



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE COMMUNITY

ENLARGED UNION QUESTIONS EUROPE

"There are two very complex and provocative questions. Firstly, how to reconcile deepening of European integration with future enlargement which will be very different from the previous ones? Secondly, can we agree on objectives which we will follow? These questions have such a force, that Member Countries will have to choose only between two methods: either they will put a cushion against everything at the price of a compromise which will cause the retreat of the European idea; or there will be a crisis, and on the basis of this crisis those who wish to remain faithful to the original ideal, must decide themselves. If I had to choose, I would prefer a crisis to a funeral".

This was the response by President Jacques Delors when interviewed in early January on options for the 1996 Intergovernmental conference which will have to revise Treaty on EU.

The issues of the 1996 Intergovernmental conference (IGC) fully mark the beginning of 1995, despite of fact that the "Think Tank" will be officially set up only in June. The French Presidency of the EU made it clear well before the official presentation of the programme of the Presidency by François Mitterrand to the European Parliament on 17 January, that it intends launching the process of preparing the IGC by drawing up the Council report on the functioning of the Maastricht Treaty. The President-in-Office of the Council, Alain Juppé said he could not imagine the IGC failing: "It has to succeed, because otherwise the European construction would suffer such a blow that further enlargement would no longer be on the agenda".

The issues of the IGC were evident and weighed heavily during the first ever hearings of the members-designate of the European Commission by the Committees of the European Parliament during January 4-10. The European Parliament will vote on the Santer Commission on January 18, and then the Council will officially nominate the Commission which will replace the Delors Commission on January 23. As we go to press, it seems that, though it is not assured, that the European Parliament will endorse the Santer Commission on 18 January. The reports made by the Committees on the hearings and presented by parliament's president Klaus Haensch on 11 January criticized the performances of 5 designated commissioners and were rather hesitant over several others. The Parliament is clearly flexing its muscles in the preparation of the IGC.

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On 1 January 1995, the European Union of Twelve became a Union of fifteen. The three new Member Countries are expected to contribute very positively to the future Europe, and it is hoped they will strengthen the position of those in the Union who advocate a new model of development based on respect for natural resources. The Scandinavian tradition of democracy, responsibility and transparency in the political area would be important in shaping the future Europe. The three new members will not draw on Community resources, but will contribute to the redistribution in favour of poorer member countries.

Nevertheless the accession of these new countries makes complications and puts stress on the Union's institutional functioning. The institutions and procedures were originally designed for six members and it will be difficult to manage properly the Community of fifteen. But as the editorial in *Agence Europe* pointed out, "Institutional reform has henceforth been entrusted to the Intergovernmental Conference of 1996 and given the uncertainty surrounding this delicate (and dangerous) operation, it is preferable that countries with a lengthy tradition of liberty and democracy participate in it from the inside. Their contribution cannot but be positive".

The accession of central and east European countries is no longer questioned, but "when" and "how" will depend on the results of the 1996 IGC. Alain Juppé said on 10 January that "what is needed is a large Europe which is not a cut-price Europe". The President-in-Office of the Council also believes

that "at the level of the Fifteen there are already certain points of agreement on future architecture: 1. a further enlargement seems to be a historical necessity and is in interest of both candidate States and member States; 2. An enlarged Europe must not dissolve into a free-trade area, it has to remain a Union with its important "acquis communautaire"; 3. In this enlarged Europe those member states who wish to achieve certain items more quickly, must possess this possibility.

This returns us to the outgoing President of the Commission Jacques Delors who questions the "several speeds" concept of Europe. To Jacques Delors there are two concepts - Countries agree on a certain goal, but some believe they require a transition period. This is not new, it is already provided for in the Maastricht Treaty. The second idea is also clear, and one has to imagine two European entities. One is big and its ambition is to achieve a large economic space. At its side there is a more ambitious, smaller Europe, which considers that putting aside part of national sovereignty is today the only means how to survive and even to exist as a country. Delors calls this a "Federation of National States". To Delors the other concepts, such as a multi-speed Europe, Europe à la carte, concentric circles or crossed circles are "only conceptions either hiding a lack of intelligence, or hidden plans of those who propose them". Delors says that to him there are only two concepts which are clear and which pose an honest question: "Do you want, or do you not want?". (JZ) ■

ENTRY INTO FORCE OF EUROPE AGREEMENTS

The last EU General Affairs Council held under the German Presidency approved on December 19, the entry into force of the full Europe Agreements with the Czech Republic, Slovakia, Bulgaria and Romania on 1 February 1995. Readers will recall that full Europe Agreements with Poland and Hungary entered into force in February 1994. The Council also approved the entry into force of the Free Trade Area Agreements with Estonia, Latvia and Lithuania from 1 January 1995. The entry into force of full association agreements represents an important change in the quality

of relations with the four central and east European countries, and we discuss the major features in a separate article.

While the ratification of the Europe Agreements with the four central and east European countries was fully completed in late 1994, their entry into force and the precise date of the entry were conditional on the approval of the internal EU procedure for taking decisions in the case of trade defence instruments, and more specifically, the decisions on the use of safe-guard clauses. The internal discussion over the problem of competencies of the European

Commission and of the Member Countries in the trade policy measures started as early as in June 1992. In the specific case of the countries of central and eastern Europe and the ex-Soviet states the problem was the vote in the Council: is the blocking minority of member countries, for example, able to uphold, or change the provisional decision by the Commission to impose (or not to impose) safeguard measures on imports from these countries and with which the absolute majority of member countries disagree. This problem caused more than a nine month delay in the entry into force

of the Interim Agreement on trade with Bulgaria in 1993 (and some delays for parts of the Interim Agreement with Romania), and a one month delay in the entry of full Europe Agreements with Poland and Hungary (February 1994 instead of January 1994).

Discussions within COREPER on the eve of the December 19 Council eliminated the remaining reservations and the Council was able to adopt the internal Implementing Regulations for these agreements.

The decision by the Council confirmed the maintenance of the current decision making procedure: ie in the case of the associated countries, procedures based on Article 3(a), and for the three Baltic countries procedure based on Article 3(b).

- Under Article 3(a) the Council may take definitive decision on safeguard measures which is different than the decision proposed by the Commission providing that Council overrules the decision by qualified majority vote. But if the Council fails to overrule the Commission decision by qualified majority vote (ie some member countries succeeded in imposing a blocking minority), the Commission's decision is maintained.

- Under Article 3(b) the Council can maintain, change, or cancel the Commission's decision by qualified majority vote, but if some member countries impose a blocking minority, and the Council is not able to take a compromise decision which would satisfy the blocking minority, the decision taken by the Commission is not applicable. In concrete application this for example means that if the Council fails to take a decision within three months on the safe-guard measures proposed by the Commission, these will

automatically expire. The opposite case is when the Commission proposes to the Council not to make definitive the provisional safe-guard measures. However, when the blocking minority is against this proposal and the Council failed to take a decision within three months, the provisional measures would automatically become definitive.

The Implementing Regulations:

The implementing regulations on internal procedure for applying the Europe Agreements deals with the full body of trade protection measures ie with safe-guard measures and with the protection against dumped or subsidized imports. In particular this concerns:

the use of safeguard clauses, safeguard measures in the agricultural sector, safeguard measures concerning textile products, and in general the protection against dumped or subsidized imports.

We discuss the specific procedure on the case of application rules for the Europe Agreement concluded with the Czech Republic, Council Regulation No 3296/94 of 19 December 1994. (The Council Regulations on procedure for applying the other Europe Agreements are the same, but the number of Articles in the Europe Agreement may differ, as each Europe Agreement has slightly different numbers of Articles).

Article 29 and Article 117(2)

Article 29 refers to the possibility for the Czechs to introduce or temporarily raise protective custom duties when this is needed for protection of infant industries, or to give temporary protection to sectors undergoing restructuring or facing serious difficulties. Article 117(2) refers to the possibility of

taking specific measures if the other Party failed to fulfil obligations under the Europe Agreement.

For this case the Council's Regulation on procedures for applying the Europe Agreement gives Council the power to raise with the Czechs the question of eventual measures within the Association Council. It also gives Council the power to adopt the measures agreed. The Commission has the right to present necessary proposals to this end, either on its own initiative, or at the request of a Member State.

Article 30 (dumping)

In principle, Article 30 allows protective actions against dumping to be taken, and Article 34 stipulates the procedure to follow in the introduction of anti-dumping measures. Thus there is either procedure Article 34 (3)(b) ie informing the Association Council that anti-dumping investigations were initiated (and a 30 day period to find a solution); or there is procedure Article 34 (3)(d) ie to apply provisional measures immediately, in exceptional circumstances requiring immediate action, and informing the Association Council only afterwards.

It seems to us that this provision shall be seriously studied by the association countries. The "conclusions" to the Essen Summit particularly the part dealing with the "Strategy for Preparation of Accession" indicated that "in the short term, the EU should offer information to any Europe Agreement country prior to the initiation of any antidumping or safeguard proceeding...". The Council Regulation of December 19 1994 however, indicates that

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still, in the circumstances requiring immediate action, the provisional measures may be taken immediately and only then would the Association Council be informed. This is suggested by Article 4 of the Council Regulation of December 19 1994.

Safeguard Measures (Article 31 and Article 32 of the Europe Agreement):

The internal decision making procedure makes a difference depending on (1) if safeguard action is initiated by a Member State, and (2) if safeguard action is initiated by the Commission, or by a member state, and the Commission supports this.

1. The case of safeguard measure taken on the initiative of a member state:

- Member State may ask the Commission to apply safeguard measures (and must supply justifying information).

- Commission must inform the Council and member states within 5 working days if it doesn't want to apply safeguard measures. Then any member state may refer the problem to the Council within 10 days.

- The Council may, by qualified majority, indicate its will to adopt a different decision than that proposed by the Commission (see the above discussion on Article 3(a) procedure). In turn, the Commission is informing the Czechs that it is opening consultations within the Association Council.

- Following the conclusion of consultations within the Association Council, the Council then has 20 working days to approve, by qualified majority, the decision which is different to that proposed by the Commission. If the blocking minority succeeds and the decision doesn't get a 65 vote majority, the

decision of the Commission not to apply safeguard measures is maintained.

2. Case of safeguard measure to be applied on the Commission's initiative, or on a member state initiative and with which the Commission agrees and decides to approve it:

- The Commission informs the member states and consults the appropriate Committee of the EC.

- At the same time the Commission informs the Czechs and provides the Association Council with relevant information.

- There are 30 days to find an arrangement in the Association Council.

- If no acceptable arrangement is possible in the Association Council, the Commission, after consulting the Committee, may take appropriate measures to implement safeguard measures under Articles 31 and 32. The Commission notifies the Council and the Member States and the Association Council, **but the decision to apply safeguard clause is immediately applicable.**

Article 64 - Competition Policy and State Aids.

The long text of the Article 64 of the Europe Agreement provides rules on competition and public aids. It stipulates that practice distorting or threatening to distort competition shall be assessed on the basis of criteria arising from the application of Articles 85, 86 and 92 of the Rome Treaty. There are however, provisions allowing a certain transition period for the application as well as exemptions from the provisions.

Article 3 of the Implementing Regulation of 19 December 1994 provides for two situations:

- application by the Community of measures provided for in Article 64 of the Europe Agreement. It is the Commission who proposes that the Council eventually apply safeguard measures.

- a practice that may cause measures to be applied to the Community by the Czechs. Once more it is the Commission who is entitled to take appropriate decisions on the basis of the criteria resulting from the application of Articles 85, 86 and 92 of the Rome Treaty.

Agricultural products:

The Implementing Regulation in particular concerns the situation in which protective measures "are taken according to procedures provided for by the rules establishing a common organization of the agricultural markets". This is mostly the case of adoption of **minimum prices**. Readers will remember that this creates regular problems for example with soft-fruit and other agricultural products. The decisions are taken according to the proper rules establishing a common organization of the agricultural markets, or in specific provisions adopted under Article 235 of the Treaty (and applicable to processed agricultural products), providing that the conditions under Article 22, or Article 34(2) AND (3) of Europe Agreement are met.

This complicated language simply means that because of the **particular sensitivity of agricultural products**, if there is a threat of disturbance of the market, the Parties shall immediately start consultations, **but that meanwhile the party concerned may immediately apply measures its considers necessary.** ■

RAPID RISE IN TRADE WITH ASSOCIATED COUNTRIES

The first complete data on trade between the European Union and the six associated countries of Central and Eastern Europe during the first half of 1994 indicates a continued rapid expansion of mutual trade and, because of a much rapid rise in EU imports from the associated countries, a significant decrease in the EU trade surplus.

While the EU had a surplus of nearly ECU 3.3 billion during the first half of 1993, this surplus decreased during the first half of 1994 by more than ECU 600 million and amounted to ECU 2.67 billion.

The decrease in the EU surplus was due to a significant increase in imports. Overall imports from the six associated countries increased by nearly 29% in terms of ECUs. This represented the highest increase in EU imports from the associated countries since 1990, and a sign of the favorable impact of the Europe Agreements in boosting exports from the associated countries to the European Union. In absolute terms, EU imports from the associated countries expanded by nearly ECU 2.7 billion (by some \$3.3 billion) during the first half of 1994.

EU exports to the six associated countries expanded during the first half of 1994 by 16.3%. This, on the other hand, represented the lowest increase in exports since 1990. In absolute terms, exports expanded by ECU 2 billion and chiefly due to an ECU 0.93 billion increase in exports to the Czech Republic. The data indicates a strong deceleration in exports to Poland. Exports expanded during the first half of 1994 only by 0.7% following a 21% increase in all of 1993.

Overall trade data calculated by East-West from the data base of the European Commission are presented in the table. East-West also calculated the data on EU trade with each associated countries in the breakdown of each export and imports into 22 main commodity groups. Because of space reasons we will start to publish detailed data in the next issue of Together in Europe.

EU TRADE WITH ASSOCIATED COUNTRIES JUNE 1994 '000 ECUS

	I-VI 1993		I-VI 1994		Balance		% Growth	
	Exports	Imports	Exports	Imports	1993	1994	Exports	Imports
Czech Republic	2836604	2272304	3759542	2991425	564300	768117	32.5	31.6
Slovakia	539663	506179	822913	874371	33484	-51458	52.5	72.7
Poland	5130508	3547440	5167688	4286179	1583068	881509	0.7	20.8
Hungary	2358776	1820387	2939041	2201691	538389	737350	24.6	20.9
Romania	1149035	747573	1203515	1051344	401462	152171	4.7	40.6
Bulgaria	608553	445024	784661	600898	163529	183763	28.9	35.0
TOTALS	12623139	9338907	14677360	12005908	3284232	2671452	16.3	28.6

Detailed data indicates the maintenance of the high rate of increase in imports from the associated countries of textiles and clothing articles. Imports of agricultural products also expanded relatively rapidly, with a higher increase in imports from the associated countries of processed food. The principal exception was Bulgaria whose exports of processed food to the EU declined. In general, EU imports of machinery and mechanical appliances from all associated countries increased at a more rapid rate as was the rate of increase in overall imports. The increase in EU imports of iron and steel products was significant and amounted depending on individual associated countries, to between 30 to more than 100%. Even in the case of imports of metals from the Czech Republic and Slovakia (imports of several steel products are restricted by the use of safeguard measures) the increase was significant and amounted to 43% for the Czech Republic and 92% for the Slovak Republic. ■

DEVELOPMENTS WITHIN THE EC

THE EUROPEAN UNION OF 15 MEMBERS

On 1 January 1995 with the accession of Austria, Finland and Sweden the European Union expanded from twelve to fifteen members. The EU population now exceeds 370 million, the surface area of the Union is now 3.2 million square kilometers and for the first time, the Union has now a 1200 km long border with Russia. The GDP (Gross Domestic product) has increased from over 5.3 trillion ECU to over 5.9 trillion ECU (The US's GDP is now some 90% of the GDP of the EU of 15 members and Japan's GDP is now some 60% of the EU's GDP. The accession of three rich new member countries increased the GDP per inhabitant from 15,840 ECU (EU 12) to ECU 15,951 (EU 15). The accession also slightly enlarged the difference between the EU poor and rich member countries in the terms of GDP per inhabitant. If the GDP per inhabitant of EU 15 is taken as the base (EU 15= 100), the GDP/inhabitant of Austria is 122 and that of Sweden 114 while that of Finland amounts to 88. Currently 7 of 15 member countries have GDP per

inhabitant lower than the EU average: Portugal (46), Greece (46), Spain (65), Ireland (71), United Kingdom (87), Finland (88), Italy (91).

Impact of enlargement on the institutions and voting procedures:

The Treaty of Accession which was negotiated between the European Union and the four candidate countries was based on an assumption that all 4 candidate countries would join and the EU would consist from January 1 1995 of 16 member states. The EU of 15 member countries necessitates introducing the necessary adaptations. Not all these adaptations were automatic, but required a political decision by the EU Council (vote in the Council and number of Court of Justice judges).

The European Parliament now has 626 members, the Commission has 20 Commissioners and the 15 member countries have a total of 87 votes in the Council (see details in the table).

Member State	MEPs	Votes at Council	Commissioners
Belgium	25	5	1
Denmark	16	3	1
Germany	99	10	2
Greece	25	5	1
Spain	64	8	2
France	87	10	2
Ireland	15	3	1
Italy	87	10	2
Luxembourg	6	2	1
Netherlands	31	5	1
Portugal	25	5	1
United Kingdom	87	10	2
Austria	21	4	1
Finland	16	3	1
Sweden	22	4	1
TOTAL	626	87	20

Voting Procedure:

The voting procedure in the EU is rather complex, giving member states a different number of votes, broadly weighted to reflect their respective populations. The "big" countries have 10 votes each (despite the fact that Germany has a population

some 40% bigger than each of the other 3 big countries.

Decisions by simple majority are rather rare in the Union. The simple majority is now 44 votes of the 87 vote total in the Council.

The key element is **qualified majority**, or from a different viewpoint, **blocking minority**.

In the Community of 12 legislation could have been blocked by 23 votes out of the total number of votes of 76. This was for example the case of a coalition of two large countries and one small country who could build up a blocking minority and thus impose a veto. Readers will recall that during the negotiations on the Treaty of Accession, Britain and Spain (each for different reasons) reduced the mathematical adaptation to the voting procedure for a larger number of member countries and insisted that the blocking minority should remain at 23 votes. The compromise then emerged after the discussions in the Greek town of Ioannina without which the accession of the EFTA countries would not have been possible. The compromise satisfied Spain and the UK, but the compromise is only valid until the Intergovernmental Conference of 1996.

The formal application of the "Ioannina Compromise" to the EU of 15 member countries is as follows:

The qualified majority of the votes is 62. The blocking minority is 26 votes. However because of the Ioannina compromise, and if the Council has to take a vote on a Commission proposal, the following rule applies: if the minority in the Council representing between 23 to 25 votes indicates its intention to oppose the Council's decision which is to be taken by a qualified majority vote, then in this situation the Council can postpone its vote and do whatever is necessary, and in a reasonable time (some 2-3 months?), to obtain a satisfactory solution which could be adopted by at least 65 votes.

In the other cases, the 62 votes of qualified majority shall represent a favorable vote of at least 10 member countries.

It may be noted that the 62 votes of qualified majority could be reached by the vote of 4 big countries, plus the vote of Spain, and for example by a vote of three small countries (ie by the vote of 8 countries out of the total number of 15 member countries).

This decision making procedure in the Council has considerable importance for example for the associated countries of Central and Eastern Europe. Readers will certainly recall that the entry into force of full Europe Agreements with Hungary and Poland

one year ago was held back and that the decision on the entry into force of Europe Agreements with the Czech Republic, Slovakia, Bulgaria and Romania (as well as of the free trade area arrangement with the Baltic States) had to wait for the Decision by the Council on procedure on decisions concerning the application of safeguard measures. These decisions in the Council are taken by **qualified majority**. The procedure is based on Article 3 (a) which means if the Council fails to overrule the Commission's proposal on trade defence measures by qualified majority (ie that some member countries managed to impose a blocking minority), the Commission's decision is maintained. Theoretically for example, a combination of votes of Portugal, Spain, Greece and Belgium (ie 23 votes), could postpone a vote in the Council and require a compromise solution over a "reasonable period" of time. Also the vote of "southern" member countries amounts to 28 (Greece 5, Italy 10, Spain 8, Portugal 5), ie 2 votes more than the necessary blocking minority. On the other hand, the vote of relatively poor member countries makes a total of 21 (an article dealing with the Council Regulation on procedures for applying the Europe Agreements discusses the implications of the vote procedure in more detail).

Court of Justice:

A Community of 15 members also required new decisions concerning the number of Court of Justice Judges. With Norway there would have been 17 judges, without Norway the total would become 16 judges. However, this was not possible because an **odd number** is considered necessary to guarantee that decisions are made in all cases, thus the final number of judges was set at **15** (ie increased from 13 for EU 12 to 15 for EU 15) and the number of advocate-generals was increased from 6 to 8.

The EU of 15 members also increased the number of representatives in the Economic and Social Committee and in the Committee of Regions from 189 members to 222 members. The new member countries have the following number of representatives in each committee: Austria (12), Sweden (12), Finland (9).

In the European Parliament which has now 626 members the qualified majority has moved from 284 votes to 314 votes. In the European Parliament the biggest group is that of **socialists (221 members)**, followed by the **EPP (Christian Democrats) with 173 members** and by the **liberals (52 members)**. ■

AUSTRIAN SCHILLING ENTERS EMS

The Monetary Committee of the European Union approved on 8 January, the entry by the Austrian Schilling into the ERM (Exchange Rate Mechanism) of the EMS (European Monetary System) as of January 9 1995. Austria's aim was to join the EMS within two weeks of accession. The central rate to the ECU was set at 13.7167 Schillings. The Schilling is able to fluctuate within 15% of its central rate. Readers will recall that this broader margin was fixed by the EU in August 1993 and reconfirmed by ECOFIN in December 1994 (see No. 60).

The entry of Austria into the EMS exchange rate mechanism has increased the number of participating currencies to 10 out of 15 member states. The currencies of the UK, Italy, Greece and of two new member states, Finland and Sweden, continue to fluctuate freely.

However, Austria made it clear that in spite of the broader fluctuation margin, it will carry out a monetary policy which will make it possible to maintain exchange rate stability and the schilling is going to continue being pegged to the DM.

Actually, the policy towards the schilling over the last 15 years has been to stay in relation to the DM, within a margin of 0.25%. The policy is thus to be a part of the hard core of those EMS currencies which since August 1993 still follow the policy to respect the narrow fluctuation margin of 2.25%, even if this has not been, since August 1993, legally compulsory.

Austria's Central Bank declared that joining the ERM represents the logical progression to the monetary policy pursued up to

now. The Central Bank also stated its belief that joining the ERM means making the commitment to stability official. This brings more security for international investors and makes the schilling more acceptable as an international currency.

Readers may note the difference between the current entry of Austrian schilling into the ERM (Exchange Rate Mechanism) with that of earlier entry of the British Pound which stayed in the ERM for only a short time.

The British Pound entered the exchange rate mechanism in 1990 and the central rate was announced in London well before deliberations within the Community, whose experts mostly considered that the central rate as it was unilaterally set up by the UK authorities, would be difficult to defend over a longer period.

The Austrian Schilling entered the ERM upon the mutual agreement on the terms of Schilling's participation in the ERM, and in common procedure which involved the ministers of finance and central bank governors of the EU Member States, the

Commission, the European Monetary Institute (which was thus associated with the work of the EU Monetary Committee for the first time). Therefore the central rate was set up by a mutual agreement and announced jointly by the Community.

The entry into ERM also means the determination of the bilateral central rates of the schilling against the nine other currencies which participate in ERM (i.e. 100 ATS (Austrian shillings) = 293.163 BLF; 54.2170 DKK; 14.2136 DM; 1124.54 PTA; 47.6706 FF; 5.89521 IRL; 293.163 LUX; 16.0149 HFL; 1405.98 ESC). On January 9 the central banks then communicated the compulsory intervention point in the exchange rate mechanism.

Sweden:

The Swedish Central bank said that while it welcomes the entry of Schilling into the ERM, it feels that Sweden needs firstly to reestablish the fundamental balance of economy before considering a similar step. Readers will recall that Sweden, which had earlier established links with the EMS, has suspended them during the monetary crisis in August 1993.

Finland:

It is thought that Finland will also have to make efforts at reestablishing an economic balance before deciding to join the ERM. Their biggest problem is the high level of unemployment. ■

NO "BIG BANG" FOR THE SINGLE CURRENCY, BUT THE DELAY SHOULD NOT BE TOO LONG, SAY MR LAMFALUSSY AND MR CHRISTOPHERSEN

Alexandre Lamfalussy, President of The European Monetary Institute, spoke at the end of December 1994 to the European Parliament committee on economic and monetary affairs and, asked about the timetable of monetary union, he stressed that the Institute, which has received a mandate to achieve preparation for the beginning of phase three of EMU for the end of 1996, will fulfil its mandate "independently from what is likely or not likely to happen". Mr Lamfalussy, though, is fully aware that the present convergence situation in Member States makes a beginning of the third phase already in 1997 very unlikely, and admits that 1999 seems to be "more a serious possibility". He recalled that the Treaty doesn't say clearly when exactly, in phase three, there should be a single currency: the word used in the Treaty is "rapidly", without further detail. Mr Lamfalussy does not believe in the "big bang" theory for introducing the single currency, which he doesn't think could happen on "day one" of phase three. European Commissioner Henning Christophersen doesn't believe in the "big bang" either, and he repeated it at a meeting of the EP sub-committee on monetary affairs, saying again that he rather believes in a series of "small bangs". But he also added some sense of urgency, saying that this process could last only from six to twelve months, but not indefinitely longer.

Mr Lamfalussy also stressed the importance of timing, and of thinking carefully about the "sequence of events" to expect between now and the beginning of phase three. Thus, he said, the European Monetary Institute, which is now functioning in Frankfurt with a staff of 125 people and will probably employ 200 by

the end of 1995, has set itself a sort of "countdown" which should help it to come forward, by the end of 1996, with a "blueprint" for the future European Central Bank (which will eventually replace the Institute).

This a difficult part of the EMI mandate, said Mr Lamfalussy, who also repeatedly showed that he doesn't intend to go beyond this mandate. Thus, answering very cautiously a question about a possible EMI contribution to the 1996 Intergovernmental Conference, he expressed doubts about "the wisdom of doing so". At the other EP meeting, Mr Christophersen, answering similar questions, said that the Treaty on EMU should not be modified in 1996, but also anticipated that, after the beginning of phase three, Member Countries will realize that "something must be done" in order to reach a better balance between monetary Union and economic Union. Mr Christophersen, indeed, shares president Delors' idea that the "economic" side of the treaty doesn't go far enough concerning coordination of economic policies.

Mr Lamfalussy also showed some concern about a situation, in phase three, where only a reduced number of Member States will fully participate. How will the countries "outside" Monetary Union behave, he wondered. Therefore Mr Lamfalussy, who doesn't anticipate any serious problems if the exchange rates of the countries "outside" don't show large fluctuations, would find it useful to agree about "a sort of exchange mechanism type relationship, a sort of EMS" between the countries which will be in the Monetary Union and those not. ■

FRANCE AND BRITAIN SHOULD REFLECT ON THE POSSIBLE CONTRIBUTION OF THEIR NUCLEAR FORCES TO A GENUINELY EUROPEAN SECURITY POLICY, SAYS MR LAMASSOURE

The possibility of consultations between France and Britain on how their respective nuclear forces could be used to enhance European security has been suggested every now and then over the years, but always timidly, and very rarely by leaders of either country. French European Affairs minister Alain Lamassoure (who, in the first six months of 1995, will chair the European Union Council when they are not attended by Foreign Affairs minister Alain Juppé) broke this taboo publicly at a recent European Movement Conference in Paris. He said "France should agree to question ... the role of its dissuasive force for European defence. Our British friends will not escape this debate either, and it will only be to our advantage to discuss it together in good time". Mr Lamassoure asked himself whether Member States really want to transform the European Union into a "diplomatic, hence military and finally political power", and said that France's partners

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should show that, "beyond the communiqués on European defence identity, they agree to the principle of a true common foreign policy and its practical consequences regarding defence". For France, the "first circle" or the "hard core" involves the participation in such a policy, he added, referring to Edouard Balladur's idea about a Europe built in circles, and to Karl Lamers' (of the CDU/CSU group in the Bundestag) concept of a hard core of countries which should attract the others and convince them to proceed faster too.

Alain Lamassoure, regretting that the Maastricht Treaty as it stands doesn't give the Union the means to have a real common foreign policy, reiterated one of the institutional suggestions which he has been making in recent weeks, about the setting up of a common body which would play, for the common foreign and security policy (CFSP), the role that the European Commission fulfils for internal Community policies. Mr Lamassoure said that he was delighted to note that the idea of setting up such a General CFSP Secretariat had been taken up elsewhere, for example in Rome and in Bonn. In Germany, indeed, Foreign Affairs minister Klaus Kinkel found such an initiative desirable, stressing the fact that the Secretariat would be a permanent body, and therefore capable of ensuring a continuity which the Council cannot guarantee because of the six-months rotation system (and despite the Troika arrangements involving three successive presidencies, and the intensified consultation between presidencies). ■

DIFFICULT TEST FOR THE NEW EUROPEAN COMMISSION-MEMBERS TAKE THE HEARINGS SERIOUSLY AND ASK FOR SOME CHANGES

The vote of approval, on January 18 in Strasbourg, of the European Commission that Jacques Santer is expected to chair for five years, after ten years of Jacques Delors leadership, will not be an easy one. It is indeed the first time that such a vote will not be a mere formality, and moreover, follows a series of intensive parliamentary hearings of all the Commissioners designate. A first test had already taken place last July, when Parliament was asked for the first time to express its opinion on the Commission's President designate, and only 260 Members of Parliament against 238 (with 23 abstentions) approved the choice of Santer (in many cases, more because of the way the whole matter had been handled by the European Council than because of serious reservations about Santer himself).

Now, a few months later, MEPs are taking the hearings seriously, have been extremely critical towards a few personalities, and have also expressed their disquiet about possible consequences of the new structure

that Santer intends to give the European Commission, especially as far as Foreign Affairs and Development Cooperation policy are concerned. Most Members of Parliament, indeed, would have preferred the old system, with a Commissioner particularly in charge of policy towards the Third World in general, instead of the "regional" structure foreseen for the future, scattering responsibilities among three different Commissioners. Most political groups would also like to know which Commissioner in particular will be in charge of "human rights" (in the Delors Commission it was Hans van den Broek), and a compromise could be found by way of making Jacques Santer himself responsible for this very political issue.

The hearings were a big novelty not only for the European Commission, but for Europe in general, since no Member States follows such a practice at home. The exercise was new, and one of its merits was the transparency that it introduces at the level of European institutions, thus making them more visible to the public.

But, exactly because the exercise was new, some MEPs haven't understood it as they should have - an occasion to ask Commissioners designate, whether "old" or "new" about their real European beliefs and the way they see their work, especially in connection with the European Parliament. Some Members of Parliament didn't resist the temptation to ask very specific questions which were difficult to answer, and were not satisfied with the Commissioners' reactions. Some Commissioners, on the other hand, were extremely reticent on important issues where it was legitimate to expect from them a personal opinion, and MEPs were disappointed.

The hearings took place in the committees relevant for each Commissioner's future tasks, and the committee chairpersons each wrote a letter to president Hänsch summarizing in a rather candid and sometimes very detailed way the feelings of MEPs about the candidates. Strong reservations were expressed in at least five cases, concerning one "old" Commissioner Pdraig Flynn, who should

retain his old competence, social affairs and four "new" ones, three of whom come from the "new" Member States Austria, Finland and Sweden. Mr Flynn was fiercely criticized for being "unable or unwilling to respond directly" and not giving "evidence that he was inspired by any real vision". Moreover, most Members concluded his "inability" to properly carry out the job of Commissioner in charge of equal opportunities between women and men, and asked Jacques Santer to take it away from him and give it to somebody else. Some suggested Anita Gradin, the new Swedish Commissioner who should be in charge of immigration, internal affairs and justice, as well as fraud control and relations with the Ombudsman. But Ms Gradin, though very experienced (among other things, as immigration minister), was also disappointing: Members found her answers vague and had the impression she did not really "grasp" the issues she would be in charge of.

This was the case of fraud control in particular, but also on issues such as the fight against crime in general she was extremely cautious, refusing for example to admit that Europol should have the status of a really "European" police force. Ritt Bjerregaard, candidate for environment policy, provoked perhaps the worst reaction. The colorful and lively former Danish minister, also considered very (sometimes even "too") European because of the role she played as President of the European Movement in Denmark, was apparently a bad surprise.

Not only did she refuse to commit herself as far as a good working relationship with the European Parliament was concerned (later, she said that the EP is not a "real" Parliament), but she also admitted that she had not studied

her dossiers, thus showing very limited consideration for the institution which actually has political control over the Commission. The criticism towards two other Commissioners, Finnish Erkki Liikanen (who should be in charge of budget) and French Yves-Thibault de Silguy (who'll be in charge of economic and monetary affairs) was much more temperate: in both cases, Parliament acknowledged the experience and the seriousness with whom both Commissioners designate had prepared themselves for the hearings, but found them too cautious and unwilling to commit themselves on a series of important issues.

Other Commissioners, even among the "new" ones, were warmly received by Members of Parliament: this is the case of Austrian Franz Fischler, who'll be responsible for agricultural policy and is obviously particularly competent, since this was his job in the Austrian government, of German Monika Wulf-Mathies, who'll run regional policy and cohesion, and demonstrated her experience and political flair (she has been the leader of one of the most important German trades unions).

The two Italian Commissioners designate, Economy Professor Mario Monti (who will handle the Internal Market) and radical politician Emma Bonino (who'll be in charge of consumer, humanitarian aid and fisheries) were able to convince Members of their independence, and Greek former MEP Christos Papoutsis, who will be responsible for energy and Small and Medium Enterprises, spoke in favour of an ambitious revision of the Maastricht Treaty in 1996. British Commissioner, Neil Kinnock, who will handle transport policy, also gave the impression of having done his homework, as did former French

Prime Minister Edith Cresson (at least as far as research is concerned, while she seemed less at ease with another part of her job, youth and education).

Commissioners were obviously asked about the priorities in their future jobs, their independence from political and economic influence, their attitudes towards European integration in general and concerning relations with Parliament and the Intergovernmental Conference of 1996 in particular. They were also asked about the next enlargement, to the East, of European Union, and all of them found it politically necessary, but many stressed the difficulties and the long delays that would probably be involved in the process.

This was in particular the opinion expressed by Karel Van Miert, who said that the next enlargement would certainly not be achieved before the end of the century: "I don't know", he added, "whether everybody has realized how enormous the problems involved will be". Some Commissioners were more specific about it, as for example Monika Wulf-Mathies, who admitted that preparation for accession of Central and Eastern European States will certainly call for changes in regional policy (but, she said, this "should in no way lead us to abandon the aim of cohesion for the poorest regions of the Fifteen"), or Franz Fischler, who said agriculture will be an important issue in the next enlargement negotiations, and stressed that the Union should have "more realistic" expectations on how the agriculture of these countries may be integrated into the Common Agricultural Policy ("it is not simply a question of raising their prices up to our levels

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or bringing our prices down", he noted). Neil Kinnock said he would pay particular attention to the countries of Central and Eastern Europe in the field of transport, while Christos Papoutsis, who hoped that the energy chapter will be integrated in the "new Treaty" after 1996, rather stressed the importance of agreement with Russia and the former USSR countries on nuclear trade. Ritt Bjerregaard was also worried about nuclear security in the former Soviet Union but, asked about the immediate closure of particularly dangerous power stations, she just said that one should simply improve their security.

Hans van den Broek, responsible for the common foreign and security policy, stressed the need for "serious introspection" in the Union in order "to shape the new architecture of post-communis Europe", and Sir Leon Brittan, asked about the link between trade and human rights, said that the objective was to support progress of the democratisation process everywhere, and not a particular leader, in Russia or elsewhere.

The MEPs judgment about most Commissioners designate was on the whole positive if not very positive, and, anyway, the Commission's responsibility is collegial, and Parliament cannot single out one or other Member of the Commission and declare him or her unfit. The majority of Members should therefore vote for this Commission, but, politically, the criticism expressed cannot be ignored, and the future Commission, Jacques Santer included, would be well advised not to dismiss it.

BRIEF NEWS

Extension of voluntary restraint agreements on trade in mutton, lamb and goatmeat, live sheep and goats: On December 20 the Council extended adaptations to voluntary restraint agreements between the European Community and among others, Bulgaria, the Czech Republic, Hungary, Poland and the Slovak Republic. The agreements are in the form of exchanges of letters, concerning the extension of the adaptations to the voluntary restraint agreements between the EU and the associated countries on trade in mutton, lamb and goatmeat, live sheep and goats. The agreement shall continue in force until 30 June 1995. The quantity for the first six months of 1995 will be 50% of the figure agreed for the whole of the year 1995, but may be exceeded by up to 20%, which will be taken into account during the subsequent period.

Outward Textile processing Arrangements: The new EU regulation (No 3036/94) on the outward processing arrangements for textiles and clothing products was published in the Official Journal on December 15. It entered into force on January 1, 1995 while it was stipulated that the provisions concerning outward processing arrangements with associated countries of central and east European countries shall apply from January 1 1994.

Bovine Animals Import Quota: Commission Regulation (No 3170/94) of December 21, 1994 fixed the rules for the application of an import quota for the first half of 1995 for live bovine animals

imported from Poland, the Czech Republic, Slovakia and Hungary. The total volume of the quota is 39,600 head and the reduced import levy applicable to animals under this quota shall be 25% of the full levy applicable on the date of acceptance of the declaration of release for free circulation. Importers may lodge import licence applications only from January 13 to January 20 1995 and the EU Member states must notify the Commission not later than February 9. The Commission will then decide to what extent quantities may be awarded.

Commission Regulation (No 3171/94) also fixed the number of young male bovine animals (for fattening) for the 1st Quarter of 1995.

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