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## EDUCATION IN EUROPE: Anything but Uniform



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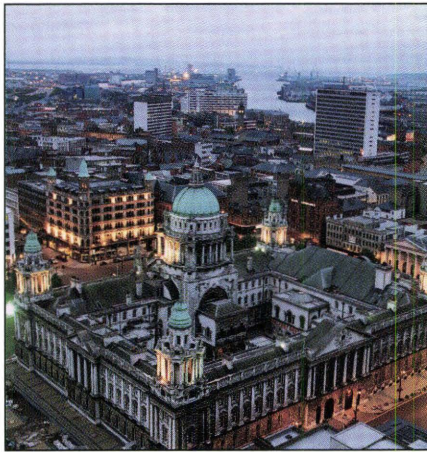
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# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



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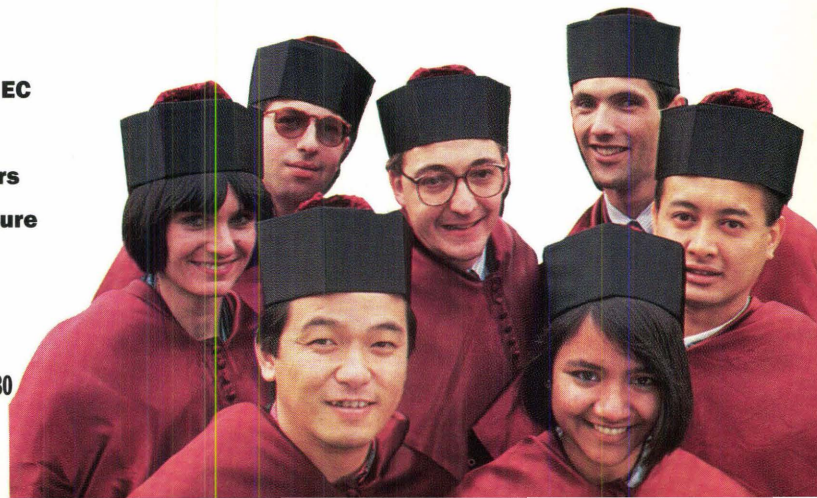
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# Letter From the Editor

DIVERSITY IN EDUCATION IS THE OVERALL THEME of our special look at education in Europe from kindergarten to MBA programs.

Ester Laushway warns our readers not to be misled by the uniforms that all children are required to wear in the United Kingdom into thinking that education in the UK is homogeneous. She points out that if you "strip away the traditional uniform, which is worn in both state and private schools, you uncover an amazing diversity among English primary and secondary schools."

From London to Athens to Copenhagen our writers look at the education systems in their own countries. Joe Carroll writes that "education is a non-stop debate in Ireland." Our other writers agree that discussions over education are indeed a serious and ongoing topic of concern and conversation.

Axel Krause looks at the "increasing growth of interest in the West European business education scene by Americans" in his article on US graduate schools of business offering courses leading to MBA degrees in Europe. Krause indicates that double degree programs in which European candidates can spend a year at a US campus and vice versa and obtain degrees from both schools are "highly popular."

The European monetary system has dominated economic news out of Europe this summer. Bruce Barnard, a reporter for the *Journal of Commerce* based in Brussels, explains the attempts to repair, "the battered Exchange Rate

Mechanism after the midsummer currency crisis." Barnard explains in detail how the current monetary problem evolved and predicts that "most EC countries are determined to salvage the ERM."

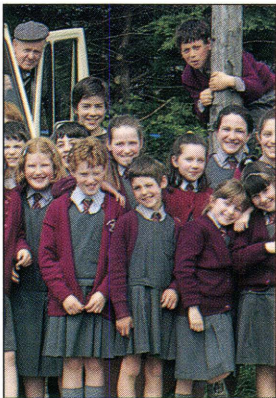
Our Member Country Report focuses on the United Kingdom, and David Lennon, writing from London, says that "the long-awaited economic recovery is slowly beginning to materialize." Lennon discusses Prime Minister John Major's abysmal poll ratings and explains what the Conservatives are trying to do in order to reverse these negative numbers.

*EUROPE* presents a profile of Chancellor of the Exchequer Kenneth Clarke, who appears to be a rising star in the Conservative Party.

Mike Burns, writing from Belfast and Dublin, presents an overview of the "troubles" in Northern Ireland. And we present several articles on the growth of tourism in Northern Ireland. From the pubs of Belfast to the beautiful golf courses along the coast, tourists are finding that a holiday in Northern Ireland, although unusual, may not be all that different from other places in Europe.

"At the stroke of midnight on the last day of June 1997, Britain's 99-year-old lease on Hong Kong will expire," writes David Lennon as he explores Hong Kong's future after it becomes a special administrative region of China. *EUROPE* presents a profile of Hong Kong Governor Chris Patten and looks at European business in Asia.

Next month, *EUROPE* explores industrial policy, unemployment, and the ways European business and governments are trying to promote the creation of new jobs for the future.



**Although uniforms are usually the norm in many European schools, European education systems are far from uniform.**

**Robert J. Guttman**  
Editor-in-Chief

# EUROPE

**Publisher**  
Peter Doyle

**Editor-in-Chief**  
Robert J. Guttman

**General Manager**  
Anne Depigny

**Managing Editor**  
Peter Gwin

**Editorial Assistants**  
Christina Barron  
Christie Gaskin

**Contributing Editors**  
Bruce Barnard  
Reginald Dale  
Axel Krause

**Design**  
The Magazine Group, Inc.

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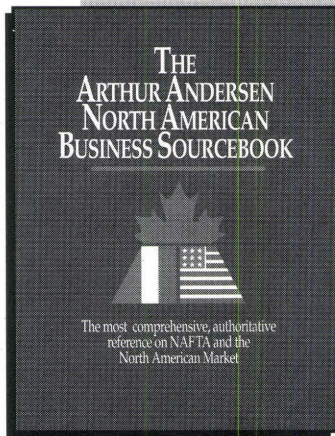
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*Reuters* has contributed to news reports in this issue of *EUROPE*.



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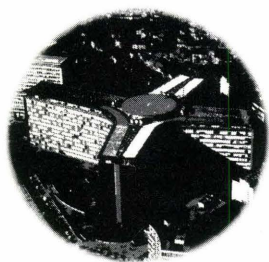
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# EYE ON THE E.C.



**T**he European Community is facing the toughest challenge since its creation 35 years ago as it attempts to repair the battered Exchange Rate Mechanism (ERM) after a midsummer currency crisis tore a gaping hole in its ambitious plan for Economic and Monetary Union (EMU).

The decision of EC finance ministers to effectively suspend the exchange rate system linking European currencies prompted a rash of premature obituaries for the planned single currency, the key first goal of the Maastricht Treaty.

But does the agreement to allow all currencies, except the German mark and the Dutch guilder, to fluctuate in a much wider band of 15 percent on either side of their central rates in the ERM (compared with the previous limit of 2.25 percent), really signal the end of monetary union?

Hardly. Most EC countries are determined to salvage the ERM, portraying the move to wider bands as a tactical retreat in the face of an unprecedented assault by currency speculators.

The ERM was torn apart by an event that seemed unimaginable four years ago—German unification. The Bundesbank has been forced to put up interest rates to squeeze out inflation born of the union with the former communist part of the country.

As the D-mark is the ERM's anchor currency, it sets the interest rate floor. This floor, while appropriate to tame German inflation, has forced low inflation countries to respond with unsustainably penal interest rates to maintain the parity of their currencies with the mark.

In the end, the cost—deepening recession and rising unemployment—became politically unacceptable.

The communiqué issued after the dramatic meeting of EC finance ministers and Central Bank governors on the weekend of July 31 through August 1 summed up the Community's position.

"This measure of limited duration is in response to speculative movements which are exceptional in amount as well as in nature.... The ministers and governors therefore reaffirm their support for the current parities and are confident that the market rates will soon approach these parities again."

France and Germany, the two most powerful EC states and the key players in the currency crisis, have reiterated their confidence that the existing timetable for EMU—a single currency by 1997 at the earliest and 1999 by the latest—remains valid and that the ERM can return to narrow bands in the near future.

Theo Waigel, Germany's Finance Minister, said the widening of the ERM bands did not compromise the move to stage two of EMU next January, involving the estab-

lishment of a European Monetary Institute, the embryonic EC Central Bank.

"People have underestimated the strength of our collective European commitment," said French Finance Minister Edmond Alphandéry.

EC finance ministers are due to review the ERM in January, and Waigel has predicted the ERM bands will be narrowed before the end of the year.

But the EC faces an uphill struggle to convince the financial markets in Europe, the US, and the Far East, which have written off ERM, and those within its own ranks, notably the UK, who believe the latest crisis has fatally wounded monetary union.

Some commentators, however, speculate that the recent chaos, rather than leading to a suspension of plans for EMU, may have accelerated them. They argue that the original strategy of a long period of rigid ERM rates before the final move to monetary union isn't sustainable, and an inner core of hard currencies will soon move to a D-mark-based currency union.

The EC cannot afford to throw in the towel. A lax ERM, allowing currency fluctuations of 30 percent, would undermine the recently established single market by tempting countries into beggar-my-neighbor competitive devaluations to boost their exports.

A more immediate problem is that the cost of the

Common Agricultural Policy (CAP), which devours half of the EC's budget, would soar if other currencies slip against the D-mark.

The move to wider bands traumatized the Community, but the important point is that the ERM is still intact. An exchange rate management system is still fluctuating, and the 30 percent spread is preferable to the wild gyrations that would have followed a total suspension of the 14-year-old grid.

EC finance ministers preserved the principle of the ERM while giving member states the freedom to cut their interest rates to stimulate their recession-mired economies and to shorten the dole queues.

The resulting recovery, hopefully free of currency tensions, will revive confidence in EMU.

The European Commission has warned member states they must reinforce cooperation or risk losing the chance of achieving EMU in the foreseeable future.

EC governments are acutely aware they must revive the ERM, the stepping stone to a single currency, to fulfill the aim of a single market to help the EC compete with the US and Japan. A single currency is the logical accompaniment to a barrier-free market.

"EMU is not going away and will not go away. The case for it is too strong," said Sir Leon Brittan, the EC's External Economics Affairs



Commissioner. "No one should underestimate the gravity of what happened... but equally no one should underestimate the will to rebuild economic and monetary cooperation."

EC governments remain committed to the narrow bands despite their newfound freedom to allow their currencies to fall 15 percent below their central rate. France and Denmark, which were at the center of the ERM meltdown, for example, adopted a very cautious stance on interest rates in the immediate aftermath of the move to wider bands.

EC governments do not want to desert a system that has paid them handsome dividends over the past decade before the downside triggered by German unification.

France's "franc fort" policy helped it to break out of a cumulative cycle of depreciation and inflation 10 years ago to become one of Europe's most competitive economies today. Denmark's ERM membership helped it to shake off a legacy of high inflation, building budget deficits, and persistent balances of payment crises that plagued the country in the early 1980s.

The ERM situation has revived speculation of a two-speed move to monetary union, with Germany, Belgium, Luxembourg, the Netherlands, and possibly Denmark fixing their exchange rates as a springboard to a single currency. Austria, Sweden, and Finland could join them very soon after they become members of the Community in 1995.

Talk of a two-speed Europe is still taboo, but it appears the most likely outcome, and one that would at least set a target for the outsiders to aim at.

Getting France on the fast track to monetary union would be the icing on the cake. **E**

—Bruce Barnard

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# EUROPE

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# Hopes Pinned on Economic Recovery

**T**HE LONG-AWAITED ECONOMIC RECOVERY is slowly beginning to materialize. But though the statistical trend does at last appear to be upward, the prolonged recession has taken a heavy toll on the government, and its popularity has suffered badly.

A Gallup Poll in late summer placed the ruling Conservative Party in third place behind even the diminutive Liberal Democratic Party, and Prime Minister John Major's low personal rating of 12 percent in July made him at that stage the least popular leader in British history.

It is not only job losses and fears for future employment which contributes to this situation but also, as Foreign Secretary Douglas Hurd notes, "a general disaffection with politics." The government's prolonged and knife-edge efforts to get parliamentary approval for the Maastricht Treaty, rather than call a referendum, hasn't helped either.

Despite skepticism because of earlier unfulfilled promises about the "green shoots of recovery," the government was able by the middle of the year to point toward a number of positive economic indicators. Inflation had reached a 30-year low at 1.25 percent and interest rates a 15-year low of 6 percent with the possibility of further reductions.

The down side was that the government's public sector borrowing was at an all-time high of over \$60 billion and rising toward \$75 million. At the same time unemployment remains stubbornly close to the three million mark, despite a slight if steady decline

**Labor Party leader John Smith (left) has not yet been able to capitalize on the unpopularity of Prime Minister John Major (opposite page) and the Conservative Party.**

**By David Lennon**









over the past six months.

Exports received a boost from the devaluation of July last year, but imports continued to grow. Domestic demand remains muted because of high personal debt as a consequence of the 1980s boom and people's fears about their job prospects.

The lack of public trust in the economic policies of the government forced John Major to sack Chancellor of the Exchequer Norman Lamont, in midyear and replace him with Kenneth Clarke, the man most likely to challenge him for the party leadership if things don't improve (see page 9).

On removing Lamont, the Prime Minister removed his principal buffer against criticism. He will be very exposed if the economy fails to fulfill its recent promise, if the Conservatives continue to lose seats in parliamentary by-elections, or if the Tories do badly in next June's elections to the European Parliament.

The common view in political circles is that the Prime Minister has less than 12 months to restore the economy and confidence in his leadership. If he fails, then the party brokers, "the men in gray suits" as they are known, are likely to arrive at 10 Downing Street with a request that he step down.

Major must be hoping that Clarke does well enough to rescue the economy but in the process will have to institute policies which are so unpopular that he loses all his attractiveness as a potential Prime Minister.

The pound's ignominious forced exit from the Exchange Rate Mechanism in July 1992 means that monetary control has become more difficult. Even newly appointed Chancellor Clarke admitted: "The conduct of monetary policy outside a fixed exchange rate system is very much an art, not a science."

There are five main economic issues which the government must tackle: the growing public sector borrowing requirements; monetary policy and inflation; taxation; the trade deficit; and exchange rate policy. How these are

handled may determine the government's future.

Despite the public perception of Prime Minister Major and his government as colorless and indecisive, the opposition Labor Party under its new leader, John Smith, seems unable to capitalize on the troubles of the Tories. The way in which Labor has edged toward the center of the political spectrum has left voters unclear as to just what its policies are and in what way it would cope with the country's economic and social problems.

The next general election is not due until 1997, though elections could be called earlier if the government was defeated in the House of Commons, an event that loomed perilously in the final debates over Maastricht.

It is not Labor but the right-wing members of his own party which have caused Major the most trouble. Time and time again they have challenged him, especially

over the ratification of the Maastricht Treaty. Though finally approved by both houses of Parliament, the row lingers over the United Kingdom's decision to opt out of the protocol on social policy with hairbreadth votes and challenges in the courts.

Europe continues to be the decisive fault which runs through both the Conservative and the Labor parties. It affects all aspects of domestic politics and not only the Maastricht ratification battle, but also the future of the ERM and the consequences of opting out of the social chapter continued to trouble the nation. British demands to be exempted from the social protocol of the treaty caused as much controversy at home as abroad.

Europe's inadequate response to the brutal warfare in the former Yugoslavia has far from brought glory on the government. The ineffectiveness of the UK and its European partners in the whole exercise has troubled the public as it watches daily on television the bloody slaughter in Bosnia.

One piece of inescapably good news

about Europe is that the UK will soon be linked to the continent by the Channel Tunnel. Next year, travel between this island and mainland Europe will be revolutionized. This historic link should gradually reduce the hostility of the "Little Englanders" among the population to a deeper relationship with the European Community.

Other foreign policy issues have provided little relief for the government. The special relationship between London and Washington, which was rekindled during the Reagan-Thatcher years, has clearly evaporated. Today the British electorate has to watch somewhat uncomfortably while its Prime Minister automatically backs every US military action, such as the very domestically unpopular use of American/UN force in Somalia.

Royalty used to be above the concerns of the common herd, but it has been a tough time for the Queen, as royal marriages fell apart in the full glare of publicity. She actually lapsed into Latin to describe 1992 as her "annus horribilis"—her horrible year.

This year has not been much better. Queen Elizabeth II was forced to pay taxes for the first time in response to public outrage over a \$100 million public purse bill for repairing the damage caused to Windsor Castle by a massive fire.

Terrorism continues to disrupt life in the nation's capital. A massive IRA bomb earlier this year devastated much of the financial district. Facing warnings by foreign financial institutions that they might have to relocate to safer cities in Europe, the police set up road blocks and stepped up their presence on the streets, bringing a whiff of Belfast to the heart of the nation's capital.

Even sport has not offered much relief from the gloom. England, the nation which invented soccer, is facing the dire prospect that its football team will not even qualify for soccer's World Cup to be played in the US next year. And let us not mention the dismal performance of the English team playing John Major's favorite sport—cricket!

It is vital for John Major that the economic recovery takes hold, otherwise he may have to ask the Queen for permission to borrow the phrase she used at the beginning of this year. ☹

*David Lennon is EUROPE's London correspondent and the syndication managing editor of the Financial Times.*

**One piece of inescapably good news about Europe is that the UK will soon be linked to the continent by the Channel Tunnel. Next year travel between this island and mainland Europe will be revolutionized.**



# Kenneth Clarke

## Chancellor of the Exchequer

John Major made Kenneth Clarke his Chancellor of the Exchequer because he was plainly the best man for the job.

Clarke, 53, is likely to be the leader on economic policy until the next election, and his decisions on how to deal with rising public spending and falling tax revenues will determine the fate of the current government.

At first sight he might appear to be careless of his image. His scruffy shoes have been a continual subject for comment as have his crumpled clothes, the beginnings of a beer belly, and a taste for convivial drinking and Panatella cigars.

He can claim the most modest background of any member of the cabinet—with the exception of Prime Minister Major. His father worked as an electrician in a coal mine during World War II and became a watchmaker and a jeweler, running his own small chain of stores in Nottingham.

Clarke reached Cambridge University through a state school. He studied law there and became a prominent member of “the Cambridge Mafia,” a group of fiercely ambitious Young Conservatives, including former and current cabinet ministers, Norman Lamont, Leon Brittan, Michael Howard, Norman Fowler, and John Gummer.

The reason he gave for his final conversion to conservatism was that he was very attracted by the individualistic, free market ideas of the government of Harold Macmillan and its readiness to contemplate admission to the European Community. He viewed the Conservative Party as one that would modernize the country and make it a more prosperous and liberal society.

Unfashionable Birmingham in the Midlands was his home for many years, and he practiced his legal profession there for 10 years before being elected to Parliament in 1970.



Regarded by many as the most promising politician in the Tory Party, he has a tendency to lead with his chin. He has a talent for getting into trouble, and he is very adept at getting out of it.

Clarke joined the cabinet in 1985 as Paymaster General and Minister for Employment. In that position he broke the back of the trade unions' closed shop policy. He showed similar firmness subsequently when taking on the entrenched medical and educational establishments. Roughing them up did Mr. Clarke little lasting harm.

A former Downing Street insider describes Clarke as having “the best political antennae since Margaret Thatcher. His basic question is: ‘What can we get away with?’ rather than getting tunnel vision about some pure political objective. He

sees pragmatism as a tool not a compromise.”

He belongs to the pre-Thatcher Conservative Party, sharing something of former Conservative Prime Minister Edward Heath's enthusiasm for Europe, though he has admitted to having never read the Maastricht Treaty.

Recently, Clarke said that the United Kingdom would have to consider rejoining the Exchange Rate Mechanism. A week later, he carefully added, “but not in the lifetime of this Parliament.” He knows that the government will have to take a position on a single currency and European monetary union before the next EC inter-governmental conference in 1996. But he is a smart enough politician to know it is not convenient to press the point now.

The vital question is, how will he perform as Chancellor given his lack of economic background? Clarke will be more cheerful than his predecessor, Norman Lamont, and this combined with his rapport with the media and his belief that the job of Chancellor is primarily political, should do wonders for the confidence of the financial markets. ☎

—David Lennon



By Bruce Barnard

# linking

British Telecom & MCI Join Forces

# up

**British Telecom has gambled \$4 billion on a high-stakes game to become the world's leading global telephone company.**

British Telecom upped the stakes in a head-on battle with AT&T for supremacy in the world market last June by paying \$4.3 billion for a 20 percent stake in MCI Communications, America's second largest long distance phone company, and pumping \$750 million into a \$1 billion joint venture with its new transatlantic partner.

The game plan, according to BT chairman Ian Valance, is "to become a leading global provider to multinationals." Bert Roberts, MCI's chairman, hailed the alliance as the "telecommunications deal of the century."

But the battle for market supremacy is only just beginning. AT&T also has trained its sights on the infant market for tailor-made packages of end-to-end voice, data, video, and electronic mail services. A week before BT announced its tie-up with MCI, AT&T launched Worldsource, an international business telecommunication service.

BT and AT&T are chasing a select customer pool





of some 2,000 major companies with worldwide operation who are increasingly looking for a single "outsourcer" to manage and integrate their corporate communications networks.

At present, long distance carriers such as AT&T, BT, and MCI can only provide long distance services up to the borders of most countries, at which point the calls must be carried by local companies which usually have a monopoly on domestic services.

Deals are already being stitched up. MCI itself won an \$80 million "global services" contract from J.P. Morgan, the New York investment bank. Electronic Data Systems Corp., a wholly owned General Motors subsidiary, signed a \$1 billion, 10-year deal to supply information technology services to Sweden's KF cooperative conglomerate.

To break out of their restrictive home turfs, both BT and AT&T are also trying to muscle into each other's markets. BT has applied to the Federal Communications Commission for a license to resell international communications lines to US-based multinationals, while AT&T says it is ready to dig up the United Kingdom's streets to build its own telephone network.

The two companies are involved in regulatory sparring over access to their respective markets, but with the US and British governments keen to foster competition, reciprocal licenses are likely to be granted within a year.

BT's stake in MCI has given it a clear lead over AT&T, but industry analysts say it's the company's riskiest move yet in its hard fought campaign to move into the US and capture a slice of the global market.

The MCI holding didn't come cheap. BT paid a 23 percent premium over MCI's stock price when the deal was struck and a generous 25 times its expected 1993 earnings. BT is handing over \$4.3 billion for a 20 percent stake in a company with net assets of just \$3.2 billion.

But BT is buying into a star performer whose revenues have shot up from \$500 million to \$10 billion in the past decade, has an 18 percent share of the US long distance market, and boasts a 15 percent annual growth in traffic volume in the past two years.

BT's global spread will help MCI to boost its 23 percent share of US-originated international calls and support its bid to repeat the success of its Friends

and Family program in the small- to medium-sized business market.

BT's tie-up with MCI came just as analysts were casting doubts on its ability to successfully expand beyond the cozy British market following a series of flops abroad. BT walked away from an unprofitable \$1.75 billion investment in McCaw Cellular Communications Corp., the US's biggest cellular phone company, selling its stake to AT&T at a price that just covered its expenses. It also sold, at a loss, a \$194 million stake in Mitel Corp., a Canadian switchboard manufacturer, and failed to entice Japan's Nippon Telegraph and Telephone Co. to join Syncordia Corp., its \$200 million-a-year Atlanta-based unit which runs internal corporate telephone networks.

The low point in BT's global strategy came in early 1993 when it failed to buy a stake in EDS Corp., the General Motors subsidiary.

Before the MCI deal, analysts said BT's international strategy was virtually nonexistent. Now, with a sizable foothold in the huge US market, BT has revived its global ambitions and hasn't ruled out a similar tie-up with an Asian partner though chairman Ian Vallance said, "It isn't a priority right now."

BT isn't seeking partnerships in Europe, with Mr. Vallance forecasting competition rather than cooperation with state-owned monopolies on the continent.

BT, privatized in 1984, has the financial muscle to take on all comers, making a net profit of \$1.8 billion on revenues of \$19.86 billion in the year to end March 1993.

AT&T is pitching for nonexclusive partnerships for its Worldsource venture, concentrating its search for a European ally to plug a hole in its surrounding global network before it launches its service in Europe next year with a \$350 million investment over five years.

AT&T launched Worldsource in the Asia-Pacific region, the world's fastest growing telecommunications market. It has linked up with Kokusai Denshin Denwa of Japan and Singapore Telecom, and expects Telestra of Australia, Unitel of Canada, and Korean Telecom to come on board soon.

BT and MCI intend to remain an exclusive club with their \$1 billion joint venture. They will divide their marketing activities with MCI taking on North

and South America, and BT the rest of the world.

The new joint venture will seek new business for its two shareholders and undertake research and development for them. BT and MCI claim they will be able to offer services faster and more cheaply to their multinational clients by operating jointly.

BT's aggressive drive for a global presence has unnerved Europe's telephone monopolies just as privately owned British Airways' bid to become a global carrier has rattled its state-owned rivals.

The European Community recently decided to open all international and domestic telephone services to full competition by 1998. But the BT-MCI deal will intensify pressure on European governments to accelerate the timetable for liberalization because their state monopolies can no longer hide behind protectionist walls in a business that straddles national borders. Germany, the Netherlands, and Greece are privatizing their monopolies, and other governments are sure to follow suit.

Even the most protected markets are opening up to keep pace with the spectacular advances in telecommunications. Bell South recently took a 12.5 percent stake in state-owned France Telecom's mobile data subsidiary that is building an \$80 million data transmission network in France—the first time a foreign company had teamed up with France Telecom in a key project in its home market. Bell South is also developing a nationwide mobile data network in the Netherlands.

The industry is gung-ho about prospects for the rest of the decade. Telecommunications will be "Europe's fastest growing major industry in the 1990s," according to the Daiwa Research Institute, which forecasts annual growth averaging 8.5 percent, doubling the sector's share of Europe's gross domestic product to 4.5 percent by the year 2000.

ABN/AMRO, the Dutch bank, says the industry's profits will average 15 percent a year until the turn of the century.

Against this backdrop, BT's gamble has a good chance of coming up trumps. **E**

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*Bruce Barnard is a contributing editor for EUROPE and is the Brussels correspondent for the Journal of Commerce.*





**For almost a quarter century, the UK has plowed billions of dollars it can no longer afford into Northern Ireland—in security, housing, health, welfare, attracting new industry, and scores of other areas.**



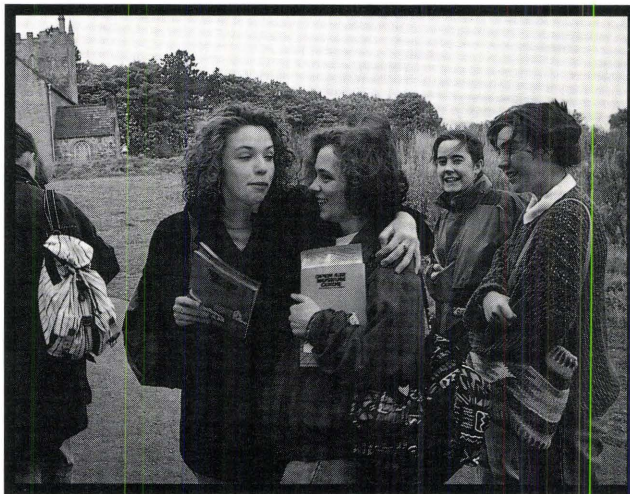
# N o r t h e r n I r e l a n d

# Then

# &

# Now

British Defense Secretary Malcolm Rifkind was in an upbeat mood as he paid a flying visit to Northern Ireland—one of those trips ministers make to reassure both the troops and the local population that the British government really cares about them.



In a ringing defense of British security police, Mr. Rifkind claimed that just one percent of the area's 1.4 million people were affected by terrorism. The remaining 99 percent, he said, go about their lives like everyone else in the United Kingdom, unaffected by the attempts of the IRA and other terrorist groups to destroy everyday living.

Whatever the intent, Mr. Rifkind's message was treated with skepticism. Local politicians were enraged.

"He's out of touch with reality," said one, pointing out that coping with wrecked towns, sudden death, and tight security was not normal. Others echoed that view, pointing out that committing 18,000 soldiers to security duties hardly

reflected a "normal" situation.

Mr. Rifkind's words were, presumably, intended as a reassurance at a time when he is slashing military budgets in the wake of the "peace deficit" brought about by the ending of the cold war.

The United Kingdom's predicament is that the mounting costs of maintaining its support in Northern Ireland (latest estimate: almost \$5 billion a year) must be set against a situation where the UK economy now ranks only eighth in the world.

For almost a quarter century, the UK has plowed billions of dollars it can no longer afford into Northern Ireland—in security, housing, health, welfare, attracting new industry, and scores of other areas.

In spite of this, terrorism continues to wreck the lives of ordinary people (although many visitors to the country sense that most citizens go about their lives in a fairly normal manner), underscoring the urgency of reaching a political settlement which can bring about peace.

Northern Ireland has witnessed civil and religious strife for decades, the origins almost forgotten in the mists of time. But the latest phase of "the troubles" (as they refer to it locally) has gone on for the lengthiest period in Irish history.

They began in the late sixties with an articulate civil rights movement demanding an end to discrimination against Roman Catholics in politics, housing, jobs, and a host of other areas.

The blame for this discrimination was laid at the door of the Protestant-controlled Northern Ireland Parliament, headed by a Unionist government representing two-thirds of the popula-

By Mike Burns

Above: Catholic and Protestant students on a joint school outing in Northern Ireland.



tion and favoring maintenance of the link with Britain brought about by partition of the island in 1921.

The civil rights demonstrators were rebuffed, sometimes forcefully, by mainly Protestant police. The IRA, after being dormant for many years, suddenly re-emerged as defenders of the Roman Catholics. Other parliamentary groupings, claiming loyalty to Britain, also appeared.

The result: a bitter fight between rival terrorist groups, the arrival of British troops, internment without trial, and, eventually, the proroguing of Northern Ireland's Parliament, introduction of direct rule from Westminster, and the appointment of British ministers to run the area.

In 1985, the British and Irish governments signed a new Anglo-Irish Agreement aimed at ending violence and promoting political dialogue. For the first time, the Irish government was given a direct voice in Northern Ireland affairs. But the agreement was boycotted by the Protestant leadership.

After years of stalemate, a new initiative was launched which brought together all Northern Ireland politicians supporting a constitutional approach to solving the problem, as well as the Irish and British governments. Only Sinn Fein, the political wing of the IRA, was excluded. However, those efforts foundered because of Unionist objections.

New attempts to revive roundtable talks are now being made by the British government's secretary in Northern Ireland, Sir Patrick Mayhew. But both the Irish government and the British opposition Labor Party say they are tiring of political foot-dragging by Northern Ireland politicians.

In recent weeks, the long-standing bipartisan approach to Northern Ireland upheld by the British Conservative, Labor, and Liberal Democrat parties has been breached by Labor, which has put forward a discussion document proposing British-Irish joint-sovereignty as an option.

Those proposals were curtly dismissed by British Prime Minister

John Major, who termed Labor's proposals "rather bizarre."

Then the Irish government, far from denouncing Labor's proposals, went one step further.

Ireland's Deputy Prime Minister Dick Spring suggested that the two governments should be ready to look at fresh ideas, such as joint British-Irish sovereignty and the possible involvement of the European Community in the running of Northern Ireland. Irish Prime Minister Albert Reynolds, a long-time personal friend of John Major, warned that he may seek the support of US President Bill Clinton for a settlement if attempts to restart peace talks founder.

Irish government officials believe that a significant "American card" can be played. They are hopeful that the unwelcome prospect of US intervention (promised by Mr. Clinton during his election campaign) might encourage Mr. Major to agree to a joint approach by the British and Irish governments if other efforts fail to end

## A Long History

THEY SIT ON THE WESTERN edge of the European map like two dried and misshapen prunes, the island of Britain and its

even more westerly neighbor, Ireland.

Only a few miles of sea separates them. Both are members of the European Community. Both share a common language and scores of other interests.

But a legacy of hatred and distrust still divides the terrorist groups in one of Europe's most complex territorial disputes: Northern Ireland.

The legacy dates back more than seven centuries, when England first became involved in the affairs of Celtic Ireland.

Cyclical rebellion and suppression, conflict and uneasy peace pockmarked most of the intervening years as the native Catholic Irish were forced from their productive lands, which were in turn handed over to British landlords and "planters," mainly Scottish Presbyterians.

In 1921, as part of a settlement after another Irish revolt against the British crown, the island was partitioned.

Twenty-six of the island's 32 counties, with predominantly Roman Catholic and Nationalist populations, gained independent status. The remaining six northeastern counties, with two-thirds Protestant/Unionist majority, remained part of the United Kingdom.

Both were given separate parliaments and, in years later, became identified as the Irish Republic and Northern Ireland.

The Irish Republic still maintains a constitutional claim on Northern Ireland "as part of the national territory."

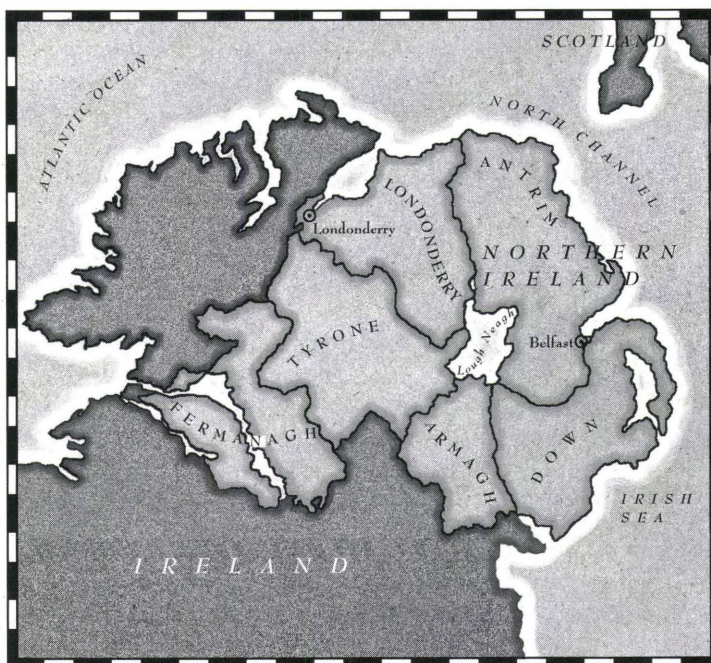
The claim is supported by the IRA (Irish Republican Army) and other nationalists in Northern Ireland, who opposed the

1921 settlement and partitioning. This claim is rejected by Northern Ireland Unionists, who maintain the claim is illegal and say it is the main stumbling block in reaching a British-Irish political settlement.

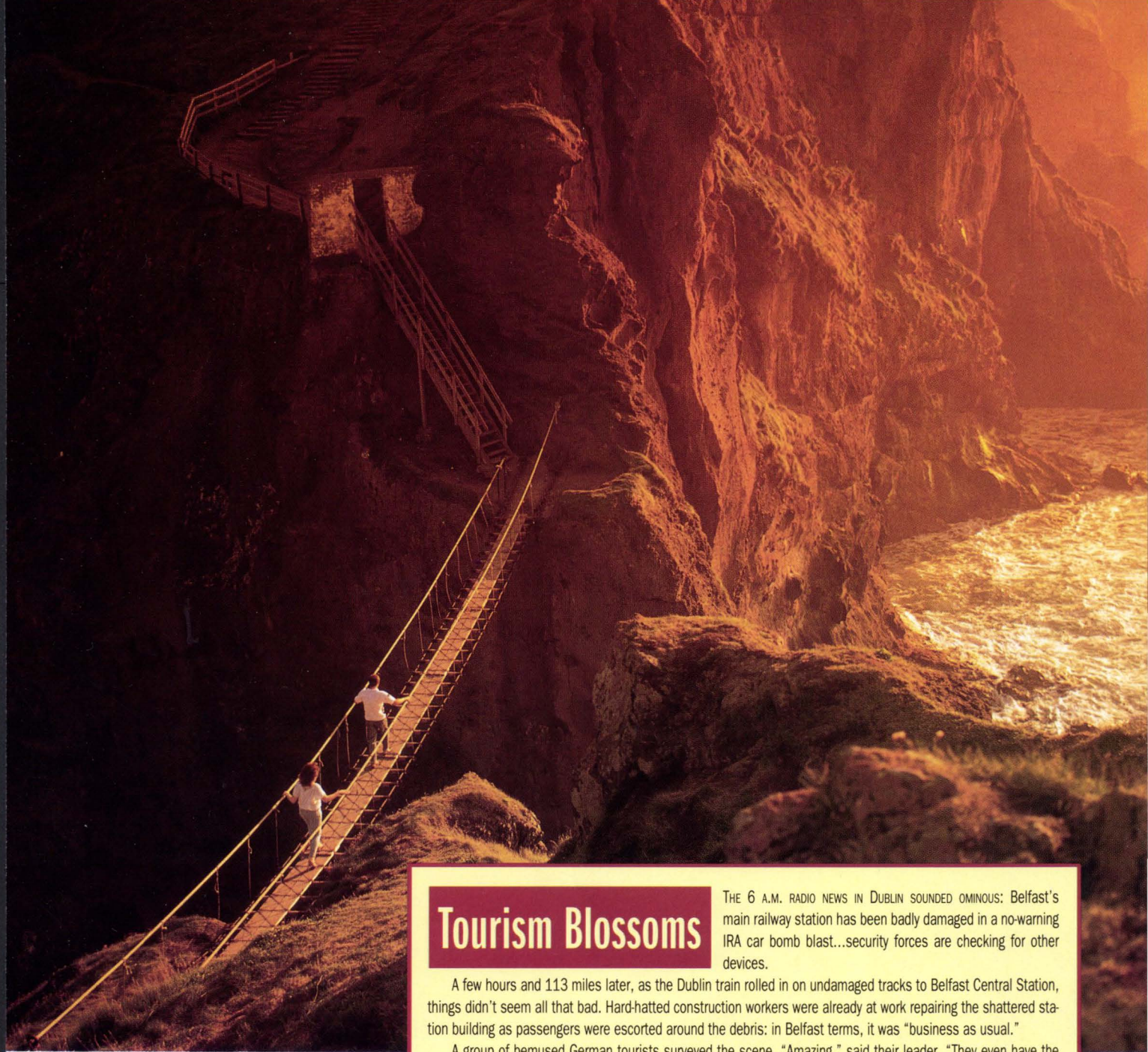
The Irish government says it favors a united Ireland, but only by consent, and it is prepared to delete its constitutional claim to Northern Ireland as part of an overall agreement.

The British government says it wouldn't object to a united Ireland if a majority of the people of Northern Ireland supported such a step.

—Mike Burns







**The rope bridge at Carrick-a-rede (“the rock in the road”) on Northern Ireland’s celebrated North Antrim coast has been swinging 80 feet above the Atlantic Ocean for the past 200 years.**

the current deadlock.

Megaphone diplomacy has not yet replaced the usual flowery language which has characterized British and Irish government maneuvering.

Unless all-party talks can be realized before year’s end, the prospects of maintaining favorable British-Irish relations might not improve. ☹

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*Mike Burns, a journalist based in Dublin, was formerly London bureau chief for RTE.*

## Tourism Blossoms

THE 6 A.M. RADIO NEWS IN DUBLIN SOUNDED OMINOUS: Belfast’s main railway station has been badly damaged in a no-warning IRA car bomb blast...security forces are checking for other devices.

A few hours and 113 miles later, as the Dublin train rolled in on undamaged tracks to Belfast Central Station, things didn’t seem all that bad. Hard-hatted construction workers were already at work repairing the shattered station building as passengers were escorted around the debris: in Belfast terms, it was “business as usual.”

A group of bemused German tourists surveyed the scene. “Amazing,” said their leader. “They even have the trains running on time.”

Tourists? In a “war zone?” Ripleyesque it may seem, but believe it or not tourism is one of Northern Ireland’s growth areas—visitors up 12 percent from Britain, up 16 percent from the rest of Europe, and up an astonishing 19 percent (more than 86,000 people) from North America. Tourism should increase from the US as the first-ever nonstop flights between New York and Belfast began this summer.

Those are 1992 figures, but the latest indications are that 1993 will show a further increase—despite fluctuations in the world tourism market.

Admittedly, that upswing comes from a particularly low base line—perhaps not surprisingly after almost a quarter-century of civil, political, and religious strife which has seen more than 3,000 dead and almost 15,000 injured.

But, in one of Europe’s main unemployment dark spots, tourism is providing much-needed jobs, many millions of dollars to help boost economic growth, and—despite the adverse “bombs and bullets” image—confirmation of a trend away from sun-and-sand tourist locations to environmentally friendly “green” destinations.

Speaking of “green” destinations, Northern Ireland is home to more than 80 golf courses. Beautiful coastal settings attract golfers from the US and Europe to championship courses such as Royal County Down.

Closer intergovernmental cooperation in more recent times between Northern Ireland and the neighboring Irish Republic has also helped in marketing both an all-Ireland context, with emphasis on the island’s rich and diverse cultural heritage, its scenic beauty, and its natural heritage attractions in an unspoiled environment.

—Mike Burns



# THE BELLE IN BELFAST

BY LAURIE LAIRD

**You're heading to Northern Ireland? For fun? And so the questions go when one mentions touring the region for a holiday.**

**B**

ut the six counties of Northern Ireland, on the northeast quadrant of the Irish land mass, arguably offer as much to tourists as the more heavily traveled counties of the Irish republic, from stunning coastlines to rolling green countryside to the bustling capital of Belfast.

Unfortunately, Northern Ireland's well-publicized sectarian problems scare all but the most intrepid tourists from the region, and stringent security measures in the region are initially intimidating. Tanks, filled with young soldiers bearing automatic weapons, comb the main arteries into the city—an odd sight when coming from the UK mainland, where the majority of police carry no weapons of any kind.

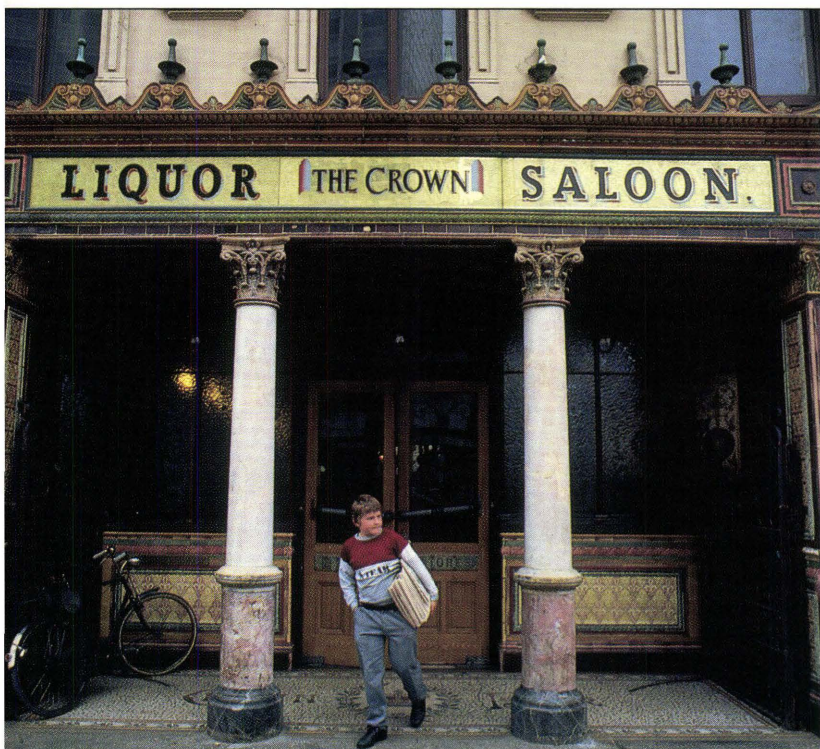
But in spite of the violence—or perhaps because of the troubles—the Northern Irish are incredibly warm toward tourists. Even the threatening-looking soldiers wish passers-by a

good morning, while a request for directions from a policeman can digress into a 10-minute conversation. Staffers from the Belfast tourist bureau are unbelievably helpful, doing all but inviting travelers into their homes.

Most appear anxious to prove that Northern Ireland—and Belfast in particular—is not the war zone depicted in much of the press. “The media never films neighborhoods where Catholics and Protestants are living together and getting along,” lamented one woman involved in the tourist industry.

Central Belfast harbors more than its share of charms, but outstanding physical beauty is not high on the list of the city's attributes (although the coastline just 40 miles or so north is regarded as among the most beautiful in Ireland). The view eastward toward the harbor is dominated by Samson and Goliath, two massive cranes said to be the second and third largest in the world. Ship-building remains a key part of the city's economy—despite the fate of Belfast's most famous product, the Titanic—and the city claims to support the largest dry dock in the world.

Housing blocks dominate the view to the west of the city, although beautiful green rolling hills are discernible beyond the concrete. Public transport out of the city is spotty, but roads are well-marked and maintained, so the outlying areas are easily explored with a rental car.



**The historic Crown Liquor Saloon lies just a few minutes walk south of the town hall and is a wonderful spot for a bite to eat or a quick pint of Guinness.**





**Belfast's downtown area maintains its share of impressive Victorian buildings, many in the area surrounding Donegall Square, the city's unofficial center.**

The western housing blocks still provide a fascinating view of the state of life in Northern Ireland. These working class neighborhoods are the most segregated in the city, and many of the buildings are decorated with huge sectarian murals, which depict loyalist sentiment closer to the city center and republican support a bit further north.

However, the downtown area maintains its share of impressive Victorian buildings, many in the area surrounding Donegall Square, the city's unofficial center. Belfast's town hall, which is open to visitors, sits imposingly in the middle of the square, and a number of banks operate out of beautifully restored Victorian buildings on the neighboring streets.

Perhaps the most impressive Victorian building in Belfast, the Crown Liquor Saloon, lies just a few minutes walk south of the town hall. The historical site is now owned and administered by the UK government but remains a wonderful spot for a bite to eat or a quick pint of Guinness. The exterior of the building is a mosaic of brightly colored tiles,

while the inside is decorated with painted mirrors and intricately carved woodwork. The bar area is dominated by snugs—small rooms for private conversations between six or eight people.

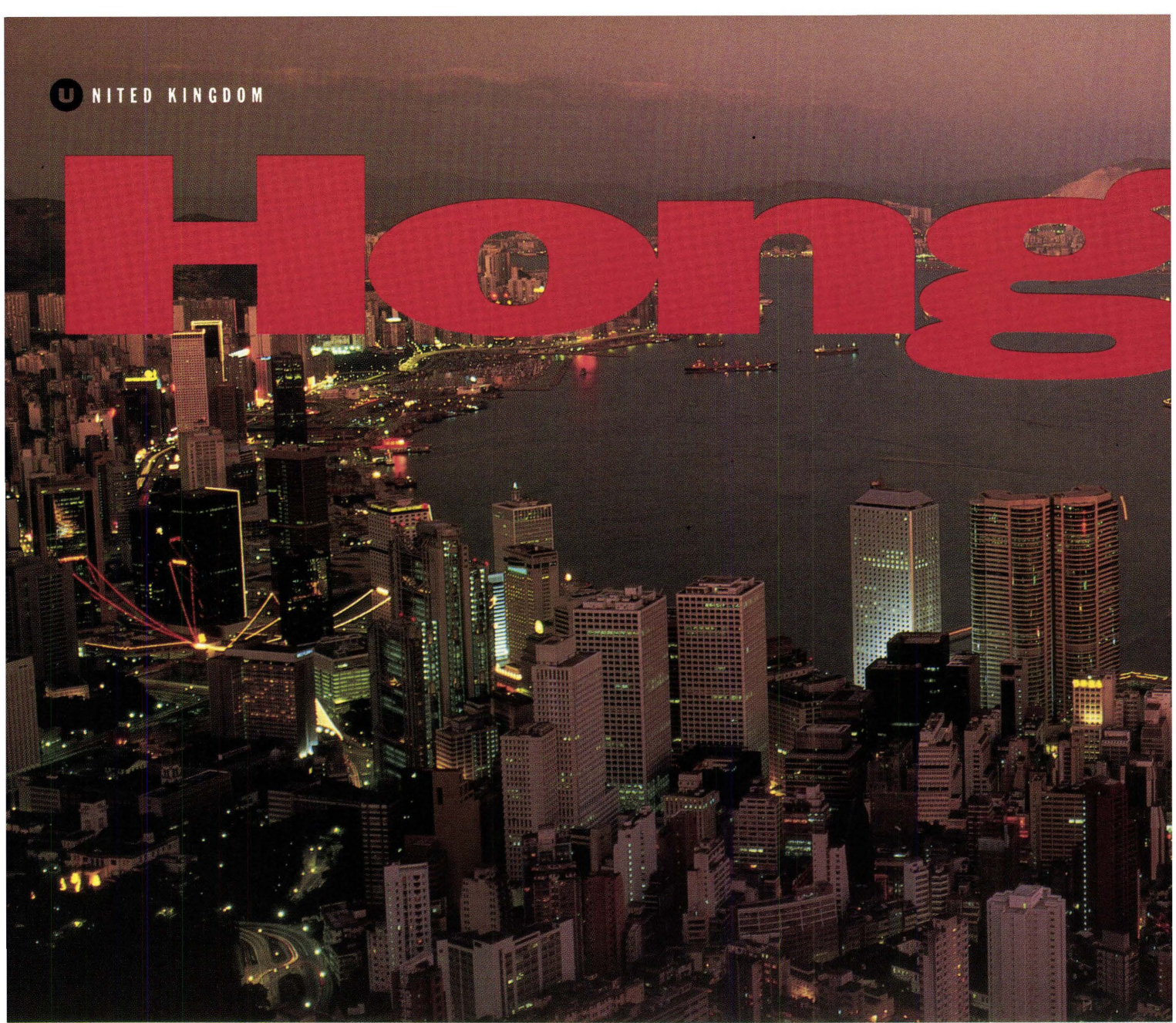
The Crown stands at the northern end of Belfast's Golden Mile, a strip lined with pubs and restaurants, which buzz with activity in the evenings. The Golden Mile ends at the impressive red brick Queen's University in the neighborhood containing the city's highest concentration of bed and breakfasts. Comfortable accommodation can be had for about \$15 per person (with breakfast).

While sectarian violence continues, Belfast and the remainder of Northern Ireland might not be on everyone's package tour list. However, the liveliness of Belfast, the stunning Northern Irish coastline, and the kindness of the Northern Irish people combine for a highly enjoyable vacation. ☺

*Laurie Laird is a journalist based in London.*



# Hong Kong



## Will the Bright Lights of Hong

**B** y  
**D** a v i d  
**L** e n n o n

**A**

AT THE STROKE OF MIDNIGHT ON THE LAST DAY OF JUNE 1997, the United Kingdom's 99-year lease on Hong Kong will expire. One of the most vibrant and dynamic city-states in the world will become a special administrative region of China, and no one can be certain what the outcome of this journey into the unknown will be.


The last significant overseas possession of the now-vanishing British Empire, Hong Kong, is a testing ground for the real nature and true intentions of Beijing. Will the communists allow the city to continue its laissez faire, free market, capitalist ways, or will the Chinese leaders impose the central controls which will scare away investors and entrepreneurs who have made the enclave unique?

For a long time, the British believed that they would be able to negotiate an extension of the Hong Kong lease. But when then-Prime Minister Margaret Thatcher visited Beijing in 1982, the Chinese made it clear they wanted the borrowed province returned and basically on terms they would dictate.

Two years later the two countries signed the Sino-British "Joint Declaration" establishing that after midnight on June 30, 1997, Hong Kong would become a special administrative region in China—with its existing economy and structures guaranteed for 50 years. The inhabitants were not asked whether they might prefer indepen-



# Kong

An aerial, high-angle photograph of Hong Kong, showing a dense urban landscape with numerous skyscrapers and buildings. The city is situated on a peninsula and is surrounded by water, with a large harbor in the foreground. The sky is hazy, and the overall tone is somewhat muted, suggesting a historical or archival photograph.

## Kong Be Dimmed After 1997?

dence rather than Chinese control.

The safe-water harbor on the South China coast now known in English as Hong Kong was first captured by the British in 1839 when China banned British merchants from selling opium along its shores. The small enclave was the subject of a series of treaties before the 1898 agreement was negotiated.

This gave Britain a 99-year lease on 946 square kilometers of land north of Kowloon, known as the New Territories, and more than 200 small islands near Hong Kong. It is a tiny speck of land just over 1,000 square kilometers in all.

Hong Kong rapidly developed as a free port where laissez-faire capitalism fostered the prosperous trade shipping goods in and out of China and elsewhere in the region. The city was ruled by an all-powerful British governor answerable only to London, and all responsible jobs were held by British expatriates.

The population of Hong Kong today is 5.78 million, of which 98 percent are Chinese. Its main trading partner is China, which accounts for 30 percent of exports and 37 percent of imports. The US is the next most significant, responsible for 23 percent of exports and 7.4 percent of imports. Seventeen percent of imports come from Japan, which in return buys just 5 percent of the colony's goods and services.

**In Hong Kong the clock is ticking toward midnight June 30, 1997, when one of the world's most vibrant city-states becomes a special administrative region of China.**



The growth of the trading relationship with China in recent years has been remarkable. Seven years ago just over 10 percent of Hong Kong trade was with China; today it is 67 percent and still expanding. One local analyst was recently quoted as saying, "1997 has already happened; it's just that the politicians haven't noticed."

In addition to trade, Hong Kong also holds about half, or some \$20 billion, of Chinese foreign reserves. A significant market for capital flowing in and out of mainland China, it is estimated that by the end of the decade China-related listings on the HK market will account for 45 percent of its capitalization.

For the Hong Kong Chinese, life has traditionally revolved around the extended family and money. Many have sent members of their family overseas to establish a business and personal presence in anticipation of 1997. Others are investing heavily in the mainland, and Hong Kong accounted for more than 60 percent of all investment into China last year.

The hope and belief of many in Hong Kong is that the value of the free port as the gateway to the capitalist world will mean that the new rulers will not want to close the open door. But most are apprehensive, especially as London has so far refused to grant British citizenship to any but a handful of Hong Kong citizens.

Hong Kong is not just an economic issue for the Chinese. It is a symbol of the nation's past humiliation by the imperialist West, and particularly Britain. This is why they insist on recovering this piece of territory and doing so on terms which will obliterate the shame of its original loss.

With less than four years to go till the handover, the squabbling between Beijing and London continues to rumble, with much of it being personalized by the Chinese in the person of Governor Chris Patten, the strong-willed Conservative Party politician appointed to the post last year. There are a variety of issues where disagreement lingers.



**The hope and belief of many in Hong Kong is that the value of the free port as the gateway to the capitalist world will mean that the new rulers will not want to close the open door.**

**Hong Kong holds about \$20 billion of Chinese foreign reserves. It is estimated that by 2000 China-related listings on the HK market will account for 45 percent of its capitalization.**

and professional sectors.

Beijing finds it incomprehensible that the British, who ruled the colony for 150 years without any semblance of democracy, should be trying to introduce the concept at this late stage of the game. Basically China regards it as a provocation and has been making it clear that it will simply reverse any changes made between now and 1997 that it doesn't like.

For the United Kingdom, these

changes are part of an effort to undertake an honorable retreat from the last outpost of its once mighty empire. London would like its departure from the crown colony to be a model, a demonstration to the world of how decolonization should be conducted.

Right now the picture looks reasonably favorable. The British are trying to ensure that they leave behind a functioning legal and regulatory system; the Hong Kong Chinese are investing in the mainland; and Beijing is using Hong Kong as its primary source for raising foreign capital.

But the great unknown is how China's government in Beijing will behave once it has obtained control. The massacre by Chinese troops of demonstrators in Tiananmen Square three years ago jolted Hong Kong's confidence, scaring the optimists and reinforcing the worst fears of the pessimists. ☹

—David Lennon



# Chris Patten

**C**HRIS PATTEN HAS PRACTICED NO OTHER ART THAN politics since he left college. Generally regarded as a "thoroughly decent chap," he is widely respected for his dynamism, intelligence, and willingness to listen to ideas in conflict with his own.

He discovered the pleasures of political campaigning when he spent a little time in the US working with the late John Connally of Texas. Realizing that he had a flair for this type of life, he subsequently used his quick wit, charm, and skill as a phrase-maker to build a career within the British Conservative Party.

His progress was thwarted for a time because of his doubts about the correctness of the political and economic policies being pursued by then-Prime Minister Margaret Thatcher, but eventually he won a seat at cabinet, albeit in lowly positions.

Later he was one of only three ministers who had the guts to tell the fierce Prime Minister to her face that she would lose the leadership election and that she should step down rather than suffer the indignity of defeat within her own party.

Though he had gained a reputation as "Mr. Nice Guy," Chris Patten revealed a more ruthless side when he subsequently headed the bruising and successful campaigning to re-elect John Major last year.

The surprise success of that election meant that the Prime Minister was in his

debt. When the same general election resulted in Patten losing his parliamentary seat, Mr. Major repaid his debt by offering Patten the job as governor of Hong Kong.

The preconceived notion of a Governor General of a British crown colony is of a very formal chap, who should be stiff of upper lip and backbone, Victorian in manner and deed.

The role hardly suited Chris Patten who is a classic "Little England" product in the John Major mold. This is the category which has produced a cadre of very able but classless and ultimately colorless politicians.

Demonstratively foregoing the trappings of the colonial ruler who impressed his subjects with the splendor of his

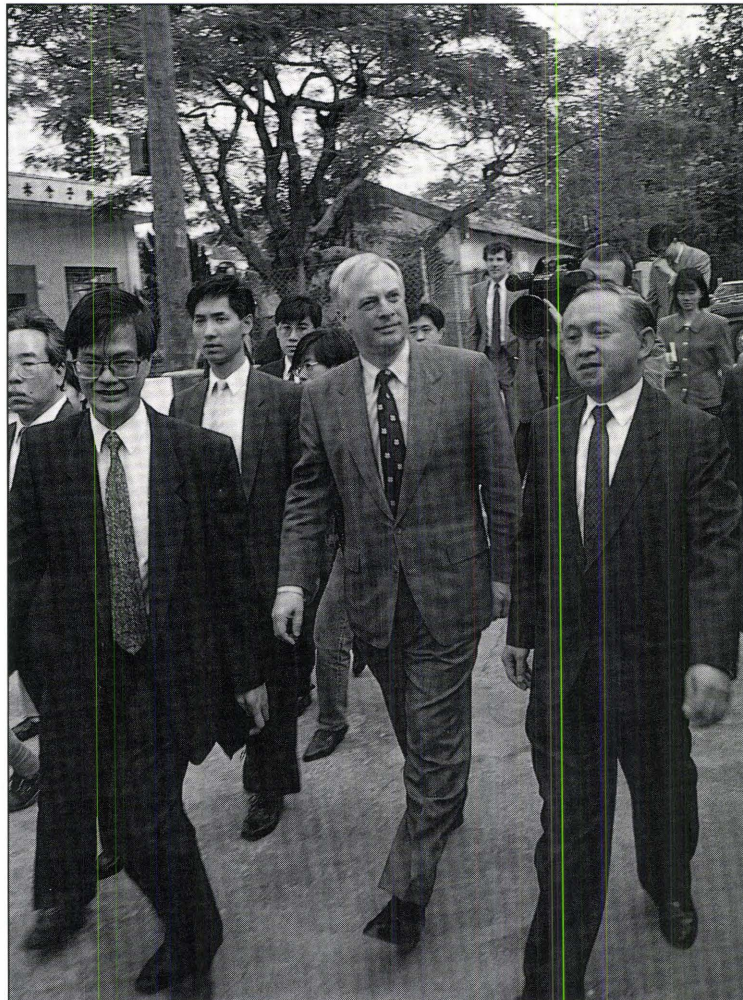
uniform and plumed hat, Patten chose a grey lounge suit for his inauguration. This gesture went down well at home, but confused the Chinese communist mandarins who associate pomp with power.

In fact, Patten took some time to decide whether or not to accept the job. It meant abandoning domestic politics and disruption for this family. His wife, Lavender, would have to give up her practice as a family lawyer, and the education of his three teenage daughters would also be affected.

After two weeks of deliberation he accepted the post. It guarantees Chris Patten a small place in British and Chinese history. It may even allow him to realize his once expressed dream of "life after politics." ☺

—David Lennon

**As the last British Governor of Hong Kong, Chris Patten is assured of a small place in both British and Chinese history.**





# The Expanding Asian Market

European  
business  
looks  
toward  
Asia for  
new  
trading  
partners

By  
Axel  
Krause

W

hen the United Kingdom's hard-driving governor in Hong Kong, Christopher Patten, meets visitors, he exudes buoyant confidence and optimism. Amid the runup to the territory's return to China in mid-1997 and despite Beijing's constant attacks on Patten as an imperialist meddler, he insists that Hong Kong's booming development and political democratic reforms will continue well into the next century. "There are anxieties in the region," he says, "but we must have courage and vision based on what the Chinese leaders themselves say the future will hold—one country, two systems." (Chinese socialism and Hong Kong-style capitalism).

For Europeans, whose presence as traders in the region dates back over 700 years—eclipsed in the post-World War II era by the United States and Japan—the relatively buoyant and underdeveloped economies of not only Hong Kong but China, Singapore, Vietnam, Malaysia, Indonesia, and Taiwan represent new, growing markets for their products, technology, know-how, and capital. The 12 European Community countries are already Asia's third most important trading partner after Japan and the United States.

But as Jocelyn Probert of the INSEAD Euro-Asia Centre in France notes, roughly 90 percent of EC foreign direct investments until now have flowed to other developed countries, notably within the EC and to Latin America.

Today, Europe's worsening recessionary conditions and Japan's resistance to opening its domestic markets have triggered bolder thinking about Western Europe's role elsewhere in Asia. Traditionally, the primary motivation by European companies to invest in Asia, Probert reports, has been oil-related and more recently, banking and services, led by the UK, the Netherlands, and Germany.

Asian countries throughout the region, whose economies are growing nearly twice as fast as Europe's, are encouraging French, German, British, and Italian business leaders and their governments and the EC Commission to expand on their strongest bases in Singapore and Hong Kong. Vietnamese leaders in Ho Chi Minh City are fond of telling European and American visitors fervently that they want to avoid becoming an economic colony of Japan, urging their foreign guests to consider investing in everything from offshore oil, banking, and consumer goods and services, to highways and telecommunications.

Similarly, at a recent conference on Asia's high technology organized in Hong Kong by the *International Herald Tribune* and the International Chamber of Commerce, Zhu Lilan, executive vice chairperson of China's State Science and Technology Commission, told European and American business leaders that her government faced "a fairly outdated conventional industry and a rather weak technological infrastructure...was increasingly, more open to attracting international cooperation...to build a modernized country."







Although China's recent annual growth rates of 13 to 14 percent are expected to slow down under the combined pressure of double-digit inflation and poor infrastructure, approved foreign investments now exceed \$60 billion, a tenfold increase over four years ago, says Bob L.S. Ching, who earlier this year established the US Boston Consulting Group's joint venture firm in Shanghai.

"The country is a speculator's dream, with opportunities for Americans and Europeans," he recently told newsmen in Paris.

Boston Consulting is only one among dozens of leading Western firms, companies, banks, and governmental missions still establishing beachheads in China and Hong Kong. The EC Commission operates a permanent representative office in Beijing. "It is very hectic here, with our ministers, business leaders, bankers, scholars, and artists coming through," comments Laurent Aublin, who recently moved from Washington to Hong Kong as France's consul general. "As Europeans, we should be doing more, and we are getting considerable encouragement from Patten," Aublin says, "and, not suprisingly, the British and Germans work closely with us."

Earlier this spring, thousands of young Chinese flocked to the city's modern waterfront art museums to admire a French-sponsored exhibit of Auguste Rodin's sculpture; a Western visitor on a typical weekday noted that adjoining galleries of classical Chinese art were virtually empty. And French President François Mitterand, German Chancellor Helmut Kohl, and EC commissioners have recently visited the region.

But across the nearby Chinese border, political obstacles loom for the French, even though French Prime Minister Edouard Balladur, EC Commission President Jacques Delors, and Kohl say all EC member countries are anxious to draw closer to China. German textile workers and labor unions allege that China is forcing their domestic textile and clothing companies out of business by flooding EC markets with products made by "slave labor," comprising imprisoned criminals and dissidents. And France is still feeling the pressures over the "Mirage affair."

When the French government and the Dassault aerospace group earlier this year confirmed that the first in a se-

ries of Mirage 2000-5 fighter aircraft would be delivered to the Taiwanese air force in early 1996, an angry Chinese government retaliated quickly. Arming China's "traitorous enemy" was no way to build friendly ties with mainland China, Beijing officials thundered, and ordered that France close its consulate in Canton; French officials privately said they believed the retaliation was mainly "symbolic," but feared that contracts for several large construction projects, in the transportation and nuclear fields, might now be awarded deliberately to France's competitors.

Western aerospace industry sources, conceding the Chinese had a point, noted that the Mirages are far more sophisticated than the 150 General Dynamics F-16s being sold to Taiwan by the United States, and that Washington and Taipei had, in any case, a long-established tradition of military cooperation which Beijing has accepted. "Dassault needed the sale, and in Taiwan they pay," a French industry official commented. "We also have a lot going in other areas, sometimes in cooperation with other Europeans."


Indeed, Airbus Industrie, the four-nation European consortium, considers the Asia-Pacific region the brightest spot on its otherwise lackluster worldwide horizon for its current line of airplanes. Ever since Korean Air became the first airline outside Europe to order an Airbus in 1974, a total of 28 airlines have ordered the planes, including China Eastern Airlines and TransAsia Airways of Taiwan, representing 24 percent of the consortium's total orders as of May 1993. "This area shows the strongest signs of growth, and with the demand expected to continue, we are already studying larger versions of our plane for entry into service in the second half of the decade," an Airbus spokesman said at the consortium's Toulouse headquarters.

A similar assessment is made at the Seattle headquarters of Boeing, whose executives believe the Asia-Pacific region could prove the most profitable market for what they describe as "an advanced technology ultra-high capacity aircraft with a seating capacity of some 600 passengers. This could be an advanced version of the Boeing 747, or of the rival Airbus A-340, which in June set a new record for the longest flight ever made by an airliner; Paris-Auckland, New Zealand, a distance of 19,100

kilometers, in 21 and a half hours. "There is huge interest in developing aerospace out there," says Ms. Probert of the Euro-Asia Centre.

Adds a senior executive of ArianeSpace, the European space launcher consortium, which generates 20 percent of its total revenue in Asia: "With China and Japan both in the satellite-launch business now and despite heavy competition from the United States, we are confident that we will continue launching satellites for the area...notably the promising area [of] Indonesia, South Korea, and Japan." And in Taiwan, the island's Taiwan Aerospace Co. has been negotiating a joint venture with British Aerospace to produce and market British Aerospace's 146 regional jet airliner and has signed agreements with Germany's Siemens for development of its ICE high-speed rail system.

The list of other major European companies and banks active in the region includes: Switzerland's Nestle and the UK's BTR (China), France's GEC-Alsthom (Korea) and Banque Indosueux (Vietnam), and the Netherland's Philips (Singapore)—many of which are backed by EC cooperation agreements. These accords date back some two decades to India's signing of a non-preferential trade cooperation agreement with the enlarged EC in the form of the UK, which later was extended to the Association of South-East Asian Nations (ASEAN) often viewed as the region's rival bloc to the European Community.

But analysts, such as Ms. Probert, consider the EC-ASEAN accords "political" and are convinced Western Europe still has a long way to go to catch the United States, Japan, and other major investment powers in Asia. She estimates that in China, Europe accounts for roughly 6 percent of total foreign investments, compared to 10 percent by the United States and 8.4 percent by Japan. In Korea, Europe represents 14.7 percent, compared to 28 percent by the United States and 48.2 percent by Japan. Only in Indonesia do European investments outperform the United States (17.6 percent versus 4.9 percent). "This still seems very lukewarm to me, but the European effort and presence could grow considerably in the years ahead, if the effort is made." 

*Axel Krause is a contributing editor for EUROPE and the corporate editor for the International Herald Tribune in Paris.*



# Inside

# EUROPE

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## EXPLAINING THE EUROPEAN EXCHANGE RATE MECHANISM

The European Community has no other choice but to revise the battered Exchange Rate Mechanism. The ERM is one of the most useful tools in the EC's campaign to compete globally with the US and Japan. In the medium term, the ERM's semi-fixed exchange rates have helped to lubricate cross-border trade in the Community, greatly reducing uncertainty for businessmen, allowing them to invest and plan ahead with reasonable confidence.

More important, the ERM is the springboard to a single European currency, the logical "top up" to the EC's single market launched last January.

The European Monetary System (EMS) first hit the headlines in September 1992 when the British pound and the Italian lira left the ERM in a dress rehearsal of the crisis this summer. But the EMS has been around for 14 years, working so well—there were no major currency realignments between 1987 and 1992—that it attracted little attention.

Monetary Union isn't a new idea either. The European Commission first set out the goal of Economic and Monetary Union (EMU) way back in 1962, and the Werner Report in 1970 actually set a 1980 target to achieve it.

The European Single Act in 1987, laying down the framework for the single market, revived the goal of EMU, followed by the landmark Maastricht Treaty of 1991, which set two timetables for a single currency—1997 at the earliest, 1999 at the latest.

But is EMU still feasible following the summer problems with the ERM? Yes, if for no other reason than the EC has been chasing a single currency for over 30 years and has the mechanism to achieve it.

The search for currency stability has a long history that won't be wiped out by a single year of currency upheavals. Several European currencies were linked in the so-called "snake", established in 1972 following the historic Smithsonian Agreement of December 1971, which ended the Bretton Woods system of fixed exchange rates and allowed currencies to fluctuate by 2.25% either side of their dollar parity.

The final collapse of the Bretton Woods system in 1972 encouraged the EC to create its own monetary system.

The "snake" however was only partially successful, with the UK, Ireland, and then France quitting it after periods of currency turmoil, reducing it to a D-mark-dominated bloc by the late 1970s.

The instability of the dollar in 1977-79 increased the attractions of a European currency zone to stabilize exchange rates and ease cross-border trade.

French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt were the driving force behind an agreement between the (then) nine EC member states to devise a "scheme for the creation of closer monetary cooperation," leading to a zone of "monetary stability in Europe."

And so the European Monetary System was born on March 13, 1979.

The system was based on a simple idea: to commit a government to keep its currency within an agreed upon band of fluctuation in its value. A majority of currencies were in a "narrow" band of 2.25 percent either way of their values against one another—the so-called bilateral central rates. A minority of weaker currencies were within a "broad" band of 6 percent.

Under the ERM rules, central banks are obliged to keep their currencies within the bands, either by intervening in the foreign exchange markets or adjusting interest rates.

Other central banks are required to defend currencies that can't keep within their bands. Thus, if the French franc falls to its floor against, say the D-mark, then both the Bank of France and the Bundesbank have to intervene (buying francs, selling D-marks) to prevent any further widening.

This is the system that survived, with periodic currency realignments, from the spring of 1979 to the summer of 1993. The ERM is still functioning, but with the new wider bands of 15 percent allowing a currency to fluctuate by 30 percent.

The skeptics say the ERM is history. Its supporters claim it is merely in convalescence, injured by a totally unex-



## EXPLAINING THE EUROPEAN ERM (CONTINUED)

pected, once-in-a-lifetime development—German unification.

Unification tore apart the ERM by raising inflation in the anchor country, driving up interest rates to politically and economically unsustainable levels elsewhere in the system.

With German interest rates falling and the mighty D-mark becoming cheaper against other EC currencies, the optimists insist a return to narrow bands will be feasible before year-end.

—Bruce Barnard

## E.C. NEWS

### DE LAROSIERE TO HEAD EBRD

Bank of France Governor Jacques de Larosiere has been formally elected as President of the European Bank for Reconstruction and Development.

De Larosiere won 58 votes of the bank's 59 governors after three other candidates for the post withdrew from consideration.

De Larosiere, 63, was Managing Director of the International Monetary Fund for eight years in the 1980s and has a reputation for austerity. The conservative De Larosiere replaces the EBRD's flamboyant founding President, Jacques Attali, who had come under attack for his free-spending ways while head of the bank.

### AILING 5-YEAR-OLD PROMPTS GREATER WESTERN AID TO BOSNIA'S WOUNDED

The plight of Irma Hadzimuratovic, a 5-year-old girl from Sarajevo critically wounded in a mortar attack, rallied Western nations to step up offers of medical treatment to ease Bosnia's overburdened hospitals.

Irma waited 10 days in a Sarajevo hospital without electricity or water before she was taken to London because UN officials who could approve her release were unwilling or unavailable, according to *Reuters* reports. British Prime Minister John Major finally ordered her transported to London after the international media picked up the story. Irma had been hit in the back by shrapnel and was suffering from meningitis.

Other countries, such as nearby Italy and distant Canada, responded to the well-publicized incident with offers to airlift other patients, especially children, from Bosnia. In a joint project, Sweden and the United Kingdom airlifted 39 patients out of Sarajevo for treatment. The Italian health minister offered 450 hospital beds for the wounded and seriously ill patients.

UN officials blamed cases like Irma's on communication problems exacerbated by lack of telephones in most homes and governmental restrictions on evacuating the seriously wounded. "In previous evacuation cases we've had to negotiate for four to five hours with the Bosnian government on a single case to make sure that these people have permission...to leave the city," said Peter Kessler, spokesman for the UN High Commissioner for Refugees (UNHCR). The International Organization for Migration recently offered to help the UNHCR process the evacuations.

### NATO COMMANDER NAMED JOINT CHIEFS CHAIR

Gen. John Shalikashvili, head of NATO, was picked to succeed Gen. Colin Powell as chairman of the US Joint Chiefs of Staff.

Shalikashvili has voiced criticism over inaction and indecision in Bosnia, the most pressing issue under his NATO command. In a press conference announcing the appointment, he expressed hope for a peaceful resolution to the crisis, but he added that the members must be prepared to carry out the threatened air strikes.

The general joined the Army in 1959 and later served in Vietnam and the Persian Gulf. He was lauded for his command of the humanitarian relief efforts toward the Iraqi Kurds in the Persian Gulf War.

Shalikashvili, whose appointment must be confirmed by the Senate, is expected to take over at the end of September.

### ALBERT II BECOMES BELGIUM'S SIXTH KING

Albert, the former Prince of Liege, ascended the Belgian throne in August after his brother, 62-year-old King Baudouin, died while vacationing in Spain.

King Albert II, 59, was expected to stand aside for his 33-year-old son, Philippe, to rule. But Belgian political analysts suggested that Albert's years of diplomatic and economic experience made him the better choice for a country whose quarrelsome French- and Flemish-speaking factions have toppled governments. Baudouin, who was Europe's longest reigning monarch, and his wife, Queen Fabiola, had no children.

Albert's power will be somewhat limited compared with that of his brother. Earlier this year Parliament voted to remove the king's power to choose a Prime Minister and to dissolve a Parliament.

### FIRST COHESION FUNDS APPROVED

The EC approved \$174 million in grants to Spain, Portugal, and Ireland under the cohesion program established last year.

The fund, which is intended to spur sluggish economies of the EC's poorer members, will total \$17 billion by the year 2000. The first installment will be used to pay up to 85 percent of environmental and transportation projects, such as a high-speed rail system in Spain.

Funds for Greece, the other recipient of cohesion funds, are scheduled to be approved in September.

### SHORT QUEUES FOR BUCKINGHAM PALACE

The Queen of England opened her doors to tourists for several weeks this summer, but many stayed home. Organizers of the tour expected some 7,000 to 8,000 visitors each day to Buckingham Palace, the London home of Queen Elizabeth II, Prince Phillip,



and other royal family members. But the lines were only moderate, with an average of 4,000 to 5,000 people paying \$12 to see only a few of the estimated 600 rooms. Among the highlights are the Picture Gallery, the Throne Room, and the Music Room.

The Queen opened the palace in order to defray part of the \$60 million restoration costs for Windsor Castle, which was damaged by fire last year.

Ticket information is available from the British Tourist Authority, 551 Fifth Ave., New York, NY 10176 or (212) 986-2200.

## LUXEMBOURG BOASTS READINESS FOR MAASTRICHT

Luxembourg Prime Minister Jacques Santer dismissed speculation that the European currency crisis damaged all countries in the region with boasts that Luxembourg remained the only member to fulfill the criteria in the Maastricht Treaty.

Santer revealed 1994 deficit projections of 1.9 billion francs, which is within the ceiling of 3 percent of a country's gross domestic product.

## BUSINESS BRIEFS

**Philips**, the \$30 billion-a-year Dutch electronics giant, is finally reaping the benefits of a savage restructuring program involving massive asset sales, plant closures and layoffs over the past three years.

Philips reported a first half 1993 net profit of \$625 million, thanks largely to the sale of a 35 percent stake in a computer chip joint venture with **Matsushita** of Japan.

**"Operation Centurion,"** the rescue plan launched by **Jan Timmer** when he became chief executive in 1990, still has some way to go with Philips expected to

lay off 15,000 of its 252,000 workers in 1993.

...

**PepsiCo** plans to spend \$500 million in Poland over the next three years in the largest single investment by a consumer products company in the ex-communist nation.

Pepsi will open **Pizza Hut**, **Kentucky Fried Chicken**, and **Taco Bell** outlets in Warsaw and other large cities, build a new snack plant, and expand its bottling facilities.

Pepsi expects its sales in Poland to scale \$100 million this year, rising to \$500

million by the end of the decade.

...

A far-reaching alliance between four medium-sized European airlines is hanging in the balance as their large rivals seek to break up the partnership.

**Lufthansa**, the German national carrier, has offered **Austrian Airlines** a co-operation deal hoping to lure it from a planned linkup with **KLM Royal Dutch Airlines**, **Swissair**, and **Scandinavian Airline System**.

**Air France** also has been courting Austrian Airlines and Swissair in a pre-

### WHAT THEY SAID....

**"These people who say they want to save us have a special kind of thinking. They think, 'Why worry about one life when we can save thousands.' But where are the thousands of lives they are saving?"**

—Edo Jaganac, the Sarajevo doctor who fought for international help for the wounded 5-year-old Irma Hadzimiratovic.

**"In one respect Europe has won a victory. It has moved away from Utopias and got back on the solid ground of facts."**

—Peter Gillies, editor of *Die Welt*, on the effects of the monetary crisis.

**"Europe has never made progress except through crises. Let's use the crisis to go further."**

—Alain Lamassoure, France's Junior Minister for European Affairs, suggesting that a single currency by 1999 still is a possibility.

**"This is not a disaster but a black day."**

—Wim Kok, Finance Minister for the Netherlands, just after the decision to expand the ERM currency bands.

**"We must promote the EC as a forum for peace. Without it, we risk a return to the national egoism, the small wars and perhaps even a major war, as in the 1930s."**

—Uffe Elleman-Jensen, Denmark's former Foreign Minister

**"Usually you see only the Japanese, French, or Germans in Italian museums. But these bombings appear to have stimulated the interest of Italians. They're asking, 'What are these museums?'"**

—Federico Zeri, an Italian art historian, on museum attendance after car bombings this year in Florence, Milan, and Rome.

**"NATO is ready to act....Let no one doubt this alliance's political will."**

—Gen. Manfred Wörner, Secretary General of NATO discussing the possibility of air strikes in Bosnia.

**"I find it insane and immoral that speculation, using billions of dollars, can have its way against states representing their people's interests and upset the daily life of dozens of millions of powerless people."**

—French President François Mitterrand on currency speculation that led to the crisis of the ERM.

**"I would like to see U2's music and Neil Jordan's films and other powerful forms of popular culture included in the curriculum at Trinity and other Irish universities."**

—Michael Higgins, Ireland's Arts Minister, said in an interview with the rock magazine *Hot Press*.



## BUSINESS BRIEFS (CONTINUED)

emptive strike against the four carrier merger that would create Europe's second largest airline after **British Airways** with yearly sales of \$13 billion.

KLM, a driving force behind the alliance remains confident, saying the carriers intend to sign a memorandum of understanding in September, with a definitive agreement expected before year-end.

...

**Alcatel Alsthom**, the French electrical engineering group, is paying **Canada's Northern Telecom** over \$900 million for its **STC Submarine Systems** unit, the world's biggest undersea cable company.

Alcatel and STC combined will control about 40 percent of the fast-growing global subsea telecommunications market, overtaking the previous market leader, **American Telephone and Telegraph Co.** which has about 35 percent of world sales.

**British Telecom** protested that the deal will reduce competition and make it unduly reliant on AT&T.

The undersea market is one of the fastest growing sectors in telecommunications, increasing by 15 percent a year and likely to be worth about \$12 billion over the next five years.

...

Up to 100 companies are interested in joining **Lloyd's**, who is desperate for fresh capital after losing an estimated \$9 billion during 1988-91. Lloyd's proposed in April that companies could invest in the market for the first time starting in 1994.

They would join individual members, the so-called "Names", who have provided funds for Lloyd's for the past three hundred years.

Despite the massive losses over the past decade, Lloyd's still boasts over 19,000 Names.

...

**Cadbury Schweppes** is to export chocolate pandas to China as part of a \$30 million bid to become the leading candy supplier to the world's most populous market.

The British firm has established a joint venture with **Baic** of Beijing to build a 5,000 tons-a-year plant near the Chinese capital.

Cadbury will export its chocolate pandas and other candies to China until its local plant comes on line in 1995.

...

**ABN Amro** of the Netherlands will become the second largest retail bank in Illinois next year when it completes a \$500 million takeover of **Cragin Federal**.

Acquisition of the Chicago-based savings bank completes a \$1.6 billion spending spree in Illinois since 1979, giving **ABN Amro** 90 local offices in the state, a network second only to **First Chicago**.

**ABN Amro**, the Netherlands biggest bank, has already snapped up **La Salle National**, **Lane Financial**, **Exchange Bancorp**, and **Talman Home Federal**. It also owns **European American Bank**, a retail bank in Long Island.

...

**Reed Elsevier** has become the first Western firm to establish a business information company in China.

The Anglo-Dutch publisher has set up **Reed Sino Asia** to handle its Chinese operations which will cover periodicals and business data.

The first project will be **Kompass China**, a joint venture between **Reed Sino Asia** and **Celtic**, a subsidiary of China's Ministry of Foreign Trade and Economic Cooperation.

...

The French government picked an oil company, **Elf Aquitaine**, a chemicals group, **Rhône Poulenc**, and a bank, **Banque Nationale de Paris**, to spearhead its ambitious privatization program in the fall. The sale of three state-owned "jewels," which are quoted on the Paris bourse, is expected to raise around \$16 billion.

A small real estate bank, **Banque Hervet**, is also included in the first wave of the privatization program which will transfer 21 state firms to the private sector.

The government hasn't set a time limit on the sale of loss-making companies such as **Air France** and **Groupe Bull**, the computer firm, but it is determined to find private buyers to slim down Europe's second largest public sector after Italy.

The 20 percent limit on non-EC share holdings upset the US. "We would prefer to see no limit on such investments," said Pamela Harriman, Washington's new Ambassador to Paris.

...

In sharp contrast to the speedy state sell-off by France's center right government which only came to power last March, the Italian government has failed to sell a sin-

gle state-owned firm more than a year after unveiling its plan to sell stakes in a wide range of companies.

The Italian government hasn't even decided whether it wants to sell state-owned firms directly or float them on the stock exchange.

Analysts say the looming French sale will make it even harder to attract international investors to Italy.

...

Meanwhile, the chairman of **Deutsche Telekom**, called on the German government to publish proposals to privatize the telecommunications monopoly by year-end and to set a date for a listing of its shares at home and abroad.

**Helmut Ricke** warned the government against a half-hearted privatization that would starve the company of fresh capital.

A lack of cash might force **Deutsche Telekom** to curtail its program to revamp eastern Germany's outdated telephone network, Ricke added.

**Deutsche Telekom** wants to start floating its shares on stock exchanges by early 1997.

...

The Dutch government is preparing for the country's biggest privatization in 1994 with the sale of two-thirds of its stake in **KPN**, the telecommunications monopoly.

The company, worth between \$8.33-14.6 billion, will be sold in tranches in the biggest state offering since the flotation of **DSM**, the chemicals firm, in the late 1980s.

...

**Siemens AG**, the German industrial group, and **Skoda Pizen**, the leading Czech engineering concern, are forming a joint venture to make turbines and related equipment for power plants.

The new company, **Skoda Energo**, 51 percent owned by Siemens and 49 percent by Skoda Pizen, will employ 1,500 people to make steam turbines, condensers and turbine components.

—Bruce Barnard

### INSIDE EUROPE Correspondents

Bruce Barnard

Reuters contributed to news reports in this issue of *Inside Europe*.

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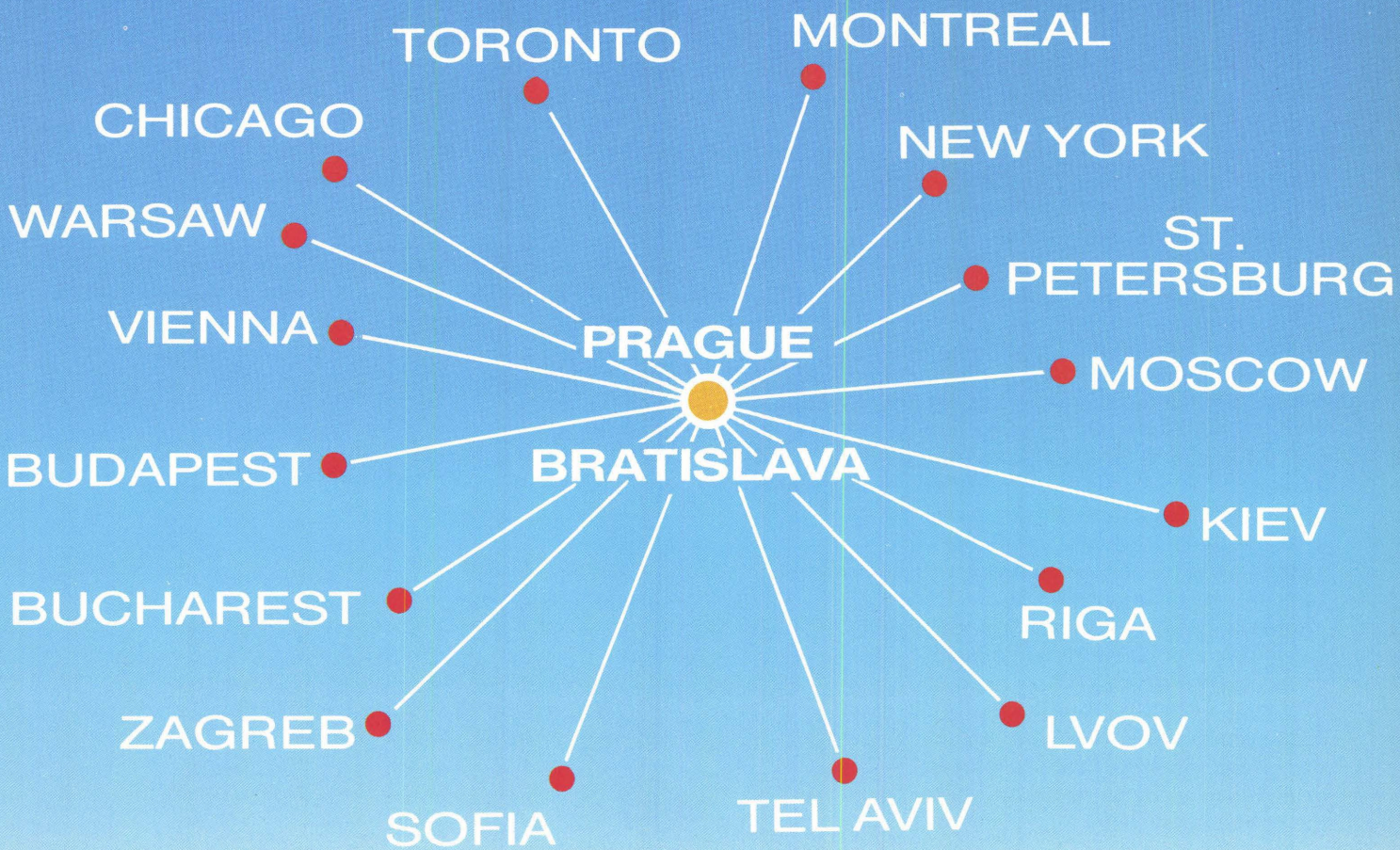
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## HOUSE FOREIGN AFFAIRS COMMITTEE CHAIRMAN SPEAKS OUT

# Lee Hamilton

Rep. Lee Hamilton, Chairman of the House of Representatives Committee on Foreign Affairs, speaks out on the war in Bosnia, NATO's future, US-EC relations, US troops in Macedonia, Russia, Eastern Europe, the UN and GATT in an exclusive interview with *EUROPE*'s Editor-in-Chief Robert J. Guttman.

**How would you describe the situation in the world today?**

You have a world that is very much in transition coming out of the cold war period going into a new period. We don't know exactly what the shape of the new period is, but clearly there are dramatic changes in the world, to which all nations and peoples are trying to adjust. We are making great adjustments to the end of the cold war, re-vamping economic and security mechanisms that had been established during the cold war to deal with the problems of the new world.

**Is the world going through a transition phase after the cold war period, or is chaos going to be the norm in the new world order?**

The world is going to be a fairly messy place for a good many years to come. In some ways it doesn't have the stability that it had during the cold war; it's a more complicated world. It's still a very dangerous world, and we are dealing with different kinds of threats today than we did during the cold war. Threats today are regional; they're economic and ethnic; they're based on national feelings, and so we—the institutions that deal with these problems have to be reshaped to deal with new challenges.





**So how do we change these institutions? Which institutions would you like to see changed?**

You have to look at the UN. The UN is going through enormous change. It has been given tremendous responsibilities in peacekeeping, peacemaking, peace enforcing, and it's struggling to keep up with the organizational challenges that the new world presents. You have many peacekeeping forces, now, around the world. The UN is beginning to deal with the changes. There is talk now of restructuring the Security Council, and so the UN is changing. NATO is changing. NATO has a remarkable history of success, but NATO has to evolve to meet the responsibilities, and if it doesn't then it's going to become a dead letter. The CSCE is changing. The WEU is changing. Everywhere you look, international organizations are trying to reshape themselves to deal with this new world, and it's not surprising because of the dramatic changes that have come about.

**What will be the role of the US in the post-cold war era?**

Insofar as the US is concerned, you have to make a distinction. The US has to determine what its vital interests are, and where its vital interests are. However [they are] defined, we have to be prepared to act unilaterally. We would prefer to act in a multilateral context, but we must be prepared to act in a unilateral way where our vital interests are concerned.

Now the US is going to have a lot of interest in situations that are important but do not necessarily affect our vital interests. Bosnia may be one, for example, Somalia, Cambodia. And in those areas, the US is going to have to act in a multilateral context. The great question for the US in the years ahead is going to be when we intervene and how we intervene in various conflicts around the world. It's going to be a very tough question for us.

One of the remarkable facts of military power today is that the US is the only country in the world with the ability to project power beyond its borders. So that if you're going to have an international intervention, anywhere, you almost are going to have to have the US involved. To put it in very pragmatic

terms, we're the only one that can fly the troops there.

**Will the atrocities in Bosnia be remembered as the Holocaust of our era?**

Clearly Bosnia represents a challenge for which we were not prepared and to which we reacted very slowly. By "we" I mean not just the US but Europe, and to which the institutions that served us well during the cold war were not prepared to deal with effectively. Bosnia has been a tough case for us, and it has shown the difficulty of getting a consensus behind a policy in an international context. Now a number of people have said that NATO is dead because it failed to deal with Bosnia. I don't agree with that. NATO is not dead. You might say that NATO did not handle it as well as it should have. I'm not even sure that's correct. NATO carried out the responsibilities that were given to it in the international community. The direction of the political leadership for NATO is not clear, precise, or direct.

**If NATO gets involved in Bosnia and the US begins air strikes, it'll be the first time in its history that NATO took offensive action. Would you approve of that?**

I would. I would approve of NATO's action in Bosnia so long as it is done pursuant to the UN resolutions and within the multinational context. I would not approve of unilateral military action in Bosnia.

**What do you think about the war spreading outside of the former Yugoslavia? Do you have any worries about that?**

I do. There you have a vital US interest. I would make a distinction between US interests in Bosnia, which are important but not vital, and US interests in containing the conflict from spreading beyond Bosnia, which becomes a vital US interest. I'm very deeply concerned about spill-over; it represents a threat that we have to deal with, and therefore the policy of containment that President Bush articulated and President Clinton has confirmed is a wise policy, and I fully support it.

**Do you think having 300 American troops in Macedonia is going to do**

**anything to prevent the war from spreading?**

It is a start; it is an initial effort, and it shows our interest and our good faith in trying to contain the conflict. Is it enough in the event that war breaks out there? The answer would be "no." But it is important to have the monitors on the border to see what is happening and to report what is happening. And it's a situation that bears very, very careful monitoring. I also believe that the administration should probably spell out in more detail what it's prepared to do in the event you have violence erupt there in Macedonia or in Kosovo.

**Kosovo seems to be the next place where the ethnic cleansing could take place, where millions of people could be put in camps and even killed. What should be US policy if this occurs?**

It's a very dicey situation. We have to focus on Kosovo, and we have to be prepared to say what we will do in the event that violence erupts.

**What is the role of the civilized world, including Europe and the US, when you see atrocities happening? Is there a humanitarian role that we're forced to play?**

Of course, there's a role we're forced to play. We must have a humanitarian interest—it may go beyond that, but we certainly must have a humanitarian interest wherever you see human beings that are mistreated, ill-treated, as they have been in Bosnia and a lot of other places. The question is not whether you have a humanitarian interest so much and you should respond to that, but the question is what kind of resources are you prepared to put into the conflict and into the difficulty. Look at the world today. Enormous efforts in Somalia, enormous efforts in Bosnia, but those aren't the only places where human beings are suffering today. Look at Liberia, look at the Sudan, look at a dozen other places, Tajikistan, look at Nagorno-Karabakh. You can't die on every cross. You can't intervene in every conflict. You have to make choices, and you do the best you can. You provide the resources where you can. But you



can't deal with all of them; you just don't have the resources for it.

That's what I meant a moment ago when I said we're going to be faced with very difficult questions of intervention. How do you decide to intervene in Somalia but not in Sudan? Why not intervene in Liberia today? Well, I'm not sure I can answer those questions, but part of it is you intervene just because it's called to your attention more forcefully. But if the TV cameras were in Somalia, they were not in Liberia. Part of it, you intervene where you think your national interests are great. Part of the reason is you intervene where you can do it with less risk. In other words, you do it at an acceptable cost. I think the questions of intervention are going to loom as very major questions in American foreign policy in the years ahead.

**Is this because, as you said, we're the only country that can intervene around the world?**

We're the only ones who can do it. You can't intervene militarily anywhere in the world without US support. That may be a little of an exaggeration, but not much.

**Is Bosnia a civil war, is it a war against Muslims, or is it a historic religious war that has been this way for centuries?**

It's a deep-seated historical conflict that has heavy nationalist and religious overtones. One of the things that impresses me about Bosnia is that we must not be too optimistic about what we can achieve there. I doubt very seriously if we can come to a solution that's going to bring stability to that region for the next generation. At the moment, the diplomats and leaders of the world have to focus on much more limited goals—such as how to stop the killing—and move from there. I don't mean by that that we wash our hands of it, but we must not have exaggerated expectations of what we can do. We want to be as constructive and helpful as possible, but I think it's probably beyond the mind of man at the moment to construct an arrangement in Bosnia that is going to bring peace for the next 30, 50 years.

**So we have to make the best of a bad situation.**

Yes, we have to do what we can.

**And contain the war from spreading?**

And contain it. And try to stop the killing. That's the first role and the first move. And then you're going to have to try to put into place some kind of a process that will permit the parties to deal with the problems.

**What about removing the arms embargo so the Muslims can get weapons? Are you in favor of that?**

I haven't favored it, and I now think that it's moved beyond the policy debate. Lifting the arms embargo, everybody would acknowledge, would not have any immediate effect and would take time, simply because you have to move in artillery pieces and you have to teach the Muslims to use them. And the estimates of time run from two months to six months. My sense is you're approaching the end game in Bosnia today, and so lifting the embargo is probably an idea much discussed and much debated, but the facts on the ground have kind of outstripped it, gone beyond it.

**Should NATO continue to exist?**

Yes. It's still the security mechanism for Western Europe. Even in Bosnia it's interesting to note that when you do in fact get serious about credible military action, you turn to NATO, not to some other group. But NATO has to change, and NATO has to deal with two major missions. One is the one we've been talking about—intervention, peacekeeping, peacemaking, peace enforcing—what is NATO's responsibility going to be outside the immediate NATO area in these areas of activity. That's one area.

The second area that NATO has to focus on is the question of Central Europe. What is the relationship of NATO going to be to Central Europe today? Is it going to incorporate those countries or not? Already some steps are being taken with respect to that, the North Atlantic Cooperation Council has been set up. NATO troops are now being involved in UN efforts, cooperating with WEU and CSCE and other things. There's some participation of NATO in these other groups, so you can see NATO beginning to modify its missions

and to expand its missions, but it's still in the early stages at this point.

There are a lot of problems with expanding NATO. One is the question of Germany's unwillingness to go beyond its borders. I think some German troops are now either in Somalia or close to being in Somalia, so there's an initial step. You've got France's objections to US primacy in the NATO structure today. You've got a lot of concerns within NATO about expanding membership to Poland and Hungary, to Slovakia, to the Czech Republic and so forth. So, NATO is wrestling with these questions, and will wrestle with them, for some time to come.

The [Clinton] administration has not yet addressed the question of European security. And it's very important that they do so, soon. The meeting coming up in December is very important because it will give this administration a kind of a deadline to articulate a European security position. The attention of the administration will begin to focus on European security questions. Maybe they already have, but if they haven't, they will very soon.

**When you talk about Central Europe, do you mean incorporating Central European countries into NATO?**

In broader terms, how do you relate NATO to the democracies that are emerging today in Central Europe? That's one of the areas that NATO has to focus on as it goes through this period of transition and change.

**Do you think the US and Europe are doing enough to help Eastern European countries?**

In some ways, we've had some successes there. And I don't for a moment want to suggest that we can relax on it. I favor continuing aid to the democracies in Eastern Europe. The focus of this nation has shifted to Russia and aid to Russia in the last few months. Now I hope that doesn't mean we're going to forget the democracies of Central Europe. They are still struggling. They've had some successes; they've had some setbacks, but overall, I have a sense that Eastern Europe is moving in the direction we want it to move: toward democracy, toward market economies. We were probably too optimistic about the transition and how soon it would



occur, a few years ago. I don't think we are now. We see that we're in for a long struggle.

**Do you think US policy is too closely tied to Boris Yeltsin in Russia? Do you think the government has personalized foreign policy too much, like it did with Gorbachev?**

US interests in Russia today, and the same interest in the other republics, is for those countries to evolve toward democracy and toward market economies. Those are the bedrock interests of the United States. American interests are safe; personalities may change. It happens at the moment that Yeltsin's the foremost spokesman for the kinds of reforms that we think are in our interests, we think are in the world's interests, and we think are in Russia's interests, and therefore we support Yeltsin and should support him. But our interests should be stated not in terms of personalities but in terms of interests.

**Are Europe and the US focused on Russia too much and not concerned with the other republics?**

We have been. But that might be changing. I hope it is. If you look back over the last few weeks, we're focusing a lot more attention on the Ukraine. It is important to recognize that what happens in Russia is going to be profoundly important with respect to the other republics, including Belarus, the Ukraine, and the others; so Russia is the most important actor in the area. But, American policy in the region should not be focused solely on Russia. We must treat these other republics as independent sovereign states with whom we have direct and strong interests. And we must convey that to them, and our aid program must, in terms of economic help, in terms of technical assistance, and in terms of demilitarization, should all be in part directed to those other republics as well.

**What do you think would happen to the world recovery if we don't get a GATT Agreement?**

It's a setback. Clearly, it's a setback. I hope we do get an agreement. The focus in this country today is heavily on NAFTA, not GATT. There is an as-

sumption here that GATT will be approved and an assumption that it will be beneficial to US interests and to world economic interests.

**Would you like to see the EC take on a security function?**

The US should not try to dictate the security arrangements in Europe. That's my central feeling about it. We have to be prepared to let the security mechanisms evolve in Europe today. And that can mean different things. You have discussion of a "Euro Corps." You have discussions of the WEU. You have the French putting forward some proposals on European security. The US should be receptive to that, and we should be a participant, but I don't think we should say "this is what's going to happen." My own view is that for a good many years to come, NATO is going to be the primary security mechanism in Europe as it has been for a long time. But the US has to be willing to let these mechanisms emerge and evolve in Europe.

**Would you favor Germany and Japan being given seats at the Security Council, at the UN?**

Yes. Germany and Japan are major actors in the world today. We want them to take on more international responsibility. We want them to contribute financially and in other ways to the solution of problems around the world. They are major participants in the international financial institutions. And, while we expect them to play a greater role in world leadership, we must be prepared to give them a place at the table. And the Security Council is one of the important international forums of the world, and they should have a seat there.

**People used to be worried about a reunified, strong Germany dominating Europe. Now everybody is worried that Germany is too weak and inward-looking. What are your views on Germany?**

Germany is still the strong economy of Europe and looks like it will be for years to come. A few years ago we worried about 1992, what that meant to the US, but that's been in some ways one of the success stories. There has been a degree of integration in Europe in the

past few years, with the implementation of the single European market. That was just unthinkable a short time ago. And in a sense, this has gone relatively smoothly; it's gone relatively unnoticed, because it has gone smoothly. So obviously there are problems, and deep-seated problems, but it's important to know the progress that has been made.

**Should the US ever remove all American troops from Europe?**

We should not do it now. We should not go much below, if any below, the figure that is now being discussed, 75,000. No, it's very important for the US troop commitment to remain in Europe. It has come down very sharply, of course, but it should remain.

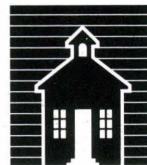
**Is there an entity called "Europe"?**

In many ways, no. The US tends to think that way now, and as the EC becomes a stronger actor, they certainly have become a stronger actor, we may be getting ourselves here on this side of the Atlantic into a kind of a frame of mind where there is a united Europe, but they're quite a ways from that. However, having said that, I believe that the move toward greater political and security, foreign and defense policy cooperation is inevitable, and it's going to continue to proceed.

**Are you still optimistic that there will be a unified Europe this century?**

The conventional wisdom today is that Europe is in disarray, that there's a lot of doubt about the future of Europe, and the future of the EC, and the future of European leadership. Those short-term concerns are understandable, but I really am much more optimistic about the outlook for Europe. The timetable of Maastricht is clearly going to slip. They're not going to achieve the kind of union, monetary and economic, that they had anticipated given security arrangements. But Europe overall is moving toward closer unity. Economic and political cooperation will proceed in the next decade. It's very important that US-European cooperation continue; I think it will. We have a fundamental basis with our alliance, shared interests, shared objectives, and that remains intact, and it will grow stronger. ☺





# The New European Education

## The European Community's Education Programs

### Aim at Cooperation and Mobilization.

By Tom Walker

While many of the European Community's initiatives receive widespread attention, EC efforts in education seem often to go unnoticed—shrouded in ominous sounding acronyms such as Erasmus, Comett, Tempus, and Lingua. In fact, most of the Community's education initiatives go toward encouraging cooperation between universities and higher education colleges and helping the student population of Europe become more mobile. Jacques Delors, President of the European Commission, has said that he wants to make it possible for all students to do at least part of their studies in an EC

country other than their own.

"We promote distance learning, but we don't think in the end that there's any substitute for people actually going and studying in another country," says Brendan Cardiff, a *fonctionnaire* at the European Commission in Brussels working in education issues. He describes Europe's linguistic differences as "the Achilles heel of the single market," and says it is vital for Brussels to push for as much money to be spent as possible on university and college exchanges in the European Community.

The biggest of these programs at the moment is Erasmus (EC Action Scheme for the Mobility of University Students), with up to 60,000 students in the EC currently studying away from their mother country.

"Erasmus has played a major role in getting people together," says Cardiff. Beyond just getting young Europeans together, the Commission also hopes that they can understand one another. To this end its "Lingua" program runs in tandem with Erasmus, promoting foreign-language competence for European citizens. "In America a businessman can ring from Seattle and understand someone in Florida," says Mr. Cardiff. "Try that in Europe and you get an Italian businessman in Rome completely unable to understand someone in Manchester. We just don't have the economies of scale of the US."

Just a glance at the polyglot nature of the Commission's directorate general for education is indicative of the problem. The Commissioner himself is an Italian, Antonio Ruberti; the Director General, Thomas O'Dwyer is Irish; and under him comes a German official, Franz Küpper; and a mixture of French and Italians. Most internal decisions within the Commission take at least six months to filter through the 13,000-strong bureaucracy, mainly because of the difficulties of translating important documents into nine different languages.

Mr. Küpper is personally in charge of yet another acronym—the so-called "Tempus" program which aims at increasing cooperation between EC universities and their counterparts in central and eastern Europe. There are a total of 630 projects underway in the 11 former communist countries involved, and Tempus has been deemed so successful that it will be extended next year to include the former Soviet republics. The universities who want to cooperate, for example, Manchester and Münster universities in the United Kingdom and Germany will help Warsaw University in Poland set up





research and library facilities in a particular study area.

The main academic fields covered by Tempus are those that were carefully controlled and manipulated by the Communists—law, psychology, and economics in particular. “We want to bring them up to international standards,” explains Küpper.

Mr. Cardiff’s team works on a program called Comett, which encourages the exchange of technical information at university and vocational level. Comett has helped the car maker Renault produce interactive media maintenance programs for its European work force, and in another successful example aided Swedish and German companies specialized in software and electronics to jointly train their work forces. “Between them they found they could train their workers over two

years, whereas before it had taken them each five years,” says Mr. Cardiff.

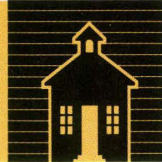
The EC has never wandered into much controversy over its educational programs, mainly because they are so low key. Indeed, there have been few instances of Brussels showing any signs of self-aggrandizement in the area.

Erasmus, Lingua, Tempus, and Comett, although perhaps a bit difficult to translate their acronyms, have proved to be successful programs in their attempts at promoting cooperation and mobility in European higher education. As Mr. Küpper states, “The diversity of its education gives the European Community a firm position in the world market.” ☺

*Tom Walker is a Brussels based correspondent for The Times of London.*

**Many of the EC’s education programs have proved successful in their attempts at promoting cooperation and mobility in European higher education—as these graduates from IESE in Barcelona can attest.**





# CAPITALS

This month EUROPE asked each of our Capitals correspondents to write about some facet of the education system in his or her country.

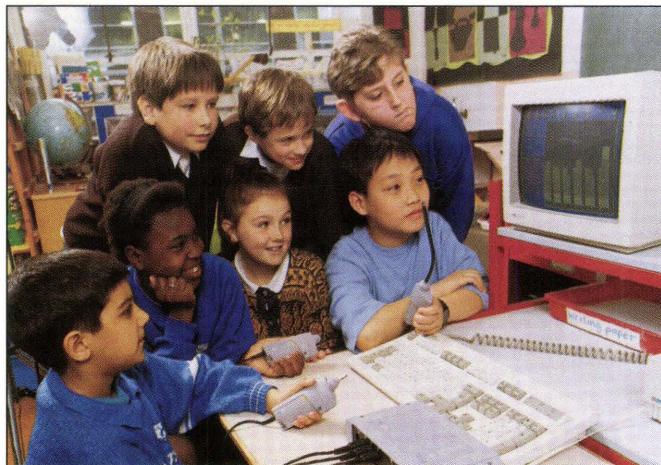
## LETTER FROM LONDON

Watching British children on their way to school, the boys in trousers, shirts and ties with blazers, the girls in dresses or pinafores and blouses with blazers, gives the UK education system a splendid uniform look. But strip away the traditional uniform, which is worn in both state and private schools and which has survived unchanged through the years right down to the girls' woolen knickers, and you uncover an amazing diversity among the United Kingdom's primary and secondary schools.

Practically no two are exactly alike. They differ in what, when, and how they teach; what they hope to achieve; and how to assess it. They are as fiercely independent as the British themselves, who, as the rest of Europe knows, politely but firmly like to do things their own way.

The government is struggling to establish a national curriculum and to standardize classroom testing. But the proposed education reforms are such a bureaucratic tangle that teaching unions throughout the UK dug in their heels this summer and refused to put them into prac-

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**In the UK the government is struggling to establish a national curriculum and to standardize classroom testing.**

tice. And, for the time being at least, British schools are still in the habit of following nobody's standards but their own.

Setting the tone for diversified education is the small,

elite group of British private schools. They represent only 7 percent of the nation's schools, but their influence is great, because here is where most of the country's leaders get their head start. They can

be as grand as Eton, for which you have to apply at birth, or as unpretentious as a village school housed in a former farm house with Nissen huts as science labs and changing rooms. But they all pride themselves on taking an interest in the individual child and on having the means to draw out the best in each of them. Just how they go about it, again, varies from school to school, but there is a general emphasis placed on sportsmanship and fair play and old-fashioned good manners. Anytime a visitor walks into a private school classroom, for example, all 15 to 20 children jump to their feet, stand ramrod straight, and chorus out a greeting.

Beyond teaching politeness and the three R's, private schools offer an often dazzling selection of non-academic subjects. Music, sports, and art are taught in all of them, with some concentrating more on producing an unbeatable cricket team, others on developing a prize-winning orchestra. After school there are more sports and clubs: for cooking, computers, photography, theater, science...something for everyone every night of the week.

What makes it possible for private schools to offer so much choice is that they control their own purse strings. They are completely self-fi-



## MORE TEACHERS IN CLASS

**T**hanks to my eight-year-old son, I am once again probing into the question of schools and education. And I have discovered that almost everything has changed in Italian schools since I was a student (about 30 years ago). Just for starters, the virtually mythical embodiment of education, the teacher who singularly taught all subjects, has disappeared. This teacher was almost always a woman, and her memory has endured in the hearts of all.

Now, children who go to elementary school must have divided hearts. They no longer have just one teacher, like they did in my time. Since 1990, the one teacher has become three. And one of these must teach a foreign language—the overwhelming majority of parents chooses English as the foreign language their children must learn, even though French remains the foreign language par excellence for a generation of Italian fathers.

This crowding of the classrooms comes as a result of Italy's zero population growth, which is greatly reducing the number of children in the classrooms. Therefore, to avoid laying off teachers, the state has come up with the solution of putting three of them in each class.

The demographic decline is most noticeable in elementary school, but it actually involves every level of education. In Italy there is an army of almost 900,000 university professors whose job it is to assist barely nine million students. This one to 10 ratio is the best in Europe, far lower than the EC norm, which is one to 16.4, with peaks of one to 25.7 in the United Kingdom and one to 21 in Spain.

nancing, being run either as a charity or as a business. Since they are under no financial obligations to the government, they set out to please the people who really count—the parents who pay the school fees. These can run from \$4,500 a year for a small school to \$15,000 a year for a name school like Bedales, to which both Princess Margaret and Mick Jagger sent their children.

In return for such sums, parents can expect to get rolling acres of playing fields, high academic standards, dedicated teachers, a diversified curriculum, and flexible hours. Private schools start their teaching day anywhere from 8:30 to 9 and end somewhere between 3:30 and 5. After-school activities and supervised homework, with tea included, carry on until six. Some schools have classes on Saturday mornings; most have sports events. Even vacations follow no hard and fast rule. Within one town, no two private schools necessarily have their midterm break or Christmas holidays at the same time. Private education, never intended for the masses, quite simply shies away from a mass approach to anything.

The UK's 24,000 state schools do not have the same freedom. They are funded by the government, which allocates them so much money per child, and they are controlled by local education authorities. Their weekly hours and annual vacation dates are regulated, so is the length of the teachers' working day. Generally, they have to cope with 30 children per class, with limited space, time, and facilities for non-academic subjects and extracurricular activities.

But in spite of all constraints, British state schools still manage to differ widely in their styles and standards. Some are fashionably "progressive" and teach the use of

a calculator instead of long division; others are stoutly traditional and still believe multiplication tables should be learned by heart. The worst of them produce teenagers who cannot read or write properly; the best of them outshine many private schools and send their graduates on to Oxford and Cambridge.

Since 1986 the British government has been trying to set some national standards by having all schools follow the same basic curriculum and test pupils regularly to measure their progress. The idea is a simple one, but the Great Education Reform Bill (otherwise known as "Gerbill"), which spells out the proposal in mind-boggling detail, is about as easy to understand and implement as the Maastricht Treaty.

Teachers are expected to test children at seven, 11, and 14 against a set of some 1,400 national curriculum targets. The paperwork for testing seven-year-olds weighs seven pounds, runs to 500 pages, and schools claim that it takes more than six weeks to complete. This summer they rebelled. A blanket boycott organized by the teaching unions caused the complete collapse of classroom tests for 14-year-olds.

British Education Secretary John Patten realized that it was time to go back to the drawing board. His advisors have now drawn up a series of options, published in a green paper, which are designed to slim down and simplify the bureaucratic blimp the national curriculum has become. Schools still remain to be convinced that the new proposals are less cumbersome than the old ones and that it is possible to conform to national standards without sacrificing their own. Until then, the most visible signs of uniformity in English education are the clothes the children wear.

—Ester Laushway

On the average, teachers in Italy are poorly paid at every level, but there are a lot of them, and their union power is still very strong. Schooling is Italy's largest public works. Ninety-eight percent of the roughly \$36 billion budget of the Ministry of Public Education goes to paying teachers' salaries; only the remaining 2 percent is dedicated to investments.

The tripling of teachers and foreign language classes right from the first years of schooling are not the only differences in the scholastic experiences of my son and myself. In a few years, if he so desires (and unless I can convince him otherwise) he will no longer be obliged to study Latin from 13 years of age until 18, when secondary school is over. In fact, for several years the study of Italy's mother tongue and all neo-Italian languages has become elective. If he wishes, he will be able to spare himself the terrible translations of Cicero and Seneca, which were a constant in the scholastic career (and nightmare-filled nights) of entire generations of Italian students. Of course today, those former students, as adults, are quick to spout off those same phrases and quotes.

—Niccolò d'Aquino

## EDUCATIONAL EXPERIMENT

**T**his fall our 12-year-old son Tomas is going to be part of a national experiment. After years of political debate, the Netherlands has decided to introduce "basic education" in all secondary schools—starting this September when Tomas moves from elementary school to secondary education.

"Basic education" will offer the same subjects to all



school-aged children after their eight years of combined kindergarten and primary school. It consists of a uniform package of subjects to be taught in vocational schools as well as in the classic gymnasium. Depending on the level of the students, it has to be completed in two or three years. Besides the traditional subjects like languages, mathematics, sciences, and humanities, three new courses have been added to the curriculum: technical dexterity, information, and care-taking. These subjects reflect the fashions of the eighties: girls have to learn about technical issues, while boys will have to get acquainted with "household tasks."

In the unassigned hours that are left, schools can put their specific emphasis on their program. Schools with a religious background can offer religion classes. Not surprisingly for a country where religious freedom of schools is enshrined in the constitution, this was the most fiercely debated issue in Parliament.

The idea of basic education is in part an imitation of the American high school system, with all levels of secondary teaching combined in one school. It is also partly the fulfillment of educational views that stress that the same educational opportunities for everybody, regardless of intellectual capacities, will enhance social equality and increase opportunities for children from deprived families.

The largest problems will probably not arise in the upper level of secondary schools, where the new requirements have been greeted with indifference and with assurances that academic standards will be maintained. It will be a lot more difficult to motivate students who are apt to attend vocational training but who will be obliged, from September onward, to complete three years of subjects that re-



**This year Dutch students from both gymnasiums and vocational schools will be offered a uniform package of subjects as part of the experimental "Basic Education" program.**

quire intellectual motivation.

Tomas is lucky. He passed the entrance requirements for a gymnasium, where the basic education will be completed without trouble and classical languages continue to be a part of the curriculum. Technical training is incorporated into physics lab experiments, the information requirement means working with computers, and care-taking will include sexual education. But for many other youngsters, the start of their secondary school will mean taking part in an unprecedented educational experiment.

—Roel Janssen

## BRUSSELS

### A SECOND LOOK AT THE SYSTEM

**T**he other day a letter arrived from Brussels University, where I teach a course in the journalism department. It informed me that my course was going to be assessed by the Pedagogical Commission. This was the polite way of saying that my students were going to make their own assessment of my course, my teaching methods, personality, and so on.

I was relatively relaxed about this, as the last time it happened they were kind

enough to award me quite high marks. Yet for university professors who receive adverse reports the consequences can be serious, ranging from a block on promotion to a refusal to renew their contracts.

I mention this to underline the democratic nature of Belgian universities, at least since 1968 when the system was considerably shaken up following student demonstrations. It has long been regarded as normal that students should sit in judgment of their teachers, as well as vice versa.

Another significant feature of Belgian education has been that the state has picked up all the bills since the School Pact of 1958, which ended a century-long dispute between the Catholic Church and the lay authorities. It is the taxpayer who funds Belgian schools and universities, whether they are run by public authorities or by private institutions, notably but by no means exclusively the Church. Accordingly, no fees are paid by parents who choose private schools for their children, provided minimum academic standards are maintained.

Similarly, Belgians and other EC nationals are freely admitted to universities and other higher educational institutes on payment of fairly normal fees. In most cases, little evidence of high scholastic achievement is demanded as an entrance requirement with the result that the dropout rate is considerable. Those who complete a four-year degree course are as well qualified as any in Europe, but it is an extremely wasteful system that allows so many to fall by the wayside.

It is also a highly pluralistic system—students can choose to follow courses either at a Dutch- or French-speaking institution, at schools run by the state, the Church, or the independent bodies, including Brussels University. The consequence is a considerable over-production in many professions, including medicine. In some high-class residential areas every other house appears to have a doctor's nameplate stuck on the gate.

The generous scale of educational provision is unlikely to survive much longer. Already the economic difficulties of recent years have exacted their cost. It has proved difficult to meet the bills for teachers' salaries, which are low by Western European standards, and buildings and teaching facilities are showing signs of dilapidation. As the Belgian government struggles to reduce its budget deficit, the pressures to switch to a less wasteful system are bound to grow.

—Dick Leonard



# CAPITALS

## PARIS

### PRIMARY CONCERNS

No matter what the weather forecast, the long lazy days of summer end suddenly every year in France with *la rentrée*, the first day of school. Tanned little girls in long dresses and tanned little boys in short pants strap on the new satchels that will bow them down for the next 10 months with the weight of the books inside, and set off for the school gates. Once there, the satchels are flung to the ground for a last burst of wild games in the schoolyard before the buzzer rings at 8:30. Then the shrieking hordes magically become orderly rows of quiet children, and the serious business of learning begins.

Even for six-year-olds who are just starting grade one, all fun and games stop at the classroom door. First grade, known as CP (*cours préparatoire*) is an important rite of passage in France. Children are not just expected to learn how to read and write but how to behave properly. "It has to be like that," explains Ida Bineau, who teaches primary school in a leafy Paris suburb. "If you have 25 children, they must be silent; they must ask the teacher before they talk. In nursery school they are treated like babies; here they are grown-up children."

Even their writing is grown-up. Instead of printing, French first-graders learn to write script—evenly formed, attached letters which they copy diligently onto finely ruled paper. They are given poems to memorize, simple arithmetic problems, and spelling tests, and all their written work is sent home regularly to be signed by their parents.

After a morning spent practicing the three R's, they are more than ready for lunch at 11:30. The lunch break lasts for two hours, which is about the time it takes to do justice to a home-cooked French meal. Children whose parents both work eat at the school canteen, which usually dishes up meals worthy of the *Michelin Guide*. A typical day's menu might be garlic sausage appetizer, boeuf bourguignon with rice and carrots, cheese, and peach compote.

Thus fortified, the children exercise their little gray cells for another three hours before school ends at 4:30. Their parents have to wait for them outside the gates, and should they wish to speak to the teacher, they must request an appointment, preferably in writing. French

school discipline is not just restricted to the pupils; parents are expected to treat the teachers with respect as well.

There is no school on Wednesdays, but there are classes on Saturday mornings and a short homework assignment every night. It is a long, tiring week, but French children survive it remarkably well. When school gets out, they change from budding intellectuals back to just plain noisy kids, ravenous for their after-school snack. What still earmarks them as French is that instead of munching on a peanut butter sandwich, they prefer a piece of baguette filled with chocolate.

—Ester Laushway

## MADRID

### TEACHING WITH A PURPOSE

With "Jobs, Jobs, Jobs" the rallying cry across Europe and the industrialized world and with a crushing unemployment rate of 22 percent, Spain is taking a new look at apprenticeships and other job training schemes for the hundreds of thousands of young people joining the work force each year.

The need for such schemes in all the

developed countries, as President Clinton made clear in his campaign calls to plow money into youth training in the United States, is particularly acute in Spain, which suffers the highest jobless rate in European Community.

According to government statistics, there are close to 3 million Spaniards between the ages of 16 and 24, and more than a third are out of work. Most of these end up in the dole queues because they are untrained and undereducated.

Among political parties and labor unions, one answer is to offer formal apprenticeship contracts in which participating businesses would help train youths for periods as long as three years. Some union leaders, politicians, and industrialists are urging the establishment of a system similar to that of Germany's where young people go to school and learn a trade at the same time.

In cooperation with the regional Catalan government, SEAT, the Spanish subsidiary of auto giant Volkswagen, has taken the German scheme as a model for its program, which is training some 350 youths.

Meanwhile in Madrid, the Municipal Institute for Employment and Professional Training is offering 300 different

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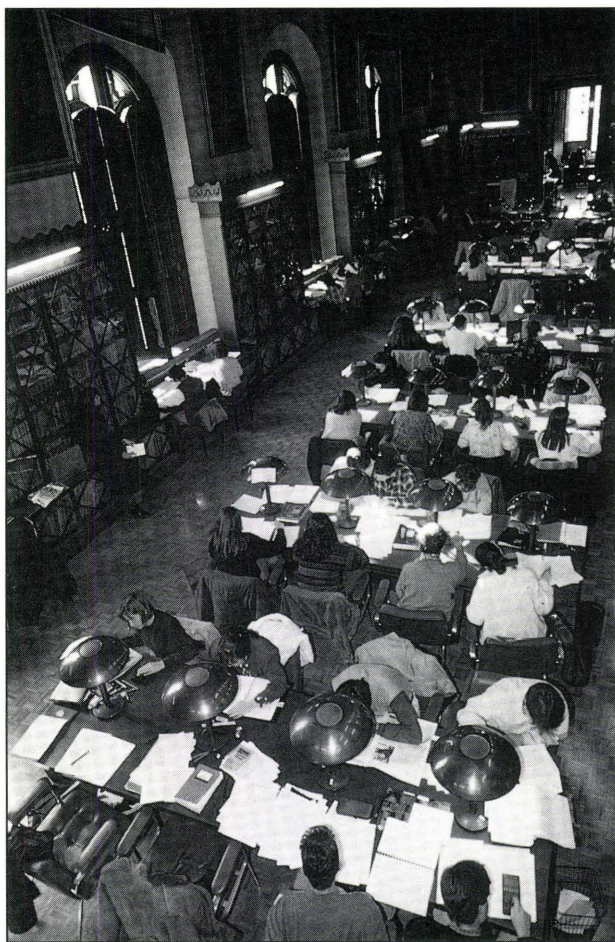
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**Spain is taking a new look at apprenticeships and other job training programs for the hundreds of thousands of young people joining the work force each year.**

courses in everything from metal-working to marketing. Over 7,000 students are taking part in the 1992-93 courses, with most of them under 25 years of age and from among the hard-core unemployed, women trying to enter the job market for the first time, or the mentally or physically handicapped.

Another scheme is one in which young people learn to be artisans, practicing crafts which are slowly dying out in the modern world, but for which there is still a need. Under this program, the hopefuls learn from master craftsmen and put their new skills to use by rebuilding convents, palaces, and other historic buildings around the country.

Sergio Arzeni, an OECD official, says that he touts the scheme at international conferences as an example of what can be done, not only to alleviate unemployment but also to ensure that traditions survive.

"In a world where everyone is thinking of high technology, it is vital that traditional occupations are taken into account because they are fundamental in safeguarding the national artistic heritage," he says.

It is one of the oldest apprenticeship programs in the country and is having some success. Since it began eight years ago, 60 percent of the 120,000 youths who have passed through the 3,000 separate workshops and training schools in the program are working today.

—Benjamin Jones

## ATHENS

### THE PRIVATE SCHOOL PROBLEM

**T**he academy of Plato and the Lyceum may once have placed Greek education at the forefront of philosophical and scientific thought in Europe, but their 20th-century counterparts have yet to earn the country's present-day education system comparable accolades. In fact, the Greek education system, and in particular its system of higher education, has repeatedly been the target of serious criticism by the country's own education experts. An increasingly competitive world economy and the reality of European economic integration have further fueled the decades-long debate over the effectiveness and efficiency of higher education in Greece and constitutional prohibitions on private universities.

Despite the implementation of some recent administrative and curricular changes, Greece's educational system remains vulnerable to charges of excessive state regulation. As the sole provider and financier of higher education, the state now confronts what is commonly referred to as "the entrants problem"—a demand/supply dilemma that experts claim has often diverted valuable foreign exchange and brain power to foreign countries, transferred resources from poorer to wealthier citizens within Greece, and compromised educational quality.

Greece's state monopoly over higher education is protected by a constitutional provision. Article 16 of the Greek constitution, written with the intent of ensuring all

citizens equal access to higher education, specifically forbids the operation of private universities. In theory, then, all of Greece's 17 institutions of higher education are both public and free. In practice, however, equal access to these institutions remains elusive. "All the anachronistic constitutional provisions have been bypassed by reality," claims George Psacharopoulos, a native of Greece who has written extensively on its educational system.

By subsidizing higher education and prohibiting the operation of private universities, the government has created a problem of excess demand for higher education. The Ministry of Education restricts enrollment through such ostensibly non-financial measures as predetermining the number of students who may enter each academic department, diverting candidates to technological institutes, and requiring that students pass fiercely competitive entrance examinations. Competition, however, invariably favors the affluent.

Each year the number of people taking the exams far exceeds the number of available places. According to Psacharopoulos, "Every year the national examination for entry into the universities is a national event. In late June this year, about 140,000 candidates competed for around 40,000 places in tertiary education. Of these, about half are in the real universities. The rest are in short-cycle technological institutes which successive governments have been pushing to solve the problem of entry, but the people are reluctant to attend."

Many young Greeks, unable to satisfy their educational needs at home, are forced to complete their university studies abroad. During the 1988-1990 period, more than 32,000 higher education students left Greece to study abroad—by far the highest number of any EC country save Luxembourg. "Greece holds a near world record for the number of students studying in foreign universities for its size," says Psacharopoulos. Experts complain that precious foreign exchange, potentially employment-facilitating, accompanies each departing student. This flight of foreign exchange is often compounded by the permanent emigration of educated manpower.

The public subsidy of higher education apparently also results in a subtle transfer of resources from poorer to wealthier citizens. In a recent journal article, Harry Patrinos, another Greek education expert, calls this a "perverse effect," where, contrary to the egalitarian inten-



tions of policy makers, free higher education may actually exacerbate social disparities by forcing poorer taxpayers to finance a higher educational system in which they are grossly underrepresented. Many Greeks are unable to afford the cost of *frontisterias*—the private tutorial schools that prepare aspiring university candidates for the intense entrance examinations. “Frontisterias is one of the biggest businesses in the name of free education,” says Psacharopoulos.

Many Greek education experts eagerly look toward European integration to catalyze long-overdue change. With the opening of European frontiers and the greater mobility of both students and knowledge, the Greek government will be challenged to recognize studies completed in a variety of member country institutions of higher education. Some experts feel this bodes well for the recognition of private universities in Greece. Already, private universities and colleges, although still unrecognized by the state, are emerging throughout the country in anticipation of European integration.

With open borders and the proliferation of such EC-funded cross-border programs as ERASMUS and COMMETT, Greece will face the dual need for increased competitiveness in academic programs and greater accountability toward students. The pressure for new methods of financing higher education is expected to intensify, and the change for which experts have been striving—the privatization of higher education—may finally come to pass.

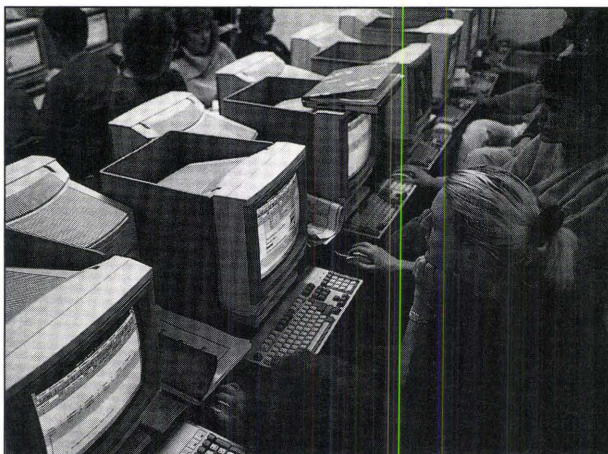
—Gina Gianzero

## BERLIN

### BABY BOOMERS CROWD SCHOOLS

Those were the days, the 1960s and early 1970s, when school leavers could pick and choose job offers, when employers fought to sign on any apprentice they could find. Anyone could learn whatever trade he or she wanted, subject only to the limits of an individual's ability, either in industry or at university.

As we all know, times have changed, and changed for the worse. The 1960s baby boom led to a dramatic increase in the number of school leavers in the 1980s. Hundreds of thousands of school leavers failed to find an apprenticeship and more and more young Germans



**German industry needs creative and innovative research from Germany's universities, but the heavy teaching burden of the university staffs is hurting research efficiency.**

were thronging to the already overcrowded campuses. Despite the evidence, the new student generation—roughly 60 percent male and 40 percent female—seems optimistic about the value of formal schooling and the idea that with a university education they will have better chances on the labor market. So at the moment we have some 1.6 million apprentices and 1.8 million students.

The educational reforms of the late 1960s have brought about a shift from

elite to mass education. The abolition of student fees in the 1960s and the availability of financial help for students have encouraged more and more young people from poorer families to aspire to attend universities. The profile of the different universities began to flatten out as the federal states, which exercise sovereignty in educational matters, tried to meet the increased demand by expanding existing universities and building new ones, doubling

teaching staff, and increasing university funding several times over.

As the main task of universities shifts toward training students, the other factor in the historical origin of the German universities—research—has gotten short shrift. To be internationally competitive, German industry needs qualified graduates as well as creative and innovative research from the universities. But the teaching burden of the university staff at present is so high that the re-

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search efficiency of the universities is in serious danger and in some areas it has already suffered under this pressure.

The drastic rise in student numbers poses considerable budgetary problems for the states, which face a dire shortage of space, equipment, and professors. The states are reluctant, however, to hire new faculty members because, according to a long German tradition, teachers are state civil servants and cannot be dismissed. And when, due to low birth rates, the number of students eventually plummets, the states would be stuck with bloated payrolls they cannot afford.

The often voiced criticism that the German students study too long is growing louder. On average a German student is 29 when he enters the job market while his counterpart in France or the United Kingdom finishes at 23. Efforts are being made to reduce the length of study from today's average of 14 semesters to 10 semesters. At present, the average doctoral dissertation is completed at the age of 31.5 and "habilitation" (the qualification for university lecturing) at an almost decrepit 39.

But it is unfair to blame only the student for studying too long. It takes him 13 years to get "Abitur," the university entrance qualification (US equivalent is approximately two years of college), and a male student must do his 12 months of military service (or the alternative social service of 15 months) so he is on average 21 years old when he enters university.

Critics agree that the system of free enrollment attracts many people who are not serious about higher education, but who merely want to be enrolled and enjoy the cachet of university life. However, many German students blame the universities for their prolonged stay. They complain that they receive little or no guidance from university authorities and are left to flounder. The tutor system, common in the United States, hardly exists in Germany with the exception of East Germany. Students point out that oversubscription in popular majors prevents even the most industrious student from taking exams as soon as he or she would like. Students frequently lose a whole semester because places in the classes are limited and often not available for courses needed to graduate.

—Wanda Menke-Glückert

## THE SLOW PACE OF CHANGE

**E**ducation is the subject of nonstop debate in Ireland. Everybody who has been through the system holds strong opinions on the role of the Catholic Church in schools, the priority given to the Irish language, corporal punishment, the amount of time given to games, the consultation of parents or the lack of it, and so on.

Almost every new government promises a radical overhaul of the existing system and produces worthy green papers or white papers setting out the desired reforms. Invariably, the result is a tinkering with the system and a shrinking away from radical reforms. However, the tinkering over the years has resulted in impressive advances from the days not so long ago when most children ended schooling at 14 and only a privileged minority finished secondary school or high school and an even more privileged elite went on to third level or university.

Now the degree-giving institutions are multiplying but are often overcrowded. EC grants from the Social Fund are pouring into third level colleges geared to giving professional qualifications, and the Irish have a serious claim to being one of the best-educated populations in the European Community.



**The days in Ireland when the vast majority of school children were taught by members of Catholic religious orders have gone, but the Catholic Church still owns the school buildings and exercises authority over the lay teaching staffs.**

But this fortunate situation is marred to a large degree by the lack of job outlets for the eager graduates, a development which is leading to much cynicism and increased emigration.

Part of the problem is the preference of middle-class parents for their children to enter liberal professions like medicine, law, and accountancy. Only slowly is the secondary school system adapting to the need to stream a bigger proportion of pre-university students toward less academic and more technological disciplines.

The days when the vast majority of school children were taught by members of Catholic religious orders have gone. But the Catholic Church still owns the school buildings and exercises authority over the lay staffs.

Proposals in the latest government blueprint which would neutralize clerical control and gradually eliminate it may not succeed as many parents appreciate the contribution of the Catholic Church to Irish education and would be uneasy at a wholesale secularization of denominational schools. So would many Protestant parents.

The battle over the Irish language in schools is virtually over. It is still a compulsory subject, but students are no longer required to pass it in order to enter universities. This reform has actually led to an increase in schools where all subjects are taught in Irish thanks to the efforts of parents dedicated to the language and determined to pass it on to their children.

Corporal punishment, once an inescapable part of boys' schooling, has been virtually eliminated, to the regret of some parents but to the relief of most. As in other countries, it is now teachers who sometimes fear assault.

—Joe Carroll

## UNDERGOING TRANSFORMATION

**"H**ow much is this magazine?"

"It's written on the front cover," replies Maria, who runs a newspaper kiosk in downtown Lisbon.

"And so with my other newspapers, that makes 750 escu-



# CAPITALS

dos," I say handing over 1,000 escudos (about \$7).

Maria looks at me quizzically. "Now how much do I owe you?" she asks.

I knew then that asking for a receipt would be out of the question. This is Portugal wherein the 1930s, according to one study, 70 out of 100 could not read or write. Maria, who looks to be in her sixties, would be one of Antonio Salazar's children whom he decided were not worth teaching how to read let alone educating as it was more important to create an elite.

"I consider more urgent the creation of elites than the necessity of teaching people how to read," Salazar, the man who kept a tight grip on Portugal for over 42 years, reportedly said.

Those who could afford it went abroad to study.

Today's figures are still a far cry from other European countries. According to the National Institute of Statistics, a survey done in 1991 showed some 11 percent of the nearly 10 million strong population over 10 years of age was illiterate. Many are elderly women hailing from the poverty-stricken rural districts, but there is also a large group of youngsters who drop out early. School-leaving age is 16, but many have left long before that.

It is, however, difficult to know which facts to trust and under what criteria they are worked out. Another independent study done in 1989 showed that 21 percent of the population over 15 was illiterate, a staggering figure which is twice the level in Greece and three times that of neighbor Spain.

Education remains a serious cause for concern here. The government has been under attack this year particularly for its decision to implement higher education tuition fees, which has caused students to riot throughout the country. For the first time, this year students have had to find a total of 50,000 escudos (\$333) annually for fees. Grants are available and depend on the parents' earnings. However, many students have angrily refused to pay.

Catarina is one of the 25 percent of 18 to 24-year-olds who go onto university or polytechnic. Of those who enter only a mere 30 percent finish the course during the time stated, while 70 percent take another two years to graduate.

Catarina, 19, has just finished her twelfth grade in a Lisbon government-

run secondary school and hopes with her grades in philosophy, history, and English that she will go to a private university to study educational psychology in the fall.

Of her some 300 fellow students, she reckons that about two-thirds will try to go to university, but she says because their marks are so low, not even half will get there.

Education here is slowly undergoing a transformation, but there's still a long difficult road ahead before Portugal's youngsters can compete academically with the rest of Europe.

—Sarah Provan

## COPENHAGEN

### PAID TO GO TO SCHOOL

Theoretically every young Dane can pursue his studies without any financial worry. From leaving the public school system to the completion of vocational or academic studies, he or she can be supported by the public system. In other words, it is possible for a young Dane to enter any job without the burden of debts to banks or parents.

Reality looks different, especially if you start an academic career and do not follow the plans for the special study. Reality also looks different for the young student who chooses a four-year vocational training, usually following nine years of primary and secondary schooling. Vocational training is two years in specialized schools and two years practical training. Until they are 19-years-old, vocational students cannot apply for education grants, but they earn a limited amount of money while working in the practical training program.

After the age of 18, which is the voting age, students can receive Youth Support from the government which amounts to about \$400 a month for those living with their parents. Those living elsewhere get about \$600 a month. Twenty-year-olds can get the higher allowance regardless of the income of their parents. Students receive these amounts if they pursue their education according to a general timetable set for each discipline. The time allotted for each course of study varies, but the average is about four years.

On top of these monthly allowances, the Danish government guarantees low interest bank loans of up to \$6,000 per

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## TOMORROW'S SCHOOL

year for students who meet their education timetable requirements. If a student leaves school or changes his or her course of study, then the student must begin to pay back the loans right away or make do with less state support in the new course of study.

Although students do not have to pay back the monthly state support, the government guaranteed loans must be paid back once a student has completed his or her education. This debt often becomes a heavy burden to new Danish professionals who are traditionally paid poorly or—with Denmark's 11 percent unemployment—are out of work.

—Eric Ettrup

Luxembourg's Minister of National Education Marc Fischbach has written an essay to provoke compatriots into coalescing behind a national agenda of what the country's schools must do if they are to prepare today's youth for the next century's challenges.

In *Demain L'école* (Tomorrow's School), Mr. Fischbach calls for nothing less than a "new social contract" involving everyone in making education more relevant in an era when economies are

increasingly linked globally and heavily dependent on ever-advancing information technologies. The pace of change can quickly make current competency and qualification standards obsolete. "The future of society will depend on its ability to educate itself," he writes.

The state organizes Luxembourg's education system. Enrollment in an 11-year education program is compulsory. Primary schools cover the first six years with teaching conducted at first in German and then in French. Classes are held six mornings a week, with Tuesday and Thursday afternoons free. In the seventh year, the start of secondary education, students choose between a classical

The University of Chicago Graduate School of Business recently stirred up a lively debate—and annoyance—in European academia with the announcement that it was becoming the first leading American business school to offer an executive training program leading to a Master of Business Administration degree—in Europe.

The broader significance of Chicago's decision was that it reflected steadfastly growing interest in the West European business education scene by Americans, and of expanding, active transatlantic relationships—and competition—between students, professors, and US and European academic institutions. Some were surprised by Chicago's move, because most of the European Community's top business educators now consider their traditional dependence on American methods and cases to be part of a gradually ending era.

"We are improving dramatically, which means we have been moving away from the American parent, and in some cases, exceeding them in flexibility," says Leo Murray, professor and director of the United Kingdom's Cranfield School of Management, one of the top schools in the European Community. "Despite what some of our critics say, we and our colleagues in Europe have put the focus on the individual and the internationalization of our programs, which includes heavy emphasis in EC-oriented research," he added.

The University of Chicago's program due to start up in Barcelona next summer, is initially aimed at drawing about 80 managers employed in Europe, who would commute to Spain

## Transatlantic MBAs

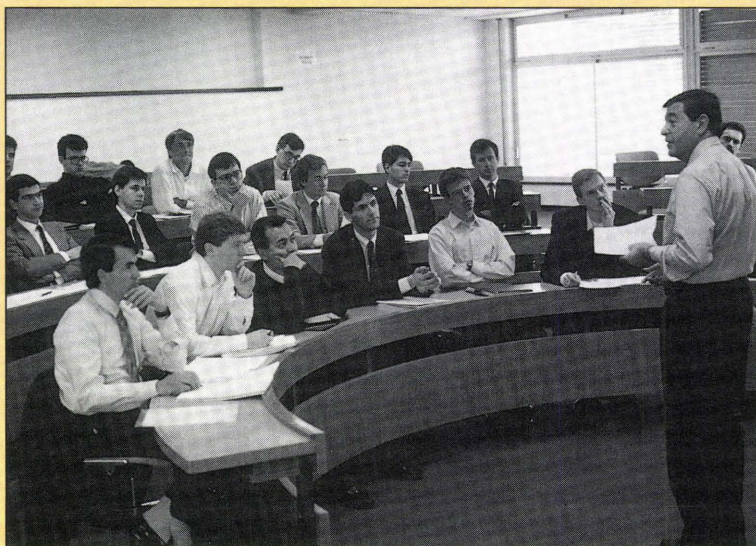
over a 16-month period, with courses taught by a handful of the university's faculty on leave from their home base. "This represents the first time a leading US business school will offer an executive program in Europe that leads to an MBA degree," Robert Hamada, Chicago's dean told a news conference in Madrid in July, alleging that most existing MBA programs of this kind have addressed the need for internationalization in "piecemeal" fashion and that they "impact perception more than substance."

Not so, respond other US universities already operating various MBA and executive education programs throughout Western and Eastern Europe. "We started 20 years ago in London and now have over 500 students enrolled in our programs there, Paris, and Brussels, 178 of whom are Americans, many working for European companies," says Robert Lamb, vice

president of overseas programs for Boston University. "Everybody has their own style, but this is hardly piecemeal, and we are not alone." Also offering an 11-month MBA program at its Paris location, taught by its faculty is the University of Hartford (Conn.) Business School. But these and other "transplant" programs tell only part of the story.

• A professor at the Georgetown University business school in Washington, DC, tells a visitor from Europe that many American MBA graduates are now actively seeking EC citizenship by virtue of

close relatives born in a member country, notably Ireland and Italy. "Dual citizenship is now allowed over here, so the students go for the EC passport—to facilitate getting hired in Europe."



**Most of the European Community's top business educators now consider their traditional dependence on American methods and cases to be part of a gradually ending era.**



curriculum with Latin as a third language or one with English as the third. About 85 percent are enrolled in public schools and 9.5 percent in private ones. College studies are organized by the Luxembourg University Center.

Minister Fischbach stresses the sweeping technological, demographic, and economic changes that compel necessary changes in all levels of public education. Since 1970, Luxembourg has lost 7,100 agriculture-related jobs and another 12,700 in heavy industry but gained 48,600 jobs in services.

As is occurring elsewhere throughout Europe and North America, the population is aging. From 1987 to 2030, the ac-

tive population will decrease about six percent while that of the 60-plus group will grow two percent. A contrary trend, a baby-boom, has also started during the last few years. That is beginning to turn into increases in pre-school enrollment. Women are assuming increasingly greater roles in the work force. A national education policy must understand and respond to be successful. The last decade has been dominated, he writes, by egoism, a frenetic need to consume, unemployment, and environmental destruction. Schools must combat this by instilling in students a positive attitude toward society and life.

—James D. Spellman

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• A woman in her thirties, having received her MBA at the University of Pennsylvania's Wharton School, is spending a year at the London School of Business. "The LBS connection is key, because it gives me a leg up, as an American, to the European business scene where I want to work in banking," she says. "You can no longer simply walk in over here with an American degree."

What these two cases illustrate is that European integration and EC harmonization of diplomas has advanced. Meantime, established business schools, such as Cranfield, have "Europeanized" their curricula, case methods, research, and intensified language requirements for graduates. Canadian George Bain, head of LBS, is fond of telling visitors to his sprawling campus on Regents Park that EC business schools have proven far less "provincial" than their American counterparts. Americans represent about 18 percent of the school's total enrollment of 207 full-time MBA students. Somewhat similar pictures emerge at other leading European schools, such as the European Institute of Business Administration (INSEAD) in Fontainebleau, the International Institute for Management Development (IMD) in Lausanne, and SDA Bocchini in Milan, whose US roots and ties are deep.

In 1959, with help from Harvard University, INSEAD opened its doors to 65 MBA students and, greatly enlarged, has remained one of the top EC schools training global-minded managers, primarily for American and French multinational companies, banks, and consulting firms. Typically, the rival IMD last year picked Peter Lorange as its new director general—until July 1, 1993, he was president of the Norwegian School of Management in Oslo, but he was educated at Yale and Harvard and has taught at Wharton and the Sloan School of Management in Cambridge, Mass. In an increasingly fierce job market, young Americans and Europeans are still not sure they can get the best education, recruits say. "They are all trying to market themselves, which is why I mentioned the question of EC citizenship," says the Georgetown professor. "On both sides of the Atlantic, they want the best of both worlds."

A highly popular response has been double-degree programs in which European MBA candidates can spend a year at a North American campus, and vice versa, and obtain degrees from both schools. The Lyon Graduate School of Business started such an arrangement with the University of Texas in

1978, which in subsequent years was extended to the University of Connecticut, York University in Toronto, and the University of Southern California. At the London Business School, nearly half the MBA students spend one term at another school; the US participants range from the University of Chicago and Columbia University to Wharton, MIT, and the Stern School of New York University.

A considerable number of Europeans, however, still prefer enrolling in US programs on home-grown American campuses, accounting for an estimated 30 percent of their nearly 79,000 MBA graduates; this compares with about 10,000 graduates from roughly equivalent schools in Western Europe. I will always recall an elegantly dressed German student at the Stern School, completing his MBA, who explained that he was working for the Deutsche Bank and being groomed for a key job in the bank's US operation, at least initially. "I wouldn't dream of doing this in Europe," he said. "Why should I? Here, at NYU, I'm getting exactly the education I need, and I'm in New York City. What else could you want?" In effect, he was the mirror image of the attractive Wharton School graduate studying at the London Business School.

So, why then, asked many educators and observers, did the UK's venerable Oxford University recently establish a new School of Management Studies which would award its first two-year MBA, probably in 1995? In an interview published in the June issue of *The MBA Newsletter*, an authoritative US publication, Clark Brundin, who had been Vice Chancellor of the University of Warwick and who will head the program, said: "Essentially the postwar model has reached the end of its useful shelf life...The prototype which the Oxford course designers are coming up with looks promising. Its aim will not simply be the provision of professional training...It will be both globally oriented and practice-oriented, with all its MBA students required to be fluent in a second language and to undertake a six-month working project, if possible in a foreign country.

Clearly, Oxford is becoming part of the maturing European business education scene. And although Brundin conceded that "we cannot conceivably" match the salaries offered by the top American and European schools, he concluded by hoping that Oxford, too, will "be the beneficiary of the trend of Americans coming to Europe for their business education.

—Axel Krause



# NEWSMAKERS

Argentinean soccer star **Diego Maradona** should have walked away with \$1 million when the Seville club he played for broke his contract. Yet he is leaving without a penny, charged with just about every misdemeanor a player can commit: missing training sessions, insulting the trainer when he did turn up, being physically unfit, and technically incompetent.

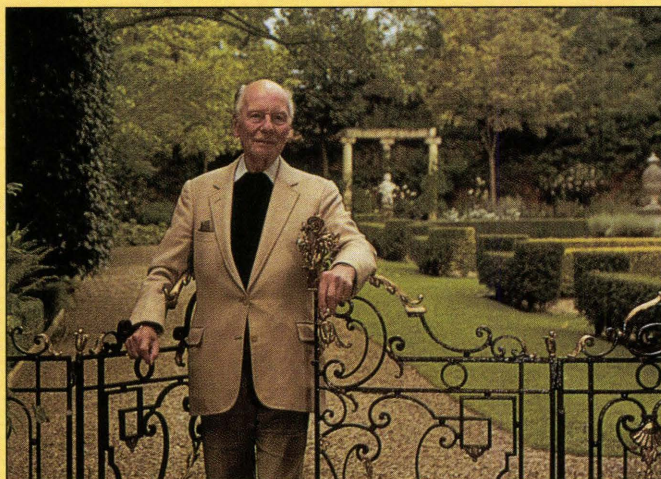
To back up their charges, the Spanish club had Maradona followed by a detective agency. Everything he did, from his dangerous driving to his wild nightlife, was recorded in a report that ended up being over 100 pages long, with accompanying photos and videos. Maradona decided to go quietly.

•••

Polish film director **Ag-nieszka Holland** (*Europa, Europa* and *Olivier, Olivier*) appears to have another bona fide international hit on her hands with her latest film *The Secret Garden*, based on the 1911 novel by Frances Hodgson Burnett.

Although *Garden* is being dubbed a "family film" by Hollywood marketers, Holland, 44, is better known as an artist who is not afraid of controversial themes. Her other films have been regarded as intense intellectual endeavors that have stirred up the European press with reviewers either praising or damning her work.

With the US success of *The Secret Garden*, some may wonder if Holland is destined to move to Hollywood. She



**Sir John Gielgud is raising his distinguished voice against foie gras production.**

said recently, "I am surprised by my success in the United States. In my opinion, I am not the kind of person who can be successful in the States."

•••

English actor **Sir John Gielgud** is raising his distinguished voice in protest against the horrors of foie gras production. He has agreed to narrate an animal rights video which shows shocking footage of French geese being force-fed up to 6 pounds of corn a day. Sir John was chosen to be "the anti-foie gras voice" because French animal rights groups believe that he will be taken more seriously than Brigitte Bardot and her histrionic campaigns against animal suffering.

When the video is released this month, it will be projected on screens outside selected French restaurants and delicatessens. It is bound to generate some lively discussions, but unlikely to

deter true foie gras lovers.

•••

Not just the health, but the finances of French fashion designer **Yves St. Laurent** are in a fragile state. Even though wealthy women such as actress **Catherine Deneuve** are willing to pay over \$90,000 for one of his creations, St. Laurent, like all the big names in fashion, depends on profits from the sales of perfume and accessories.

And in that area the courtier king has run into serious trouble. Recently he launched a new perfume called "Champagne." The launch party at the Paris Intercontinental Hotel was invaded by angry grape growers from the Champagne region protesting against a perfume carrying the same name as their precious wine. Fighting broke out; spectacles were smashed; and shirt buttons were ripped off before order could be restored. In a vain attempt at peacemaking, Pierre Bergé, St. Laurent's fi-

nancial partner, handed out free bottles of the perfume for the wine makers' wives.

But Moët Chandon, the world's leading champagne brand, has already started court proceedings against St. Laurent that could cost the company \$15 million. One excited champagne producer predicted that if they do not win this case, "Tomorrow we will see diapers called 'champagne.' Why not soap powder? It also bubbles up."

•••

Italy's new written driving test caused so many complaints that Transport Minister **Raffaele Costa** decided to take the 30-question exam himself. He got eight answers wrong and received a failing score. Afterward Costa confessed: "I am surprised I didn't get more wrong. Those questions are so confusing."

Confusion also surrounds Italy's new income tax form, a 25-page document so incomprehensible that several senior citizens collapsed under the strain of trying to complete it, and two actually died of heart failure. President Oscar Luigi Scalfaro has made a public apology for the killer form.

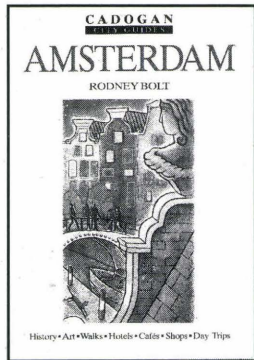
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**Maria Panteleymonovna Gorbachev** has sold the house where her famous son **Mikhail Gorbachev** was born to **Andrei Razin**, a former rock star. The contract stipulates that the new owner must turn the house into a Gorbachev museum at some time in the future.

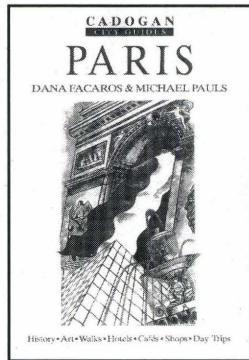
—Ester Laushway



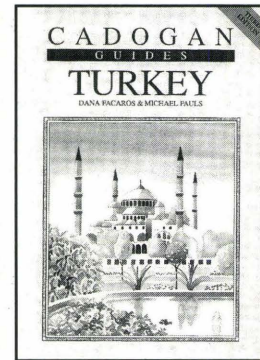
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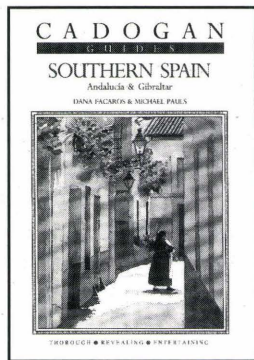
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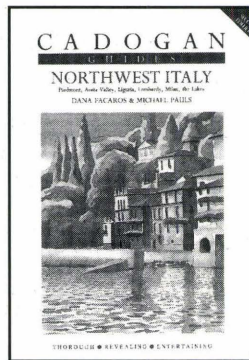
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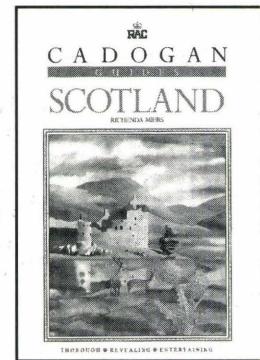
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# ARTS & LEISURE

## BOOKS

### **The Great Melody**

By *Conor Cruise O'Brien*  
University of Chicago Press,  
692 pages, \$35.

### **The Man Who Wasn't Maigret**

*Patrick Marnham*  
Larrar, Strauss and Giroux,  
346 pages, \$25.

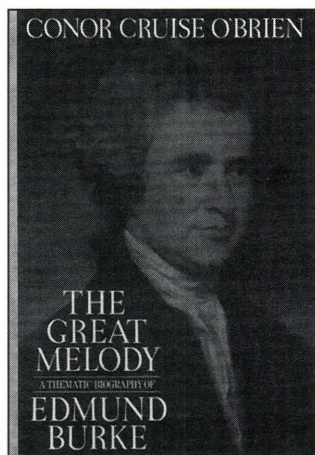
### **Lord Beaverbrook**

By *Anne Chisholm and  
Michael Davie*  
Alfred A. Knoff,  
589 pages, \$30.

At first sight, these three books would appear to have little in common. The first is a study of Edmund Burke, the 18th century Irish-born statesman and political thinker; the second, a biography of the Belgian-born writer Georges Simenon; the third, a life of the Canadian-born financier-turned-politician, Lord Beaverbrook.

The common thread that binds them is the fact that all three made their greatest mark not so much in their native land as in their adopted European country—Burke, in England; Simenon, in France; and Beaverbrook, not European at all, in England.

The books differ markedly in style and approach, particularly the first, which studies Burke not through the life he led but through the exemplary positions he adopted on the great issues of his day—notably, the American and French revolutions, but also the political mishandling of newly colonized India as well as his native Ireland—and



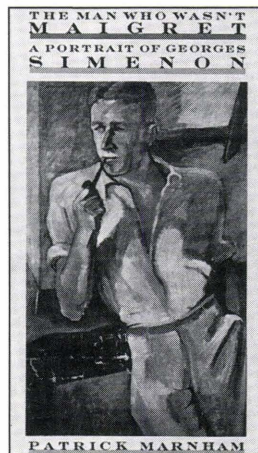
through his great parliamentary speeches in support of his well-reasoned political arguments.

There was a time when Edmund Burke was required reading in all American high schools, a recognition of the preeminent pro-American role he played at the highest level of English politics as the jewel of the crown's colonies became first restless and later moved to open rebellion.

In the early stages, Burke, a Whig, who was the most outstanding debater on either side of the House of Commons, was not in favor of American secession; rather, he argued passionately for fairer treatment of the colonists on the vital issues of taxation and political representation. But when subsequent developments closed off this option, Burke argued forcefully against what was to prove for the empire a near-ruinous war that was waged unavailingly to hold onto the disaffected colonies.

According to O'Brien, one of the options which was discussed in London at the time was that the colonies would

have their own representatives in the Westminster Parliament, a formula which is in use to this day in what remains of the French empire. One wonders whether such a proposal, had it been adopted, would have modified the course of American history. Had America remained within the empire for, say, another 50 years before it outgrew its progenitor, its settlement might have been far more thoroughly Anglo-



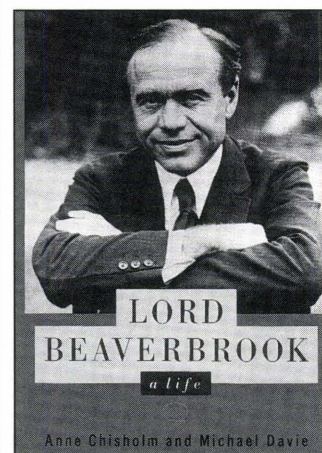
Saxon than it was, and the great cross-fertilization of European races that created the dynamic American culture in the 19th century might not have taken place.

The "Great Melody" of the title comes from a poem by Yeats which refers to the consistently liberal and compassionate theme which runs through all Burke's speeches, whether opposing oppression in America, France, Ireland, or India (he was the chief protagonist on behalf of Parliament in the impeachment of Warren Hastings).

On all of these issues, Burke was largely swimming against the tide. On three of

them he sided with what nowadays would be the perceived underdog—the disenfranchised Americans and Irish, the swindled Indians. In the case of France, however, Burke spoke out against the revolution, which he regarded as a precursor to universal instability while many of his parliamentary colleagues irked by the efforts of George III to limit their powers flirted vicariously with the ideas espoused by the revolutionaries across the Channel.

Conor Cruise O'Brien, who is himself a distinguished Irish statesman and no mean orator and political thinker in his own right, has given us, in what he calls a thematic biography, a book which should be read, if not by every American high school student, at least by anyone on this side of the Atlantic who takes a serious interest in the origins of American liberty and one of its most distinguished proponents.



•••

In the same way that it was natural for an Irishman of Burke's talents and upbringing to seek a broader canvas



in next-door England, so too was it natural for Georges Simenon, the author of the Maigret series as well as countless other novels, to move across the border into France. But with the possible exception of the Anglo-American Raymond Chandler, I can think of no other writer who became so indistinguishably identified with his adopted country and its culture.

Simenon created that most quintessential of French characters, Inspector Maigret, who ambles his way through some 70 detective stories, redolent of rillettes, red wine, Gauloises, as well as the fumes from his ever-present pipe. He conjured up such authenticity and style in his books that he was reviewed and fêted by such "serious" writers as Cocteau, Gide, and Mauriac, who could hardly be expected to be drawn to an author in this genre who confined himself to a vocabulary of 2,000 words (although he confessed privately to knowing some more).

Reading this book it is sometimes difficult not to confuse Simenon with his own creation. In many ways they were very similar—in their love of good food and drink, their beloved pipes, as well as their understanding, and to a certain extent sympathy, with criminals (especially in the case of real-life Simenon who might easily have ended up on the wrong side of the law).

What saved him, after some dubious early adventures, was an almost unbelievable facility for getting words down on paper, evident from his earliest days as a court reporter in his native Lille. Although still only 15, he was able to turn out a daily column for his newspaper after breakfast before spending the day observing the trials and tribulations of the criminal classes who were to people his subsequent books.

He never lost the knack. It

took him an average of two weeks to rattle out a Maigret mystery. Even at the end of his long career, he still managed to dictate enough material for 18 volumes of memoirs (which are notoriously unreliable).

His prodigiousness was not confined to writing, and in one particular respect he differed in spectacular fashion from the monogamous Maigret, who preferred to go home for lunch or, failing that, at least to salivate through many pages over the thought of Madame Maigret's cuisine. For every hot meal the Maigrets sat down to at home, Simenon shared his in a restaurant with a succession of females whom he subsequently bedded. Many of them didn't even get to eat.

In his memoirs he claimed to have slept with 10,000 women. His second wife, who was no mean promiscuous performer herself, put that figure at a more conservative 2,000. Even applying that lower estimate, it is little wonder he didn't always have time to go home for his meals.

Unlike Maigret, Simenon was also exceptionally restless. He spent much of his time on boats or changing his abode, including living successively in several different houses in the United States. He fell in love with the States, where he spent 10 years after World War II and was at one point contemplating applying for citizenship. A contributing factor to his change of heart and abrupt departure for Europe appears to have been the McCarthy hearings, which led to the imprisonment of some of his fellow writers, notably Dashiell Hammett.

Marnham has clearly conducted exhaustive research in his attempts to unravel the mystery of the man behind Maigret; if he has not altogether succeeded, his failure can be attributed largely to his enigmatic subject rather than to his own limitations.

Two small quibbles.

Firstly, a somewhat sloppy structure gives rise to occasional chronological confusion and needless repetition. Secondly, there is an inconsistency in the translation of some French words and terms in that the author frequently translates some fairly obvious words while leaving more obscure ones unexplained. Another mystery.

•••

However understandable it may have been for Burke and Simenon to carve out successful careers for themselves in countries which cast vast shadows over their own, the decision of a Canadian entrepreneur called Max Aitken to abandon his native land in mid-career and seek a different type of fortune on the other side of the Atlantic, and what's more to succeed, is worthy of investigation.

Although Aitken had by his mid-twenties amassed a fortune through deal-making whose ingenuity was matched only by the sometimes questionable business practices employed, he remained something of an outsider in his native Canada and was scarcely known beyond its shores. Yet, within months of arriving in England, still in his twenties, he had penetrated its notoriously rigid establishment to the extent that he was soon hobnobbing with the Prime Minister and his cabinet as well as winning his own seat in Parliament.

He eventually became a full-fledged member of the aristocracy as Lord Beaverbrook, having already picked up a knighthood along the way, and he became a key minister in Churchill's wartime government. Behind the scenes he was for half a century advisor to the great and sometimes the good, as well as a maker and breaker of many a political career.

How can one explain the dizzying rise of this adven-

turer who was stunted and ugly, who had rude manners, who had a background anathema to the English upper class, and whose political judgment was far from infallible, other than to attribute it to the power of money? For all its pretensions, the English establishment appears to have been as vulnerable in this respect as most mortals.

Beaverbrook used his money as well as his power of the press (he made his English financial fortune through ownership of the mass-circulation *Daily* and *Sunday Express*, showing a real media flair) to insinuate his way to the top. He even managed to overcome his natural physical disadvantages to become a successful if unlikely ladies' man by lining the purses of several high-born favorites with regular and substantial checks.

Lady Diana Cooper referred to him once as "this strange, attractive gnome with an odor of genius about him." According to one Prime Minister, Harold Macmillan, "He couldn't resist seducing men in the way he seduced women. And once a man was seduced by him he was finished." An earlier Prime Minister, David Lloyd George, said that "no man in any party trusts Max."

Yet, to one whom he seduced, Winston Churchill, Beaverbrook was "a devoted tiger—a very rare breed." While in the political wilderness between the wars, Churchill had no more dogged nor devoted courtier than Beaverbrook, who went on to make a typically dynamic contribution to his friend's conduct of the war against Germany as Minister of Supply.

Yet, despite his achievement, Beaverbrook remained an outsider, treatment which probably drove him to his extremes of Britishness, notably his commitment to the Empire. At the end of his life and career in the sixties,



when all but the most stubborn loyalists had abandoned the cause, Beaverbrook was still conducting his Empire Crusade. He played a major role through his newspapers in turning a large section of British public opinion against the emerging European Common Market, whose founding fathers, I recall, he dubbed derogatorily "the Messina Boys."

For all his financial chicanery, his social foibles and pretensions, his political misjudgments and wrongheadedness, Beaverbrook remains a compelling study. Like few before him or since, he successfully bridged the transatlantic divide. Many have left the Old World to make their fortunes in the new; few have done it the other way around.

—Peter Doyle

**Life at the Center: Memoirs of a Radical Reformer**

by Roy Jenkins  
Random House,  
585 pages, \$30.

To read the memoirs of Roy Jenkins is to be reminded page by page how deep a fault line Europe has created in British politics. Jenkins' political career, in the United Kingdom and Europe, spanned an era from the end of World War II into the 1980s when the UK was at once tantalized and repelled by the prospects of joining the efforts at European union on the continent. And that career was created in British politics over those decades.

The memoirs of this former deputy Labor Party leader and Chancellor of the Exchequer, former EC Commission President, and founder of the Social Democratic Party are likely to be marketed in this country by highlighting the many personal and political friendships he cultivated here. Indeed, the book jacket carries a blurb from John Kenneth Gal-

braith comparing the transatlantic links of Jenkins with those of Winston Churchill. And since his first and formative visit to the US in 1953, Jenkins has developed a special appreciation and understanding for this country and has enjoyed the company and hospitality of many of its political, literary, and social luminaries.

Yet a more apt comparison with Churchill is in the reminder of how literate and prolific some British politicians can be, though one wonders if this tradition will continue in the younger generation in Parliament now tempted by so many consultancy offers that bring far more money for much less effort. When Jenkins was a young MP, the House of Commons was very much a part-time job, and that's when he began a writing career that includes biographies of President Truman and Prime Ministers Attlee, Asquith, and Baldwin. His impressive literary output also reminds the American reader that full-time American Congressmen spend whatever spare moments they have soliciting campaign contributions from lobbyists.

The veteran politician, now Lord Jenkins of Hillhead (his last parliamentary constituency, won as a Social Democrat, in Scotland), has produced a remarkably honest as well as literate memoir. It does especially well evoking for anyone who was there during any of that time what life was like in political London from the 1950s through the early 1970s—its swings between optimism and pessimism and its many superb though often restless and discontented minds.

The sharpest criticisms in this book are aimed at the author's own mistakes and shortcomings. He is at once both honest and generous about Prime Minister Harold Wilson with whom he was so

uneasily bound in government and opposition. He is similarly frank but gracious about James Callaghan, Denis Healey, and his other colleagues and rivals.

The memoirs provide one participant's perspective of this enduring struggle. Jenkins describes how as a young MP he voted with no qualms against the Schuman Plan in 1950 and only came to his ardent pro-European convictions a few years later. That conversion caused him no end of political problems, first with Labor Party leader Hugh Gaitskell, who opposed the Macmillan government's efforts to join the Common Market. More trouble ensued when Jenkins defied a three-line Labor Party whip and led 69 fellow Laborites into the Tory division on the parliamentary vote to ratify the Heath government's accession treaty. This book makes more clear than earlier works how unlikely it would have been for Harold Wilson to negotiate British entry had he, as everyone expected, won re-election in 1970.

Largely because of his European convictions, Jenkins was eased out of the number two position in the party in the early 1970s and then out of the Wilson/Callaghan government a few years later to take the presidency of the EC Commission. From that perspective he saw the Tories abandon the unity that Heath had forged over Europe. In its place came the anti-European rhetoric of Margaret Thatcher, occasionally accompanied by pro-European policies, or at least more pro-European than those of Labor.

Much of the Jenkins presidency in Brussels was preoccupied by what came to be known as the BBQ—the British Budget Question or the Bloody British Question, a long and enervating dispute over the UK's contribution to the EC revenues. The issues and personalities, as they

grated on one another, are skillfully described in this memoir. There is one particularly choice scene, after a brutal negotiation, when Prime Minister Margaret Thatcher says of her European colleagues, "They are all a rotten lot."

The other major Jenkins initiative in Brussels was the renewed push for monetary union, which culminated in the creation of the European Monetary System in 1979. This, too, is a story deftly told, though unfortunately left unspoken are the author's views on whether a policy so useful in curbing the inflation of the 1970s made as much sense when it locked all of Europe into Germany's post-unification deflationary policy.

But as he does point out, the British were very late joining the EMS. His epitaph on that decision sums up much of the frustration of his political career:

"...at least we remained bipartisanly faithful to our national habit of never joining any European enterprise until it is too late to influence its shape. Then, when wholly predictably, we are eventually forced to apply for membership, we complain bitterly that the shape suits others better than it suits us."

What Jenkins has offered to readers still baffled by this course of post-war British history is a most useful road map charted by a pioneer. Surprisingly missing in an often reflective work (especially as to why he failed to become Prime Minister as so many thought he was destined to be) is how and why the British so often ran into the gullies on their trip to Europe. But still buoyant at 73 and with time to write, other than his duties in the House of Lords and as Chancellor of Oxford, perhaps Jenkins will dive into these ruminations on history, institutions, and national character in his next book.

—Mike Mosettig



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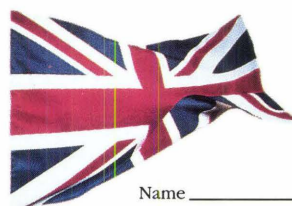
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