



# TOGETHER IN EUROPE



## EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

### RELATIONS WITH THE EUROPEAN UNION

#### **INTERGOVERNMENTAL CONFERENCE AND ENLARGEMENT**

The EU Heads of State, who will hold an informal meeting on 22-23 September in Majorca, will have the Interim Report (see also pp. 9-11) on progress in discussions within the Reflection Group which is preparing the 1996 Intergovernmental Conference (IGC), at their disposal. It was prepared by the Group's chairman Mr. Carlos Westendorp, the Spanish Secretary of State for European Affairs. The Heads of State are not expected to draw any conclusions, but their discussion could influence the second phase of Reflection Group meetings which started in Brussels on 4 September and will finish on 14 November.

The report underlines, for the attention of the Heads of State, the importance of "Context and Timetable". This could result in a changed approach to the IGC, and consequently may substantially influence the attitude towards the timing, and possibly the terms of the next enlargement to the East. It will only be the EU formal summit in Madrid in December, which will take a position on the IGC. However, should our reading of Mr. Westendorp's progress report be correct (together with our understanding of hints suggested by him since 5 September), it could be possible that Member States may attempt to conclude the IGC rapidly and limit the IGC only to the revision of the EU Treaty. The aim of the IGC would be to allow a rapid start to the enlargement negotiations.

This could facilitate the possible beginning of the enlargement negotiations to as early as late 1997/beginning of 1998, although perhaps this may be too optimistic. It is conditioned by the possibility of reaching an agreement among the member countries that the bulk of the EU reforms (except the institutional system and the decision making process) would have to be negotiated among the member countries only after the IGC, and in conjunction with the already initiated enlargement negotiations. On the other hand, old hands in Brussels probably already feel in their bones the Community's typical inclination to such a type of decision. It appears that Westendorp's Group already agrees that the necessary reform of the key policies (CAP, structural funds etc) does not require a change of the legal base ie of the EU Treaty, and that it would be preferable, that it is handled separately from the IGC.

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This leader tries to argue the possibility that the EU Heads of State could begin to consider the need to conclude the IGC as early as possible to avoid a) its cumulation with other important issues, and b) limit the reform of principal policies to only the correction of certain policies to allow enlargement. Thus the aim of the IGC would be to approve the necessary institutional reform. This can no longer be postponed because the major challenge of the future enlargement will be in the area of institutions. This implies the reform of the decision making system together with the allocation of the number of votes to individual member countries; the reform of the rotation of the EU Presidency; the change in the number of commissioners etc. This itself is an enormous task, but the IGC could avoid dragging out heated discussions on the reforms of the EU policies for several years: **from 1997 the EU Timetable would become too complicated.** The Agenda considerably surpasses the perceived common good will for tough solutions, and there is a likelihood of consecutive political crises damaging the EU internally and postponing the enlargement for many years. One of Westendorp's conclusions from the work of the Reflection Group is that the next enlargement represents both a moral imperative and a major opportunity for Europe. Thus enlargement must take place and must take place successfully. To avoid the enlargement or damage it, would create a serious crisis not only in the applicant countries but also in the present Union. The Interim Report points that most of the Reflection Group considers that it is **necessary to separate the IGC from the discussion over the reform of individual policies. Otherwise the IGC would not conclude before the Agenda gets over-complicated.** It seems that the Reflection Group agrees that the respect of the "acquis communautaire" is accepted by both the current EU and candidate countries, together with the principle of "deepening and widening". The Group seems to agree that for example Article 46 of the Treaty is the legal base for the CAP (it provides for qualified majority decisions), CAP reform thus does not require prior revision of the EU Treaty. The impact of the enlargement on common policies would not be immediate, but gradually spread over a number of years. In addition, the possibility to set up transition periods would weaken the impact of enlargement and allow the Fifteen defence against the negative consequences. But the main conclusion seems to be that to mix the enlargement with the reform of the EU would be politically extremely sensitive. Discussions with Carlos Westendorp since the beginning of September singularly underline the importance the Reflection

Group is putting on the "**Broader Context and Timetable**": the IGC forms part of the broader context whose individual elements are inevitably linked to the reform of the Union. The Heads of State must consider the **relationship** between the elements and on this basis, in December, they would set the goals for the IGC. The key elements and timetable are: **1. Enlargement** - major challenge and a moral imperative; **2. Transition to the third stage of EMU** - IGC shall avoid opening the issue of Economic and Monetary Union. EMU must be realised along the timetable in the Maastricht Treaty and under its provisions (full respect of criteria etc); **3. Renegotiation of the EU's own resources and the financial perspective for 1999 and beyond** - Compromise on the Delors II Package (financial perspective for 1994-1998) allowed the signature of the Maastricht Treaty. To link the renegotiation of the EU's own resources with considerations of the **costs of enlargement** and its impact on common policies is politically explosive and could postpone the enlargement for a number of years. Thus it may be politically more acceptable to start renegotiations on resources and financial perspectives only after the IGC and after the beginning of the enlargement negotiations; **4. Analysis of the impact of enlargement on policies and resources** - to bring this analysis into the IGC could cause indefinite prolongation. Overall discussion would get over-complicated and linked to all possible issues and interests; **5. Debate on a future Common Defence Policy, and on WEU in connection with 1998 deadline;** **6. Elections due in Member States in 1997 and 1998:** This in particular refers to the issue of the 1997 UK elections, but overall it seems that to link IGC with the elections could be a recipe for disaster. On the other hand, the population would have to accept the revised Treaty anyway.

Should this reading of the progress in the discussion within the Reflection Group prove to be right, the associated countries may start to reconsider their ideas on the beginning and the context of the enlargement negotiations. The need to participate in some way in the IGC (observer status etc) would be less strong. On the other hand, a limited IGC while allowing the early commencement of the accession negotiations with **all** candidate countries, could favour those who will be economically and politically most fit to accept the *acquis communautaire* together with EMU (with transition periods). Negotiations with the other candidate countries could go on for a number of years with the Union adopting the reform of the policies and candidate countries increasing their readiness for membership. (JZ) ■

**STRUCTURAL DIALOGUE IN AGRICULTURE**

*Ministers of agriculture of the associated countries of central and eastern Europe will have their first "structured dialogue" meeting with the EU on the margins of the EU Agricultural Council in Brussels on 25-26 September. Agriculture will be the key issue in the future accession negotiations, but the forthcoming meeting is still not expected to concentrate on the likely difficulties in extending the Common Agricultural Policy (CAP) to the future member countries. This meeting will not deal with agricultural policy changes facilitating the integration of the associated countries into the CAP. The European Commission is still working on the "agricultural version of the White Paper" and this report is unlikely to be finalized before mid-October.*

Thus the Brussels meeting offers the opportunity for the associated countries to present their current and medium term agricultural policy. The Commissioner in charge of Agriculture and the Presidency of the Council will certainly profit from the meeting to outline the scope of the on-going reform of CAP, the results achieved already and the medium term outlook.

It will be recalled that during the Essen Summit the Commission was requested to present a report on the reasons why only a few agricultural quotas opened by the Union under the Europe Agreements are fully used. The European Commission completed this report in late June and transferred the report on the "Tariff Quota Utilisation by Central European Countries under the Europe Agreements" also to the CEEC Authorities. We discussed this report in No 73, pp.4-5.

The next step was presentation of the new report on the "Agricultural Situation and Prospects in the Central and Eastern European Countries". This report was released in late July, and in a certain way it will serve as the basis for the discussion during the forthcoming first joint meeting of agricultural ministers, in spite of the fact that it will be officially handed over

only on 27 September.

This report does not give any policy recommendation, but its importance is in the fact that this is the first working report on CEEC agriculture officially presented by DG VI of the European Commission (Directorate-General for Agriculture). Thus it follows relatively closely the reasoning and the type of background analysis which the Commission would be using when considering the problems and the terms of the accession.

The report does not deal with the costs of the future extension of the CAP to new member countries. However, its main importance is that it implies that the costs are likely to be considerably lower than the astronomical costs expressed in other similar earlier studies. It dispels the fear that in future, eastern European agricultural produce could flood the EU market. The report also seems to support DG-VI's position that considerations of enlargement are not directly linked with the new and more substantial reform of CAP. This is partly because of the crisis in central and eastern European agriculture. Agricultural production there is expected to grow in coming years, albeit at a slow rate. The associated countries would have difficulties in realising their agricultural potential because of a lack of capital, farm

structural problems and especially because of downstream structural problems.

Thus the main conclusion is that the associated countries of central and eastern Europe would be less in need of a high level of price and income support for their farmers, than targeted assistance for the restructuring, modernisation and diversification of their productive capacity in agriculture and the downstream sectors and for improvement of their rural infrastructure.

Mr. Franz Fischler, Commissioner for Agriculture said on 25 July that the report suggests, that accession of the central and eastern European countries to the EU will not be made without difficulties, but that the key conclusion to be drawn from the report is that the main problems are not in agriculture itself, but that the current agricultural problems in central and eastern Europe are closely linked to other sectors of the economy. Thus according to Franz Fischer "a solution to the problems in agriculture in CEEC depends on the substantial change in the economy as such".

The report itself (some 35 pages) is a summary report based on 10 country reports covering the nine associated countries of central and eastern Europe and Slovenia which is in the process of being associated. The individual country reports deal with the same topics with some minor exceptions. Thus for example, the Polish country report goes into some details concerning the evolution of farm income, while for example Czech or Slovak country reports do not touch upon this rather key issue.

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*(see page 3)***Major conclusions**

1. The difficult post 1989/90 adjustment effort brought a fall in output in both the economy as such and agriculture. It will take decades before the average income per capita in CEEC would reach 75% of the EU's average. But there are substantial differences between individual countries. For example Slovenia and the Czech Republic are already at a level coming close to that of Greece in terms of PPP (purchasing power parity).

2. There was a substantial decline in agricultural production and a decline in livestock was more significant than for crops. Some bright spots start to appear.

3. Overall growth should bring rise for food products and thus have a positive impact on CEEC agriculture. **However higher incomes consumer requirements tend to favour the export of western food and agricultural products. This is documented by the success of the EU food industry in CEEC. Domestic CEEC industry is not really in a position to meet growing demand regarding quality, variety and in particular marketing of products.** The situation in individual countries differs, however.

4. Adjustment in agriculture is far from completed, but there is a trend towards stabilization and the re-introduction of border protection and support measures, which contributed to a rise in market prices for agricultural products. **Overall agricultural prices are still well below EU levels.**

5. **Agricultural production is likely to increase over future years, albeit at a slow rate. There is a significant production potential, which would not be easily realised due to a:**

- **lack of capital:** the self-financing capacity of most enterprises is weak and there are problems in the credit sector. No functioning market for land exists and administrative regulations make it difficult for investors to invest in agriculture;

- **farm structural problems:** farming structures (small farms) as they started to be developed in many CEEC would, in the longer term, be viable as an additional source of income, but will complicate the task of modernizing agriculture. In other countries over-dimensioned structures continue to exist, which in the longer run would not seem to be economically viable;

- **downstream structural problems:** it seems that the report finds that the biggest problem is in the privatization, reorganization and modernization of the food industry. Overall, downstream sectors closest to agriculture show the biggest deficiencies in transformation and lack international competitiveness. It has been estimated that even in those countries which made the most important progress, the necessary structural change in downstream sectors will take at least another 5 to 10 years.

6. **Agricultural prices should rise in CEEC in the coming years and have been rising since 1992-93. But lower prices are often related**

to products of considerably lower quality than western European standards. There are limits to price rises. Because of the high share of food in household expenditures, and because of relatively high levels of inflation, a rapid increase in agricultural and food prices would be economically and socially dangerous. The price gap between the CEEC and the EU can therefore be expected to continue to exist, even if it will decrease more or less, depending on the products.

The key part of the report are projections of output, consumption, and foreign trade balances for year 2000 for both the CEEC-10 and EU 15. In a way the size of CEEC exportable surplus in individual commodities and its impact on the EU self-sufficiency would be the key elements in the membership negotiations. Projections generally show "unthreatening" balances, and even in the case of cereals the CEEC-10 exportable balance has been estimated for 2000 at some 6m tons (and only 3.3m tons for CEFTA countries). It is expected that overall in crops and oil seeds, the exportable surplus of CEEC would not grow between now and 2000, and would not surpass that of pre-1990. In the dairy sector the recovery would be less marked and the net export potential of CEEC would be significantly lower than in the pre-transition period. The meat supply would be more balanced and at lower level than in the pre-transition period. ■

**COMMISSIONER BRITTAN SPEAKS ON "NEXT ENLARGEMENT"**

Commissioner Sir Leon Brittan in his speech to Europapolitischer Kongress (organised by CDU/CSU Group in the European Parliament, in Berlin on September 11) argued in favour of both, giving the membership candidate countries "observer status" during the EU Intergovernmental Conference, and setting up a date for accession negotiations immediately after the IGC without waiting for the results of ratification.

These views (and in particular the participation of associated countries as observers at the IGC) are not officially shared by the European Commission. On 12 September the spokesman for the President of the

European Commission pointed out that Sir Leon was speaking in Berlin purely on the personal basis and not on behalf of the Commission, which in turn has no say over the arrangements for the IGC, as this is an exclusive competency of the EU Council and of its Presidency. The Spokesman said that a number of the members of the European Commission have "personal" views diametrically opposed to those expressed by Commissioner Brittan in Berlin and this number includes Commission President Jacques Santer.

Sir Leon considers that "the main aim of the IGC should be to prepare the EU for enlargement. The enlargement to the East has a political, strategic and economic importance equal only to that presented by the creation of the EC itself". Sir Leon admits that the change of the EU Treaty is an internal matter, but at the same time feels that to take an "all or nothing" attitude on this question could be short sighted. So far the EU has offered the central and eastern European countries informal briefings, but he feels that they could be offered "a non-voting role as observers at the IGC".

The Commissioner said that the other big issue which needs to be considered is the Budgetary Costs of Enlargement. Here the principal problem is agriculture. His argument is that if the EU continues to keep prices high and the associated countries are unable to finance similar levels, agriculture would cause serious problems during the negotiations. The long transition periods would probably not resolve the problem. The candidate countries may accept that the CAP is not extended to new members, in order to speed up accession, but once they are in, this would mean maintaining borders inside the EU and operating two systems of supports. This would result in an unsatisfactory situation, but perhaps this may be the only way forward as "it might be better to accept a long transitional period rather than to attempt a draconian reform of the CAP and delay unduly the accession of the CEEC".

The Commissioner took a similar attitude on Structural Funds. In 1999 the financing of the EU is to be re-considered and structural funds could be adapted in the light of enlargement. The eastern European countries may also consider whether it is better to join earlier, without full Structural Fund assistance, or wait "until their development renders the cost of applying the normal rules less prohibitive".

However, to Commissioner Brittan it is time not only to think in terms of the costs of enlargement, but also in terms of benefits. He feels the need to assess the benefits of expanding the Internal market to a further 106 million people. His idea is that unless the EU is prepared to research and publicise the benefits of enlargement, there is a difficulty that the problems which enlargement certainly pose will receive exclusive attention. Sir Leon recalled the Cecchini Report on the Single market and suggested that an independent group is commissioned to assess the overall dynamic effect of enlargement on the EU economy in terms of growth and jobs. ■

### **BETTER OUTLOOK FOR EU RELATIONS WITH MACEDONIA**

The prospect of strengthening relations between the EU and the former Yugoslav Republic of Macedonia (Fyrom) have substantially improved since Greece and Fyrom announced, on 5 September, their intention of resuming their discussions. Fyrom's President, Mr. Gligorov, told Commissioner Hans van den Broek on 6 September that an initial agreement with Athens would be signed in New York by the Foreign Ministers of the two countries. It seems, however, that this initial agreement will still not cover the whole dispute as it would, for the moment, leave aside the delicate question of the use of the name "Macedonia"; the agreement will, on the other hand, settle the Constitutional problem and that of the flag.

If this partial agreement is effectively signed, the Commission could envisage several initiatives regarding Fyrom, notably:

- i) examining the possibility of establishing diplomatic relations between the EU and Skopje and placing all relations in a new contractual framework;
- ii) the granting of economic assistance;
- iii) the extension of existing cooperation with Fyrom within the framework of the Phare programme (which, at the present time, is limited to humanitarian aid projects). Regarding the follow-up that is reserved to action introduced by the Commission at the Court of Justice against the Greek unilateral decision to impose an economic embargo on Fyrom, the Commission will, when the time comes, assess the situation and draw the appropriate conclusions, said a spokesman. In any event, the Commission considers that by fulfilling its "legal duty" under the Treaty, that is, by introducing action at the Court against Greece's unilateral decision to introduce the economic embargo, the "Commission has helped to establish the conditions for an agreement", said the spokesman. ■

### *EU/POLAND JOINT PARLIAMENTARY CALLS FOR ACCESSION TIMETABLE*

The third meeting of the EU/Poland Joint Committee, on September 6, co-chaired by W.G. Van Velzen (N. PES) and the Polish MP Jan Borkowski, allowed for an "open and frank debate" according to Mr. van Velzen.

The Committee discussed the work of the Association Council, the functioning of the "structured dialogue", the interpretation and implementation of the White Paper on integration into the EU's internal market. There was debate on the appropriateness of already setting a timetable for opening and the unfolding of accession negotiations, the preparation of the 1996 IGC, the development of the Phare programme, etc. At the end of discussions (which, as Mr. Borkowski said, were at times controversial and "stormy"), the Parliamentary Joint Committee adopted, through a consensus, a series of recommendations to be submitted to the EU/Poland Association Council:

i) the EU has to ensure that, through its White Paper on the internal market, it does not impose on future Member States stricter requirements than those fulfilled by the current Member States, especially regarding environmental, social and competition standards. Mr. Borkowski recalled that Poland attached great importance to the White Paper's not being considered as a legal instrument creating new obligations, but that it was a question of a "guide" aimed at helping the Polish government in aligning its legislation on

that of the EU. Mr. Van Velzen said that discussions in the Parliamentary Joint Committee had shown that it was still too soon to discuss all the legislative details or a possible transition period which could be granted; all these issues will have to be dealt with during negotiations themselves.

ii) a precise timetable for accession may only be set once the 1996 IGC is over. Mr. Van Velzen accepted that this recommendation goes clearly against what the Polish Government has been demanding for several months, ie already setting a detailed timetable now for the opening and unfolding of accession negotiations. "We understand why Poland wants to obtain, even now, a precise date for the opening of negotiations. It sees in this, and rightly so, an important source of motivation for the country as a whole. But we consider that we should refrain from selling them a date that is not based on reality. This is why Poland has first to perform its duties, just like the European Union has first to perform its own." Nothing prevents Poland from setting out and pursuing its own timetable as regards legislation alignment.

Another recommendation by the Parliamentary Joint Committee, moreover, urges the EU to fully respect the priorities and timetable set by the Polish authorities for implementing its internal strategy for preparing accession;

iii) the current bilateral cooperation procedures need to be

improved, especially the way ministerial meetings under the "structured dialogue" are run, as well as the Association Council and the implementation of projects in the framework of the Phare programme. For the "structural dialogue" it was felt that it is possible to avoid long introductory political declarations (distribute the written texts instead of making long speeches) and to pass immediately to the heart of the real problems.

Another important subject debated by the Parliamentary Joint Committee was preparing the 1996 IGC. Mr. Elmar Brok (one of the two EP members of Mr. Westendorp's Reflection Group) spoke of the state of the Group's work. Mr. Borkowski stressed the importance that Poland attached to direct and regular contacts with the bodies and people responsible for preparing the IGC and to the exchange of written texts. Mr. Elmar Brok invited the Polish side to formulate their own position (especially on the majority voting and on the EU second and third pillar) and to submit a text to the Reflection Group.

The Parliamentary Joint Committee also spoke of the imbalance in trade between the EU and Poland, as well as efforts being made by the Polish Government lately in the field of environmental protection. The debate on these two subjects (and others) will be continued and deepened at the next meeting to take place early 1996 (most probably in January). ■

### *RESULTS OF FIRST MEETING OF JOINT PARLIAMENTARY COMMITTEE IN SOFIA*

The session of the joint EU/Bulgaria parliamentary committee which convened for the first time in Sofia on 6-8 September under the co-chairmanship of Greek MEP Mr Papakyriazis (PSE) and the Bulgarian deputy Mr Kamov, was essentially marked by an exchange of views with Bulgaria's President Mr Zhelev, Bulgaria's Prime Minister Mr Videnov, and the President of the Bulgarian Assembly, Mr Sendov. They all recognized the extent of the challenge that Bulgaria will have to meet to succeed its integration in the EU.

Even if there exists a broad convergence of views between the Bulgarian political forces on the objective to be achieved (ie membership in the EU), differences nonetheless remain on the national strategy to be followed to achieve this. Once the different political parties agree to a national action plan, Bulgaria will formally present its membership application to the EU, he noted.

The debate within the joint parliamentary committee focused on the political, economic and social situation in Bulgaria, the state of trade relations with the EU and the practical implementation of the White Paper on integration in the EU's internal market.

The existing obligation to hold a visa for Bulgarian citizens wanting to come to the EU was also discussed; the Parliamentary Committee spoke of its hope that the practice of having to hold a visa with Bulgaria (and Romania) would be rapidly aligned to that of other Central and Eastern European States; it also asked that the EP should deal with this at coming plenary sessions.

The economic implications of the war in former Yugoslavia for Bulgaria were also the subject of a brief exchange of views; it was, moreover, observed that due to the good relation which existed with its neighbouring countries and the Balkan regions, Bulgaria would no doubt have an important role to play in the framework of the future economic and political reconstruction of the countries affected by the war.

At the end of the discussions, the Parliamentary Committee adopted, through a consensus, a series of recommendations to be submitted to the EU/Bulgaria Association Council, as well as to the EU institutions and the Bulgarian Parliament. The next meeting of the Parliamentary Joint Committee will take place in the spring of 1996. ■

### **ADJUSTMENT TO UNION WILL BE DIFFICULT, SAYS FELIPE GONZALEZ**

*Spanish Prime Minister and President-in-Office of the European Council Felipe Gonzalez, on an official visit to Bulgaria, stated that the Union had the duty to extend itself to the East and that Bulgaria had the right to become a member. However, he stressed that adapting to an economy at EU level, with open frontiers, would be "difficult and complicated". Bulgarian Prime Minister Zhan Videnov pointed out, for his part, that, according to a number of experts, his country should adopt about 2,000 new laws in order to conform with Community norms. In addition, if it is difficult for the Spanish Government to fight against annual inflation of 4%, then imagine how difficult the task would be to fight against a predicted rate of 40%, concluded Mr Videnov. ■*

### **ECONOMIC AND SOCIAL COMMITTEE DISCUSSES ALBANIA**

Albania deserves special attention from the European Union which must result in stronger relations with this country. That is the firm belief of the EU's Economic and Social Committee (ESC), which it expressed in an own-initiative opinion on relations (rapp.: Mr Massucci, Workers, Italy) which was adopted by the majority (one vote against, 2 abstentions) in a plenary session before the summer recess. The drafting of this voluminous opinion (36 pages) was preceded by a visit from the rapporteur accompanied by experts in Albania.

The Committee listed the reasons for its point of view and made recommendations for the institutions. Among the reasons for beefing up relations between the EU and Albania, the ESC mentions: the geographical location of this country and its importance for the balance in the Balkans; the structural weakness of its economy that threatens the

democratisation process engaged with success these past three years; the risks of conflicts of ethnic and religious origins, worsened by the weakness of Albanian democracy; the observation that the move to the market economy by a policy of privatization does not necessarily lead to a transition to economic democracy; Albania's growing needs in terms of foreign aid, particularly financial, that confers on this country the characteristics of a Mediterranean non-member country (MNC) in addition to its membership among the family of Central and East European countries (CEEC).

As a consequence, the Committee recommends: a) financial assistance based on economic restructuring and sectorial development, infrastructures, job creation, the development of human resources, decentralized cooperation and private

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investment, interregional cooperation and regional cooperation in the Balkan area; b) the opening of social dialogue with this country, including the creation of a joint advisory committee; c) the extension of

the EU's Mediterranean policy to Albania; d) the setting into motion of procedures to define a European accord based on those concluded with other Central and East European countries. ■

### **EP PRESIDENT MR HAENSCH PROPOSES ORGANISATION OF A BALTIC SEA SUMMIT**

*Speaking on 12 September in Ronne (Denmark) at the opening of the 4th Parliamentary Conference of the Nordic Council on Cooperation in the Baltic Sea Area, Klaus Haensch, President of the European Parliament, proposed the organisation of a "Baltic Sea Summit" with the participation of the governments of all the EU Member States and of all the countries of the Baltic region. "The Baltic Sea is a European sea. Since the end of Soviet hegemony over eastern and central Europe, the Baltic region is the centre of a great historic transformation. This transformation must be a great European project and the European Union must be part of it. We need joint and comprehensive effort through all relevant Union policies and funds, an equivalent to the integrated Mediterranean programme at the time when the Community was preparing for its enlargement to the South", said Mr Haensch. The EP President stressed that the EP attaches great importance to the promotion of stability, democracy and development in the Baltic region, and to further integration of the Baltic countries in European structures. ■*

### **VISIT BY POLISH DELEGATION FOR SOCIAL DIALOGUE TO EUROPEAN ECONOMIC AND SOCIAL COMMITTEE ON 14-15 SEPTEMBER**

On the sidelines of the plenary session that opened on 13 September, the EU's Economic and Social Committee (ESC) received for the first time the entire Polish tripartite committee for social dialogue, which will be welcomed by Mr Laur, Vice President of the Committee and Mr Briesch and Mr Carroll, Presidents of the sections on external relations and social affairs. The two-day meeting (14 and 15 September) aimed at improving the structure of future cooperation between the ESC and this committee, notably by appointing a joint advisory committee like the one planned with Hungary. It is part of a series of visits by the tripartite committee to the headquarters of the main European organizations of social partners, ie the Union of European Confederations of Industry and Employers (UNICE), the European Trade Union Confederation (ETUC), the European Centre for Public Enterprise (CEEP), the European Trade Union Institute, the Central Council of the Economy and the National Labour Council of Belgium. ■

### **MRS BONINO ASSURES MR KOSTOVIE THAT HUMANITARIAN AID WILL CONTINUE**

On September 7, Croatian Vice Prime Minister Ivica Kostović presented to the European Commission the humanitarian needs of Croatia further to operations in Krajina and the inflow of refugees from Bosnia and Serbia-Montenegro. According to latest estimations, 389,000 refugees or displaced persons were in Croatia in 1994. To this must be added 30,000 refugees from Croatian minorities expelled from Banja Luka in northern Bosnia and from the independent province of Vojvodine in northern Serbia, as well as 25,000 Muslims evacuated from the Velina Kladusa zone.

During a meeting with Emma Bonino, Commissioner charged with humanitarian aid,

Mr Kostović received the European Union's assurance that it "will continue to give an adequate response to the needs of those suffering in Croatia". Even without a supplementary budget for former Yugoslavia, European humanitarian aid to the vulnerable populations is unconditional, explained Mrs Bonino who expressed her concern about the fate of the displaced populations in Croatia.

The Commission had released further emergency aid of Ecu5m at the beginning of August in order to assist displaced Serbs in Krajina as well as Muslims leaving Srebrenica and Zepa. Humanitarian assistance given by the EU to Croatia in 1994-1995 amounts to more than Ecu100m (Ecu257m since 1991). ■

## DEVELOPMENTS WITHIN THE EU

### *PROGRESS REPORT ON THE IGC*

*When they meet in Formentor for their informal Summit, on 22-23 September, the Heads of state and government of the European Union will have the "Progress Report" of the Reflection Group which is preparing the 1996 Intergovernmental Conference.*

The report, which has been drawn up by its chairman, Spanish Secretary of State for European Affairs Carlos Westendorp, is the result of five sessions which have allowed the members (permanent representatives of the Foreign affairs ministers, Commissioner Marcelino Oreja and European MPs Elmar Brok and Elisabeth Guigou) to examine a wide range of topics: goals of the Union, institutions, internal security, foreign policy and defence, instruments and policies of the Union. In this version, the report represents the personal conclusion of the Chairman: in a press conference in Brussels, on 5 September, Mr Westendorp felt that his conclusions had obtained wide agreement among the members. Elisabeth Guigou and Elmar Brok confirmed this (which doesn't mean that dissenting opinions do not exist: they will no doubt be included in the report which will finally be submitted to the European Council in Madrid, in December).

The presentation of the report coincided with a two-day discussion within the Group on institutional matters; it also coincided with a series of events touching on the foreign policy and security dimension of its work (for the discussions on this chapter so far, see *Together in Europe* of 15 July): the NATO strikes on Serbs and the nuclear test in Muroroa, with the announcement, by President Chirac, of some kind of future initiative for the "Europeanisation" of

its nuclear deterrent. These matters were not discussed by the Group: they will probably come up at Formentor, or when security matters are again discussed.

The report (some 50-pages long) starts with an analysis of the goals of the Union, analysis which confirms the need to proceed to wide-ranging reforms to allow the Union to face its internal and external challenges. In the background, a central question: what are the Member States prepared to do together? The answer to this question, stresses the report, will determine how far reform can go. If one accepts the idea that those who want to go ahead together cannot be stopped by others, it will be necessary to set limits to the flexibility within the Union, in order to "manage" diversity without endangering the "acquis" and the common goals. What if dissent among partners is such that one or more members do not ratify the reform? The question has been asked, but the Group has not, so far, envisaged a "crisis scenario" for such an outcome.

As for the challenges which the Union has to face, the main challenge is obviously enlargement. The Group does not have the function of defining the criteria or conditions for enlargement: it stresses however that the necessary reforms must be agreed upon before enlargement can take place. On the principle of enlargement itself, the report insists on the fact that failure in this field would lead

to a serious crisis not only in the candidate countries but also in the Union itself. The reforms which are now being discussed are those which are necessary to allow enlargement to all central and eastern European states, Malta, Cyprus and the Baltic states. When actual negotiations start (at the completion of the IGC exercise) the approach must be global, but with flexible adjustment formulas. This "time factor", which the European Community knows well, writes the Chairman recalling successive enlargements, will allow special problems to be taken into account and relieve pressure on resources and policies. As for the possible revision of common policies as a consequence of enlargement, there is, for the time being, no unanimous position: there is, however, agreement on the need to maintain and develop the common acquis.

One of the most obvious consequences of enlargement is, with the changes in the map of the Union, an enhancement of political stability but a need to define the objectives and reinforce the instruments which are needed in this new dimension. The end of the cold war (which makes enlargement possible or even conceivable) has altered the security picture: the "classical" dimension of security in the sense of guaranteeing territorial integrity is accompanied by other new and dramatic challenges such as internal civil conflicts, the protection of minorities, violations of human rights, the risk of ecologic catastrophes or the irresponsible use of modern technology. If the role of

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NATO is unanimously confirmed as vital for the territorial defence of the Union, WEU, as the European pillar of NATO, notes the report, should progressively give shape to a European security and defence identity. On the principle of national sovereignty in this field, the question is which measure of flexibility can be introduced in order to allow some to act with, for example, the "constructive abstention" of others.

Enlargement will also have obvious and visible consequences at the level of the institutions: therefore it is essential to establish beforehand which way changes should go. Inadequate institutional reform, stresses the report, would endanger the whole process of European construction. As far as numbers are concerned, there seems to be some consensus on fixing a maximum of seats in the European Parliament (for example 700, as the Parliament itself has suggested). The problem of the Commission's composition is trickier: should one maintain the principle "at least one national from each member state" (with the risk of having too large a Commission, with many members dissatisfied with their attributions and with their visibility) or should one reduce the Commission to the portfolios which are really necessary? (many think it would be between 12 and 15). As far as the Council is concerned, the system of rotating presidencies which now exists would mean that each member state would hold the presidency at very long intervals. One solution could be, according to the Group, a "team" presidency, combining elements of permanent and rotation; another could be the election of a senior representative for external policy issues. Of crucial importance, the decision mechanisms with a large

consensus for extending majority voting. Some members would like voting to take account more for the population factor. They argue that, according to the present system, it could be possible to reach the qualified majority with a vote representing a minority of the population of the Union. Others recall that there has never been, in practice, a systematic coalition between less populated states against the most populated (but, one could argue, the picture will be quite different in a Union of twenty-five members or more).

Another internal challenge which is made more urgent by the prospect of enlargement is the challenge of freedom for the European citizens and internal security. On the first point, the Group considers that it would be appropriate to introduce into the treaty an article providing the possibility of expelling a member state that does not recognize fundamental human rights (a catalogue of rights should include condemnation of racism and xenophobia and a general clause of non-discrimination, while there is no unanimity on a ban of the death penalty, protection of minorities and socio-economic rights). The Union will also have to guarantee more effectively its internal security: the situation in this field is generally considered not very satisfactory, although not all agree on the reason why. Some think that the provisions of the treaty and the institutional mechanisms are inadequate, others claim that what is missing is political will and practical experience. In his press conference, Carlos Westendorp recognized that cooperation needs strong mechanisms: Schengen, with its small secretariat, does "what it can".

The last chapter of the report deals with the "instruments" serving the Union: norms,

resources, policies. Subsidiarity is, as in Maastricht, one of the recurrent words: predictably, the British representative was particularly eager to have this principle inscribed in the new treaty. The value of subsidiarity is recognized by all, but the majority stresses that, while it should not remain an abstract principle, it should not become a means of systematically reducing the competence of the Union. Some would even favour political control on implementation of this principle, for instance by the national parliaments.

As far as policies are concerned, the Group states (and this was forcefully confirmed, during the press conference, by Carlos Westendorp on one side and by Elisabeth Guigou and Elmar Brok on the other) that the conditions and agenda for the single currency must not be modified and that economic and monetary union must go ahead. Some members, however, would like the "social content" of the treaty to be reinforced. The Swedish representative, Gunnar Lund, presented specific proposals, based on the recognition (by all) that unemployment is number one among the "real" problems which the Union must tackle.

The Swedish paper suggests introducing a new "Employment chapter in the treaty, which would set out common aims, commitments and procedures to attain full employment, among other things through greater flexibility on the work market. This new chapter should contain articles charging the Social Council and the Ecofin Council with the task of formulating and updating annual draft guidelines on employment policies by the member states and the Union, to be submitted to the European Council, as well as with the task of evaluating progress and consistency with these guidelines.

A strengthening of the social dialogue is also necessary according to the Swedes, in order to improve the links between the decentralized decisions makers on the labour market and the formulation of broader economic and employment policy at the level of the member states and of the Union.

As could be expected, these suggestions were snubbed by David

Davis, representative of the British Foreign minister: the British government thinks that just this kind of policy is responsible for the high unemployment in the Union. But the German representatives was also less than enthusiastic about it.

As for the agenda of the Conference (when shall it start, when could it end?), Carlos Westendorp was definite about its

beginning: it should take place under the Italian presidency, i.e. in the first half of 1996. He feels it could be completed by the end of that year. And Elisabeth Guigou says that, the better the conference is prepared, the shorter it can be. In Bonn, Chancellor Kohl felt that it could be hardly expected to see the conference completed before mid-1997. ■

### **GERMAN VIEW ON THE EXPIRATION OF THE ECSC TREATY AND FUTURE OF STEEL INDUSTRY**

Strict discipline on public aids, the creation of fair conditions of competition on world markets and firm determination to develop innovation constitute the essential basis for the long-term protection of jobs in the steel sector. These were the unanimously agreed conclusions of the high-level meeting between Mr Rexrodt, Federal Minister for the Economy, and the social partners in the German steel sector, one in a series of similar conferences now being organized by the federal government in Bonn and leaders in the principal industrial sectors (cars, chemicals, etc.) on the future of industry in the Federal Republic of Germany.

All participants shared an essentially positive view of the present situation in the steel sector: sales and financial results are higher in 1995 than last year, although future developments are risky notably due to the revaluation of the D-Mark, low demand for consumer products and a decline in the building sector in western Germany. Additional structural adaptation measures are therefore inevitable.

At the centre of discussions were the framework conditions for the steel industry following the expiration of the ECSC Treaty in 2002. Mr Rexrodt confirmed that he will endeavor at Community level to obtain the creation of an ECSC Research Foundation to be financed out of European Coal and Steel Community reserves, but he sees little hope of maintaining the programme of construction of workers' housing and of the ECSC levy after expiration of the Treaty. He expressed reservations against the levy as a particular tax imposed on specific industrial sectors. For their part, representatives of the industry and trade unionists insisted on maintaining a strict policy regarding state aids after the expiration of the Treaty, and in order to prevent any further crises, developing an information system ensuring transparency on

markets and in investments. They also argued for consultation procedures and instruments provided for under the ECSC Treaty. Mr Rexrodt is willing to lend his support to these demands insofar as they are in conformity with the rules of competition of the EEC Treaty, but steel producers and workers consider the EEC framework insufficient: in the event of a crisis, it would be impossible, in their view, to do without the more flexible rules of competition enshrined in the ECSC Treaty.

All the colloquium participants consider the restructuring of the steel industry to be a permanent process. In the gradual privatization of European steel industries, the Minister and industry see a chance for an approximation of competition conditions in the different Member States, but industry representatives have asked the government to ensure that enterprises that are privatized are not given a competitive edge through an absorption of their debt.

#### **View on east European steel industry:**

The necessity of admitting the central and eastern European countries into the European Union and of gradually abolishing barriers between them and the common market was also recognized unanimously, as was these countries' inability to proceed on their own with the essential adjustments this process will require. Mr Rexrodt therefore appealed to the Community industry to assist these countries in restructuring their steel industries.

The German steel industry is in principle prepared to make such an undertaking which should nevertheless be matched with Community action. In any event, the opening of markets between western and eastern Europe must be in line with GATT and WTO rules on international trade. The central and

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## COMMISSION GUIDELINES FOR CROSS-BORDER TRANSFER PAYMENTS

On September 13, the Commission adopted guidelines for the application of the competition rules to cross-border credit transfer systems, to speed up cross-border payments and prevent banks from charging both sender and receiver for a transaction. The proposed directive requires banks to provide more information to their customers, enabling greater efficiency without restricting competition. It also provides that costs arising from a cross-border credit transfer should be *born by the sender* unless he or she instructs otherwise. This is the culmination of two independent studies, following the proposal for the Directive in October 1994. The "work programme" involved discussions with Banking and user groups on the ways in which the payment systems can be best prepared for the introduction of the Ecu; progress within an existing Task Force of government experts, on harmonising procedures for reporting balance of payments statistics; discussions with legal experts, central bank representatives and the EMI on harmonising the legal framework for cross-border payments. Inter alia the results of the 1994 study (with 1993 results in brackets), is a study on time for execution of transfers. The average total time was 4.8 (4.6) working days. Averages in the different Member States ranged between three and eight working days. The average time taken was in line with the Commission recommendation which allows for a maximum of two working days per bank involved in a transfer. The proposed Directive

Number of working days	Proportion of payments arrived	Cumulative proportion of payments arrived
4	19.2% [24.0%]	58.8% [61.0%]
5	16.1% [17.2%]	74.9% [78.2%]
6	9.7% [9.1%]	84.6% [87.3%]
> 6	15.4% [5.4%]	100.0%

sets out the conditions for credit transfers between member states. Regarding **delays**, the directive requires banks to complete cross-border payments within the time scale agreed between the customer making or receiving the payment at his bank. In the absence of an agreement, the directive puts the onus on the *originator's bank* to ensure that the transfer was completed within five working days, and puts the onus on the *beneficiary's bank* to ensure that the money was at the disposal of the beneficiary within one working day, (total of six working days in all). **Penalties** could be incurred by the banks. The directive could oblige the *originator's bank* to pay interest to the client making the transfer, if the transfer is not completed within the agreed timescale, or the five day maximum timescale in the directive. Similarly, the *beneficiary's bank* would be liable to pay interest to the beneficiary of the credit transfer for any delay exceeding the agreed time scale, or, in the absence of one, exceeding one day between the arrival of the payment at the destination bank and its availability to the beneficiary. Unauthorised **double-charging** will be illegal. The directive is due to be discussed at the September 18 ECOFIN Council. The main outstanding issue from a previous Ecofin Council (in July), concerns whether the Directive's overall rules should apply only to transfers below a certain threshold, and whether the obligation to reimburse lost transfers should be limited to sums below a given threshold (Commission proposes Ecu10,000). An overall threshold was not included in the Commission is revised proposal; during its first reading, the EP suggested both thresholds at Ecu50,000, and in the July Ecofin, the Presidency suggested the following: overall threshold of Ecu25,000, Ecu7,500 for reimbursement. This did not gain the support of qualified majority. It is expected that a new compromise will revise the thresholds upwards. ■

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eastern European countries should liberalize and open up their raw materials markets, notably scrap, to their Western partners. Industry and workers alike also acknowledged the need to help the Eastern European countries adjust their production capacities under socially acceptable conditions and to provide support in regard to regional policy. ■

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