European Dialogue

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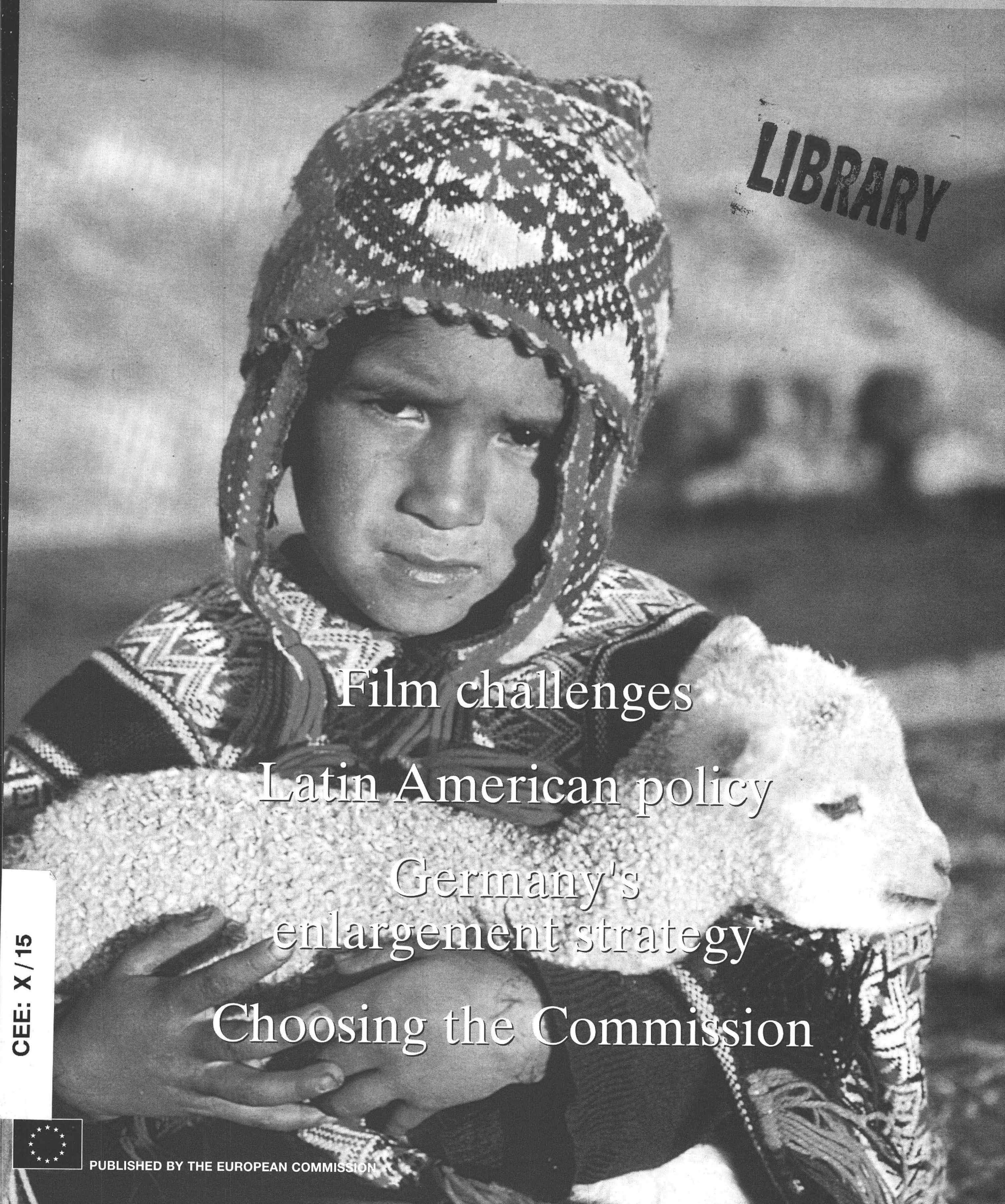

Film challenges

Latin American policy

Germany's enlargement strategy

Choosing the Commission

PUBLISHED BY THE EUROPEAN COMMISSION

Phare

The Phare ACE Programme
Action for Cooperation in the field of Economics

ANNOUNCEMENT

Phare ACE Programme 1997 - Call for scholarship proposals

An extra call for scholarship proposals is being launched, under the Phare ACE Programme 1997.

The ACE Programme forms part of the EU's Phare Programme for the countries of central Europe: Albania, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

The ACE Programme aims to facilitate the exchange of knowledge and experience between economists from the Phare countries and the EU, and thus also to promote networking, by providing funds for joint research in areas of applied economics that are relevant to transition and accession.

In line with the reorientation of the Phare Programme to focus on preparation for accession to the European Union, the ACE Programme will contribute to the institution-building objective of the Phare Programme by equipping economists in candidate countries to provide sound support for drawing up and managing policies to steer these countries towards accession. The active participation of officials who have responsibility for areas of economic policy relevant to accession is therefore encouraged.

The deadline for submission of applications for scholarships is 14 June 1999.

There will be a last selection round for research projects, fellowships, scholarships, seminars and conference participation under the Phare ACE Programme 1998, in autumn 1999.

Application packages are available on the web at:
http://europa.eu.int/comm/dg1a/phare/programmes_types/horizontal/ace/ace_programme.htm.

You can also contact the ACE Programme Management by e-mail at
ace97@euro.cartermill.com.

Please note that submission of application for conference participation is still open.

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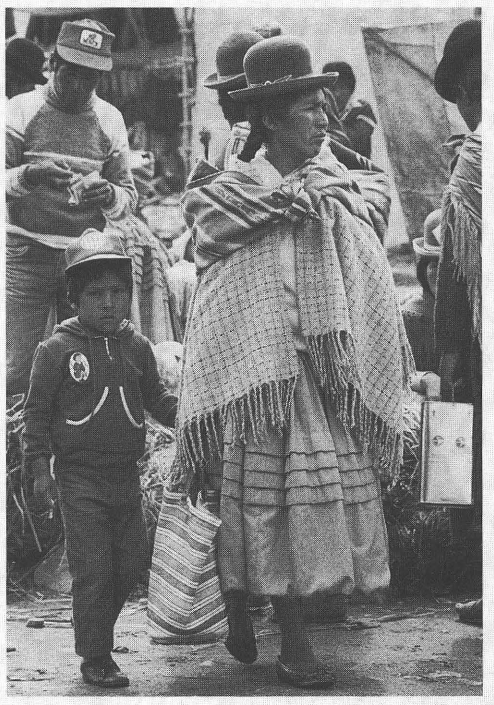

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Cinema enters European politics

Films and television are two of the most potent forms of communication. EU attempts to encourage more European products, however, have run into trouble.

The EU's film and television production and distribution sector is building new strategies into its audio-visual policy to battle against the heavyweights of Hollywood. The Commission hopes it can overcome a series of challenges in order to tackle and match the US industry.

In 1997 a high-level think tank was set up as part of a general review of the EU's audio-visual policy. Chaired by Commissioner for Culture and Audio-visual Policy Marcelino Oreja, the nine other members include experts from television and film industries, such as PolyGram Filmed Entertainment president Michael Kuhn and Kirch Gruppe director Jan Mojito.

"The audio-visual market is at a turning point and the future is complex and very difficult to predict. This is why I decided that the Commission, if it is to devise policies suited to the digital age, should avail itself of a group representing the highest levels of expertise available," says Mr Oreja.

Challenges outlined in a report produced by the think-tank include whether the predicted explosion in demand for audio-visual material will be met by European productions or by imports.

Curtesy of PolyGram Filmed Entertainment from the film Elizabeth/Alex Bailey

"Added to this is increasing concern about what is available on our screens. Again the solution lies, at least in part, in an increasingly vigorous and competitive European production industry," says Mr Oreja.

While certain aspects of the EU's audio-visual policy raise concerns, the EU's industry can still boast some positive trends.

Consumer spending on audio-visual services in EU member states is expected to double from current levels by 2005. Cinema attendance is rising at about seven per cent a year. The number of screens in the EU is rising, largely because of the development of multiplexes.

US companies are exploiting the markets to feed their own libraries, and are not interested in injecting money into productions in candidate countries.

However, European films have trouble with distribution, especially outside their home countries. Rates of export within the EU show weak results for Germany (8.8 per cent), France (16.2 per cent) and Italy (27.9 per cent).

In comparison in 1996 alone the US film industry earned \$12.095m (€11.168m) on foreign sales compared to \$9.083m (€8.386m) on the domestic market.

These figures demonstrate the potential of a successful, integrated audio-visual production/distribution industry — a potential that has not been realised in Europe. Key areas to be targeted include the introduction of a mechanism for attracting more investment into production, development of partnership agreements between private broadcasters and public authorities and strengthening EU film policy through the Media II programme.

While these areas will be important in shaping audio-visual policy in western Europe, the challenges facing the candidate countries are slightly different.

Candidate countries have a dual system comprising public service and commercial stations. This is proving to be problematic. In some candidate countries the be problematic. In some candidate countries the government is unwilling to yield control over state broadcasting. New broadcasting laws sometimes even sanction the continuation of government control, says the Commission in its audio-visual report.

"With the television without frontiers directive, one part of the EU's audio-visual policy, all broadcasters (public and private, satellite and cable) must be subject to the law of the country in which they are established," says a Commission official. "There will be strong political battles in the candidate countries. For example they will look at who will control the public television sector and who will be represented. There will be the temptation just to regulate this and forget the private sector."

Throughout Europe a scarcity of frequencies and transmission capacity has led some countries to privatise state/public television channels in order to enable commercial channels to go on air. This has often been accompanied by more regulations, which have reduced the access of public service broadcasters to advertising.

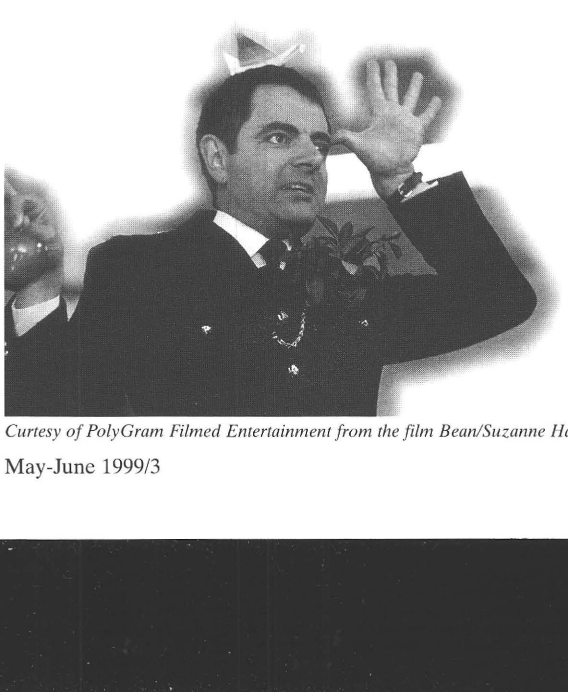
This would significantly reduce revenue available to public service broadcasters, and impact on programming quality. In Britain, for example, the main public service broadcaster, the BBC, is forbidden to advertise, but generates revenues through an annual licence fee that all television viewers must pay (ED 5/98, page 21).

In the rest of the EU, problems also exist. There are varying practices among member states. Some countries retain strong links outside Europe, such as Portugal with Brazil and Spain with South America. Viewer habits differ. Some countries favour dubbing and others prefer subtitles.

The Commission recommends that broadcasters should pay more attention to marketing as an integral part of the production and distribution process.

With candidate countries the challenges lie in how to overcome political resistance to relinquishing control over the state broadcaster and how to develop the commercial sector without sacrificing the public one.

"It will be difficult to have long-term visibility on this. You could have a wonderful draft law [in a candidate country], which could then be blocked at a political level," says a Commission official.



Curtesy of PolyGram Filmed Entertainment from the film Bean/Suzanne Hanover

Curtesy of PolyGram Filmed Entertainment from the film Ridicule

Candidate countries will need to ensure economic viability and autonomy of public service broadcasters by giving them sufficient access to advertising while at the same time preventing their commercialisation.

The Commission says another challenge is the relationship of broadcasting to civil society. A solution to this would be the creation of an officially sanctioned and publicly supported third civil sector, non-profit private stations representing a wide variety of opinions, orientations and beliefs.

This approach has found reflection in some legal acts, but little so far has been done in practice to implement these ideas, says the Commission.

The level of US involvement in western Europe, and increasingly in the candidate countries, is another pressing issue. Television programming contains a large proportion of material of US origin.

Feature film markets are dominated to varying degrees by US films, with most of the remainder of the market going to national films. In television and film, non-national European material generally comes in a distant third place, at least for the larger markets.

Europe's greatest weakness is in the market for non-national feature films, which is precisely where the US presence is strongest.

The US industry fares better because of the export advantages given by the English language, and because its products can be sold competitively on the world market. Their industry increases in strength because other industries around the world cannot compete.

US involvement is equally strong in candidate countries, but not, in the Commission's view, as a means of financing and promoting productions, but more as a means of increasing the profile of the US film and television industry in Europe.

"The Americans have developed a lot of activities in the broadcasting field. But so far they are not working as partners to develop local industries," says a Commission official.

"They are exploiting the markets to feed their own libraries, and are not interested in injecting money into local productions. Admittedly, the US spends some money, but the amount is quite low," he says.

The trend at the moment is for the US to invest heavily in distribution channels, making sure its programmes have wide coverage.

The Americans have developed a lot of activities in the broadcasting field. But so far they are not working as partners to develop local industries in candidate countries.

The Commission says this is not the way to develop Europe's audio-visual policy. It is clear US interest in the private broadcasting sector of some candidate countries is one of the elements of resistance in this sector to EU regulations.

"People must look towards the long-term perspectives of cultural diversity. A united Europe under a US banner is not what we are seeking," says a Commission official.

One of the reasons the Commission is encouraging the enlargement process is because of the cultural richness and diversity that will be made available. This will, however, only be a success if the US position does not threaten the aims of the audio-visual policy.

"The US clearly does not criticise the [television without frontiers] directive any more. It seems to accept it — probably because it has achieved the EU market sector it wishes for," says a Commission official.

The broadcasting sector, says the Commission, is crucial in the way it disseminates values, cultures and languages. If the US were to stop candidate countries complying with the EU directive, there would invariably be cases of unfair competition, and political costs would be hard, it says.

Others take a more lenient view. Philippe Kern, PolyGram's Brussels-based director and founding member of the European Film Companies Alliance (EFCA), says, "We should be giving positive reactions to any money coming in — it will be good for the creator and the country. It is a pity that the money does not come from western Europe. But we should not discourage US investment as long as it does not act as a barrier to the EU. US investment would also help increase competition," warns Mr Kern.

The other side of the EU's audio-visual policy is its Media II programme, widely regarded as one of the pillars of the Union's strategy in the film sector, and aimed at overcoming Hollywood's predominance.

The Media programme should remain focused on promoting the pan-European distribution of European films and on enabling European companies to become serious players in Europe as well as internationally, says a Commission report.

The Media II programme began in January 1996, with a budget covering 1996-2000 of €310m. It identifies three key areas: training (€45m), development and distribution (jointly receiving €265m). The first Media programme, adopted in 1990, sought to realise certain measures contained in the television without frontiers directive, such as the development and promotion of a European audio-visual content industry in an open market.

The participation of candidate countries in Media II is conditional on alignment of national broadcasting legislation with the television without frontiers directive, in particular those parts relating to the promotion, distribution and production of television programmes.

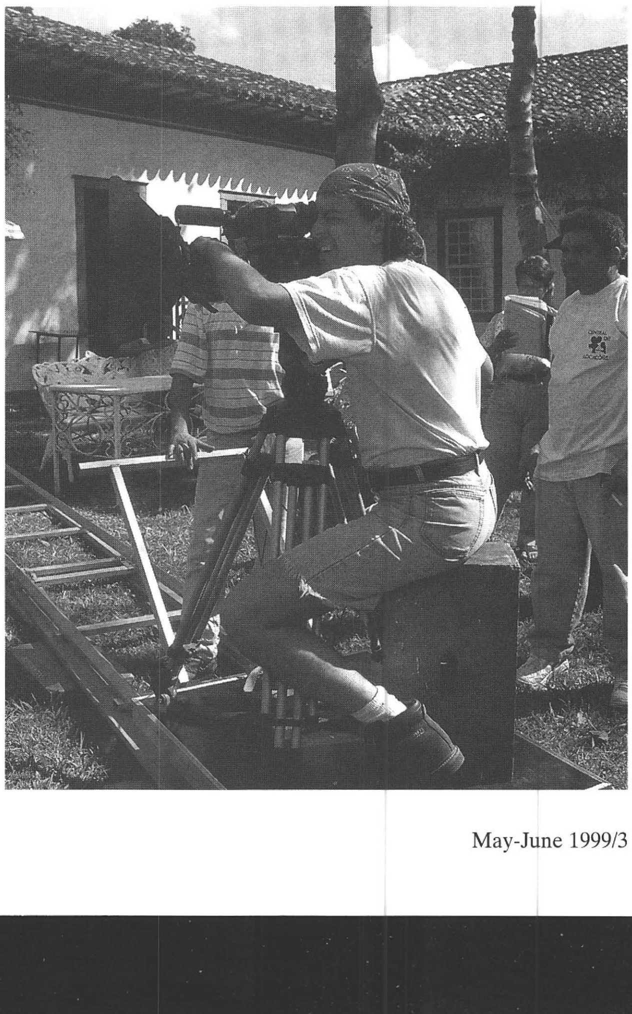
In 1997 Hungary became the first candidate country invited to participate in Media II as its broadcasting legislation was considered sufficiently aligned with the EU directive. Since then certain legal loopholes have come to light which have slowed down the process of formally allowing Hungary to participate in the programme. The Hungarian authorities are currently addressing these problems and if they are resolved, full participation in the programme should take place in 1999.

For the present no other candidate country has been invited to participate in Media II, although following recent legislative changes in some candidate countries it is possible some will be invited to participate this year.

While the Commission says Media II is working well, it acknowledged there is room for improvement. Management practices should be improved and the 12-week period required to deal with contracts and payments should be cut down to 4-6 weeks.

Media II attracts some of the most fierce criticism ever aimed at an EU programme. Some complain the programme is not user-friendly and film companies must devote too much time and resources to comply with Media II red tape in order to obtain funding.

One fault of the programme is the way key activities are organised separately EU-wide. Cash is often spread too thinly. "The disadvantage with EU funding and with the



Sue Cunningham/SCP

Media II programme is that each member state wants a share of the money. We should be looking at films from a European perspective – looking at films from an individual angle is a big drawback," says Mr Kern.
"This will be politically very difficult to change in the Media III programme [which is planned to follow Media II]. Funds must help the distribution and production of larger movies. Media III will also need to look at enlarging funding opportunities for candidate countries," continues Mr Kern.
The Commission is exploring other ways to help boost Europe's industry. In 1997 an automatic support system for film distribution was launched. This links support for films to their box-office success in non-national markets across Europe. The support mechanism rewards success and will contribute to making Europe's audio-visual industry more competitive.
Solutions to providing more funding for the European film industry include a bank securitisation scheme. Commissioner Oreja fears the proposed scheme will be hit by the same member state apathy which killed plans for an earlier guarantee fund for cinema production to be run by the European Investment Fund.
The new bank scheme is similar to that of a system used in the US by Hollywood studios such as Fox and Universal.
"We are only at the beginning of procedures for this idea of securitisation. We will have to identify the problems we had with the guarantee fund and try not to make the same mistakes again," says a Commission source.
The Commission says another scheme could identify a limited number of production and/or distribution companies with an international capacity of around 10 films each over a three year period. These films would have to be internationally marketable.
Commissioner Oreja believes support measures, such as the Media programme, together with increasingly vigorous policies at national level, are beginning to bear fruit. These may not be enough to convince sceptics that the EU is backing a worthwhile strategy that will one day rival the US industry. ■

Reports by Kim Benjamin, Brussels

Finding the right partner

Curtesy of PolyGram Filmed Entertainment from the film The Eighth Day

One of the biggest trends to emerge in the European film industry in recent months is the growth in co-financing and co-production. Major players outside the EU are being increasingly drawn to the benefits of investments in Europe.
One example is Japan's Sony which has invested in post-production facilities at film studios outside Berlin and moved its European headquarters there.
US studios are also increasingly attracted to Europe because of the growth in its cinema attendance and the increase in the number of its productions. In 1996, 669 films (412 of which were national productions and 242 co-productions) were produced in Europe, according to Commission figures. This compares to 421 in the US and 279 in Japan.
Despite these healthy figures, European films are experiencing distribution difficulties, especially outside their home countries. Although European cinema attendance has increased, this has mostly benefited the US industry, which has seen its share of the market rise from 56 per cent to 78 per cent in the last 10 years. Market share for European films decreased from 19 to 10 per cent over the same period.
The US industry is also becoming increasingly reliant on exports for its revenues, which now account for 43 per cent of the income for US majors compared with 30 per cent 10 years ago.

European films are experiencing distribution difficulties, especially outside their home countries. Although European cinema attendance has increased, this has mostly benefited the US industry.

The big push behind this growth is sales to non-US television channels, in particular pay-television. Earnings from pay-television account for 25.7 per cent of total revenue for US majors.
As well as exporting programmes, US majors are also establishing thematic television channels in Europe, such as the Disney Channel.
Europe can learn much from Hollywood in terms of

competitiveness and film distribution, says the Commission. One way is through co-financing. US studios are pursuing joint ventures with European film companies and are backing non-English language productions. For example Canal Plus (France) and Warner Brothers (US) have invested $100m (€92.3m) in a joint venture to make 20 films over a five-year period. Other big name studios such as Universal and Paramount are considering similar deals.

"Co-productions are important. Working together with the US will show that Europe's idea is not to compete with the US film industry. The same goes for the European Film Awards — they are not a rival to the US Oscars. The US industry is too big and wealthy and it will take years for European film awards to reach success on the same level that the Oscars do," says Philippe Kern, founding member of the European Film Companies Alliance (EFCA).

The Commission agrees. It says the success of the Oscars is down to the fact that US industry is more centralised than Europe's.

The Commission also recognises that awards are excellent marketing tools. The European film industry is making substantial efforts to glamorise and showcase awards along the lines of the Oscars and their television equivalent, the Emmys.

"There is no pan-European consciousness yet — only domestic industries exploit the European dimension. This is where we see the problem of distribution. But there is no doubt that the European film industry is becoming increasingly integrated," says a Commission official.

Mr Kern is confident the European Film Awards, which started in Berlin in 1997, will continue to do well with support from the Commission and member states. He also predicts that in 5-6 years, there could be two or three European film studios to rival those of Hollywood.

"Losing PolyGram was a big drawback for Europe. But if companies like Canal Plus, Bertelsmann, Kirsch or Carlton were to invest in the business, then the development of a US-style studio in Europe is a strong possibility," he says.

Mr Kern is hopeful of the success of the EU Media programmes. "Looking to the future, I hope Media III will build on current achievements and promote commercial ventures, making it possible to boost European films," concludes Mr Kern. ■

Industry attacks piracy

A growing concern recently addressed by the Commission and industry is the problem of piracy and the protection of intellectual property rights. The audio-visual sector is seen as the second hardest hit industry at world level.

Since the early 1980s counterfeiting and piracy have grown, with increasing global impact. Since 1989 new and highly active markets for the production and consumption of counterfeit and pirated goods have sprung up in central and eastern Europe, says a Commission Green Paper on piracy.

A report prepared by the EU American Chamber of Commerce (Amcham), which represents US multinationals, says many cable networks in several candidate countries re-transmit west European television services for which they do not pay.

The broadcast signals are received either terrestrially or by satellite by the cable operator and are then put through the networks to subscribers. In western Europe broadcasters can forbid transmission.

To deal with the situation, Amcham says the broadcaster's right to authorise or to refuse re-broadcast must be reaffirmed. Current unauthorised re-transmission will not only undercut the ability of local broadcasters to develop in their own markets, but will deprive the broadcaster of origin of royalties.

If these rights are vindicated, reform will strengthen the broadcasting industry in the candidate countries as well as increase royalty payments to the creative community, including the EU and the US.

The Czech Republic's film industry stands to lose $10m (€9.2m) a year because of illegal re-transmission by some cable operators of foreign satellite and terrestrial broadcast signals. Hungary's film industry stands to lose $18m (€16.6m) from both video and cable television piracy.

Video piracy is seen as a serious problem. In Poland video piracy accounts for 30 per cent of the market. Many pirated videos are exported to Germany because of the lack of effective enforcement.

Measures to combat piracy also need to be increased in western Europe, particularly in Greece and Italy. Piracy in the EU has been addressed in a Green Paper issued in November 1998. Further comments submitted in March this year will form the basis for a series of discussions as to how to combat and stem the piracy threat. ■

Candidate success spurs EU

EU audio-visual policy has existed since 1989. A report (Oreja Group) on the future direction of the policy was released last year. In it the EU recommended it should work with candidate countries as fully-fledged partners to ensure development of a healthy, balanced audio-visual system.

Hungary and Poland have emerged as good examples of how closer integration within the EU is providing big boosts for Europe's film and television industry. Romania's recent animation successes at the Cannes Film Festival show the candidate countries are able to compete with the world's best. Romania's film animation studio, established in Bucharest around 1954, has now been divided into separate animation studios, but its productions continue to delight generations all over the world.

The production *Une Histoire Simple,* directed by Ion Popescu Gopo, received the *Palme D'or* at Cannes. The Czech Republic's Association of Film and Television Artists founded an animated film section over 30 years ago. One of its film industry's biggest strengths — and this is true of other candidate countries — is its ability to address, without words but through artistic imagination, audiences of all nationalities.

In most candidate countries there is a good and strong tradition of film-making and animation. They have all the know-how as regards ideas and techniques. But the problem is a lack of financing.

This has brought the Czech Republic hundreds of awards at international festivals, notably for Jan Svankmajer's *Possibilities of Dialogue* and Jiri Trnka's *The Hand.*

Hungary has seen large benefits to its industry as a result of indirectly benefiting from the EU's Media I programme. "The Hungarian film industry has always been famous, but the film animation gained a lot from Media I. We were able to make important contacts with European partners, and we are now recognised as one of the biggest film animation producers in Europe," says Janos Zsigmond Kendernay, an official at the Hungarian mission to the EU in Brussels. The strong performance of its cartoon production in the Media I programme has convinced the Commission that there should be a global push in Europe to promote animation.

"In most candidate countries there is a good and strong tradition of film-making and animation. They have all the know-how as regards ideas and techniques. But the problem is a lack of financing — hopefully this will be solved through co-financing with other European partners," says a Commission official.

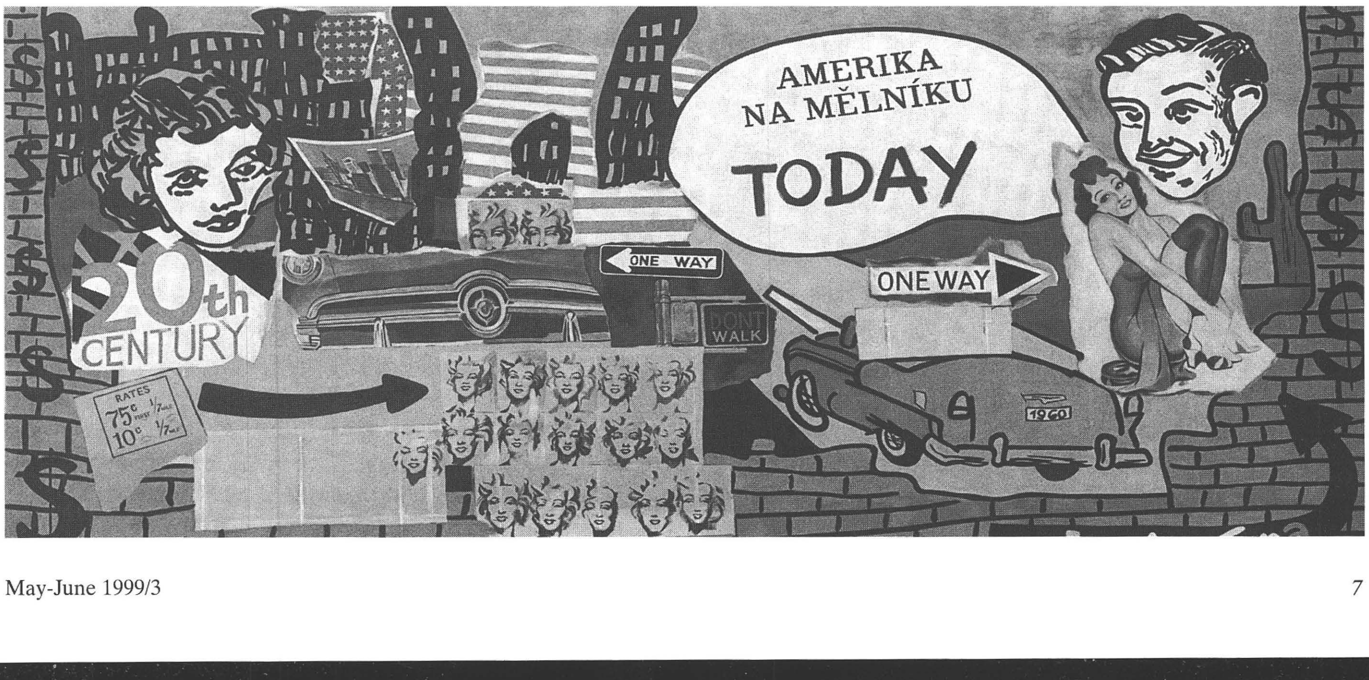
Poland also indirectly benefited in the Media I programme in 1991-92, receiving funding to promote its film distribution sector. France's Canal Plus joined with Polish partners in 1994 and now invests heavily in Polish production.

"Canal Plus Poland is dedicated to transmissions of films, sport, documentaries, animation, cultural information programmes, concerts and coverage of cultural events," says an audio-visual report produced by the Polish Broadcasting Authority Council based in Warsaw.

This, says the Commission, is in contrast to US investments on Polish transmission capacity, which exist to give a wider coverage to programmes of a US origin. In 1995 TV America began transmission in Poland, exclusively showing programmes from US television.

"There are potentials to be exploited with co-financing and co-productions in terms of culture and diversity, especially in relation to candidate countries. But we must act fast before these ideas disappear, otherwise there will be no demand. This would not be the first time we see this happening," says a Commission official.

"Productions, especially film ones, are very expensive. For small countries such as Latvia, Estonia and Slovenia, co-production will be essential for the development of their audio-visual industry," he concludes. ■



Sue Cunningham/SCP

Enlargement tops political agenda

"The enlargement of the EU gives us the chance to use its benefits to increase our prosperity, to enhance our freedom and to reconcile our interests by peaceful means. To attain this goal the EU must be outward looking and capable of change," declares Germany's statement of intent as EU president.

"In my view the enlargement strategy is the highest priority for the EU because there is a window of opportunity open now. This opportunity means we can fulfil the pan-European perspective of European integration/unity. This is an historic challenge," Günter Verheugen, Germany's Minister of State at the Federal Foreign Office told *European Dialogue*.

"We would make a dramatic mistake, a catastrophic one, if we do not use this opportunity [to enlarge the Union]. Through the German presidency, we will try to bring the enlargement process forward and do what we can to advance it. Firstly, we will undertake every effort to make the EU fit for enlargement. We need to agree on Agenda 2000 reforms very soon. We have to agree institutional reform which cover at least left-overs from the Amsterdam Treaty," says Mr Verheugen.

Germany is also keen to see negotiations continue with the first candidates. "I know there are limited administrative capacities on both the EU and candidate countries sides. We view the enlargement process as irreversible. The enlargement process must be continued with all seriousness and must be concluded as soon as possible. So we decided to open eight additional chapters of the negotiation package during our presidency while continuing with the four chapters left from Austrian presidency. We are now negotiating 12 chapters. At least we can get 50 per cent of substance of negotiations on the table by the end of our presidency," says Mr Verheugen.

Sue Cunningham/SCP

Remanants of the Berlin Wall and border crossing posts vie with tourist postcards in the united Berlin preparing to house the German government.

While negotiation talks continue, the EU itself is changing. Beyond the present level of integration, enlargement requires further institutional reforms.

We view the enlargement process as irreversible. The enlargement process must be continued with all seriousness and must be concluded as soon as possible.

While this process continues, does the EU run the risk of making the goal of membership even more difficult for the candidates? Mr Verheugen thinks not.

"The question is to decide when a country is ready for the negotiation process. Member states are aware the candidate countries are not in position to meet, for example, the EMU criteria at same time as other EU membership criteria." Germany, however, does not think this will cause significant or long-term divisions within the Union. "Europe is one of different speeds already. My personal view is that these differences are not so dramatic. It is possible now to integrate Europe as a whole. This is a long-term process. We have to recognise that. We, the EU, can accept that for a certain period of time the EU will have different degrees of density of integration — with EMU and Schengen we already have different levels of integration. There must be a time when there is the same density of integration for all member states. We cannot stop the process of integration. The EU has begun a process which creates its own momentum. With the single market, the single currency we require more integration in such areas as fiscal and tax matters. We need to move towards co-ordination at least," says Mr Verheugen.

Germany, believes Mr Verheugen, is well-placed to understand the problems facing both the EU and the candidates in preparing for enlargement. "We in Germany have a deeper understanding of the difficulties of a far reaching transformation process than other member states. We've had vast experience on own soil. We have a better understanding and we know how difficult it is for the governments in the candidate countries to convince people that certain things have to be done, reforms need to be put forward in certain cases, burdens carried. This requires a lot of courage," explains Mr Verheugen.

"If we compare the situation in the candidate countries now with the situation only 10 years ago, it is almost a miracle what they have achieved. We should respect that. What we in Germany have learnt is that transformation needs time and patience from both sides. Other member states understand this, but do not have the same experience as us," concludes Mr Verheugen.

Another concern of the EU and the German presidency is the fate of the pre-ins — those candidate countries which have not yet started the negotiation process. "We have different development in these five countries. In certain cases there has been progress, in others less. The strategy of the EU is that a country can be promoted from the group of pre-ins to the negotiation process. It remains to be seen if this strategy works. Some member states believe we need a geographic balance. We do not know what the Council will decide. During our presidency there will be no declaration. There is a clear procedure to follow. The Commission's next report will be made under the Finnish presidency at the Helsinki summit. Then the Council will have to decide if it promotes any pre-ins. The German view is that we should stick to the strategy we have. This means the pre-ins must have a realistic chance to start negotiations. Each country should be treated separately, and if enough progress is made, the country should start negotiations. That's our position," explains Mr Verheugen.

Germany's EU presidency also coincides with its leadership in the Western European Union (WEU). With ratification of the Amsterdam Treaty, the EU and WEU grow even closer. Germany intends to use its leadership in both groups to underpin stability, security and peace in Europe.

"It is useful having the double presidency," admits Mr Verheugen.

With the adoption of the Amsterdam Treaty, the EU takes a major step towards co-ordination of a common policy on security. "We have the possibility to demonstrate our common purpose and perform much better than in past. But the most important thing is to overcome a European problem that has to do with our history. ... Europe cannot continue to be an economic power but a political dwarf," says Mr Verheugen.

Another area of concern is the fight against organised crime and violence through control of the EU's external borders.

"Border control is of course a very important question. We find it rather unfair, however, to blame the candidate countries for problems and make them responsible for crime and violence in our states. Fighting crime and violence is a problem for all member states and we have to combine our efforts."

Mr Verheugen adds: "I won't say the candidate countries are less active in fighting crime, but after enlargement the new EU border will not be Germany and Poland or Germany and the Czech Republic, but Poland and Ukraine, Belarus and Lithuania, for example. ... We want safe borders, but we don't want to build a European fortress," says Mr Verheugen.

Sue Cunningham/SCP

A poignant reminder of the death of those trying to reach freedom during the years of a divided Germany in Europe.

Stability in Europe depends also on economics. Another concern of the presidency and Europe as a whole is unemployment. Many people in the EU fear that enlargement could further raise unemployment levels.

"Many people, particularly those in border regions, really think enlargement can jeopardise jobs. I think these fears are exaggerated. The experience with Spain, Portugal and Greece shows that during the negotiation process the pressure for migration is reduced. Of course we cannot know how much migration will really happen after enlargement. If economic imbalances are still very high on the day of enlargement, then of course we have to discuss and agree transition periods. We have to convince people here in Germany not only that Europe is good for them, but that enlargement is also good," explains Mr Verheugen.

Although there are still many hurdles on both sides to be overcome before enlargement takes place, Germany believes it has a special responsibility to help the candidates become part of the Union.

"We are living at a time in history of a Europe of integration. Europe must certainly be open for all European countries. That is our long-term strategy. It is also our view that it is Germany's responsibility derived from our history. We have to support our eastern neighbours. We accept the fact that Germany was responsible for the fate of these countries. For example, Poland, Hungary, the Czech Republic, the Baltic states, would never have been under communist dictators without German aggression. We feel that responsibility," concludes Mr Verheugen. ■

Union strengthens links with Latin America

EU interest in Latin America is growing. As the Rio summit in June approaches, efforts are being stepped-up to forge closer trade and political links with the region as a whole.

Rebuilding the Central American economies devastated by Hurricane Mitch in October 1998 has emerged as the main priority for the EU as it seeks to expand and reinforce its political, economic and trade relations with Latin America.

EU relief efforts in the region are expected to be a priority item on the agenda of the first conference of EU and Latin American and Caribbean heads of government to be held in Rio de Janeiro in June. EU and Latin American leaders will also discuss economic problems besetting the region in the wake of the financial crisis in Asia and Russia.

The summit agenda promises to look beyond the region's immediate financial and economic constraints to a broader strategy for reinforcing EU-Latin American links. Preparations for the summit have been under way for several months, with officials working on an ambitious blueprint which looks at ways of promoting closer ties in areas like trade, development co-operation and politics.

The EU is Latin America's main aid donor, providing about 62 per cent of all foreign assistance given to the region. EU nations are also Latin America's second most important trading partner, after the US.

Both sides recognise that it is time to move forward. They are hoping the high-profile encounter in Rio will give the EU-Latin American relationship a new dynamism, helping also to forge a real partnership between the two regions.

The EU has traditionally used summit meetings to highlight its growing interest in a region. The hope is that the Rio meeting will lead to a reinforcement of ties between Europe and Latin America.

Proposed initially by Spain and France, the Latin American and Caribbean summit is "a high priority for all EU governments," says Manuel Marin, Commissioner for Latin American relations. "When we meet in Rio, no question will be taboo in EU-Latin American relations."

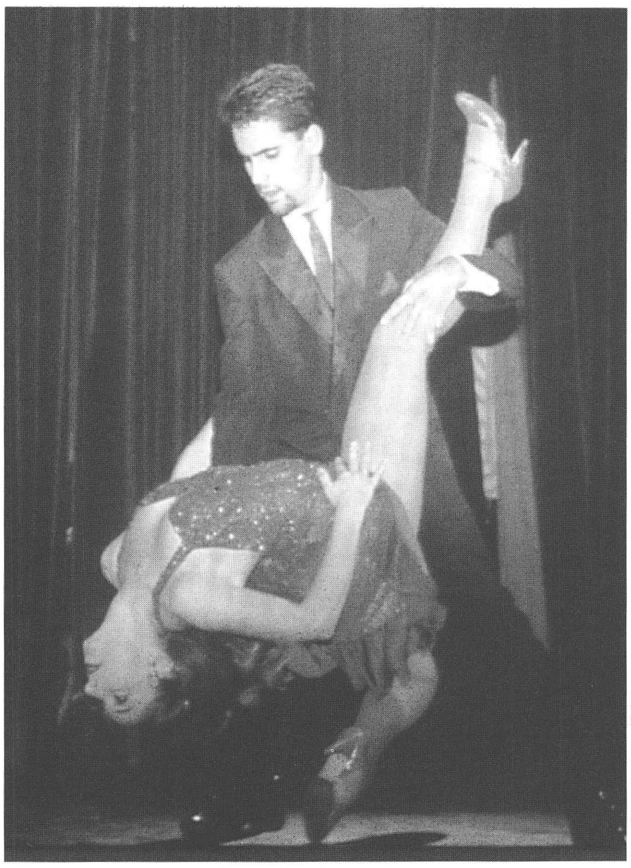
Latin American leaders appear equally ambitious, describing the upcoming meeting as a major challenge and an opportunity to debate a range of issues in detail. The summit will be an "historic opportunity for the identifying of innovative co-operation proposals which should lead to a qualitative leap forward in EU-Latin American relations," says Brazilian President Fernando Henrique Cardoso.

Discussions will focus on "our mutually shared values of democracy, human rights, development, environmental protection and economics — where a great deal remains to be done," says President Cardoso.

Despite the focus on the Rio meeting, high-level talks between EU and Latin American representatives are nothing new.

The political transformation of much of Latin America in the 1980s spurred the EU into making its first attempts to build better political relations with the region.

Popperfoto/Reuters



Sue Cunningham/SCP

The San Jose dialogue started in 1984 was the first sign of Europe's growing interest in bringing peace to Central America. It also marked the beginning of a permanent region-to-region relationship between the EU and a Latin American grouping.
In 1990 the EU launched a formal dialogue with the Rio Group (Brazil, Argentina, Paraguay, Uruguay, Venezuela, Colombia, Ecuador, Bolivia, Peru, Chile and Panama, plus a representative of a Central American and Caribbean country), further institutionalising its expanding Latin American connection.

Recent trade trends between the two regions have not been encouraging. EU exports to Latin America as a proportion of total foreign sales have increased by only 1.5 per cent.

Relations established with the Andean Pact nations (Venezuela, Colombia, Ecuador, Bolivia and Peru), were established in 1993 with the signature of a co-operation agreement. The focus of the pact has been on providing help in the region's fight against drugs. In 1996 Andean countries received €2m in EU aid to prevent drug use among young people and to rehabilitate former drug addicts.
Traditionally EU nations have had three main priorities in their relations with Latin America:

- to consolidate democracy and political reform across the continent
- to provide economic assistance to help alleviate poverty and promote trade and investment with the region
- to encourage moves towards regional integration between individual nations.

EU policy-makers have also kept a watch on US efforts to forge closer trade links with Latin America. Washington's calls in 1994 for the creation of a free trade area of the Americas helped spur the EU's already growing interest in the region.
Visiting the continent in the mid-1990s, EU leaders insisted that in addition to their traditional relations with the US, Latin American nations were also linked to Europe through history and culture.
The official visits also had another, more practical, economic aim: to draw the attention of European business leaders to the growing economic clout of many Latin American nations and the new trade and investment opportunities opening there.
As Commissioner Marin pointed out in a recent document, "the sheer size of the Latin American market — a population of about 484m — and its capacity for expansion makes it very attractive for investment and trade".
The 1990s did see an impressive improvement in Latin America's economic performance. Following sound macro-economic and financial policies, many countries in the region were able to play a more active role in the world economy.
The changes in Latin America were reflected in the EU's relationship with the continent. Development co-operation for the region's poor countries was still considered important, but new areas of common interest were also explored.
In 1994 EU and Latin American foreign ministers meeting in Sao Paolo agreed to draw up a new medium- and long-term strategy to reinforce co-operation in a range of areas, including trade, industry, economics and science and technology.
EU leaders meeting in Corfu in 1994 and Cannes in 1995 called on the Commission to come up with new ideas on building closer ties with Mexico, the recently-formed Mercosur group of countries and Chile.
The Commission, responding to the request in autumn 1995, unveiled a strategy document calling for a stronger partnership with Latin America. In it, the Commission promised efforts to tighten political links with the region by instituting a dialogue on issues related to peace and stability.
Strengthening the free market and regional integration was identified as another priority, with the focus on increasing Latin America's trading and economic potential and transferring technology to the region.
"European integration is a unique experiment," the Commission stressed, "and Latin American countries may draw benefit from this experience."
The paper also promised that EU development co-operation activities in the continent would in future be "better-targeted, more innovative and flexible".
Three main areas for future co-operation were seen as being of special importance. The EU said it would help and support efforts to consolidate the democratic process

in Latin America through efforts to strengthen institutions, reform and modernise governments and reinforce their capacity to formulate sector-based policies in areas such as education, health and rural development.

Worried that despite widespread economic progress, parts of the continent were still mired in poverty, the Commission underlined that fighting under-development and social exclusion would be the "biggest priority" for EU development co-operation with Latin American nations.

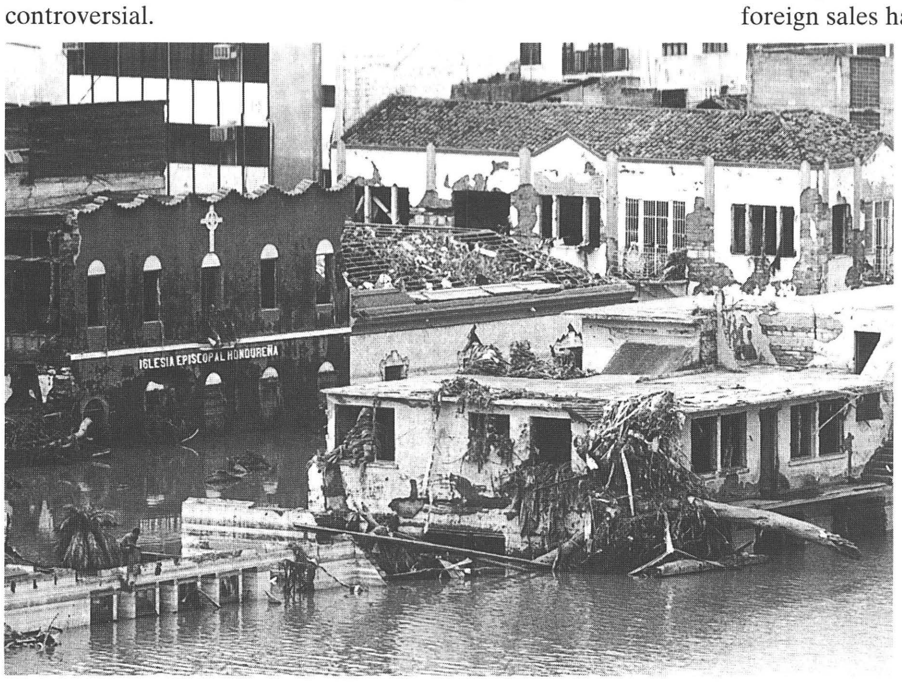
"People concerned have to be integrated into a market economy and economic development must be linked to social progress," the Commission stressed.

The strategy called for EU efforts to support economic reform and the improvement of Latin America's international competitiveness. EU countries must be ready to share their experience in areas like private sector development, economic, industrial and scientific co-operation with Latin America, the Commission said.

The paper highlighted other areas of common interest, including support for regional co-operation and integration, education and training and efforts to fight environmental damage, the development of sustainable energy and action to fight the use and trafficking of drugs.

To finance co-operation the Commission earmarked a budget of €1.3bn for the period 1995-99, a significant increase compared to the €3bn in aid given during 1976-94.

While most of these proposals won the backing of EU member states, Commission suggestions that the EU should step up its economic and trade presence in the region by clinching free trade arrangements with Mexico and the Mercosur countries have proved to be controversial.



Popperfoto/Reuters

Flood waters of the Choluteca River in Honduras illustrates the severe damage caused by Hurricane Mitch.

Many in the EU remain concerned about opening up European markets to increased foreign competition in the agricultural sector. Some EU countries feel that although it is important to promote greater trade flows between the EU and Latin America, the recent proliferation of free trade accords could endanger the multilateral trading system.

EU countries must be ready to share their experience in areas like private sector development, economic, industrial and scientific co-operation with Latin America.

After months of debate, negotiations on a new co-operation agreement with Mexico opened in autumn last year. Commission proposals for a similar accord with the Mercosur nations are still under discussion in the Council of Ministers.

The Commission is hoping that a formal negotiating mandate will be approved by EU governments in time for the summit in Rio.

As debate over relations with Mercosur illustrates, trade remains central to the EU-Latin American relationship. For Latin America as a whole, the EU is the second most important trade partner after the US, accounting for 15 per cent of the region's trade with the rest of the world in 1997.

EU exports to Latin America have grown by over 150 per cent in the 1990s, compared to a doubling of European exports to the rest of the world.

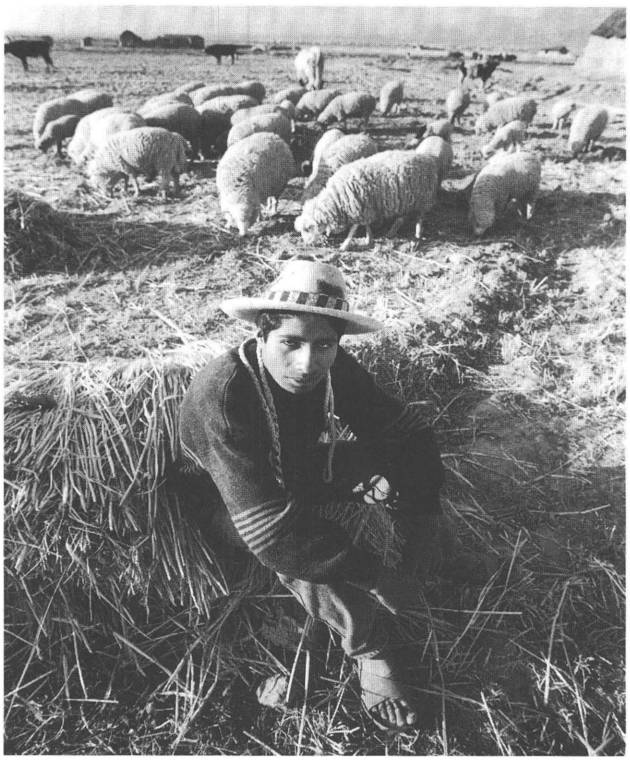
Recent trade trends between the two regions have not been encouraging. Between 1990-97 Latin America's exports to Europe fell dramatically as a share of the region's total foreign sales: from 24 per cent in 1990 to 13.5 per cent in 1997.

EU exports to Latin America as a proportion of total foreign sales have increased by only 1.5 per cent.

European exports to the region are also increasingly concentrated. At the start of the decade, Mercosur took a third of EU sales to Latin America. By 1997 such exports accounted for over half of European sales.

The EU has also been losing its share of the Latin American market throughout the 1990s. The proportion of Latin American imports originating in Europe has fallen from 21 per cent to 16 per cent over the decade. In comparison the US has increased its share from 38 per cent to 42 per cent.

Around 45 per cent of Latin American exports to Europe enter the market duty-free, either because they benefit from the most favoured nation treatment under the World Trade Organisation or because they are eligible for free access or lower duties under the EU's generalised system of preferences (GSP). Latin American


Marj Clayton/SCP

For Latin America as a whole, the EU is the second most important trade partner after the US, accounting for 15 per cent of the region's trade with the rest of the world in 1997.

countries complain that complicated administrative constraints such as import certificates, quotas and other bureaucratic rules act as a disincentive to the full utilisation of the GSP.

Central American nations also receive special GSP benefits as part of the EU's efforts to reduce the production and trafficking of drugs in the region.

Although proposals for an EU-Latin American free trade accord remain controversial for some governments and sectoral interests on both sides, it appears inevitable that the question will be raised at the Rio summit.

"Ideally the EU should have a free trade arrangement with Latin America, beginning with the Mercosur countries," stresses an EU official. The passage towards such a trading arrangement will probably require time and patience. ■

Reports by Shada Islam, Brussels

EU in the world

Finding a place for Cuba

Cuba's veteran President Fidel Castro is set to attend the first EU-Latin American and Caribbean summit in Rio de Janeiro in June.

Unlike the US, EU governments have maintained cordial relations with Mr Castro and his team while at the same time signalling their hopes that the country will move towards democracy and a free market economy.

Hoping to encourage such reform in Cuba, in the mid-1990s EU governments authorised the Commission to explore the possibility of signing a co-operation treaty with Havana.

The Commission sent several missions to Cuba, including a high-profile visit by Commissioner Manuel Marin.

The government showed some interest initially. EU officials admit Mr Castro and his ministers later became wary of EU calls for democratic and economic reform.

Although the country remains outside the ambit of the EU's many co-operation arrangements with other Latin American countries, Cuba has now been given observer status in the Lomé Convention, the trade and co-operation treaty which links the EU to 71 African, Caribbean and Pacific countries.

Havana's request for full membership of Lomé has been put off, with EU and ACP ministers insisting Cuba will have to make "substantial progress" on human rights, good governance and political freedom if it is to join the agreement.

Cuban officials say their government gives "strategic value" to relations with Europe but warn that relations cannot develop further on the basis of political conditions. "To condition co-operation with Cuba on supposed needs for improvements in the field of human rights or on so-called democratic changes is, in our opinion, an unjustified and unacceptable treatment," says a Cuban diplomat.

Mr Castro's presence at the June EU-Latin American meeting could encourage both Cuba and the EU to take another look at ways of upgrading their relations. ■


Sue Cunningham/SCP

Mercosur sees EU as model

Given their size, political clout and economic strength, Brazil, Argentina, Paraguay and Uruguay — the four countries which set up the Mercosur Common Market in March 1991 — loom large in the EU's relations with Latin America.

Mercosur represents the most successful economic integration zone in Latin America, and is the continent's largest and most vibrant economic bloc. It is the fourth largest single market in the world after the EU, the US and Japan.

In many ways Mercosur nations are using the EU model to promote their own efforts at regional integration.

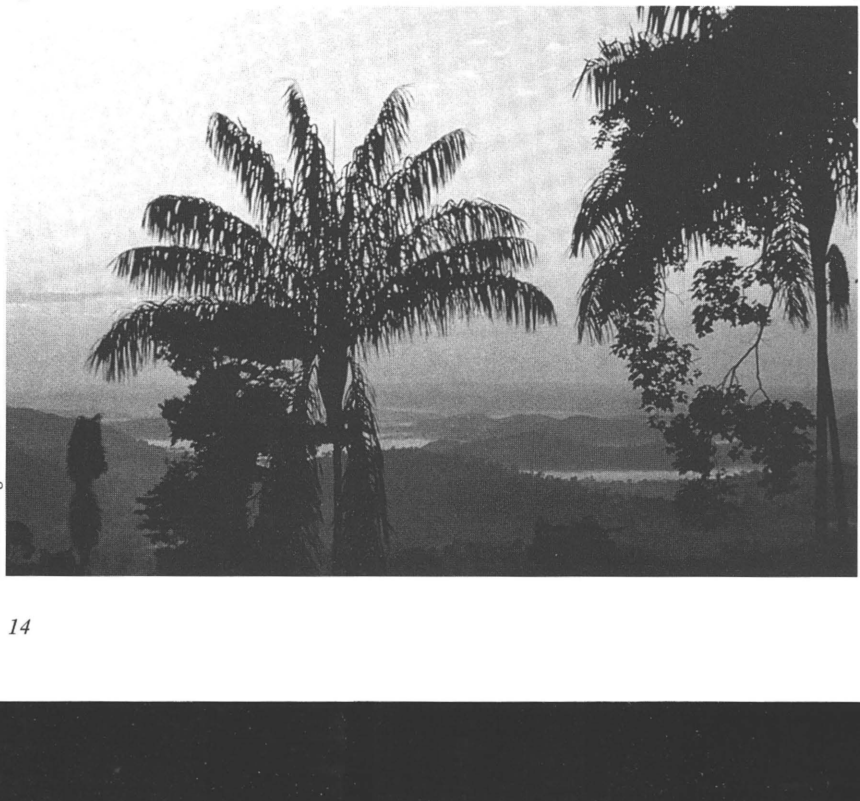
In January 1995 Mercosur set up a customs union which liberalised intra-regional trade and established a common external tariff which applies to the four countries' commercial relations with third nations. The group hopes to eliminate existing barriers in the movement of goods, services and capital by the year 2006.

Argentina and Brazil have agreed to move towards this single market earlier in 2001. The EU is backing the integration process.

In May 1992 the two sides signed an inter-institutional agreement under which the EU promised to share its experience in regional integration with Mercosur. An informal ministerial dialogue was also established.

In 1994 the EU approved a two-phased strategy for upgrading its political and economic relations with Mercosur nations and with Chile. As a first step the EU and Mercosur signed an inter-regional framework co-operation agreement. A similar pact was concluded with Chile.

The last EU-Mercosur meeting, also attended by Chile, was held in February 1998, with both sides reiterating their "firm interest in enlarging the existing links between them in the areas of trade, investment and co-operation".



Sue Cunningham/SCP

Turning that commitment into reality is proving difficult. The Commission, deciding the time was right to move towards the second phase of the agreements negotiated with Chile and Mercosur, started internal discussions in July 1998 on the need to conclude a free trade agreement for goods and services with both sets of nations.

Latin American Affairs Commissioner Manuel Marin stressed the political significance of forging a closer economic partnership with the Mercosur nations. However, several EU Commissioners have voiced concerns that the trade-expanding pact could endanger EU efforts at reforming its own farm policies. It could create more competition for EU farmers, especially for products like sugar, meat, cereals, fruit, soya and wine. France and other EU member states expressed similar fears.

As a result an EU mandate allowing for the opening of the free trade talks with Mercosur has yet to be adopted. Senior officials in Mercosur see little point in pursuing discussions on a free trade agreement with the EU if agriculture is not included in the negotiations.

Some sectors in Mercosur are worried the liberalisation of services, capital goods, telecommunications and computer products could harm the region's emerging domestic industries.

Despite the difficulties the Commission remains adamant that it is in the EU's interest to forge closer commercial relations with Mercosur and Chile.

Such an accord will allow the EU to preserve and increase its presence in one of the most dynamic regions for European trade and investment. Trade relations between the EU and Mercosur are already expanding. The total value of trade flows between the two groups rose from €18.9bn in 1990 to €33.3bn in 1996, an increase of almost 76 per cent.

As the Commission has pointed out, the race to get into the Mercosur market is intensifying and "everyone wants part of the action".

• In January a one-day seminar on the integration processes in eastern Europe and Latin America and prospects for inter-regional links, organised by the Inter-American Development Bank, was held in Budapest. The seminar analysed the objectives and strategies of regional integration in both regions, assessing the implications of EU enlargement and monetary union for inter-regional links. It also examined the effects of western hemisphere integration on future relations between the two regions. ■

Talking free trade with Mexico

Mexico and the EU launched discussions on a free trade area agreement in November 1998 in a drive to boost bilateral trade and investment flows.

Under discussion are actions to liberalise capital movements and payments, public procurement and measures to protect intellectual property rights. Both sides are hoping to achieve the widest possible liberalisation of trade over the next few years.

Mexican Foreign Trade and Industry Minister Herminio Blanco predicts that negotiations will be complicated, but promised Mexico will adopt a "constructive and flexible stance" during the discussions.

Analysts say negotiating an EU-Mexico free trade area will probably be easier than concluding a similar tariff-eliminating agreement with the Mercosur states. This is essentially because more than half of all Mexican exports to the EU are manufactured or chemical goods, while exports of farm products — the most difficult area to liberalise for many EU countries — only account for 17 per cent of trade.

As a result the EU-Mexican accord could be readied within two years. Free trade talks with Mercosur, on the other hand, have yet to begin.

There is certainly scope for improvement in EU-Mexican trade. In 1997 the EU exported almost $8.3bn (€7.7bn) worth of goods to Mexico and imported about $4.35bn (€4bn) worth of products from the country.

This represents almost 14 per cent of all EU trade with Latin America. Given the fact that Mexico's GDP accounts for about 20 per cent of the region's GDP, the overall trade with the EU is relatively low. For Mexico the EU represents only six per cent of its overall trade.

In contrast trade relations with its northern neighbour the US — both bilaterally and through the North American Free Trade Agreement (Nafta) — are booming.

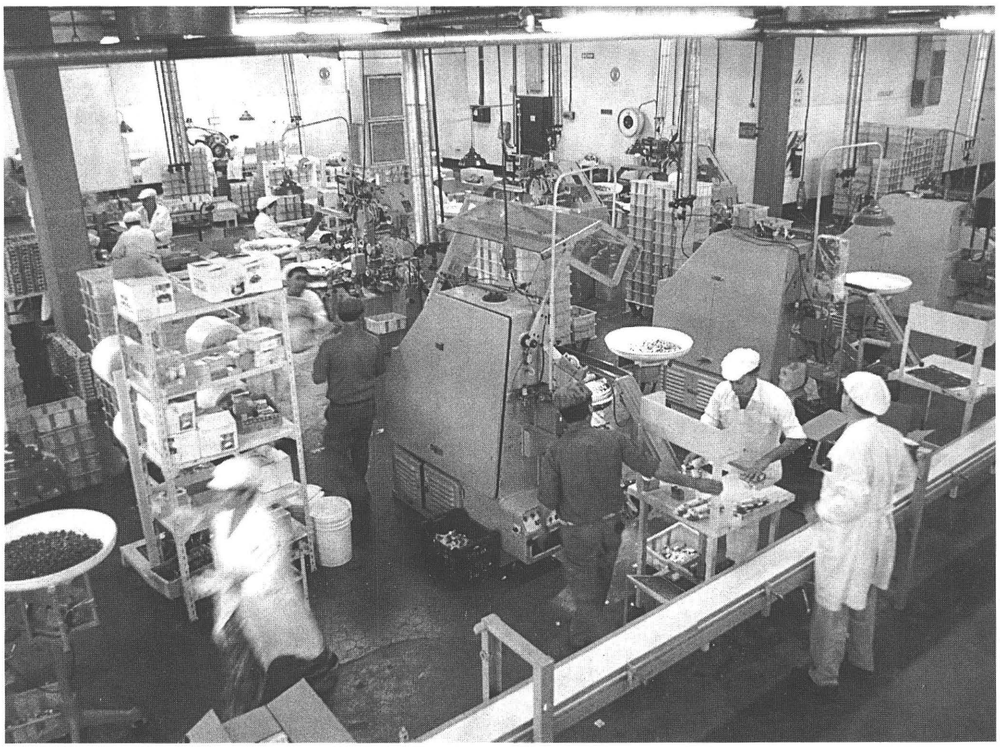
The EU-Mexico talks are proceeding as scheduled. Recent Mexican moves to raise tariffs to ease its budgetary troubles could create trouble for EU negotiators.

In early January, seeking to raise $500m (€461.7m) to control a yawning budgetary deficit, Mexico announced tariff increases of between 3-10 per cent on products coming from countries with which it does not have a free trade pact.

Trade and Industry Minister Blanco denies the new duties will affect the trade talks with the EU because negotiators are still using the old duties as a base. Mexico's motives in raising tariffs were fiscal and not protectionist, he insists.

The drive to upgrade EU-Mexican relations dates back to 1993 when both sides agreed to set up a new platform to invigorate their commercial and political co-operation. An economic partnership and political co-ordination pact was signed in December 1997 along with an interim agreement on trade. It was at a meeting of the joint council set up by the interim accord that both sides gave the green light to the opening of the free trade talks.

The new agreement being negotiating goes beyond the removal and phasing-out of tariffs and covers questions such as protection of human rights, political discussions and co-operation in areas like telecommunications, social affairs and culture. ■



Sue Cunningham/SCP

Negotiating an EU-Mexico free trade area will probably be easier than concluding a similar tariff-eliminating agreement with the Mercosur states because over half of all Mexican exports to the EU are manufactured or chemical goods.

Mitch spurs EU interest

Given their significant development needs, Central American nations have long been important beneficiaries of EU assistance. EU aid has in the past focused on a range of programmes, including help for refugees and people displaced by the region's civil conflicts.

Under an aid programme adopted in March 1997, EU governments earmarked almost €240m in aid for refugees in Latin America and Asia, with a large percentage of the funds designed to help displaced people in Central America.

Rural development programmes have also been an important area of EU assistance to the region.

The focus of EU aid is changing, however. The devastation caused by Hurricane Mitch in Honduras, Salvador, Nicaragua, Guatemala, Costa Rica and Panama last October means EU governments — along with other key donors — have started focusing on the region's new reconstruction priorities.

The EU is conscious of its political responsibility to Central America. EU aid to the region in the future would concentrate on one or two fronts, with the priority going to education and the social sector.

The EU was quick to respond to the emergency, dispatching almost €270m in humanitarian aid and food assistance immediately to the region.

EU officials have taken a leading role in international discussions on rebuilding the region. Union governments were also among the first to announce debt relief measures for Central America.

EU officials say that taken together, the debt-cancellation moves and humanitarian aid from the EU could total almost $500m (€461,7m).

Speaking at a meeting of international aid donors in Washington in December 1998, Commissioner Manuel Marin signalled the EU's determination to make a "significant contribution" to a more ambitious global plan to rebuild Central America's wrecked economies. "The EU is conscious of its political responsibility to Central America," Mr Marin said, adding that EU aid to the region in the future would concentrate on one or two fronts, with the priority going to education and the social sector.

Mr Marin also had a word of advice for the region's governments. In order to emerge stronger from the crisis, Central American countries should accelerate efforts at both economic and political reforms, he suggested.

As they start reflecting over the best strategies for ensuring rapid reconstruction in Central America, there is a consensus among all donor agencies that the destruction by Hurricane Mitch was aggravated by man-made factors.

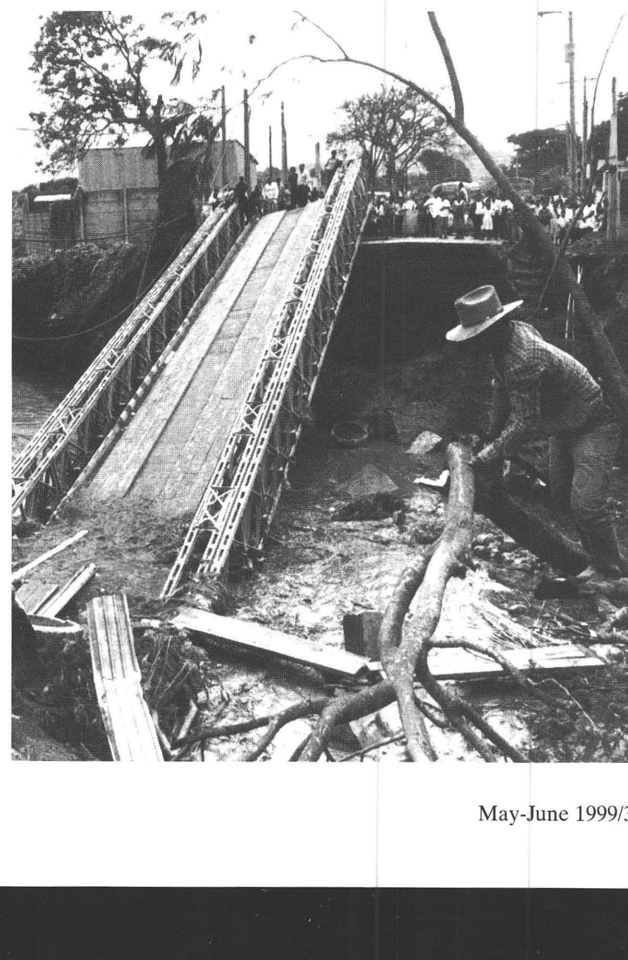
Population pressures in much of Central America had resulted in large-scale deforestation and the cultivation of marginal lands without proper soil conservation. These conditions left communities vulnerable to floods and mud slides. Flooding was aggravated by lack of adequate watershed management.

Poor people bore the brunt of the disaster caused by Mitch because they live in marginal, high-risk areas such as the banks of rivers and in gullies. The hurricane washed away their homes and their sources of income.

As a result existing social inequalities have worsened. "The recovery phase should incorporate a balance between the immediate needs for rehabilitation and the need to improve underlying social and economic structures in Central America," says a recent report by the United Nations Development Programme.

An evaluation by the Inter-American Development Bank also stresses that while the unprecedented damage caused by Mitch has created the need for massive recovery and reconstruction, it also "provides an opportunity for accelerating and deepening the structural transformation process already under way in Central America."

EU officials agree reconstruction strategies for the region must incorporate institutional and organisational schemes for mitigating the impact of disasters by early warning systems and community organisations for disaster response. ■



Popperfoto/Reuters

Directing the course of directives

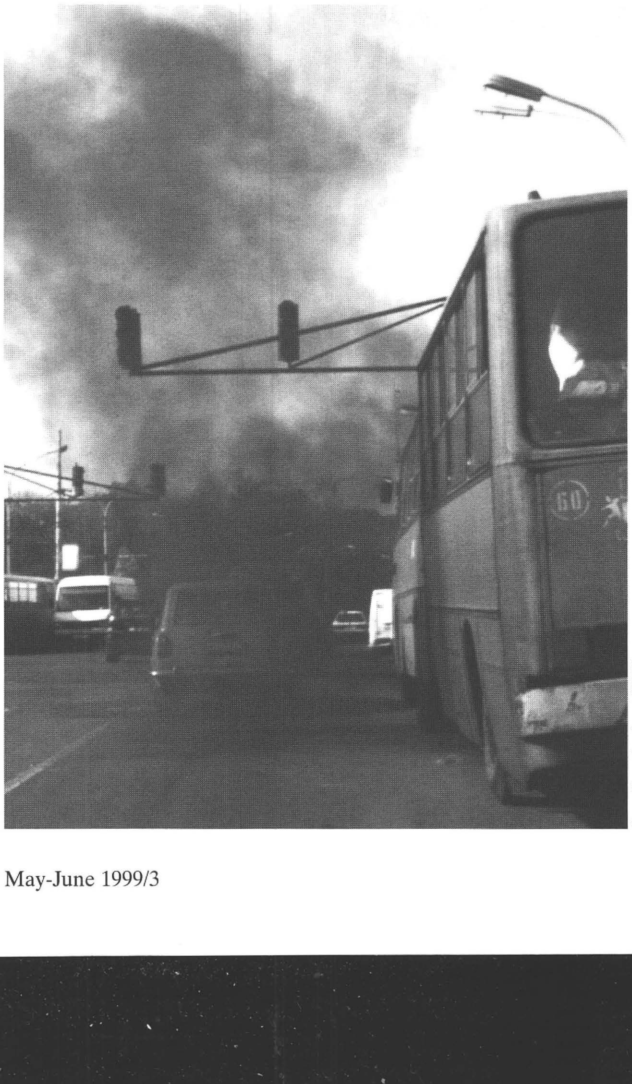
In summer 1998, after a series of tough conciliation negotiations between the European Parliament and EU governments in the Council of Ministers, the Union adopted a set of stringent new laws aimed at cutting air pollution from cars.

The auto-oil rules are a package of directives that will see tough new fuel standards being brought in across the Union from the year 2000, including the phasing out of leaded petrol. Car makers will also be obliged to build vehicles with cleaner engines from the same date.

By 2010 because of new rules, pollution from passenger cars and light commercial vehicles, such as vans and small lorries, will have been reduced by 60-70 per cent.

While the agreement of the new rules heralded the start of a new era for Europe's motorists, for the EU institutions it marked the end of a long and tortuous process.

Initial work on the auto-oil directives began almost six years before the law was finally passed. In 1992 three directorates-general — industry (DGIII), environment (DGXI) and energy (DGXVII) — took an innovative approach to the problem of drafting anti-pollution rules.



Sue Cunningham/SCP

Instead of drawing up the proposed laws in-house (within the Commission, as is normal), the Commission launched an extensive consultation process with representatives of both the oil and car industries.

"At the time the approach really was something new. I think that on the whole it was a very positive development," explains one former DGXI expert who now works for a Brussels-based non-governmental organisation dealing with transport and the environment.

Initial talks were not easy. The representative bodies for both industries — Europia for the European oil companies and the EU car makers lobby, known by its French acronym ACEA — suggested that the onus of the new legislation should fall on the other.

ACEA said it could not make progress in building low-pollution cars unless the oil companies provided cleaner petrol. Europia argued it was well within the car makers capabilities to produce cleaner engines using new technology and existing fuels.

After much bickering and spurred on by the knowledge that the Commission was likely to impose a deal on them if they did not come up with one themselves, the two sides reached a compromise in early 1996.

This agreement formed the basis of the auto-oil proposals that were jointly presented by Commissioners Ritt Bjerregaard (environment), Christos Papoutsis (energy) and Martin Bangemann (industry) on June 6 of that year. At this point the real political horse-trading between the EU's various institutions began.

The auto-oil rules were drawn up using the co-decision procedure — a legislative device that came into force with the 1992 Maastricht Treaty. When this particular method of EU-lawmaking is used, the European Parliament has considerable influence over what shape a new directive will take.

Members of the European Parliament (MEPs) even have the possibility of rejecting a Commission proposal outright if they do not approve of it. Under the Union's two other main lawmaking procedures — consultation and co-operation — MEPs can amend or delay a proposal, but not reject it. During the two years it took to agree the auto-oil package, Parliament used its powers to considerable effect.

The institution's biggest victory — at least from its point of view — was to ensure that many of the tough new anti-pollution rules would be introduced considerably earlier than the Commission had originally envisaged.

Before that final agreement was reached, two years of intensive negotiations between a range of interested parties took place.

Parliament locked horns with the Council of Ministers over the terms of the auto-oil package. EU governments within the Council disagreed strongly with each other over the content of the Commission's text. The two industry lobbies, along with a host of environmental organisations, continued to snipe from the sidelines.

The auto-oil proposal's first port of call after leaving the Commission was the European Parliament. In February 1997 the proposals were examined by Parliament's environment committee. They decided changes needed to be made.

One of the MEPs charged with reporting on the auto-oil plans to the committee was Dutch Liberal Doeke Eisma. He described the Commission's initiative as "an important step towards improving the quality of air in Europe", but accused the three Commissioners involved in the drafting of playing up the costs to industry and ignoring the social advantages of clean air.

The environment committee voted to tighten the rules and recommended that Parliament support this view when the issue was put to the vote.

At the April 1997 plenary MEPs voted to endorse the environment committee's view and officially called for the auto-oil programme to be strengthened.

Parliament's first reading of the auto-oil rules was then completed. While MEPs congratulated themselves for taking a tough stand at the first reading, their decision also meant Parliament was now on a direct collision course with EU governments in the Council of Ministers.

When EU environment ministers held a preliminary orientation debate on the auto-oil plans in March 1997, the signs were not encouraging. Several countries — Spain, Italy, Portugal and Greece — argued the Commission's plans would put a severe strain on their domestic oil industries and called for the proposal to be weakened.

Many of the Union's greener member states — notably the Scandinavian countries — were broadly supportive of the plans. When the results of Parliament's first reading were presented to the June 1997 meeting of environment ministers it was not welcomed.

The June meeting culminated with what many observers saw as a good compromise. The common position on the auto-oil rules was widely seen as a respectable deal.

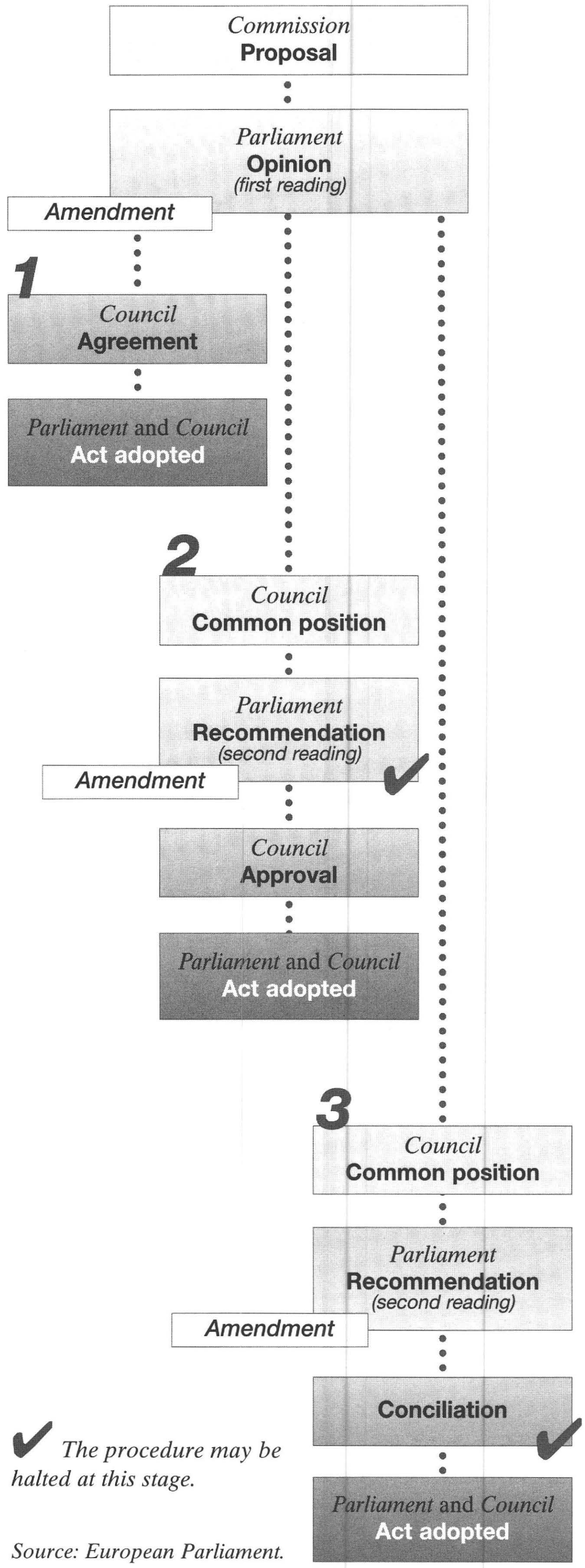
The north European states — aided by the fact that the EU presidency was at that time held by the eco-friendly Netherlands — managed to push through an agreement which generally tightened up the Commission's plans, but granted certain derogations to the southern countries.

The southern states were allowed longer periods of time to comply with the new rules and could extend these deadlines even further if economic pressures dictated.

While the Commission and the Council argued that the

Co-decision procedure

Three ways of reaching agreement after Amsterdam



Source: European Parliament.

Sue Cunningham/SCP

June common position was the best deal that anyone was likely to get in the current circumstances, the green groupings remained unconvinced.

Over the next few months a coalition of environmental groups began an intensive lobbying campaign designed to persuade Parliament to reject the common position when it was presented to MEPs for the second reading in February 1998.

The campaign culminated in a mass protest with over 2,000 opponents of the common position converging on Parliament's Brussels headquarters. They called on Parliament to ensure, "equal treatment for all in Europe". Two weeks later the full Parliament rejected the common position, voting by an impressive majority to throw out the Council's plans.

The MEPs' decision triggered a round of conciliation talks between Parliament and the Council — a procedure foreseen in the EU's co-decision rules. Talks were initially held on an informal basis. It was only when the elements of a compromise began to emerge that a conciliation committee was set up.

A deal was reached on June 30 1998. Parliament ensured stricter fuel standards would be in place by 2005 instead of 2010 as originally envisaged. The Council won the concession that fuel standards would be based on criteria it had suggested. ■

Reports by Simon Coss, Paris

Lobby power helps bikers

Mention the word "biker" to most people and the image conjured up will as likely as not be one of a lawless Hells Angel festooned with chains, clad in greasy denim and leather and roaring through the countryside on a Harley Davidson.

Despite this image Europe's biking community has revealed itself to be an organised, efficient and respected lobby group.

To look after bikers' interests, the Federation of European Motorcycling Associations (FEMA) has a office in Brussels monitoring the development of any EU legislation that could impact on bikers' rights.

At present the organisation is concerned that a proposed directive designed to ensure that cars are recycled when they reach the end of their useful lives could force up the price of motorcycles. The organisation argues that recycling of spare parts is already part of biking culture and that two-wheeled vehicles should not have to covered by the new rules.

FEMA has built relations with all three of the Union's main lawmaking bodies — the Commission, Parliament and Council — ensuring the maximum number of opportunities to influence the drafting of an EU law.

"We have excellent relations with the Commission's transport directorate-general (DGVII) under Neil Kinnock. DGVII is currently part-funding a project on crash barrier design through which we want to identify the best methods for reducing decapitation," explains FEMA general secretary, Simon Milward.

Mr Milward's group has also encouraged links with the European Parliament. In 1994 FEMA persuade MEPs to overturn a Council decision setting power limits for large motorbikes. This vote was historic as it was the first time Parliament used new powers granted to it by the Maastricht Treaty to throw out Council rulings.

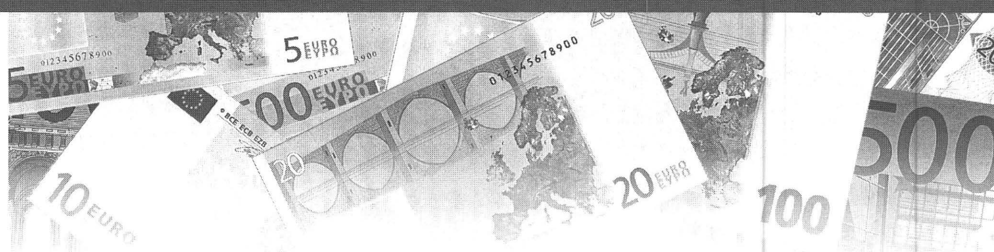
FEMA's lobbying of Parliament often involves colourful motorcycle rallies that unite hundreds of riders from across Europe. On one occasion the group even offered to take MEPs on a motorcycle tour of the mountains surrounding the Parliament's Strasbourg headquarters.

Mr Milward says that of all the EU institutions, the Council is the hardest for his group to influence. "It is the most secretive institution. The Permanent Representatives of governments who live and work in Brussels are often immune to FEMA's lobbying efforts because they receive their instructions directly from their national governments," he explains.

This is one of the reasons why FEMA is now trying to encourage its member organisations to lobby their governments at national level. "We need effective riders' rights presence in the capitals, people who are on hand to both inform and influence," he explains. ■

Giving a world voice to the euro

How the EU and more specifically the Euro-11 are represented in world fora is a political issue. Balancing the interests of large and small member states will play a part in the final solution.

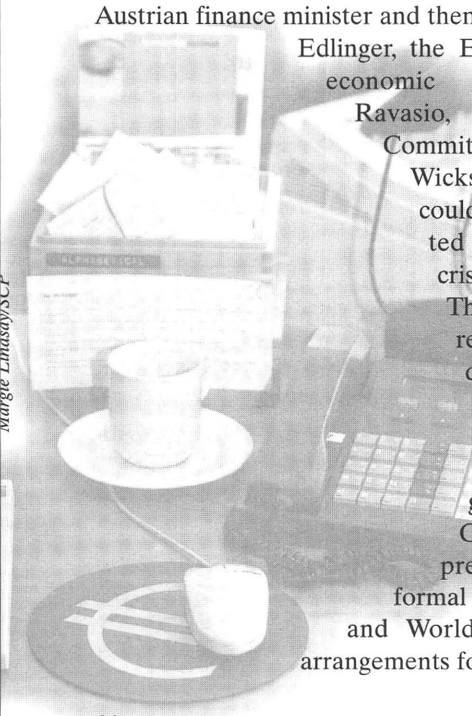


The uniting of 11 of the EU's member states into a monetary union this year added a new dimension to the already existing economic union on the international monetary scene. It is inevitable that some restructuring of rich country clubs, like the Group of Seven (G7) as well as multilateral institutions like the International Monetary Fund (IMF), will be needed. For example, there have been suggestions that the G7 could become a G3 — Japan, the US and the Euro-11.

The main question, however, is not about representing the euro, but rather about representing all the member states of the EU and the Community itself internationally when economic, financial and monetary issues are discussed.

The spreading of the global economic crisis has put real pressure on EU states and institutions to come up with at least some ad hoc solutions to representing the bloc's new international economic power.

One dry run for crisis management occurred with the Russian economic crisis in August 1998. A fact-finding mission went to Russia, consisting of a troika of the Austrian finance minister and then EU President Rudolf Edlinger, the EU Commission's top economic official, Giovanni Ravasio, and the Monetary Committee Chairman, Nigel Wicks. Officials say this could be the format adopted in future economic crises.



The overall issue of representation can be divided into three dimensions: representation of the euro powers in informal groups like the G7 and Group of 22 (G22); representation in more formal groups like the IMF and World Bank; and special arrangements for crisis management.

While some urgent concrete steps were taken prior to the euro's launch in January this year, many issues will only be resolved over time as the Euro-11 discovers its political feet and develops.

The advent of new left-wing governments within the EU, keen to give a bigger boost to ideas of enhanced economic policy co-ordination within the euro zone, is also likely to increase pressure for a strong central policy voice for the Euro-11 in international fora to counter that of the European Central Bank (ECB).

Difficulties on this specific issue are mainly owing to the unwillingness of the existing three euro G7 powers (Germany, France and Italy) to see their power within the club diluted to any serious degree by the addition of another powerful voice, the European Central Bank or a representative of Euro-11.

The spreading of the global economic crisis has put pressure on EU states and institutions to come up with at least some ad hoc solutions to representing the bloc's new international economic power.

One interim solution appeared under a deal signed by EU leaders in December 1998 in Vienna. Under this smaller EU countries will not necessarily be excluded from groupings such as G7 because the head of Euro-11 will be the key voice of the economic zone in fora like the G7 and the IMF. Since the Euro-11 chairman is normally the finance minister of the country holding the six-month rotating presidency of the EU itself, except when the chairman comes from a non-euro state, like Sweden or Britain, the smaller states which normally do not attend such meetings will have a place at the table. Every EU member state theoretically gets a turn at doing this job at some time or other.

This was the essence of an agreement which attempted to marry the radical implications of the euro's arrival for international economic policy with political reality — the fact that France, Germany and Italy still jealously guard their G7 places. These three will continue to assist the Euro-11 with G7 matters when there is not an existing G7 member holding the EU presidency, as will happen in the second half of this year when Finland takes over the EU presidency.

This will mean a kind of two-tier arrangement for the next couple of years. As holders of the rotating EU presidency, Germany and Finland will share G7 representation in 1999 and France and Portugal in 2000. In effect Germany will be holding Finland's hand and France, Portugal's when Finland and Portugal go to G7 meetings on behalf of the euro zone.

What is hopeful for the EU applicants is that the solution to the problem is an ad hoc one. Many officials have conceded the compromise's practical shortcomings. The logical solution, they admit, would have been to leave G7 entirely to Euro-11. Over time it is expected that — as smaller countries find their diplomatic feet — Euro-11 will become the sole and unhindered spokesman for the euro in the person of the finance minister of the country holding the rotating presidency of the Union.

This process of moving from a G7 to a future G3 or even G2 may be speeded up by the likely resistance of the US to the idea of having so many Europeans in the G7 meeting room. The numbers of Europeans involved is now becoming unworkable. In addition to the finance ministers and central bank governors of Britain (non-euro), Italy, Germany and France, meetings will also see the head of Euro-11 and the president of the European Central Bank (ECB). This deal also assigns more prominent international roles to the ECB.

Given that one important element in the Commission's role is to defend the interests of smaller EU countries, the candidate countries should count on this as another important link with G7.

The agreement on external representation was in many senses a radical one. It was hard to get the existing G7 powers to give much away and their concession on such important new powers to the Euro-11 was a victory. However, this victory owed a lot to other forces.

The recent change of German government in Europe was key. The fashionable talk about the need for "enhanced economic policy co-ordination" within the euro bloc was a consequence of the German election. This idea of working more closely together with other euro states on economic policy helped underpin the argument put by the Commission and others for a single euro zone voice in the global arena.

Reforming the IMF will present even tougher problems for the ministers, with most countries keen to preserve the status quo. Ideally some officials would like to be able to set up a single IMF constituency, including all euro nations.

Most countries, including the smaller states, have a vested interest in the IMF's status quo. Spain, for example, does not want to be moved from its present constituency which allows it to sit alongside and speak for many of its cultural soul-mates in Latin America. Belgium's position in the IMF also provides it with unprecedented importance inside an international institution. However, it is also one of the most progressive and Community-minded states in this field. It stands to lose a lot if the constituencies are reformed. Vested interests can sometimes make way for a Community approach.

Commission officials who do not have to defend vested interests, are able to take a step back and reflect on what a decent solution would be, not only for the Community but also for the functioning of the international monetary system and the Fund.

Some would like the EU to be a shareholder within the IMF in a similar way as it is in the European Bank for Reconstruction and Development (EBRD). The more practical approach seems to be to urge member states with executive directorships in the IMF and World Bank to co-ordinate more concretely their bargaining positions within these institutions.

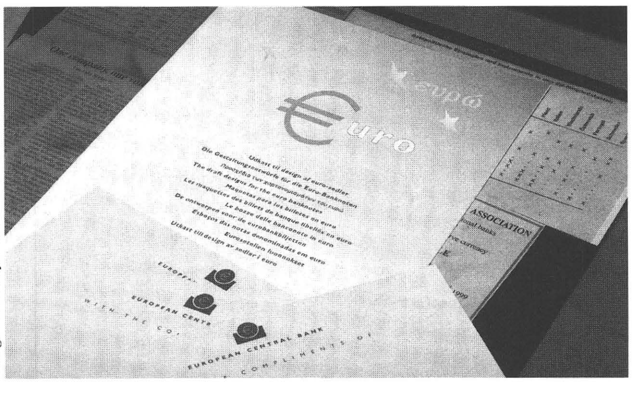
The Economic and Finance Committee, successor to the Monetary Committee, is a treaty body that helps to prepare the Economic and Finance Council (known as Ecofin and comprising all member states), and so all member states, regardless of their position vis-a-vis the euro, are represented and have a voice at its meetings. This is good news for Britain and other pre-ins since these countries participate in meetings of this key committee which prepares the Euro-11 and EcoFin discussions.

This still leaves them out of the actual meetings of Euro-11 when key decisions on policy co-ordination are adopted even if EcoFin has to rubber stamp formally these decisions later.

There have also been radical proposals in the past for rotating the presidency less frequently or sharing presidencies between large and smaller states.

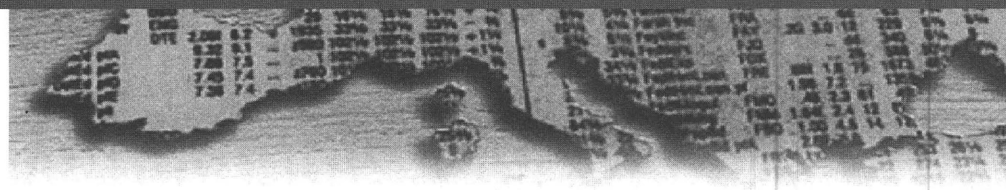
There will have to be some radical changes to the EU to make a larger Union workable. ■

Daniel Matthews, Brussels



Margie Lindsay/SCP

in brief



Corruption fight

The OECD and Transparency International have produced an Internet directory of national and international anti-corruption programmes operating in 13 central and east European countries.
The 13 Phare countries include all 10 candidate countries plus Albania, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia.
The directory has been drawn up in co-operation with the Sigma statistical EU programme operated in these countries. The directory can be used by governments, non-governmental organisations, journalists, businesses, trade unions, academics and researchers and is intended to facilitate the exchange of information and experiences of anti-corruption work and improve donor co-ordination.
Entries in the directory comprise programmes to support the development of comprehensive national strategies to curb corruption, prevent fraud in the delivery of foreign aid, establish fair and transparent public procurement systems, build up reliable audit and control mechanisms, promote high ethical standards in the public service, improve drafting of laws and regulations, deter money laundering, check bribery of public officials, modernise customs regimes, combat organised crime, strengthen judicial and law enforcement institutions and promote public-private partnerships to support integrity in governance.
The anti-corruption directory can be accessed at http://www.oecd.org/puma/sigmaweb and will soon be available in hard copy format. More information from the OECD (Tel: (331) 4524 7900; Fax: (331) 4524 1300; e-mail: sigma.contact@oecd.org).

Help for street children

The Commission has approved a €317,000 grant to the Bulgarian St Sofia Bridge Project run by ChildHope UK in partnership with the Free and Democratic Bulgaria Foundation to help tackle the plight of street children in Sofia over the next three years. The aim of the project is to improve the quality of life of street youth from 16 to 25 years of age and help bring about their reintegration into society through counselling and education. Since 97 per cent of the street children in Sofia are from the Roma minority, this project will also contribute to the respect for and protection of minorities, which is an integral part of the EU enlargement strategy.

Cross-border initiative

Borders between candidate countries are now eligible for funding under the Phare cross-border co-operation programme. Funds totalling €180m a year are to be made available to the applicant countries. This will boost cross-border co-operation in these countries, promote regional and grass-roots initiatives and help the candidate countries prepare for participation in the EU's structural funds scheme (Interreg). Until now cross-border co-operation has concentrated on those regions in candidate countries that border the EU. In 1999 two-thirds of Phare funds available for cross-border co-operation will be earmarked for borders with the EU, and one-third for other borders.
Cross-border co-operation funds will be available to Romania for the first time.
For each border region, new joint committees responsible for defining common programmes will bring together officials from both sides of the border and the Commission in partnership.

Good news for Slovenia

The Europe agreement between the EU and Slovenia has now entered into force The agreement was signed on June 10 1996, and member states completed their ratification procedures in December 1998. Slovenia ratified the Agreement in July 1997.
Upon its entry into force, the agreement will replace the interim agreement and the co-operation agreement which were the legal basis for relations between the EU and Slovenia. The Europe agreement foresees free trade in industrial goods between the EU and Slovenia from January 1 2001 and will allow for enhanced co-operation between the EU and Slovenia. Slovenia will now be able to take part in EU programmes which are open to countries with Europe agreements.

Statistics work

The candidate countries, including Cyprus, will take part in the EU network for exchange of immigration statistics, starting in January 2000. Immigration statistics in candidate countries are collected under a different system and are not compatible with EU figures. Full participation in the Centre for Information, Discussion and Exchange on the Crossing of Frontiers and Immigration, known as CIREFI, will ensure one set of immigration statistics for the whole EU and all candidates.

in brief

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Lithuania has abolished the death penalty. The Commission welcomed the move, noting that Lithuania has also signed the Sixth Protocol to the European Convention on Human Rights, which prohibits capital punishment.

The EU has welcomed the adoption by the Bulgarian parliament of an amendment to its penal code which abolishes the death penalty.

From January 1 1999, Bulgaria's currency, the lev, has been pegged to the euro at the permanent exchange rate of 1,955.83. The lev had been pegged to the German mark since mid-1997, when the currency board was set up. The pegging to the euro reflects the permanent conversion rate of the mark to the euro, announced on December 31 1998.

Romanian President Emil Constantinescu has signed into law legislation guaranteeing foreign investors the same treatment as their local counterparts. Under the law foreign investors will be exempt from import taxes on equipment brought into the country and will be granted tax reductions based on the volume of their investment. Those investing over $50m (€46.2m) will pay no profit taxes for 10 years. The legislation also provides safeguards for foreign investors against nationalisation, expropriation or discrimination.

The Evroroma national association has been set up in Bulgaria to represent Romani organisations. The association's goal is to mediate between the Romani community and the government in finding solutions to Roma's social and economic problems.

Twelve members of the Romani minority in the Czech Republic have been appointed to the government commission set up to examine how to promote coexistence between that minority and the Czech majority. The Labour Ministry has prepared a document on promoting co-existence between the two communities by means of "macro-social measures" and social policies aimed at integrating Roma.

Romania's parliament has approved a law prohibiting money laundering. A National Office for Preventing Money Laundering is to be set up and banks will have to notify the office of any operation in excess of €10,000. The office will also supervise casinos and pawn shops.

Romanian history textbooks are to be revised to correct "errors and omissions" on the inter-war and communist period. Particular attention will be paid to the "apex of modern world barbarity", the Holocaust.

A new customs regulation which took effect on January 1 1999 obliges tourists entering Poland to show on request that they have enough money for their stay. Tourists older than 16 years must have at least Zl 500 ($143/€138.83), or at least Zl 100 for each day they intend to stay. Those under 16 must have Zl 300, or Zl 50 for each day of their stay. Foreigners using Poland as a transit route must also have financial support: Zl 200 for those over 16 and Zl 100 for others. Polish officials said the regulation is intended to tighten border controls without having to reintroduce visas for citizens from the former Soviet republics.

An international jury chaired by former EU Commission President Jacques Delors named Estonian President Lennart Meri European of 1998. Mr Delors said in a letter that the jury wanted to pay tribute to Mr Meri's "indefatigable struggle" for the rebirth of Estonia and for his commitment to the unity of Europe. The award is organised by the French magazine *La Vie* and was awarded in Paris in March.

Hungary has asked the EU for a 10-year delay in allowing foreigners to buy farmland. Finance Minister Zsigmond Jarai says that for five years after accession, foreigners should still be required to obtain permission from local councils in order to purchase an apartment in Hungary. Budapest also wants to ensure that foreign companies will not be allowed to establish rival airlines to the state-owned Malev for 10 years. "All these restrictions would serve to protect the Hungarian real estate market, where prices are well below the EU average," says Mr Jarai. He says Hungary's fiscal policy and currency rules will fully meet EU standards by the time the country becomes a member.

in brief

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Meanwhile, a Polish government official says Poland also wants a 10-year transition period in order to liberalise fully its real estate market. Liberalisation would take place without state interference, but under state supervision.

The Czech Republic and Slovakia have signed a protocol on co-operation in the armaments industry.

Hungary and Slovakia have agreed to rebuild a bridge between Esztergom and Sturovo by 2002. Under an agreement already ratified by Hungary, the EU will assist in rebuilding the bridge.

The Commission has decided to prolong for a further five years the state aid provisions of the Europe agreement with Bulgaria. State aid in Bulgaria will continue to be assessed in the same way as in areas of the EU where the standard of living is abnormally low or where there is serious underemployment. These areas are judged to be eligible for state aids if they have a GDP per capita in purchasing power parity terms that is less than 75 per cent of the EU average. Bulgaria's GDP per capita is approximately 23 per cent of the EU average.

Slovak Prime Minister Mikulas Dzurinda says his country "will do everything" in its power to be admitted to accession talks with the EU at the December 1999 Helsinki EU summit. Slovakia needs to step up efforts to align its legislation with that of the EU and with that in mind has prepared a 90-point action plan aimed at achieving EU integration.

A European information centre has opened in Budapest. This is the second to open in a candidate country.
The first was opened in Prague. The Budapest centre, headed by Nadja Parcsami, is at
Barczy Istvan u 1-3,
1052 Budapest
(Tel: (361) 327 1711
or 1712;
Fax: (361) 327 1716).

Italy has sent experts to Prague to help start an anti-corruption campaign. Anti-corruption officials from the US will also help. Around 350 cases of white-collar crime are being investigated.

Britain was the largest investor in Slovakia in 1998, according to the Slovak Statistical Bureau, investing a total of Kr 2.9bn ($78.6m/€72.6m), accounted for 28.7 per cent of total foreign investment in 1998. As the second biggest investor in 1998, the US invested Kr 2.7bn. The Netherlands followed in third place.

Greece and Bulgaria have signed an agreement on co-operation in combating drug trafficking, smuggling and customs fraud.

Lithuanian Prime Minister Gediminas Vagnorius has declared war on organised criminal groups. A special task force has been set up within organised crime investigation departments. The government will boost efforts to pass laws making it easier to arrest and convict organised crime bosses.
Government spending on law enforcement will also be increased.

The International Atomic Energy Agency (IAEA) says the controversial Kozloduy nuclear energy plant has made "considerable progress in the areas of safety". IAEA deputy chief Zygmund Domaratzki says the main challenge is to maintain that level of safety. The Bulgarian government has refused requests from the West to close any of the four older reactors at the plant before their 30-year life spans are over. The plant is Soviet-designed, but has been upgraded by Siemens and Westinghouse.

Slovakia, Hungary and Austria are discussing regional co-operation and the creation of a development zone within the Bratislava-Vienna-Györ triangle. Slovakia's Prime Minister Mikulas Dzurinda says his country "must prove capable of co-operation in the trilateral community if we want to become a part of the EU".

Estonia wants to retain its free trade agreements with its Baltic neighbours and with Ukraine after it joins the EU. Tallinn is prepared to give up all other agreements with third countries that are not in accordance with EU norms, but would like exceptions to be made for those with Latvia, Lithuania and Ukraine.
The request is based on the assumption that the three countries will eventually become EU members.

Choosing a leader

How the EU chooses not only the Commission President but the rest of the team has been a fairly secretive process. With more powers granted to the European Parliament, the procedure may become more open.

Following the resignation of the entire Commission in March, member state, heads of state and government were faced with the task of finding a "man capable of making the European Commission a machine for reforms" at their Berlin summit. Romano Prodi, former Italian Prime Minister, was chosen to head the new Commission.

Once the Commission President is approved by the European Parliament, the other 19 Commissioners will be named and MEP's will begin a process of US style Congressional hearings to determine if the appointed Commissioners are suitable for the posts they are to take up.

The choice of Commission President is a little like selecting a Pope. No one outside the 15 EU leaders who will take the decision is entirely sure of the factors which lie behind the decision.

There are several ground rules. The EU leaders' nominations must be unanimous. Any government, if it is sufficiently determined, can block a particular candidate. Usually any difficulties can be detected at a sufficiently early stage in the process to prevent a political row.

Popperfoto/Reuters

The second unwritten rule is that there should be a certain balance or swing of the political and geographical pendulum when nominations are considered. This results in a complex matrix of centre left/centre right, north/south and big/small member states.

Put bluntly, after a Socialist has held the post for a number of years — as France's Jacques Delors did for a decade — it is felt that the position should pass to a Christian Democrat. If this can coincide with a change from a big country to small or vice versa and offer a certain geographical balance between northern and southern Europe, all the better.

A Commission President needs the intellectual pedigree and political skills which will enable him to establish his authority on and gain the respect of his colleagues. At the same time he must have the stature to represent the institution as an equal when dealing with European prime ministers and when speaking on behalf of the Union with world leaders.

Smaller EU states tend to put forward former prime ministers who have had direct experience of top level politics. Larger countries favour senior ministers who have run important government departments and been closely involved in the main affairs of state.

Once appointed Commissioners are expected to act independently of outside interests and not to take instructions from member states. A great deal of prestige is gained by a country, particularly smaller EU member states, if one of its nationals is selected as President.

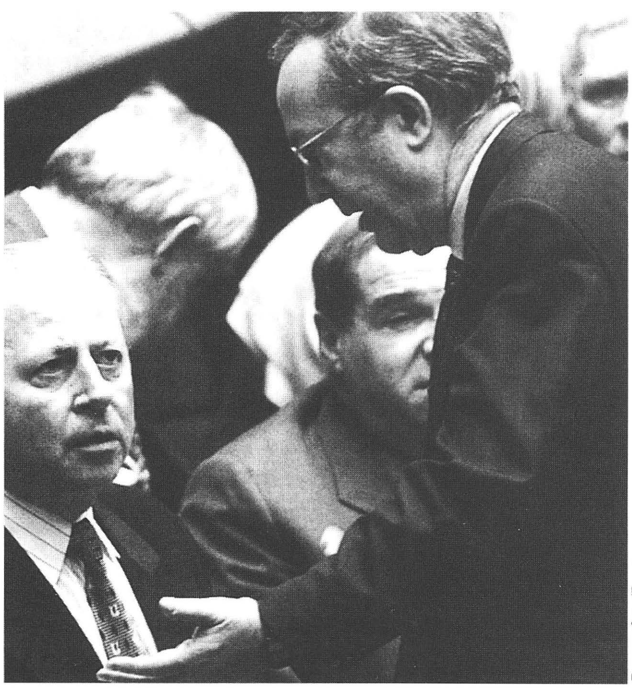
Just as the individual who becomes President must encapsulate many characteristics, so too the decision to appoint him is rarely taken in isolation. At the same time member states decide on the Commission's make-up, they will also decide a number of senior European posts, including the Union's new foreign policy supremo. The EU foreign policy official will be based in the Council of Ministers, not the Commission, but as with all top EU appointments, considerations other than pure ability and qualifications will come into play. The final choice will also take into account nationality and political sympathies. Nationals of the same member state are unlikely to hold both positions. So governments eyeing either post will have to decide which is more important to them and which is more achievable.

Also at the end of 1999, the secretaries general of both Nato and the Western European Union will be chosen. It is unlikely the same country will hold more than one of the top jobs in Europe at the same time.

Before the new Commission President can begin to put together his or her team, the nominee will have to be approved formally by the European Parliament — a requirement introduced by the Amsterdam Treaty.

In the Union's early days, MEPs had no say in the appointment and recently they were only consulted. The formal vote by Parliament on the nominee for President before the other members of the team are appointed will increase MEP powers and strengthen the new President's political authority over his future colleagues. The next Commission President will have more power and democratic legitimacy than any of his predecessors.

The Amsterdam Treaty also increases the new President's input into the selection of the other Commissioners. Until now the President has had virtually no say in the selection of the other Commissioners which national governments propose. Although the President does have a large say in distributing portfolios, pressure from national capitals is rarely far away. To date a Commission President has only been able to reshuffle portfolios when a Commissioner has either resigned or died. In future he will be able to do this during the five-year life of a Commission. But it will take a President genuinely confident of his authority over his colleagues and of his standing with EU governments to do so.



Popperfoto/Reuters

The President will also now have to give his formal approval to the nominees. The first indication of the likely impact of this change will come when the new President starts to consult member states about the nominees.

Although the Amsterdam Treaty gives the President the possibility of rejecting a government nominee, he will have to be absolutely sure of his ground in doing so. The Treaty does not spell out what happens if he says no. Either the member state concerned could risk a show-down by re-nominating the original candidate or put forward someone else.

One of the hardest tasks for the President will be the distribution of portfolios. As the number of Commissioners has grown, the number of heavy-weight policy areas has not kept pace. So some Commissioners are bound to be disappointed.

To some extent portfolios are distributed according to a Commissioner's previous experience. Thus, a former farm minister has a good, but not totally certain, chance of being given responsibility for the common agricultural policy.

Sometimes the distribution discretely reflects the interests of member states which have been lobbying to place their people in charge of particular aspects of foreign, economic or financial policy. To increase their chances of success, governments nominate sufficiently experienced candidates who can see off the competition for the coveted post.

Being a successful Commissioner involves walking a careful tightrope between national and European interests. Commissioners are meant to be independent of outside influence, but each brings with him or her a special understanding of their own country and political scene which the others probably do not have.

Although the Commission President will determine the overall policy lines of the institution, responsibility for enlargement negotiations is likely to be given to one of the organisation's two vice-Presidents from January 2000.

With enlargement the new member states will also be represented in the Commission. What is unclear is whether each new country will automatically have its own Commissioner. There is strong pressure to reduce the number of Commissioners so that the organisation does not become too unwieldy as the Union increases in size.

How this should be tackled will become clear in the next round of EU treaty changes which is expected to be launched formally at the end of the year. One idea on the table is that the five bigger member states which now enjoy two Commissioners should lose one each.

Another more controversial suggestion is that it should no longer be an automatic condition of EU membership that each country should have at least one Commissioner. Under this model member states could either rotate Commissioners or share them on a regional basis. ■

Reports by Rory Watson, Brussels

EU institutions

Reform likely following resignations

The shock resignation of the entire 20-member Commission on March 15 has precipitated a debate on major institutional reforms which EU member states must confront prior to enlargement. An inter-governmental conference (known as an IGC) is expected to begin this year, most likely under the Finnish presidency in the second half of the year. The IGC will discuss treaty changes needed to prepare the EU for more members. The French, holders of the rotating EU presidency in the second half of 2000, say they want to conclude the IGC at their December summit meeting. This would give EU member states time to ratify new treaty changes in time for entrance of the first new member states, possibly in 2003. One of the agenda items now expected for the IGC will be the selection of Commissioners, their replacement and ways of making the Commission's operations more efficient and transparent.

The events of March have shown the deficiencies in the existing treaties. Drafters never foresaw a situation where an entire Commission would need to be replaced quickly before their term of office ended. The IGC is most likely to look at how to handle such a situation in future and also to open the debate in order to allow the sacking by MEPs of individual Commissioners without forcing all to go, albeit with necessary controls and limitations imposed on parliament.

While some issues regarding the Commission's structure and membership will be settled by the IGC, an over-haul of its operating structure to include tighter auditing procedures, possibly a new financial management system, more efficient procedures for awarding contracts, a tight disciplinary procedure and improved system of accountability – all aimed at making the bureaucracy more efficient and accountable – would most likely be made through legislative changes which can be initiated and handled by MEPs and the Council of Ministers.

Another outcome of the March resignations is the fact that not just the Commission but EU member states are going to have to get used to the idea of sharing more power with the European Parliament in future. ■

MEP selection process varies

Millions of voters will go to the polls across the EU in the middle of June to elect members to the European Parliament. With its 626 members, Parliament is the only EU institution in which European citizens have a direct, democratic say. June's elections, the fifth in the Union's history, come at a time when the influence of MEPs on EU legislation has never been so great.

Despite this growing influence, all the candidates will be trying to counter voter apathy and to ensure as high a turnout as possible. Despite Parliament's unique position in the EU, it has largely failed to capture the public's imagination. Voter participation in most countries has consistently fallen since the first direct elections were held in 1979.

The Amsterdam Treaty makes Parliament a far more important player in the Union. The number of areas where MEPs and EU governments have equal legislative responsibility has risen from 15 to 40, covering around three quarters of all EU legal acts. New or extended legislative powers cover such areas as customs co-operation, fighting fraud, public health, social policy, regional matters, transport and employment. Until recently this shared power over the final shape of EU laws was largely restricted to environmental and single market issues.

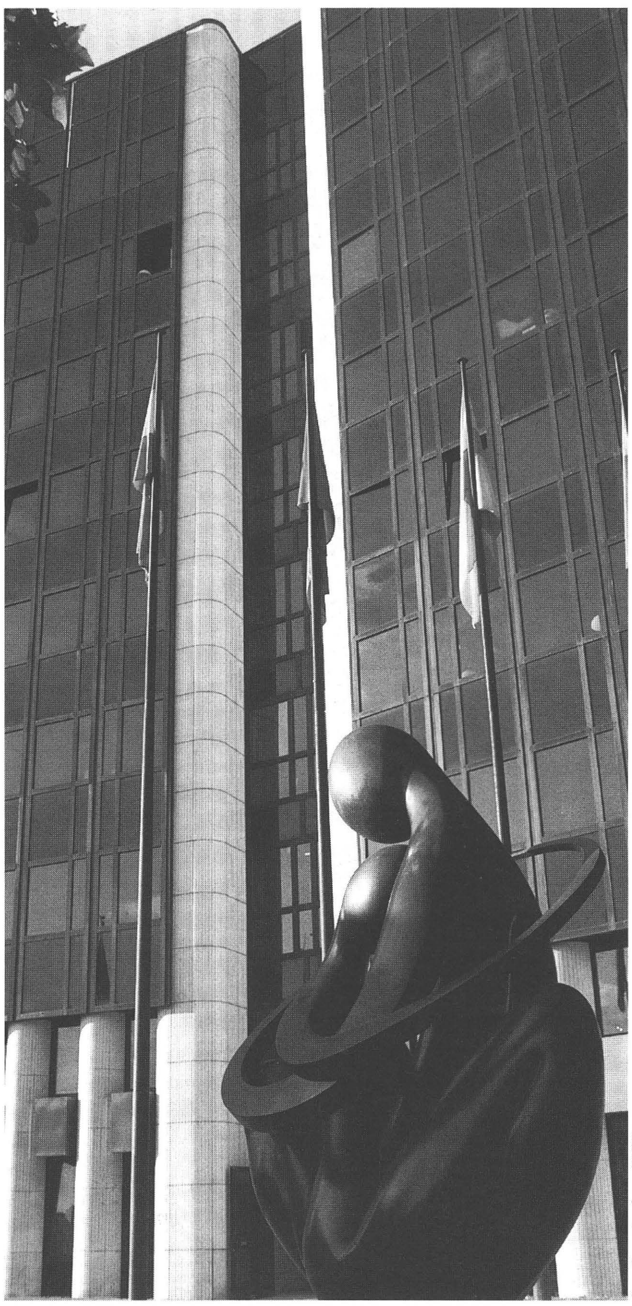
As with any election, the different political parties will be bombarding the public with manifestos and political rallies. Each of the main groups — Socialist, Christian Democrat, Liberal and Greens — will campaign with their own pan-European programmes.

While these will demonstrate the different groups' stances on EU issues such as regional and agricultural reform and the structure of a common security policy, parties will also campaign on more local issues.

The elections in June will be a clear litmus test of political opinion across the Union. With Socialists in charge of 11 EU governments and in coalition in two others, the campaigns will be an opportunity for centre-right parties to present themselves as a coherent opposition. That is a powerful incentive for them to co-ordinate their appeal to the electorate.

Whichever political group emerges with the most members will almost certainly be able to select one of its

number to be president of the institution for the first two-and-a-half years.
The post may appear largely ceremonial, but Parliament's president is in a strong position to try and steer through internal reforms currently being considered.
These changes, which will be put to the new Parliament for its approval, are designed to take account of the new legislative functions MEPs enjoy and help the institution work more efficiently.
One scheme being examined is to redistribute certain responsibilities between the different committees so that these are fewer in number, are more representative of the political make-up of Parliament and have roughly similar workloads.



Sue Cunningham/SCP

The Amsterdam Treaty makes the European Parliament a far more important player in the Union.

Another idea is that Parliament should in future divide up its time differently by concentrating its legislative activity and major set pieces, such as the annual state of the Union address, during its plenary weeks in Strasbourg.
On the other hand urgent topical business and the task of supervising the Commission would be organised in Brussels, possibly by holding a half-day mini-plenary session there every week. In recent years Parliament has held periodic two-day mini-plenary session in Brussels.
If this Brussels session took place on Wednesday afternoons, it would enable MEPs to call on the Commission to come and explain the decisions it had taken that morning at its regular weekly meeting.
Irrespective of the outcome of the battle between the different political parities across Europe, there will be lots of new faces in Parliament. On average between 40 and 50 per cent of MEPs are new. They will be on a steep learning curve and it is likely to be some months before Parliament gets into its stride.
Although the elections are European by nature, despite many efforts it has never been possible to agree on one single electoral system. However, for the first time some form of proportional representation, ensuring a close relationship between votes cast and seats won, will operate in all 15 member states.
Voting takes place on different days, too. In Denmark, Ireland, the Netherlands and Britain the election will be held on June 10 and elsewhere on June 13. Counting in all 15 countries will not start until the final polling booth is closed on June 13.
It is also possible for an EU citizen to stand as a candidate in any member state — a concession which Italy first granted in 1989 and which enabled the French political scientist Maurice Duverger to be elected on an Italian Communist ticket. More recently, the former student activist Daniel Cohn-Bendit, was elected to Parliament in 1994 as a German MEP. In the June elections he will lead the French Green party list.
Although a system with certain common principles which could be applied throughout the EU for elections to Parliament has continued to elude the Union, there is every chance one will be in place by 2004.
One issue which has already been decided is that no matter how many new member states join the Union, the number of MEPs will not rise above 700. The limit has been set in the EU's treaties and will be respected if only to prevent Parliament from becoming too unwieldy. ■

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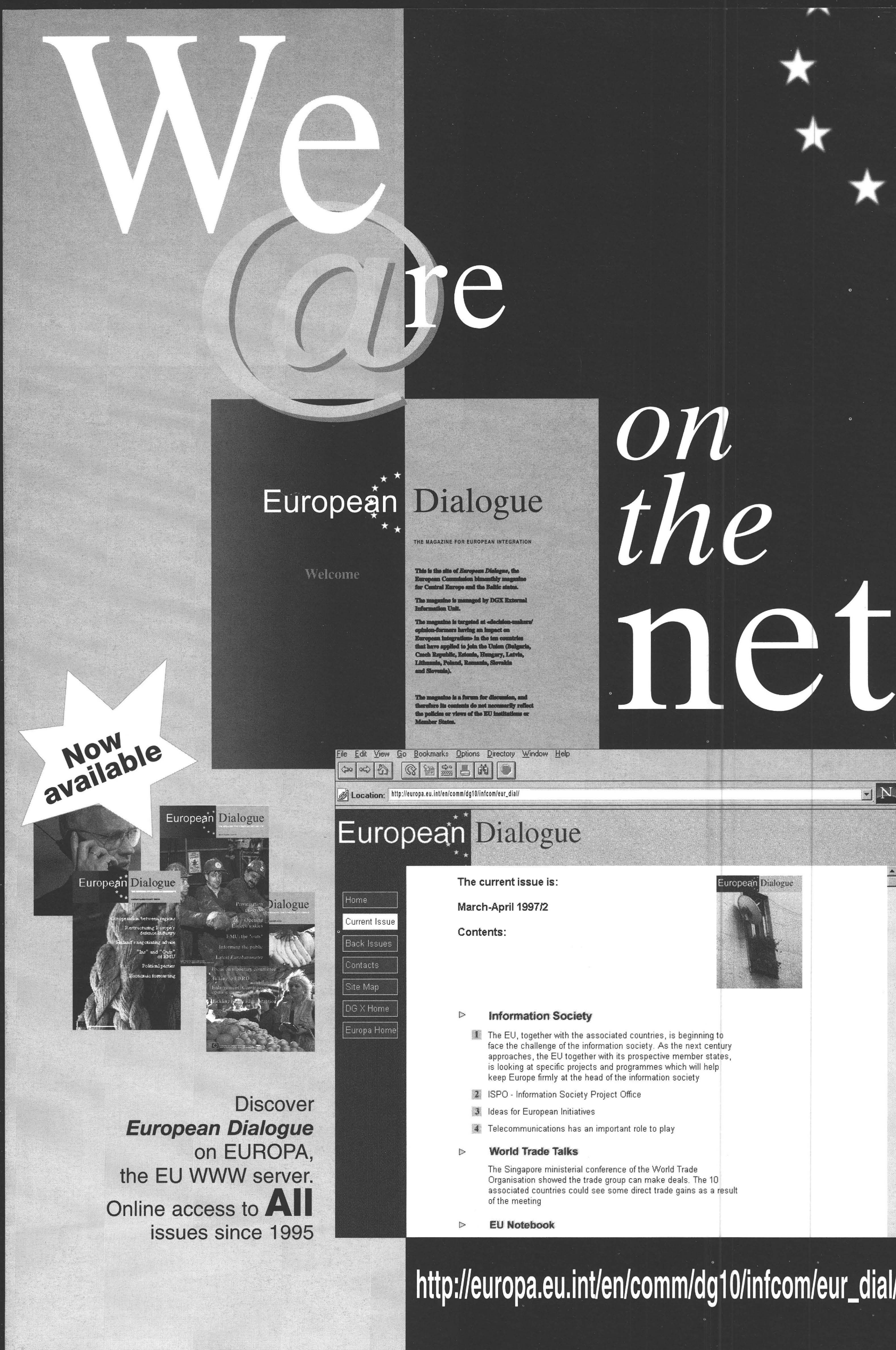
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