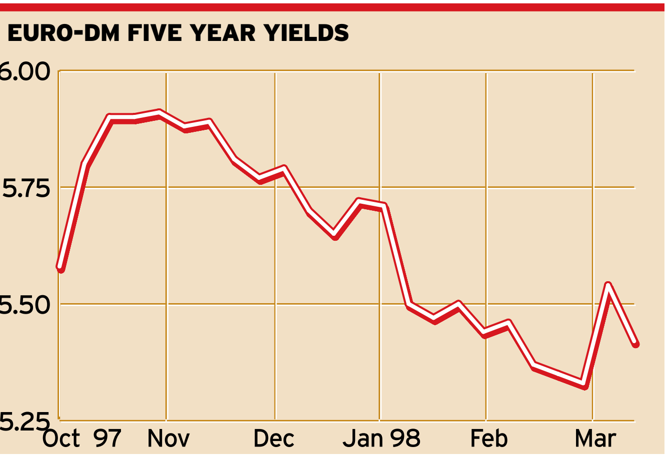
The German market holds the key to unlocking the potential of index-linked paper in Europe. The country's overriding target of quashing inflation actually led to index-linking being outlawed by Germany's 1948 currency act. This ban remains in place but will fall away when the single currency is introduced next year and the deutschmark disappears.

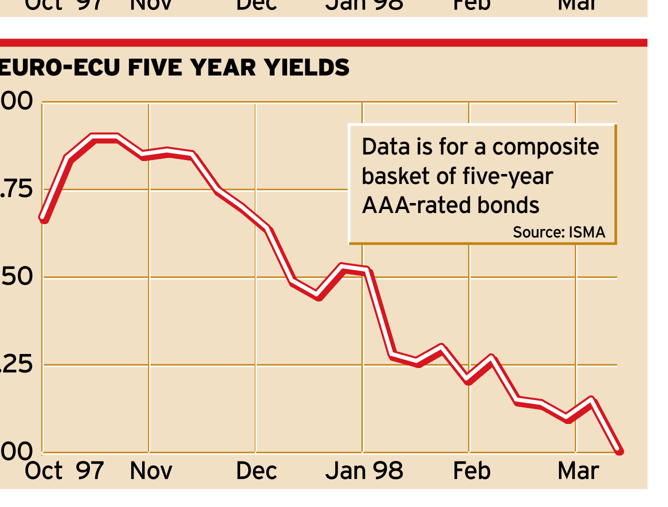
Holschuh argues that this will clear the way for some German public sector entities to start issuing indexed paper as part of funding programmes which reached DM200bn ($108bn) in debt issuance last year. He argues it would not spur inflation but ultimately strengthen the government's interest in price stability. Moreover, a commitment by the government to take over part of the risk of unexpected inflation from investors would be "a useful adjunct" to the EMU stability pact and create an incentive for private sector saving, with principal protected against erosion by inflation. ■











MARKET PREVIEW

INVESTMENT bankers are expecting another wave of bond issues from corporate and emerging market borrowers this week, following recent successful deals from the Spanish electricity utility Endesa and the Italian dairy products group Parmalat.

There are clear signs that the currency focus of the market is changing. Investors' enthusiasm for the American dollar is flagging, temporarily at least, with most analysts expecting the contraction in spreads on dollar Eurobonds over the past month to slow.

Although demand for bonds denominated in the currencies of the 11 euro-zone countries remains strong, the most significant emerging trend change over the past week has been the surge in demand for sterling bonds.

Sterling started rallying last week in the wake of the first full budget from Britain's Labour government. This combined with the drop in the sovereign bond market to make the UK bond yields more attractive to European investors. That reinforces sterling's inherent attractions as a high-yielding currency and a safe haven to give investors a hedge against any potential failure of monetary union.

Last week the European Investment Bank succeeded in raising £750m ($1.24bn) of 30-year debt, partly on the back of demand from Europe. This is rare for a sterling issue with such a long maturity.

Over the next two weeks, a handful of corporates are aiming to issue bonds in sterling. Ciba Specialty Chemicals is planning its first issue in the sector, with a 15-year bond scheduled in the £200m to £250m range. Yorkshire Water is aiming to raise 10-year debt, but bankers expect there may be several opportunistic borrowings on the back of the surging demand for sterling.

In a week that is likely to be dominated by corporate and high-yielding sovereign debt, one of the few deals expected from European sovereign risk will be for Cades, the French body created to pay down France's social security debt. Last week, Cades launched a FFr4bn ($652m) 15-year bond. Early this week it will launch a DM1.5bn ($824m) issue, also with a 15-year maturity and the same 5.25 per cent coupon. The deals will merge into one issue and will be converted into euros from January next year. The deutschmark deal is scheduled for launch on Monday or Tuesday.

Among central European borrowers, Hungary should proceed with its planned five-year issue, although the issue size has been scaled back to $300m from the $500m that bankers were predicting last week. It is hoping to borrow at 80 basis points over US Treasuries, a spread that most bankers regard as too low for a country whose credit rating was depressed for much of the 1990s.

Russia should also finally launch its first international bond of the year. Last week it met major investors in Europe's top financial centres and the transaction is set to be launched at the beginning of this week. It will be a seven-year issue in deutschmarks and will probably total at DM1bn. Bankers expect it to be priced at 450 to 500 basis points over German bunds. That represents a sharp increase over last year, but well below the rate paid recently by Central European countries.

European investors are expected to continue snapping up a recent flurry of issues in exotic currencies. The International Finance Corporation and the European Bank for Reconstruction and Development both launched experimental bonds denominated in Russian roubles. The World Bank also issued in Polish zloty, while a couple of issues in Turkish lira have attracted speculative investors. Investment bankers predict more such issues as European investors seek new ways of boosting their investment yields during a period of low interest rates.

GAVIN GRAY

CURRENCIES

FORECAST

Risks still worth taking in the short term

Avinash Persaud

THE wider implication of the European Monetary Committee's decision to revalue the Irish punt by three per cent on 16 March is the clear desire of European central bankers to preserve stability and convergence in the run-up to European monetary union day on 1 January 1999.

If there was an economic case to disturb the sanctity of existing ERM central parities by realigning a few currencies, then the case was for a much larger re-evaluation of the punt – perhaps in the order of 10 per cent. Ireland can boast strong economic growth, above six per cent, and a hearty current account surplus, above two per cent of GDP. In revaluing the punt by just three per cent, the central bankers place the new central parity at the current market rate, thereby causing the least market disruption.

The decision to let Greece join the ERM at a sharply devalued rate now, rather than a few days before EMU begins and the new ERM is constituted, also smacks of concern over instability in the run-up to EMU. It is widely expected that Greece will want to join EMU by early 2001. If it were to do so, one of the conditions laid down in the protocols to the Maastricht Treaty is that Greece must not devalue the central parity two years before being examined for membership. Examinations normally occur six months before membership. This timetable would suggest the latest time a second devaluation could occur is late summer 1998. Devaluing twice in six months would shatter Greek exchange rate credibility and is highly unlikely.

Generally, when volatility – a measure of risk – is low, investors' appetite for risk grows and they show a preference for high-yielding, traditionally risky markets. The capital inflows that are now driving the Czech koruna, Polish zloty and Greek drachma to expensive levels are therefore likely to continue. Despite worsening long-term fundamentals, such as the current account, investors should not be too quick to sell or hedge these currencies.

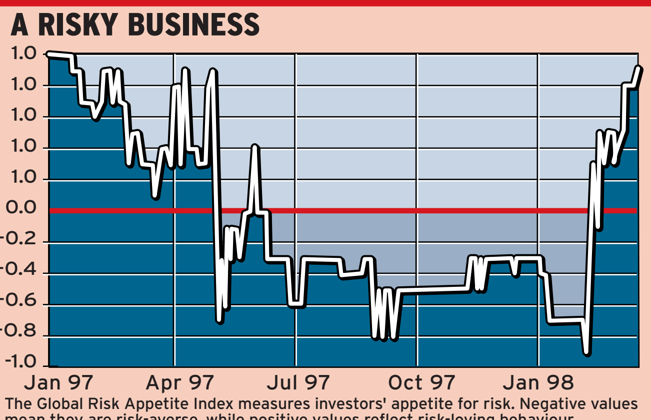
Our chart shows JP Morgan's Risk Appetite Index, a measure of whether "risky" markets are generally out-performing "safe" ones. Volatility has a strong influence over investors' risk appetite. The index shows that investors are responding favourably to risky environments.

If investors are going to show a preference for high-yielding currencies delivered by independent monetary authorities, it is not just east Europe that stands to benefit. The American dollar and sterling enjoy a large interest rate advantage over the core European currencies – that is, the German mark and Swiss franc. Greater stability in Asia will undermine the Swiss franc, as will an environment of low inflation and falling commodity prices. The foreign exchange market is full of rumours that European central banks are intervening modestly to keep the dollar in a tight range.

In an environment of stability and low German interest rates, the dollar and sterling should climb higher against the deutschmark, towards DM1.85 and DM3.1 respectively.

However, this positive dollar environment may not last long – a matter of weeks rather than months. The key forces that will drive the dollar and sterling lower are a recovery in the euro's credibility, which is currently low as investors worry that a broader euro will be a weaker currency, and the prospect of higher German interest rates. These two forces appear faint today, keeping the dollar strong, but they could grow stronger surprisingly quickly.

The euro's credibility will get an important boost once the wrangling surrounding the presidency of the European Central Bank (ECB) is over and the new president starts to take a hawkish line, as a new central bank president is likely to do. German rates remain stuck around 3.3 per cent to 3.4 per cent. However, it is clear that European interest rates are rising. On 19 February rates were hiked in the Czech Republic, Norway and Finland.



The Global Risk Appetite Index measures investors' appetite for risk. Negative values mean they are risk-averse, while positive values reflect risk-loving behaviour.
Source: JP Morgan

Recovery in the euro's credibility will drive the dollar and sterling lower

These countries are all on Europe's periphery but they are all highly dependent on exports to Europe's core. Strength in the periphery is a harbinger of strength across Europe; remember that the ECB will co-ordinate European interest rates after May in response to economic pressures across Europe, not just in Germany.

Signs of gathering economic review in Germany are not matched in Japan, so we could see the greatest volatility not in sterling against the deutschmark or $/DM – the British and American economies remain strong – but in the DM/yen exchange rate. We expect DM/yen to be heading towards ¥80 in the autumn. ■

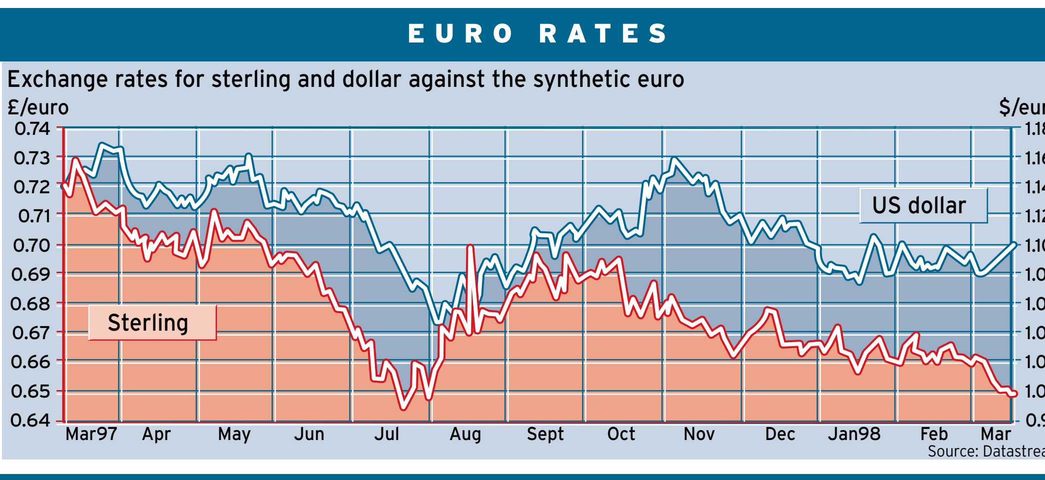
The author is JP Morgan's head of currency research

SYNTHETIC EURO

Currency	Latest	% Change on a week ago	% Change on a year ago	High	Low
British pound	0.72	10.8	−10.19	0.72	0.65
French franc	6.53	−2.7	2.47	6.70	6.53
German mark	1.94	−3.0	3.07	1.99	1.94
Italian lira	1940.45	−1.5	1.34	1969.74	1910.60
Japanese yen	141.38	−0.3	0.75	145.71	122.46
US dollar	1.09	0.0	−5.15	1.17	1.05

THE SYNTHETIC euro has been developed to allow investors to calculate financial data in euros ahead of the official introduction of the new currency next year. Datastream/ICV's rate is based on the current formula of the ecu, which is measured against a basket of currencies, calculated by tracking the movement of these currencies back to 1975. The Austrian schilling and Finnish markka have not been included because the current ecu formula uses the likely list of "euro-in" countries. From May, when currency rates between member states are fixed, a revised version of the synthetic euro will be calculated based on these fixed rates and GDP weightings of each country, including all "euro-in" countries.

EURO RATES



Source: Datastream

EAST EUROPEAN CURRENCIES

COUNTRY	US$	DM	UKE	Ffr	Ecu
Albania Lek	158.8	86.7	264.3	25.9	172.3
Belarus Rouble	52500.0	28678.1	87380.5	8555.5	56954.6
Bulgaria Lev	1822.2	995.4	3032.9	297.0	1976.8
Croatia Kuna	6.5	3.5	10.8	1.1	7.0
Czech Rep Koruna	34.0	18.6	56.6	5.5	36.9
Estonia Kroon	14.7	8.0	24.4	2.4	15.9
Hungary Forint	211.2	115.4	351.5	34.4	229.1
Latvia Lat	0.6	0.3	1.0	0.1	0.6
Lithuania Litas	4.0	2.2	6.7	0.7	4.3
Macedonia Denar	56.7	30.9	94.3	9.2	61.5
Moldova Leu	4.7	2.6	7.8	0.8	5.1
Poland Zloty	3.5	1.9	5.7	0.6	3.7
Russia Rouble	6.1	3.3	10.1	1.0	6.6
Romania Leu	8155.0	4454.7	13573.1	1329.0	8847.0
Slovakia Koruna	35.2	19.2	58.5	5.7	38.1
Slovenia Tolar	170.7	93.3	284.1	27.8	185.2
Ukraine Hryvna	2.0	1.1	3.4	0.3	2.2
Yugoslavia New Dinar	4.9	2.6	8.1	0.8	5.3

SOURCE: BZW

EUROPEAN CROSS RATES

23 MARCH 1998	Aust Sch	Belg Fr	Dan Kr	Ger Dm	Neth Fl	Fin Markka	Fr Fr	Grec Drach	IR Punt	Ital Lira*	Nor Kr	Port Esc	Spain Pts	Swe Kr	Swi Fr	UK £	US $	Jpn Yen	Can $	Eur Ecu
Austria Schilling	–	0.341	1.844	7.032	6.240	2.318	2.098	0.040	17.66	7.146	1.694	0.069	0.083	1.613	8.620	21.43	12.87	0.099	9.083	13.97
Belgium Franc	2.932	–	5.407	20.62	18.29	6.797	6.151	0.117	51.77	20.95	4.966	0.202	0.243	4.729	25.27	62.82	37.74	0.290	26.63	40.95
Denmark Krone	0.542	0.185	–	3.813	3.383	1.257	1.137	0.022	9.574	3.874	0.918	0.037	0.045	0.875	4.674	11.62	6.980	0.054	4.925	7.572
Germany Deutschmark	0.142	0.049	0.262	–	0.887	0.330	0.298	0.006	2.511	1.016	0.241	0.010	0.012	0.229	1.226	3.047	1.831	0.014	1.292	1.986
Netherlands Guilder	0.160	0.055	0.296	1.127	–	0.372	0.336	0.006	2.830	1.145	0.271	0.011	0.013	0.259	1.382	3.434	2.063	0.016	1.456	2.238
Finland Markka	0.431	0.147	0.796	3.033	2.692	–	0.905	0.017	7.617	3.082	0.731	0.030	0.036	0.696	3.719	9.243	5.553	0.043	3.918	6.024
France Franc	0.477	0.163	0.879	3.352	2.974	1.105	–	0.019	8.417	3.406	0.807	0.033	0.040	0.769	4.109	10.21	6.136	0.047	4.330	6.657
Greece Drachma	25.13	8.573	46.36	176.8	156.8	58.27	52.73	–	443.8	179.6	42.57	1.728	2.085	40.55	216.7	538.5	323.6	2.488	228.3	351.0
Ireland Punt	0.057	0.019	0.104	0.398	0.353	0.131	0.119	0.002	–	0.405	0.096	0.004	0.005	0.091	0.488	1.213	0.729	0.006	0.514	0.791
Italy Lira*	139.9	47.73	258.1	984.1	873.2	324.4	293.6	5.568	2471	–	237.0	9.624	11.61	225.7	1206	2998	1802	13.85	1271	1954
Norway Krone	0.590	0.201	1.089	4.152	3.684	1.369	1.239	0.023	10.43	4.219	–	0.041	0.049	0.952	5.090	12.65	7.601	0.058	5.363	8.246
Portugal Escudo	14.54	4.960	26.82	102.3	90.73	33.71	30.51	0.579	256.8	103.9	24.63	–	1.206	23.46	125.4	311.6	187.2	1.439	132.1	203.1
Spain Peseta	12.05	4.111	22.23	84.76	75.21	27.94	25.29	0.480	212.8	86.13	20.42	0.829	–	19.44	103.9	258.3	155.2	1.193	109.5	168.3
Sweden Krona	0.620	0.211	1.143	4.359	3.868	1.437	1.301	0.025	10.95	4.430	1.050	0.043	0.051	–	5.344	13.28	7.980	0.061	5.631	8.658
Switzerland Franc	0.116	0.040	0.214	0.816	0.724	0.269	0.243	0.005	2.048	0.829	0.196	0.008	0.010	0.187	–	2.486	1.493	0.011	1.054	1.620
UK Pound	0.047	0.016	0.086	0.328	0.291	0.108	0.098	0.002	0.824	0.334	0.079	0.003	0.004	0.075	0.402	–	0.601	0.005	0.424	0.652
US Dollar	0.078	0.026	0.143	0.546	0.485	0.180	0.163	0.003	1.372	0.555	0.132	0.005	0.006	0.125	0.670	1.664	–	0.008	0.706	1.085
Japan Yen	10.10	3.446	18.63	71.05	63.04	23.42	21.20	0.402	178.4	72.20	17.11	0.695	0.838	16.30	87.10	216.5	130.1	–	91.78	141.1
Canada Dollar	0.110	0.038	0.203	0.774	0.687	0.255	0.231	0.004	1.944	0.787	0.186	0.008	0.009	0.178	0.949	2.359	1.417	0.011	–	1.54
Europe Ecu	0.072	0.024	0.132	0.504	0.447	0.166	0.150	0.003	1.264	0.512	0.121	0.005	0.006	0.116	0.617	1.534	0.922	0.007	0.650	–

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

SOURCE: BZW

CyanMagYelloKey

INDICATORS

METALS

Steel market loses its sheen

STEEL production is set to fall sharply during the first half of the year as producers react to the growing global oversupply caused by the combination of new capacity and the fallout from the Asian crisis. World steel output increased by more than six per cent last year, well above the long-term growth path.

The dramatic slowdown in growth in the Asia-Pacific region has, as expected, led to import pressures in Europe and America. South Korea and Taiwan, Asia's largest steel exporters, have switched their focus in the face of falling local demand. South Korea will export an extra one million tonnes of flat rolled steel this year to make up for slack domestic demand.

There have been few signs of production cuts in the first quarter in the face of booming European and American markets, but there is strong evidence that mills have been stockpiling finished product and the scale of the problem is only just starting to emerge.

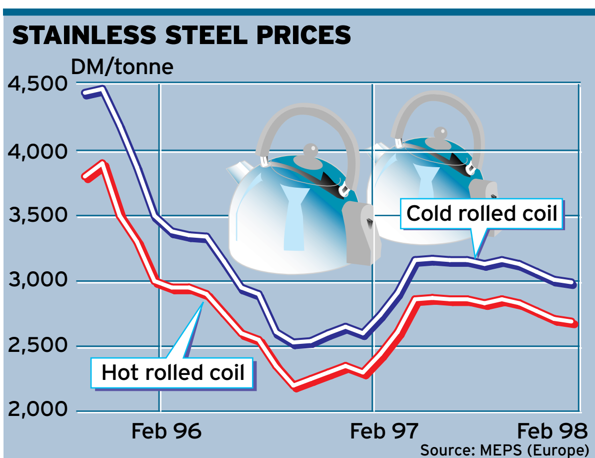
Europe's steel mills exported four million tonnes to Asia last year – three per cent of total output – and around one million tonnes are expected to be lost this year and in 1999. Turkey, which sends two-thirds of its exports to Asia, will be the worst affected. Poland, Romania and Bulgaria also export 10 per cent of their total production to the region. The heavy structural and seamless tube sectors have seen demand slashed as large infrastructure projects are on hold throughout the region.

The stainless steel market is facing the greatest pressure in the wake of new capacity coming on stream in Europe, America and Latin America as well as booming production in the EU. As well as consumer products, stainless steel is an integral part of a broad range of manufacturing sectors, notably construction. Prices have been falling since the middle of last year (*see chart, below*) and stand at just half their 1996 level. EU production hit an all-time high of 6.8 million tonnes in 1997, a rise of 10 per cent. The long-term growth of the market indicates that this level is unsustainable, according to MEPS (Europe), a UK-based steel consultant.

The expected consolidation in the steel sector this year is starting to take shape following last week's $1.4 billion purchase of America's Inland International by Ispat International, the UK-based company. This makes Ispat, which has European production facilities in Germany and Ireland, the eighth-largest steel producer in the world.

DOUG CAMERON

STAINLESS STEEL PRICES



Source: MEPS (Europe)

FARMING

AGRICULTURAL INCOME

1997 change on previous year (%)

−20 −15 −10 −5 0 5 10

The Netherlands, Belgium, Germany, Luxembourg, France, Denmark, Sweden, Spain, Ireland, EU15, Greece, Italy, Finland, Austria, Portugal, Britain

Source: Eurostat

TILLING the soil was once the most honourable of professions. But Europe's agricultural performance has embarked on a downward trend. Plans under discussion in the European Commission for modest reform in the Common Agricultural Policy will not ease the situation.

Last year agricultural income dropped by 2.8 per cent in the European Union. Eurostat, the statistical office of the EU, delivered this depressing picture after significant rises in the previous three years – 9.3 per cent in 1994, 5.2 per cent in 1995 and 5.5 per cent in 1996, which contributed to a 20-year high.

The slump is the result of lower crop prices – down 5.1 per cent – and cheaper animal products, down 3.1 per cent. The countries which suffered heavily faced additional problems of their own. Britain saw a 22.4 per cent fall, influenced by the strength of sterling. Portugal was down 13.3 per cent, owing to poor weather which affected crop output and quality.

Doing rather better are the Netherlands with an 8.7 per cent rise, Belgium (3.7 per cent), Germany (3.2 per cent), Luxembourg (0.8 per cent) and France (0.7 per cent).

INTEREST AND MONEY MARKET RATES

COUNTRY	OFFICIAL INTEREST RATES				MONEY MARKET RATES: 3 months			Benchmark bond			
	Rate	Previous rate	Date of change	Name	This week	Week ago	Year ago	This week	Week ago	Year ago	Name
Austria	2.50	3.00	18.4.96	Discount	3.60	3.60	3.30	4.93	5.13	5.69	Oest Bund
Belgium	3.30	3.00	9.10.97	Central	3.63	3.69	3.52	4.98	5.15	5.83	OLO
Denmark	3.75	3.50	9.10.97	Repo	3.88	3.88	3.66	5.11	5.31	6.40	DGB
Finland	3.40	3.25	19.03.98	Tender	3.42	3.43	3.07	5.00	5.15	5.98	FGB
France	3.30	3.10	9.10.97	Intervention	3.52	3.56	3.38	4.92	5.06	5.54	OAT
Germany	4.50	5.00	18.4.96	Lombard	3.51	3.52	3.25	4.86	5.04	5.73	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	
Ireland	6.75	6.25	2.05.97	Short Term	3.88	5.94	5.75	5.06	5.21	6.59	Gilt
Italy	5.50	6.25	23.12.97	Discount	5.62	5.78	7.44	5.18	5.32	7.75	BTP
Luxembourg	3.30	3.00	9.10.97	effective rate*	3.63	3.69	3.52	4.98	5.15	5.83	related to OLO
Netherlands	3.30	3.00	9.10.97	Special Adv.	3.44	3.44	3.22	4.92	5.02	5.60	DSL
Norway	5.75	5.50	19.3.98	Overnight	4.13	4.07	3.47	5.22	5.32	5.91	NGB
Portugal	4.90	5.20	18.11.97	Discount	4.61	4.63	6.20	5.02	5.16	6.79	OT
Spain	4.50	4.75	13.2.98	Repo	4.58	4.50	5.78	5.05	5.23	7.00	Bono
Sweden	4.35	4.10	16.12.97	Repo	4.61	4.66	4.34	5.34	5.53	7.07	SGB
Switzerland	1.00	1.50	27.9.96	Discount	1.06	0.94	1.87	2.74	2.93	3.60	Swap rate
UK	7.25	7.00	6.11.97	Base	7.47	7.44	6.16	5.96	6.04	7.34	Gilt
US	5.00	5.25	31.1.96	Discount	5.56	5.59	5.51	5.58	5.72	6.69	Treasury
US	5.50	5.25	25.3.97	Fed Funds	n/a	n/a	n/a	n/a	n/a	n/a	
Japan	0.50	1.00	9.7.95	Discount	0.78	0.89	0.58	1.61	1.68	2.25	JGB
Canada	4.70	4.65	03.3.98	Call Loan	4.70	4.94	3.15	5.40	5.60	6.53	CGB

* Tied to Belgian Franc

SOURCE: STANDARD & POOR'S MMS

ECONOMIC DATA

COUNTRY	INDUSTRIAL OUTPUT*			INFLATION†				UNEMPLOYMENT††			
	Latest quarter	Previous quarter	Year ago	Latest month		Month ago	Year ago	Latest month		Month ago	Year ago
Austria	3.9[5]	n/a	3.7	Jan	1.2	1.0	1.7	Feb	4.5	4.4	4.1
Belgium	1.7	1.9	0.7	Feb	0.7	0.4	2.0	Feb	12.9	13.1	13.4
Denmark	2.2[2]	3.7	2.7	Dec	1.7	2.3	2.3	Jan	7.4	7.4	8.3
Finland	6.0[2]	6.2	3.8	Feb	1.9	1.9	0.4	Feb	13.2	13.8	15.8
France	2.6[2]	2.2	1.7	Jan	0.5	1.1	1.8	Jan	12.1	12.2	12.7
Germany	2.6	2.4	2.2	Feb	1.1	1.3	1.7	Feb	11.5	11.6	11.2
Greece	10.6[5]	n/a	11.3	Feb	4.3	4.4	6.5	Dec	8.7	8.4	8.4
Ireland	7.8[1]	n/a	10.1[3]	Feb	1.7	1.8	n/a	Feb	9.7	9.7	10.6
Italy	2.8	2.1	0.1	Feb	1.8	1.6	2.4		11.7[4]	12.2	11.7
Luxembourg	5.5[1]	3.8[3]	2.4	Feb	1.1	1.4	1.5	Nov	3.7	3.6	3.6
Netherlands	2.9[2]	3.1	3.0	Feb	2.2	1.8	2.2	Feb	5.1	5.0	6.4
Norway	4.4	2.3	4.3	Feb	2.0	2.0	3.3	Jan	3.0	2.6	4.1
Portugal	3.0[1]	2.3	2.0	Feb	2.1	1.9	2.9		6.5[2]	6.5	7.1
Spain	3.6	3.5	2.6	Feb	1.8	2.0	2.5	Jan	12.9	12.8	14.1
Sweden	3.3	2.7	1.8	Feb	1.2	1.3	−0.4	Feb	6.7	2.4	8.8
Switzerland	2.0	1.1	−0.6	Jan	0.0	0.4	0.9	Feb	4.9	5.0	5.7
Turkey	6.6[4]	6.6	8.1	Feb	99.3	101.6	77.7		5.8[6]	6.3[7]	6.6
UK	2.9	3.0	2.7	Jan	3.3	3.5	2.8	Feb	4.9	5.0	6.2
US	3.9	3.9	3.2	Feb	1.4	1.6	3.0	Feb	4.6	4.7	5.3
Japan	−0.2	1.0	3.2	Jan	1.8	1.8	0.6	Jan	3.5	3.5	3.3
Canada	4.5	4.3	2.7	Jan	1.1	0.7	2.1	Feb	8.6	5.9	9.7

*Gross domestic product year on year. † Annual per cent. †† Per cent of workforce.
q4 1997 except where stated: 1=q4 96 2=q3 97 3=q4 95 4=q2 97 5=year 97 6=Oct 96 7=Apr 96

SOURCE: STANDARD & POOR'S MMS

EAST EUROPEAN DATA

COUNTRY	INDUSTRIAL OUTPUT*				INFLATION†				UNEMPLOYMENT††			
	Latest month		Month ago	Year ago	Latest month		Month ago	Year ago	Latest month		Month ago	Year ago
Bulgaria	Sept	−19.9	6.2	−22.1	Nov	0.5	1.0	754.8	Nov	13.5	13.4	12.0
Croatia	Nov	6.5	6.0	2.3	Nov	0.4	0.2	3.2	Nov	22.7	22.8	21.7
Czech Rep	Oct	9.1	6.6	6.3	Dec	0.5	0.4	10.0	Dec	5.2	4.9	3.5
Estonia	Oct	12.5	13.7	4.8	Oct	0.9	0.6	12.2	Sept	3.6	3.5	4.2
Hungary	Nov	13.3	14.2	10.6	Dec	1.1	1.2	19.4	Dec	10.4	10.2	10.5
Latvia	Sept	10.9	1.9	−2.9	Sept	0.2	0.4	8.1	Sept	7.1	7.3	7.0
Lithuania	Oct	10.8	−5.2	−5.4	Oct	0.4	0.3	9.0	Oct	5.9	5.6	6.4
Poland	Nov	11.7	10.7	4.7	Dec	1.0	1.2	13.2	Nov	10.3	10.3	13.3
Romania	Oct	−11.6	−15.6	13.2	Nov	4.3	6.5	165.6	Oct	7.6	7.2	6.3
Slovakia	Sept	0.1	−0.8	3.1	Dec	0.7	0.7	6.7	Nov	12.6	12.9	12.2
Slovenia	Nov	−1.5	1.3	3.6	Dec	0.3	0.6	9.5	Oct	14.5	14.4	14.0
Russia	Aug	3.0	3.4	−6.6	Oct	0.2	−0.3	9.5	Oct	8.9	9.1	9.2
Ukraine	June	−2.4	−1.8	−4.5	Nov	0.9	0.9	9.6	Oct	2.7	2.7	1.3

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

SOURCE: PLANECON

ECONOMIC INDICATORS

GERMANY recorded a current account deficit of DM12.5bn ($6.8bn) in January, after a surplus of DM10.9bn in December, and compared with a deficit of DM10.6bn in January last year. The data shows that export volumes remain buoyant. M3 growth, the Bundesbank's primary barometer for future inflation and a key guide for setting interest rate policy, slowed last month; growing by an annualised 2.8 per cent between the fourth quarter of 1997 and February 1998. This compares with a headline growth rate of 3.1 per cent in January.

FIGURES for average earnings growth in Britain for November and December 1997 were revised sharply downward to 4.50 per cent compared with earlier estimates of 4.75 per cent. The figure for January was also 4.50 per cent, the level the Bank of England considers consistent with meeting the government's target rate of inflation.

ITALIAN GDP rose 0.2 per cent in the fourth quarter of 1997 after a 0.6 per cent rise in the previous period. Year-on-year GDP grew 2.8 per cent. Exports and stock building provided the impetus for stronger growth in the last quarter.

FRENCH hourly wages rose 0.4 per cent in the fourth quarter of 1997, a smaller gain than those posted in the previous three quarters and further evidence that wage growth is not pushing inflation higher. Monthly salaries grew at a slower pace in the last three months of the year, rising 0.2 per cent in the quarter and 2.4 per cent from a year earlier, the labour ministry reported.

LETTERS

Letters to the Editor, The European, 200 Gray's Inn Road, London WC1X 8NE, England.
Fax: +(44) (0)171-713 1840. E-mail: letters@the-european.com
Shorter letters are preferred. Letters may be edited for clarity

British rail: a privatisation on the wrong lines

THE chaotic sell-off of the British rail system is an abject lesson in how privatisation can be mishandled when ideology and political expediency overcome common sense. As Louise Bowman points out ("The great train robbery", issue 407), railways cannot run around corners and John Major's government cut a few too many in its headlong rush to sell off the system.

Privatisation of the British network has cost taxpayers more than £700 million ($1.14bn). It has created a complicated network of operators and providers. There are more bureaucrats than ever, rail services have deteriorated, prices have gone up and there are dire concerns about safety. Much of the track is unsafe.

Replacing antiquated, underfunded state monopolies with equally disorganised private companies is no way to get railways on the right track. We were told that a nationwide system could never be cost-effective and that assets needed to be divested to local and regional agencies. But Britain is small enough for an integrated passenger and freight system to work. Privatisation, yes. Regionalisation, no.

Christopher Read
Reading, England

GREATER MANCHESTER Passenger Transport Authority has criticised Virgin Trains for the poor punctuality and reliability of its train services on routes serving Greater Manchester. There has been little improvement in performance compared with the position before privatisation.

When Virgin Trains was awarded the franchise, it promised to improve services for rail passengers. We have yet to see evidence of this.

Ruth Morley
Manchester, England

WE are entering a new era in rail transport in Europe. While the general direction can be discerned, nobody can predict today how tomorrow's railway market will look. But with traffic jams a common sight in all European countries and international traffic within the European Union expected to increase by 60 per cent between now and 2010, rail networks cannot be overlooked.

State-operated railways are being privatised in most west European countries. EU Directive 91/440 on railway undertakings obliges all 15 member states to reduce railway company indebtedness and to establish a management structure independent of the state. Two key measures will change the entire rail transport environment. The member states must make the relationship between rail operation and infrastructure management transparent. An accounting separation between both areas is obligatory, while a more extensive structural separation is optional. The traffic operations of the railway companies will have to be conducted like those of a private-sector undertaking operating in the market, while the rail network will be managed separately on behalf of the national governments. The latter will then bear the financial infrastructure burdens and collect user charges. The devil is in the detail.

Dr Paul Anderson
Geneva, Switzerland

WE need to favour rail over road. Of the proposed Trans European Networks (TENs), there are 140 road projects, 57 combined transport schemes, 26 inland waterway links and only 11 rail links.

More roads? You must be choking.

Anthony Moynihan
Cardiff, Wales

Blair's realpolitik

WHAT gain does the British prime minister, Tony Blair, expect from his craven support for the latest moves in President Clinton's disastrous Middle East policy? Is he looking for US patronage and support in Nato, in the US-dominated bodies of world trade and finance, the IMF and the World Trade Organisation? Does he hope that his relationship with the world's leading economic and military power will give him an advantage in his bid for leadership in Europe?

Certainly, he is doing little to counter the impression that he is prepared to sacrifice peace and human rights in the Middle East to this self-serving realpolitik.

Samantha Blick
Stuttgart, Germany

Indonesian corruption

TWO months ago *The European* published a selection of letters accusing the International Monetary Fund of aggravating Asia's financial crisis and propping up authoritarian regimes ("Is the IMF undermining the free market?, issue 401). My immediate reaction was that such criticism was unjustified. Having recently visited Indonesia for the first time, I have changed my mind.

During my stay in Jakarta, Suharto was nominated for a seventh term as president – the only candidate. He has been president since 1967. I heard him launch a scathing attack on the reforms being demanded by the IMF, accusing the organisation of trying to undermine the constitution. President Suharto is no friend of liberal economics, preferring "family principles" and regulated "co-operatives" rather than the free market.

Indonesia is run as a Suharto family business. Corruption is rife and there is a confusing web of family monopolies and state subsidies. Hyperinflation is having a destabilising effect and I witnessed huge student demonstrations across the country. It is time for change. The IMF should not continue to support such a rotten regime.

Daniel Mullins
Adelaide, South Australia

DRAWN FROM EUROPE

ACTION PLAN
TALKS
MORE TALKS
KOSOVO
LUNCH
TALKS
MORE TALKS
BREAK
...ANY QUESTIONS, SO FAR...?
CONTACT GROUP

CARTOONISTS AND WRITERS SYNDICATE — TOM – *TROUW*, AMSTERDAM, THE NETHERLANDS

Krajina wasteland

ONE of the most peaceful parts of Europe – in stark contrast to Kosovo ("Igniting powder keg of Europe", issue 407) – is Krajina, now a depopulated wasteland after the clearance of the Krajina Serb nation by the American-trained Croatian military.

Zagreb's unwillingness to allow the return of the Krajina Serbs, even though they would not pose a threat to Croatia's sovereignty, has yielded only the mildest of diplomatic rebukes. The member states of the European Union bear a special responsibility for Croatia's new-found ethnic purity. They, after all, "god-fathered" Croatia by their premature recognition, presumably having deemed it fit to look after the interests of all its peoples.

The Krajina Serbs' primordial fears of being railroaded into a secessionist Croatia, one that was unrepentant about its genocidal Ustasha predecessor state, were dismissed by outsiders back in 1991 because the internal administrative lines defining Croatia were decreed to be inviolable. The forcible change of the long-established international frontier between Serbia and Albania dating back to 1912 really would establish a destabilising precedent, in the first instance for neighbouring Macedonia whose large and already fractious Albanian population forms a compact minority in the area abutting the border with Kosovo and Albania. And if Serbia were to be partitioned, why not Bosnia?

Mike Finch
Teddington, England

Oppressed Kurds

THE western media are to be congratulated for recent coverage of the events in Kosovo and their search for a just solution, such as autonomy, for its oppressed people.

I hope it won't be too long before the media pay as much attention to the oppressed Kurds in Turkey. Autonomy for the 12 million-strong Kurdish minority would help eradicate human rights violations and go some way towards preparing Turkey for EU membership.

Patricia De Wit
Como, Italy

Bilingual Brussels

LEO PEETERS, the Flemish interior minister, has not decided "to expand Flanders into the federal capital", Brussels, or "caused outrage among Walloons" (Seven Days, issue 417). The six municipalities where French-speakers will in future have to ask if they want official information in French are part of the Flemish (Dutch-speaking) region and have nothing to do with Brussels, except that they border it.

The Flemish government wants to encourage newcomers to Flanders to learn Dutch, the official language of the region. As you rightly point out, Brussels has an altogether different linguistic status: it is officially bilingual. We do not understand why an administrative measure of the Flemish government should upset the Walloons, as they live in an altogether different region.

André Monteyne
President, Flemish Committee for Brussels
Brussels, Belgium

Flying into danger

TRAVEL is dangerous enough ("Wish you weren't here", issue 407) without having to go on "terror tours" to Iraq, Algeria, Chechnya or Afghanistan. I am a nervous flyer and the latest statistics on air accidents bring me out in a cold sweat. Seventy-five per cent of accidents happen in countries that account for only 12 per cent of world air traffic.

If you are flying anywhere in Africa the chances of crashing are multiplied by 20. The odds of being killed in a plane crash are less than one in a million for North America, Canada and western Europe, against one in 50,000 for Africa. The most dangerous places to fly are on local carriers in China, North Korea, Colombia, central Africa and the former Soviet republics. The American state department, Britain and Canada have instructed government employees to avoid using all Russian airlines unless absolutely necessary.

Helen Dodds
Lagos, Portugal

Millennium countdown

THE Millennium Bug is the result of computer programmers' efforts to save precious memory by truncating the date fields in computer programs to a two-digit year. December 31, 1999, for example, takes on the familiar format of 12/31/99. Under this date convention, the century field is held constant at "19", the century in which computers were born. As a result, many programs in use today by businesses and government agencies will read 01/01/00 as January 1, 1900.

The consequences for many businesses are potentially severe. Nearly all data used by computers in commerce involve a date in some form or another, whether it is a payment date, a shipping date, an expiration date or some other date significant to the transaction.

The only solution to the problem is to rewrite software programs so that they will recognise a four-digit year, ie looking ahead to 01/01/2000 not back to 01/01/1900. A common standard for this has to be agreed and adopted by programmers.

Rodolfo Mendoza
Brooklyn, New York, USA

WE ARE told that the "Millennium Bug" will cause millions of computers to crash at midnight on 31 December 1999, losing vital data and crippling businesses great and small. Lloyd's underwriters in London have been told by one "bug specialist" that claims are expected to exceed $1,000 billion in the US alone.

One expert has even claimed that the heavy cost and resulting catastrophe will trigger a worldwide recession. We are also told that one of the bug's most worrying aspects is that it is almost impossible to estimate the number of people and businesses affected and advise them of the steps they need to take to debug their computers.

There is, however, reliable and inexpensive WebRover software that can run a quick check on computers large and small. I have just paid £20 ($32.75) for a diagnostic test on my computer. It was money well spent. Prevention is better than cure.

Richard Chilton
Birmingham, England

I DON'T believe in fairies, ghosts or the Millennium Bug.

Roger Bacon
Sydney, NSW, Australia

CyanMagYelloKey

BusinessWeek
The Economist
EUROPEAN
FORTUNE
Herald Tribune
Newsweek
TIME

With seven prestigious publications distributed across five continents and over two hundred countries, there can be little doubting the reach and power of the

World Press Group

Our titles are required reading for all the people at the top. So, if you really want to get your message over to them, place it in the pages with more power.

Find us on +44 (0) 181 840 5882 or worldpressgroup@msn.com