



# TOGETHER IN EUROPE



## EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

### RELATIONS WITH THE EUROPEAN UNION

**AT THE CANNES EUROPEAN COUNCIL, FAVORABLE ASSESSMENT OF THE PRE-ACCESSION STRATEGY AND "RESOLVE TO PREPARE THE TRANSITION TO THE SINGLE CURRENCY BY 1 JANUARY 1999 AT THE LATEST"**

The European Council which took place in Cannes on 26 and 27 June came to positive conclusions on at least two issues on which the previous summit, in Essen in December 1994, had not reached an agreement: the amounts needed for the EU financial cooperation with Central and Eastern European countries and Mediterranean third countries. With the first group of countries, including the three Baltic States (and also two candidates to accession to the Union, Malta and Cyprus), the EU heads of State and government had, at the end of their summit, a meeting which was too short (barely an hour) to allow a thorough discussion, but which was considered by the European participants of strong symbolic value. The Cannes summit was also the first of a Union of fifteen members, and the first with Jacques Santer as president of the European Commission.

Our goal remains to "create a greater Europe", and the first meeting of 26 leaders from East and West, in Cannes, was "deeply moving", said French President Jacques Chirac in a rather emotional statement to the press after the summit. This joint meeting was "a historic step in Europe's development", emphasized Chancellor Kohl, adding that "if we glance at the path we have travelled these last few years, we can only note that we have made a gigantic leap in the history of Europe". Helmut Kohl was also pleased that the compromise reached in Cannes on aid to third countries allowed the EU to keep its priority for Central and Eastern Europe, while making at the same time a greater contribution to stability and prosperity in the Mediterranean. German Foreign Minister Klaus Kinkel, who would have also preferred to see Slovenia among the guests from the East, obtained a reference, in the summit's conclusions, to the need to sign as quickly as possible a European Agreement with this country, and to include it in the ministerial meetings provided for by the "structured dialogue" between Central and European countries and the Union.

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Belgian Foreign Minister Erik Derycke noted that the joint meeting in Cannes "physically confronted" the Union of Fifteen with what discussions "among twenty-six" would mean, and the Luxembourg Prime Minister, Jean-Claude Juncker, seemed to share President Chirac's feeling and stressed that one should not be "too jaded" when facing the concrete consequences of the enormous changes in Europe. Mr Juncker also saw in the Cannes meeting among twenty-six a sort of "preview" of what the future greater Europe would be, and "despite the many problems raised by this prospect", he felt encouraged by it.

One of the concrete results of the summit was the settling not only of the financial package Central and Eastern Europe/Mediterranean, but also of the problem of aid for the 70 African, Caribbean and Pacific countries, which was creating considerable unease in the negotiations with these countries on the second phase of the Fourth Lomé Convention. Mr Chirac was pleased with the result, even if he found that Ecu 13.3 billion for five years "is not brilliant", and noted that the break-through had been possible because of new efforts made by France and Germany (who, together, contribute almost half of this development aid).

The summit also took a politically significant step (which, though, immediately drew criticism from Members of the European Parliament who felt unable to share European leaders' optimism) concerning Russia. Indeed, the European Council decided to proceed in the near future with the signature, postponed because of war in Chechnya, of the Interim Agreement between the Union and Russia, "noting that progress had been made with regard to the situation in Chechnya and relying on confirmation of that progress". Participants stressed in particular that the OSCE mission on which the Union has always insisted is now in place and that negotiations seem to be developing positively, and said that the signature might happen later, maybe during the next EU Troika visit to Moscow.

As far the EU internal situation is concerned, one of the main goals of the French presidency was to send a strong message about growth and employment, and the Cannes conclusions do stress the priority of creating jobs and the need

to "create a "virtuous" spiral of initiative, employment and growth". On Mr Chirac's insistence, the Council also called for a greater role and consultation, at the European level, for the organizations representing Small and Medium-Sized Enterprises: not only the French president, but also John Major and Helmut Kohl noted once more the important part that they play in job-creation, and also in favour of political stability, said the German Chancellor). Stability and deficits reduction were two phrases which often recurred in the conclusions.

The European Council also stated once more the "firm resolve to prepare the transition to the single currency by 1 January at the latest", "in strict accordance with the convergence criteria, timetable, protocols and procedures laid down in the Treaty". The Treaty actually refers to 1997 as the first possible moment for the beginning of the first phase of Monetary Union, but this date is mentioned by fewer and fewer governments (the new French government, in particular, has adopted a much more cautious attitude than the previous one). In Cannes, European leaders agreed that the Madrid summit in December will have to decide on a "reference scenario" for introducing the single currency, and European Commission's President was very pleased about that, even if he would have liked to hear that the Madrid summit should also decide about the name of the new currency.

Another result which was positive in principle, but with some qualifications, was the decision to adopt at last the Convention establishing Europol, but (in order to overcome Britain's resistance) wait to settle the problem of the European Court of Justice competence in this field until the moment when the Convention will be ratified by Member States.

A general feature of this summit was, anyway, the clear intention, not to create difficulties for John Major before the imminent contest for the Conservative Party leadership: thus, Mr Major did not have to yield on any of the issues which were most sensitive for him. The passage in the conclusions about the Intergovernmental Conference, for example, does not go very far, merely stressing transparency, efficiency, subsidiarity, without mentioning any vaguely controversial issues. ■

## CANNES EUROPEAN COUNCIL

*The Cannes European Council in its conclusions stated very clearly the EU's determination to work towards stability and peace in Europe, by preparing the accession of associated countries from central and eastern Europe. It also confirmed that the EU seeks special relation with Russia and that it considers Russia's role in Europe in broader geopolitical terms based on security considerations. The Cannes Summit reaffirmed the strategic importance of its policy towards the Mediterranean region and adopted decisions, including financial decisions, allowing a new dimension to the EU policy there. In the following we publish selected parts of the Presidency Conclusions to Cannes 26 and 27 June Summit, and related to central and eastern European countries and to the IGC.*

The participants in the European Council met the Heads of State and of Government and Ministers for Foreign Affairs of the associated countries of Central and Eastern Europe, including the Baltic States, as well as Cyprus and Malta. They held a wide-ranging exchange of views on various topical matters. They also made an initial, favourable assessment of the structured dialogue and of progress in implementing the pre-accession strategy. In this connection, a suitable forum for encouraging and pooling experience will need to be set up.

### Accession

The European Council reaffirms that negotiations on the accession of Malta and Cyprus to the Union will begin on the basis of Commission proposals, six months after the conclusion of the 1996 Intergovernmental Conference and taking the outcome of that Conference into account. It stresses the importance it attaches to preparing the accession of the associated countries to the Union and approves the Council conclusions on the White Paper on integrating those countries into the internal market and the Council report on implementing the strategy of preparing for accession.

The European Council reaffirms the European Union's

concern to contribute to political stability and prosperity in the Baltic Sea region. It awaits with interest the progress report on cooperation in that region.

### Slovenia

The European Council refers to the need for Slovenian real estate legislation to be harmonized with European rules, as laid down in the statement of 6 March 1995. In addition, it hopes that the Association Agreement with Slovenia will be signed as soon as possible and that Slovenia will subsequently participate in the structured dialogue.

### Russia

The European Council takes note of the Commission communication and confirms its commitment to developing the European Union's relations with Russia, a process which is essential to the stability of the European continent. It reiterates the Union's resolve to establish a substantive partnership with Russia, on the basis of the strategy adopted in Carcassonne in March 1995. The European Union intends to contribute to the OSCE comprehensive security model for Europe in the 21st century.

With regard to security, the European Council considers that dialogue between Russia and the Atlantic Alliance should be stepped up, using the existing mechanisms.

It further considers that conclusion of an agreement, perhaps in the form of a charter, should be envisaged. This process must be compatible with NATO and WEU policies and with the gradual integration of the countries of Central and Eastern Europe.

In the near term the European Council, noting that progress has been made with regard to the situation in Chechnya and relying on confirmation of that progress, has decided in favour of signing the Interim Agreement.

### Ukraine

The European Council welcomes the progress of Ukraine's economic reforms achieved in close cooperation with the international financial institutions, and the decision to grant Ukraine the first tranche of a balance-of-payments loan for 1995. The pursuit of this policy is closely linked to the implementation of President Kuchma's decision to close down the Chernobyl nuclear power station definitively in 1999.

### Preparation for the 1996 Intergovernmental Conference

The European Council notes with satisfaction that preparations for the 1996 Intergovernmental Conference are now well under way. The Reflection Group of personal representatives of the Foreign Affairs Ministers and of the President of the Commission, with two representatives of the European Parliament also taking part, was set up in Messina on 2 June 1995.

The Reflection Group will examine and elaborate suggestions relating to the provisions of the Treaty on European Union

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due for review and other possible improvements in a spirit of democracy and openness, on the basis of the evaluation of the functioning of the Treaty as set out in the reports. It will elaborate options in the run-up to the future enlargement of the Union on the institutional questions set out in its Brussels conclusions and in the Ioannina agreement (weighting of votes, the threshold for qualified majority decisions, number of members of the Commission and any other measure deemed necessary to facilitate the work of the institutions and guarantee their effective operation with a view to enlargement).

The European Council considers that thoughts should now focus on a number of priorities to enable the Union to respond to its citizens' expectations:

- to analyse the principles, objectives and instruments of the Union, with the new challenges facing Europe;
- to strengthen common foreign and security policy so that it can cope with new international challenges;
- to provide a better response to modern demands as regards internal security, and the fields of justice and home affairs more generally;
- to make the institutions more efficient, democratic and open so that they are able to adjust to the demands of an enlarged Union;
- to strengthen public support for the process of European integration by meeting the need for a form of democracy which is closer to the citizens of Europe, who are concerned at employment and environment questions;

- to put the principle of subsidiarity into practice more effectively.

#### IGC & Associated Countries

As part of the strategy for preparing for the associated countries' accession to the Union, the necessary procedures should be established to ensure that they are kept fully informed of developments in the discussions at the Intergovernmental Conference, bearing in mind their status as future members of the Union.

The Heads of State and Government will continue discussing this matter at their informal meeting in Majorca on 22 and 23 September 1995 and the European Council will receive a full report from the Reflection Group for its meeting in Madrid in December 1995. ■

## APPLICATIONS FOR ADMISSION

### Romania

*Romania did not wait for the Cannes Summit to present her formal application for admission to the European Union. During a brief ceremony on 22 June, at the Quai d'Orsay, the Romanian Foreign Affairs Minister Teodor Melescu handed the application to the President of the EU Council, French Minister for European Affairs Michel Barnier. Romania thus becomes the third associated country to formally submit an application for accession.*

*On June 21, Romanian President Iliescu, Prime Minister Vacaroiu and the leaders of all the parties represented in the Romanian Parliament adopted a declaration of support for Romanian admission to the EU in the run up to the year 2000.*

*Mr. Barnier welcomed this show of determination, took note of Romania's goal of becoming an EU member and encouraged the country to first settle its dispute with Hungary regarding the Hungarian minority in Romania.*

### Slovakia

*Mr. Vladimir Meciar, Prime Minister of Slovakia submitted his country's application for accession to the EU during the EU Summit meeting in Cannes. The application was presented during a brief ceremony to the President of the Council, French Foreign Minister Herve de Charette. The Slovak Premier Minister said Slovakia aims to join the EU by year 2000.*

*Readers will recall that Poland and Hungary applied for admission in early 1994. The EU Council examined the application of Poland and Hungary during its meeting on 19 April 1994 and decided to implement the procedures foreseen by Article "O" of the EU Treaty ie Commission will prepare its opinion. Sources at the Commission suggested that the Commission is likely to start to work on its opinions once the work of the Intergovernmental Conference is advanced substantially.* ■

### **POLISH EU AMBASSADOR CALLS FOR ACTION**

*On June 22, Poland's ambassador to the EU discussed a number of pertinent items just before the EU Summit in Cannes.*

*The ambassador said that Poland has made a formal request to communicate in some way with Mr Westendorp's Reflection Group and to be allowed to participate in the Intergovernmental Conference as an observer, but that official responses thus far had been pessimistic. He envisaged that the IGC would "not be revolutionary" for Poland, but progress would have to be maintained with regard to the EU's institutional existence, along Maastricht guidelines. Any variation to this would not be in Poland's interests he said.*

*Concerning the White Paper, he intimated that it could be more specific in requests for aid, rather than its use as an "instrument for advice". He described the report as a "positive initiative", although he also conceded that there were certain defects. He suggested that EU states are involved in helping the CEECs to align to EU standards, but that this is not necessarily the case in some existing members.*

*In Cannes Prime minister Oleksy will be discussing a definitive date for the opening of accession negotiations, and in this, the ambassador drew a parallel with Malta and Cyprus. He suggested that the CEECs would be joining in "groups", and although Poland would not consider itself a "priority", he said that they would expect to be in the first group. He described the climate for admission to the EU as having deteriorated, purely because the IGC itself had prompted much discussion and debate within the EU itself, but the fact that the CEECs had been invited to participate in Cannes was "encouraging".*

*Questioned on "structured dialogue" in regard to ministerial meetings, the ambassador said that fundamental problems still had not been addressed. He suggested longer meetings, improved preparation of them, and a reduction in items on the agenda. ■*

### **EP DISCUSSES AGRICULTURAL QUESTIONS WITH POLAND**

A special meeting of the EU-Poland Joint Parliamentary Committee on agricultural questions was held in Strasbourg on 15 June. The necessity of adapting Polish agriculture to the EU's Common Agricultural Policy (CAP) is one of the principal challenges on the road to enlargement. The meeting itself considered a working paper prepared by Mr. H. Funk (German EP member and Vice Chairman of the Committee on Agriculture). Mr. Funk considered the need of improving the income of families in Poland engaged in rural agriculture. As Polish agriculture will be passing through a restructuring process and will rely on market mechanisms, efforts would be required to find alternative sources of income for families in the countryside.

Commissioner Fischler recalled that later this year the Commission will be presenting a paper on the possible strategies for the integration of the agricultural sectors of central European countries into the EU. The Commissioner then announced that even before the summer the Commission would be publishing studies of the agricultural situation in each concerned CEE country and the outlook towards 2000. Commissioner Fischler estimated that Polish agriculture would require, in order to ease the

burden of integration into the EU, significant structural changes, greater efficiency and a higher level of support for agricultural incomes. These issues must be considered in the context of the broader development of the Polish economy as a whole.

The Polish minister of Agriculture Mr. Roman Jagillinski said that structural reform in Polish agriculture is taking place. At the end of the communist period there were more than 2 million private farms. Their number has significantly decreased already. However, encouragement of private family farms was at the centre of Poland's agricultural policy, thus it is necessary to ensure that whilst restructuring takes place, this doesn't lead to a flight from the land. This is closely linked to providing new perspectives for life and work in the countryside. In general, it was agreed that the process of restructuring agriculture is on the right track, but is not yet complete.

Mr. Jan Borkowski from the Polish Peasant Party, underlined the economic importance of agriculture in Poland. A particular problem is that of introducing market-based structures, because of the low level of investment until now. The EU and its member states shall give aid to resolve this problem. ■

### EU AGRICULTURAL TRADE WITH ASSOCIATED COUNTRIES: RECORD TRADE SURPLUS IN FAVOUR OF EU

EU agricultural products and food imports from the associated countries of central and east Europe increased in 1994 by over 9%, but the steep boost in EU exports to the associated countries resulted in a record breaking EU trade surplus.

Until the end of 1992 the EU had a trade deficit in agricultural trade with the six associated countries. 1993 brought the first surplus in EU agricultural trade with the central and eastern European countries amounting to ECU 450 million. This jumped to ECU 1.2 billion in 1994. If the agricultural trade with the three Baltic Countries is taken into account the EU trade surplus doubled in 1994 and amounted to over ECU 1.5 billion. The steep rise in trade surplus was chiefly due to the ECU 800 million increase in EU surplus in agricultural trade with Poland.

EU agricultural and food exports to the six associated countries increased in 1994 by 37.8%, while imports from the associated countries (after a 7.3% decline in 1992 and an 11.7% decline in 1993) increased by 9.5%.

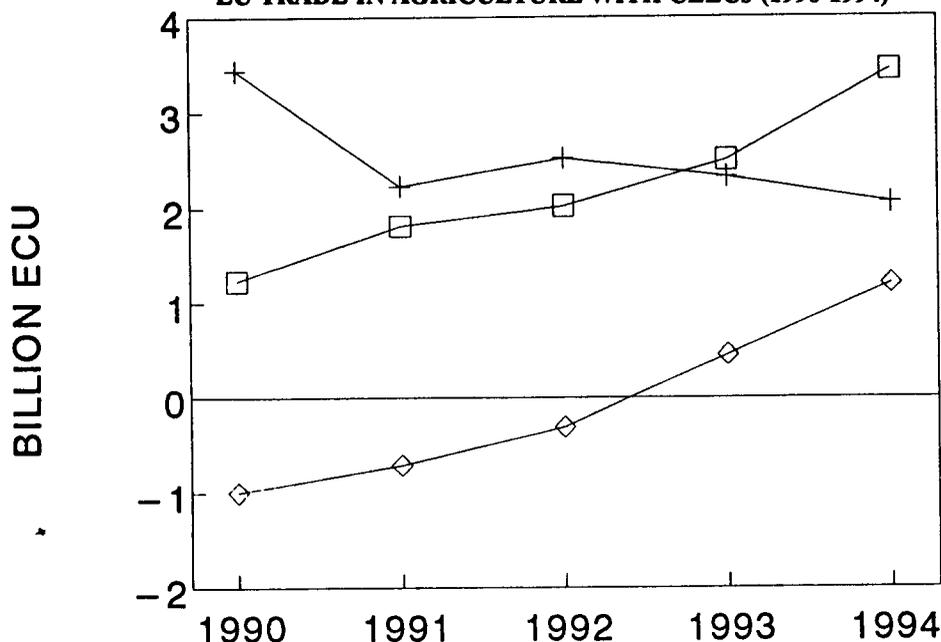
1994 agricultural trade data helps to explain Polish criticism of agricultural trade developments. EU agricultural exports to Poland jumped in 1994 by 81.2%. Imports from Poland increased by 7.2% but 1994 was the first year in which EU agricultural imports from Poland increased. Over the last five years (1990-1994), EU imports from Poland decreased by 21%, while EU agricultural exports to Poland expanded by 219.7%. Exports to Poland were worth slightly over ECU 600 million in 1990, while in 1994 EU exports amounted to just under ECU 2 billion. The bulk of the EU overall trade surplus with

Poland is also due to a surplus in agricultural trade. In 1994, the EU had a global trade surplus with Poland of ECU 1.7 billion of which the surplus in agricultural trade was ECU 1.1 billion. In 1990 agricultural products amounted to 13.9% of all EU exports to Poland, in 1994 this was already 18.5%.

Over the last five years EU agricultural and food imports from the six associated countries expanded by 0.9%, while EU agricultural exports profited from a 179.3% global increase.

The European Union now exports twice as much prepared foodstuffs, beverages and tobacco from the associated countries than it imports. Trade surplus in prepared foodstuffs-beverages expanded to ECU 600 million in 1994. The EU has a trade surplus in this category with all associated countries.

EU TRADE IN AGRICULTURE WITH CEECs (1990-1994)



□ EU EXPORTS + EU IMPORTS ◇ TRADE BALANCE

## ***DIALOGUE LAUNCHED WITH EASTERN EUROPEAN AND BALTIC COUNTRIES ON FIGHTING CRIME AND DEVELOPING JUDICIAL COOPERATION***

In conjunction with their Council sitting on June 20-21, the Home Affairs and Justice Ministers of the Fifteen and Commissioner Gradin had an occasion to meet representatives of several third countries. On 20 June, the structured dialogue with the six CEECs (Central and Eastern European countries) and the three Baltic states was launched in the areas under the third pillar of Maastricht. "The progress of law is essential for accompanying progress towards democracy and the market economy", explained French Minister Jacques Toubon, who sees efforts to fight crime and judicial cooperation as imperative in anticipation of accession. This view is shared by Mrs Gradin who noted that "many economic commitments" had been made in the Phare programme, but that "not much has been done in relation to the third pillar". She thinks efforts to prepare accession need to be boosted. The Commissioner announced that she would soon send experts to visit the nine countries and, based on their reports, she would present proposals. In the same spirit, Mr Toubon said the Fifteen were considering the participation of the CEEC and Baltic states, beginning in the autumn, in the working group on fighting crime.

The meeting was opened with a briefing by the French Presidency on work in progress to strengthen cooperation in fighting crime, further to the Berlin

Declaration adopted on 8 September 1994. The ministers then had an exchange of views on the following subjects.

i) Problems of visas, re-entry and false papers. Some Eastern delegations, notably the Czech minister, highlighted the need to identify problems related to visa requirements for their nationals, while all the CEECs explicitly raised the problem of tougher controls at the external borders of the Schengen area. French Interior Minister Jean-Louis Debré took note of requests for reinforcing exchanges of information with a view to enhancing cooperation, inter alia, on visas and the detection of false papers.

ii) Police training needs and the Police Academy in Budapest.

iii) Fighting organized crime and the possibility of enhancing judicial cooperation. Jacques Toubon said both sides were working with a view to the accession of these nine countries to the Lugano Convention, which is, to EFTA, what the Brussels Convention is to the EU in matters of judicial competence and enforcement of decisions, and on the "possibility for these countries to draw up a convention parallel to the Rome Convention which binds the Fifteen". "We will help them to proceed in such a way that this work might be completed as soon as possible", concluded the Council President. ■

## ***FINANCING OF EU EXTERNAL POLICIES***

A compromise in financing EU external policies was one of the major results of Cannes Summit. The issue was to set up a new balance between EU support to central and eastern European countries seeking accession and the emerging EU policy towards the Mediterranean countries and at the same time to ensure financial aid in the form of the 8th EDF (European Development Fund) in favor of the 70 ACP developing states. The EU leaders did everything not to put British Prime minister John Major in difficulty, so that the UK did not have to make any concession from its previous tough position on financial assistance to the developing countries. Major is in the process of fighting an election for leadership of the Conservative Party, having resigned on June 22, although he remains his country's prime minister.

The 8th EDF was saved by means of an increase in the French contribution offsetting the reduction in the UK's contribution. Therefore, the 8th EDF could reach the figure of ECU 13.3 billion over five years. This is considered as an absolute minimum by most EU countries. France is contributing ECU 3,120 million and Germany ECU 3,000 million, ie some 50% of the total of ECU 13.3 billion.

### **Central and eastern Europe**

The compromise on re-balancing guarantees central and eastern European countries financial aid of ECU 6,693 million for 1995-1999 and to Mediterranean countries ECU 4,685 million. It was acknowledged that financial aid to countries seeking accession should be higher than for the second group of countries.

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For the Essen Summit the Commission proposed an increase for 1995-1999 financing for CEEC of 12.1%. This would give a total budget of slightly over ECU 7 billion. But in view of agreement on re-balancing approved in Essen, the budgetary considerations for 1995-1999 reduced the aid to CEEC to ECU 6.3 billion and a minimum of ECU 5.5 billion was considered for Mediterranean countries. More recently the Commission proposed ECU 6,693 million for CEEC and ECU 5,160 million for the Mediterranean. The Commission suggested in its 1996 draft budget that 1996 aid to CEEC amounts to ECU 1,250 million (an increase of 7.0%) and to the Mediterranean ECU 700 million (an increase by 29.65%).

The resulting compromise adopted in Cannes is indicated in the table below. The table documents the increased contribution to Mediterranean countries is mostly taking place now. Aid in 1996 will increase by 63.6% against 1995, and then by 11.1% in 1997, by 9.2% in 1998 and by 4.6% in 1999.

Financial aid to CEEC is increased by 7% in 1996, by 3% in 1997, by 9.7% in 1998 and then it jumps by 16.9% in 1999 in view of the efforts linked to the accession.

	CCEE (Mecu)	MTC (Mecu)
1995	1 154	550
1996	1 235	900
1997	1 273	1 000
1998	1 397	1 092
1999	1 634	1 143
<b>TOTAL</b>	<b>6 693</b>	<b>4 685</b>

### INFORMATION SOCIETY FOR ASSOCIATED COUNTRIES

Under the chairmanship of European Commissioner Martin Bangemann, ministers and business leaders from CEEC met with representatives from industry and the EU scientific community on June 23 in Brussels for the first forum on the information society. Over 200 people participated, and the meeting paved the way for continuous dialogue so that the associated countries can play an active part in the new information revolution.

Confronted by a situation where telecommunications infrastructures and services are dominated by monopolies, the representatives of the eastern European countries recognised the effort that must be made in order to introduce competition in this sector, but they also stressed the need for a legal framework to accompany this liberalisation, and political decisions on universal service and standardization at international level. Mr. Bangemann recommended speedy liberalisation in central and eastern Europe, and warned on any delay on this.

Regarding regulatory framework, and questions of competition, the Forum recognised that

the application of common principles throughout Europe was a priority. The Commissioner stressed that this was an essential prerequisite for attracting foreign direct investment to countries of eastern Europe and for promoting industrial cooperation between western and eastern Europe. Four working groups will be set up, each composed of twelve members representing the ten associated countries, the Commission and industry, in order to report to the next plenary meeting of the Forum. The working groups will cover standardization (chaired by Poland), R&D cooperation including the evaluation of research results (Slovenia), regulatory framework (Slovakia), and infrastructures and funding questions (Hungary). The working groups will meet from September or October with the next plenary session of the Forum being scheduled for the first term of 1996 (date and venue to be announced later).

Regarding research and technological development action, the Commission projects in the near future to: a) encourage greater involvement by eastern European countries in EU programmes on information technologies, advanced

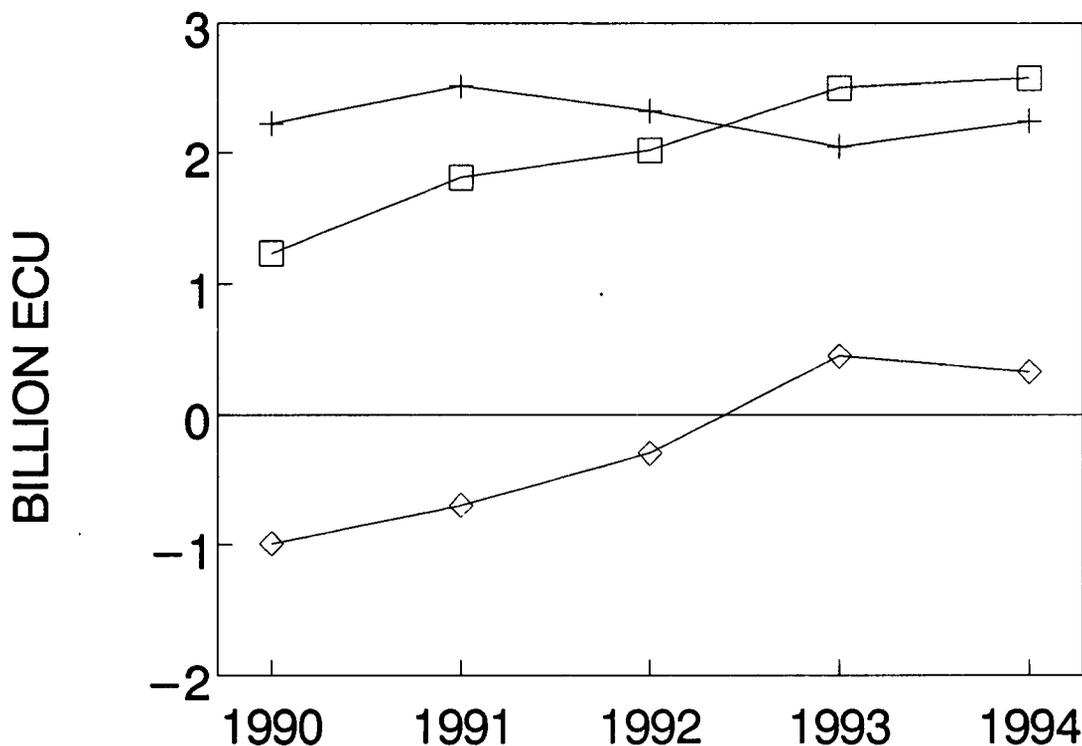
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## ERRATUM

### EU AGRICULTURAL TRADE WITH ASSOCIATED COUNTRIES (cf No.72, p.6).

The statement that 1994 resulted in a record trade surplus in favour of EU is not true. While processing the raw Eurostat data for this article, a calculation error was made in data on EU exports of animal or vegetable fats to Poland (by one decimal place). This gave EU exports in this category of ECU 965.5 million instead of the correct value which is only ECU 96.5 million. This error influenced the total data on EU agricultural trade with Poland: EU agricultural exports to Poland were worth in 1994 only ECU 1096.6 million and not 1965.9 million as indicated. Exports increased by 1.1% in 1994 and not by 81.2% as indicated. The EU agricultural trade surplus with Poland amounted to only ECU 222.3 million and not to ECU 1.1 billion as indicated. EU agricultural exports to Poland increased during 1990-1994 period by 78.3% only and not by 219.7%. Data on EU trade with other associated countries is correct, but because of the error concerning Poland, the correct EU agricultural trade surplus with associated countries is ECU 329.15 million and not ECU 1.2 billion as indicated in the article. We apologize to our readers for the erroneous interpretation of the trade data that this could cause. Below is a corrected graph which reflects the true trend in EU agricultural trade with the associated countries.

### EU TRADE IN AGRICULTURE CEECs 1990-1994



□ EU EXPORTS + EU IMPORTS ◇ TRADE BALANCE

## DEVELOPMENTS WITHIN THE EU

### ***EU AGRICULTURAL COUNCIL GETS AGREEMENT ON NEW PRICES, AGRIMONETARY SCHEME AND ANIMAL TRANSPORT***

*The EU Agricultural Council's annual marathon meeting on farm prices which started on 19 June was this year complicated by a far reaching debate on agri-monetary issues and the still unresolved issue of animal welfare during transportation. However after two days of preliminary talks the French Presidency submitted on 21 June a draft compromise linking all the issues together with the aim of finding an overall political agreement during the night 21-22 June.*

#### **Overall Agreement**

At the conclusion of a final series of bilateral meetings on the night of 21 June, the Agriculture Council agreed by qualified majority on the different chapters of a compromise package solving all the agricultural sector's most sensitive politico-technical problems. The success wrung out of the Council by the French Presidency at the conclusion of its term in office will facilitate: definition of a lower-cost system of agrimonetary compensation compatible with the Union's international undertakings, the fixing of 1995/1996 common prices, the definitive consolidation of increases in Greek and Italian milk quotas and considerable strengthening of European standards for the protection of animals during transport.

Commissioner Franz Fischer praised the result with obvious satisfaction, emphasizing the "Community" nature of the solutions making it possible to put a stop to five years of hesitation on the duration of animal transport and more than a year of procrastination on the agrimonetary system. In substance, he said, these solutions offer "serious, feasible and controllable" solutions to animal transport conditions while slowing the tendency to lower consumption and threats of barriers to trade. They also abolish the agri-monetary

switch-over and the device agreed last December to succeed it, thanks to a mechanism with no budget impact compared to the initial proposal, which is expected to last, pending the "calm" expected to return with completion of economic and monetary union.

#### **Agri-monetary compensations**

The mechanism for agrimonetary compensation is based on: i) a device which will make it possible to keep the level of Community subsidies on a per-hectare, per-capita basis for producers, thanks to a freeze on green rates (the rates used to convert these premiums into national amounts for the currencies which tend to increase in value) at the level of Friday, 23 June, until 1 January 1999 (some commitments were made with regard to countries which will not be able to adopt the single currency on this date); ii) a degressive compensation, limited to three and a half years, which will offset lost income caused by drops in institutional prices as a result of the revaluation of green rates; 50% of the co-financing will be provided by the EAGGF, and 50% by the Member States; the EU countries will not be able to contribute to the budget, which will obviously be reduced by the same amount; iii) lump-sum, degressive national aid over three years, which can be

granted to producers in sectors which have suffered "notable" (demonstrated) losses of income due to devaluation in other Member States between the beginning of the 1994/95 growing year and the end of the current year.

#### **Transport of animals**

Strict minimum conditions for the transport of animals (all destinations), which will replace the current standards as of 1 January 1997 (possible at the end of this year for some provisions). The new system will put limits on the length of trip and stipulates rest times, cycles for mandatory watering and feeding, which depend on the facilities (specific for long distances or not) of vehicles. The maximum duration of a trip is eight hours for transport under normal conditions; but if special vehicles are used, this duration can be longer: i) for young animals, two nine-hour cycles with a one-hour pause when the animals are fed and watered; ii) for pigs, a maximum of 24 hours, during which they must be able to drink at all times; iii) for adult animals, two 14-hour cycles with a one-hour interval; in each of these cases, a 24-hour pause must be respected before resuming these cycles and continuing the trip. A more "progressive" pause was introduced, allowing Member States to set a one-time eight-hour ceiling for trips under normal conditions, from the point of departure to a slaughterhouse located on their own territory.

*(continued on page 10)*

*(see page 9)***Agricultural prices**

The result is a more easily adjustable price package than for earlier years, which will make it possible to complete both cotton reform and the file on milk quotas (as proposed by the Commission). Aid to the production of durum wheat in traditional growing zones in Austria, as well as promises of

special and mandatory set aside (probably a reduction of the rate for this year) are confirmed, and the derogation for "knackers' yards" in the UK has been renewed. As for price levels, the package involves the status quo for intervention butter; a 10% reduction of monthly increases for cereals and of 2.5% for rice; a smaller

reduction than planned for reimbursement of sugar storage costs (0.45 Ecus/100 kg). Finally, the Commission agreed to closely oversee the development of the fresh tomato market (concession to Belgium).

There were negative votes on each of these questions by a minority of delegations. ■

**INTERNAL AFFAIRS COUNCIL DEVELOPS A COMPROMISE ON EUROPOL**

"Solutions have been found to all our difficulties and we have now developed a final text. All the technical problems have been solved and almost all the political problems." This were the terms used by French Home Affairs Minister Jean-Louis Debré late Tuesday evening to summarize the outcome of the Home Affairs Council's deliberations on the draft Europol Convention. The principal political decisions had to be taken by the EU summit in Cannes (see article on Cannes).

Dominated by work on Europol, Tuesday's Home Affairs Council also enabled the Fifteen to study the following issues:

1. Customs information system convention (CIS). The Council deliberated on what competencies should be assigned to the Court of Justice with regard to conventions under the third pillar: Europol (see above), anti-fraud and CIS. Agreement in principle was reached on disputes between Member States and between Member States and the Commission, but, as with Europol, the question of rulings on preliminary questions will have to be decided in Cannes.
2. External borders convention. Some progress was made on this draft convention concerning controls on persons at Union borders, but the Council was forced to observe that the principal question raised by the status of Gibraltar had not been settled as the differences of view between Spain and the United

Kingdom remain in their entirety. The Council therefore limited its action to calling on the relevant bodies to continue their work in view of reaching an agreement making it possible to establish an area without frontiers comprising all the EU Member States.

**Visa**

3. Third countries whose nationals require a visa. The Council noted general agreement on the regulation aimed at determining which countries fall into this category. On the other hand, one problem concerning the list of these countries could not be solved: while many delegations are asking to be able to introduce a visa requirement for nationals of the Federal Republic of Yugoslavia (Serbia-Montenegro), Italy refuses, Home Affairs Minister Giovanni Rinaldo Coronas arguing that the EU would have to act identically, for example, with Croats and Slovenes, or even Poles and Hungarians. Pursuant to Article 100(C) of the Treaty, the decision to include a third country in this list must be taken unanimously until 1 January 1996, after which it may be taken by qualified majority.

4. Sharing the costs incurred by the admission and temporary residence of refugees. Council President Jean-Louis Debré announced that the Fifteen had adopted conclusions marking their "will to implement, if necessary, active cooperation based on the principle of solidarity". ■

**THE EUROPEAN COMMISSION ADOPTS ITS DRAFT DIRECTIVE ON MOBILE COMMUNICATIONS MARKET**

On June 21, the European Commission approved, under Article 90.3 of the Treaty, the draft directive on liberalizing the mobile and personal communications sector from 1 January 1996. This draft will be the subject of consultations in the coming weeks with interested parties with a view to being definitively adopted in September by the Commission itself, Commissioner Van Miert (competition) told the press.

"The aim of this directive is to generalize competition in the mobile and personal communications sector which is by far the most dynamic telecommunications market" and which is on the point of becoming a "mass market", Mr. van Miert stressed; the level of growth is enormous (60% between March 1994 and

March 1995), the number of users is constantly increasing (the Commission predicts that by the end of the century 38 million people in Europe will be using the mobile telephone and some 80 million ten years later) and the number of jobs it creates is enormous. Given the prospects and potential for the market's expansion, the Commission's directive will not put into question the survival of the existing operators, but will allow for competition to be improved, to strengthen the principle of the universal service (as mobile telephony will facilitate communications with outlying regions) and to develop the information society.

In concrete terms, the new Community legislation will enable operators to establish their own infrastructure networks and use existing alternative infrastructures (rail lines and others) without having to go through the already installed infrastructures of the main operators (which in many States benefit from a situation of monopoly) and who - as Mr. Van Miert stressed - often demand "too high prices, at least higher than in the United States or Japan". The new operators of mobile telephony will thus be able to benefit from open market access, as well as from the infrastructures of third parties, which is essential for newcomers to the market, knowing that recourse to rented lines represents, on average, a cost factor in the region of 30 to 50% of the activities of the second operator. ■

#### **EP PRESIDENT SPEAKS ON SINGLE CURRENCY**

*Mr. Klaus Hansch, President of European Parliament, when addressing the EU heads of state on the eve of Cannes Summit, accepted that it is possible that the transition to the third stage of EMU will not come until 1996, and stated that security imperatives take priority over speed. The time now has to be used to properly inform public opinion. For the first time a European decision directly affects the citizen. Regarding the name of single currency Klaus Hansch cited what Juliet said of Romeo: "What's in a name? A rose by any other name smells as sweet".* ■

#### **ENHANCING EUROPEAN COMPETITIVENESS**

The Advisory Group on competitiveness, chaired by former Italian Prime Minister and former Governor of the Bank of Italy, Mr. C.A. Ciampi, submitted its first report. The report is destined for the President of the Commission and for the European Heads of State and Government meeting at the European Council in Cannes. Mr. Ciampi presented the report in Brussels on 22 June.

Mr. Ciampi said that since the early 1980's Europe has not been able to avoid a certain decline and has not been decisive enough in the correction of profound regional imbalances and worsening global economic performance. Europe has to reverse relative decline and in an increasingly global economy, protectionist strategies offer no solution. Competitiveness implies elements of productivity, efficiency, profitability. But it is not an end in

itself or a target. It is a means to achieve rising standards of living and increasing social welfare. The drive to competitiveness should not result in a short-term approach, but rather encourage benchmarking strategies to develop new technological opportunities to maximise long-term profitability and capital accumulation.

Huge investment is needed if Europe is to mobilize its resources. In infrastructure, certainly - but globally competitiveness stems from, and at the same time helps strengthen, human capital potential. Competitiveness crucially depends on the ability to invest in intangibles - knowledge, skills, creativity. These non-basic factors of production tend to attract, and to stabilize, economic activity and employment. Thus the competitiveness for Europe (as for other advanced regions of the

world) mainly revolves around the ability to accumulate and improve human capital.

The Report advocates several essential moves:

- completing the single market shall be a priority, especially as regards the statutes of European Companies (internal market will remain unfinished business so long as European companies cannot operate across the whole Union in a more flexible and efficient way), and the realization of the Trans-European networks;

- Strengthening the European enterprise: firms within Europe must be able to compete and win profitable business in their domestic markets and internationally if they are to provide employment and be a source of wealth generation. The report says

*(continued on page 12)*

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that the application of benchmarking can be an important instrument to identify ways to raise the level of productive employment within the European economy and improve competitive performance. For an individual enterprise the principal benchmark is the ability to generate wealth available to the enterprise and to society generally for reinvestment and distribution.

### Central and Eastern Europe:

The Report underlines the importance of international trade which is both a determinant and an effect of competitiveness. International trade in intermediate and final goods is a very powerful instrument allowing trade partners to participate in the expansion of productivity and technological capability in a vicious circle going from investment to productivity, to trade, ultimately to raising standards of living.

In this field there is an additional competitive disadvantage which stems from Europe's weaker trade links with the world's fastest growing developing markets. Nevertheless enlargement to central and eastern Europe now potentially constitutes an opportunity for growth and employment. The report criticizes some attitudes in western Europe which tended to see the re-emergence of eastern Europe as a potentially costly political necessity, rather than an economic opportunity. These attitudes point at a threat from low-wage countries, indicate that direct foreign investment is low and financial support (credits, guarantees, grants) are mainly motivated as a way to avoid problems such as political instability, a flood of immigration, military conflict etc.

The report says that the build up of infrastructure in CEEC offers an enormous market. Telecommunications, oil, gas and other resources, the revamping of energy and transport systems, refitting of huge but inefficient and polluting enterprises represent a major opportunity for EU companies. The report notes that it may be some time before sufficient domestic funding is generated, however in some countries of central Europe domestic funding is starting to become available.

Trade represents a further opportunity. The report indicates the possibility of a partnership in global trade between the EU and central and eastern Europe: "With the greater respect in the East of social issues accompanying the consolidation of democratic systems, together Europe as a whole wins and becomes more competitive in the global arena".

The third major opportunity is investment: EU investment in companies of the associated countries is another step towards economic integration. The report says that some results can already be seen: "high performance islands mostly in western-owned companies have already increased productivity, reduced floor space and working capital, increased quality and commercial reliability in spite of poor infrastructure."

In its conclusions the Report evaluates well the Europe Agreements as they represent a radical and challenging trade liberalization on the part of the EU. It also supports the White Paper for pre-accession strategy as it offers a possibility of being not merely a legal document, but a strong decision-making mechanism to propel integration. ■

(see page 8)

communications and telematic applications; b) launch an appeal for proposals in the "cooperation with third countries" section of its research framework programme; c) provide aid to eastern European countries in order to improve their funding mechanisms to prevent the "brain drain" and develop contacts between scientific communities and industry; d) take new steps to facilitate the participation of eastern European countries by using the instruments available to the information society (World Wide Web, multimedia data banks); e) extend the current Information Technology European Award scheme to encourage research in information technologies. ■

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