



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE EUROPEAN UNION

COMMISSION APPROVES WHITE PAPER ON PREPARATION OF ASSOCIATION COUNTRIES FOR INTEGRATION INTO INTERNAL MARKET

On 3 May, the European Commission approved approximately a 40-page, Volume I of the White Paper (ie principal policy document). This volume explains the context, nature and scope of the White Paper exercise. On 10 May the Commission approved Volume II, over 300 pages. This volume contains a sector by sector analysis of the key items of relevant Community legislation, explaining the purpose and development of legislation in each sector. The analysis here describes the structures that are necessary to ensure its implementation and enforcement, and suggesting the sequence in which legislation in each sector may be implemented.

The draft White paper was presented jointly by Commissioner Monti, responsible for the internal market, and by Commissioner van den Broek, responsible for relations with central and east European countries.

The White Paper shall get political approval during the EU Summit in Cannes on 26-27 June. However it will be discussed beforehand during the joint meeting of ECOFIN with the associated countries' ministers of finance on 22 May, and during a similar joint meeting within the Internal Market Council on June 6. These joint discussions will be preceded by internal discussions among the EU ministers. The EU foreign ministers are expected to discuss and then approve the Commission's White Paper during two General Councils scheduled to be held before Cannes Summit.

Following the Cannes Summit the Commission will initiate bilateral talks with individual associated countries with the aim of agreeing on their specific implementation programmes reflecting each country's concrete situation and priorities. These talks shall also produce some evaluation on the need for technical assistance and clarification of the work for the approximation Sub-Committee set under the Europe Agreements. The associated countries will be requested to identify a single coordinator for all matters related to the implementation of the White paper.

Before that, immediately after the European Council, the Commission shall set up a new body in Brussels taking care about the exchange of information on all aspects of the implementation of the White paper. The Commission will manage this body as part

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of the multinational PHARE programme. This office will facilitate the provision of assistance by setting up a database on alignment to the internal market and related assistance accessible to all interested parties.

It is expected that the three Baltic States will formally sign their Europe Agreements during the Cannes Summit. Then they will also become subject to the White Paper. The same will apply to Slovenia, once the negotiations on Europe Agreement are concluded.

Following the EU Council joint meeting with foreign ministers of the six associated countries in Luxembourg on 10 April, we explained what the understanding of the White paper exercise is: **it is not a part of the process of the accession negotiations, but a tool to facilitate the ability of the associated countries to become the part of the EU internal market.**

Scope and meaning of White Paper:

The purpose of the White Paper is to give guidance to the associated countries' effort to prepare for operating under the requirements of the Single market. The White Paper is thus **one element of a much more comprehensive pre-accession strategy approved by the EU in Essen in December last year.**

The process of alignment with internal market legislation is not however directly linked to the possibility of accession. The compliance with recommendations has no direct implication for negotiations on accession. The White Paper has no legal effect, it is a guide and not a set of instructions. There is no timetable.

The White paper contains, what the Community understands as an **absolute minimum alignment (minimum scope of adoption of "acquis communautaire") needed for the functioning of the internal market.**

The future accession of the associated countries must firstly be made possible by the results of the EU Intergovernmental Conference which will start sometime in 1996, the conclusion of which is rather difficult to predict. The accession negotiations, once they start, will deal with a much more comprehensive creation of conditions for accession and would require a compliance not with the minimum *acquis communautaire*, but with full *acquis* (even if there would be transition periods).

The next enlargement will, for the first time, not concern standard market economy countries, but countries undergoing necessary reforms, although not fully implemented and tested structures required

by the market economy system. Hence the need for alignment which shall ensure on the one hand, that the associated countries, **upon enlargement, do not introduce weakness into the Community internal market system**, and, that they have the ability to deal with economic, social and cultural pressure which accession will inevitably cause.

It should be understood that the relations between the EU and the associated countries continue to be governed by the provisions of the Europe Agreements. The Europe Agreements have established a specific Sub-Committee on Approximation. The Europe Agreements also contain contractual obligations on certain alignments (competition policy, state aids, protection of intellectual property etc). One can imagine, that the implementation of the White Paper could bring some changes in deadlines, or that perhaps when alignment in a certain field is achieved, there could be the possibility of concluding for example, some mutual recognition agreements.

Question of competitiveness:

Some of central European countries expressed, during the joint Council meeting in Luxembourg on 10 April, certain disappointment when it became clear that the White Paper and its implementation would not be part of the accession negotiations. Their initial evaluation was that the White Paper's guidelines for competition policy, state aids, social and environmental policies and standards, expected to go beyond the provisions of the Europe Agreement, would raise the threshold, without giving assurances, on the time frame for the real, fuller entry into the internal market and the commencement of accession negotiations. This may increase the burden on domestic economic actors, without giving them a visible, adequate and immediate countervalue. Hence some suggestions of **compensation** from Union.

The EU's position is that progressive voluntary alignment to a minimum *acquis communautaire* will increase the effect of the overall transition policies and reforms undertaken by the associated countries: **the alignment of the Community's internal market legislation forces to go beyond the scope of reforms considered necessary for the establishment of a market economy and to speed up this process.** Thus it is considered that this proper infrastructure may bring some costs, but that its overall impact would soon be **the reinforced competitiveness of the associated countries.** This in turn shall help further consolidation of macro-economic stability. Commission officials say that much of the success of the

pre-accession strategy and the real readiness of the candidate countries to join the mature market economies of the Union, would depend on the competence of the macro-economic policies of the associated countries.

The main message of the White Paper is that it is not sufficient just to align legislation. This may easily turn into merely a formal exercise which does not prompt much change. **The key issue is constructing all the institutions needed to ensure the actual implementation of the required legislation. These institutions shall not only be able to monitor the implementation, but assure sanctions when needed.** In this sense, the consolidation of judicial reform in the associated countries is an integral starting point of the process. Unless there is full mutual confidence in their work, no alignment to the internal market is possible.

The introduction to Volume II gives a summary of the different types of structures used to ensure the effective operation of Community legislation. This reflects the Commission's belief of the urgent need to adapt, in the associated countries, the necessary institutions and structures so that the **needed fundamental changes in the responsibilities of national administrations and judicial systems, as well as of the private sector are realized.** They need to adapt their work and procedures in such a way that aligned legislation is fully implemented. The EU is eager to transfer its experience and provide training.

The proper sectorial Analysis in Volume II specifically concerns the following sectors:

- . economic and financial affairs
- . industry
- . competition
- . social affairs
- . agriculture
- . transport
- . audiovisual
- . environment
- . telecommunications
- . internal market and financial services.
- . energy
- . customs and indirect taxation
- . consumer protection

Thus the White Paper aims at:

- * **identification of key legislative measures and identification of those which should be tackled first;**
- * **description of administrative and technical structures which are needed to ensure that rules are**

effectively implemented and enforced;

*** suggestions on ways in which EU technical assistance could be used to give the best possible support for the effort undertaken by the associated countries.**

The White Paper outlines possible types of the EU technical assistance and suggests that the EU may consider providing access to the associated countries to existing Community programmes designed to reinforce, within the EU, the operation of the Internal market. This could be the case of the KAROLUS programme (exchange of national officials responsible for the implementation of Community law), MATTHAEUS and MATTHAEUS TAX programs (implementation of customs and value added tax legislation).

Internal Market Issues:

The Community internal market was not set up for self-purpose, but as the principal instrument to achieve balanced and sustainable growth regarding environment, high level of employment and social protection, good standards of living and quality of life, and economic and social cohesion. It is based on the full implementation of the four principal freedoms: free movement of goods, services, capital and labour. The EU's Single Market is impossible without a high level of mutual confidence and on an equivalent regulatory approach. Any failure to apply the common rules directly threatens the whole system. This underlines the overwhelming importance of *acquis communautaire*. There are not only provisions of the Treaty, but a whole body of Regulations directly applicable in the Member States. The bulk consists of **internal market secondary legislation.**

The White Paper deals with principles of understanding the legislation ensuring the free movement of goods, free movement of services and free movement of people as well as with legislation ensuring the freedom of capital movements.

When considering the alignment of candidate countries from central and eastern Europe an effort is made to indicate which measures are more fundamental and which should be tackled first.

The philosophy beyond the White Paper is, that the internal market needs not only rules, but a fulfillment of basic economic conditions and above all, the existence of open and fair competition among economic operators resulting from formal and transparent competition rules.

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When drafting the White Paper, the Commission considered that available resources should be focused on areas where they will have the biggest effect: key measures which in turn are broken down into two stages.

In principle **Stage I** measures address fundamental principles of each individual sector of economy, or they are those which are a pre-condition for the effective functioning of the internal market in that sector.

White paper's Observation of the situation in candidate countries:

Substantial effort has been made, and progress achieved in legislative harmonization. However, there are wide differences among the associated countries in the volume and type of legislation, and in the way in which the individual countries have approached the task.

Generally there is the old legislation which exists alongside the new. In a limited number of sectors, the new law is almost complete, in others legislation may have been scheduled although still not drafted. The state of progress in individual sectors does not necessarily reflect its economic importance. In some areas, the associated countries do not conform to relevant EU rules, either as a deliberate choice (step by step approximation), or as a result of amendments introduced during the passage of the legislation through Parliament.

Notes on individual fields:

Company law: in many cases this usually follows the model of some of the EU member countries, but its coverage is incomplete. There are also a number of tasks regarding financial reporting requirements.

Financial services: the early progress towards liberalization of capital movement is limited by macro-economic considerations. Banks are burdened by bad loans from the past. Insurance lags beyond the banking sector. Principal targets for cross-border liberalization of capital movement are contained in the Europe Agreements.

Indirect taxation, customs: all the associated countries have introduced VAT which in several cases appears to be in broad conformity with the EU's model. It shows how progress could be made if one has to start from scratch. Excise duties mostly cover similar ranges of products as in the EU, but "some rates will need to be lowered, but this will be tackled

cautiously in view of revenue considerations". Cooperation in customs has been established and it is recognized that "full alignment is not necessary before accession".

Industrial standards: the associated countries started the process of harmonization, but the way is often via existing mechanisms, originally set up for the purpose of elaborating compulsory technical regulations rather than voluntary standards. Much work remains to be done before convergence is achieved. Considerable gaps in conformity frustrate the alignment effort. Hence the Commission would propose the conclusion of Mutual Recognition Agreements.

Transport: the associated countries gain market access via specific protocols and agreements concluded under the Europe Agreements. This gives them a unique incentive for legislative harmonization prior to accession as the conditions of the agreements determine the market access.

Energy: the situation is different in individual countries, but the energy sector remains heavily dominated by public sector monopolies. Much work needs to be done and the restructuring of existing legal and industrial structures will have major economic and social implications. The energy sector is in a unique position as regards the relationship between internal market legislation and competition rules. Approximation cannot be disconnected from the application of competition rules: EU rules concerning state aid in the electricity, gas and coal sector are necessary to avoid distortions of competition. The new legislation in price transparency will have to introduce new discipline in price management and needs to provide for sanctions in cases of violation. Energy policy is also linked to environmental policies. The White Paper notes for example "that it will be difficult to accept electricity imports on the basis of the transit Directive, if electricity production in the exporting country does not respect the same constraints in terms of environmental protection or nuclear safety".

Telecommunications: some measures towards liberalization have been introduced and there is a move towards the establishment of separate regulatory bodies. It should be noted that earlier this year, the Commission firmly noted in its Communication to the Council on Liberalization of the European Telecommunications Market that it considers the general principles as well as all later amendments to the Directive on Liberalization of Telecommunications Services (and which has to culminate in the liberalization of public voice telephone services by 1 January 1998 with transition periods for less developed

markets) are of relevant importance to the associated countries. Apparently there will be questions over the sometimes problematic effective separation of operation and regulatory fields and the independent regulatory authority. The White Paper notes that "the practice of investors seeking and in many cases obtaining both sovereign loan guarantees and generous government assurances about the duration of special or exclusive rights may inhibit early conformity to Community competition rules".

Intellectual property: the advances are uneven. While legislation may exist, it does not mean that there is a proper and transparent system of registration and that there is a system which assures implementation and sanctions for violations.

Environment: The White paper is very prudent. On many occasions, the associated countries explained to the Commission that the costs of bringing their levels of protection up to EU standards would be enormous and would undermine their competitiveness and economic and social stability. Thus the White Paper broadly abandons the policy based on an understanding that environmental policy and the internal market are mutually supportive. The EU Treaty and regulations endeavor to ensure that environmental requirements are integrated into the definition and implementation of other policies. This is judged to be a key factor for the long-term success of the internal market.

In the White paper the **bulk of environmental legislation is not covered**. Quality standards for air, water and nature protection are not included, and all waste strategy is covered to a very limited extent. The Policy of the White Paper is to concentrate on legislation directly relevant to **free movement of goods**. Consequently it deals principally with products, and **not with processes used for manufacture**. It also omits legislation related to pollution from stationary sources.

Social Policy: the social policy is the second major field in which White Paper is very prudent. As in the case of the environment, it recognises that bringing the social field to EU standards would result in costs which could undermine competitiveness. It could also demand a more deep political evaluation (and possibly risk starting political complications in the associated countries) of the social policies carried out by some governments in central Europe. The White paper thus satisfies itself by recalling that the "social dimension is an essential element of internal market policy". It recalls that high levels of social protection are a fundamental aim of the Union.

However, the White Paper mainly concentrates only on legislation which affects the functioning of the internal market, or which is a necessary complement to other key instruments such as company law. It also notes the efforts by associated countries in the field of legislation on health and safety in the workplace.

Agriculture: The bulk of the EU's CAP (common agricultural policy) is not covered and will be the subject of a specific paper to be presented by the Commission during the second half of 1995. Therefore the White paper covers fields of veterinary, plant health and animal nutrition controls and some aspects of marketing requirements for some commodities as is relevant for the somewhat increased protection of consumers and their health as well as that of animals and plants.

Notes on Competition Policy:

The analysis of competition policy is an important part of sectorial analyses in Volume II of the White Paper. The competition policy is fundamental to the establishment of the internal market.

Volume I of the White Paper recalls, for the benefit of the associated countries, the need to avoid the desired optimal allocation of resources being frustrated by anti-competitive behavior. The Europe Agreements have removed most barriers to trade, but this may tempt companies to get together in market sharing and other restrictive agreements, abuse dominant positions etc. This deprives the economy of the benefits of free trade. The gradual integration into a market economy which favours mergers and acquisitions, may tempt companies when building up such strategic alliances, to abuse dominant positions in the absence of regulations. The lifting of barriers to trade increases competition, but often tempts the governments to try to protect domestic industry against competition by state aids. The EU is not against all state aids, but prohibits forms of aid which distort competition. The White paper underlines the need for strict monitoring of state aid in the internal market. The White Paper also draws attention to state monopolies of a commercial character and to undertakings with special and exclusive rights. It recalls that the internal market needs to restrict market distortion to what is strictly necessary in the general interest, for instance with a view to the provision of public services in remote areas.

The following remarks have been made by the author of this report and do not necessarily reflect the attitude likely to emerge from the White Paper. But it

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seems to us that the field of competition policy is specific, because the Europe Agreements contain provisions on competition and already stipulate that practices contrary to the principal provisions shall be assessed on the basis of criteria arising from the application of Articles 85, 86 and 92 of the Treaty.

The Europe Agreements have also established deadlines in which the associated countries shall adopt the rules related to Articles 85 and 86 of the Treaty. Until such rules are adopted the authorities deal with the problems on their respective territories according to their respective legislation. However the cooperation, which already started earlier, shall soon result in some possibility of shared responsibilities.

It appears that this cooperation will start with notification of cases and consultations. The next move may be the possibility of a recourse to principles of negative and positive comity and this could lead to a situation where the Commission requests an associated country to exercise restraint in the application of its law, or even to take positive actions, if certain practices are incompatible to EU competition rules seriously affect EU interests. The associated countries would also be requested to take over the principles of the EU block exemptions.

Concerning Article 92 of the Treaty, the Europe Agreements have established a 5-year transition period during which the state aid provided by the associated countries is judged in less strict terms. The Europe Agreements are rather vague on public undertakings and undertakings with special or exclusive rights, but have established a transition period for some applications of the principles resulting from Article 92 of the Treaty.

The White Paper notes that in the field of competition policy, changes in the associated countries are more often at preparation stage than actually on the statute book. The provisions of the Europe Agreements were formulated in such way that the associated countries are obliged to respect only the principles of Community policy, "within whatever monitoring and enforcement structures best serve their purposes. On accession certain tasks that will for now remain the responsibility of the associated countries will be taken over by the Commission".

Since the start of the implementation of the Europe Agreements, the associated countries always reacted sharply on the use by the EU of anti-dumping measures, safe-guard clauses and other trade defence instruments.

The EU in its "Strategy for Integration of Associated Countries", approved during Essen Summit in December 1994, accepted the Commission's

proposals concerning anti-dumping and safe-guard measures. In principle the EU stated that it is ready to consider refraining from using commercial defence instruments for industrial products in relation to the progress achieved in the satisfactory implementation by the CEEC of competition policy and state aid rules, together with the application of those aspects of EU law linked to the internal market.

Some central European countries have already made requests for "compensation" as they start to implement the requests of the White Paper, and that this compensation may take the form of elimination of anti-dumping and safeguard actions. On the other hand, there were various statements by EU officials that the EU shall maintain its commercial policy instruments until the associated countries have been integrated into the internal market. In turn, declarations concerning the White Paper made it clear that **integration into internal market will happen upon accession.**

It seems that in this critical area of alignment with internal market legislation, effort could be concentrated on implementing the rules for competition policy, on the rapid rise of awareness in the associated countries of the problem, and on the establishment of proper bodies and training of personnel. There could be some move towards undertaking a joint analysis and resulting in policy conclusions and then a policy of agreeing not to use for example anti-dumping measures in new cases, where the agreed actions have been fully implemented, could possibly start.

Conclusions:

The conclusions to the White paper deal chiefly with proposed technical assistance. It is underlined that the task of enacting, implementing and enforcing laws which meet the requirements of the internal market can only be carried out by the associated countries themselves. It should also be the responsibility of each associated country to coordinate its requests for assistance and to provide information about progress made. The White Paper then contains suggestions of specialised technical assistance from the Union. One of the conclusions refers to the impact of the implementation of the White Paper on the conclusion of agreements on the mutual recognition of tests of conformity of products to established industrialized standards. This would ensure mutual acceptance of certificates, marks of conformity and test reports issued by technical bodies concerned with industrial standards in the associated countries and the Union. (Jan Zoubek) ■

DECISIONS ON CZECH AND SLOVAK STEEL TARIFF QUOTAS

In early May, the Commission published two regulations adopted on 3 April on the opening and administration of quotas for 1995 for steel products imported from the Czech Republic and Slovakia. Readers will recall that the Commission introduced in mid-1994 tariff quotas for several Czech and Slovak steel products. These quotas are raised upward annually and will be completely eliminated on 1 January 1996.

The 1995 revision takes into account the enlargement of the EU to 15 member states as well as and the prolongation of "traditional exports policy" to the former East Germany.

The 1995 tariff quotas have been increased by a substantial margin. Statistical data also indicates that the Czech and Slovak steel-makers and exporters were able to increase their exports to the EU despite the trade defence instruments.

Our calculations from the Commission data base indicate that EU imports of "base metals and articles of base metals" from the Czech Republic increased in 1994 by 49.8% and imports from the Slovak Republic jumped by 107.9%. Actually EU imports in this broad category of base metals from both the Czech Republic and Slovakia increased in 1992 by 40.1%, in 1993 by 33.5% and in 1994 by 57%. In 1994 the value of base metals imports from only the Czech republic surpassed ECU 1.07 billion and was higher than the value of imports from the full Czechoslovakia in 1992 in which imports jumped substantially and brought the use of safe-guard measures in 1993. It may also be noted that EU imports of metals from the Czech Republic in 1994 shared 16.8% of all imports from that country as against 15.4% in 1994.

The tariff quota decision from 3 April increases the limit for seamless tubes from the Czech Republic by 19.7 thousand tons (by some 25%), and for welded tubes the increase amounts to 24.6 thousand tons, corresponding increases were also applied to Slovakia. The decision increases limits for imports from the Czech Republic of cold-rolled sheet, wire rods and hot rolled strip and hoop. It also establishes a specific import regime for "quatro plates produced by a reversible rolling mill process".

The decision increases the 1995 limit for Slovak hot-rolled coil by 33.5%, and further increases concern cold rolled sheet, hot rolled strip and cut length.

The decision also specifies volumes for individual products imported from the Czech Republic and Slovakia within which the customs duties are completely suspended in 1995. ■

NEW STRATEGY THAT IS CLOSER TO PRACTICE FOR STEEL COOPERATION BETWEEN WESTERN AND EASTERN EUROPE

The solution of the problems posed by the gradual adjustment of steel industries in Central and Eastern European countries (CEECs) and former USSR countries (CIS) can be found within a "global therapy" based on three main ideas to: - activate the latent availability of steel industries in Western Europe to commit themselves in Eastern Europe; - stop treating structural problems separately from commercial policy questions; - seek common solutions on the part of western and eastern governments, the European Commission and the steel industry instead of "every man for himself" (and sometimes one

against the other), which is a feature of the current situation.

This was stressed by Mr R. Vondran, Chairman of the German steel association (Wirtschaftsvereinigung Stahl) on the occasion of a seminar organised by the International Iron Steel Institute (IISI) on the theme "the steel industry in the year 2005".

After weighing up the pros and cons of efforts made in this connection since 1990, the speaker reached the conclusion that, five years after the great turning point, practically no solutions have been found to any problem. A number of issues have even worsened further to the collapse of the Eastern

European internal markets and of trade between COMECON countries. And yet, the need for cooperation is felt by all. Its implementation, however, says Mr Vondran, requires both sides to change their way of thinking.

For the western partner, cooperation with Eastern European steel industries inevitably represents long term investment without any immediate advantages. It is therefore at political level that support should be given during this particularly difficult period. Mr Vondran has investment aid in mind or, at least, more judicious use of low interest rate

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loans. The West, even with modest means, could help to reduce the social tension in the East linked to restructuring, notably in the case where a western partner takes part in such effort. Western-style management training - which only requires one generation - could be facilitated by the creation of an East-West Academy to the service of many industrial branches.

Western policy should not, however, be limited to promoting individual initiatives of the private

sector. Companies willing to invest in the East need framework conditions whereby: - the closure of surplus production capacities will not be limited to the western part of Europe; - the possibilities of division of labour will not be countered by the implementation of customs duties or quotas (for example: for iron scrap exports) on the part of eastern partners; - in the steel products trade, the GATT "fair trade" rules will be respected.

Western producers will and must be able to abandon

their reserves in discussions relating to the problems of the steel industry in Eastern Europe. Governments and the European Commission must renounce the policy which consists in the exclusive use of commercial policy instruments to facilitate the adjustment process, and governments and industry in the East should rid themselves of their opposition to change consisting of wanting above all to defend their country's installations and production regions. ■

COMMISSIONER VAN DEN BROEK SUGGESTS POSSIBILITY OF EUROPE AGREEMENT WITH ALBANIA

Commissioner Van den Broek said in early May following his visit to Albania that it may be possible that the Commission would propose to the Council to start negotiations on the Europe Agreement with Albania.

The Commissioner said that he saw many examples in Albania of considerable will to make a quality leap in relations with the European Union. Albania has made substantial progress especially if one considers the initial situation which was very different to that of other central and east European countries. The Commissioner also noted the geo-political position of Albania and its good influence towards stability in the region.

The Commission is, according to the Commissioner, now taking stock of the situation and it is probable that it will propose to the Council the move from the current Cooperation and Trade agreement to the association agreement already in July. This may suggest that exploratory talks and perhaps the opening round of the negotiations could be held as early as in late 1995. ■

BULGARIAN ACCESSION

Hans van den Broek visited Sofia on 4 May, where he had talks with Bulgarian President, Mr. Zhelev, Prime Minister Videnov and Foreign Minister Pirinski. The European Commissioner responsible for relations with eastern Europe, stressed the need for the Bulgarian government to continue the reform process. "There is no alternative to a truly democratic system and a market economy" he said. Before any accession, Bulgaria will have to further consolidate its democratic system, including freedom of the press, transparency and freedom of expression. Economically Bulgaria has to continue with its privatisation in order to be able to attract more foreign capital and investment. The EU is determined to support Bulgaria in these efforts, the Commissioner said, recalling the main elements of the pre-accession strategy, of which one of the central elements is the White Paper.

Also discussed was details of the Phare programme, through which another \$450m is planned over the next five years. Mr. van den Broek said that "I discussed details of the Phare programme with Bulgarian authorities and we stressed that it was important that EU funds placed at the disposal of beneficiary countries are used in a better and more rapid way". The date of accession of Bulgaria would depend on the candidate countries themselves, knowing their state of political and economic preparation.

Other subjects discussed were: regional and interregional cooperation (especially relations with Russia and the other republics of the former USSR); realization of several trans-border infrastructure projects; Phare's financial participation in building a bridge over the Danube; preparing the EU/Bulgaria Association Council to take place on May 29 in Brussels; visa problems facing Bulgarian citizens coming to the EU. (see also Together in Europe 68). ■

CUSTOMS UNION WITH TURKEY: VAN DEN BROEK OPTIMISTIC ON ECONOMIC AND POLITICAL ADVANTAGES

"Much hard work remains to be done to turn good intentions into solid achievements", said Commissioner Hans van den Broek in the conference on the trade prospects of the customs union between the European Union and Turkey. Speaking before Forum Europe on Monday, the Commissioner presented the advantages for Europe and Turkey of the project for customs union, signed on 6 March, while stressing the legislative and economic progress, as well as progress in matters of human rights that still need to be made before the Union becomes effective on 1 January 1996.

"To make this ambitious step in trade liberalization a reality, Turkey faces the challenge of ensuring that all necessary legislation is in place and the required administrative decisions are taken in good time", regarding, among others, "industrial standards, rules governing competition and state aids, and intellectual property rights". For its part, the European Union will have to resume its financial cooperation, and the customs union still requires arrangements in certain sectors, like that of steel and coal, where Turkey and the EU have still to reach agreement on the free movement of goods. "In agriculture, we must try to improve reciprocal

market access. In textiles, we must confirm that the conditions for ending the self-restraint agreements have been satisfied by Turkey. Finally, in the automobile sector, we must agree on the technical measures needed to avoid the circumvention of the consensus with Japan."

Mr. van den Broek nevertheless said that progress in the field of human rights was even more important than the technical measures. He recalled that the European Parliament, which has to decide on the customs agreement in autumn, would only do so if "its members feel that Turkey and the Union are committed to the same fundamental values". He regarded as "encouraging" the statements made by Mrs. Ciller announcing a constitutional reform programme and legislative changes aimed at strengthening democracy and human rights, and said he was "confident" that the "Turkish Government and the National Assembly will spare no efforts to ensure that tangible progress in enacting it is made before the summer".

The level of trade between the EU and Turkey, represents around Ecu 20 billion a year. Investments in Turkey, "which has already been averaging around \$1

billion a year in the 1990s," will be stimulated, and he mentioned certain dynamic sectors, like car components, where direct investment is on the increase, food production and the retail trade, textiles and tourism. "Customs union will be a powerful incentive for Turkey to increase its competitiveness and to align its legislation and economic policies with those of the EU. It is essential for Turkey to pursue rigorously its macroeconomic reforms and particularly the restructuring of its public sector".

Customs union will also have a political impact, according to Mr. van den Broek, as it will "reaffirm Turkey's allegiance to the values which underlie European democracy and thus contribute to its stability and security". In addition, it can "only strengthen relations between Turkey and each of the Member States of the Union, including Greece". The Commissioner responsible for the CFSP also mentioned the Cyprus issue, stressing that relations between Turkey and Europe, like Cyprus' request for accession, could contribute in developing a political solution "after more than 20 years, it is now time to break the deadlock on Cyprus". ■

TACIS ENERGY CENTRE IN EKATERINBURG

On 26 April, a new Tacis Energy Centre was formally opened in Ekaterinburg. The project to establish a centre began in the first week of March, locating a suitable site and recruiting local staff. A Russian co-director of the Centre is soon to be appointed. Through the new energy centre, Tacis aims to contribute to a more efficient use of energy in the region by providing better information and a focus for a range of activities to stimulate efficient energy production and use, and to effect a reduction in air- and water-borne pollution.

Ekaterinburg has a population of 1.5m people, and boasts some 700 industrial plants of various sizes. The city's heat and power are supplied by 5 power stations, however, overall consumption of energy is between 30 and 40% higher than in comparable western European cities. This is coupled with high levels of atmospheric pollution and contamination of the watercourse. The city's remoteness from recently instituted energy expertise makes it an appropriate location in which to establish an energy centre. ■

DEVELOPMENTS WITHIN THE EU

1996 IGC: THE EUROPEAN COMMISSION WANTS MORE MAJORITY VOTING - A FINNISH MEMBER FOR THE REFLECTION GROUP - THE EP AND EUROPEAN MOVEMENT REPORTS MAKE BOLD PROPOSALS

The European Commission adopted on May 10 its report on the functioning of the Maastricht Treaty (required by the Corfou summit from all the institutions of the Union), and announced that, in the next weeks and months, it will hold "seminars" on the different chapters of the Treaty, in order to put forward concrete proposals. We want the Union to become closer to the citizen, more democratic, more transparent, more understandable, stated president Santer, presenting the 73-page report to the press. As well as Mr Santer, Marcelino Oreja, European Commissioner responsible in particular for institutional questions, stressed that they didn't expect more powers for the European Commission from the 1996 Intergovernmental Conference on the revision of the Maastricht Treaty, but that they wanted the revision to bring about a stronger and more efficient Union, capable of opening up to new Members without diluting its integration. Enlargement must be a success, "we must combine our strengths, not add up our weaknesses", said Mr Santer.

Let us "dedramatize" the debate on "differentiated integration", Mr Santer also said, while energetically rejecting any notion of a Europe "à la carte". This would be a "non-Europe", he said, but he admitted that Europe, actually, had always worked at different speeds. What matters, he stressed, is to have a common goal and the same framework: starting from there, differing speeds should be possible, and those who want to go on faster should be able to do so without being stopped by others.

In the enlarged Union, it will be more necessary than ever to make decision-making more efficient, and Jacques Santer and Marcelino Oreja repeatedly stressed that majority voting must become the general rule, and unanimity should be required in the future only for essential institutional decisions. At this stage, the European Commission doesn't make any suggestions as far as the structure of the Union's institutions is concerned, but, answering a question about the Commission,

Mr Santer practically admitted that the number of Commissioners should be cut to one for each Member States, which means that "big" Member States should give up one Commissioner. I don't think that a Commission of up to thirty Members would work properly, admitted Mr Santer, but he also said that each Member should have the same treatment and the same "dignity" in the European Commission.

In its report, the European Commission calls for generalized use of majority vote in the Council and President Santer, answering a question, affirmed that "in daily life, we need majority voting", while unanimity should be reserved for essential "institutional and constitutional" decisions. Mr Santer recalled that at present there are 27 decision-making procedures, which is why the European Commission proposes reducing them to three: - assent; - simplified codecision; - consultation. Moreover, with regard to assent, the report states that the

European Parliament should also be entitled to issue assent on revisions of the treaties (which was not the case after Maastricht).

Codecision should be expanded to all legislative areas and "for us, codecision means Council decisions taken by majority vote", affirmed Mr Oreja, who sees a "contradiction" in application of the codecision procedure to decisions taken unanimously by the Council. **Majority must be the rule**, he said.

Among the weaknesses of Maastricht emphasized in the Commission report, Jacques Santer mentioned the following at his press conference.

- **The CFSP.** This tool has not been used appropriately. The Commission has held a long debate on this subject and will come forward with detailed proposals following one of the seminars it will sponsor in the coming weeks. **"We are not talking about complete integration of the second pillar"** into Community procedures, said Mr Santer in response to a question, and he insisted on the need with regard to the common foreign and security policy for **better analysis capacity, better decision-making and better external representation** (the role of the Union Troika, he remarked, is not always adequately perceived). Concerning defence policy, Mr Santer noted that relations with WEU and NATO should be "clearly outlined".

- **Justice and home affairs.** The third pillar should be **"fundamentally revised"**, said Mr Santer, noting inter alia that the "bridges"

foreseen by the Treaty have not worked, in particular because their use requires unanimity and ratification in the Member States. The Commission "used all the means at its disposal" to obtain progress, but the results were "very skimpy", acknowledged Mr Santer. For his part, Mr Oreja noted that unanimity is "paralysing" for the third pillar and recalled in this context that no common position has been adopted yet, while only two joint actions and a convention have been adopted.

The Reflection Group is almost complete

With the appointment of Ingvar Melin, former defence minister and former member of Parliament, as personal representative for the Finnish foreign minister Tarja Halonen in the Reflection Group on the IGC, all Member States except France and Belgium have chosen their "Wise Man" in the Group which will be led by Spanish Secretary of State Carlos Westendorp and which will make broad suggestions to the Intergovernmental Conference itself, working fully independently. France's and Belgium's decisions on their representative in the Group are expected soon, when a new government is put in place in Paris after the presidential elections, and after the Belgian general elections of May 21. Then, the Reflection Group will have its inaugural meeting in Taormina, on June 3, and begin its actual work on July first. The intention is to have a couple of meetings a month, in order to be ready with a report for the December 15 and 16 European Council, in Madrid.

Proposals by the EP and the European Movement

In the meantime, the European Parliament should also be ready with its own position on the main guidelines for the IGC; but it

will not be easy for the May 17 plenary to strike a balance between the sometimes unorthodox views of one of its rapporteurs, Jean-Louis Bourlanges (who is French, and close to Balladur), and the more traditional approach of the other rapporteur, British Labour MEP David Martin. The EP institutional committee had a difficult and at times tense debate on a text submitted by the two rapporteurs, a text which included the most sensitive points on differing alternatives suggested by Mr Bourlanges and Mr Martin, but which had to become in the end one single text. More than 670 amendments were examined, and the motion that the plenary will discuss and vote next week (with the possibility of fresh amendments being introduced), was considered given the controversial nature of some issues, quite satisfactory by Elmar Brok, a German christian democrat who will represent Parliament's views in the Reflection Group with French socialist Elisabeth Guigou. Mr Brok was pleased that, as things stand now, Parliament stresses a few priorities for the IGC, such as the need to extend qualified majority vote in the Council (although Jean-Louis Bourlanges would have liked to go further and proclaim that unanimity should be abolished), the need to apply Community procedures also to Common Foreign and Security Policy and to Justice and Home Affairs, the confirmation of the European Commission's independence and right of initiative, the affirmation of the need of greater transparency in the Council.

The Bourlanges/Martin motion also requests the European Parliament's consent to the 1996 reform (a right which the EP didn't have on the Maastricht Treaty), and suggests the possibility of holding a Union-wide referendum on

the outcome of the 1996 negotiations. In order to avoid unpleasant surprises in Member States, as was the case after Maastricht, the motion calls for a major hearing on the issues which will be on the table in 1996, and for the convening of a consultative conference of national Parliaments at the beginning and at the end of the Intergovernmental Conference. Moreover, Jean-Louis Bourlanges and David Martin agree on the fact that the 1996 revision must redress the democratic deficit and prepare for future enlargements of the Union, without slowing down the integration process or diluting progress which has already been achieved. The institutional committee accepted most of Bourlanges' bolder proposals about Common Foreign and Security Policy (CFSP), such as the designation of a Commissioner in charge of common defence policy, who would also be Secretary General of the Western European Union. Another suggestion, which should easily be approved by the plenary, is about the setting up of a CSFP planning and analysis unit (but, while Bourlanges and Martin favour a joint Commission/Council unit, several Member States prefer a body attached only to the Council). Some of the more controversial ideas put forward by Mr Bourlanges (massive reduction in the number of European Commissioners, a sort of "institutionalization" of "differentiated integration", the possible participation of parliamentary negotiators in Council meetings, the fact of taking away from the Commission its jurisdictional functions in areas such as competition) were rejected by the committee.

In the meantime, the European Movement has also adopted its first discussion paper on the

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1996 IGC. The European Movement (a non-party organization with sections in most European countries, and former French President Valéry Giscard d'Estaing as president) obviously goes further than Member States governments could be prepared to do, and suggests in particular that the European Parliament should speak in favour of the convening of the 1996 IGC itself only if it is granted, on the occasion of this new institutional reform, a sort of "constitutional codecision" procedure, that is to say, the right (which it didn't have during the Maastricht negotiations) to draw up amendments which should be then discussed by the IGC. The European Movement is also bolder as far as "differentiation" is concerned (this word is now widely preferred to the notions of "hard core" or "different speeds"), and, while it wishes to consider this "differentiation", just as most people do, as an "ultimate recourse", it says clearly that this possibility should be considered from the outset. This first discussion paper suggests that the European Movement as such should recommend Member States which share the conviction that enlargement must go hand in hand with a "substantial deepening" should indicate their minimum demands at the very beginning of the negotiation, just as the Benelux States (Belgium, Netherlands and Luxembourg) did at the Messina conference which paved the way from the European Coal and Steel Community to the European Economic Community and the Treaty of Rome. These Member States should even undertake from the start to achieve among themselves the kind of European Union which they consider necessary, if the 1996 negotiations

should prove that unanimity on such a Union is impossible. The European Movement also thinks that Eastern European countries which have "European agreements" with the European Union should be informed about the ICG progress and be able to make their views known. ■

SUSTAINABLE EUROPE

Friends of the Earth Europe recently launched a new study "Towards Sustainable Europe" or the challenge to improve Europe's wealth while relieving the burden on global and European natural resources. The focus of the work, partly sponsored by the European Commission's DG XI (Environment), is not solely on environmental problems, but integrating sustainability targets into economic and business development. The Commission's Phare and Tacis programs also allocate finance to FOE.

The study deals with the sustainability of Europe based on the concept of environmental space, the total amount of energy, non-renewable resources, agricultural land and forests that can be used economically without an adverse effect on future generations. For example, the limited amount of CO2 emissions that the earth can absorb without endangering the climate. Each country, according to FOE, has a right to the same amount of environmental space per capita, and in this regard targets have been made. The report finds that in Europe, there are large differences in environmental space use, and wealth.

Friends of the Earth groups from 30 European countries are

involved in the campaign and will be lobbying business, labor unions, economists and politicians. Items from the report will be discussed all over Europe, and in October a first overview of reactions will be available for the Sofia pan-European ministers' conference.

Among organisations participating, those from central and eastern Europe and the CIS include Ecoglasnost (Bulgaria), Hnutí DUHA (Czech Republic), Eesti Roheline Liikumene (Estonia), Georgia Greens (Georgia), DEM (Macedonia), Polski Klub Ekologiczny (Poland), Rhododendron Action Group (Romania), SZOPK (Slovakia and Zelenyi Svit (Ukraine). ■

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