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EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE EUROPEAN UNION

IS THE EU GETTING COLD FEET ON ENLARGEMENT?

"The EU goes cold on enlargement" claimed The Economist on 28 October, while a Financial Times' article published a few days before said that "the European Commission has ruled out a significant increase in the European Union budget to cope with enlargement eastward". Why this sudden pessimism?

One of the reasons is that a confidential Commission draft paper dated 27 September (and which we were able to start examining at the very beginning of October) on the "Impact of the Enlargement on the Structural Policy" was leaked-out. To a certain degree the data and the conclusions of the confidential draft paper were mis-quoted. The Economist, for example, wrote that "the Commission says it would cost the Union budget an extra ECU 38bn a year if current EU policies were extended to the five that have applied for membership and five who are likely to do so (the Czech Republic, Slovenia, Bulgaria, Estonia and Lithuania). This is higher than most previous estimates and will be cause enough for current Union members to slow down the applications".

The draft paper indeed mentions ECU 38bn/year, but accompanied by many "if" and other assumptions in order to conclude: "The expected enlargement of the Union by central European countries, by Cyprus, Malta and by the Baltic countries makes it even more necessary to maintain the principle of the cohesion as the principal pillar necessary for the success of the European integration via involving these countries in the single internal market and finally in the Economic and Monetary Union". Thus, the principal conclusion is that the EU structural policy needs to be strengthened, adapted to the needs of the new countries of the enlarged Union and made more complex as well.

The leaked-out confidential draft paper on the impact of enlargement on the Union structural policy is a part of a series of papers drafted by the Commission which has been charged in Essen to analyse the effects of enlargement on various Community policies. The emphasis is on agricultural and structural policies and their budgetary consequences. The results will be submitted to the EU Summit in Madrid in December.

So far most of the attention has concentrated on agriculture. The CAP and its financial consequences were thought

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by many analysts from the candidate countries to represent the main potential obstacle to the rapid enlargement. However, those more familiar with the EU policies, felt from the very beginning that structural policies could present an even more formidable budgetary challenge. This was also the reason why the preliminary report, by the chairman of the "Reflection Group" Mr. Carlos Westendorp, drew importance to "Context and Timetable"

In particular, 1998 shall start the renegotiation of the EU's own resources and the financial perspectives for 1999 and beyond. The report considered that to link these renegotiations with considerations of the costs of enlargement and the impact on EU policies would be politically explosive and could postpone the enlargement for a number of years. Mr. Westendorp concluded that it may be politically more acceptable to start negotiations on resources and financial perspectives only after the beginning of enlargement negotiations.

Where is the problem?

The fact is that spending on structural policies amounts to over 30% of the current EU budget and will reach around 36% by 1996.

The argument goes that enlargement towards the East would result in a sharp increase in the regional disparities within the Union. However, the creation of a "second center of regional problems in the east" will not result in the regional disparities in the southern and western periphery of the Union being dismissed. Providing that the criterium for to qualify for support from structural funds is maintained (i.e. per capita GDP less than 75 % of the EU average) the next enlargement would mean that all new member countries would qualify for Objective 1 support (see page 10 for individual Objectives of structural policies). On the other hand, the new member countries would diminish the reference value of the GDP per capita, consequently nearly half of the regions in the current EU which now qualify, would be excluded. Still if all candidate countries join, about one 1/3 of the enlarged EU population would live in regions subject to Objective 1 support. In absolute terms it may mean a population in excess of 150 million.

GDP per capita is nearly 7 times lower than in the EU 15. Even if purchasing power parity (PPP) is used, this still represents on average 1/3 of the EU's GDP per capita in central Europe. However in terms of PPP, Greece GDP per capita is only slightly

over 50% of the EU average, while Slovenia's is approaching to 50% and the Czech would be some 46-47%. Some projections of GDP per capita in PPP terms show that these two candidate countries could reach 75% of the current EU average around 2003-2005, providing that annual growth speeds up somewhat against the current level.

The transfers via Structural Funds in the EU 15 represent now some ECU 27bn and would amount to some ECU 33bn in 1999. As two central European countries slowly approach GDP per capita in PPP terms to that of Greece and taking into account that Greece shall qualify in the coming years for an annual transfer from the structural funds amounting to some ECU 400 per capita, various rough calculations are possible.

In the hypothesis that the candidate countries would get the assistance per capita similar to that of Greece, for example the Czech Republic would have a right to assistance of nearly 14,000 Czech Koruna per capita compared with the average monthly gross industrial wage which is currently some Koruna 8,200. A total transfer to the Czech Republic within structural funds would amount to nearly Koruna 140bn (some ECU 4bn). In 1994 the Czech State Budget total expenditures were some Koruna 485bn.

The leaked out Commission paper works with the hypothesis that if the per capita assistance similar to that given to Greece were granted to all new potential member countries, it would represent costs of ECU 38bn. Thus the enlarged EU budgetary costs could potentially be ECU 71bn if the 1999 scheduled EU-15 transfers are taken into account.

This is, however, a very theoretical figure. The Commission paper itself points out that :

- there is no question that all 12 candidate countries will join at the same time
- this calculation foresees that the current system and the current approved level of support is maintained for all regions of EU 15 which qualify now
- that the maximum levels of assistance intensity will be applied to all 12 "new members".

Huge dependence on external assistance:

Currently, the EU assistance transfer to candidate members for central and eastern Europe amounts to some ECU 1.2bn in the form of PHARE grants. The Commission draft paper indicates that the annual transfer of ECU 38bn would equal on average to 17 % of the GDP of associated countries (some 7% in the case of Slovenia, but 34% in the case

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EU EXPRESSES CONCERN OVER SLOVAK DOMESTIC POLICY

The EU Troika approached the Slovak authorities in Bratislava on 25 October to express the concern of the Union over recent institutional tensions in Slovakia, which according to the EU, may question the common democratic principles and could harm the Slovak Constitution. These concerns rise from certain measures and actions being taken against the Slovak President, Mr. Kovac.

The EU Troika was composed of the Spanish, French and Italian ambassadors (holders of the current, past and future EU Presidency respectively). The Head of the Delegation of the European Commission in Bratislava, Mr. G. Zavvos, also participated.

This is already the second "demarche" by the EU in Bratislava. The first took place one year ago concerning the treatment of the Hungarian minority.

The EU took this formal step due to the failure of the earlier informal and bilateral approaches to the Slovak authorities (by the UK and Germany in particular) to bring about some response.

On 25 October the EU Presidency issued the following press statement :

"The Troika of EU ambassadors today approached the Slovak Authorities. It expressed its deep concern at the current institutional tensions in Slovakia. Concerning this, it recalls: - that it observes with concern the possibility of measures being taken against the President of the Republic which could harm the constitution and the EU's common democratic practices; - that it stresses the importance of the process towards a democratic society which allows for the free expression of different political points of view. The EU attaches great importance to mutual tolerance and respect between the different sources of authority in a democratic society; - that Slovakia is an associated country in a pre-accession period and the

criteria approved at the Copenhagen Summit are applicable to it. The European Union reminded the Slovak Authorities of the importance of these criteria and that Slovakia had still to make efforts to conform to these criteria". (unofficial trans.).

In Brussels, a spokesperson for the Commission stipulated that the Commission fully supported the Troika's demarche stressing that the respect for human rights was an "essential" part of the European Agreement that exists with Slovakia. EUROPE recalls that the EU Troika had already made a similar approach in November 1994, especially in order to express its concern over the respect of the rights of the Hungarian minority in Slovakia. Commissioner Hans van den Broek also spoke on this subject last week in New York, in a short exchange of views with the Slovak authorities on the fringe of the ceremonies for the fiftieth anniversary of the United Nations.

It seems that the Slovak authorities were not expecting the EU to make this step. It also appears that the Slovak authorities were not prepared for the EU to inform the European press in Brussels about the demarche so quickly. The Slovak Ministry of Foreign Affairs only took a preliminary position on the meeting with the EU Troika on 27 October and it was suggested to us that it is likely that the Slovak Minister of Foreign Affairs will take a more substantial attitude to the EU "demarche" on 31 October in Luxembourg during the joint meet-

ing of the EU General Affairs Council with the associated countries of central and eastern Europe.

The "Position" by the Slovak Foreign Affairs Ministry on 27 October firstly expressed the satisfaction with a series of initiatives being taken by Slovakia which is bringing Slovakia nearer and nearer to the Union even before accession. It endorsed the intensification of the dialogue between the EU and Slovakia, but remarked that **"it is not only the Slovak public who has noticed that many countries, as well as some institutions, have been keeping a certain stereotype, they do not prefer a direct contact with a possibility to learn about questions of the transformation of the Slovak society with the complete comprehension"**.

Slovak diplomats suggested that the possibility to hold a referendum is written in the Slovak constitution, therefore an attempt to organize a referendum to dismiss the Slovak president in not harming the constitution.

The Slovak Premier Minister, Mr. Vladimir Meciar, said at his HZDS Party meeting in Kosice on 26 October that:

a) the EU only issued a communique in which concern was expressed whether the question of the post of the Slovak President could be solved democratically;

b) it was not a formal "demarche" but rather only a press release from Brussels;

c) Mr Meciar himself told the EU ambassadors that it is necessary to give to the other party the possibility to express its position before deciding to issue a "communique". The

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Prime Minister also told the ambassadors that there are problems with democracy in other countries, but still nobody questions these countries as "democratic", citing examples of Italy, Spain and the recent dismissal of the General Secretary of NATO Mr. W. Claes. The Premier Minister said that the same criteria should be used for all countries.

That same day, the Chairman of the Slovak national party Mr. Slota requested the other parties comprising

the Governmental coalition to set up a special commission in November, which would investigate the positions taken by the Slovak President and which, according to Mr. Slota, may amount to state treason.

Official language in Slovakia :

The Slovak Government approved on 24 October the draft text of the new "language law" which would, if approved by the parliament establish as of 1 January 1996, the Slovak language as the official language at practically all

levels. Thus, for example, the Czech language would be prohibited to be used on TV and radio broadcasting. All Czech films would have to be either sub-titled or doubled into Slovak language. Local stations would have to broadcast any foreign language program firstly in the Slovak language (this concerns mainly local stations broadcasting for the Hungarian minority). The failure to comply with the new law could be punished by fines up to SK100,000 for physical persons and up to SK1m for legal persons. ■

PRINCIPAL RESULTS OF FIRST MEETING OF EU/ROMANIA ASSOCIATION COMMITTEE

The EU/Romania Association Committee (not to be confused with the Association Council, which held its inaugural meeting at Foreign Minister level on 10 April in Luxembourg, Ed.) held its first meeting on 12 and 13 October in Bucharest. The session was co-chaired by Romanian State Secretary for European Integration, Mr Prisacaru, and by the Director for Relations with Central and Eastern Europe, Mr Brouwer, of the European Commission's Directorate General I. The Committee addressed the following issues.

i) Implementation of the pre-accession strategy. Both sides welcomed the "national consensus" in Romania on the issue of accession to the EU, enabling the government of Romania to develop an "irreversible" national strategy for the country's integration into Europe and to submit its accession request on 22 June. The Committee examined the technical assistance programme for the approximation of legislation and the first stages of implementation of the EU White Paper.

ii) Application of the Europe Agreement and the development of bilateral trade. The Committee noted the progress achieved since the entry into force of the Europe Agreement (1 February 1995). It was observed in general that bilateral trade is showing a marked rise in Romanian exports to the EU. Operational actions in the area of economic cooperation should be intensified and European investment in Romania promoted vigorously, even if this is in large measure dependent upon the process of privatisation and reforms now in progress. Regarding trade in

industrial goods, the two sides discussed in detail the introduction of certain import and export restrictions. The Committee instructed the experts to pursue work on this subject. Regarding Romania's participation in Community programmes, the Committee decided to pursue its contacts and reflections with a view to determining priorities and finding additional sources of financing to make such participation possible.

iii) Application of the Phare programme.

iv) The visa requirement for Romanian citizens entering the Community. The Committee noted that both sides intend to analyze the situation in Romania and to explore possible solutions in order to determine a line of action in conformity with the principles of the Europe Agreement.

v) Rebuilding of the countries of former Yugoslavia. Romania expressed an interest in being closely involved in the EU initiative in this area.

Joint Parliamentary Committee:

The EP/Romania Joint Parliamentary Committee held its second meeting on 16 and 17 October in Brussels, chaired by Mrs D'Ancona (Socialist, NL) and Mr Popescu. The Committee adopted a declaration stating that Romania's national strategy for accession to the European Union (which has the support of all the parliamentary parties) "represents a political programme which will enable Romania to come closer to and finally become a full member of the European Union". The European and Romanian parliamentarians also noted their appreciation of the identification in the European Commission's White

Paper on the integration of Central and Eastern European countries in the EU of "the key measures in each sector of the internal market and the sequence proposed for the approximation of legislation".

Visas:

The Joint Committee also adopted recommendations for the institutions of the EU and the Romanian government, including that of "taking appropriate measures on visa policy with a view to ensuring equal treatment for all citizens of the associated countries of Central and Eastern Europe". In the political sphere, the recommendations insist upon: - the conclusion of bilateral treaties between Romania and its neighbors "in order to improve the stability of the region" (the text refers to the "historical reconciliation" between Romania and Hungary); - respect for human rights and the rights of national minorities.

The deputies also recommend: - better use of EU technical assistance for the approximation of laws, especially assistance provided under the Phare programme; - the development of training of Romanian specialists to ensure the attainment of the objectives of integration; - a larger Phare contribution to foreign investment projects in Romania; - special attention to the development of transport infrastructure in Romania in the context of the Trans-European Networks; - measures to ensure Romania's access to cross-border cooperation programmes, eventually by the inclusion of programmes involving an EU

Member State and two associate countries (and through Phare and Tacis multicountry programmes); - acceleration and extension of the cumulation of rules of origin to all countries of the region and the accession of Romania to the Central European Free Trade Area; - the adoption of the required preparatory measures to ensure Romania's full participation in the Socrates, Leonardo and Youth for Europe programmes, with special attention to projects aimed at increasing awareness and understanding of the process of European integration; - action to strengthen cultural dialogue; - the promotion of active cooperation in fighting drug abuse, organized crime, corruption and illegal immigration; - the development of civil society and the promotion of tolerance in all its dimensions. Lastly, the deputies emphasize the need to help countries like Romania which have suffered losses as a result of observing the economic embargo against Serbia and Montenegro.

Penal code:

On the occasion of the meeting of the EU/Romania Joint Parliamentary Committee on 16 October, in Brussels, Amnesty International urged the Romanian MPs to reject the revision of the penal code on which their Parliament has to vote on. Amnesty, which has always wanted a revision of this code, considers that in fact several amendments being proposed would impose even more restrictions on the freedom of expression. The Joint Committee is chaired on the European side by Mrs. Ancona, and for Romania by Mr. Popescu. ■

SCHENGEN-VISA PROBLEMS

During the debate in the European Parliament on the restrictive policy applied to Bulgarian and Romanian nationals concerning visa requirements, the EU's Spanish Presidency stated that the list of the third countries in which nationals require a visa, when they cross external borders of the EU "will be revised depending on how the situation develops". In issue No. 75 pp4-5, *Together in Europe* reported the approval of the **negative list** and published the Bulgarian minister of justice and the interior's statement, which protested against the

blatant practiced. The discussion in the EP's plenary session also centered around the resolution approved in July by the EP's Committee on Civil Liberties, which requested that the Council state publicly the reasons why Bulgarians and Romanians must have a visa. A call the Council to reconsider its decision was voiced.

Mrs Zimmermann and Mr. Lehne raised the issue in the EP on 25 October, when they questioned the restrictive policy. It was felt that the obligation to have a visa and to possess the status of an associated country is contradictory. The case

should be really serious, to impose the visa obligation on nationals of an associated country. However, the German MEP said there is no proof of any migratory pressure from Bulgaria mentioning that there are only 30,000 Bulgarians in Germany.

Commissioner P. Flynn, speaking on behalf of the Commission said, that the Commission is willing to propose an amendment to the negative list "as soon as circumstances allow it". He suggested that EU member States ask the Commission to table such a

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proposal to the Council.

In reality, the situation with a **common visa list** is more complicated. According to "Statewatch", an NGO committed to monitoring civil liberties in Europe, the decision by the Council on 25 September creates two separate lists: the EU common list of 101 countries we referred to in No75 and the Schengen list of 129 countries. "Statewatch" published in addition the so-called "white list" of 17 countries exempt from having to obtain visas under the Schengen list. This list contains the Czech Republic, Slovakia, Hungary. However, Poland, Croatia, Slovenia and Bosnia are listed among the 28 countries which are not on the EU list, the Schengen list, or the "white list" but which may need a visa to enter some EU states. This is a special category of third countries (including Canada and Israel) whose nationals need a visa to a specific EU country. For example, Canadian nationals need a visa for Spain, but can travel freely in the rest of the EU.

Schengen's expansion :

The Belgian Presidency of the Schengen Group said, after the Executive Committee meeting on 24 October, that negotiations will soon open with the three Nordic countries - **Denmark, Sweden and Finland** with a view to their full accession to the Schengen Group (Denmark already has observer status). These countries already **accepted the Schengen acquis**. The Presidency also has a mandate to assure that **Norway and Iceland** accept the entire Schengen acquis. The reason is that these two countries are not EU-member countries, but they are parties to the Nordic Passport Union and the joining of the three EU member countries of the Schengen Group would build up a wall within the Nordic passport Union.

The Schengen Group ministerial meeting also endorsed the proposal from Germany to create a **mixed cross-border** bilateral or multilateral patrols. There is a tendency anyway to replace fixed

control points by mixed mobile controls.

GREECE-FYROM: The European Commission has withdrawn its case from the European Court of Justice in which the Commission wanted Court to declare the Greece embargo on FYROM illegal. The Commission said it is satisfied with the positive developments in relations between the two countries. However, it is unclear whether the Court of Justice would have been at all willing to take a stand on the substance of the difference between Greece and FYROM. Greece lifted the economic embargo on FYROM on 13 October. This was linked to the understanding on the change of the FYROM flag, but the problem of the country's name is not yet settled.

Meanwhile, the Greek delegation left the pan-European Conference on Environment in Sofia at the beginning because the presence of Macedonia delegation bearing the name Macedonia and not FYROM. ■

PARTICIPATION IN EU EDUCATION AND TRAINING PROGRAMMES

The participation of the associated countries in certain EU education and training programmes was the main topic of the "structured dialogue" meeting between the EU Education Council and the education ministers from nine associated countries of central and eastern Europe in Luxembourg on 23 October.

The aim of the meeting was to identify the interest of the association countries in participation in EU programmes such as SOKRATES, LEONARDO and YOUTH III programmes, providing the associated countries co-finance their participation.

Actually, the Commission organized already this summer an "Information Day" for the nine countries explaining the programmes. This was followed by bilateral discussions.

Commissioner Edith Cresson explained that the Commission would prepare a plan allowing the associated countries to start participating in certain

parts of the EU programmes from 1996. Financing of this participation could initially be provided by the PHARE Programme. Up to 10% of PHARE funds allocated to each associated country in a national indicative programme could be used for such co-financing. However, the associated country would eventually have to participate in the financing of its own participation. The 10% limit applies to the assembly of all programmes, and it will be up to each associated country to use it according to its own priorities.

In practical terms, this means that this 10% could already be added to the funds allocated to TEMPUS. The calculation of each associated country's participation in the financing of the participation will be subject to the same criteria as it is in the case of the EU member countries (GDP level, size of population, target -groups, distance covered etc). For example, the Czech Republic currently benefits from

some ECU 60 million/year in PHARE grants and its 1995 TEMPUS budget amounts to ECU 8 million (ECU 5.5 million in 1994)

The concrete conditions for participation will be determined by the individual Associations Councils in 1996 and integration into the programmes shall start in late 1996. Global integration into SOCRATES, for example, would come in 1997 via a selection of ERASMUS projects and would reflect the evolution of each country within the TEMPUS programme.

The TEMPUS programme is carried out within the framework of the PHARE programme and runs till 1998. Its aim is to contribute to the restructuring of university and higher level education. Under the first phase of TEMPUS (1990-1994) some 15,000 students from the associated countries were brought to the EU and some 20,000 bourses were allocated to teachers from the associated countries. Since the beginning of this year, the Turin-based European Foundation for Training is in charge of the TEMPUS Technical Assistance. It has been allocated ECU50m for assistance to the reform of university education in the associated countries.

The TEMPUS budget during the last four years amounted to 12% of the total PHARE budget and in absolute terms it represented nearly ECU420m. TEMPUS funding (grants) is naturally more favourable for the associated countries than Erasmus would be. In 1996, the Commission shall present a plan about what to do with TEMPUS after 1998, when the program officially ends.

It is clear that each country's participation would be conditioned by its ability to provide sufficient funding for the creation of necessary national structures required by the three programmes, and for co-financing of projects undertaken.

SOCRATES is the EU programme in the educational sphere and could be accessible to the associated countries from 1996 in its part **Eurdice** (network for dissemination of information) and in **Arion** (study visits for educational officials). Initially "National Eurdice Units" would be set up. Then participation in **Comenius** (school partnership) may come and in certain parts of **Lingua** programme. Then, from 1997, the full integration via ERASMUS.

LEONARDO is the EU programme in vocational training and is carried out by the Turin-based European Foundation.

The implementation of YOUTH III (a special programme for youths) would start with the establishment of national agencies which could benefit from experience gained in the organization of exchanges within TEMPUS.

In principle, 1996 shall be the year of the establishment of appropriate national structures in each associated country and for the determination of national priorities and of the will to participate in the financing, probably from 1997.

Mr. Ivan Pilip, the Czech Minister of Education, told *Together in Europe* in Luxembourg about his satisfaction with the meeting and the EU proposal offering important new possibilities for the Czech education sector. His ministry will soon present the Government with more precise ideas about the issue of co-financing. The financing of the start up shall not be difficult due to the possibility to use up to 10% of PHARE funds, then the state budget for 1997 would have to take the funding into the account. The Minister's impression from the discussion in the joint Council was that, unlike the Czech Republic, some associated countries may have difficulties to come up with financing above the PHARE funds later on. ■

PAN-EUROPEAN ENVIRONMENTAL CONFERENCE

Environment ministers from 55 European countries and leading industrial countries met in Sofia on 23 October for a three day conference in an attempt to try to sustain the flow of western aid to clean up east and central Europe. Others that attended are bankers, financiers and leading business men, who have been invited to participate in selected sessions.

A draft set of priorities prepared by officials puts the col-

lation of information on the state of Europe's environment, and the integration of environmental considerations into decision-making at the top of the list. Other recommendations include action to raise energy efficiency, combat global warming, reduce transport pollution and improve water resources.

The fate of Bulgaria's controversial nuclear power plant at Kozloduy was a major issue at the conference. Bulgaria has for some

time now come under serious pressure from the Group of Seven leading countries not to restart the oldest of its six reactors at Kozloduy on the river Danube. 630 officials who attended the conference visited the plant. Some local environmental groups are lending their support to the western NGOs which have appealed to the west for funds to shut the plant down.

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However, Bulgaria's Socialist government does not seem as if it will approve the closure. The government argues that it will lead to severe power cuts in the winter and that it is no longer the danger risk that the western countries believe it to be, after its upgrading. Positive results of recent studies made by the Bulgarian scientific institute and the Russian designer, Gidropress have been released. They also revealed that a local insurance company, has reinsured the nuclear plant with western groups in London, including Lloyds and the American International Group, after judging the plant reliable.

The Bulgarian government is of the opinion that calls for the closure of the plant are motivated by western economic interests.

Green Dialogue:

The Green East-West Dialogue, supported by the European Federation of Green Parties and

the Green Group in the European Parliament, held the only political meeting accompanying the pan-European Environmental Ministers in Sofia.

It was unanimously recognized both by the Eastern and Western participants that Europe cannot survive without a pan-European process that will focus on sustainable development. Frieder Otto Wolf, a Green member of the European Parliament and member of the joint delegation of the European Union to Bulgaria and Romania, called for financial assistance from the West.

Urgent calls were heard to phase out nuclear energy, nuclear power being **one of the most pressing environmental problems**. Particular emphasis was placed on the plans to reopen Kozloduy in Bulgaria, after a recent study by Greenpeace International (Kozloduy: A Risk Too Far?) demonstrated the hazards of the plant. It was

also argued that maintaining nuclear energy would entail a cementing of the current centralized energy supply structures in Eastern Europe, which are considered not only to be inefficient in energy production but also highly unsafe. A call for the final closure of the Armenian nuclear plant, considered to be the most dangerous in the world was also made.

The Green East-West Dialogue also lent support to Bulgarian NGOs in their struggle against the amendment of the law on Environmental Impact Assessments, deploring the first case of a rolling back of improvements in environmental legislation.

The Coordinator of the Conference, Anne de Boer, stressed the need for a larger role for citizens' participation in decision-making, calling for the creation of an Environmental Ombudsman to oversee its democratic implementation. ■

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of Bulgaria and Romania). The highest level in the current EU is in the case of Greece - 3% of GDP. The paper notes that such volume of transfers would strongly contrast with the absorption capacity of the new members. There are serious doubts that new members' economies and administrations would be able to absorb the funds. On the other hand, the structural funds policy is that of **co-financing: a country must itself co-finance project benefiting from EU transfers within structural funds**. This co-financing differs but on the whole it amounts to some 50%. It is not considered that the "new members" would be able to co-finance such outlays and would thus not be able to benefit fully from the potential transfers.

Thus it is clear that there will have to be :

- long transition periods applied to new members.

- gradual diminution in transfers to actual EU member states.

This implies a political necessity that a gradual decrease in transfers to existing EU members is ap-

plied over relatively long period so that economies of poorer EU members do not suffer from additional shocks.

The third necessity is that the EU members, when negotiating the renewal of financial perspectives for 1999 and beyond, would be positive and agree to a further increase in the EU own resources. In this way the Reflection Group's preliminary paper, which put the emphasis on Context and Timetable, is of key importance because it establishes political priority to conclude negotiations within the IGC as soon as possible and to start negotiations with the candidate countries, but to deal with the reform of the EU policies pragmatically and already during negotiations on the enlargement. Another important point is that the enlargement to central and eastern Europe will bring new business to the current EU and that eventual transfers within the framework of structural funds would result in a significant rise in exports from the EU 15 to new member countries. (J.Z.) ■

DEVELOPMENTS WITHIN THE EU**THE REFLECTION GROUP WILL ASK THE IGC TO SIMPLIFY THE TREATY - CARLOS WESTENDORP WISHES THE IGC TO START AS SOON AS POSSIBLE**

At its Brussels meeting at the end of October, the Reflection Group on the Intergovernmental Conference took a step which should be seen by public opinion as a concrete demonstration of the openness and the willingness of the political establishment to make the functioning of European integration more accessible for the public. To simplify the Treaty. Of course, one could ask oneself how many citizens have read their own country's Constitution, but the fact that the complexity of the European Treaties has been a factor of increasing disenchantment for the public in their opinion of Europe requires all the same a serious effort of clarification.

This is what the Reflection Group has done at its 23 and 24 October meeting, and the Group's President, Carlos Westendorp, stated it clearly at his press conference. The Treaty may and must be simplified, he said, noting that this simplification may consist, at least, in the elimination of outdated articles, or might go as far as introducing a distinction between a "Charter Treaty of almost constitutional form" and annexes with all the more technical provisions. The majority of the Group's members favours such a move, and Mr Westendorp said that "we should recommend that the IGC proceed to such a simplification". Elisabeth Guigou, French Socialist who represents the European Parliament in the Group (with German Christian Democrat Elmar Brok) has always been in favour of an attempt to simplify the Treaty, and she reminded the press that such an attempt had been envisaged already during the Maastricht negotiations, but that this had happened "too late" (as French minister for European affairs, she was one of the Maastricht negotiators, as were several other members of the Group, including Mr Westendorp). Elmar Brok, who had initially been more reticent about this exercise, mainly because of its complexity,

told journalists that he had been persuaded of its usefulness by two reports which indicate that it can be done.

Simplification of EU Treaty:

One report, written by Roland Beiber, Professor of Law at the Lausanne University (and former member of the cabinet of the then EP President Pieter Dankert), examines all the Treaties article by article and comes to the conclusion that as much as 533 provisions could be eliminated out of the 920 articles contained in more than twenty texts, fifteen of which have the "quality of a Treaty". This can be done by simply erasing the articles which have become obsolete (he counts up to 150), by concentrating in one place the many identical provisions included in different Treaties and by transferring into annexes many more "technical" articles. None of this would affect the substance of the Treaties, stresses Professor Bieber.

The other report, by the Secretariat of the Council, makes similar suggestions, and also contemplates possible alternatives which would go further and might as a result lead to political difficulties. One of these alternatives involves a "restructuring" of the

Treaty, by separating the general provisions in a kind of fundamental treaty - the solution which Carlos Westendorp seems to favour. As far as other members are concerned, Elisabeth Guigou observed that those who don't want to go too far in the IGC have more reservations about this attempt at "simplification", and admitted that the task will not be purely "technical", but would have a political signification.

Role of the institutions:

At the same meeting, the Group also went on discussing the role of some European institutions, such as the Court of Auditors, which many members of the Group would like to see in a stronger position, for example by giving it a right to "demand" the cooperation of the Courts of Auditors of Member States (since, as Mr Brok stressed, 80% of frauds to the detriment to the Union's budget happen in Member States). The Group also emphasized once more the need to enhance the role of national Parliaments in the European integration process, and made suggestions on practical ways to improve their involvement in European affairs (for example, through the obligation for the Commission to inform Parliaments on its intentions to propose European legislation in good time and in their own language). The Group also touched open an issue which, Carlos Westendorp said, will have a major place in the Group's recommendations to the IGC: the notion of a "universal public

(continued on page 10)

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service". Mr Westendorp admitted that there are differing "sensitivities" on this subject, but he and Ms Guigou in particular stressed the need to maintain the role of public services in the Union.

After two more meetings in November, the Westendorp Group should publish, at the beginning of December, its final report which will be submitted to the Madrid European Council on 15 and 16 December. Mr Westendorp wishes to have a

report agreed by all the Group members, even if, on several issues, it will not suggest one solution, but it will simply describe possible "options". After the Madrid summit, Mr Westendorp would like to see the IGC start as soon as possible (the soonest would be the first of January, but one could think of 23 March, he said), and to be as short as possible, ending this year. Why? Because he wouldn't like to see the EU in an "open constitutional process", and also

because so many important issues are pressing the Union, such as the next enlargement, monetary union and the new financial package for the future.

In the meantime, during the European Parliament session at the end of October, several motions were passed asking the IGC to include new provisions in the Treaty, such as a clause against discrimination on racial grounds and a clause against discrimination against women. ■

STRUCTURAL POLICIES IN EU

Economic and social cohesion is written into the EU Treaty and is one of the instruments for the realization of the Single market. This article attempts to give a background knowledge to the role of structural policies in the next enlargement discussed in the leading article.

Structural operations include Structural Funds (the European Regional Development Fund, the European Social Fund and the EAGF Guidance Section, the financial instrument for Fisheries Guidance), and also since 1993, the Cohesion Fund. Structural Funds are large transfers of money to poorer member states and regions. The aim is to help weaker member states to cope with the single market and thus encourage greater economic and social cohesion. Cohesion mostly means convergence of per capita income levels. With the funds the Union supports the six objectives:

- **Objective 1:** development and structural adjustment of regions whose developments lags behind;
- **Objective 2:** support to regions seriously affected by industrial decline;
- **Objective 3:** fight against the exclusion from the labour market,
- **Objective 4:** facilitating the adaptation of workers to industrial changes;
- **Objective 5a:** development and structural adjustment of rural

areas;

- **Objective 5b:** development of regions with low population density.

Cohesion Fund: this fund was put into operation in 1994 and its objective is to strengthen economic and social cohesion by improving transport infrastructures and environmental protection in Ireland, Greece, Portugal and Spain. To qualify, a member state must have a per capita gross national product of less than 90% of the EU average and must have its programme of economic and social convergence. The Cohesion fund was in fact set up as a "sweetener" to persuade the poorer EU states to agree to tighter integration resulting from the Maastricht Treaty.

Objective 1 regions are defined as regions with per capita incomes less than 75% of the EU average. They include all of Greece, Ireland, Northern Ireland, Portugal, large parts of Spain, Southern Italy, Corsica.

Nearly 50 million of the EU population live in regions benefiting from Objective 2.

Each of the EU's structural funds supports two or more objectives. The financial perspectives approved during the Edinburgh Summit for 1994-1999 allocated commitment appropriations of ECU 141.5bn (in 1992) prices i.e. over ECU 150bn in current prices. Of this amount over 60% goes to regions covered by Objective (1). More than ECU 4.7 billion is earmarked for the Structural Funds in the countries which became EU members in 1995.

Commitments for the Cohesion Fund amount to some ECU 15bn.

The EU budget expenditures are financed from the EU own resources.

The EU Edinburgh Summit partly reformed the system of the EU own resources. In particular, it raised the own resources ceiling to 1.21% of GNP in 1995 and in stages to 1.27% of GNP in 1999. At the same time the VAT base is to be reduced from 1.4% to 1.0% in 1999.

The EU own resources are now:

1. Agricultural levies and sugar and isoglucose levies Agricultural levies are variable taxes charged on imports of agricultural products from non-member countries;

2. Custom duties; countries transfer to the EU the EU budget expenditures to
3. VAT Resource: i.e. application of a uniform rate to each member country's VAT base and deducing the gross compensation paid to the U.K. A Member State's base may not exceed 55% of its GNP; budget 1.21% of its GNP and underline the proportion of the expenditures on CAP and on Structural funds.
4. Fourth resource: this was added in 1988. It is based on GNP and currently the member countries transfer to the EU budget 1.27% of GNP in 1999. The accompanying table indicates the EU budget revenue. The table shows the steep increase in the role of the Fourth Resource. It also suggests that the contribution of the future member countries would be low due to low levels of GNP. Also included is a table on
- Overall, the EU expenditures currently amount to about 2.4% of the GDP of the member States and the expenditures in terms per head of the EU citizen amount to about 208 ECU/year.

COMMUNITY EXPENDITURE FROM 1994-1996 (Outturn in payments)

Heading	Financial Year		
	1994	1995	1996
General budget			
EAGFF Guarantee Section	32906.2	37394.0	41297.0
Structural Funds, of which:	16261.8	23731.3	26304.5
EAGFF Guidance Section	2533.3	2878.4	3908.3
ERDF	6331.2	9627.2	10798.0
ESF	4333.4	5642.1	6108.0
Cohesion Fund	851.6	1750.0	1919.3
FIFG	395.0	518.1	552.0
Research	2486.5	2819.2	3104.0
External Action	3060.6	4093.0	4525.4
Administration	3223.3	3999.2	4075.1
Repayments and other	1404.6	3401.7	2621.9
General budget-Total	59343.0	75438.4	81927.8
EDF	1781.6	1837.0	2379.0
ECSC	424.0	331.0	241.0
Grand total	61548.6	77606.4	84547.8

COMMUNITY REVENUE FROM 1994-1996

Type of revenue	1994		1995		1996	
	Amount	%	Amount	%	Amount	%
Agricultural Levies	2074.1	3.1	1963.8	2.6	1935.5	2.4
Customs Duties	11178.0	16.9	12942.1	17.2	12852.9	15.7
VAT	33254.5	5.4	39893.9	52.9	34594.3	42.2
Fourth Resource	17682.2	26.8	15444.8	20.5	31971.7	39.0
Miscellaneous	1813.4	2.7	5193.8	6.9	573.6	0.7
Total	66002.1	100	75438.4	100	81927.8	100

LATVIA APPLIES FOR EU ESC REPORT ON PHARE MEMBERSHIP

Latvia is the first Baltic country to apply for full membership of the European Union. The request together with the accompanying memorandum was handed over on 27 October in Madrid to the Spanish presidency of the EU.

The EU General Council took note of the application during the meeting in Luxembourg on 30-31 October. Then, under the provisions of the EU Treaty, the Council acknowledged the application and requested the European Commission to prepare an Opinion on Latvia's accession.

The Commission is expected to start work on the Opinions concerning the accession applications from the associated countries of central and eastern Europe during the second half of 1996, i.e. during the second phase of the EU Intergovernmental Conference. The Commission will consider each applicant country on its own merit.

While it will be the EU 1996 Intergovernmental Conference which will decide when the accession negotiations will start, it was the 1993 Copenhagen Summit which stipulated the general conditions for the next enlargement :

- a country wishing to become a member of the EU must have a functioning market economy, it has to guarantee and respect democratic values, including human rights and democratic institutions;

- the applicant must have the ability to take on the obligations of membership as a whole;

- the Union has to have the capacity to absorb new members while maintaining the momentum of European integration. ■

The Economic and Social Committee (ESC) has just published an Information Report, headed by the rapporteur Mr Gafo Fernandez, on the evaluation of the PHARE programme. The Report highlights the Commission's dynamism in seeking to make the programme's management more efficient, in particular by replacing the initial annual programmes with multi-annual ones. However, according to the committee, room for improvement lies in the need for cooperation between businesses in the EU and those of the PHARE countries. A further problem is that until now, the PHARE programmes have concentrated on the public sector of the countries concerned, to the detriment of the private sector. To rectify the situation the Committee thinks that, the socio-occupational organizations should carry greater weight in the process of defining and following up the PHARE programme, the selection procedures for awarding contracts to businesses should be more transparent, short-term counselling by Community experts should be replaced by a long-term effort in conjunction with local experts in key areas and "PHARE centres" should be set up in the countries in question to disseminate expert reports and information on Community legislation. ■

COLIPA IN PRAGUE

On September 27-28, Colipa, the European Cosmetic, Toiletry and Perfumery Association, in cooperation with the European Commission Phare Programme held a colloquium to enhance CEEC/EU Trade for the cosmetic, toiletry and

perfumery industry. Mr Karel Dyba, the Czech Minister for the Economy, underlined the determination of the Czech Republic and other CEECs to work towards early membership of the EU and to accelerate economic and regulatory cohesion. Other senior government officials from the CEEC echoed this commitment. The Head of Unit of the Directorate General for Industry (DGIII), Mr Gyorgy von O'svath said what he expects industry to do in future cooperation with Central and Eastern Europe. He pointed out that a competitive industrial sector in the CEECs will include high levels of consumer protection through appropriate quality and safety standards. ■

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