FORTNIGHTLY BUREAU DE DEPOT BRUXELLES "X" 15 March 1995 - N° 65

TOGETHER IN EUROPE

EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE EUROPEAN UNION

APPLICATION OF THE SCHENGEN TREATY

March 26 starts, after many delays, the three month "provisional and irreversible" phase of the implementation of the EU's **Schengen Treaty.** During this phase border controls on persons will gradually be phased out not in the EU as such, but between seven countries of the Union (France, Germany, Belgium, Netherlands, Luxembourg, Spain and Portugal). The following remarks could, hopefully, contribute to a better understanding of the Schengen Treaty.

First remark: **the free movement of persons already exists in the EU.** It is wrong to claim that it will be introduced on 26 March, in just one part of the Union. Free movement is the right of each Community citizen to travel freely from one Member State to another. This is what is essential. The constraint to be abolished is the fact that, sometimes, a citizen may be asked to show a document proving this right. What is about to happen is not free movement, as we read everywhere, but abolition of controls. This is significant, symbolic, and psychologically important as well as being a legal obligation - but it is far less fundamental.

Second remark: **what already exists in the Union is far more than just free movement.** As well as being entitled to work in the same way as nationals, having the right to set up business and to freely provide services (which has existed for a long while now), the Community citizen has the "right of stay", that is, the right to settle wherever he may please without having to justify his choice by employment or any other activity. He can move around or settle wherever he may choose.

Third remark: **implementation of the Schengen protocol will not reduce but will on the contrary considerably increase security.** The abolition of border controls implies in fact far greater cooperation between the ministries of home affairs and justice and between security services. It is possible to have an idea of the extent of this by counting the number of months, or rather years, that it has taken for technical instruments to be perfected. Previously, despite Interpol, everything stopped at the borders. The common market existed for criminals, who were already virtually free to move about from one Member State to another (border controls, as we all know, have been symbolic for some time now), but it was practically impossible for magistrates and the police. In the future, there will be an integrated computerised

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system containing one and a half million particulars and descriptions of wanted persons, stolen weapons, counterfeit money, false identity documents or stolen cars. This highly sophisticated system, subject to strict regulations to protect privacy, will be accompanied by the police right to pursue, each country having determined the geographical area, the nature and the duration of pursuit that the police from other Member States may carry out on its territory. At the same time, controls at the external borders of the Union will be harmonised and strengthened. Those countries that cannot prove they have a computerised system that works well and effectively and that their external borders are well controlled are not admitted to the area for abolishing internal border controls.

This is why neither Italy nor Greece will participate for the time being even if they are signatories to the Schengen Treaty.

Fourth remark: it would not be fair to attribute to governments' lack of will alone the lengthy delay in abolishing controls in relation to what is set out in the Treaty. This step was about to be taken several years ago, when international terrorism and organized crime broke out. Those mainly responsible for the delay are the increasingly cruel drug traffickers, who have almost unlimited financial means, terrorists and the organizers of clandestine immigration. Europe was moving forward with a certain candor to the great date: it was obliged to take precautions. Even the European Commission (which has not always avoided a certain demagogy in this area, less than certain sectors of the European Parliament) wrote in its "Free Movement" brochure last July: "Identity checks are difficult to abolish. They are a part of governments' efforts to fight international crime, drug traffic and organized crime. This priority is recognized by the citizens, who would not be prepared to accept the opening of borders if this were to favour the mobility of criminals and lead to a security deficit."

Last remark: the European Parliament is perfectly right to regret that the Schengen system is established in an intergovernmental framework and not in a Community framework. But it must accept the inevitable, because at least one country - the United Kingdom - is opposed to the abolition of border controls and has announced that it will not change its mind. We are faced with one of those fundamental problems which will have to be raised openly at the 1996 Intergovernmental Conference, at which time it will have to be clarified whether the United Kingdom intends to participate in the European area without frontiers (and not only from this point of view). But whilst awaiting the IGC, a choice has to be made: either cooperation or opposition to progress. *(F.R.)* ■

NEGOTIATIONS WITH SLOVENIA START

On March 6, the EU Council authorised the European Commission to start negotiations with Slovenia in view of the conclusion of the Europe Agreement.

The opening round of negotiations between the European Union and Slovenia was held in Brussels on March 15. The head of the Slovenian Delegation, Foreign Affairs Minister Mr. Zoran Thaler and the Director General Gunther Burghardt representing the European Commission said that previous cooperation allows the start of negotiations on a solid basis. It is expected that the Europe Agreement would be negotiated this year under the French presidency. Mr. Thaler said that Slovenia will be one of the candidates for accession in the next enlargement of the European Union. The start of the negotiations was made possible by the lifting of Italy's reservation (which conditioned the negotiations by Slovenia's change in its constitution concerning foreigner's rights of establishment) just before the 6 March Council Meeting.

During the Council meeting of 6 March, the Council and the Commission jointly declared that they "expect Slovenia to avoid any discrimination based on the nationality or place of residence and having an impact on the movement of capital and real estate investments by the EU nationals". They also "note engagement by the Government of Slovenia to harmonise the country's legislation with the EU rules on the purchase of real estate and Slovenia's Parliament will make this change **before the Signing of the Association Agreement.** The Council and the Commission will seek that this obligation is respected before conclusion of the Europe Agreement". Foreign Minister Thaler said in Brussels on 15 March that the Constitution's amendment procedure would be launched before the signing of Europe Agreement and would be concluded **before its ratification.** This suggests that Slovenia is ready to change the constitution in two or perhaps three years ie in time for the entry into force of the full agreement, while the Interim Agreement allowing the application of trade and related provisions, is likely to enter into force this year. (continued on page 12)

STABILITY PACT

The EU Council discussed, on March 6, the latest developments in the preparation of the final conference on the Stability Pact which will be held in Paris on March 20-21. The Commission informed the meeting on the accompanying measures to the Stability Plan. The aim of the accompanying measures is to favour regional cooperation in central and eastern Europe. The Stability Pact is one of the first actions under the Union's second pillar.

The EU Council concluded that progress so far achieved "allows the belief that the objectives of the Union would be achieved in Paris", but that meanwhile an important further effort is needed. The expected major results from the Conference, the agreements concerning Hungarian minorities in Romania and Slovakia, are not yet fully certain. The signing of bilateral agreements on "good neighborliness" between Slovakia and Hungary, and Hungary and Romania would be judged as the major achievement of the final conference.

The last "round tables" in the preparation of the final conference were held on February 21-22 and concentrated on the preparation of the **final declaration.** The representatives of the participating countries in the Stability Pact also met on March 7 to discuss the final text. It will be this "Final Declaration", the engagements taken by several countries and by the EU countries, which will constitute the Stability Pact. In annex, the accompanying measures will be listed.

Readers will recall that discussions were held within two regional "round tables" presided over by the European Union. One table associated the four Baltic countries: Estonia, Lithuania, Latvia and Poland and their invited countries. The second "central and eastern European" round table associated the Czech Republic, Slovakia, Hungary, Poland, Romania and their invited countries.

Final Declaration:

A relatively short "final declaration" of probably not more than 18 points shall underline that the Stability Pact reflects the common will to end and to prevent the tensions and crises in Europe and to establish a durable zone of "neighborliness" and cooperation in Europe, which would irreversibly establish the principles of democracy, respect of human rights, the State of Law, economic progress, social justice and peace.

Point 5 of the Declaration says that a "stable Europe is the Europe in which people express democratically their will, where human rights, including rights of the national minorities, are respected and where the sovereign states cooperate across borders and develop good neighborly relations".

The declaration will be accompanied by a list of agreements and arrangements.

Accompanying measures:

The accompanying measures are closely linked to the perspective of accession of 9 central and eastern European countries to the EU. The European Commission in consultation with participating countries draw a list of accompanying measures. In fact there are two lists. The first list contains a list of projects proposed by the central and eastern European countries within the discussions in the two round tables (Baltics, and central and eastern European countries). The second list contains projects (worth some ECU 200 million) financed from PHARE funds during recent years and which are believed to be contributing directly towards the realization of the objectives of the Stability Pact. There is a promise that following the adoption of the Stability Pact the European Union will continue to support - through PHARE - the realization of the pact's objectives.

The projects proposed by the central and eastern European countries (some 38 projects) concern mainly trans-border and economic cooperation. A number concern modernization of border crossing points, construction of border check points and improvements in customs buildings. Thus for example the Czechs and Slovaks agreed to modernize the Mosty border crossing. Lithuania proposes to improve harbour entrances and enlargement of the ferry and RoRo terminal of the Port of Klaipeda. There are also 6 projects on questions relating to **minorities.** Slovakia proposed 3 of them. For example it proposes to prepare a comparative analysis of the situation of national minorities in individual countries of Central Europe. Latvia proposed a programme of encouragement of voluntary repatriation. In the section on cultural cooperation Estonia proposes a program aiming at increasing the efficiency of the network of language centers in Estonia, so that they can provide better preparation for citizenship exams. A joint programme by Slovakia, Austria and Hungary aims at the introduction of an automated fingerprint identification system.

The second list contains 98 projects which are already supported by PHARE and which

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could be judged as contributing to the objectives of the Stability Pact. Of the total 98 projects, some 52 projects concern the border crossing modernization programme. But there are also number of PHARE Democracy projects. For example, there is a programme run by Pax Christi International seeking to establish a dialogue on minority problems between Hungary and Slovakia. There are also 2 common programmes for Balkan countries. One seeks to supply equipment for 11 different border crossings and the second the adoption of common customs legislation and transit procedure.

Mr. Alain Lamassoure, the EU Council President told the European Parliament on March 14 that it is too early to make a prediction about the outcome of the Final Conference. However, the President of the Council appreciated, that after rather a long period of explanation, the central and eastern European countries have accepted the initiative and that Russia has adopted a "constructive" attitude.

European Commissioner Hans van den Broek underlined that the implementation of the Stability Pact initiative will be strengthened by the Commission's "pre-accession strategy". The Commissioner also referred to some ECU 60 million from the PHARE Program which would support cross-border cooperation projects.

There were some questions in the European Parliament over the means the EU will have at its disposal to enforce good neighbor agreements which will be concluded. The proposed point 15 of the Declaration refers to OSCE and to its principles. Point 15 says that the participating countries undertake, in a case when the OSCE principles are not respected, to rescue OSCE procedures, including procedures for the prevention of conflicts, peaceful settlement of differences and respect of the human dimension. ■

REVIEW OF THE G-24 ASSISTANCE TO CENTRAL AND EASTERN EUROPE

High officials of the G-24 met in Brussels on 10 March to review aid to central and east European countries. The meeting was chaired by Mr. Gunther Burghard, Director General of the European Commission's Directorate General for External Political Relations. Representatives of international financial and other institutions involved in aid to central and eastern Europe took part in the discussion. Readers will recall that in July 1989 during the Paris Summit of the G-7, the seven most industrialized countries launched an assistance program for transformation and gave the EC Commission the task of coordinating assistance (then only to Poland and Hungary) to transition countries of central and eastern Europe. The original group of 7 major donors was expanded to the 24 most developed countries.

The task of the last meeting in Brussels was to examine the priorities of G-24 action. As reform proceeds, the priorities need to be adopted. Important changes in G-24 assistance have already taken place. The bilateral donors which initially provided urgent assistance and know-how for transition, have become increasingly more involved in promoting private investment and in co-financing major investment projects. As a result the lending now represents an increasing share of the overall assistance, while the grant assistance share decreases. The beneficiary countries are more getting involved is coordination of assistance and have to opportunity to define their objectives.

The meeting confirmed the "scoreboard" indicating that the overall assistance during 1990-1994 amounted, in terms of committed funds, to a total of ECU 74.7 billion. The main discussion, however, concentrated on the achievements of the reform in central and eastern Europe over the last five years. On the one hand, it has been concluded that the **political and economic transition has become an irreversible process.** On the other hand, the G-24 cannot fail to recognize that the process of political and economic reform in the beneficiary countries strongly differed from one country to another.

Also by 1995 the situation is, that a great majority of transition countries of central and east Europe are run by the governments controlled by "former communists" or their allies. The G-24 takes this as proof of the success of the process of installation of the democracy in the beneficiary countries. The population expressed during the free elections its appreciation of the effects of the pace in which reform has been implemented. The results of the elections indicated that it is necessary, at least in some countries, to correct the pace of the reform. The G-24 fully recognizes this situation and the discussions during the meeting indicated that it is important to evaluate a number of the current governments in CEEC not on the basis of their political color, but on the merit of the policies they pursue. These policies in principle aim at continuation of the reform and the G-24 countries referred in Brussels to the encouragement they give towards continued effort to pursue active reform policies. Unofficially it has been suggested that real worries exist only in the case of one central European country, whose leaders questioned the process of privatization and made several other statements questioning the fundamental features of political and economic reform. It seems, however, that within the G-24 there are different "schools" concerning views on the pursual of further reform, and that there is no unanimity as concerns the appreciation that it was too high pace of the reform which caused several recent results of the legislative elections in CEEC.

The discussions underlined that as the beneficiary countries of central and eastern Europe now seek accession to the European Union, this will underline the need to actively pursue reform. On the other hand, the future G-24 assistance must reflect the imperatives of this development.

The meeting resulted in the agreement to adapt the G-24 coordination process to the new circumstances. The assistance will be increasingly shifted to more medium term goals. The international financial institutions will participate more extensively especially in the area of financing of infrastructure (Trans-european Networks in particular). The bilateral donors, on their part, will tend to develop further assistance in fields, countries and regions of their particular interest.

Scoreboard:

Since 1990 the G-24 committed nearly ECU 75 billion (over $90 billion) in assistance to the beneficiary countries of Central and Eastern Europe. The first recipients were Poland and Hungary (technical assistance, a stabilization fund for Poland and structural adjustment loans to Hungary). During 1990 the G-24 assistance was extended to Czechoslovakia, Bulgaria and to Yugoslavia, and temporarily also to the former east Germany (until reunification). Then in 1991 the G-24 assistance was extended to the three Baltic countries, to Romania and Albania. There are now 12 recipient countries for G-24 assistance. From the ex-Yugoslavia, the G-24 assistance now goes to Slovenia (since 1992) and to the Former Yugoslav Republic of Macedonia (since 1993).

The first recipients of G-24 assistance, Hungary and Poland have also been the two major beneficiaries of the assistance. In fact Poland was the principal beneficiary country which got some 36.7% of all assistance committed to the Central and Eastern European countries. But a substantial part of this assistance (some ECU 10.3 billion of a total of nearly ECU 27.5 billion) represents the effort of the G-24 countries towards the reorganization of the Polish external debt). Readers will recall that the agreement reached between Poland and the Paris Club of Western Governmental creditors provided for a 50% reduction of the Polish debt and an even higher reduction in interest payments due. This also boosted the volume of grant assistance provided to Poland.

Total G-24 Assistance by Recipient, 1990-1994

	Total Assistance (Mecu)	Of Which: Grants (Mecu)	Grants as % of Total to Recipients
Albania	1346.73	847.86	63
Bulgaria	3440.77*(1)*	655.15	19
Czech Republic (93-)	2938.44	223.89	9
Czechoslovakia (90-92)	5992.56	496.31	8
Estonia	711.57	277.25	39
Hungary	11709.34	904.54	8
Latvia	799.37	198.50	25
Lithuania	1049.44	302.97	29
FYR of Macedonia	347.22	95.28	27
Poland	27473.36*(2)*	11246.53	41
Romania	6749.91	1023.38	15
Slovak Republic (93-)	1030.55	146.56	14
Slovenia	668.91	81.59	12

(1) of which 153 million ECU in debt reduction;
(2) of which 8.3 billion ECU in debt reduction.

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Of some ECU 75 billion committed, grants represent some 30% or over ECU 22 billion. The European Union and its member states share approximately 60% of all grants. This includes grants provided by the European Union via PHARE technical assistance and grants offered by the EU member states. Among the EU donors a specific place belongs to Germany which committed a total assistance during 1990-1994 in excess of 11.2 billion ECU (some 15% of all assistance committed by all G-24 countries). Grants committed by Germany during 1990-1994 amount to over 3.1 billion ECU. France committed assistance to central and eastern Europe in excess of ECU 5.5 billion. Of this grants amount to over 2.2 billion ECU.

Overall, the EU and its member Countries have been the largest contributors to the G-24 assistance. Altogether the EU, its Member Countries and the EU's institutions such as the European Investment bank and CECA, committed over Ecu 33.8 billion of which grants amounted to ECU 13 billion. The United States committed nearly ECU 9.6 billion (of which grants amounted to 5.5 billion). Bilateral assistance from G-24 countries has been showing a trend towards regional specialization.

The best example are the Nordic countries which were concentrating their bilateral assistance to the Baltic States, other examples are assistance given by Austria to Slovenia, grants provided by Italy to Albania and the Swiss contribution of 14% of total grants to Slovakia. The Netherlands provided 15% of all grants given to Macedonia etc.

G-24 Assistance Committments By Donor 1990-1994, Million Ecu

	Total	Of Which: Grants
Belgium	271.49	89.30
Denmark	886.15	654.77
France	5512.3	2247.74
Germany	11238.63	3137.67
Greece	87.25	66.44
Ireland	3.38	2.04
Italy	1464.46	536.33
Luxembourg	28.82	8.64
Netherlands	1145.27	573.30
Portugal	3.95	0.01
Spain	1040.94	7.22
UK	794.37	117.02
EU Members TOTAL	22477.00	7440.50
EU Programmes	8390.09	5642.19
EIB	2745.00	
CECA	200.00	
EU TOTAL	33812.09	13082.69
Austria	2267.47	691.79
Finland	696.46	210.02
Sweden	1389.66	405.26
Switzerland	1604.96	402.65
EFTA	6534.29	1869.23
Japan	3126.70	594.92
US	9574.65	5494.40
G-24	55420.66	22262.53
EBRD	2517.45	
World Bank	7830.37	
IMF	8938.53	
IFI	19286.36	
GRAND TOTAL	**74707.02**	**22262.53**

The composition of the assistance has been very varied. The biggest part (22% of all assistance) is marked as "general assistance programme" and basically consists of bilateral and multilateral donor loans for improving the general economic situation of the recipient countries. The second principal item (21% of the total) were export credits and credit guarantees. In value terms, export credits and credit guarantees were worth over ECU 15.8 billion during 1990-1994. The major recipient was Poland (ECU 3.7 billion), Czech and Slovak republics (over ECU 3.4 billion) and Hungary (some ECU 3.0 billion).

The assistance to investment projects in the transition countries shares 17% of the total and its share has been strongly increasing since 1993. The total amount of money committed under the assistance to investment projects is ECU 12.4 billion. Of this, more than ECU 8 billion relate to three central European countries: Czech republic (ECU 1.3 billion), Poland (ECU 4.44 billion) and Hungary (ECU 2.3 billion). Substantial assistance to investment projects was also committed to Romania (ECU 1.43 billion). ■

DISCUSSION OVER MOCHOVCE NUCLEAR PLANT

In late March the EBRD is to take a contested decision over the financing of Mochovce nuclear energy plant in Slovakia and the decision over EURATOM loans is to be taken in April. We pointed out in the last issue that the European Parliament is extending considerable pressure on the institutions. The strong feelings were again visible during the extraordinary meeting on the improvement project of Mochovce plant organized by the EP's Committee on Research, Technological Development and Energy on 1 March. Mr. Robert Verrue, Deputy-Director general in DG I of the European Commission (external relations) told the MPs that the Commission has not yet adopted the definitive position it will take in the EBRD's Council of Directors, nor during the next month when the question arises concerning the EURATOM loan.

Some 70 Members of several committees attended the meeting. MEPs were informed by 5 experts on this particular project, which might be financed by EBRD and EURATOM loans. The experts included Josef Misak, Chairman of the Slovak Nuclear Regulatory Authority, Wolfgang Kromp of Vienna University, Jean-Michel Fauve the director of International Affairs of Electricité de France, Radko Pavlovec of Global 2000 and Thierry Baudon, Deputy Vice President of the EBRD. It will be recalled that the EBRD will decide at the end of March, while a decision by EURATON will be taken in April.

In a common resolution (15 February) the EP, referring to this meeting on research, technological development and energy, demanded that the Commission and the EBRD make public the full dossier of Mochovce including the economic, environmental and safety studies, as well as the least-cost planning. The EP also called for the appropriations of Mochovce not to be granted by the EBRD until safety issues have been satisfactorily resolved and asks the Commission, the EBRD and the EIB to postpone their decision. The EP recommends that in no case should a lowering of EU safety standards be considered, especially in new European sponsored projects.

Questions were then put to the panel of experts, and most questions addressed the same issue: is the installation at the Mochovce Nuclear Power Plant safe or not. For the socialist group, Gordon Adam (UK) pointed out that much work was being carried out reflecting East-West cooperation, but he asked what measures were being applied to ensure public safety. Carlos Pimenta (Portugal) for the Liberal group asked whether a similar plan would be allowed to operate in France or Germany. The Greens questioned shortcomings in design and wanted to know who would ultimately give technical approval.

Pedro Marset Canpos (Spain), speaking for the Budgets Committee asked whether Slovakia had an alternative plan if this project failed to secure EU funding and in the event of a disaster, wanted to know who would be responsible for compensation.

Slovak View

Misak gave the Slovak point-of-view, attempting to convince the committee that Slovakia is an absolutely safe country as far as nuclear safety is concerned. "We will strictly follow all our obligations in the Convention [on Nuclear Safety]" he said. He also said that the plants located at Bohucne, of Russian origin, would be closed as soon as possible. He reiterated that it might be possible to bring Mochovce up to western standards, but not with the money available. He contradicted himself slightly when he said that it had been confirmed by 250 western experts that the plant was up to western standards, and whether or not such an

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installation would be licensed in France or Germany, was "irrelevant", saying that in all likelihood, a French plant would not necessarily be licensed in Germany. If EBRD finance was not forthcoming, he said that the project would continue, using other available sources of finance, but that this would inevitably involve a certain delay.

Austrian View

Kromp, of neighboring Austria, said that in view of basic safety deficiencies, the goal of reaching western safety levels in Mochovce cannot be realised within the given budget and time frame, and he gave a list of unresolved issues, including fire hazards, earthquakes, emergency operating procedures, system design, steam generator collector failure and reactor vessel failure. He criticized the report for not adequately solving some individual issues, while about twenty individual points are not even mentioned, such as fires or pipebreaks. Therefore he criticized the EBRD financing, and argued that the opinions of technicians should carry more weight than those of bankers. Interestingly, he mentioned that without the involvement of the main designer (Russia), "noone would consider completing any complicated industrial facility". A petition outlining citizens' anxieties in Austria had been signed by 700,000 people.

EDF

Electricite de France has carried out a study on units 1 & 2 of the plant to see if its completion was possible, while still ensuring that safety standards were maintained. Fauve said that a year's work was required involving a large number of EDF specialists, and focussed on three requirements: ratification of the Vienna and Paris International Conventions by the Slovakian government with regard to civil nuclear responsibilities; the committment of the Slovakians to decommission the two most obsolete units at Bohunice, as soon as units 1 and 2 of Mochavce are commercially connected to the grid; the existence of a European guarantee derived from the operation's financing. He too conceded that the plant still had certain weaknesses, which could however be eliminated. A Franco-German consortium ("Risk Audit") will conduct an independent study and make recommendations with a view to ensuring that Mochovce is as safe as power stations in western Europe. The group will study these weaknesses and will make recommendations to bring the plant up to levels of plants of the same generation in use in western Europe. This programme would include the requirements drawn up by the IAEA (International Atomic Energy Agency), and it would represent about half of the total volume of work to be carried out, costing FF5bn. A third of the financing will be guaranteed by the EBRD, a third by EURATOM and the balance by EDF, BAYERNWORK and bank loans. He equated Mochavce as a question of committing western Europe to assume more responsibility with eastern Europe.

Global 2000 pointed out that the Mochavce nuclear plant would never be allowed to operate in the EU. Pavlovec claimed that the development of the plant was blocking other more worthwhile projects. The plant did not represent the least cost option.

EBRD

The EBRD explained that they are involved in the Mochavce project because there is a good opportunity to close an unsafe nuclear plant. On the other hand, Slovakia is a country bottoming out of recession and a profitable power utility would reinforce the country's credit. The EBRD will only consider co-financing the completion and upgrading of the plant provided that the project is least cost. Experts confirm that the project complies with international safety requirements, makes adequate provision for management of spent fuel and other wastes, the environmental impact is acceptable and procurement rules are complied with. He also said that it is out of the question that the EBRD loan will be repaid by the export of electricity. He stressed the need for the project, and the support for it by the senior management of the bank. On the issue of surplus capacity in the Slovak electricity system, he said that in reality there was no great problem, with the excess standing at only 3-7%, and was caused by old inefficient lignite burning plants. The financing structure has been arranged in such a way as to allow Slovakia to repay the loan.

The European Commission was represented by Mr. Verrue (DGI), and he underlined that the Commission had not yet taken a final decision about the position it would adopt at the meeting of the EBRD Board of Administration in late March and, subsequently, in regard to the Euratom loan.

In London, the Director of the Mochovce project within the EBRD, Alain Pilloux, recalled that 60% of the sums invested in the plant were for enhancing safety. "If the EBRD and Euratom are not present, the Slovaks will be able to complete the project with aid from foreign countries without improving safety (...). Russia had made a proposal to Slovakia for completing Mochovce, with the supply of fuel. Our fears were therefore justified," he said. EBRD officials, moreover, justified their institution's possible intervention by the fact that beginning of this plant's operations will mean that the one in Bohunice will be closed down: "The closure of Bohunice is a legal obligation under the contract" to be signed with Slovakia, Mr. Pilloux stressed, adding that if the Slovak authorities did not respect this, they would immediately have to refund some DM 700 million. According to EBRD forecasts, the project will be financed through loans by the EBRD of DM 42.5 million and DM 366.3 million in Euratom loans.

Electricité de France (EDF) will contribute DM 240 million and the Bavarian electricity company Bayernwerk 90 million. To this will be added two bank loans, one for DM 188 million (guaranteed by the French institution responsible for export credits, Coface) and the other DM 93.5 million (guaranteed by the German institution "Hermes"). The Slovak electricity company Slovensky Energeticky (SE) will contribute DM 60 million, said Mr. Pilloux. Should the EBRD Board give the go-ahead before the end of March, work could begin towards May-June allowing for the first unit to be completed by the end of 1997, and the second in 1998, Mr. Pilloux indicated.

Stop Press: The EP decided to have a new debate on the Mochovce plant on March 16, following the Commission's presentation of the position it is going to take in relation to EBRD & EURATOM Loans. The Parliament decided it will take a vote on the Commission proposal. ■

EUROBAROMETER INDICATES NEW TRENDS IN CEEC OPINION

The European Commission published in early March its Fifth Central and Eastern Eurobarometer, an annual survey of public opinion in central and eastern European countries. This years's survey concerned 18 countries in which 18,834 people were surveyed in November 1994, nearly coinciding with the fifth anniversary of the fall of the Berlin Wall. This issue, and previous issues of central and eastern European barometer allow an assessment of the changing attitudes of the public to political and economic change in the region, as well as attitudes to the European Union.

The fifth edition of Eurobarometer concentrated on two principal issues:

1. Attitude of the public to economic and democratic reforms;
2. Attitude to the European Union.

It is reasonable that the EU tries to evaluate what is the EU's image in CEEC. This time, for example, the survey included questions on "Who benefits most from the relationship?". The EU is the biggest provider of the assistance to CEEC and the main trade partner. It appears that in the associated countries the largest part of the population considers that their country and the EU both equally benefit, and interestingly 20% of the population either said that their country benefits the most and the same share of the population considered that the EU draws the most of the benefits.

Ten of the central and eastern European countries hope for accession soon. Asked who is likely to benefit or lose out as ties between their country and the EU increase, an interesting response came from the farmers in the associated countries: most farmers themselves (58%) in Europe Agreement countries believe they will lose out (from accession). In addition also the Czech and Polish population believe, that farmers will be among the losers.

1994 was, in several associated countries, the year of return to economic growth. It doesn't seem that this development had an immediate positive impact on the population. Some 51% of people in the region said their incomes fell during 1994. However, there were clear signs of growing optimism for 1995: only 30% of the population considered that things will get worse. In contrast, in the ex-Soviet Union a much higher portion of the population expects that in 1995, things will get worse.

An interesting feature of countries surveyed is the negative response by most countries to "country direction" and "democracy satisfaction". Declines are apparent in all countries since 1991, although rises in both categories are seen with regard to Poland.

Previous Eurobarometer surveys indicated that disillusionment with the development of democracy was prevalent in the ex-Eastern Bloc countries, and that people felt that they had been better off under the previous political system. Therefore trends for the last five years show some startling results. Only in **Albania** do most people tend to be more optimistic than pessimistic about whether the country's direction

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is right or wrong, back the idea of a market economy and believe there is respect for human rights. However, this positive trend is showing signs of decreasing, particular in the category "country direction" this time (27% fall over 1993). Similarly most Albanians had always been more dissatisfied than satisfied with the development of their democracy, but this has worsened considerably this time, falling nearly 17 points.

Bulgaria shows the most negative result, where those dissatisfied with democracy outnumbered those satisfied by 23 to 1. In contrast, the **Czech Republic** continues to do well. With Albania, it is the only country which has consistently three out of four indicators more positive than negative, the erosion of confidence occurring in support of market economy, over the past four years, which the report finds as surprising in recognition of the advanced state of the Czech economy.

Estonia also displays encouraging results, particularly concerning positive reaction to their market economy and country direction. After improvements in people's perception of human rights in 1992 and 1993, this slipped again in 1994. The citizenship issue between ethnic Estonians and their minorities remains unresolved. Unlike Estonians, most **Latvians and Lithuanians** are becoming increasingly disillusioned. Popular support for the market economy looks in danger in both countries. In Lithuania, significant falls in people's positive attitudes towards their country's situation and human rights record seems to have levelled off, but remains in the negative.

Since 1993, **Hungarian's** perception about their market economy (21% satisfied to 20%) and human rights (29% satisfied to 34%) have remained largely stable and positive since a year ago. Similarly there are positive signs concerning country direction and development of democracy. Hungary formed a new communist led government in July 1994, although the overall mood in these two indicators remains negative.

There is stability in **Poland's** market economy indicator (26% in 1994), but Polish attitudes towards country direction, democracy and human rights fell to negative levels of autumn 1992 (-29%, -40% and -30% in 1994 respectively).

Romania goes against this trend in 1994, with a large rise in support for the market economy, the best performance in all the Phare countries. Concerns about human rights continue to increase, and only more Lithuanians in the Phare countries are more worried about this issue (52% Lithuanians, 43% Romanians).

The survey says that **Russia's** future continues to be in doubt as the situation gets worse and worse. In the 1994 survey, there are significant falls in all four indicators, with belief that the country's direction is wrong increasing most sharply (1993: -14%; 1994: -51%).

Slovakian results are more mixed: satisfaction with democracy remains virtually unchanged from 1993, still very much in the negative. In general Slovakians believe that human rights are respected, but this disguises a rift in opinion among the ethnic groups within that country: while most of the ethnic majority is convinced that there is "a lot/some respect" for human rights (68:26), the ethnic minorities are more divided (42:50).

Asked about whether they feel things in their country are going in the right or wrong direction, people surveyed in the CIS countries are now more than four to one convinced that things are going in the wrong (66%) rather than right (16%) direction. Most people in Phare countries also believe their country's direction is wrong, while 33% say it is right. Majorities are seen in Albania, the Czech Republic and Estonia, while outright majorities believe their country is on the wrong path in Slovakia, Hungary, Bulgaria, Poland and especially Lithuania (71%).

Incomes

Despite positive economic growth in CEEC during 1994, 51% say in November 1994, that they think the financial situation of their household has got a little or a lot worse than a year ago. This general trend is specifically bad in Poland, where the benefits of economic reforms have not been reflected with more money in people's pockets. 54% of Poles say that they experienced a decline in this category, while most (67%) feel that incomes will either stay the same or get worse in 1995. With GDP still falling in the CIS, results there are clearly worse (63% say their incomes "got worse").

Is a market economy right or wrong?

People from Phare countries are convinced by almost a two to one majority that the market economy is right (52%). Support for the market economy surges in Romania (+19) compared to 1993. In contrast, citizens of the CIS say by a majority of more than two to one that a market economy is wrong (57%). Majorities against the market economy are everywhere in the CIS countries surveyed, especially in Armenia (69% "wrong"). Virtually a majority in all countries surveyed think that economic reforms are progressing two slow in their countries.

Democracy & human rights

The levels of dissatisfaction in this indicator must cause greatest concern. Dissatisfaction with the development of democracy increases substantially in both Phare countries (9% in 1993 to 66% in 1994), and CIS (8% to 78%). All results are bad, but the "least worse" result is in the Czech Republic (44% satisfied to 53% dissatisfied). Concerning "respect for human rights", the situation has got worse since the previous survey. 55% of people living in Phare countries say there "is not much/at all" respect for human rights, while 70% in the CIS say the same.

Future of countries surveyed

The EU, Russia, and to a lesser extent the US are perceived as the most important forces in the region. Russia's importance in other CIS countries continues to grow while its position declined further in the Baltic States. In the countries that have signed Europe Agreements, Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia, the EU is where 35% of people say their country's future lies (11% in Russia). 5% say their future lies with Germany. 20% of people living in the Baltics see their future lying with Russia, and 24% in the EU. For CIS countries, 49% see their future with Russia, 11% in the EU.

The results in "Europe Agreement Countries" show that the EU is the top result in the Czech Republic (40%), Poland (37%) and Bulgaria (33%). It is in first place in Hungary as well, but only with 22%, (Germany adds another 9%).

It is in the Baltic States where the new EU members will bolster the position of the Union most. This the report says is welcome, as Europe Agreement negotiations have just begun. Thus while only 24% of people there say the EU is where their country's future lies, the same percentage say it is with "other European countries like Austria, Switzerland, Sweden and Finland. 4% believe it is specifically with Germany. Ethnic minorities in the Baltic States put the EU in first place (29%), followed by Russia (21%).

Image

More people in Phare countries say their impressions are positive (42%) with regard to the EU. The EU's image has declined in the Czech Republic, Hungary and Poland over the previous three years, attributed to trade disputes, delays in the implementation of Europe Agreements, and high expectations after the fall of the Berlin Wall. In 1994, attitudes stay reasonably stable, the biggest rise in positive attitudes occurring in Slovenia (+7), the biggest falls in Slovakia (-7) and Lithuania (-11).

Results in the CIS are far less positive (28%, down 10 since 1993, 33% neutrally and 5% negatively). The greatest fall in positive attitudes occurs in Ukraine (-14).

In no country, either Phare or CIS does more than one sixth of the population hold a negative impression of the EU.

Information

National television is the primary medium of information in Phare countries (80%), Russia (72%), and the rest of the CIS (53%). TV is the most important source of EU information except in the Baltics, where the national press is as important as national TV in Latvia and Lithuania, and more important in Estonia. The most avid western media users are Albanians, 30% of whom say they use western media as an information source about the EU. In Phare countries as a whole, western media in some form is used by 14% of the population. ■

BRIEF NEWS

AIR TRANSPORT IN EUROPE

The European Parliament has been critical of the Communication by the Commission on civil aviation in Europe. A special committee of "wise men" set up in 1993, produced a report on how to deal with structural deficiencies in civil aviation in Europe. On the basis of this report, the European Commission recently produced its communication suggesting an action programme to improve efficiency and competitiveness. The European parliament considers the Commission approach as too timid and asked the Commission to start preparation of a stronger multi-annual legislative framework programme. It also asks for the establishment of a **"civil aviation Community authority"** to deal with the security in air transport, certification of planes, deal with air control and with professional training. The European Parliament insists on more transparency of costs and taxes related to airport installations. On the other hand the EP has agreed with the Commission approach to state aids.

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We would like to recall that Slovenia and the EU concluded in 1993 a far teaching Cooperation Agreement (on the basis of the agreement with the former Yugoslavia) and that there has also a follow up to the earlier Financial Protocol with Yugoslavia. The Financial Protocol with Slovenia covers the 1993-1997 period, and provides for EIB loans (at subsidized interest rates) of ECU 150 million. The total amount of money has already been allocated for three projects in transport infrastructure. Slovenia has benefitted from PHARE Assistance since 1992 (ECU 44 million was committed during 1992-94). ■

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The area in which the European Parliament supports the Commission approach is in the field of **external relations.** The Commission has proposed that it gets a negotiating brief to start negotiations with third countries and in particular **with central and eastern European countries.** The parliament supports granting such a mandate to the Commission with the aim of **concluding agreements on air transport with:** the United States, the countries of central and eastern Europe, Switzerland, Malta, Cyprus and Turkey.

Council's view:

The EU Council of Transportation Ministers which met on 13 March took a **different view of the competencies in external relations.** The Council refused to accept Commissioner Kinnock's proposal to negotiate a **Community open skies agreement with the United States.** Most Member Countries felt that the principle of national authorities in matters of external relations in the area of civil aviation needs to be maintained. The ministers, nevertheless agreed to continue their effort to ensure that member countries have a coherent, common position towards the third countries, including the United States.

The Council requested its Council Aviation Working Group to report in June on common principles laying down prohibited clauses and compulsory clauses. The French presidency of the Council requested that negotiations between the Member States and the United States are suspended prior to the Council's June meeting. The majority of the member states refused this proposal. Commissioner Kinnock maintained his position and announced that the Commission would propose a Community brief anyway. ■

NEW RULES ON TRADE POLICY

The **new Community rules in the area of trade policy** were published in February by the EU Office of Publications in the Official Journal No. L349 of 31 December 1994. Following the conclusion of the Uruguay Round of Gatt negotiations the European Union revised all its rules concerning **anti-dumping and anti-subsidy measures and adopted "New Instruments" against other unfair trade practices by third countries.** Related to this are also rules on Community brands, on import restrictions, import rules for agricultural products which replace in the agricultural sector mobile levies by ad valorem duties, partial revision of textile import rules etc. The new rules made the Community trade legislation conform with the WTO. It is in the interests of trade officials in third countries to take detailed note of the new EU trade rules. ■

BALTIC STATES

The negotiations between the European Union and the three Baltic States on the conclusion of Europe Agreements have progressed, after the two formal rounds of negotiations (and the inaugural round in December), to such a stage that the texts of the agreements are practically ready, except for several "technical details", to be initialled. This step may be taken in late March/early April. The formal signing of the Europe Agreements thus could take place possibly not later than late May, or June. The three countries hope that by the time of the EU Cannes Summit they would formally become an integral part of the pre-accession strategy. ■

Joint Publication
AGENCE EUROPE S.A.
EAST WEST S.P.R.L.

Publisher responsible: *Marina Gazzo*
10, boulevard Saint Lazare
B-1210 Brussels (Belgium)

In cooperation with:
The Information DG, Commission of the European Communities, contents do not necessarily represent the view or policies of the Commission.

Editor-in-chief : *Jan Zoubek*

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Tel. : 219.02.56
Fax : 217.65.97
Telex : 21108

Bank : KB-Bruxelles 425-2044961-06

Distributed solely by subscription
Price per issue : BF 750

Printed by:
Imprimerie de l'Europe SA - Brussels