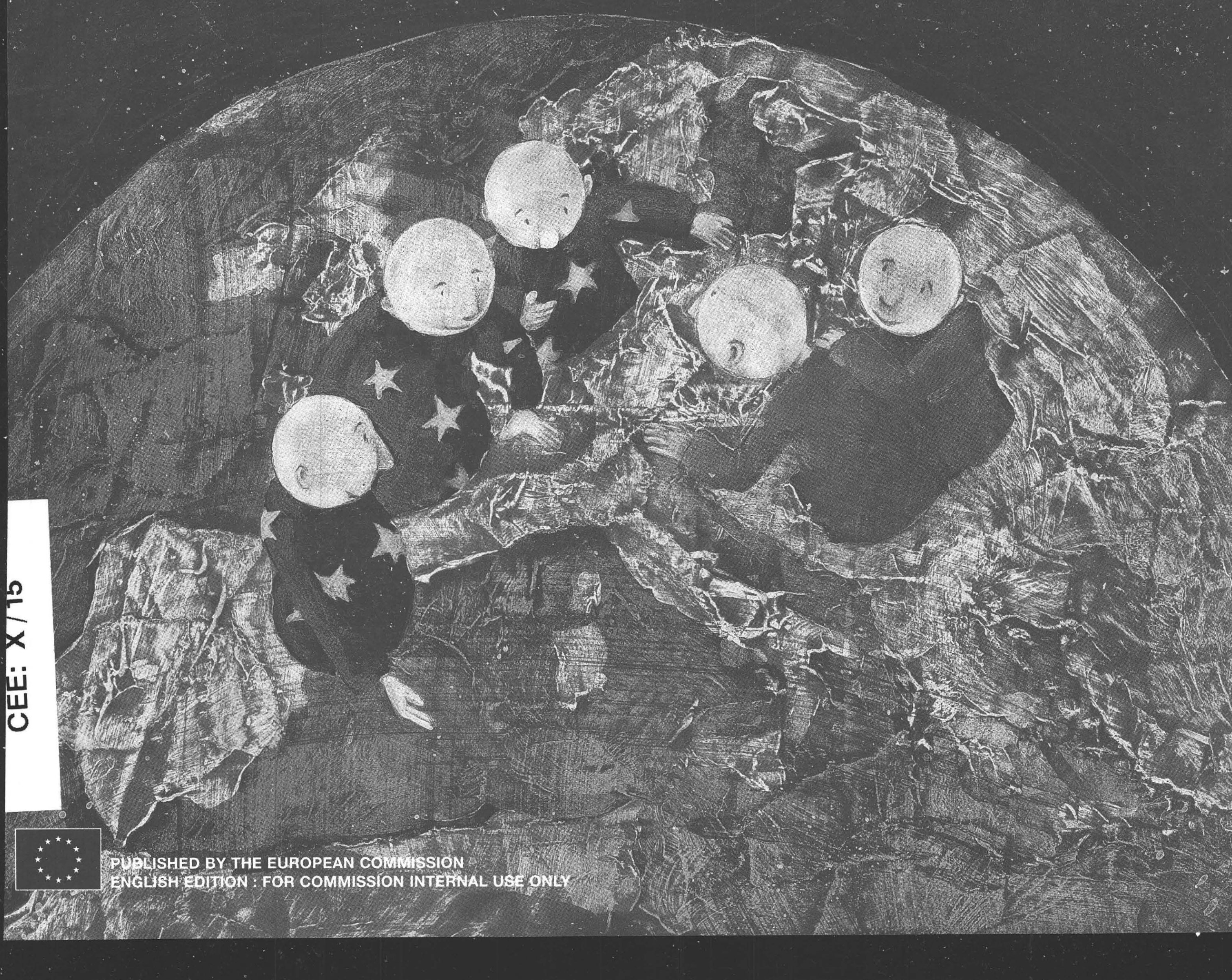
European Dialogue

THE MAGAZINE FOR EUROPEAN INTEGRATION

NOVEMBER-DECEMBER 1997/6

Dawn of a new Europe ★ Regions play a role ★ Phare evaluation ★ Industrial co-operation ★ Facing financial problems ★ Social concerns



PUBLISHED BY THE EUROPEAN COMMISSION
ENGLISH EDITION : FOR COMMISSION INTERNAL USE ONLY

LEONARDO DA VINCI
ACTION PROGRAMME FOR THE IMPLEMENTATION OF A EUROPEAN UNION VOCATIONAL TRAINING POLICY
1995 - 1999

Why the Leonardo da Vinci programme?

In light of the challenges facing Europe on growth, competitiveness and employment, the Leonardo da Vinci programme aims to enable young people, employees and companies to benefit from, rather than to be dominated by, the impact of ever more rapid technological and industrial changes.

Which countries, activities and themes are covered by the Leonardo da Vinci programme?

The Leonardo da Vinci programme operates in the 15 Member States of the European Union as well as in Norway, Iceland, and Liechtenstein. Access to Leonardo da Vinci will later be extended to the associated central and eastern European countries (including the Czech Republic) and to Cyprus and Malta.

Leonardo da Vinci supports three kinds of activity:

- **transnational pilot projects and multiplier–effect projects** which aim to develop, exchange and disseminate knowledge and experience;
- **transnational placement and exchange programmes;**
- **transnational surveys and analyses.**

Which activities are supported under the Leonardo da Vinci programme?

Leonardo da Vinci emphasizes the value of the transnational partnerships which bring together all vocational training players, especially companies and social partners. The programme´s activities can be grouped under the following four stands:

Stand I: ***support for the improvement of vocational training systems and arrangements***

Stand II: ***support for the improvement of vocational training measures, including university/industry cooperation, concerning undertakings and workers***

Stand III: ***support for the development of language skills, knowledge and the dissemination of innovation in the field of vocational training***

Stand IV: ***support measures***

More detailed information, especially on how and when to take part in the Leonardo da Vinci programme as well as further information for applicants can be obtained from:

National Training Fund
National Coordination Unit the Leonardo da Vinci Programme
Václavské nám. 43
110 00 Prague 1, Czech Republic
tel.: (00420 2) 242 151 78 - fax: (00420 2) 242 145 33

Contents

PUBLISHER
European Commission
(Directorate-General for Information)

EDITOR
Margie Lindsay
Tel : +44 (181) 546 9245
Fax : +44 (181) 287 1725
E-mail : 100113.223@compuserve.com

PRODUCTION
Cartermill International

SUBSCRIPTION AND ADVERTISING ENQUIRIES
Cartermill International
26 Rue de la Loi (B1)
1040 Brussels / Belgium
Tel: +32 (2) 280 17 37
Fax: +32 (2) 280 19 12

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the policies or views of the EU institutions or of the member states. Readers' reactions are welcome and wherever possible will be published.

Letters to the Editor should be addressed to:

The Editor of *European Dialogue*
c/o Colin Walker
(Directorate-General for Information)
European Commission
200 rue de la Loi - 1049 Brussels / Belgium
Tel: +32 (2) 299 9022
Fax: +32 (2) 299 9288
E-mail : colin-norman.walker@dg10.cec.be

COVER ILLUSTRATION
Béatrice Duculot

TYPESET / LAYOUT & DESIGN
TPP Brussels

PRINTED BY
IMPRESOR

English edition
For Commission internal use only

This publication is available in Bulgarian, Czech, Estonian, Hungarian, Latvian, Lithuanian, Polish, Romanian, Slovak and Slovenian

Enlargement takes centre stage

No trumpet fanfares heralded the historic moment in the European Parliament in Strasbourg when the Commission formally and publicly committed the EU to the goal of full membership for 10 countries from central Europe and the Baltic states. The Commission's individual opinions on each of the 10 candidates put into black and white the position for both sides.

With the presentation of the 10 opinions, together with the Commission's blueprint for the next century, Agenda 2000, the EU and candidates have embarked on a new and more challenging future.

The work towards enlargement has only just begun, despite the significant achievements and efforts made so far. While there are still several question marks over how this enlargement will work in practice and when both the EU member states and the candidates will be ready, it is clear that all sides are fully committed to the ultimate goal of enlarging the Union to include all 10 central European and Baltic states as well as Cyprus. All indications are that early in the next century the EU will be welcoming its latest new members.

The distance the 10 candidates have travelled so far is impressive. It is clear in all the opinions delivered by the Commission that these countries have achieved amazing results in a relatively short time. The fact that five of the 10 are seen to be more or less ready to open negotiations while the other five need more time and effort to prepare for full membership is a tribute to the commitment of both the populations and governments of these countries as well as to the efforts the EU has put in to prepare them for membership.

Now the hard work on both sides really begins. In the new accession partnership, the Commission will be helping to identify the priorities for each candidate seeking membership. This will include recommendations for investment into specific areas, projects and sectors. Help will be forthcoming in part from a renewed Phare programme (ED 1997/5, page 9) as well as from the European Investment Bank (EIB), the EU's financing institution (see separate article). But no matter how much money is on offer from the EU, significant investments will be needed by both governments and the private sector in all 10 candidate countries to bring infrastructure and industry up to EU standards.

European Parliament

"We'll be looking at how the different systems, the different legislation can be harmonised. If you look at the money we are offering it is a significant investment in our partners. By the year 2000 we will double our present amount of assistance to Ecu 3.2bn a year for all 10 countries. The total amount over the period 2000-06 will

Too early to start celebrations. The work towards enlargement has only just begun, despite the significant achievements and efforts made so far.

be around Ecu 53.8bn to the new member states," explains External Affairs Commissioner Hans van den Broek. "We are not only making a commitment to the candidates but to our own countries. This is a process of integration," Mr van den Broek told *European Dialogue.* "We have not yet set a target date. The Commission has no interest in slowing down the integration process. But it is realistic to say we don't expect our first entries earlier than in the medium-term and whether that means the year 2000 or 2002 or 2003 — all of which have been put forward as examples of the medium-term — is not so important. It would be useful to have a target, but our first concern is that the first wave of negotiations ensures these countries fulfil all the conditions for membership," says Mr van den Broek.

It is clear in the opinions that none of the applicant countries at present fulfil all the membership conditions.

"Our recommendation is to open negotiations with six — that's five from central Europe and the Baltic states plus Cyprus. This has to do with our educated guess, through analysis, that these countries may fulfil all the requirements in the medium-term. It then makes sense to open negotiations and in parallel to intensify preparations with the other countries in order to prevent a feeling of being left aside. We will elaborate a reinforcement of our pre-accession strategy and assistance. Funding will be stepped up. We have to re-orient the Phare programme to more direct accession issues. We will conclude annually accession partnership agreements with all of the candidates. This will commit action on both sides — our assistance and their implementation," explains Mr van den Broek.

Also of importance will be the annual report to the heads of state and government about the progress made with the candidates. "As soon as a candidate reaches the stage of fulfilling all requirements in the medium-term, we will recommend that state to join the negotiations," confirms Mr van den Broek. "All of this shows clearly that differentiation of starting dates for negotiation is not discrimination. "

Another new idea contained in Agenda 2000 is the European Conference. Mr van den Broek sees this as underpinning the concept of a European family.

"This will prepare all candidates as prospective members. Accession-related issues should be discussed in a multi-lateral framework. This European Conference has a different objective than the structured dialogue. The European Conference should deal with common foreign and security policy and justice and home affairs issues where and when the subject of common interest is raised. But this formula also has the purpose of strengthening the togetherness of the European family. All the countries that aspire to membership — all the associated countries — should be entitled and should participate in this conference and that includes Turkey, but also others," confirms Mr van den Broek.

Margie Lindsay/SC Photographic

The distance the 10 candidates have travelled so far is impressive. It is clear in all the opinions delivered by the Commission that these countries have achieved amazing results in a relatively short time.

But will the European Council give the green-light to the Commission's proposals? Mr van den Broek is quietly confident they will agree with the Commission's recommendations. "You can't really predict what will happen. It will be a highly interesting discussion, particularly when agriculture comes to the fore. You can be assured of lengthy, heated debate. We have the question of further institutional reform. We need to complete institution reform before the first entries. One can easily ask why we are confident. Simple answer. All the member states have the clear policy objective of not having our own institutional problems delay the enlargement process," says Mr van den Broek.

No one denies that there are significant obstacles in the way of enlargement, but Mr van den Broek is equally confident that the Commission, working together with the candidates, will be able to overcome these difficulties.

"I am sure the job will be done. There are sizeable difficulties. These we will discuss. On our own side agriculture and structural fund reform are two. We feel the Commission has made balanced proposals, taking into account the different interests and positions of the member states. We are in for tough and complex negotiations."

As the start of negotiations draws near, Mr van den Broek has a final observation. "Enlargement is obviously an historic challenge. I know it's a cliche, but it's also true. We are determining the image of Europe for many decades to come. And my personal message to the candidates? Remain optimistic. Good luck to all — and to ourselves." ■

Enhanced role for EIB

The European Investment Bank (EIB), the EU's autonomous investment financing institution, has played an active part in the transition process in the 10 candidate countries as well as Albania. Now its role is set to intensify as the bank launches a new pre-accession financial facility and is drawn into the enlargement process even further.

Set up by the Treaty of Rome in 1958, the EIB raises the bulk of its financial resources on the international capital markets. These funds are used to finance projects which meet EU policy objectives. Lending outside the 15 member states is restricted. Aside from the 10 candidates the EIB operates under financial protocols attached to EU co-operation agreements with 12 countries in the Mediterranean region, 30 countries in Asia and Latin America and under the Lome Convention in 70 African, Caribbean and Pacific states.

As relations with the 10 candidates enter a new phase, the bank's operations in these countries is set to reflect the policy shift. Lending to the 10 will more closely mirror the bank's lending priorities and strategies for existing member states. This means finance will concentrate on the transport, energy, telecommunications and environment sectors in particular. In Agenda 2000 the bank is singled out as the main external financing institution for the pre-accession process.

"Our first objective is to provide appropriate funding for investment needs of the individual country," explains Walter Cernoia, director for central and eastern Europe at EIB. "This year a large share of our operations will not have sovereign support and will be either with private companies or backed by guarantees outside the government sphere."

The EIB received a mandate from the Council in January 1997 to lend Ecu 3.5bn to the 10 candidate countries and Albania. In addition the bank has been asked to put together a substantial pre-accession support facility to help the 10 candidates integrate into the Union. "Substantial? This is difficult to define. At present we are defining the needs of the countries concerned. On the basis of this, assessment funds will be made available. There is no figure in mind yet," explains Mr Cernoia. "We will continue to concentrate on integration projects in sectors which are normal for the bank in its interventions within the EU. We want to consider gradually these 10 countries as member states before accession in terms of eligibility and approach to lending. We will try to give the maximum possible priority to environment. This is a key area where these countries need to improve. They need a huge amount of money to be mobilised. We will also try to support small- and medium-sized enterprises — another priority area in the EU. We will do exactly as we do in the EU. We will centre our priorities and reduce as much as possible the regional imbalances. But remember, we've had 40 years in the EU to do this. In the candidate countries we need to accelerate the process," says Mr Cernoia.

Sue Cunningham Photographic

The EIB will concentrate on integration projects in sectors which are normal for the bank in its interventions within the EU. We want to consider gradually these 10 countries as member states before accession in terms of eligibility and approach to lending.

The EIB grants medium- and long-term loans up to 20 years for infrastructure projects. So far, many of the loans to the candidate countries have been of 20 years duration with a five-year grace period — five years during which no repayments of the loan need be made.

With the re-orientation of Phare, financial aid will focus on membership. Up to 70 per cent of Phare money may be used for investments covering the adoption of the *acquis* (EU law) as well as infrastructure and other areas.

In those countries where most of the *acquis* has been adopted, Phare money is expected to be used for investment in projects which will speed-up integration. As a result Phare will be working more closely with EIB in future on co-financing of projects.

"Our idea is to accelerate lending and consider these countries more as member states and target the type of projects and sectors we do in the EU. We will work with the Commission and the individual directorate-generals as we have in the past. It is clear whatever we do we will take into

account EU policies and objectives," says Mr Cernoia.
The infrastructure needs of the 10 candidates are significant. Transport in particular is an area where the EIB has been active and will continue to focus its lending. Between 1990-96 lending activity in transport concentrated mainly on roads (Ecu 862m) and railways (Ecu 683m). Airports and air traffic control services received Ecu 215m and ports Ecu 69m while Ecu 40m went to urban transport.
"Whatever we do we do according to EU standards. This may make projects more costly at first but this is investment which is standard and needed in the Union. It is cheaper to do it now than later," explains Mr Cernoia.
While it is clear that EIB lending to the 10 candidates will increase, the bank cannot finance 100 per cent of projects. Phare will increasingly become a key player and other financial institutions, like the European Bank for Reconstruction and Development and possibly the World Bank, are also expected to co-finance along with governments and private industry.
"This bank was established for member states and our core business is member states and it will continue to be but one of our main objective in the near future is enlargement. That is the focus for us in the months to come," remarks Mr Cernoia.
The bank has good relations with all 10 candidate countries governments. "We are proud to have developed what we have. When I joined this area in 1992, most of these countries didn't know us. Now we are identified very clearly as 'their' bank. We are not a bank out to make money but to help to accelerate the accession process," says Mr Cernoia. "While our core business is in the member states, enlargement is a very high priority on our agenda and our work in the candidate countries in future will no doubt be substantially more important than now," concludes Mr Cernoia. ■

Agenda 2000

Single market issues remain important

"We are not starting our enlargement efforts today. We started in 1995 with the White Paper on the Single Market and we see the opinions not as the starting point, but as entering a new phase," Single Market Commissioner Mario Monti told *European Dialogue.*
"What is important is that the road is now clear. The candidates know where they stand and what in our view are their strengths and weaknesses."
Mr Monti stresses that putting the legislation on the statute books is just one step in the process of establishing the single market. The needed judicial and monitoring bodies should be operational too. He believes that all 10 countries are well on the way to integration with the EU single market. "Consider the enormous savings in time and energy as these countries introduce new legislation which conforms to EU rules. They already have a certain advantage of bringing the single market into their economy through modern legislation. These countries are already ahead, independent of the accession process."
But Mr Monti stresses that much more work needs to be done. The office set up to oversee the White Paper on the Single Market, TAIEX , will be undergoing significant change and expansion. "The single market is a moving target for these countries. We here in the EU are also in the process of change. Objective 1999 adopted by the Amsterdam Council meeting outlines what we have in mind in terms of further strengthening the single market," says Mr Monti.
The Commissioner also stresses the collegiate approach that the EU will take to enlargement. "We have different views and they converge into one. We co-operate. The pre-accession efforts will include not only DGIA but will entail a fairly high degree of decentralisation with the other services. This will also mean the expansion of TAIEX as well as involving the services and experts of individual member states", explains Mr Monti. ■

Talking about enlargement

We are disappointed that Slovakia was not included into the first group of candidates with which the Commission recommended to start negotiations early next year. If you read detailed analysis of the Commission on Slovakia, you can find that Slovakia is capable to fulfil economic criteria as well as criteria of ability to assume the obligation of membership in the medium-term as well as any other chosen candidate.
On the other hand, we think that problems which according to the opinion of the Commission arise from the fulfilment of political criteria should be overcome by appropriate dialogue between Slovakia and the EU. We believe that this will lead to the decision to open negotiations with Slovakia in the shortest possible time.

Emil Kuchar, Ambassador of Slovakia to the EU

We are satisfied. We are happy. We have reached a very important stage and that stage has now closed. The results are satisfactory to Hungary and we are hopeful the proposals can be adopted by the Council and next year we can start the negotiations.
In the Hungarian opinion there are obviously some critical remarks. This will be as a guide for us for the future actions but a deeper analysis is needed. At first glance, we will build into our programme these critical remarks.
On Agenda 2000, we are hopeful this will be adopted, particularly the common agricultural policy (CAP) reforms. We in Hungary always encouraged a CAP reform which moves closer to world market realities which we follow and would help facilitate the integration of Hungarian agriculture into the EU.

Endre Juhasz, Ambassador of Hungary to the EU


European Parliament

Commissioner Hans van den Broek met with EU ambassadors of the candidate countries before officially presenting the opinions to the European Parliament.

I am hesitating whether to consider as more important for us nowadays the opinion itself or proposals of the European Commission contained in the other parts of Agenda 2000. I accept the opinion on the Czech Republic as very objective, evaluating the state on preparedness and realistic prospects for the future which will not bring too many surprising discoveries to our authorities.
As to the political part of the opinion, there I have some reservations concerning first of all the interpretation of our modern history. I am naturally happy that the EU sees my country as one of the best prepared candidates for the start of negotiations. We definitely perceive it as an obligation for us to increase further our effort. The main orientation is now clear.
The proposals contained in other parts of Agenda 2000 will raise without doubt many controversies with some vested interests within the EU. Their outcome is beyond our reach, but it may influence heavily real prospects of our future accession.

Josef Kreuter, Ambassador of the Czech Republic to the EU

I am confident that the Latvian government will carefully study all objective criticism and will adopt an ambitious and efficient action programme which will enable Latvia to qualify for accession negotiations in the shortest possible time. Latvia will presently continue its initiated policy in accordance with the national programme for European integration.
The Commission's opinion provides a clear and positive view of Latvia's achievements, of the determined and successful implementation of reforms and of its future prospects. It is with this evaluation that this document will enter the history of our mutual relations. Therefore, it is unfortunate that due to inexplicable secrecy or haste during the last stage of this elaboration, some unpleasant details have emerged which might lead to contest the absolute exactitude of this valuable document.

Juris Kanels, Ambassador of Latvia to the EU

Slovenia is satisfied that it has been included by the Commission in the first group of countries to start the accession negotiations early next year. This is a strong signal to the Council and to member states indicating that Slovenia is well on its way to cope successfully with the requests of the Union membership.
The opinion on Slovenia is but a small part of the accession-related documents prepared by the Commission. Its effect of the enlargement and the document on how to reinforce the pre-accession strategy for the candidate countries are of high importance as well.
The Accession Partnership agreements and other financial arrangements which will complement the existing framework offered to the candidates will be among our main priorities in the period until the end of the year.

Boris Cizelj, Ambassador of Slovenia to the EU

While noting the efforts made for an objective analysis of the conditions prevailing in each country, Romania was deeply disappointed by the conclusion of the report to the effect that the aspiring countries should be separated into two groups from which one would begin the negotiation on accession before the other. Since the reintegration of central and eastern Europe into the family of European nations is supposed to be one over-all process, any artificial division among them or creation of first and second class categories would be frustrating and detrimental to their interests and to Europe.
We believe that the EU should remain committed to the principle of equal opportunities which guided the EU all along the implementation of the pre-accession strategy. In line with that the process of negotiations for accession should start simultaneously with all candidate countries. Any differentiation with regard to the degree of their preparation for accession could then contribute to the acceleration of the progress in those countries whose preparation for accession would require a longer time.
Since the opinion issued by the Commission is only a technical devise, we hope and trust — in fact we expect it — that the European Council will reinstate clarity on the issue by adopting the right political decision.

Constantin Ene, Ambassador of Romania to the EU

The fact that Poland has been recommended as one of the first candidate countries to begin accession negotiations is a logical consequence of a positive differentiation formula applied by the European Commission. On the other hand we fully share the opinion expressed by Commissioner van den Broek that differentiation does not mean discrimination and, therefore, the door to the EU remains open to all the candidates.
While reading the opinions and Agenda 2000, one should bear in mind that enlargement is not a zero-sum game and it is in the interest of both the EU and central and east European countries to complete the integration process. Enlargement will certainly strengthen the international position of the Union, the community of values, stability and security will encompass the whole of the continent. Extension of the common market to about 40m Polish consumers will boost economic growth and improve the trans-border division of labour.

Jan Truszczynski, Ambassador of Poland to the EU

The opinion of the Commission on the application of Bulgaria for membership provides important reference for the lagging behind of Bulgaria in terms of commitment to market-oriented economic policy, land reform, privatisation and the development of a dynamic private sector. We welcome the fact that the Commission's opinion reflects the rapid progress of Bulgaria in the past six months in most of the areas as well as the consensus attained about the willingness to pursue economic reforms. We fully share the view that if the authorities can translate their renewed

European Parliament

commitment to economic transition into successful and sustained action, a turnaround in Bulgaria's prospects is possible.
The government believes the prospects for accession to the EU should be formulated in a clear and definite way for each of the candidate countries. The government is aware that accession is a lengthy process, demanding the mobilisation of the whole of Bulgarian society. We intend to use the yearly reviews to speed up the reform process, make up for time lost and meet the relevant criteria in order to start the negotiations with the EU within a reasonable time-frame.

Evgeni Ivanov, Ambassador of Bulgaria to the EU

The situation in Lithuania has been changing fast over the last years and the Commission's conclusions are drawn on somewhat old impressions and images of Lithuania. I do believe that it is possible sooner, rather than later, to prove that sufficient progress has been made in order to start accession negotiations.

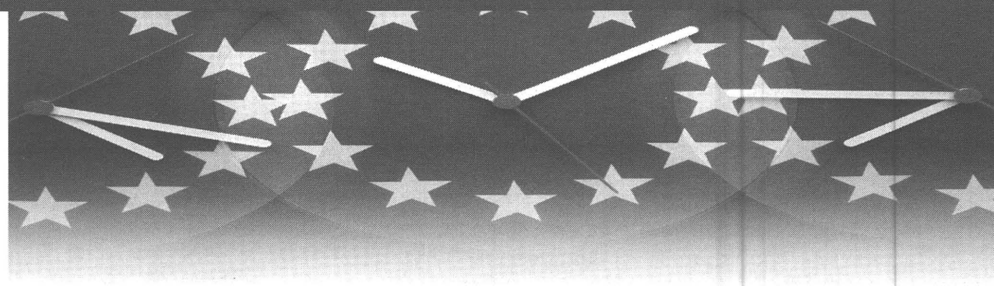
Jonas Cicinskas, Ambassador of Lithuania to the EU

The Estonian government welcomes the recommendation made by the European Commission on the opening of accession negotiations with Estonia. The government will continue to prepare inevitably for accession to the EU, paying special attention to the areas pointed out in the Commission's opinion where more work needs to be done in order to participate fully in the functioning of the EU. The government will prepare a detailed work plan specifying specific areas where special efforts are needed prior to accession.
The government is confident that Estonia will soon be ready to play a productive and active role in building a new and stronger Europe and looks forward to starting accession negotiations at the beginning of 1998.

Mart Siimann, Prime Minister of Estonia

Regions play increasing role in EU affairs

With the Amsterdam summit and Agenda 2000, one of the European Union's youngest bodies spotted a gap it could aim to fill and at the same time boost its own credibility.



Although one of the smaller players on the EU stage, the Committee of the Regions sees enlargement of the Union as a challenge that is too great for the member states alone to overcome without its help.

The consultative body, made up of elected representatives of the EU's cities and regions, is seeking to carve out its niche in the process as the EU's representation on the ground, closest to the citizen, with hands-on experience of cross-border co-operation of several years.

The impact it may have on the accession of the 10 candidate countries into the EU is, however, a moot point, as its powers are limited.

Established by the Maastricht Treaty of 1992, as an embodiment of the principle of subsidiarity, whereby decisions should be taken at the most localised level consistent with the effective action, the Committee of the Regions considers itself "one of the guardians of subsidiarity". It is proud of its role in promoting a Europe "closer to its citizens".

The Committee of the Regions considers itself "one of the guardians of subsidiarity". It is proud of its role in promoting a Europe "closer to its citizens".

Decentralised states, principally Germany with some support from Spain, were instrumental in pushing for the creation of the committee. It was the German Länder who originally had the idea of a senate of the regions which did not include local authorities and had more than just consultative powers.

The body which finally emerged from the treaty negotiations and began work in 1994 found itself restricted to an advisory function. Its 222 full members — all democratically elected local or regional representatives such as mayors, county councillors or regional presidents — have to be consulted by the Commission and the Council of Ministers in five policy areas which have a direct impact on local and regional authorities.

These policy areas are economic and social cohesion, including the structural funds, trans-European transport, telecommunication and energy infrastructure networks, public health, education and youth and culture.

Both the Commission or Council can consult the committee on other areas, such as the right of EU nationals to vote in local elections in any member state in which they live. Sometimes the committee also adopts own-initiative opinions on subjects, such as agriculture, the environment or urban policies. These are sent to the Commission, Council and European Parliament.

Specialised commissions within the Committee of the Regions work on drafting opinions which are non-binding. These opinions are voted on in plenary sessions which take place five times a year.

The Commission, while it conscientiously considers these opinions, gives feedback to the committee and can take certain elements on board. However, it is not bound to incorporate the committee's suggestions into its proposals.

A report in April prepared by two committee members — the Minister-President of Bavaria, Edmund Stoiber, and Fernando Gomes, mayor of Porto — highlights the limitations on the power of the regional body.

"The Committee of the Regions's present situation in the institutional framework and the way it is involved in the decision-making processes does not, for the moment, allow it to play its part adequately in strengthening the Union's democratic legitimacy and bringing it close to the citizen," they write.

Conscious of its narrow remit, the committee lobbied for a wider one, holding its own Amsterdam summit in May, one month ahead of the inter-governmental conference attended in the Dutch capital by national governments. The committee dubbed its own summit "the summit of the little ones".

Some of its demands were met in the new Amsterdam Treaty. It has seen its areas of mandatory consultation by the Council and Commission extended to now include employment, social matters, implementing measures on public health, the environment, vocational training, transport and the implementation of the social fund.

The treaty for the first time also allows the European Parliament the right to consult the committee if it wishes to

do so.
The Committee of the Regions has also gained the right to autonomy from the Economic and Social Committee (ESC) with whom it currently shares staff and facilities such as translation and meeting arrangements.
The common organisational structure had caused some dissatisfaction, with the committee complaining that the ESC worked to a different rhythm.
Once the draft Amsterdam Treaty has been ratified, the 500 shared members of staff will be split between the two bodies, although precise details of this arrangement have not been finalised. The committee has yet to reach its full organisational independence. Its members, for example, will still be nominated by EU governments when its next four-year mandate begins in 1998.
The committee has not achieved one of its primary goals in the Treaty yet — the right for itself or regions with legislative powers to bring proceedings before the European Court of Justice. This demand, which the Commission has not backed, is still being pursued by the committee.
More importantly, the new treaty does not recognise the committee as an institution in its own right and does not explicitly mention cities and regions.
Kurt Gaissert, secretary of the Committee of the Regions's commission on institutional affairs says, "We want to be an institution under article 4, paragraph 1 of the treaty which means being part of the club. Currently we are just mentioned in paragraph 2 as a consultative body."
He explains the committee's typical step-by-step approach. "If you go into the legal depth of this demand, this says that in the medium-term you get additional responsibility. The philosophy behind that in the long-term is that we should have more than a consultative function."
Despite only partial success at the Amsterdam summit, Mr Maragall hailed the way the committee's "message got through", claiming "a growing recognition of the role and influence of the regions and cities in the construction of the new Europe".
The committee is particularly pleased with the way the new treaty recognises the importance of the regions in cross-border co-operation, making it mandatory for the Council and the Commission to consult the Committee of the Regions on certain issues.
The committee is now planning to play what it describes as a pivotal role in the any proposals put forward by the Commission or Council on enlargement. It says if cross-border co-operation is to be successful, it must be a bottom-up process.
"The task is enormous. It is too big for the member states alone. The different levels of government have to participate in this work," explains Mr Gaissert. He believes one of the main functions of the committee is bringing local and regional representatives of the candidate countries together with those of the current 15 member states, acting as a point of contact.
At present the committee helps answer questions from local and regional authorities from the 10 candidate countries and makes suggestions on how to develop their local and regional autonomy — something it seeks to champion at every opportunity.
In June the committee hosted a forum on co-operation beyond the borders of the Union where local and regional representatives from EU member states show-cased cross-border initiatives with their counterparts in the 10 candidates. Many of the projects on display were funded by money available under the EU Phare programme.
The initiatives ranged from co-operation between Aarhus in Denmark and Kiel in Germany with Tallinn, Estonia, on saving energy in schools to a projects set up by Baerenstein in Saxony and Vejprty in the Czech Republic to find the best economic and ecological solution to cleaning sewage.
Mr Gaissert acknowledges that the benefits of such co-operation for the better developed countries in the Union are more medium-term and with an annual budget of Ecu 16m, the committee cannot itself fund such co-operation projects directly.
Some EU regions, however, do have money for such initiatives available and Mr Gaissert stresses the importance of the committee's role in building such bridges between countries and encouraging an exchange of skills and know-how. This groundwork is useful in helping the candidates prepare for membership and inclusion in many of the regional programmes open to EU member states and regions. ■

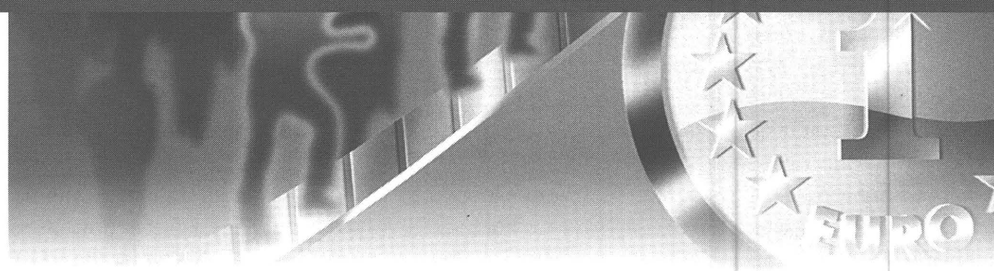
Stella Dillon, Brussels

More information on Committee of the Regions from Rue Belliard 79, 1040 Brussels, Belgium (Tel: (322) 282 2155; Fax: (322) 282 2085; Internet address: http://www.cor.eu.int or http://europa.eu.int/-comreg/comreg.html.

Committee of the Regions

French companies prepare for euro day

As the deadline for introduction of the euro, the new European single currency, comes closer, French companies and banks are well advanced with preparations to deal with the change but they say many of the potential problems are simply unpredictable.



"We are looking for the answers but we are not sure we know all the questions," says the finance director of one medium-sized French company, reflecting on how his company should prepare for the introduction of the euro. The new currency is to be introduced for banking transactions on January 1 1999 and come into full use in 2002 when euro notes and coins are scheduled to replace national currencies in member countries.

While many of the larger French companies refuse to discuss their strategy for dealing with this monetary revolution — apparently in the belief that the information could be used by their competitors — smaller companies admit to varying degrees of preparation. These vary from working flat out to gear-up computer systems for the new accounting to doing absolutely nothing.

"The euro for us is a non-event," says Philippe Laurent, chief executive of Com 1. His company buys cars in EU countries, such as Belgium, the Netherlands and Portugal where the value-added tax (VAT) rates are lower than in France and sells them to French purchasers. Last year it handled 10,000 cars with a turnover of Fr 4.2m (Ecu 636.363).

Mr Laurent sees little change to his business and admits to making no preparations for monetary union. "A calculator costs Fr 50," he explains.

European Commission

Elsewhere the picture is radically different. At the clothing designer and retailer Naf Naf, with a turnover of Fr 1.2bn (Ecu 181m), François Mathieu, the company's finance director, says frankly, "I do not dare to imagine the problems that we are likely to meet throughout Europe." Naf Naf has subsidiaries in Britain, which is unlikely to be in the first wave of countries participating in EMU, as well as Portugal and Spain.

While politicians argue whether Europe can, will or should be ready for a single currency in time, banks and business do not have the same luxury. Many of them are working flat out to adapt their systems and prepare for a change that they assume is inevitable.

The participation of the Iberian countries in EMU is problematic. Naf Naf also has subsidiaries in Belgium and the Netherlands. This means that Naf Naf's European business will be divided between euro and non-euro countries.

Mr Mathieu says that although Naf Naf expects most of its guidance to come from its bankers, they know little about the task ahead. "We were invited recently to an information meeting organised by Credit Mutuel Bank on the main problems in all areas, be they juridical, financial or commercial. In the process we realised that the banks do not have the answer to all the questions that are arising today," he says. Nevertheless, he adds, it is on the banks that the heaviest responsibility for adjusting to the new currency will fall.

Pierre Simon, one of the Bank of France's three-member piloting committee advising banks, is optimistic, believing all banks and most French companies are preparing seriously and well for the change. With a typically French culinary reference, he says "the mayonnaise has taken".

He says every French bank has a euro working group, comprising accountants, commercial, communications and fiscal experts and computer engineers.

"The probability of a single currency is now a priority," says Mr Simon, a senior executive of the Paribas subsidiary Compagnie Bancaire. "No one can run the risk of not being ready."

From 1999, he says, capital markets, money markets, shares, bonds and state debt will be expressed in the euro "to give a strong signal and make it credible". Mr Simon does not suggest that all the French financial community favours a single currency but "if there are misgivings, they are being put to one side".

The banks and other companies will have to adapt their computer systems and embark on massive staff training programmes as the changes are introduced.

While politicians argue whether Europe can, will or should be ready for a single currency in time, banks and business do not have the same luxury. Many of them are working flat out to adapt their systems and prepare for a change that they assume is inevitable.

At the Paris headquarters of Paribas, Alain Deschenes, a Canadian in charge of the bank's computer systems, describes the information technology staff as being "in a constant state of emergency" to get the bank's computer systems ready for "the migration to euro".

The bank, which last year earmarked Fr 300m to update its technology for the euro, has set an internal target date of June 1998 to have its systems ready for testing and training — six months before the introduction of the currency for all paper transactions.

The real test will come on January 1 1999 which, to the banks' relief, falls on a Friday "so we've already got a three-day span . . . but it's going to be a very tight and very difficult schedule for those three days," Mr Deschenes says.

Jean-Marc Cohen, a consultant from the Sema Group software and systems integrator company which is advising Paribas on the changeover, adds that, although the new software will be tested beforehand, "we have to translate the data from the domestic currency to the euro currency. And that's for the last weekend."

Paribas' executive committee decided in March 1996 that the French and German governments' political resolve to create the euro on schedule was sufficiently strong for the bank to start preparations in earnest "for a process where the date will not change. It would take a lot, I believe politically, to have the date of euro change."

Mr Deschenes says he and his team of 1,000 information technology personnel, including 300 Paribas staff in London, "couldn't wait for all the final decisions on euro to be taken within the bank and within the financial community" before making their plans.

In September 1996 Mr Deschenes "came up with an initial evaluation that the move to euro would cost [Paribas] somewhere around 200 man-years of effort."

Now, "we want to track these changes," he says. "What we want to do is to have all our systems euro-ready, if you will, for June 1998. Why June 1998? Because in the financial institutions a lot of these systems are intertwined, are communicating with one another. To test for euro, to be ready to move to euro and really have quality, we believe that a six-month period to test everything — and also as a buffer in case anything slips — is fundamental."

According to Paribas officials the various methods of training staff for the change have not yet been finalised and is likely to come late in the day so that staff, as far as possible, go straight from learning to working in the new currency.

In commercial companies the attitude to training is much the same. "Before training the staff," says Mr Mathieu at Naf Naf, "we have to know exactly what we're going to do and at what date and define our plans for training. We're practically sure that anything we teach people will be lost in a year without putting it into practice. For us, the problem is perhaps greater than for other companies," Mr Mathieu adds.

"We have a financial year that is not the calendar year. The passage to the euro is supposed to take place on January 1 1999 as far as the structural currency is concerned, and we will move to the fiduciary currency on January 1 2002. For a company like ours with a financial year running from March to February, this means we'll probably have to move to the euro before 2002. Our annual report, our financial reports will have to be in euros before that date. We'll have to move to the euro before many other companies and before most of the government institutions in France," remarks Mr Mathieu.

Even then there will be added complications because many French state institutions dealing with the private citizen will retain the franc until the very end, he says. "There will be a lag between companies and the public service, for example, social security. Companies will have to continue accounting in francs for social security right up until 2002."

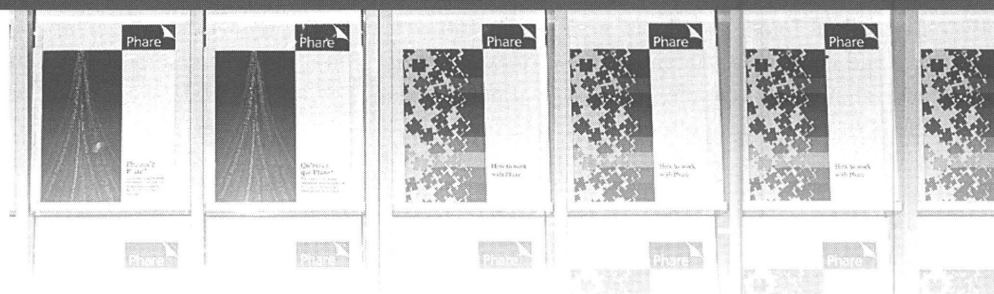
As for the cost of making the changeover, Mr Mathieu says he has not been able to make the calculation since his company's computer systems have been upgraded simultaneously to handle the euro and the cybernetic nightmare of the year 2000. "We don't have an idea of costs," he says. "Most of these will come from computer software. We have just changed all our software, most of it takes the euro into account. and it also provides for the year 2000."

Paribas says the issue is made all the more complicated because not all aspects of the transition have been worked out. "Details of the mechanics of the changeover haven't been quite decided yet on the marketplace," Mr Deschenes said. "This makes it difficult for us to evaluate exactly what this means for our systems. Our philosophy is we can't say 'we don't know'. We basically take the most likely outcome. We take the best educated guess and plan accordingly." ■

Julian Nundy, Paris

Phare impact seen as positive

The EU Phare programme has taken the lead on the Union's technical assistance to the transition economies. The first evaluation of the programme points out some positive aspects of its work, as well as highlighting its deficiencies.



While it is always difficult to evaluate the impact of EU programmes, it is clear from the tentative conclusions reached in its review* of the Phare programme that its impact so far has been impressive.

The programme (ED 1997/5, page 9) has adapted to changing circumstances in its partner countries and now is focusing its efforts to help the 10 candidate countries meet EU membership requirements. The first global evaluation of the programme's activities, faults and positive points looks at projects and operations in the 10 candidate countries.

Initially Phare was concerned with helping countries in the economic and political transformation process. In this respect the programme has been seen as a success. It developed into the single largest source of donor financing for know-how transfer to the target countries and played a crucial role in areas where other donors did not devote much interest or resources.

These covered in particular the development of democracy and civil society, national statistical services and customs offices. One of Phare's greatest achievements was also to foster cross-border and multi-country programmes which brought together countries as equal partners, helping to encourage the exchange of information and experiences and build up real co-operation and understanding between countries, governments and individuals.

The flexibility of the programme has in retrospect been seen to have been a plus point. The ability of the programme to adapt to changing circumstances allowed it to respond to new objectives and priorities as the transition process progressed.

But there were also some short-comings. A great many factors, some originating in partner countries, others in the EU and Commission, lessened the full potential of the programme. The demand-driven approach was both a strength and a weakness, says the evaluation. The approach may have helped Phare partner countries feel more involved and relate to the programme directly, but it also led to fragmentation of effort and the dispersal of resources. Its effectiveness and impact were diluted by a lack of leverage to ensure good programme performance, by deficiencies in project cycle management and by "a preoccupation with financial and procedural control to the detriment of substantive programme design and performance".

The report goes on to say that "Within sectors targeted in the country programmes, a lack of prior sector analysis and strategic vision has sometimes resulted in a shopping list approach, although the introduction of multi-annual indicative programmes from 1995 onwards has somewhat mitigated this situation. The switch to an accession-driven approach should allow clearer definition of priorities and also contribute to a tightening up of programming."

The EU Phare programme has adapted to changing circumstances in its partner countries and now is focusing its efforts to help the 10 candidate countries meet EU membership requirements. The first global evaluation of the programme's activities, faults and positive points looks at projects and operations in the 10 candidate countries.

The present evaluation report covers a Phare era that is rapidly coming to an end. From its inception until the mid-1990s, Phare was an instrument of support for the transition process. The recent decision to focus the programme on helping the 10 candidate countries during the pre-accession period will further strengthen Phare's relevance. ■

** The Phare Programme: an interim evaluation published by the European Commission. Copies are available from 27 Rue Montoyer, B-1000 Brussels (Tel: (322) 295 5694; Fax: (322) 295 8051).*

***Phare assistance by sector to national programmes** (by country, 1990-96 as per cent of total)*

	BG	EW	H	LV	PL	LT	RO	CS	CZ	SK	SLO
Administration and public institutions	3	8	7	9	6	7	3	0	6	7	9
Agricultural restructuring	10	3	11	1	14	3	11	0	2	8	0
Civil society (democracy)	1	0	0	0	0	1	1	0	0	1	0
Education, training, research	14	16	18	11	16	11	17	16	10	18	17
Environment and nuclear safety	12	4	11	5	8	2	1	15	2	1	0
Financial sector	3	1	3	15	5	11	1	0	0	6	4
Humanitarian, food, critical aid	5	0	0	0	0	0	11	0	0	0	0
Infrastructure (energy, transport, telecoms)	35	16	15	9	23	27	20	9	56	14	19
Approximation of legislation	1	3	0	5	0	3	0	0	0	0	0
Consumer protection	0	0	0	0	1	0	0	0	0	0	0
Private sector, restructuring, privatisation	10	22	25	10	16	13	20	30	10	25	20
Integrated regional measures	0	2	4	0	0	0	0	0	3	1	0
Social development and employment	1	3	4	9	3	4	2	7	8	8	7
Public health	5	0	2	0	2	0	3	0	0	2	0
Multi-disciplinary	1	22	1	27	2	19	10	22	4	8	24

Totals do not always equal 100 as figures have been rounded.

Notes: BG = Bulgaria; EW = Estonia; H = Hungary; LV = Latvia; PL = Poland; LT = Lithuania; RO = Romania; CS = former Czechoslovakia; CZ = Czech Republic; SK = Slovakia; SLO = Slovenia. Multi-country programme allocations are not included. Source: The Phare Programme: an interim evaluation, published by the European Commission (Tel: (322) 295 5694; Fax: (322) 295 8051).

***Phare commitments, contracts and payments by country** (1990-96: as of December 31 1996)*

	Commitments	Contracts		Payments	
	Ecu million		*per cent*	*Ecu million*	*per cent*
Bulgaria	538.2	341.4	63	308.2	57
Czech Republic	284.0	96.1	34	105.9	37
Estonia	130.3	65.1	50	38.2	29
Former Czechoslovakia	232.2	228.4	98	226.0	97
Hungary	683.8	461.8	67	459.0	67
Latvia	132.0	82.9	63	49.5	37
Lithuania	179.0	108.7	61	65.7	37
Poland	1389.5	862.9	62	858.5	61
Romania	726.1	491.0	68	406.3	56
Slovakia	130.9	73.0	56	70.0	53
Slovenia	91.0	90.3	99	88.3	97
Multi-country programme	704.2	486.8	69	373.0	53
Horizontal	742.6	474.2	64	323.6	44
Total	6636.1	4301.8	65	3727.2	56

Source: The Phare Programme: an interim evaluation, published by the European Commission (Tel: (322) 295 5694; Fax: (322) 295 8051).

EU executives give advice to business

As the pre-accession process kicks into high gear, bringing up industrial standards in the candidate countries will become more important. The EU already has several programmes aimed at helping this important sector.

One group of projects which aims to share western business and industrial know-how with the candidate countries looks set to safeguard its niche position and expand over the next few years.

The placing of western businessmen and industrialists with companies in the 10 candidates and the opportunity for managers from these countries to visit businesses and factories in the EU are two of the initiatives making up the Union's industrial co-operation strategy. This increasingly important form of collaboration involves helping governments operate the new quality and standards infrastructures that most have put in place in order to get industries working along more competitive western lines.

The rather quaintly named European Senior Service Network (ESSN) has existed since April 1995 and is set for a further extension at the end of this year. In essence ESSN is a type of matchmaker which attempts to combine youth with experience. For youth, read the raw, ready-to-learn businesses in the candidate countries adapting to the market economy. The programme covers all countries in the Phare programme, which includes the 10 candidates plus Albania, the Former Yugoslav Republic of Macedonia and Bosnia-Herzegovina.

The main problem is the imbalance in demand between the many managers from the candidate countries seeking placements and the number of EU companies able to offer them.

For experience, read managers from western factories and businesses who are retired or semi-retired, but willing to volunteer to pass on some of their expertise, know-how and skills.

The matching begins with companies in the 10 candidates filling in a relatively simple three-page questionnaire setting out a brief description of the company, its problems and how it believes outside expertise can help. The ESSN programme then attempts to find the right type of executive to fit the bill. In most cases a specialist can be found even for the most specific requests.

The executives give their time free. The only expense to the host company is that it lodges and provides a translator, if needed, for the volunteer executive. (The only exception is in Hungary, where the EU now asks companies for a small contribution towards expenses.)

The usual pattern is for an executive to go visit the company for around a week to get to know what the problems are and what the company expects from the western adviser. The executive then leaves the host company with a set of tasks to fulfil before making other, usually shorter, visits to check-up on changes and build on the progress that has been achieved. Usually a visiting executive spends between 20 and 30 man days on site with the host company with the relationship running for up to a year. The total cost of one placement programme with a company is around Ecu 25,000.

Often companies start with fairly specific demands, in most cases to get their sales and marketing operations running. Once this is successfully in place they often find that success on the sales front exposes other needs and demands for expertise downstream, for example in quality control, accounting, packaging or delivery. Because companies generally are limited to one guest advisor only, ESSN managers are attempting to supply managers with a fairly rounded experience — who can deal with the initial specific demands but who can also see further down the line and appreciate the problems that solving these can bring.

Usually a company helped by ESSN employs around 300 people. Although enterprises employing as few as 40 — in such high-technology, low-labour areas as electronics — or as many as 1,000 or 1,500 have also been offered ESSN advisers.

A variant of ESSN, known as EBRD TAM (turn-around management), due to the involvement of the European Bank for Reconstruction and Development (EBRD), allows managers over 45-years-old with a minimum of 15 years experience to take up paid placements with companies in the candidate countries. The cost of this service is usually twice that of an ESSN placement.

The Baltic states and Slovenia have shown themselves to be particularly keen to profit from this project. EBRD TAM looks likely to expand when its current mandate expires in April 1998.

A sister programme to ESSN, within the same overall COOPME (the French acronym for co-operation with small- and medium-sized enterprises) budget, is the industrial training attachment (ITA). This allows a manager from candidate countries to spend up to a month with a factory or business in the EU. Most of these exchanges are organised through EU business associations, such as the chemical industry association CEFIC, the European machine tools association, wood and paper producers, or the association of European chambers of commerce (Eurochambers). Preference is given to managers who have initially been linked to the ESSN programme.

The main problem is the imbalance in demand between the many managers from the candidate countries seeking placements and the number of EU companies able to offer them.

The ITA programme also ran a pilot project to bring consumer electronics manufacturers from the EU and the candidate countries together so that they could explore the possibilities of co-operation, components sourcing and joint ventures. The project was judged a success even though it sometimes painfully exposed the imbalances in business know-how and experience of local companies which the co-operation programmes are attempting to remedy. "Perhaps it was a bit too early for such an event," remarks one official involved in the organisation.

A problem facing the other two projects is how best to boost the uptake of participating companies if their hoped-for expansion is realised. One of the few criticisms of the programmes is that they are still too small.

Sue Ciunningham Photographic

Sue Cunningham Photographic

ESSN is a type of matchmaker which attempts to combine youth with experience. For youth, read the raw, ready-to-learn businesses in the candidate countries adapting to the market economy.

Letting companies know about the programme is the first step. Out of the 10 per cent that respond to an initial approach by letter, seven out of 10 take the step of learning more at residential seminars. Only one percent of the initial target finally make a proposal to take part in a co-operation project.

One question being posed is whether the take up could be improved by concentrating promotion efforts on certain regions. This could trigger a snowball effect in interest if companies become aware of the help their competitors receive.

A separate programme in the field of industrial standards, conformity assessment and quality assurance is PRAQ III (the third regional programme on quality assurance and other related fields). Its aim is to help the candidate countries develop the institutional framework needed for quality assurance (standardisation bodies, laboratories, accreditation bodies, those responsible for issuing certificates, inspection bodies, for example).

PRAQ III also pursues a number of actions aimed directly at the industrial sector. These include awareness campaigns for the single market and promotion of quality management techniques in order to raise competitiveness levels. ■

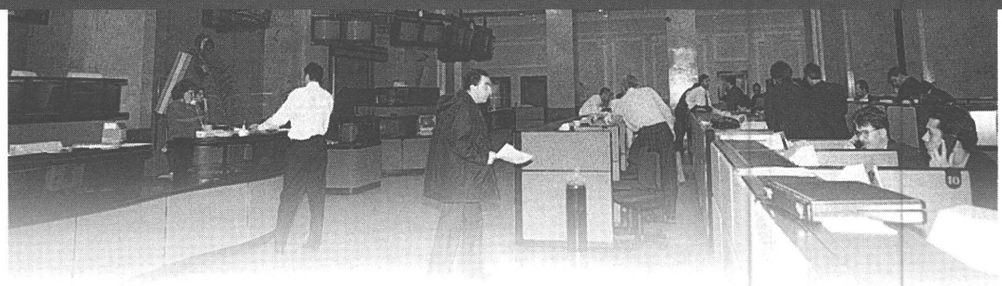
Kenneth Jones, Brussels

More information on ESSN and ITA from Philippe Kirsch, (Tel: (322) 295 1602; Fax: (322) 296 8040) and on PRAQ III from Georgios Antoniou (Tel: (322) 295 7096; Fax: (322) 296 8040) Directorate-General IA (Directorate General for External Political Relations), European Commission, 200 Rue de la Loi, 1049 Brussels

More information on the EBRD TAM programme from EBRD, One Exchange Square, London EC2A 2EH (Tel: (44 171) 338 6000; Fax: (44 171) 338 6100).

Setting up viable financial markets will take time and hard work

Convincing the EU's existing member states that it will be possible to create almost from scratch a financial services sector capable of coping with the rigours of the internal market will be an uphill struggle for the applicant countries.



The long-awaited opinion on the 10 candidate countries shows that all will find the task of transposing the relevant directives covering the financial services sector a challenge. Putting into place a highly sophisticated and developed capital markets and financial services sector is something which cannot be rushed. It takes time and experience for even the more developed market economies.

The existing member states over the years have built up an impressive amount of legislation concerning this still evolving and sometimes politically controversial sector. "It has taken almost 25 years for the existing EU member states to transpose all of the necessary financial services directives. These are countries which already had well developed financial services sectors," observes a spokesman for the European Insurance Committee. "[The applicants] face enormous problems. It will be many years before competitive financial markets are truly established," he adds.

Sue Cunningham Photographic

The existing member states over the years have built up an impressive amount of legislation concerning this still evolving and sometimes politically controversial sector.

Although precise problems in the financial services sector — which includes pensions, insurance, personal equity plans and financial advice as well as stock markets and banking — vary between the applicant states, all face the basic handicap of trying to build up this sector from scratch. Under the central planning system, financial services as present in developed market economies simply did not exist. The banking sector was state controlled and operated merely as a conduit for state subsidies.

The banking and financial systems which have now emerged from the rubble of the old system have evolved quickly and in some cases with little or no regulation. The development of such areas as pensions and insurance has been slow and difficult in all the candidates. Stock market development, too, varies significantly throughout the candidate countries and ranges from an almost totally hands-off approach by the state to the more ordered and regulated markets, such as in Poland and Hungary.

"The big problem for these countries is legal security. What do you do if a bank goes out of business for example, or how do you combat money laundering? These are the sorts of questions governments have to face," explains an official at the Banking Federation of the European Community (BFEC). The federation has links with many of the applicant states and is trying to help them solve these kinds of conundrums.

One of the most recent illustrations of the adverse effects of an unstable financial environment was the crisis in the

Czech Republic's banking sector. Problems for Prague began in the summer of 1996 when Kreditni Banka collapsed. This initial failure was followed within a couple of months by the failure of two other banks, AB Banka and Ceska Banka. By the end of 1996, six banks had been forced into public administration, four had been liquidated and two were formally declared bankrupt. Real fears of a domino effect toppling the entire financial system were openly voiced when polls revealed that half the Czech population distrusted all banks. The low point came when the country's fifth largest bank, Agrobanka, was taken into administration and the central bank was obliged to agree all of its deposits. This sort of banking crisis was not new to the transition economies. Other states had faced similar problems.

The obvious lack of any clear rules for controlling the sector was evidenced by the fact that the financial markets were either mismanaged or not managed at all. Several major companies were bought by asset strippers and the profits allegedly left the country. The worst scandal in the Czech Republic concerned the investment fund CS Fondy which was alleged to have embezzled Ecu 40m which turned up in foreign bank accounts.

Hard on the heels of the banking crisis came an attack on the Czech currency, the koruna. The Czech economic boom was to a large extent fuelled by the consumption of foreign goods, not all of which were imports of much-needed capital goods. The country's original trade surplus had turned into a deficit of eight per cent of GDP. The koruna finally collapsed under the strain, forcing the central bank to spend more than Ecu 2bn to shore up the currency — money the country could ill-afford to use and highlighting the vulnerable state of the Czech financial markets.

In April this year Czech Prime Minister Vaclav Klaus, an ardent advocate of the "free hand of the market" approach to regulation, was forced to put into place measures to control the volatile capital movements. The problems the Czech Republic faced were by no means strangers to the other applicant countries.

The Organisation for Economic Co-operation and Development (OECD) made public its worries about the viability of many Slovak banks while the Bulgarian system is far from healthy. A series of bank failures in the Baltic states caused concern there while Romania has also had its share of financial sector problems. In short all the candidates at one time or another have faced some sort of financial services sector crisis.

Some countries have tried to avoid the problems. For example, Poland has asked the European banking federation to help it draft rules to tighten up procedures in many areas including consolidating the existing financial services legislation, designing viable systems to combat fraud and money laundering and improving banks' physical security — in other words trying to prevent robberies and internal theft.

The EU's finance ministers were less than glowing in their assessment of the financial services sector in the applicant states when they met with their counterparts in Brussels at the beginning of July. The meeting formed part of the ongoing structured dialogue with the candidates and was held as part of the Council of Ministers' regular economic and finance (EcoFin) meeting. It was the first time EU finance chiefs had looked at the sector in detail since October 1995.

Ministers did grudgingly concede that some reforms had been made, but argued that a great deal more needed to be done. "Progress has to be consolidated and deepened as the situation still remains fragile. Basic measures concerning banking regulations have been adopted in most associated countries and their enforcement is now the major challenge," said a statement issued by the Luxembourg Presidency of the Council of Ministers after the meeting.

Although precise problems in the financial services sector — which includes pensions, insurance, personal equity plans and financial advice as well as stock markets and banking — vary between the applicant states, all face the basic handicap of trying to build up this sector from scratch.

This last worry — that it is one thing to pass a law, but quite another to be able to enforce it — is a constant concern of the Commission and EU member states.

The European Commission has the on-going task to provide help where possible and appropriate. Following it's re-structuring (ED 1997/5 page 9), the Commission's Phare programme now focuses on the pre-accession strategies developed for each candidate.

In a 1995 White Paper on the single market, the Commission highlighted over 20 financial services directives which will have to be transposed satisfactorily into national law before these countries can participate fully in the internal market.

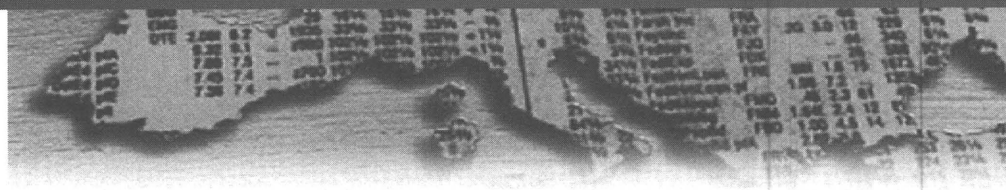
Brussels-based officials warn candidates and EU members not to expect miracles, arguing that in the long-term it will be better for the candidates to make slow, but steady, progress rather than risk political instability by rushing to complete the transposition process by an unrealistic deadline. "They will be ready when they are ready," said one expert cryptically. ■

Timothy Davidson, Brussels

More information on approximation of the financial services sector can be obtained from:

- *European Insurance Committee, Brussels Tel: (322) 547 5811*
- *Banking Federation of the European Community, Brussels Tel:(322) 508 3711*
- *European Training Foundation (Concentrates on higher and further education), Turin, Italy Tel: (39 11) 630 2222*
- *European Commission Directorate-General XV (DGXV, financial services), Brussels Tel: (322) 299 4107.*

in brief



More transparent Phare

In order to ensure that anyone interested in taking part in the EU Phare programme has equal access to information on upcoming projects, totalling Ecu 1.5bn a year, the Commission is improving transparency. According to External Affairs Commissioner Hans van den Broek, "It is also a pre-condition for continued support from the public and the European Parliament for these programmes that remain vital to the reform efforts of the candidate countries." Information on DGIA (external relations) can now be found at a one-stop Internet site at http://europa.eu.int/en/comm/dg1ahome.htm. Both general information and details of Phare programme tenders as well as information on Tacis (covering the former Soviet republics) and Obnova (covering the former Yugoslav republics excluding Slovenia). Searches can be made by country or sector. A feed-back electronic mailbox can also be used to request additional information or to solicit comments on how to improve the site.

European face for euro

The European Council approved the winning series of designs for the euro coin. Luc Luycx of the Royal Mint in Brussels designed the series, but the choice of the national face will be left to member states. The winning series presents the EU in its different forms, with a backdrop of stars and symbols of Europe. The one, two and five cent coins indicate Europe's place in the world while the 10, 20 and 50 cent coins present the EU as a gathering of nations. The one and two euro coins show a Europe without borders. Slight alterations are expected to the design before final approval is given. Mr Luycx won a prize worth Ecu 24,000 for his designs.

EU offers helping hand and money to flood victims

Significant funds from the EU are being given to Poland and the Czech Republic to help these two countries cope with the aftermath of massive flooding in June.

In south-western Poland over 50 people died, and tens of thousands were forced out of their homes. In the Czech Republic over 50 people lost their lives in the worst floods this century. Extensive flood damage was also reported in Hungary, Slovakia and Romania. There was catastrophic damage to buildings and infrastructure throughout the region.

The Commission's delegation in Warsaw used Ecu 300,000 to allow children from affected areas to go summer camps in safe parts of Poland in the summer. In addition the Commission re-allocated Ecu 65m from the existing EU Phare programme in Poland to help with flood damage. A further Ecu 500,00 has been allocated for Poland, the Czech Republic, Slovakia and Hungary. Following requests, mainly from the Federation of the Red Cross and Caritas, Ecu 2.5m of humanitarian aid was channelled to these organisation via the European Community Humanitarian Office (ECHO). In addition a further Ecu 2.5m will be used for the Czech Republic and Poland for light rehabilitation. ECHO is now considering further grants for all the countries which were affected by floods.

Emma Bonino, Commissioner responsible for humanitarian aid, told journalists in Prague at the end of July that damage and economic losses caused by the recent flooding must not be allowed to interfere with talks over the Czech Republic's entry into the EU. "We hope that [the money] can be helpful to overcome the situation and we remain available for further assistance," remarked Ms Bonino.

External Affairs Commissioner Hans van den Broek said "We are dealing with a humanitarian and human disaster on one hand where we feel that we have to act very quickly and even try to force procedures in the direction with the maximum effect on the short-term. The type of assistance we are talking about, be it emergency or recovering or reconstruction, is not tied to any political conditionality of any kind. We are trying to face and to try to alleviate human suffering in these countries. We are only acting on demand and the request of the relevant national authorities."

The European Investment Bank (EIB), the EU's financing arm, has also donated Ecu 1m for immediate flood relief in the Czech Republic and Poland.

The bank says it will adjust its lending priorities for the two countries to assist flood-related reconstruction efforts. ■

* The Hungarian government pledged Ft 50m (Ecu 232,558) in disaster relief for Poland, the Czech Republic and Slovakia. The government will provide food and pharmaceuticals worth Ft 250m and Ft 100m to cover other expenses, such as transport.

EcoFin encourages candidates

At the latest structured dialogue meeting between the 10 candidate countries and the Economic and Financial Ministers Council (EcoFin), liberalisation of capital movements and banking sector reform were singled out as areas where there has been considerable and "significant" progress (see also article, page 16). Ministers said although progress varies between the countries, liberalisation efforts need to continue and need to centre on the integration of the 10 countries into the international economic and financial system. On banking sector reform, ministers welcomed the progress made but said there was a need to consolidate and to ensure that basic laws and rules were being applied and observed. A future structured dialogue meeting between the 25 will focus on continuing the discussion on capital movement liberalisation and banking sector reforms.

News in brief ... News in brief ... News in brief ...

The Slovak Chamber of Commerce and Industry has awarded its highest honour for the first time to a non-Slovak — EU Delegation head in Bratislava Georgios Zavvos. Mr Zavvos was accorded the honour in a ceremony attended by Slovak President Michal Kovac.

Polish President Aleksander Kwasniewski signed the country's first post-communist constitution in July. Mr Kwasniewski said the new constitution ensured a "modern state, guaranteeing all basic rights and freedoms". It became law in October.

In June the joint EU-Slovak parliamentary committee issued a statement recommending that Slovakia resumes the political dialogue between the ruling coalition and the opposition, ensure opposition participation in special control committees to oversee intelligence activities, prepare legislation on the use of national minority languages and implement specific changes in domestic policy by the end of November. The joint committee consists of deputies of the European Parliament and of the Slovak legislature.

The Slovak government introduced import tariffs on consumer goods and food in July. Initially the tariffs will amount to seven per cent of the goods' value and will decrease to five per cent on January 1 1998 and to three per cent on July 1 1998. They will be abolished on December 31 1998.

The Bulgarian parliament in July amended the law regulating the activities of insurance companies to put foreign companies on an equal footing with local ones. The amended law reflects the hope to attract foreign insurance companies and break the monopoly of local enterprises on the insurance market.

The Commission approved a package of emergency medical aid worth Ecu 700,000 for Bulgaria, The aid, managed by ECHO, will enable DAZ Germany and Medecins sans Frontieres Switzerland to supply and distribute medicines and medical supplies over a six-month period in selected areas.

Lithuanian parliamentary chairman Vytautas Landsbergis has expressed concern that in the post-Boris Yeltsin era, Russia might try to "Finlandise" the Baltic states.

Poland has become the first central European country to adopt the European Social Charter. Polish President Aleksander Kwasniewski ratified it in June. The charter was adopted by the Council of Europe in 1961 and has so far been ratified by 20 European states.

The Hungarian Christian Democratic Party (KDNP) has been ousted from the European Union of Christian Democrats (EUCD) because of its alleged "unacceptable links" with the far-right Hungarian Justice and Life Party.

The EU has granted Bulgaria several loans totalling $515m (Ecu 471.2m) to support the country's economic reform efforts. The main loan will total $280m and its first instalment was made in the autumn. The package also includes a $168m loan to upgrade the country's power plants and improve electricity supply as well as a $40m Phare programme loan for structural and social security reform.

The population of Bulgaria is expected to fall by 1m by year 2020 owing to a low birth rate and widespread emigration, both of which are consequences of the country's economic crisis.

in brief

Bulgaria's 8.3m population is expected to fall to 8.1m by the year 2000 and to between 6.9m and 7.4m in 2020. The death rate far exceeds the birth rate. Every fourth Bulgarian is expected to be a pensioner by 2020.

Around 2,600 troops took part in a Nato-backed exercise, Baltic Challenge '97, which began in north-western Estonia in mid-July. The exercise was part of Nato's Partnership for Peace programme and involved troops from Estonia, Latvia, Lithuania, Denmark, Finland, Norway and Sweden.

Czech President Vaclav Havel says he will seek re-election by the parliament when his current five-year presidential mandate expires in February 1998. If re-elected, he says he will do everything in his power to ensure the Czech Republic becomes firmly established in Europe's democratic structures through full Nato and EU membership.

Foreign ministers of the Czech Republic, Hungary and Poland issued a joint statement in Prague in July saying they want Slovakia to be granted Nato and EU membership. Dariusz Rosati of Poland said Slovakia's membership in the two organisations is in Poland's interest in terms of its nationhood and defence needs. Hungary's Laszlo Kovacs said any dividing line between Hungary and Slovakia is out of the question. Josef Zieleniec of the Czech Republic said Slovakia's foreign policy standing is causing considerable concern in the Czech Republic and added that "it is impossible to imagine Slovakia remaining for a long time outside the political and economic organisations that will be joined by the Czech Republic."

The 1998 Hungarian budget includes a separate section allocating Ft 14.9bn (Ecu 69.2m) to cover the costs of preparations for EU and Nato membership. The amount represents two per cent of the total budget. Analysts estimate that 60 per cent of the allocated amount will be spent on EU admission and the remainder on Nato membership needs. In addition, individual ministries will allocate funds from their budgets to deal with accession issues.

The Bulgarian parliament has approved a new coat of arms to replace the one abolished in 1991. The new crest replaces a red star above a lion with the crown of the fourteenth century monarch Ivan Shishman above the lion. The dispute over the new coat of arms had divided the legislature for seven years.

Estonian Ethnic Affairs Minster Andra Veidemann met with his Russian counterpart, Vyacheslav Mikhailov, in Moscow at the end of July to discuss a solution to the problems of Russians living in Estonia. The Russians want Tallinn to sign a memorandum on co-operation between the two countries' immigration authorities. Mr Veidemann promised to speed up the integration of the Russian-speaking minority into Estonian society following the European Commission's recommendation in its opinion on the readiness of the country to join the Union. There are also an estimated 20,000-50,000 illegal residents in Estonia, of whom the overwhelming majority are ethnic Russians.

Slovenian Prime Minister Janez Drnovsek and Archbishop Franc Rode have reached an agreement to return to the Roman Catholic church property nationalised by the communists after World War II. It is unclear whether all former church property is involved. The transfer began on November 1.

The former Slovak village of Sidonie has become part of the Czech Republic, while formerly Czech U Sabotu is now on Slovak territory. The swap was set out in the new border law which altered previous legislation and went into effect at the end of July. The law also included the exchange of 452 hectares of land to satisfy claims from people on either side of the border.

Bulgarian customs officials bulldozed a pile of over 91,000 pirate compact discs produced in the country and seized at border check points. The destroyed discs are only part of the shipments confiscated at the border. Dimitar Enchev, who is in charge of copyright affairs in the Ministry of Culture, said Bulgarian pirate CD producers make up to 12m discs a year, while domestic consumption stands at only 700,000. The European Commission has warned Sofia that rampant copyright piracy will hinder Bulgaria from becoming a member of the EU.

Sweden and Latvia have reached an agreement on visa-free travel. Sweden says the deal will not be valid until Latvia signs the Geneva convention on refugees without regional reservations.

Hungarian Defence Minister Gyorgy Keleti says his ministry is to work out a long-term project to establish a professional army. A decision on fighter aircraft purchases will be made after Nato negotiations are concluded. Around Ft 300bn (Ecu 1.4bn) have been earmarked for buying 30 fighter jets, together with weaponry and the necessary ground instruments.

The European Commission has urged Romania and other candidate countries to crack down on discrimination and violence against their Roma minorities. Steffen Skovmand, a member of the Commission's delegation in Romania, said the situation of the Roma is "still a weak point" in Romania's record of respect of human rights and in the rest of the region.

AROUND THE CANDIDATE COUNTRIES

JUNE

5 Bulgarian Prime Minister Ivan Kostov and Foreign Minister Nadezhda Mihailova met in Brussels with Commission President Jacques Santer and External Affairs Commissioner Hans van den Broek
9 German Economy Minister Guenter Rexrodt visited Hungary
12 Polish Foreign Minister Dariusz Rosati met with his Romanian counterpart, Adrian Severin, in Bucharest
16 Martin Bangemann, the EU Commissioner for Industrial Affairs, Information Technologies and Telecommunications met the European parliamentary Committee for Foreign and Integration Policies and other leading politicians
16-18 Joint parliamentary committee held in Bratislava, Slovakia
17 Czech Prime Minister Vaclav Klaus was in Britain for talks with British Foreign Minister Robin Cook and Defence Minister George Robertson. He also had meetings with the European Bank for Reconstruction and Development officials and members of the British business community
17 Prime Minister of Netherlands met with 10 candidate countries in Amsterdam
18-20 Joint parliamentary committee held in Prague, Czech Republic
23-24 Joint parliamentary committee held in Ljubljana, Slovenia
27 Association Councils held with Poland and Hungary

JULY

2 Latvian Foreign Minister Valdis Birkavs opened the sixth session of the foreign ministers of the Baltic Sea Council in Riga
7 EcoFin structured dialogue held with the 10 candidate countries in Brussels
7 Polish Prime Minister Wlodzimierz Cimoszewicz on one-day visit to Hungary met with his Hungarian counterpart in Budapest
9-11 Political leaders, central bank officials and leading businessmen from the 10 candidate countries attended the Central and East European Economic Summit in Salzburg
10-13 Commissioner for Financial Control and Justice and Home Affairs Anita Gradin visited Romania and took part in a seminar on the management and control of EU funds
11 Association Committee for Czech Republic held in Brussels
12-13 Regional Affairs Commissioner Monika Wulf-Mathies visited Poland
14 Polish President Aleksander Kwasniewski and Prime Minister Wlodzmierz Cimoszewicz visited Bonn for meetings with German Chancellor Helmut Kohl
16 European Commission presented in Strasbourg its opinions on applications for EU membership from the 10 central European and Baltic states
23-25 Joint parliamentary committee held in Sofia, Bulgaria
28-30 Bulgarian President Petar Stoyanov visited Turkey and met with his Turkish counterpart, Suleyman Demirel. A military agreement providing for co-operation in defence and security, military technology, logistics and instruction was signed
29 External Affairs Commissioner Hans van den Broek visited Slovenia
31-4 August Agriculture Commissioner Franz Fischler visited Estonia, Latvia and Lithuania

AUGUST

2-6 Estonia's President Lennart Meri visited Denmark
4 Finnish Prime Minister Paavo Lipponen visited Vilnius to talk with Lithuanian Prime Minister Gediminas Vagnorius

SEPTEMBER

16 Association Council for Czech Republic held in Brussels
18-19 September Association Committee for Romania held in Bucharest
23 Commission President Jacques Santer received Latvia's Prime Minister Guntars Krasts in Brussels
25-26 Association Committee for Slovakia held in Bratislava

OCTOBER

3-4 EU home affairs ministers met informally for structured dialogue with 10 candidate countries in Echternach, Luxembourg
27-28 Association Committee for Bulgaria held in Sofia

DECEMBER

12-13 European Council held in Luxembourg

Europe faces challenge of 18m unemployed

Jobs are now firmly ensconced as the top priority in EU policy-making, as the Union grapples with ways of finding gainful employment for the 18m people, or 11 per cent of the workforce, currently excluded from the jobs market.

European governments face a double challenge when it comes to combating unemployment. They need to get their populations gainfully employed without undermining the benefits and support systems which have represented the backbone of social Europe for several decades. Paradoxically, with employment opportunities becoming fewer and further between and the population growing older, serious thought is being given to how to adjust social policies to help encourage people back into work, without removing the basic safety net they are intended to provide.

Although it is conscious of the sensitivities of EU governments about questions of sovereignty, the European Commission is increasingly playing a key co-ordinating role in ensuring that the necessary progress is made.

Launching his report on Modernising and Improving Social Protection in the European Union in March, Social Affairs and Employment Commissioner Padraig Flynn stressed: "The threat to the European social model, of which social protection is a fundamental element, does not come from international pressures or from globalisation. The real danger lies in its inability to respond to current problems."

Support for those without a job is being reinforced with more active employment policies. The Scandinavians are finding that government money is no longer available for traditional welfare policies. Germany's leaders are engaging in some serious soul-searching over the future of their long-treasured, consensus-based model of social policy and industrial relations.

While employment policy and benefits systems remain a matter for national governments, there is a growing recognition that, in a single market where all are afflicted by the same problems, a lot of benefit can be gained from pooling information and learning from each other.

This is not to say that all countries are taking the same path. In both France and Belgium, recent reform efforts have been aimed at promoting part-time work, reducing working time and making low-skilled work cheaper.

On the other hand, Ireland has been enjoying strong growth thanks to earlier investment in human capital. Britain has experienced positive net job creation since 1993, a fact attributed to the level of flexibility in the labour market.

British officials at the Amsterdam summit claimed much of the language in the EU's latest approach to jobs could be traced back to recent statements from UK Finance Minister Gordon Brown. There is renewed stress on efficient and flexible labour markets, the role of small- and medium-sized enterprises, life-long learning and efforts to reduce non-wage labour costs. "Not only is employment firmly at the top of the agenda, but we also have a definite timetable for taking action forward," says a close aide to Mr Brown.

Mr Flynn believes major progress will be made in the fight against unemployment if social protection systems are redesigned. EU governments spend an average of 28 per cent of GDP on social welfare measures of one kind or another, although the figures vary from 16 per cent in Greece to 35 per cent of GDP in Finland.

Central to the Commission's approach, and a key to the achievement of the goals set out in its employment strategy, is that social protection measures should promote "active labour market policies", should be employment-friendly and efficient.

With benefit systems facing rising demand and tight resources, better targeted actions will put more people onto the labour market, reducing the strain on benefit systems and providing greater resources to finance support measures, the Commission hopes.

Earlier research by the Commission suggested that in Greece, Spain, Italy and Portugal, "there is no guarantee of at least a minimum level of income support in all circumstances".

The Scandinavian countries were found to extend benefits to all citizens as of right. In Britain and Ireland, flat-rate payments are the norm, and much use is made of means-testing. A group comprising Germany, Austria, France and the Benelux favour the insurance principle, mainly earnings-related. For the four Mediterranean countries, attempts to introduce universal systems only began

recently and remain fragmentary.
But spending is continuing to rise inexorably throughout the Union. Between 1990 and 1993, it rose by about three per cent in real terms in seven member states, and the situation will only worsen when the percentage of the population receiving pensions continues to rise in the next 20 years, something the Commission describes as "the impending demographic time-bomb".
Mr Flynn has indicated clearly how he thinks things could change. One idea is the creation of employability insurance, which would give people who lost their jobs the opportunity to improve their qualifications and skills. Some countries still operate systems where claimants lose their benefits if they decide to go off into education or training.
Another crucial factor is efforts to reduce non-wage labour costs. Long-term trends in taxation have been unfavourable to labour. Between 1980 and 1994, the implicit tax rate on employed labour increased from 34.7 per cent to 40.5 per cent on average in the EU, while taxes on other factors of production fell by almost 10 per cent.
This is an idea which has been picked up on by some of Mr Flynn's senior colleagues. In his proposals to increase minimum excise duties on energy products, Single Market Commissioner Mario Monti stresses these hikes could be balanced out by reduced charges on labour.
This debate is one of the issues which has been occupying the minds of the members of the new Employment and Labour Market Committee, which forms another element of the efforts being made by European governments to co-ordinate their quest to create jobs.
The committee borrows much from its well-established older brother, the Economic Policy Committee, to which it is supposed to form a counterweight, balancing the interests of macroeconomic policy-making with an awareness of labour market policy. It will play a major role in preparing the annual employment report, which is studied by heads of government at each year's December summit meeting.
Already, the 32-member committee has taken a detailed look at the effects of fiscal policies on labour markets and ways of restructuring public expenditure and social protection systems to make them more employment-friendly.
Central to the committee's duties will be a comparison of the various initiatives being taken in the different member states to put some of the 18m jobless back to work. The committee will look at the policies of countries with relatively positive employment records, and compare how other governments tactics deviate from these and to what extent such variations can be blamed for stifling job creation.
Its chairman is Hans Borstlap, director-general for economic affairs in the Dutch Ministry for Social Affairs and Employment, assisted by vice-chairmen from Portugal and Denmark.
The amount of energy going into the search for active employment policies is reflected in Commission President Jacques Santer's much-vaunted confidence pact for employment, which made the restructuring of labour policies and the breaking down of barriers to the single market two of its major priorities.
How far governments are really prepared to go in following the lead being taken by the European Commission will become clear when heads of government gather for a special jobs summit in Luxembourg in late-November.
Luxembourg premier Jean-Claude Juncker has warned: "We have agreed to do everything possible. What we don't want is a smoke screen conference." ■

Reports by Anthony Anderson, Brussels

Employment policy

Defining "Social Europe"

The European Commission is determined to promote decent social standards for the European workforce. The Commission attaches importance both to a competitive economy and to proper social standards. It believes that both these ideas can be achieved without compromising either concept.
Where previously the Commission had sought to base social policy on a raft of legislation, it now believes more can be achieved by referring to all interested parties, not least through consultation and discussion between unions and employers.
The Green Paper on social policy in November 1993 for the first time, asked all players in the area of social affairs what form they thought policy should take in the future.
Following the legislative approach of 1989's Community Charter of Fundamental Social Rights, the era since the Maastricht Treaty (1991) has seen a move towards policy formulation through consultations between the social partners.
Social policy covers a broad range of issues in the EU, including employment policy, industrial relations, the establishment of minimum employment protection standards, social protection and health and safety at work.
It seeks ways of ending discrimination in the labour market and fighting social exclusion and inequality on the grounds of sex or race. Policy is also designed to underpin one of the initial priorities of the EU and avoid related problems concerning social security.
The main priority of the Commission's medium-term social action programme for 1995-97 is to improve policy co-ordination in order to stimulate employment. ■

Summit resolves to tackle unemployment issues

The battle against growing unemployment took centre stage at June's Amsterdam summit. The surprise victory of the Socialists in the French general election shortly before the summit brought with it new demands for the stability pact on ensuring budgetary discipline under the single currency to include a beefed up commitment to job creation.

With France threatening to block adoption of the German-sponsored pact, disaster was averted with agreement on two non-binding resolutions pledging the Union to a balanced approach towards stability, growth and employment.

The formula gave new French Prime Minister Lionel Jospin something to offer his public, while respecting Germany's insistence that no additional EU money be earmarked for job creation.

Governments have pledged to look for new ways of using loans from the European Investment Bank (EIB) to help small businesses, to use spare money from the European Coal and Steel Community for research projects from 2002 onwards and to hold a special jobs summit this autumn.

The summit also adopted a specific treaty chapter on jobs.

However the general verdict on the measure is that it is strong on words, but rather weak on content. In it EU governments promise to "work towards developing a co-ordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change".

Responsibility for jobs remains within the remit of national administrations.

Governments have pledged to look for new ways of using loans from the European Investment Bank (EIB) to help small businesses, to use spare money from the European Coal and Steel Community for research projects from 2002 onwards and to hold a special jobs summit this autumn.

European Trade Union Confederation general-secretary Emilio Gabaglio says the chapter is "limited in scope" and does not adequately address the problem of unemployment.

Zygmunt Tyszkiewicz, secretary-general of the employers' body UNICE was happier with the final text: "We never wanted an employment chapter in the first place, but if we have to have one, then this version is not too bad."

The placing of employment at the top of the EU's agenda was confirmed by the adoption of a specific treaty chapter on jobs. ■

Variety abounds in member state employment policies

Despite undertakings by EU governments to share good practice and bring more co-ordination to employment policies, vast differences are still to be found in the way individual countries go about improving matters.

These differences reflect distinct political traditions, hugely varied macroeconomic circumstances and the political colour of whoever happens to be in government.

Vast differences are still to be found in the way individual countries go about tackling unemployment issues.

They are perhaps best represented in the annual reports each country submits for heads of government to peruse at their annual December summit meetings.

An good example of the different approaches which still prevail within the Union is the contrast between the multi-annual programme submitted by the British government and the approach of the more interventionist Italian administration.

Increasingly, Britain is becoming one of the top performers in the Union's fight against unemployment. Its employment rate rose to 70 per cent in 1995, with most new jobs being created in the service industries. Unemployment has been falling since 1993, reaching 8.8 per cent in 1995, and the pattern is also positive for youth unemployment.

Britain's programme focuses on four main objectives:

- increasing the efficiency of the labour market by removing unnecessary barriers and restrictions
- increasing the ability of the unemployed to compete in the labour market and find employment
- encouraging individuals and employers to invest in skills
- reducing non-wage labour costs paid by employers.

Increased investment in education and training will become even more marked under the new Labour administration, one of whose major election pledges was the welfare to work scheme, paid for partly out of a one-off windfall tax on a number of privatised utilities.

The British government continues to insist on the need for increasing deregulation to give employers the flexibility they need. Opponents of the philosophy claim it leaves workers too much at the mercy of the market, but it does seem to have worked, at least in terms of raw unemployment statistics.

Italy is a different beast entirely, obsessed, as the British are not, by the need to meet the convergence criteria for the single currency set out in the Maastricht Treaty.
In 1995 employment decreased by almost one per cent to 19.9m, a rate of 50.5 per cent, one of the lowest in the EU. Unemployment has been increasing since 1991 and reached 11.8 per cent by the end of 1995. Among young people, it is disastrous — reaching over 33 per cent.
While Italy is also looking to improve flexibility and training opportunities, much of its programme centred around financial incentives to encourage employers to take people on and the extension of state-run out-placement schemes and infrastructure construction projects.
Where the British government aims for minimal state intervention, Italian programmes are as often as not based on negotiation between employers and workers' groups.
Italy also suffers from much more pronounced regional differences than most of its EU partners, with the poor south still suffering particular hardship. ■

The British government continues to insist on the need for increasing deregulation to give employers the flexibility they need. Opponents of the philosophy claim it leaves workers too much at the mercy of the market, but it does seem to have worked, at least in terms of raw unemployment statistics.

Sue Cunningham Photographic

Asda group promotes job equality

Europe's growing appreciation of the need for new initiatives and flexibility to tackle unemployment is also being reflected in the policies of some of the EU's more forward-looking companies.
British grocery chain Asda is keen to press its credentials as an employer which is open to all, regardless of age, colour or sexual persuasion. The company is particularly proud of its attitude to older workers, so often the first victims when employment conditions get tough.
Asda statistics show a wide spread in the ages of the 70,000-odd people who work in its supermarkets around Britain. It hopes the days are gone when people who lose their jobs at a later stage in their working lives simply end up on the scrap-heap.
"We do not discriminate on the grounds of age. What's important is the ability and willingness to do the job. We take people on up to retirement age, and even keep them on if they want to continue beyond that," explains Asda's Marie Gill. Although workers over 65 lose their statutory sick pay allowance, the company ensures they are covered by its own scheme.
The group currently has 480 people over 65 on its books, and a further 1,200 of between 60 and 65. While the younger still make up the lion's share, 20 per cent of Asda workers are between 45 and 60.
"Besides the importance of stamping out discrimination, it makes sense to increase the diversity of our employees to match our customer base. People entering our shops naturally feel more comfortable if they see people similar to them behind the cash desks for example," says Ms Gill.
Anecdotal evidence suggests the spread of ages encourages a more stable working environment. "The more experienced workers act as a steadying influence," adds Ms Gill.
The policy has been up and running for 12 years, and was recently given a wash and brush up, with additional efforts being made to develop more flexible working practices. This is obviously aided by the nature of the work in the retail sector. The majority of Asda's workers are female and work part-time.
For all the good intentions of governments, in the final analysis it is the attitude of businesses such as Asda which determines the success of measures to keep people actively on the jobs market. ■

Employment policy

Labour market statistics

SLOVENIA

	1993	1994	1995	1996
Economic activity rate	—	57.6	58.7	57.6
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	—	851	882	878
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	—	9	7.4	7.3
less than 25 years	—	22.2	18.8	18.8
25 years and more	—	7.1	5.6	5.6
Registered unemployment *(end of period, in per cent of economically active population)*	—	14.2	14.5	14.4
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	—	83.3	90.1	100.1
Mining and quarrying	—	118.3	95.2	115.1
Manufacturing	—	95	106.5	95.2
Production and distribution of electricity, gas and water	—	79.7	144.9	95
Construction	—	101.7	94.3	103.7
Transport, storage and communication	—	92.2	97.2	98.2
Monthly wages and salaries indices				
nominal	—	125.4	118.4	115.3
real	—	103.6	104.3	104.9

ESTONIA

	1993	1994	1995	1996
Economic activity rate	70.5	70.4	—	—
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	703	687	—	—
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	6.6	7.6	—	—
less than 25 years	11.3	11.8	—	—
25 years and more	5.8	6.9	—	—
Registered unemployment *(end of period, in per cent of economically active population)*	4	4.1	4	4.3
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	74.7	83.3	—	—
Mining and quarrying	96.3	101.5	—	—
Manufacturing	86.4	95.2	—	—
Production and distribution of electricity, gas and water	105	109.6	—	—
Construction	88.6	95.6	—	—
Transport, storage and communication	92.8	100	—	—

BULGARIA

	1993	1994	1995	1996
Economic activity rate	55.4	52.4	51.5	51.8
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	3221.8	3241.6	3282.2	3279.5
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	21.4	20.5	14.7	13.7
less than 25 years	47	44.9	37.7	33.5
25 years and more	17.3	16.8	11.6	11.3
Registered unemployment *(end of period, in per cent of economically active population)*	*16.4*	*12.8*	*11.1*	—
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	60.8	68.1	76.1	94.2
Mining and quarrying	96.6	93.9	95.6	100.2
Manufacturing	86.8	90.7	94	87.7
Production and distribution of electricity, gas and water	104.6	101.3	101	102
Construction	75.8	81.4	85.2	94.7
Transport, storage and communication	92.4	93.3	93.3	100.3
Monthly wages and salaries indices				
nominal	—	—	—	—
real	157.8	153.5	153.2	174.7

ROMANIA

	1993	1994	1995	1996
Economic activity rate	—	64.9	67.2	—
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	10062	10011	9493	—
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	—	8.1	8	—
less than 25 years	—	22.6	20.8	—
25 years and more	—	5.3	5.4	—
Registered unemployment *(end of period, in per cent of economically active population)*	*10.4*	*10.9*	*9.5*	*6.3*
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	99.2	88.7	87.4	—
Mining and quarrying	96.9	99.1	97.1	—
Manufacturing	92.2	93.6	90.4	—
Production and distribution of electricity, gas and water	100.2	103.9	100.1	—
Construction	116.8	96	86.1	—
Transport, storage and communication	94.3	94.5	95.5	—
Monthly wages and salaries indices				
nominal	83.2	100.1	111.9	107.5
real	296.5	237.7	148.9	149.3

CZECH REPUBLIC

	1993	1994	1995	1996
Economic activity rate	63.3	63.3	62.8	62.6
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	3420	3369	3123	3030
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	3.9	3.8	3.6	3.4
less than 25 years	—	7.7	6.8	6.1
25 years and more	—	3	2.9	2.9
Registered unemployment *(end of period, in per cent of economically active population)*	3.5	3.2	2.9	3.5
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	82.5	87.4	80.2	95.3
Mining and quarrying	91.1	90.1	89.5	92.3
Manufacturing	—	95.3	88.7	96.4
Production and distribution of electricity, gas and water	—	102.7	97.5	98.2
Construction	—	104.5	100.2	98.7
Transport, storage and communication	—	96.6	98.7	98.9
Monthly nominal wages and salaries indices by NACE classes				
Agriculture, hunting, forestry and fishing	119.6	115	117.3	113.9
Mining and quarrying	117	113.2	114.8	115.8
Manufacturing	123.8	117.3	118.4	117.5
Production and distribution of electricity, gas and water	121.5	117.3	118.8	119.1
Construction	130	116.7	115.9	114
Transport, storage and communication	123.3	120	121.1	118.8
Monthly wages and salaries indices				
nominal	125.3	118.5	118.5	118
real	103.7	107.7	108.6	108.5

POLAND

	1993	1994	1995	1996
Economic activity rate	60.9	60.2	58.8	58.2
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	8581	8519	8570	8530
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	14	14.4	13.3	12.4
less than 25 years	—	32.5	31.2	28.7
25 years and more	—	11.9	10.9	10.1
Registered unemployment *(end of period, in per cent of economically active population)*	16.4	16	14.9	13.6
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	79.6	72.9	78.6	102.7
Mining and quarrying	85.5	92.8	95.5	95.2
Manufacturing	—	97.1	101.7	99.7
Production and distribution of electricity, gas and water	—	101.8	100.6	99.9
Construction	—	87.9	96.2	95.3
Transport, storage and communication	—	94.5	98.4	98.9
Monthly nominal wages and salaries indices by NACE classes				
Agriculture, hunting, forestry and fishing	134.4	137.4	147.8	126.5
Mining and quarrying	147.1	155.8	125.4	127.7
Manufacturing	137.9	138.4	134.6	127.1
Production and distribution of electricity, gas and water	147.5	142.7	128.5	123.5
Construction	129.1	129.2	133.5	127.3
Transport, storage and communication	136.9	135	130.5	127
Monthly wages and salaries indices				
nominal	136.1	137	132.9	126.9
real	98.7	102.5	103.9	105.8

LATVIA

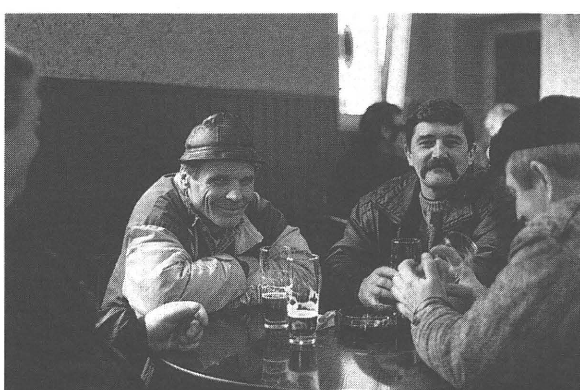
	1993	1994	1995	1996
Economic activity rate	—	—	67.6	59.8
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	792.1	694.9	687.3	693.1
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	—	—	18.9	18.3
less than 25 years	—	—	30.1	29
25 years and more	—	—	17	16.6
Registered unemployment *(end of period, in per cent of economically active population)*	—	—	—	—
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	62.7	53.7	81.8	82.4
Mining and quarrying	74	100.9	90.7	101.1
Manufacturing	71.5	84.3	93.8	99.1
Production and distribution of electricity, gas and water	115	111.7	102.1	105.5
Construction	63	88.6	95.9	92.9
Transport, storage and communication	86.2	92.7	96.1	100.4
Monthly wages and salaries indices				
nominal	105	112	99.6	93.8
real	219.7	153.2	124.5	110.3

LITHUANIA

	1993	1994	1995	1996
Economic activity rate	65.3	61.1	61.4	62.32
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	792.1	694.9	687.3	693.1
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	3.5.	4.5	7.3	6.2
less than 25 years	3.5	4.3	5.9	5.1
25 years and more	3.5	4.5	7.7	6.4
Registered unemployment *(end of period, in per cent of economically active population)*	3.5	4.5	7.3	6.2
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	110.2	97.7	100.1	102.2
Mining and quarrying	66.7	100	97.5	89.7
Manufacturing	84.1	80	90	95.3
Production and distribution of electricity, gas and water	109.5	112.9	112.2	100
Construction	74.9	87.5	103.4	100.8
Transport, storage and communication	80.6	92.2	103.3	98.8
Monthly wages and salaries indices				
nominal	61	114.2	103.2	104.0
real	311.2	196.6	144	129.6

HUNGARY

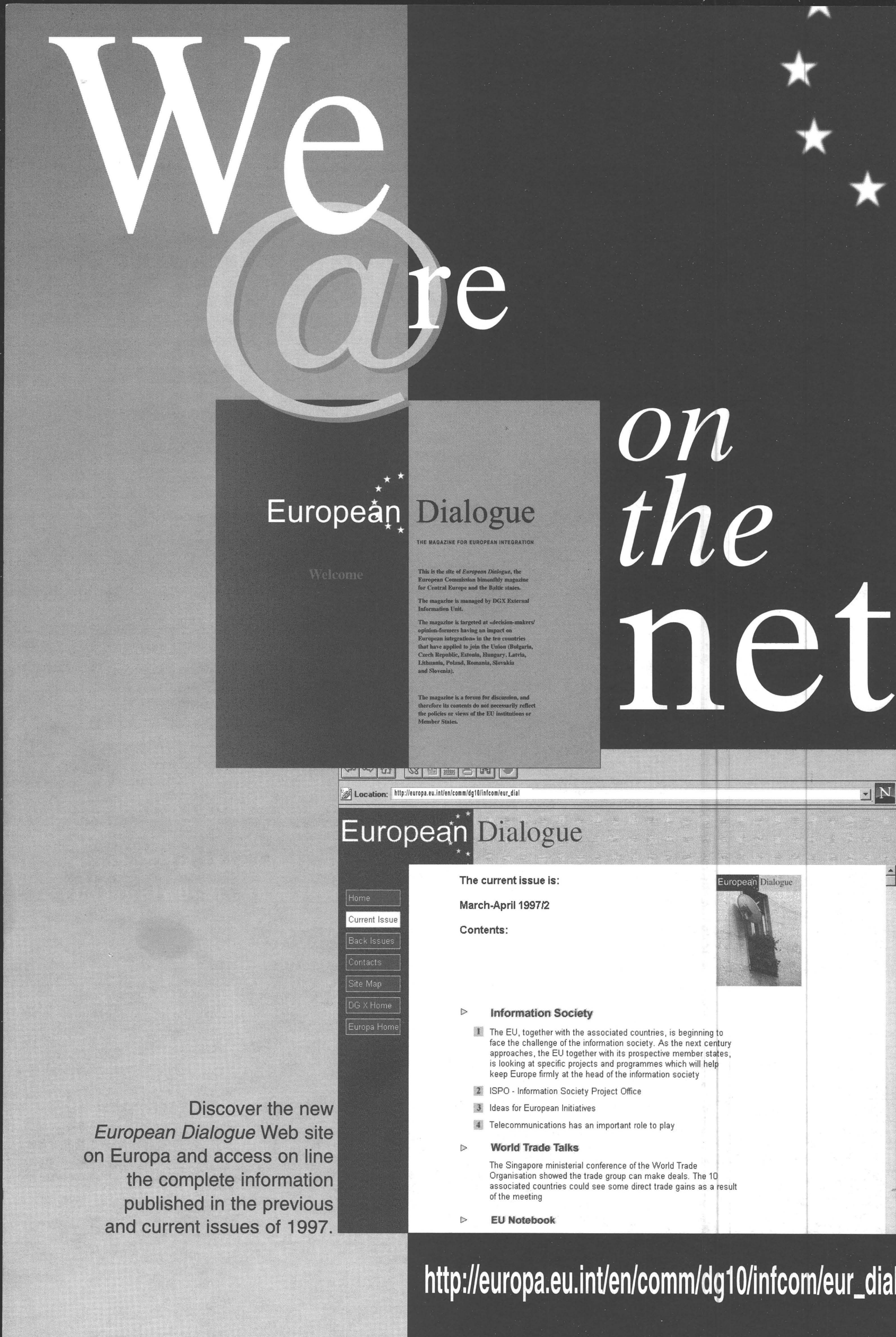
	1993	1994	1995	1996
Economic activity rate	59.2	27.1	26.1	55.6
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	2836	2899	2744	2552
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	11.3	10.2	9.3	9.2
less than 25 years	—	17.6	16.6	15.7
25 years and more	—	8.7	8.2	8
Registered unemployment *(end of period, in per cent of economically active population)*	—	—	—	—
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	73.7	82.7	90.7	95.3
Mining and quarrying	65.7	63.8	82.4	92
Manufacturing	—	93.1	94.7	94.8
Production and distribution of electricity, gas and water	—	104.9	96.8	94.4
Construction	—	90.6	82.7	76.6
Transport, storage and communication	—	96.6	97.4	94.5
Monthly nominal wages and salaries indices by NACE classes				
Agriculture, hunting, forestry and fishing	125.5	127.8	121.2	117.4
Mining and quarrying	130	118.6	118.5	118.4
Manufacturing	124.7	123	121.3	121.6
Production and distribution of electricity, gas and water	124.7	123.5	120.8	123.1
Construction	120.6	121.9	116.7	118
Transport, storage and communication	120	125.8	117.4	124.3
Monthly wages and salaries indices				
nominal	121.9	124.7	116.8	120.4
real	96.1	107.0	87.8	94.6



SLOVAKIA

	1993	1994	1995	1996
Economic activity rate	62.1	61.7	61.6	61.4
(ILO methodology, in per cent of population age +15)				
Average employment in thousands	2012	1977	2020	2036
Unemployment rate by age (ILO) methodology *(in per cent of labour force)*				
total	12.2	13.3	12.8	10.9
less than 25 years	—	26.2	23.5	19.8
25 years and more	—	10.6	10.5	9.1
Registered unemployment *(end of period, in per cent of economically active population)*	14.4	14.8	13.1	12.8
Average paid employment indices by NACE classes *(previous year = 100)*				
Agriculture, hunting, forestry and fishing	85.1	87.7	93.2	91.8
Mining and quarrying	81	88.6	95.6	103.9
Manufacturing	—	94.3	101.4	98
Production and distribution of electricity, gas and water	—	99.6	98.1	101.2
Construction	—	87.3	95.2	97.4
Transport, storage and communication	—	96.7	97.5	98.2
Monthly nominal wages and salaries indices by NACE classes				
Agriculture, hunting, forestry and fishing	109.8	113.9	112.4	112.7
Mining and quarrying	118.8	113.9	116.8	108.8
Manufacturing	119.8	118.3	116.2	114.4
Production and distribution of electricity, gas and water	129.3	112.9	113	110.1
Construction	119.8	117.5	115.2	116.5
Transport, storage and communication	123.5	121.3	116.7	113.8
Monthly wages and salaries indices				
nominal	118.4	117	114.3	113.3
real	96.4	103	104.4	107.2

Note: For a full explanation of methodology and sourcing for the figures, please refer to the individual Commission opinions for each country. Source: Commission opinion for membership of the European Union on Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.


We @re on the net
European Dialogue
THE MAGAZINE FOR EUROPEAN INTEGRATION
Welcome
This is the site of European Dialogue, the European Commission bimonthly magazine for Central Europe and the Baltic states.
The magazine is managed by DGX External Information Unit.
The magazine is targeted at «decision-makers/ opinion-formers having an impact on European integration» in the ten countries that have applied to join the Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia).
The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the policies or views of the EU institutions or Member States.
Location: http://europa.eu.int/en/comm/dg10/infcom/eur_dial
European Dialogue
Home
Current Issue
Back Issues
Contacts
Site Map
DG X Home
Europa Home
The current issue is:
March-April 1997/2
Contents:
European Dialogue
Information Society
1 The EU, together with the associated countries, is beginning to face the challenge of the information society. As the next century approaches, the EU together with its prospective member states, is looking at specific projects and programmes which will help keep Europe firmly at the head of the information society
2 ISPO - Information Society Project Office
3 Ideas for European Initiatives
4 Telecommunications has an important role to play
World Trade Talks
The Singapore ministerial conference of the World Trade Organisation showed the trade group can make deals. The 10 associated countries could see some direct trade gains as a result of the meeting
EU Notebook
Discover the new European Dialogue Web site on Europa and access on line the complete information published in the previous and current issues of 1997.
http://europa.eu.int/en/comm/dg10/infcom/eur_dial