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EU VOTING COMPROMISE CLEARS WAY FOR ENLARGEMENT

Putting the EU enlargement process back on track, the UK and Spain finally accepted a compromise solution on Council voting procedures after an informal meeting of EU foreign ministers in Ioannina, Greece (see EURECOM, March 1994).

Brokered by the current Greek Presidency, the accord raises the "blocking minority" in the Council to 27 votes from 23 votes after (and assuming) the entry of Austria, Finland, Norway and Sweden into the Union. The total number of Council votes in weighted majority voting will rise to 90.

To overcome British and Spanish resistance to increasing the blocking threshold, the member states agreed to a "reasonable" delay when a minority of 23 to 26 votes opposes EU legislation. This will allow the Council to "do all within its power to reach...a satisfactory solution that could be adopted by at least 68 votes." Still, such a delay cannot prejudice obligatory time limits set out for legislation by the Treaties (Articles 189 B and 189 C).

The voting issue will be reexamined at the 1996 intergovernmental conference, which will focus on the institutional changes necessary for an enlarged and workable Union of 20 or more member states.

To meet the target date of January 1, 1995 for the four accessions, the European Parliament must approve the enlargement treaties (by absolute majority of its 518 members) by early May, before it adjourns for June elections. In addition, the member states' and candidates' parliaments must ratify the treaties, but no major problems are foreseen. Most difficult, however, the applicants must hold referenda on EU membership. At present, only Finland shows a clear trend in favor, although the "yes" vote has grown in the other countries. Austria aims to hold its referendum on June 12, followed (as EURECOM went to press) by Finland in early October, Sweden on November 13 and Norway on November 28.

Taking only 13 months, these enlargement negotiations have been faster than the three previous ones because Austria, Finland, Norway and Sweden already have well established ties with the EU as members of EFTA (European Free Trade Association) and the EEA (European Economic Area), which covers participation in the EU single market. Further, their advanced economies and political institutions facilitated the negotiations.

If all four applicants accede, EU GDP would increase by 8.8%, making it 1.3 times greater than US GDP and twice that of Japan. Contrary to previous enlargements, EU population would increase only by 7.4%, to 370 million. The Union's land surface would expand by 51%, which is still half the size of the US, but 10 times larger than Japan.

HUNGARY AND POLAND APPLY TO JOIN EU

Continuing with the enlargement theme, on April 1, Hungary became the first Eastern European and former communist bloc country to apply officially for EU membership. Exactly one week later, Poland became the second such country to submit its EU membership application. Both filed their formal applications with Greece, the current EU president.

As the pacesetters of reform in the region, it is not surprising that Hungary and Poland are the first two countries to apply. In fact, although association accords have been negotiated with other former Eastern bloc countries, only in Hungary and Poland are "Europe Agreements" in effect (see EURECOM, February 1994).

"The most important thing about this accession is that it will make our course towards Europe final and assure the security and integrity of Hungary," said Hungarian Foreign Minister Geza Jeszenszky.

Commented Polish Foreign Minister Andrzej Olechowski: "For Poland to become a member of the EU will be a dream come true...We will not only benefit but also contribute, as Europe will be safer with Poland inside. In today's world, countries join communities, and we want to join a community which is based on democracy, free market rule and human rights."

EU foreign ministers will discuss the applications for the first time at the General Affairs Council on April 18. Both applicant countries hope to start membership negotiations after the intergovernmental conference in 1996, which will review the Union's institutional structure in light of further enlargement.

Although the European Council agreed in Copenhagen last June that "Europe Agreement" countries could join the EU when they are ready economically and politically (see EURECOM, July/August 1993), it gave no explicit timetable. At present, the general view is that membership for the Central and Eastern European countries will not happen before the end of the century.

EU, US INDUSTRY GROUPS MEET ON INFORMATION NETWORKS

A European "High Level Group" of information technology (IT) executives recently met with their US counterparts in New York — along with Commission and US government participation — to discuss the development of information networks, better known in the US as the "information highway".

Chaired by Industry Commissioner Martin Bangemann, the European group has been asked by the Council, as part of the White Paper strategy on growth, employment and competitiveness, to recommend to the June European Council in Corfu, Greece what is required technically and, more importantly, legally, to promote a truly European information infrastructure.

After the New York talks, Commissioner Bangemann stressed that both groups agree the development of such networks must be driven by the private sector through competition. Still, while in agreement on a market-driven approach, the EU and US are at different starting points in the legal environment required for developing "information highways": the US broke up the AT&T phone monopoly and began deregulating telecommunications in 1984, while European countries are only beginning to liberalize their telecom monopolies.

Bangemann also noted a transatlantic philosophical difference. For him, when the US speaks in terms of the "information highway", there is a danger that "people see it only as a provision of hardware." The Europeans view it as an "information society", instead of a "highway", because the real problem is not creating the infrastructure, but rather coping with the social changes and challenges spawned by ready access to information networks, such as the organization of working time and the role (and resistance) of trade unions.

In other areas, EU and US executives identified data protection, intellectual property protection and standards as the key issues for transatlantic cooperation. And both groups underscored the importance of globally compatible information networks and standards, and having the Japanese government and firms included in further informal discussions.

Commissioner Bangemann has proposed another meeting in Brussels later in the year.

GREEK EMBARGO OF FYROM REFERRED TO EUROPEAN COURT

The Commission has referred to the European Court of Justice the Greek government's embargo against the Former Yugoslav Republic of Macedonia (FYROM). According to the Commission, Greece has violated European Union trade laws by taking unilateral action.

The decision follows the Greek government's February 16 closure of the port of Thessaloniki to goods coming from or going to FYROM. Despite calls by the Commission and the EU's foreign ministers to lift the measures, they still remain in force.

Announcing the decision on April 13, External Political Relations Commissioner Hans van den Broek said: "As guardian of the Treaty, and as an institution responsible for ensuring the consistency of the Union's external activities, the Commission has decided to bring this question before the European Court of Justice."

The Commission based its decision on Article 225 of the EC Treaty, which forbids unilateral action by a member state that distorts the conditions of competition in the EU's customs union, common commercial policy and single market.

"Even if the cause is right, the means are wrong," said Commissioner van den Broek.

Under Article 171 of the Maastricht treaty, the European Court has the authority to fine member states for violations of EU law, but it has not yet exercised that new power.

The Commission has appealed to the Greek and FYROM governments to renew their dialogue in an effort to resolve the points of contention regarding the new republic's name, flag and constitution.

WORKER CONSULTATION PLAN PROPOSED

After the failure of EU employer (UNICE) and union (ETUC) representatives to reach a voluntary agreement (as they are allowed under the Social Protocol of the Maastricht treaty), the Commission has proposed a directive on worker consultation in pan-European companies.

Social Affairs Commissioner Padraig Flynn said he regretted the breakdown in talks between the "social partners", but added that the discussions had proved useful nonetheless: several points of agreement between the two groups have been incorporated into the Commission's new proposal.

The directive would require pan-European companies to establish either a "European Committee" or an employee information and consultation procedure to ensure adequate levels of worker consultation and information in the single market. It would be limited to EU-scale companies with at least 1,000 employees and at least two units located in different member states with 100 or more employees.

Workers and management would be able to set up a procedure best suited to their needs, provided an annual information and consultation meeting takes place between the two parties. Failing agreement on a procedure within a period of two years, the guidelines for a "European Committee" set out in the directive would apply. If central management refused to start talks with employees, EU procedures would apply after six months.

"Committees" would inform workers on decisions taken outside their country that considerably affect them (e.g. organizational changes, plant closures, downsizing and new work practices).

Commented Commissioner Flynn: "This is a framework directive — with flexibility at its core. It is designed to trigger off a process of negotiation between the social partners at company level on arrangements which are best suited to their own particular circumstances. It is only in the event of failure to agree, that minimum requirements concerning the nature and content of information and consultation, will apply."

The Commission proposed a similar directive in December 1990, but it lapsed in October 1993 due to the Council's failure to achieve unanimity (11 of 12 were in favor), a necessary condition for social policy legislation before the Maastricht treaty went into effect on November 1, 1993.

The UK, having opted out of the Maastricht treaty's social policy chapter, will not be involved in Council deliberations (or votes) on the proposal. Still, pan-European undertakings with central headquarters in the UK, as for those with headquarters in third countries, would be covered by the directive.

QUOTES

*"A crisis is better than a bad compromise." Commission President **Jacques Delors** commenting on the row over Council voting procedures for enlargement (before it was solved).*

*"I believe that Europe is absolutely central to the United States' future, to our self-interest as well as to the possibility of achieving greater democracy and prosperity in the world. We tend to have our disputes, as any friends do from time to time, but as disputes go they are rather minor. They are disputes that flow from mutual self-respect." US Senator **Bill Bradley**.*

*"The GATT" is a system that recognizes the world as it is, not as a paradise of free trade..." GATT Director General **Peter Sutherland**.*

*"Negotiators can create opportunities, but business itself must utilize them." Commissioner **Sir Leon Brittan** commenting on the post-Uruguay Round world.*

GREEN PAPER ON EU AUDIOVISUAL POLICY

Opening a wide-ranging debate on the options for developing the European film and television industry, the Commission has released a Green Paper on audiovisual policy (see EURECOM, February 1994).

Entitled "Strategic Options to Strengthen the European Program Industry in the Context of the Audiovisual Policy of the European Union" (whew!), the report calls for "a change in attitude" from European institutions and national authorities to enable Europe's fragmented audiovisual sector to compete in an open world market and play its part in the development of Europe's information society.

Based on the findings of a specially appointed think-tank, as well as on responses solicited by the Commission from audiovisual industry associations and member state authorities, the paper ascribes the European audiovisual crisis to the industry's fragmentation along national and linguistic lines, making production and distribution much more costly than for its competitors.

Illustrating the industry's dire situation, Culture and Audiovisual Commissioner Joao de Deus Pinheiro said that European films had lost 50% of their market share and two-thirds of their audience in the last 10 years. "The single market only works for American productions," he said.

Commission President Jacques Delors stressed that films and programs are not like other products, and deserve encouragement as living testimony to the traditions and identity of each country. Correspondingly, the paper suggests that the EU find a "critical mass" of subsidies to help the industry restructure, although it cautions against subsidies to support programs without strong public demand.

The Green Paper is a first step in the formulation of a future Commission proposal, expected later this year, which will address the sector's legal environment, the convergence of existing national support systems and financial incentives, including possible levies on audiovisual products across the EU.

The report will be examined by a European audiovisual conference organized by the Commission in June 1994.

EU, US STRIKE NEW PROCUREMENT DEAL

After meeting in Marrakesh, Morocco, two days before the April 15 deadline for signing the GATT Uruguay Round agreement, the EU (represented by External Trade Commissioner Sir Leon Brittan) and the US (headed by US Trade Representative Mickey Kantor) reached an accord to open their procurement markets to each other, building on the partial deal achieved last April (see EURECOM, May 1993).

According to Sir Leon, the "balanced" agreement will unlock new business opportunities worth $200 billion on both sides of the Atlantic, a doubling of the opportunities agreed in the Uruguay Round in December in Geneva.

For Europeans, this means EU companies will be able to bid without discrimination for US federal, (many) state and, in some cases, municipal contracts to supply products, services and works.

For US firms, the procurement of all goods, services and works by European central governments will be open to non-discriminatory bidding; European cities and other local authorities will also take part.

The agreement includes the removal of "Buy American" restrictions on substate authorities in the US when they tender for rural electrification contracts with federal funds. The agreement does not, however, include telecommunications, nor does it involve the removal of "Buy American" restrictions on mass transit, airport improvement or steel used in the construction of federal highways.

...IN BRIEF

...To give impetus to monetary union, the Commission is setting up a study group to advise on the practical aspects of changing over to a single currency. The principle of using the ecu as a single currency (by 1999 at the latest) is enshrined in the Maastricht treaty, but at present, no technical planning exists on how to facilitate its introduction in the (qualifying) member states. The group, which will report back to the Commission in October, will examine: the design, production and distribution of the ecu; technical adjustments to machines; the impact on prices of goods and services; legal aspects of the introduction of a new currency; implications for governments, industry and consumers; and changes to the banking and financial sectors.

...AT&T, along with British Telecom and the Swiss, Swedish and Dutch state telecom companies, recently won a contract to provide a private telecommunications network for 30 of Europe's leading multinational companies. Worth an estimated 500 million ecu (1 ecu=$1.13), the contract is the first step in a plan to construct a pan-European network linking companies such as Asea Brown Boveri, ICI and Philips. The corporate network has the approval of the Commission, which wants to accelerate the development of Europe-wide information networks.

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