



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE COMMUNITY

INTEGRATION OF THE CEEC COUNTRIES INTO EU COMMON SECURITY AND DEFENCE POLICY

The EU Council of Foreign Ministers will meet with the foreign ministers of the six associated countries of central and eastern Europe on October 31 1994. This will be the first semi-annual meeting between the EU and the associated countries under the efforts to integrate the ten Central and Eastern European countries into Europe's common security and defence policy. The decision to set the first meeting for October 31 was the only concrete result of the discussion on this topic held by the EU ministers during their informal "Gymnich-type" meeting in Bansin, Germany.

The discussion on the opportunity to expand the framework from six to ten countries (ie including Latvia, Lithuania, Estonia and Slovenia) could bring a new dimension to the gradual accession to the three international organizations: EU, WEU and NATO.

The German Presidency of the European Union submitted a working document entitled "Considerations for the gradual integration of the ten Central and Eastern European countries into Europe's common security and defence policy" to the ministers.

The paper states that "in the long term, success will only be possible if we continue to gradually integrate these ten states into our Alliance structures... This process must be steadily continued in order to progressively involve them in the European Union/WEU and NATO stability and security ambit, as a safeguard against the risks arising from the disruptions taking place in the entire central, eastern and south-eastern European region".

The paper then says that the linking of Russia and the Ukraine to Europe should not be endangered by divisions resulting from integration of CEE states into the EU, WEU and NATO. Thus the task for the ministers is to draw up a proper medium and long term policy. The "reflection" paper on necessary reform of Europe integration presented by CDU/CSU in Bonn on September 1 stated that the condition for success in integrating CEE states to Europe's institutions is that confidence in and acknowledgement to Russia is given, that it is alongside the EU, the second center of power in Europe.

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The discussion in Bansin concentrated on **options for future EU policy**. The German paper lists 3 options for involving the ten eastern European states :

1. **equal membership** (of EU, WEU and NATO which could be affected by parallel accession procedures).

2. **differing membership** (according to the long-term interests of the individual states).

3. **phased approach** (differing membership structures over a transitional period leading ultimately to equal membership of EU, WEU and NATO).

The paper lists a number of arguments for and against these options. The discussion among the ministers indicated a wide variety of opinions, but gave an impression that it is more or less the third option (**a phased approach**) which is being initially considered.

The initiative to involve central and east European countries in the European integration and security structures needs to be viewed in conjunction with the effort to prepare the associated countries for accession. The EU proposed to the associated countries, during the Copenhagen Summit to enter into a structured relationship with the Institutions of the Union. The overall strategy is to be discussed during the EU Summit in Essen in December. The final outcome, however, will depend on the results of EU's 1996 intergovernmental conference and the scope of the reform of institutions achieved.

The European Council already concluded that the structured relationship should apply to all "pillars" of the EU. The EU General Affairs Council of March 7 this year made an attempt to enlarge the involvement. Until this year the meetings were mainly taking place in the "troika" format which was not sufficient for key foreign policy and security policy issues.

The EU strategy to prepare associated countries for accession is built on the European Agreements. These have so far been concluded with 6 CEEC countries. The German initiative on the gradual integration of CEEC into Europe's common and defence policy aims at **10 countries** : the six associated countries, the three Baltic states and Slovenia.

British Foreign Minister Hurd correctly anticipated reaction in some CEEC countries when he said in Bansin that a **distinction needs to be made between these ten countries**. The minister considered that

while **Visegrad countries could be integrated simultaneously in the three organizations, it would not be the same for Bulgaria, Romania or for the three Baltic countries, because of their special relations with Russia**. Mr. Juppe, the French Foreign Minister supported rapid integration of CEEC into the West's structures, but admitted, that the ideal solution (ie parallel accession procedures aiming at the equal membership of all the 10 countries in the three organizations) would be difficult and that the third option would be chosen instead.

So far the "considerations" give an impression of representing the German initiative, to which the other member countries would react more substantially only in coming weeks and meetings. Sources in Brussels expect France to fundamentally contribute to the German working paper. The EC Commissioners will discuss the matter during their first seminar scheduled to be held on October 17 and then during a second seminar scheduled for November 23. By that time the results of the October 31 meeting will be known and the Commission could take them into consideration when adopting the formal proposal for the consideration of the strategy to prepare CEEC for accession and integration in common security and defence policies by the EU heads of state and government during Essen Summit in December.

Much is likely to depend on the quality of the preparation of the first meeting with foreign ministers of the ten central and east European countries on October 31, and also on the initial reaction of these countries. For example, would they be ready to act as "10", or rather a smaller group of perhaps 4-5 countries, or would they stress individually the different long-term interests of each country?

The first discussion in Bansin suggests that it is likely that the third option (**a phased approach**) would be considered as the future policy. The "for and against" arguments presented by the German presidency on this option were inviting answers to the following questions :

- Is membership of NATO (and/or WEU) feasible prior to, or following accession to the EU, and would a phased approach therefore be possible?

- What would be the real future development of countries seeking accession?

- How can we ensure that these questions are considered in close coordination with our transatlantic partners?

- How can we prevent the involvement of the CEE states leading to new divisions and risks with Russia and CIS?

■

G-24 MEETING ON SLOVAKIA

The G-24 meeting chaired by the European Commission was held in Bratislava, Slovakia, less than one month before the Slovak parliamentary elections. The G-24 recognised, that the Slovak economic stabilization programme presented by Mrs. Brigitta Schögnerva, deputy prime minister, constitutes an ambitious and coherent step towards macro-economic stabilization and far reaching transformation. The G-24 and the International Financial Institutions confirmed their commitment to support the transformation in Slovakia and confirmed their financial assistance in conjunction with the IMF programme.

Readers will recall that the first ECOFIN meeting under the German Presidency of the EU in July, held the first discussion over the balance of payments assistance package to Slovakia (cf No53, p10). Earlier the current Slovak Government agreed with the IMF a macroeconomic programme which, however, left a financing gap of some ECU 260 million which the G-24 member countries were requested to cover. ECOFIN agreed

in July that the EU and its member states will contribute with ECU 130 million (half of it covered by the EU and half by member states). The EU financial ministers agreed by this move to send a positive signal to other G-24 members. The Commission was requested to prepare a formal proposal for the Council's decision to be taken sometime this autumn.

While the G-24 meeting held in Bratislava on September 7 stated that the Slovak Government's bold stabilization programme needs and gets its support through both financial and technical assistance, allocations of funds reported in Bratislava show that matching funds from the other G-24 countries are coming rather slowly. The EU confirmed its medium-term loan of up to ECU 130 million. Japan is contributing with \$60 million and EFTA countries pledged \$26 million. The total thus remains well short of ECU 130 million matching funds the other G-24 countries were requested to provide. In principle the EU's funds will be disbursed in two tranches.

The discussion during the meeting underlined that a new

impetus has been given to the privatization process and that it is important that the second wave of large scale privatization be completed as scheduled. Privatization, in combination with enterprise restructuring, should pave the way for the economy to operate in a more competitive and efficient way. One of the problems, however, is that the approved privatization programme could be substantially modified and slowed down, if former Slovak Premier Minister Mr. Meciar and his party get a sufficient number of votes during the elections of September 30-October 1, to form the new Slovak Government. The G-24 high level officials praised the current Slovak governing coalition's economic stabilization programme as "coherent, since it is an articulate mix of macro-economic policies and structural reforms". It was said that "External support can help to ensure that Slovakia's efforts bear fruit, but this will be successful only if the commitment to reform is sustained". ■

POLAND TO GET FIRST EVER ECSC LOAN FOR ITS STEEL INDUSTRY

Mr. Kolodko, Polish Vice Prime Minister and Minister of Finance and EC Commissioner Christophersen initiated on September 6 the first ever loan agreement for about \$ 50 million for the restructuring and modernization of the Polish steel plant Huta Katowice.

The loan, which will be formally signed later on, amounts to DM 79.7 million and is to be used for the financing of the construction and operation of a continuous bloom-casting machine in Huta Katowice. The main part of the machinery and certain know-how is supplied by MANNESMANN-DEMAG of Duisburg and the whole project will become operative in June 1995.

Mr. Kolodko underlined in Brussels that Huta Katowice provides almost 50 % of all steel produced

in Poland. Its restructuring will thus have an important impact on the Polish steel industry and the whole Polish economy.

Commissioner Christophersen and Vice-Premier Kolodko confirmed that the loan is not linked to any commitment on the side of Poland to reduce steel production, cut the capacities, or to reduce steel exports to the EU market. These issues are being solved under the framework of the Europe Agreement.

The EC Institutions took a decision in 1990 to set up a programme funded with ECU 200 million for the granting of ECSC loans for industrial projects in the coal and steel sector in Poland and Hungary. In 1991 this programme was extended to Czechoslovakia, Bulgaria and Romania. The conditions stipulated that

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loans shall be guaranteed by the respective country and that the projects have to be realized in commercial or industrial cooperation with at least one Community enterprise. The EC Commission admitted that it has proved rather difficult to find suitable projects to be financed under this program. This first ever loan of this Programme was actually approved by the Commission in July 1993 and the Council gave its assent in February this year. Following this assent the partners started to prepare the loan documentation and the guarantee contract with the Polish Government. The texts were finalized in July.

However, the loan agreement was only initiated, and not formally signed on September 6, as the Polish Government has not yet formally approved the guarantee.

Commissioner H. Christophersen said, when questioned by Together in Europe, that it is in the EU interest to support far reaching restructuring of the steel industry in central and east Europe, especially in view of the forthcoming enlargement towards East. However, he ruled out the possibility that the 1990 package of ECU 200 million could be expanded at this stage. ■

COOPERATION IN THE FIGHT AGAINST ORGANIZED CRIME

The first ever meeting between the EU ministers for Justice and Home Affairs and the Ministers of Interior of the six associated countries of central and eastern Europe was held in Berlin on September 8. The EU ministers firstly met within an informal EU Council on Justice and Home Affairs on September 6. At this meeting they discussed questions related to the consolidation of the situation in the European Union, so that it may function properly without internal borders. They also prepared the first ever meeting with the ministers of interior of Poland, the Czech Republic, Slovakia, Hungary, Bulgaria and Romania held on September 8.

The joint meeting on September 8 resulted in the approval of a joint **Berlin Declaration** on cooperation in the fight against organized crime.

Mr. Manfred Kanther, German Minister of Interior and President-in Office of the EU Council of Justice/Home Affairs explained that the meeting was held within the framework of the realization of decisions on a strengthened structural relationship between the EU and the Central and East European countries with which the EU concluded Europe Agreements, and who, in the future, will become full

members of the EU. This is also the reason for absence of home affairs ministers from Russia and ex-Soviet Union countries, to which the decision made during the EU's Summit at Corfu in June this year did not apply.

The President of the Council said that the EU as well as Germany will attempt to develop very close cooperation in particular with Russia, Ukraine and Belarus.

The Partnership and Cooperation Agreements so far concluded with Russia, Ukraine and other CIS states already contain provisions concerning cooperation aimed at preventing illegal activities, money laundering and the fight against drugs.

The adopted "Berlin Declaration" underlined the will to enlarge and reinforce cooperation to fight efficiently against drug related crime and organized crime in Europe. It stated that organized crime which targets both parties concerns not only the theft and illegal trafficking of radio-active and nuclear products, but also the trade of human beings, crime linked to the activity of secret immigration channels and the trafficking of stolen vehicles.

The discussion pointed out that for example some 70 % of Asian drugs transit to the EU is

through central and eastern European countries. The associated countries underlined their will to cooperate and to take strong actions in these fields. However, their means are limited. French and British ministers pressed the EU to provide more effective assistance in training and when needed also in the supply of the necessary equipment. The discussion indicated that the diagnosis made by the ministers of interior of the EU and ministers from associated countries is not always identical. The Berlin meeting was thus a point of departure in closer cooperation.

During their separate meeting the EU Ministries had informal discussion on such things as the setting up of Europol. There are still certain differences in opinion if for example terrorism shall be included under organized crime. Germany proposes a gradual approach in increasing the competencies of Europol. The gathering of information shall initially concern drugs, then be extended to car theft and illegal traffic in nuclear materials. Only afterwards the competencies could be for example extended to terrorism. The German Presidency of the Council wanted to discuss the "sharing of the financial burden represented by refugees", but no progress has been achieved

as the position of the EU countries differs substantially and depending on the number of refugees they take in. The German Presidency of the Council confirmed it will submit a substantial report on racism/xenophobia during the Council meeting on November 30, so that the problem may be dealt with during the EU Summit in Essen in December.

The Ministers of Interior and justice from the four EFTA countries (Austria, Sweden, Norway and Finland) joining the EU on January 1, participated in both the meeting of the EU Council, and during the joint meeting of EU

and Ministers of CEEC.

The meeting between the EU Council and the ministers of interior of CEEC resulted in an agreement to cooperate in five fields :

-- **drugs** : this involves ratification of the 1988 UN Convention by countries which have not done so yet, involved use of informants and under-cover agents and assistance concerning training and equipment.
 -- **nuclear products** : this involves a comprehensive cooperation and mutual assistance of prosecuting authorities in investigation, intensification of border controls and the use of proper equipment, regulations on the forfeiture of illicit pro-

ceeds from this illegal trade, cooperation in safeguarding of existing stocks etc.

-- **traffic in human beings** : there will be liaison officers working in this area, a manual on legislation and administrative practice in different states will be drawn, statistical data will be harmonized and coordinated.

-- **illegal migrants** : strengthened cooperation, effective border control, penal actions against smugglers, rapid return of illegal immigrants to their home countries.

-- **car theft** : approximation of legislation to speed up the effective return of stolen vehicles. ■

EU PREPARES NEW LIBERALIZATION FOR TEXTILE TRADE

The EU Heads of State and Government during their Copenhagen Summit in June 1993 decided on relatively far reaching additional liberalization in trade with the associated countries of central and eastern Europe. This concerned unilateral improvement for access to the EU markets for goods from Poland, Czech Republic, Slovakia, Hungary, Bulgaria and Romania. In principle they gained free access on the EU market as of January 1995 for their industrial products, except for steel (free access by the end of 1995), and textiles. In textiles, however, it was decided that customs duties on imports into the Community of textile products will be completely eliminated by the end of a five year period *ie there will be no customs duties after January 1, 1998*.

The Council also decided that *"the exemption from customs duties as of from the beginning of 1994 for products concerned by outward processing operations and covered by Regulation No 636/82 will be extended in conformity with this Regulation, duly modified for this purpose"*.

However, while it was in the field of outward processing operations where the associated central and eastern European countries benefited most from improved access on the EU market, the fulfillment of last year's Copenhagen Decision is taking a longer time than originally expected.

The European Commission has made an appropriate proposal to the Council to liberalize trade in the field of outward processing, but the EU Council of Foreign Ministers has been slow to proceed. In fact the first EU Council meeting held in July under the

German Presidency has failed to take a decision.

In July the Council was to approve the proposal from the Commission on measures which will harmonize terms under which member states may allow their clothes producers to send unfinished garments abroad, notably to associated countries of central and eastern Europe, for further processing, and then allow the finished products to return to the EU market without trade restrictions. The decision required approval by the qualified majority in the Council.

Portugal said that it could not accept a distinction between the central and eastern European countries and other countries, which will be more favourable to the CEEC.

Some other EU Member Countries were also not too keen on further improvements in outward processing with the associated countries. In particular, one country wanted that the proposal, if accepted, should also deal directly with the effect that outward processing arrangements for textiles could have on unemployment in the European Union. As a result the Commission's proposal was sent back to COREPER for further examination.

New proposal :

On July 27, the Commission adopted a somewhat modified new proposal to be submitted to the next Council meeting. The original proposal demanded Council to complete the single market in outward processing and to implement the tariff

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concessions to CEEC. The modified proposal is only on the tariff concessions : normally fabric sent to a third country for outward processing is re-imported in the form of finished garments under special quotas (over and above the normal direct import quotas). The associated countries of CEEC already pay no duty on garments under outward processing traffic which are subject to special outward processing traffic quotas. **Thus the modified proposal extends the tariff exemptions to products not covered by quotas. Should this decision be adopted by the Council, the Commission requested that it is applied retroactively from January 1 1994.** It is expected that the Council may return to a vote on the proposal on October 4.

Trade in textiles :

Together in Europe's calculation from the European Commission's statistical data base indicate that trade liberalization since 1990 had a very positive effect on textile trade with the six central and east European countries. In particular the trade was boosted by the entry into force of the Association Agreements. On the other hand, it was the textile sector, and processed food and steel, where trade liberalization advanced slower than for other industrial products. In 1993, the EU's import of all textile products from six associated countries of central and eastern Europe amounted to over ECU 3.7 billion (some \$4.5 billion). Textiles thus share 18.4% of all imports from the associated countries of CEEC.

The absolute increase in EU textile imports since 1990 amounted to nearly ECU 1.9 billion (some \$2.3 billion).

The economic reform in central and east European countries favored similar expansion of EU

exports of textiles. Their value increased from ECU 1.8 billion in 1990 to nearly ECU 3 billion in 1993. The absolute increase in EU exports thus nearly matched the increase in textile imports. The EU, however, still had a trade deficit in textiles of ECU 707 million in 1993. The trade deficit peaked in 1992 during which there was the biggest boost in CEEC textiles exports to EU. Since the beginning of 1993 the trend somewhat changed and the EU deficit decreased, this trend has been even more visible in the first months of 1994.

Before 1990, Hungary was the second most important partner in textile industry (after Poland) but in per capita terms, Hungary was by far the largest textile trade partner in eastern Europe. Outward processing arrangements made in the 1980s were mostly responsible for this. Since 1989 however, textile trade with Hungary developed by the slowest pace: the Czechs and Slovaks were able to increase their exports to the EU from less than ECU 300 million in 1990 to ECU 770 million in 1993. During the same period, Hungary increased her exports from ECU 465 million to only less than ECU 700 million. Poland increased exports of textiles from some ECU 592 million to nearly ECU 1.4 billion in 1993.

Similarly, the Hungarian market was the one whose rise in EU exports was the slowest one. EU exports to Czech and Slovak republics increased by over 307%, to Poland by 138.3%, to Bulgaria by 146.5%, but to Hungary only by 57%. In per capita terms however, Hungary still represents the biggest CEEC market for EU textiles : EU exports textiles worth ECU 60 per head of Hungarian population; the Czech market is worth ECU 45 and the Polish market, which in 1993 took EU textiles worth over ECU 1.2 billion, is worth ECU 30 per capita. ■

INTEGRATION OF CENTRAL EUROPE IN THE INFORMATION SOCIETY

EC Commissioner Martin Bangemann, speaking in Slovenia at a Conference on the Infrastructure of Information and Technologies in the Central European Countries, said that the information society "offers small countries an excellent opportunity to integrate themselves in an international community without losing their national identity and culture".

Slovenian Prime minister Janez Drnovsek opened

the conference which involved ministers and experts from Austria, Croatia, the Czech and Slovak Republics, Germany, Hungary, Italy and Poland.

Bangemann underlined that the construction of adequate infrastructure is a European task. "Effective information networks are becoming the condition of economic development. No one can be

isolated from the exchange of information".

The networks can be financed by the private sector, although according to the Commissioner, there would not be any chance of profit and no private investment without adequate conditions. It is essential, he said, that new telecom monopolies are not created, but existing monopolies must be eliminated, and "private investment attracted".

Slovenia and other central European countries must follow the debate which the EU led on an information society, and the countries have to identify the problems for which a communal solution

with neighboring countries offers more chance of success.

Recalling the EU aid, notably PHARE aid, to Slovenia to develop its telecom networks, Bangemann estimated that "telematiques" will

not remain "a dream for Slovenia. The information society will change the life of citizens and industries in a radical manner. This is not a video game but a real necessity". ■

EU GRANT TO ROMANIA

The EU will grant Romania Ecu25m to upgrade its transport infrastructure. According to a financial memorandum signed with the EU, Romania will get aid to develop its transport network under the PHARE program for 1994. The bulk of the funds is to upgrade motorway sections as part of a project to modernize roads co-financed by the EBRD, the EIB, the World Bank and the Romanian government. The remainder is allotted for technical assistance to help integrate Romanian transport with the European transport system. EU financing for Romania since 1991 amounts to Ecu43m. ■

STRATEGY FOR ACCESSION OF CEEC

On July 27, the European Commission approved annexes to the EU strategy for "Accession of Central and Eastern European Countries". (See Together In Europe No.53 pp1-3).

The annexes contain some concrete proposals especially regarding trade improvements and have been transferred to the EU Council for further consideration this Autumn. In the following, we publish an extract from the chapter on enhancing trade opportunities.

Since 1989 trade patterns between the Union and the associated countries have changed radically. Although the EU now absorbs over 50% of the associated countries' exports they still only account for 4.2% of total EU imports. In spite of the rapid rise in their exports to the Union, the Union's exports have risen even faster causing concern in the associated about the large trade deficit (Ecu5.6bn in 1993).

The Europe Agreements provide such far-reaching liberalisation in industrial goods, even in the sensitive sectors, that it does not appear that further trade measures affecting tariffs or quotas are necessary over the medium term. If the Europe Agreements are all brought into line with those of the Visegrad countries, the Community will offer free trade in industrial goods on January 1 1995, with the exception of ECSC steel products (on January 1 1996) and textiles (January 1 1998). However, a further impetus to exports could be given by developing the

access of the associated countries to EU public procurement as provided in the Europe Agreements.

Anti-Dumping and Safeguards

The strengthening of competition, state aids control and other relevant parts of the *acquis communautaire* which are related to the internal market will help to eliminate the need for anti-dumping and safeguard action. Anti-dumping and anti-subsidy duties do not apply either in the Union or the EEA where this situation prevails.

The use by the Union of these commercial policy instruments is perceived by the Europe Agreement countries as both a political and an economic problem: they believe that the existence of these instruments is likely to have a dampening effect on trade and inward investment. Nonetheless it will be necessary for the Union to maintain its commercial policy instruments until *the associated countries have been integrated into the internal market.*

In the short term, given that these countries are potential Member States which have undertaken to apply EU rules, the Union should offer information and an exchange of views to any Europe Agreement country prior to the initiation of any anti-dumping or safeguard proceeding. Furthermore in cases where dumping and injury are found, the Union could give a clear preference to price undertakings rather than duties in order to conclude the investigation. ■

DEVELOPMENTS WITHIN THE EC

DEBATE ON THE FUTURE OF EUROPEAN UNIFICATION

The Group of personal representatives of Foreign Affairs Ministers asked to prepare the Intergovernmental Conference of 1996 on the revision of the Maastricht Treaty will begin its work at the beginning of July 1995. However, the process of preparation of institutional reform, and the future shape of an enlarging Europe already started this summer with controversial recommendations coming from Germany and France. What justified this was the prospect of further enlargement to the East.

These ideas do not constitute the official policy of the two governments. The German view was outlined in a document on "reflections on European policy" by the CDU/CSU group in the Bundestag, while clues as to the French viewpoint were contained in an interview in "Figaro" with the French Prime Minister Edouard Balladur. The CDU is Helmut Kohl's party, and the Chancellor has not distanced himself fully from their suggestions, although he did concede that the language used was perhaps not "diplomatic".

German Foreign Affairs Minister Klaus Kinkel (leader of the Liberal Party), rejected the CDU/CSU notion of a "hard core" within the Union. In France, Foreign Minister Alain Juppe denied that the two initiatives had been coordinated between Paris and Bonn. Meanwhile, speaking to students at the University of Leiden, Holland, British Prime Minister John Major made a new contribution to the discussion by promoting the idea of "flexibility", but not a "core group".

The CDU/CSU suggests a strengthening of a "hard core" which must be open to "every Member State willing and able to meet its requirement"

The main author of the CDU/CSU "Reflections on European Policy", submitted to the

Bundestag on 1 September by the CDU group chairman Wolfgang Schäuble (who is very close to Chancellor Kohl), was Karl Lamers, the group's spokesman for foreign affairs. The whole document reflects a strong desire to keep the process of European unification on the right path, with the goal of "strengthening the EU's capacity to act and to make its structures more democratic and federal". The document begins by stating that "the process of European unification has reached a critical juncture in its development", and that, "if no solution to the causes of this critical development is found" in the next two to four years, the Union will become "a loosely-knit grouping of states restricted to certain economic aspects and composed of various sub-groupings". Among these causes, the paper mentions the "overextension" of the EU's institutions, initially meant for six countries, different perceptions of internal and above all external priorities (Maghreb or Eastern Europe?) in a "European Union stretching from the North Cape to Gibraltar", an increase in "regressive nationalism" caused by "the internal crisis of modern society and by external threats, such as migration", and the "open question at least as regards the "when" and "how" of the involvement of the countries of central and eastern

Europe in the European Union". The response to the latter challenge will show whether the Union is "able and willing to become the main pillar of a continental order, alongside a democratized and once again stable Russia, and in alliance with the United States", says the CDU.

A chapter of these "Reflections" which many observers have apparently neglected to read is the one on "Germany's interest", a chapter which strongly conveys the message of a Germany which wants more than anything to avoid the temptations and the risks of the past. "If Europe were to drift apart, Germany would once again find itself caught in the middle between East and West", stress the authors, recalling that "Germany's attempt to overcome its position at the centre of Europe's conflicts through hegemony failed", the "military, political and moral catastrophe of 1945" being the "consequence of the last such attempt". Therefore, "the only solution which will prevent a return to the unstable pre-war system, with Germany once again caught in the middle between East and West, is to integrate Germany's Central and Eastern European neighbors into the (West) European post-war system and to establish a wide-ranging partnership between this system and Russia". But, and the suggestions of the German paper flow from the recognition of this fact, without a further internal strengthening, "the Union would be unable to meet the enormous challenge of eastward expansion". The CDU/CSU Reflections therefore call on Germany to be up to its "special responsibility", stressing

that this responsibility derives "from its position, its size", an also from "its close relations with France". It must be recalled that Germany and France, which hold the EU presidency one after the other, have decided to coordinate the programmes of their presidencies, up to mid-1995. But the German paper goes further, and contains passages which can also be understood as an appeal to France, saying that "the quality of Franco-German relations must be raised to a new level if the historic process of European unification is not to peter out before it reaches its political goal". This special relationship "faces a stiff test", because there are signs of "differentiation of interests and perceptions", which might cause the two countries "to drift apart", states the document. It adds that, while Germany must make "clear and unequivocal proposals" on "ways to deepen the Union in institutional and political terms before future enlargement", "then France must make equally clear and unequivocal decisions", and "rectify the impression that, although it allows no doubt as to its basic will to pursue European integration, it often hesitates in taking concrete steps towards this objective".

Starting from the expression of this commitment and this concern, what does the CDU/CSU paper suggest?

- the adoption of a "quasi-constitutional document" describing in clear language the "division of powers between the EU, then nation-states and the regions", oriented to the model of a "federal state" and to the principle of subsidiarity. This document should as far as possible "institutionalize" the "variable geometry" or "multi-speed approach", because in a Union stretching from the North Cape to Gibraltar institutions must

be flexible enough to "cope with differences in member countries' ability (and willingness) to pursue further integration". The CDU/CSU considered this "institutionalization" necessary exactly because it does not wish that this approach continues "to be limited to intergovernmental cooperation, which might well encourage a trend towards a "Europe à la carte". The latter concept, closer to British ideas, is obviously far from the idea of a "multi-speed Europe" with a "hard core" which would be followed later by the rest, at a different pace.

- the strengthening of the "existing hard core of countries oriented to greater integration". The document states that "at present, the core comprises five or six countries" (and it mentions them - a fact that has been strongly criticized - as being Germany, France, Belgium, Luxembourg and the Netherlands), but also says clearly (and this has been, deliberately or not, ignored by many) that "this core must not be closed to other member states; rather, it must be open to every member state willing and able to meet its requirement". And it adds: "The core countries must convince all the other members of the EU - in particular founder member Italy, but also Spain and, of course, Great Britain - of their unreserved willingness to involve them more closely as soon as they have overcome their current problems and in so far as they themselves are winning to work towards the common objectives". If other countries concerned had carefully read this passage they might not have (as several of them did at the September informal Foreign Ministers' meeting at Bansin, on the Baltic Sea) complained because they felt cut off from this inner core. At the same time, though, in Bansin,

several ministers admitted, as Spanish Foreign Minister Javier Solana, that a "multi-speed Europe" already exists in some fields, such as security and defence, monetary union or freedom of movement. And Wolfgang Schäuble recognized in an interview that the expression "hard core" may be misunderstood, and should rather be interpreted as the idea of a "magnet" capable of attracting other countries to the core.

For the CDU/CSU, enlargement to a first group of five Central European countries should take place "in stages"

The German document also has a chapter on "enlarging the EU towards the East" stating that Poland, the Czech and Slovak Republics, Hungary, and also Slovenia, should become members of the European Union around the year 2000. The CDU/CSU thinks that the enlargement to these countries should "take place in stages and be accompanied by a further deepening of cooperation". In order to get there, it proposes to: - fully implement the opening of markets envisaged in the Europe agreements"; - coordinate trade policy; - promote free trade and cooperation among the reforming countries; - extend the participation of central and eastern European countries to certain areas of EU's common foreign and security policy; - implement cooperation in the security field in the line with this year's "Kirchberg Declaration" on "associate partnership" with the EU; - involve these countries in cooperation concerning justice and home affairs (migration, asylum, visa policy, EUROPOL).

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Enlargement will lead to at least temporary diversification of Europe's structure, says Edouard Balladur

A couple of days before the presentation of the CDU/CSU Reflections, French Prime Minister Edouard Balladur explained on 30 August in a long "Figaro" interview, his ideas about the "need to adapt Europe's configuration to the diversity of situations", admitting that "the Treaty of European Union is a step, not a final objective", and that it will necessarily be "completed and modified". Thus, Mr Balladur sees "three types of organizations":

- an economic organization grouping all Member States, "even if some new members were to benefit from more or less lengthy periods of transitions". This would be the "basic organization, the common system of law, so to speak".
- a "better structured organization" at the monetary and military level which "a more limited number of EU member states will have to build "between themselves". This is "already well under way" between France and Germany; "of course, all member states should be invited to join, but it is highly unlikely that all will be able to respond positively at the same time".
- finally, "Europe as a whole, including states which are not members of the European Union and will not be so for a long time", and with whom (in particular through the CSCE and the Stability Pact)

"we must build a diplomatic and security organization and form economic and commercial links".

For years ahead, Mr Balladur sees such a Europe in "three circles", but he also hopes that the circles will be drawn closer, becoming at some point two and perhaps, much later, only one. In the meantime, enlargement to the East will "lead to diversification, at least temporarily, of Europe's structure", said the Prime Minister of France, for whom "this is the real answer to the debate between deepening and enlargement".

Clearly, Mr Balladur just intended to sketch the general configuration of Europe in the future, without entering into such details as Karl Lamers' paper.

John Major wants "flexibility", but not a "core group"

"Cohesion within a community of twelve to sixteen requires flexibility... Diversity is not a weakness to be suppressed; it is a strength to be harnessed. If we try to force all European countries into the same mould, we shall end up cracking that mould. Greater flexibility is the only way in which we shall be able to build a Union rising to 16 and ultimately to 20 or more Members". This is part of what John Major said in his speech at the University of Leiden, on 7 September, admitting: "It seems to me perfectly healthy for all Member States to agree that some should integrate more closely or more quickly in certain areas.

There is nothing novel in this. It is the principle we agreed on economic and monetary Union at Maastricht. It may also happen on defence".

But, the British Prime Minister promptly added, "the corollary is that no Member State should be excluded from an area of policy in which it wants and is qualified to participate. To choose not to participate is one thing. To be prevented from doing so is quite another". Thus, John Major sees a "real danger in talk of hard core, inner and outer circles, a two-tier Europe", and "recoils" from ideas of a Union where "some would be more equal than others".

Hadn't the British Prime Minister, though, more or less espoused, recently, the concept of a "multi-track" Europe? The German and French initiatives, coordinated or not, official or not, have achieved opening the debate which this time is bound to take place much more publicly than the one which led to Maastricht (also because the European Parliament will have a more visible role in it). Different opinions and suggestions will be put on the table, contradictions will be exposed. Those who found that it was "too soon" to explore new ideas, or that the time was "not right". We should know that the "last minute" would certainly not be "right", because "reflection" on such important matter needs a lot of time, exchanges of views and honest introspection. ■

THE NEW EUROPEAN COMMISSION TAKES SHAPE

Following the nomination during the special EU Summit in Brussels in July of Mr. Jacques Santer, the Prime Minister of Luxembourg, as the future president of the European Commission, and the following confirmation of this nomination by the European Parliament, a new European Commission is taking shape and will start work on 7 January 1995.

The future President, Mr. Santer, said already in July that he wants to be at the head of a political, and not "technocratic" Commission and that future commissioners shall have far reaching political experience either as ministers or members of parliament. This demand is well understandable, as the new Commission, nominated for the next five years, will have to

steer the European Union during a period which promises to be one of the most turbulent since the launch of the EEC in 1958.

The Commission is not (as it sometimes might seem from outside), the executive of the EU, but its task (and the basis of its power) is to initiate legislation. The Commission then manages individual EU policies (the single market, common agricultural policy, trade and competition policies, regional development etc). In some areas it represents the EU abroad. However, it is the power to initiate the legislation and to set the agenda for meetings of the Council of Ministers (which is the body which takes the decisions) which makes the quality of the new members of the Commission so important for the future period.

From January 1995 the new Commission will have to manage the enlargement of the EU by Austria and possibly by Finland, Sweden and Norway. In 1996 an inter-governmental conference of the EU member state will review the Maastricht Treaty on European Union and will have to agree to a major institutional reform likely to change the relations between the Commission, the Council of Ministers and the European Parliament, as well as the relations between small and big member states. The conference will also have to decide whether, how, and when to introduce economic and monetary union. The next task is to manage the further enlargement of the EU towards central and eastern Europe and to the south (Malta, Cyprus) and at the same time, to build up a special and far reaching partnership with Russia, Ukraine and other CIS states.

The 17 members of the Commission (possibly 21 members if all 4 EFTA countries join the EU on January 1 1995) are nominated by their Governments, but are totally independent of them. The Commission has collective responsibility, acts as a single body, but its efficiency and impact on the policy much depends on the personality of its president, and then on the intellectual capacities, international experience and ability to work as a team of the other members of the Commission.

Probably half of the current members of the European Commission are likely to stay on including three members with key portfolios: Sir Leon Brittan who is in charge of the external economic relations, Martin Bangemann in charge of industrial policy and Karel Van Miert (competition policy).

In late July the British Government confirmed the new nomination of Sir Leon Brittan and nominated, as the second British Commissioner, Mr. Neil Kinnock, who was the Labour leader from 1983 to

1992. The Greek Government nominated Mr. Christos Papoutsis, the current member of the European Parliament for the ruling Pasok Party, as the new Greek Commissioner.

In early September, the office of the President of the French Republic and the office of the Premier Minister made a joint statement announcing that France has appointed Mrs. E. Cresson and Mr. Yves Thibault de Silguy as the new French Members of the European Commission. In previous French socialist governments Mrs. E. Cresson was Minister for Agriculture, Minister for Foreign Economic Relations and finally the Prime Minister. Mr. Thibault de Silguy is an advisor to the French Prime Minister Mr. Edouard Balladur.

At the same time, in Germany, the spokesman for the Social Democrat Party (SPD) announced that the party leadership decided to support the appointment of Mrs Monika Wolf-Mathies as Germany's second Commissioner. Mrs. M. Wolf-Mathies is currently President of the German Civil Service Trade Union. The candidate of the majority is Mr. Bangemann. Readers will recall the existence of an arrangement in Germany where the governing majority selects one of the two German Commissioners and the opposition selects the second Commission subject to government approval. It is believed that the SPD originally selected Mrs. Wieszorick-Zeul, current Vice President of SPD and former member of the European Parliament, but that Chancellor Kohl opposed her nomination.

The names of other future Commissioners are likely to be known relatively soon. As we go to press, President-Designate Jacques Santer is pursuing his discussions with the heads of government of the Member Countries, in order to put together his new team and to prepare the future assignment of portfolios.

It is believed that the Italian Government will appoint Mr. Enrico Vinci and Mr. Mario Monti as the new Italian commissioners, possibly during the discussions between the future President of the European Commission Mr. Jacques Santer and the Italian Premier Minister Berlusconi in Rome on September 12. The nomination of Mr. Vinci is strongly supported by the "Forza Italia" Group in the European Parliament. Vinci is currently Secretary General of the European Parliament. Monti is a well known Italian economist and is currently rector of Universita Bocconi.

The appointment of Monti, largely depends on the decision of who is going to become Director General of the WTO. Italy, supported by the EU,

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proposed Mr. Ruggiero for the post. If he is not appointed, he, and not Monti, will be nominated as the second Italian Commissioner.

Santer's discussions in Portugal resulted in acknowledgement that Pinheiro will stay in the EC only if he can increase his competencies. If this is not the case, Portugal will have to nominate a new Commissioner.

The question whether the Vice-President of the European Commission Mr. Christophersen will be a member of the next European Commission will be resolved by the results of forthcoming elections in Denmark.

An important personnel change at the Secretariat of the Council of European Union took place on September 1. Mr. Jurgen Trumpf become new Secretary General of the Council for the next five years. Mr. Trumpf was earlier Germany's Permanent Representative to the European Community and than Secretary of State for European Affairs in Mr. Kohl's Government.

EIB FINANCE TO SLOVAKIA & ESTONIA

The European Investment Bank is extending two loans worth ECU 35 million for the modernization of the Slovak telecommunications and air traffic control system. The Slovak state-owned company TELEKOMUNIKACIE is receiving ECU 20 million for financing a substitute digital telecommunications network and including urban switching equipment with 300,000 digital lines and 100,000 analogue lines, four regional switching central units, an international exchange in Bratislava and the supply of 2,100 km of optic fibre cable. The

EIB earlier extended ECU 45 million towards financing Slovak telecommunications.

The EIB is also contributing ECU 15 million towards the building of a new Slovak air control centre, radar, air navigation instruments and telecommunication systems linking Bratislava's main airport with regional airports. The investment will thus allow the Slovak air control administration to cover, for the first time, the whole Slovak territory.

The EIB is extending an ECU 7 million loan to *Estonia* which will finance the modernization of heating system networks in two Estonian towns. The biggest portion of money will be made available to the second biggest Estonian town, Parnu. This town wants to replace the district heating system based on imported crude oil by using wood and peat in heating installations. The modernization also includes the construction of water treatment stations and the proper insulation of pipes.

The smaller part of the loan will be used by Talin. The loan will also help to finance in both towns the installation of heating meters. The aim of the project is to reduce the costs of heat production based on expensive and insecure oil imports and, at the same time, to reduce pollution. This ECU 7 million loan is the second loan extended by EIB to Estonia. The first loan amounting to ECU 3 million was granted in December 1993 and encouraged the development of small and medium size businesses in Estonia.

THERMIE PROGRAMME

The European Commission is organizing the THERMIE exhibition in Berlin on September

19-24. This is being held within the framework of the EU programme for the promotion and development of new energy technologies. Within this framework, the Commission is sponsoring a tour of experts from both eastern and western Europe during September 9-29 1994.

This tour forms a "traveling workshop" visiting a series of projects launched by THERMIE throughout Europe. The tour will start in Denmark and will end in San Casciano in Tuscany, Italy. Actually, this is the first THERMIE project discussion/promotion action in the EU. The first three actions took place in Russia and central and east Europe.

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